

Revisiting the Implications of Globalization to the Western Capitalist Economies

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Abstract: Globalization is a two sided coin with one side projecting opportunities and the other, threats. Any explanation to globalization may be linked to the side of the coin that is given attention per moment. It presents both opportunities and challenges and also tends to bring prosperity to core countries while it does not also hide its heavy adverse effects not just on the countries of the periphery but also on the advanced capitalist countries. Developed countries are not immune to the harsh effects of globalization; they have their fair share of the burden of globalization. This is against the views of some scholars that have always seen globalization from the positive light, especially when it concerns developed countries. It has both advantages and disadvantages for all countries and the country with the greatest wealth have benefited the most, while those with the least wealth have gained the least. Utilizing the world system theory, this study interrogated the implications of globalization on the western developed economies. It commenced first by looking at the effects of globalization on developing countries but gradually advanced to how it also affects developed countries themselves.

Keywords: Globalization, Western, Developing, Countries, Implication

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I. INTRODUCTION

The world which was seen as being very vast is becoming smaller and still shrinking thanks to the advancement in science and technology. The shrinking of the world is not physical but rather the fact that the world has become so integrated that one can reach the nooks and corners of the world rapidly as a result of the development of transportation and communication technology but most importantly because states have opened up their national frontiers for active participation in international economics especially in the area of foreign direct investment (FDI). This economic integration of countries, both big and small, is known as globalization and it is according to Aja (2002), 'electro-communication driven in the facilitation of the flow and share of ideas, value, goods and services, banking and finance, science and technology, foreign direct investment and market integration'. Globalization is therefore comprehensive and powered by communication.

Globalization is economic inter-dependence. It has to do with the expansion of world trade, foreign direct and portfolio investment and currency exchange. And this has undeniably intertwined personal, national and international prosperity. Globalization, it is agreed has brought prosperity but whose prosperity? Rourke (2000) contends that globalization has had advantages and disadvantages for all countries, but there is widespread agreement that both within countries and among countries those with the greatest wealth have benefited the most and those with the least wealth have gained the least and in some cases, have been harmed. That has brought, increasingly, resistance to globalization in the south and from those sympathetic to its stand. Aja (2002:143) toeing this line of thought summed up that in globalization "The prospects of the rich are very bright while those of the poor countries are too gloomy."

II. THEORETICAL UNDERPINNING

The World System Theory was employed to explain how the globalization wave across the world has affected developed countries. The central element from which the world system theory emerged was the different forms capitalism was taking around the world, especially since the decade of the 1960's. Starting in this decade, third world countries had new conditions in which to attempt to elevate their standards of living and improve social conditions, the new conditions were related to the fact that the international financial and trade system began to have a more flexible character in which national government actions were having less and less influence.

Basically, these new international economic circumstances made it possible for a group of radical researchers led by Immanuel Wallenstein to conclude that there were new activities in the capitalist world economy which could not be explained within the confines of dependency perspective. This led to the emergence of the world system theory. This school of thought had its genesis at the Fernand Brandel Centre for the Study of Economics. Having originated in sociology, the world systems school has now extended its impact to anthropology, political science and international relations etc, (Goldfrank, 1986).

Wallenstein and his followers recognized that there are worldwide conditions that operate as determinant forces and that nation state level of analysis is no longer the only useful category for studying development conditions, those factors which had the greatest impact on the internal development of small countries were the new global system of communication, the internet, the new world trade mechanism, the international financial system, globalization, the transference of knowledge and military links. These factors have created their own dynamic at the international level and at the same time these elements are interacting with the internal aspects of each country, (Wallerstein, 1987).

Wallenstein characterizes the world system as a set of mechanism which redistributes surplus value from the periphery to the core. The core being the developed, industrialized parts of the world and the periphery is the 'underdeveloped' typically raw materials exporting part of the world, the market being the means the core exploits the periphery, (Wikipedia, 2018). He offered several definitions of a world system, defining it in 1974 as a unit with single division of labour and multiple cultural system, (Wallenstein, 1974).

