

A STUDY OF GLOBALIZATION: IS IT A NEW PHENOMENON

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Abstract

Globalization promotes increasing economic integration and growing economic interdependence between countries in the world economy. This study is trying to find out the meaning of globalization which includes the general idea of globalization. This study also analyses globalization in historical perspective that is, from where globalization actually came from, its evaluation in current phase. In a nutshell, this study analyses the evolution of globalization in different centuries. In fact, there are some paradoxical statements about its occurrence and its evolution.

Key Words

Globalization, Economic integration, Cross border competition, Age of discovery, Cold war

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Meaning of Globalization

The definitional problem of the term Globalization is a serious concern to me from the very beginning as far as my study is concerned. Actually, globalization is a very broad concept encompassing the whole world. It is a multidisciplinary, multilateral, multilevel and a multi - issue approach. It is an umbrella term for a complex series of increasing interdependence. But how can we best explain the term Globalization? Simple answers will not sufficient because Globalization is so complex with many dimensions. The close look at its various conceptual constructions reveals these facts.

Globalization is one of the most powerful forces shaping the world; however, there is no widely accepted definition or system of measure for the phenomenon (Prakash, Assem and Hart, Jeffrey A, 1999). Since the term is so all-inclusive, it is difficult to employ empirical evidence to support hypotheses concerning globalization. This study discusses the need to better define and quantify the chronology of globalization in order to provide a better understanding of this complex phenomenon. The various meanings of globalization, as well as various chronologies are discussed. Although this study has made initial progress toward defining globalization, further study of these fundamental concepts is needed. The term, originally intended to describe an integration of economies, has evolved to become an all encompassing phrase to characterize any activity or relationship which extends beyond national borders. Since globalization has become an area of widespread public interest, much effort has been devoted toward understanding both the challenges and opportunities which globalization presents. As a result, very little effort has been devoted to understand what globalization is and how to address the fundamental questions of how globalization should be defined and its occurrences be quantified that may help the world to view globalization through a common lens. Such a common view could be instrumental in understanding and formulating acceptable policies which bring about the desired consequences for the newly integrated world. Even though globalization is about “connectedness,” there seems to be a big disconnectedness between the fundamental concepts of defining globalization and identifying its chronology.

Globalization is a microeconomic phenomenon (Nayyar, Deepak, 1996) that has caught people flatfooted. The term is now a catchword of both proponents and critics of the changing global events. This term is a source of debate almost everywhere. Globalization means different things to different people. It can be defined simply as the development of extensive worldwide patterns of economic relationships between nations. More important perhaps it refers to a process of increasing economic integration and growing economic interdependence between countries in the world economy. It is associated not only with an increasing cross – border movement of goods or trade, people or services, capital and technology but with an organization of economic activities which straddles national boundaries. This process is driven by the lure of profit and the threat of competition in the market. It implies an open door policy. In fact, Globalization is the most powerful force in the world today.

The United Nations Economic and Social Commission for Western Asia, ESCWA (Human Development Report, 1999) has written that globalization refers to the reduction and removal of barriers between national borders in order to facilitate the flow of goods, capital, services and labor.

The Commission on Global Governance¹ defines globalization as the process of deregulation and increasing interaction among the different economic entities with a view to move towards an integrated global market (Human Development Report, 1999). So the term Globalization refers to growing economic interdependence of countries worldwide through increasing volume and variety of cross – border transactions in goods and services and of international capital flows and also through the more rapid and wide spread diffusion of technology.

¹ The Commission was established in 1992 with the full support of United Nations Secretary-General Boutros Boutros Ghali, taken from: http://en.wikipedia.org/wiki/Global_governance#Governance_of_the_economy_and_of_globalization,

Globalization can thus be defined as the intensification of worldwide social relations that link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice – versa Globalization relates to the fact that we all increasingly live in “one world”, so that individuals, groups and nations become more interdependent (Giddens,2001). He again defined globalization as, the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa (Giddens, 1990).

The International Monetary Fund refers Globalization as the increasing integration of economies around the world, particularly through trade and financial flows (Scholte. Jan Aart, 2000). The term sometimes also refers to the movement of people and knowledge (especially technology) across international borders. It views economic "globalization" as a historical process that is the result of human innovation and technological progress. The term "refers to the increasing integration of economies around the world.

