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## Globalization and Development

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### CHAPTER SUMMARY

In the contemporary period, the internationalization of the world economy has changed how societies and states are structured and governed, and time and space have contracted. Globalization means that new sets of relations and activities, mostly in the economic arena, are taking place irrespective of the geographical location of participants. However, gaps between the Global North and Global South remain. A few countries, most particularly China, have escaped that trend. Nonetheless, the income gap between poor and rich nations has more than doubled over the past half-century.

Some analysts believe that globalization is just another face of imperialism, allowing the powerful, mostly in the Global North, to extend their reach and widen the net of international capitalism. Others argue that the integration of national economies into one world market will benefit all in the long term. Alternative forms of globalization at the regional level are taking shape, with “emerging” countries of the Global South establishing new mechanisms and new integration schemes to contest the rules of the game as defined by the powerful OECD countries, institutions like the World Trade Organization, and transnational corporations. In addition, civil society networks are advocating “alter-globalization,” emphasizing human and labour rights and environmental protection.

### VIDEO RESOURCES

*Joseph Stiglitz: The Economics of Information.* Asia Society, 2008.

[http://fora.tv/2008/02/05/Joseph\\_Stiglitz\\_Economics\\_of\\_Information](http://fora.tv/2008/02/05/Joseph_Stiglitz_Economics_of_Information)

Time 2:09

What are the positive and the negative aspects of globalization according to Joseph Stiglitz, Princeton Professor and winner of the Nobel Prize in economy?

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***World Debate: Asia: Sharing the Wealth?* BBC News, 2011.**

<http://www.bbc.co.uk/news/world-radio-and-tv-14081505>

Time 8:02

Asia has been leading the world out of the global financial crisis with tremendous economic growth. But is this new wealth being spread evenly? Mishal Husain chairs a lively World Debate featuring Thailand's Prime Minister Abhisit Vejjajiva, Indonesia's Trade Minister Mari Pangestu, Congressman Walden Bello from the Philippines, and Prashant Ruia of India's Essar Group.

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***Globalization.* WissensWerte, 2011.**

<https://www.youtube.com/watch?v=3oTLyPPrZE4>

Time 8:10

The world is becoming more and more interconnected. Globalization changes how people consume, work, and live almost everywhere on the world. Today, many economic, political, cultural or ecological relationships are not explainable from a national perspective. At the same time, a controversial debate about the consequences of globalization has begun. But what are the main causes for globalization? In what areas it is most prominent? And who are the winners and loser of globalization?

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***Paul Krugman: Globalization and the Financial Crisis.* Al Jazeera, 2011.**

<http://english.aljazeera.net/programmes/oneonone/2011/01/2011118151012906489.html>

Time 25:11

Paul Krugman is an American economist and professor who received the 2008 Nobel Prize in Economics for his contributions to New Trade Theory. His ability to explain patterns of international trade, finance, and wealth make him one of the most widely-cited economists in the world today

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***India Reborn.* CBC, 2009.**

<https://www.youtube.com/watch?v=0fqAyUwwSXA>

This film views the current constraints and perspectives of India as an economic powerhouse and as a country plagued with poverty and exclusion.

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***Africa on the Move***

<http://www.cbc.ca/player/play/1513067490>

There is economic growth in Africa, contrary to many beliefs, but it does not benefit everyone.

## REVIEW QUESTIONS

1. Define the term “multinational corporation” and discuss the ways in which MNCs erode the power of the nation-state in economic matters.

2. Discuss globalization's effects on Africa.
3. Explain why, according to Wen and Li, among others, China's impressive growth is unsustainable.
4. Discuss the claim that globalization is merely a new form of imperialism.
5. Identify and discuss several positive effects of globalization.
6. What is the global age? A short, but clear explanation is required.
7. What is Washington Consensus about? Explain it briefly.

## ANSWER KEY: REVIEW QUESTIONS

1. MNCs are companies that invest across national borders and/or establish branch plants or other operations in more than one country. Some argue that MNCs pose a significant challenge to the nation-state's sovereignty. For example, an MNC's decision to relocate production in (or out of) a country has significant impacts on that country's economic and social well-being. The competitive pursuit of FDI may push governments to adopt certain policies that they (or their citizens) otherwise would not wish to enact. Thus, the autonomy of countries becomes compromised by the power enjoyed by external (usually private) forces.
2. Although Africa has experienced impressive recent economic growth, few real social and economic improvements have been experienced as a result. First, African growth is argued to have occurred mostly in a limited number of countries. Mostly, this growth has come through the increased exploitation of natural resources, such as oil and minerals, rather than investment in manufacturing. Furthermore, the recent financial crisis has led to large increases in the prices of food and energy, imposing a hardship on most Africans. Overall, earlier growth did not occur in a form that led to a broader, more diverse range of exports, making economies more vulnerable to the sort of external shock experienced in the 2008 global economic crisis.
3. Some argue that pre-globalization reforms in land distribution and the ownership of productive assets have been of greater economic and social benefit to China than recent changes. Wen and Li contend that China's growth has created a massive energy crisis as well as declining food and water resources. This dynamic, they argue, will lead to a public health crisis and numerous natural disasters if not addressed soon. Other negative factors of Chinese growth pointed to by scholars include class polarization and weakening structures of governance.
4. The main argument from this view is that globalization is simply the latest phase of the long historical process of imperialist capitalist exploitation. The rules and institutions of global governance are structured in such a way that capitalists in the wealthy "triad" countries (Japan, North America, Western Europe) continue to dominate the global political economy. To the extent that power has shifted, it is argued to be a contingent form of power that is still dependent on the Global North, for instance as a source of capital financing and technology.
5. The following are among the positive results of globalization, though it must be noted that the meaning of "positive" will very much depend on who is being asked: massive growth in global trade, growth in exports from the developing world, higher average growth rates in the global South than in the North, a decline in the number of people living in absolute poverty, higher levels of FDI in many countries, and the achievement of very high levels of economic performance by some countries (e.g., the NICs).
6. The term must be defined by looking at the process of globalization, which is a transplanetary process or set of processes involving growing multi-directional flows of people, objects, places, and information, as well as the structures they encounter and create that are barriers to, or expedite, those flows. Although globalization and transnationalism are often used synonymously, the latter is a more limited process which refers largely to interconnections across two, or more, national borders. The sheer magnitude, diversity and complexity of the process of globalization today lead to the conceptualization of the current era as the "global age."
7. The Washington Consensus was put on the agenda in 1989 by the economist and former World Bank official John Williamson. The term has been associated with neo-liberal policies first adopted by the United States and Britain in the early 1980s and later promoted by the World Bank and the IMF in developing countries. The "consensus" recommended the liberalization of capital flows and trade (through free trade agreements), the privatization of the public sector,

and the abolition of market-restricting regulations. It became a central component of structural adjustment programs imposed by the Bank and the IMF on countries that required loans.