He also offered longer definitions of a social system as one that has boundaries, structure, member groups, rules and coherence. Its life is made up of the conflicting forces which hold it together by tension and tear it apart as each group seeks eternally to remind it to its advantages. It has the characteristics of an organism in that it has a life span over which its characteristics change in some respect and remain stable in others. One can define its structures as being at different times strong or weak in terms of the internal logic of its functioning (Wallenstein, 2004).

The world systems theory perceives the world as a web of system with overlapping spillover effects, it agrees also with globalization which portends a state where global economic openness has reverberating effect on the economies of nations. The economies of core nations are being affected by the effects of globalization on the economies of peripheral nations and as such development can no longer be examined looking at nation-state as a single unit, but the whole globe. Other world system thinkers include Samir Amir, Giovanni Arighi, Andre Gunder Frank and Immanuel Wallenstein.

III. THE MEANING OF GLOBALIZATION

There are as many definitions of globalization as there are writers on the subject but whatever the choice of words, the same theme runs across. To Garcia (1978) in Aja (2002):

Globalization implies changes in the way production is organized as required in the general dismantling of trade barriers and the free mobility of financial and productive capital, in the context of accelerated technology change... Technological development in the sphere of information and electronic services has been a catalyst for speeding the process, bringing about global production, distribution and consumption.

The key words and phrases in this definition are in general dismantling of trade barriers, free mobility of finance and productive capital, technology change in information and electronic services and global production, distribution and consumption.

Sodaro (2008) views of globalization are in tandem with that of Garcia. He contends that even though that globalization is a phenomenon interacts in different and diverse ways, economic factor stand out as its major motor force while technology provides its thrust. He states that computers, software, fax machines, fibre optics, the internet, e-mail, cell phones and other technological innovations have energized the unprecedented speed and breadth of global transactions. He concluded that if economics is the engine of globalization, technology is its fuel.

Awake (1999) captures the essence of globalization when it states that "globalization is more than the flow of money and commodities. It is the growing interdependence of world people and activities through shrinking space, time and disappearing borders. Globalization creates a global village on shared values. Technology and market integration processes have dominated the world economic system." The shrinking space and time is of course as a result of communication advances in which you can pay for a product in the United States of America through internet bank services and have it delivered at your doorstep within forty-eight hours,

Kegley (2009) flows with aforementioned scholars when he stated that Globalization is the integration of the states through increasing contact, communication, and trade, creating a holistic, single global system in which the process of change increasingly binds people together in a common -fate. He however introduced us to Thomas Friedman's definition of globalization which instantly raises some questions that agitate the mind; Friedman sees globalization as the integration of everything with everything else. He says that a more complete definition is that globalization is the integration of markets, finance and technology in a way that shrinks the world from a size medium to a size small. Globalization enables each of us, wherever we live to reach around the world farther, faster, deeper and cheaper than ever before and at the same time allows the world to reach into each of us farther, faster, deeper and cheaper than ever before. The questions that arise from this definition are; does globalization affect everyone in the world the same way? Do countries benefit from globalization equally? We shall address this later.

IV. THE ORIGIN OF GLOBALIZATION

Globalization became a strong affair in human existence in the 1980s and 1990s. Many scholars have noted that it was the revolutionary advance made in transportation and communication in the later part of

the 20th century that ushered in the great phenomenon but then the question is when did the said great phenomenon start its journey.

Sharma (2004) states that globalization started with colonialism which of fuelled, economic development of already wealthy countries by keeping the economics of the colonized underdeveloped. He finds support in Andre Gunder Frank who contends that the European countries grew fat on the back of the less developed countries which they milk and who are consequently and subsequently left with a huge debt which locks them into a downward spiral of exploitation and poverty.

Pologeorgis (2010) locates the origin further than this. He takes it back to the beginning of human history. He contends that the phenomenon of globalization started in a primitive form when human beings first settled into different parts of the world; but that the phenomenon has however shown a steady and rapid progress in recent times and has become an international dynamics which "due to technological advancement has increased in speed and scale, so that countries in all five continents have been affected and engaged".