Globalization primarily means a process of increasing international division of labor and the accompanying integration of national economies through trade in goods and services, cross-border corporate investments and financial flows (Kohlar, 2003). This integration is boosted by technological progress, in particular in transport and communications. Ideally, globalization is a win-win proposition, in which all economies ultimately benefit through productivity and growth effects. However, it also means that these economies face rising cross-border competition, requiring constant change and adjustment. And it is not simply forced upon us, but is rather the result of forces of change that are deeply rooted in human nature: the drive for freedom and a better life, for new discoveries and broader horizons. Globalization therefore has more than merely an economic dimension. And it encompasses problems that go far beyond economics. Environmental problems, contagious diseases, and organized crime do not have national borders any more.

When did Globalization begin

Along with definitions, another principal issues came in my mind is the debates about globalization that concerns chronology. That is the exact periodicity of the process of globalization has been a matter of dispute. The closer I look in history, the more difficult it becomes to identify a clear point of transition towards Globalization. The pertinent questions that crop up in my mind are – are the spread of global relations new to contemporary history? Did the trend start several generations, centuries or even millennia ago? Is globalization a cyclical phenomenon that comes and goes from time to time? Was it started around 1000 AD, with extensive transcontinental trade, or was it started in the 17th century, with chartered trading company shipping everything across the globe, or in the 19th century, under the classical Gold Standard, or in 1950's with the Britton Woods regime and its institutions (GATT, IMF), or in the 1990's with the explosion of cross - border finance.

Globalization is not a recent phenomenon (Kohler, 2003). Back in the 11th century the Venetian Republic based its prosperity on trade with other cities and regions. The 16th century, the age of the Portuguese, Spanish, and Dutch voyages of discovery, gave further impetus to global integration through rapid advances in maritime technology. However, the first comprehensive boost to globalization occurred in the second half of the 19th century, with the harnessing of electricity, the invention of steam engine, the expansion of the railways, and establishment of the gold standard.

It is important to remember, however, that this first great wave of global economic trade and financial integration was interrupted by a phase of protectionism and aggressive nationalism, leading to the Great Depression of the 1930s and World War II.

The willingness to resume international cooperation after World War II — not least thanks to the revival of the United Nations and the creation of the International Monetary Fund and the World Bank — resulted in a second great wave of global economic integration.

The origins of globalization are the subject of on-going debate. Though some scholars situate the origins of globalization in the modern era, others regard it as a phenomenon with a long history. Perhaps the most extreme proponent of historical origin for globalization was

Frank (Frank, A, 1994)². He argued that a form of globalization has been in existence since the rise of trade links between Sumer and the Indus Valley Civilization in the third millennium B.C.

The concept of globalization dates back to the voyage of discovery in the 15th – century (Sengupta, Chandan, 2001). In fact this kind of economic foundation was laid as early as in the 16th century. So the process of globalization is not new, that it predates modernity and the rise of capitalism and imperialism. However, modernization tends to accelerate globalization and the process has moved to the level of consciousness during the contemporary period.

The present complex structure of global system can be traced through five phases (Wallenstein & Ronald , 1992)³. He insists that the process of globalization is not new, that it predicts modernity and the rise of capitalism. However modernization tends to accelerate globalization and the process he moved to the level of consciousness during the contemporary period. Moreover, since the European civilization is the central focus for and origin of development he maps the path of globalization as a series of five phases. These five phases structured by Robertson are as follows:

Phase 1: The Germinal phase (1400-1750)

- ❖ This is the phase of dissolution of Christendom and emergence of nationalism in Europe.
- ❖ Global exploration.
- ❖ Colonialism.

Phase 2: The Incipient phase (1750-1875)

- ❖ A phase of nation – state and the initial phase of inter nationalism and universalism in Europe.
- ❖ First ideas of internationalism and universalism.

Phase 3: The Take-off phase (1875-1925)

² Andre Gunder Frank is an economist associated with dependency theory.

³ Historical- temporal path of globalization: Imanuel Wallenstein, Robertson Ronald ,Origin of globalization through different phases

- ❖ The phase of conceptualization of the world as a single international society.
- ❖ International communication.
- ❖ First world –war.
- ❖ Inclusion of non – Europeans in the international club of nation-state.

Phase 4: The Struggle - for - hegemony phase (1925-1969)

- ❖ Phase of Second World War.
- ❖ Cold war.
- ❖ The emergence of League of Nations and the United Nation (UN).
- ❖ Emergence of third world.

Phase 5: The Uncertainty phase (1969-)

- ❖ International relations more complex and fluid
- ❖ Exploration of space
- ❖ Global mass media via space technology

Robertson makes numerous careful reservations about these phases and did not make explicit logic behind this. But the steps on the basis of which he divided these phases might be- nation states are bounded social systems; they will therefore engage in economic, military, political and cultural exchanges across the boundaries that are both co operative and conflictual; differential outcomes and therefore cross-national mimesis will ensue; states will seek to systemize international relations in order to secure the conditions of their own existence. According to him 1969- is uncertain because we have little confidence in the direction in which we are heading.

