

Lecture 8

26 April 2006

Economic dimension of globalisation

Economic G

- Economic G refers to intensification and stretching of economic interrelations across the globe.
- Global economic order is composed of transnational corporations, regional trading systems and powerful economic institutions

Global economic order

- Present-day economic G can be traced back to the gradual emergence of a new international economic order put together at an economic conference:
- The Bretton Woods Conference of 1944
- Leading role of the USA and GB; major economic powers of the global North committed to expand international trade, establish binding rules on international economic activities, and create a more stable money exchange system.
- ‘Golden age of controlled capitalism’ for almost three decades but
- by the early 1970s the Bretton Woods system collapsed

Consequences of Bretton Woods

- It set the institutional foundations for the establishment of 3 new international economic organisations:
- IMF was created to administer international monetary system
- International Bank for Reconstruction and Development (→ the World Bank) was designed to provide loans for Europe's post-war reconstruction. During the 1950s, its purpose expanded and it began funding different industrial projects in developing countries.
- GATT was established in 1947 as a global trade organisation (in 1995 its successor became the WTO).

Rise of neoliberalism

- Roots in classical liberal ideas of Adam Smith and David Ricardo who viewed the market as a self-regulating mechanism, seeking equilibrium between supply and demand (the invisible hand of the market). Against constraints on free competition, for elimination of all barriers to trade and capital flows.
- Neoliberals have revived classical liberal arguments against proactive state intervention to guide or restrict operations of the market. They argue that the state lacks the capacity to control G.
- Therefore, large scale retreat of official regulation is needed; abolition of state-imposed limitations on movements of money, goods, services, capital; removal of state control on prices, wages, foreign exchange rates...

Rise of neoliberalism

- By the 1980s Margaret Thatcher in GB and Ronald Reagan in the USA led the neoliberal revolution against Keynesianism, linking G to ‘liberation’ of economies
- The new neoliberal economic order was further legitimised by the collapse of the communist system in CEE
- Since then, 3 significant developments have been related to economic G: internationalisation of trade and finance; increasing power of TNCs; enhanced role of international economic institutions (e.g. IMF, WTO, World Bank)

1. Internationalisation of trade and finance

- Many people associate G with free trade
- Free trade is a controversial issue
- Elimination or reduction of existing trade barriers is supposed to increase global wealth, enhance consumer choices, secure peace in IR, spread new technologies around the world...
- It is less clear whether profits that result from free trade are distributed fairly within and among states; the gap between the rich and the poor countries is growing

2. Transnational corporations (TNCs)

- More than 50,000 TNCs (IBM, Sony, Nike, Mitsubishi, General Motors, Walmart, Siemens...)
- Many TNCs have larger sales revenues than entire economies of most countries!
- The world economy is beyond control of states: the 200 largest TNCs account for over half of the world's industrial output
- Geographical concentration: headquarters in North America, Europe, Japan, South Korea

3. Enhanced role of international economic institutions

- Most commonly mentioned are the IMF, the WTO and the World Bank
- They enjoy the privileged position of making and enforcing the rules of global economy (sustained by significant difference in power between the global North and South)
- From the beginning the USA has been the dominant power
- In return for supplying loans to developing countries, the IMF and the World Bank demand ‘structural adjustment programmes’, often referred to as the ‘Washington Consensus’

Readings for Lecture 9

- From Lechner & Boli *The Globalization Reader*:
- “A Global Ethic as a Foundation for Global Society” Hans Küng
- “The Emergence and Transformation of the International Women’s Movement” Nitza Berkovitch + “Beijing Declaration” UN 4th World Conference on Women
- “World Culture in the World Polity: A Century of INGO” John Boli & George W. Thomas
- “From One Earth to One World” World Commission on Environment and Development
- “Greenpeace and Political Globalism” Paul Wapner
- “Globalization and Sustainability” Wolfgang Sachs
- + all excerpts from Part X are also suitable