Ali Mazrui in Aja (2002) gives a historical and analytical survey on globalization. Mazrui avers that the origins of the modern phenomenon known as globalization can only be found in the voyages of discoveries embarked upon by Bartholomew Dias in 1488, Christopher Columbus in 1492 and Vasco Da Gama in 1498. He also includes the voyages of Ferdinand Magellan and Francis Drake. Mazrui contends that it was these voyages and other subsequent factors that enabled Europe to eventually penetrate African, Asia and Latin America and that this penetration led to the exploitation and plundering of these lands that subsequently led to world economic expansion and globalization.

Thomas Friedman in Nau (2009) does not only locate the origin of globalization in 1492 when Christopher Columbus set sail but rather gives globalization a three period dimension divided between 1492 to 1800, 1800 to 1945 and 1945 to present.

Friedman contends that globalization from 1492 to 1800 shrank the world from a size large to a size medium. He states that this was the age of mercantilism and colonialism and that the driving force was brawn and not brains because what mattered at that period was how much muscle, horse power, wind power and creativity one could deploy,

The second period of globalization which ran from 1800 to 1945 according to him shrank the world from a size medium to a size small. This was the age of Pax Britannica that was powered by new institutions such as the emergence of global markets and multinational corporations (MNCs). As Nau (2009) puts it global mega-companies at this point exploited the dramatic drop in transportation and then communication costs to weave the world together into a seamless web of global products, capital and labour.

The third phase of globalization started from the end of the Second World War in 1945 and is shrinking the world from the size small to a size tiny and flattening the playing field at the same time. Friedman contends that the development of internet powerful search machines like the Google, Wikipedia, etc. and other tools of global collaboration have created a "flattened" worldwide economic playing field that is open to millions of new participants, many of them in erstwhile thickets of poverty like India. He went on to state that in the future globalization is going to be increasingly driven by the individuals who understand, the flat world, adapt themselves quickly to its processes and technologies and start to march forward. " They will be every colour of the rainbow and come from every corner of the world" (Sodaro, 2008). At the point we are in globalization, it is brains and not brawn or institutions that shape the world economy (Nau, 2009).

V. EFFECTS OF GLOBALIZATION ON DEVELOPING COUNTRIES

Even though our concern in this paper is the implications of globalization on the industrial countries, we contend that we can only properly appreciate these implications after we had assessed the effect of globalization on the developing countries.

Mohr (2014) states that financial and industrial globalization is increasing substantially and is orienting new opportunities for both industrialized and developing countries. She however states that the largest impact has been on the developing countries that now are able to attract foreign investors and foreign capital. This has positive and negative effect for these developing countries. The positive things she sees in globalization are

- (i) Increased standard of living and
- (ii) Access to new markets

i. Increased Standard of Living

Mohr contends that economic globalization enables governments of developing countries to access foreign loans. She states that when these funds are employed in infrastructural development of roads, health-care, educational and social services, the standard of living will increase. But if not properly employed not all the citizens will benefit. We know that oversea loans have only fattened a few people leaving the impoverished and the future of the unborn generation mortgaged.

ii. Access to New Markets

Mohr also states that globalization leads to freer trade between countries which she sees as a benefit to the developing countries. To her, home grown industries in the developing countries, see trade barrier fall giving

them access to much wider international market. She may have in mind the Asian Newly Industrialized Countries (NICs) but in Africa and most other developing countries globalization has not really changed the fact that these countries are allocated the role of suppliers of raw materials which the industrial west buy at their own determined price and the industrial countries allocated to themselves the role of producers of industrial goods which they sell the developing countries at their own determined price leading to what is known as double exploitation which further undeveloped Third World countries.

On the negative side Angle Mohr got it right that globalization brings about decreased empowerment. She notes that initially globalization might bring about empowerment for skilled workers but as companies' production becomes more automated the need for the services of unskilled labour diminishes and unemployment rises. This unemployment has its future consequences.