Another opinion stated that an early form of globalize economy existed during the Hellenistic age (Malia Politzer, 2008)⁴, when commercialized urban centers were focused around the axis of Greek culture over a wide range that stretched from India to Spain (with cities like

⁴ Hellenistic civilization (Greek civilization beyond classical Greeks) represents the zenith of Greek influence in the ancient world from 323 BC to about 146 BC (or arguably as late as 30 BC). Hellenistic civilization was preceded by the Classical Hellenic period, and followed by Roman rule over the areas Greece had earlier dominated – even though much of Greek culture, religion, art and literature still permeated Rome's rule, whose elite spoke and read Greek as well as Latin

Alexandria, Athens its center). She has stated that trade was widespread during that period, and it is the first time the idea of a cosmopolitan culture⁵ emerged. **She** has perceived an early form of globalization in the trade links between the Roman Empire, the Parthian Empire, and the Han Dynasty. The increasing articulation of commercial links between these powers inspired the development of the Silk Road, which started in western China, reached the boundaries of the Parthian empire, and continued onwards towards Rome. With 300 Greek ships a year sailing between the Greco-Roman world and India, the annual trade may have reached 300,000 tons (Times Online, February 10, 2008).

The Islamic Golden Age was also an important early stage of globalization, when Jewish and Muslim traders and explorers established a sustained economy across the World resulting in a globalization of trade, knowledge and technology. Globally significant crops⁶ became widely cultivated across the world in this period (Microsoft Encarta Online Encyclopedia, 2009). The advent of the Mongol Empire, greatly facilitated travel along the Silk Road permitted travelers⁷ to journey successfully and profitably from one end to the other. This so-called globalization of the thirteenth century had several other notable globalizing effects. It witnessed the creation of the first international postal service across the newly unified regions of Central Asia. Up to the sixteenth century, however, even the largest systems of international exchange were limited to the Old World.

The Age of discovery⁸ also brought a broad change in globalization, engaged in substantial exchange with the New World. It began in the late 15th century, first exploratory voyages around the Africa and to the Americas, discovered in 1492 by Christopher Columbus. Shortly before the turn of the 16th century, Portuguese started establishing trading posts⁹ from Africa to Asia and Brazil,¹⁰ introducing an international business center under a royal monopoly, the India. This phase is sometimes known as proto-globalization. It was characterized by the rise of European empires, in the 16th and 17th centuries¹¹. In the 17th century, globalization became

⁵ From Greek "Cosmopolis", meaning "world city"

⁶ Such as sugar and cotton

⁷ Such as Marco Polo

⁸ The Age of Discovery, also known as the Age of Exploration, was a period in history starting in the early 15th century and continuing into the early 17th century during which Europeans engaged in intensive exploration of the world, establishing direct contacts with Africa, the Americas, Asia and Oceania and mapping the planet.

⁹ Factories

¹⁰ To deal with the trade of local products like gold, spices and timber

¹¹ First the Portuguese and Spanish Empires, and later the Dutch and British Empires.

also a private business phenomenon¹². Because of the large investment and financing needs and high risks involved in international trade, the British East India Company became the first company in the world to share risk and enable joint ownership of companies through the issuance of shares of stock: an important driver for globalization. 19th century Great Britain become the first global economic superpower, because of superior manufacturing technology and improved global communications such as steamships and railroads.

The conventional wisdom is that the first era of Globalization began in 19th century, with Britain’s repeal of its corn laws in 1846 and the spread of the gold standard, but it was started prior to the 19th century. But what made the difference in the international trade growth in the 19th century was not only globalization and greater competition but a significantly declining of transportation costs (European Review Of Economic History,2002).Table-1 and Table-2 reveals this fact.

But the roots of newly emerging forces of globalization have been traced in economic and political developments in the late 1970’s (more precisely 1973 and 1979-1980’s) and early 1990’s The events include the oil crisis, the end of cold war, dismantling the state socialism in the USSR and the collapse of Berlin - wall – all that marked the victory of the Western Liberal Economic Thoughts. As a result, in the early 1990’s, everyone wanted to imitate the west, adopt its institutions and its philosophy, privatize state industries, deregulate and reduce government expenditures. In the 10 years from 1988 to 1998 almost all governments in the world, regardless of ideology, downsized their activities while as major economic players on the world scene (G.Thompson, 2000).