Be that as it may, other writers have grappled with, the effect of Globalization on the developing countries.

Sharma (2004) states that because of the poor economy of Third World countries they often need to borrow money from international financiers and this leads to debt burden which locks them up into a downward spiral of exploitation and poverty. This is what led Gunder Frank (1969) to state that these developing countries cannot develop an independent economy of their own and thus remain dependent on the wealthy ones for their very survival.

Offiong (2001) agrees with the above when he strongly posited that "Underdeveloped countries attract investors by offering them the cheapest labour, the lowest taxes, and the least regulations; the national economies may show signs of expansion, but at the great cost of falling or low standards". Globalization thus marginalized the developing countries because it is not an even process. The hardest hit in this marginalization are the African and Latin American countries, Asian countries are also hit strongly but the seeming success of some newly industrialized countries in Asia known as Asian Tigers appears to hide this fact.

In all, what Cecil Rhodes said and which is quoted in Nau (2009) still stands. Rhodes who was a leading colonizer in Africa and who founded Rhodesia now known as Zimbabwe was quoted as saying: We must find new lands from which we can easily obtain raw materials and at the same time exploit slave labor that is available from native of the colonies. The colonies would also provide the dumping ground for surplus goods produced in our factories.

The strength and direction of globalization has not really changed this. Most of the developing countries are still being seen in this light by the western industrial countries. The only thing that seems to have changed is the style of the plundering. The victims through their elites seem to be participating in the global economy and this seemed to overshadow the plundering that goes on especially as there is a measure growth that is seen. The presence of multinational corporations whose activities bring structural growth without integrating the people in the scheme of things is not development. Growth helps the elites feather their nests while leaving the masses groping in penury. This is the lot of the developing countries.

Implications Of Globalization To The Western Developed Economies

By western developed economies we mean countries with a high level of economic development which meet, with socio-economic criteria based on economic theories such as Gross Domestic Product (GDP), Industrialization, and Human Development Index (HDI) as defined by the International Monetary Fund (IMF), the United Nations (UN) and the World Trade Organization (WTO) (Pologeorgis 2010). Among the Western countries qualified to be seen as developed using the above definition are Austria, Belgium, Denmark, France, Finland, Germany, Luxembourg, Norway, Sweden, Switzerland and the United States etc. Countries like Greece, Spain and Portugal are really struggling. Today we know that Greece is requesting a bail out from the European Union to help her escape from her economic quagmire.

The foremost impact of globalization on the western developed economies is that they are getting richer to the detriment of the developing economies. For instance Sharma (2004) notes that the benefit of global economic growth has been concentrated in just fifteen countries. Quoting United Nations Report (1996) Sharma affirms that eighty-nine other countries which represent 1.6 billion people or one Quarter of the world population are economically worse off than they were ten or more years ago. He also notes that while the income level of the poor countries dropped below what it was in the 1960s and 1970s which saw their meager share of global income cut nearly by half over the past three decades. The western developed economies increased their share of global income by fifteen percent within the same period.

Newman (2002) while agreeing with the above laments that;

1. Wealthy countries consume 85% of the world supply of paper, 79% of its steel, 80% of all commercial energy, and 45% of all meat and fish.
2. Grains fed to US livestock equal the amount of food consumed by the combined human population of India and China.
3. A simple child born in Western Europe, Japan or the United States uses as much of the earth's resources as an entire village of African children.

4. Americans spend about \$8 billion a year on cosmetics, \$2 billion more than the annual amount needed to provide basic education for everyone in the world.
5. Europeans spend about \$2 billion a year or more on ice-cream than the estimated amount needed to provide clean water and safe sewers for the world's population.

Educationally, we see that globalization has impacted strongly on the western developed economies. Countries with stronger economies have bigger educational enrollment than the poor countries. Consequently children of the western developed economies enroll more in schools. For instance, it is estimated that only 20% of school age children in poor countries enroll in secondary school compared to 90% in the western developed countries. This trend has the power to widen the already wide gap between the Third World countries and the rich western countries (Sharma 2004).