European and World Intercontinental trade growth

TABLE - 1

EPOCH	GROWTH PER ANNUM (%)
1500-1599	1.26

¹² When chartered companies like British East India Company (founded in 1600), often described as the first multinational corporation, as well as the Dutch East India Company (founded in 1602) were established.

1600-1699	0.66
1700-1799	1.26
1800-1899	3.85
1900-1992	3.65

Source: Revision and simplification of Kevin O'Rourke and Williamson, 2002b, Table-1, pp, 419-421, European Review of Economic History, 2002, Cambridge University Press

TABLE - 2

EPOCH	GROWTH PER ANNUM (%)
1500-1799	1.06
1800-1992	3.7

Source: Revision and simplification of Kevin O'Rourke and Williamson, 2002b, Table-1, pp, 419-421, European Review of Economic History, 2002, Cambridge University Press

All this has created new markets, new authors and new actors, new rules and norms and new faster and cheaper means of communication channels in the late 19th and late 20th century (Sengupta, Chandan, 2001). According to him the present form of globalization has the new characteristics like new markets(service, consumer); new authors(MNC's, multilateral agreement on trade and services, more bindings for national governments, reducing the scope for national policy, developed communication system. International NGO's, regional blocks and policy co-ordination groups, e.g. G-7, G10, and OECD etc); new actors (WTO with authority over national governments, the agencies of co-operation, non- governmental organizations, NGO's and coordination of the industrialized countries like G-7, G-20, the international organizations charged with managing the system of world domination like IMF, OECD, World Bank etc.); new faster and cheaper means of communication channels (computer, Internet etc).

In this view, Bruno Amoroso (1998) has distinguished alternative phases of globalizations and fragmentation in international history. A number of studies emphasized that, in proportional

terms, levels of cross- border trade, migrations and investment were as high in the late 19th century as they were in the run-up to 2000. On the ground of such evidence, many commentators have declared that there is nothing new in contemporary globalization (Fig. 1).

In this diagram Bruno shows that internationalization can be defined as the exchange between two communities that enhances areas of their potential complementariness, there by resulting in an advantage for each and an increase of overall social product. Yet comparing the concept's theoretical basis to real processes reveals important deviations. As shown in figure-1, applying the exchange theory to two countries or areas would lead in the long run to reciprocal advantage along the bisecting line, which is obviously the optimization indicator of parity exchange. Each stage of internationalization process would thus be matched by an equal partition of advantages between north and south (or between two countries). Integrating the theoretical framework with the forms the internationalization process has taken on throughout various historic ages highlights a deviation from the bisector that is proportional to the extent of the inequality of the real exchange.

The phenomenon of internationalization in Europe are mercantilism from 15th to 17th centuries, the slave trade from 16th to the 19th centuries, the later placing the movement of people on the level of goods. Both evince a prevalently predatory character, so that in the diagram they generate the same asymmetry in terms of benefit distribution. Colonialism during the 18th century is the just as predatory, if not more so, continuation of both these forms of internationalization is the new context of the Western empires and of the possibilities afforded by the new transport and technologies.

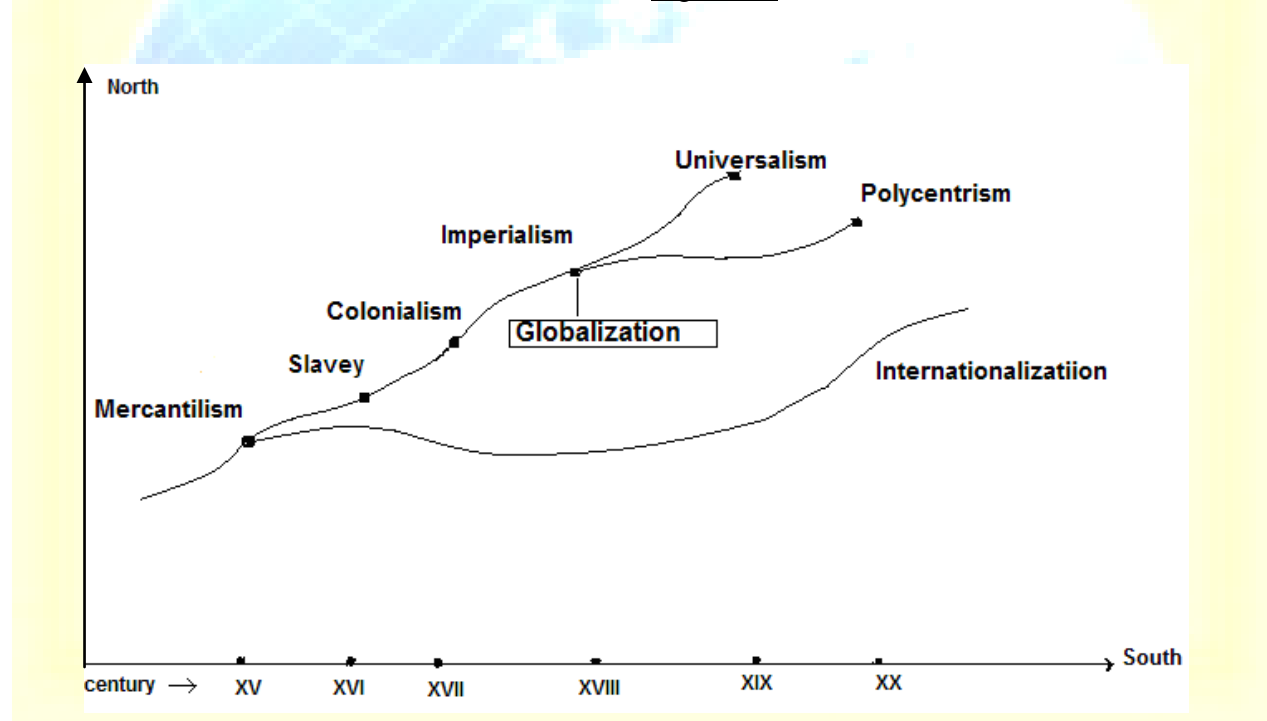
Imperialism of 19th century represents the adaptation of these relations and functions to the new context of monopoly- capitalism and nation – states, its nature becoming increasingly more predatory by the changes introduced by the industrial revolution into the structure of range of the markets and production systems.

To take a more detailed look at the features of the current stage of capitalist development- globalization and its relation to internationalization, it is a novel idea to recall the

forms it has taken on in the post-war years the dualism of national monopoly capitalist phase led to the marginalization of the current transnational capitalism.

Pre-conditions of Globalization in the 21st century lay in the second world-war, collapse of Bretton Woods system and oil crisis (1973 and 1979) before which capital was largely national in character (Sengupta, Chandan, 2001). Corporate interests, as ‘national interest’ were jealously guarded at home and abroad by means of tariff barriers, currency controls and citizenship. In 1945, the USA was in a position to restructure the post-war world to reflect its own interest which intensified further after the fall of Berlin Wall and end of the Cold War. Founding the United Nations (UN) was a first step towards the establishment of the principles of a new world order and the agencies to embody them.

Figure - 1



Source: Bruno, Amoroso, 1998

But at the same time, a complex set of pre-conditions for a global economy began to gain coherency, which included a structure of governance, supranational framework dominated by USA, free trade ideologies, new social classes embodying multinational corporate management. In brief it includes all the elements that advanced or facilitated the birth of a new regime of Globalization in the 21st century (Stiglitz, Joseph, 2002).

During the course of World war-II, almost all the nations had imposed heavy duties and had also resorted to many restraints resulting into substantial decline in the volume and value of world trade (Thompson, G, 1996). After the war, the global community realized that unless and until free trade is promoted the very rapid economic growth and creation of more employment opportunities could be achieved. Therefore, a proposal to create an apex body to promote, monitor and regulate the global trade was mooted out by the US in the year 1945 and the name of the apex body was International Trade Organization (ITO). However it had not come into operation. So, in 1947, GATT was created which was replaced by WTO on 15th April 1994. This creation of WTO was a milestone in the history of global trade.

The first phase of "modern globalization" began to break down at the beginning of the 20th century, with the First World War. The final death knell for this phase came during the gold standard crisis and Great Depression in the late 1920s and early 1930s.

Globalization, since World War II, is largely the result of planning by politicians to break down borders hampering trade to increase prosperity and interdependence thereby decreasing the chance of future war. Their work led to the Bretton Woods conference, an agreement by the world's leading politicians to lay down the framework for international commerce and finance, and the founding of several international institutions¹³ intended to oversee the processes of globalization. Globalization has been facilitated by advances in technology which have reduced the costs of trade, and trade negotiation rounds, originally under the auspices of the General Agreement on Tariffs and Trade (GATT), which led to a series of agreements to remove restrictions on free trade (Wagner.Helmut,2000).

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¹³ These institutions include the International Bank for Reconstruction and Development (the World Bank), and the International Monetary Fund.

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