The Impacts of Globalization on western developed economies are not all positive. It has its problem too. For instance, Sodaro (2008) shows how globalization has negatively impacted on France. He notes that economic globalization necessitates high levels of trade and foreign investment and also acute competition between private and public companies in the global market. He notes that these market forces are making French firms widen their international operations and reduce operating costs. In so doing French firms are under pressure to merge with foreign-owned companies to form globally competitive corporate giants. These mergers sometimes lead to layoff of workers and staff, raising unemployment and job insecurity.

Another version on this trend hits the United States and other western countries. This is the problem of offshore production investment occasioned by globalization. Offshore investment and production according to Nau (2009) entails the transfer of production facilities to less developed countries to make components a product. This was followed eventually by facilities to assemble the components overseas as well. Nau states that Silicon Valley software operations are now outsourced to Egypt, India and Ireland, where engineers work for lower pay. Thus offshore production boosts unemployment in America due to job losses, American companies who would not compete effectively with imports from Japan, China, Korea and elsewhere because of their high cost of production at home are increasingly going for offshore production because of cheap labour, tax holidays and lower insurance policies of the less developed countries. The cost of production per unit of commodities thus gets lower than at import to the United States the producers make his profit but jobs are lost in America propelling higher unemployment.

Another impact of Globalization on the Western Developed Economies lies in the increased scale of movement of illicit drugs to these states. It is not that hard drug business in these countries is a new thing occasioned by globalization but the dimension is now scary with innovations in transportation and communication, Russett *et al* (2006) put the real value of drug sale across the world at between \$300 and \$500 billion dollars with most of the drugs destined to North America and Europe. The devastation these illicit drugs are causing to the western developed countries cannot be easily calculated.

Related to this is the smuggling of contrabands into the western usual countries. Globalization has occasioned liberalization and deregulation which criminal organizations are cashing in on. Because of this economic liberalization the volume of goods moving across borders has become enormous. Russett *et al* state that the United States customs service's hardly inspect more than 3% of goods entering the country. With advent of containerized shipping which allows for easy transfer of cargo, criminals could now easily get their goods to the market of Western industrial countries. Many of these products are fake and cause grievous harm in their countries of destination.

Another very important impact of globalization on the Western Developed Economies is from the dimension of international terrorism and insecurity. Globalization has enabled terrorists to gain access to information and logistics as a result of innovations in communication and transport technology. The ease with which terrorists and other criminals lay hands on crucial information and be able to move personnel and materials across international frontiers led to their ability to hit Western target that culminated in the September 11, 2001 attack on the World Trade centre. Jackson (2008) reports that there was a four-day hiatus of Wall Street trade activities, with the result that Dow Jones fell 684.81 points on the reopening day.

Karoty and Martell (2006) in Jackson (2008) provide a quantitative analysis of the effects of terrorism on the American economy after examining a sample of 75 attacks between 1995 and 2002. According to Jackson their findings show a statistically significant negative stock price reaction of -0.83%, which corresponds to an average loss per firm per attack of \$401 Million in firm capitalization. She also reports that major reinsurance companies across Europe suffered a lot of financial loss following the attack. According to her the San Francisco Chronicle estimated liabilities of 41.5 Million for Munich Re and \$0.55 Billion for AXA Group. This is definitely a staggering amount of economic loss.

Saddler and Enders (2015) estimate that the economic loss to the United States following the 9/11 attacks ranges between \$80 to \$90 billion and of course most capital markets were shaken to their foundations.

VI. CONCLUSION

No matter how we look at globalization, it has its advantages and down side for all countries, however, according to Rourke (2008), as already said in the beginning of this work, there is a widespread agreement that

both within countries and among countries those with the greatest wealth have benefited the most and those with the least wealth have gained the least and in some cases have been harmed.

However it should be burned in mind that globalization and international economics is still capitalist driven and the end is maximization of profit at minimal cost. Who is hurt along the way of achieving this is not deemed important and this is the lot of third World countries.

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