

Globalization - Between Economic Growth And Crisis

Botescu Ion

„Ovidius” University of Constanta, Faculty of Economic Sciences
ion_botescu@yahoo.com

Abstract

Globalization is a highly complex phenomenon, the effects of which are difficult to predict and even quantify.

Despite all the economic and social progress it has generated, it also raises a number of concerns.

The economic growth generated by the liberalization of the markets has not limited the excesses materialized in tax evasion, cross-border economic criminality, etc.

Deregulation and excessive liberalization of the markets led to the global financial crisis at the end of the past decade. This crisis must not transform the markets into a genuine scapegoat, but trust in their flawless functioning must be reconsidered, as well as in their capacity to maximize the profit under any circumstances.

In the context of the diminishing role of the different countries' borders, there is an increasing dependence of the economies of different countries on the world economy. The effect of this state of affairs is reflected in the vulnerability of the states in relation to the disturbances in the global economy and the amplification of the intensity of global crises.

The main issues addressed in this paper are focused on the economic growth achieved over the last decades globally, the distribution of economic growth by category of countries, the effects it has had on the population, as well as the intensification of the frequency and impact of the crisis on the economy.

The aim of this scientific approach was to highlight the problems faced by the world in the current globalization period, highlighting the need to find solutions that would help moralize the globalization phenomenon; thus, ordinary citizens would no longer be dominated by the fear of losing their jobs, by the fear of a hindered access to medical or education services.

Key words: globalization, economic growth, crisis, poverty, deregulation

J.E.L. classification: F63

1. Introduction

The increase of the globalization phenomenon recorded during the last generation's period of time has led to fundamental economic and social changes both globally and in the different categories of countries. The global economy has become a largely flat playing field, the obstacles in the path of the movement of production factors diminishing substantially.

Under the influence of rich countries and large transnational corporations, respectively, globalization has been characterized by the strong liberalization of goods and capital movement, and by a relatively restricted liberalization of labor movement. This has allowed the capital to move freely toward the markets that provided the best conditions for profitability, conditions determined by the low level of wages, the permissive environmental pollution legislation, etc. Moreover, multinationals threaten their host countries to delocalise production unless they receive substantial tax cuts. The high level of automation in certain economic sectors has also contributed to the phenomenon of delocalisation of productive activities in the poorer areas.

When the capitalist era was in full swing, the military-industrial complex was created and, implicitly, also a military-industrial oligarchy that manages it. It has been proven that during peacetime the interests of the military-industrial oligarchy have been contrary to the interests of the

population. While the first category was militating in favour of financing the arms race, the second category wanted economic development and prosperity. The balance tilted in favour of the military-industrial complex's interest, the contracts that have been concluded with the government for deliveries to the army being extremely profitable for the large corporations in the field.

From the few examples mentioned above, we can note that in the current period of accentuation of the globalization phenomenon, multinational firms have been clearly favored compared to the other participants in the economic life.

Based on previous research and recent developments in globalization, I have identified some problems faced by humankind while searching for solutions in the field.

2. Theoretical background

The term globalization was used in academic debates during the '60s and sporadically in the period before. (Jones, 2011, p.14) Globalization is a phenomenon that is difficult to define in strictly concrete terms; it is a phenomenon that targets the world either as a whole or under different aspects, the economic one being dominant. From an economic perspective, conceptually, globalization is seen as the liberalization of the movement of capital, commodities, labor force, technical knowledge, etc.

Globalization is undoubtedly one of the most controversial phenomena of the contemporary period, generating wide-ranging debates in the literature.

Investigating the globalization phenomenon has been based on accessing important bibliographic sources. I want to emphasize the existence of wide variety of approaches in the literature. Among the most important authors in the field of globalization there are: Anthony Giddnes with valuable assessments especially in theoretical terms, Thomas Friedman with evident pro-globalization approaches, Subcomandante Marcos with Leninist Marxist valences, blaming globalization for most of the contemporary life's failings, Joseph Stiglitz with a rational and pragmatic approach to globalization, etc.

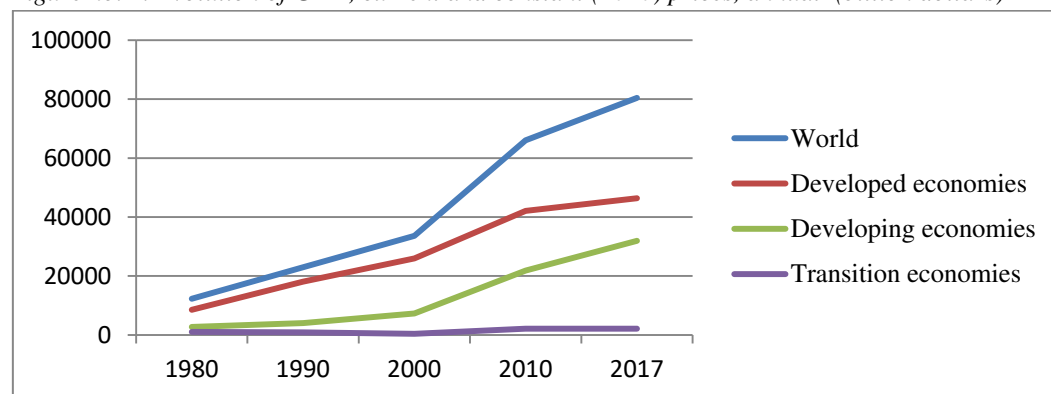
Regardless of the perspective, globalization has led unquestionably to economic growth and got many millions of people out of poverty. At the same time, we have witnessed the establishment of the phenomenon of contagion crisis, and the effects induced by globalization can be criticized in many ways.

3. Economic growth and poverty in the era of globalization

After the fall of communism and in the context of the liberalization of the markets, humanity benefited from a sustained economic growth until the global crisis in 2008. Following the said crisis, the economic growth slowed down.

We must emphasize that economic development is the basis for the evolution of all the components of economic and social life, including freedom. (Dobrescu, 2016, p.9)

Figure no. 1. Evolution of GDP, current and constant (2010) prices, annual (billion dollars)



Source: www.unctad.org

Between 1980 and 2008, we witnessed a stronger GDP growth for developed countries than the GDP recorded in the group of the developing countries. After 2008, a tendency to reduce the increase of the GDP level between the two categories of countries became noticeable. The evolution of GDP in transition countries was, on the one hand, insignificant compared to the world GDP and, on the other hand, inconclusive given the fluctuation in the number of countries included in this category.

As far as the structure is concerned, therefore in terms of relative numbers, the evolution of GDP in the analyzed period was favorable to the developing countries and countries in transition, a tendency considered to be positive if we take into account that in these two categories of countries almost 80% of the world's population lives. The same cannot be said from the point of view of absolute numbers, the situation being favorable to the developed countries. Thus, the difference between the GDP of the category of developed countries and the GDP of the category of developing countries increased from \$ 5826.1 billion in 1980 to \$ 14471.7 billion in 2017. The differences between the two categories of countries also increased in terms of GDP per capita.

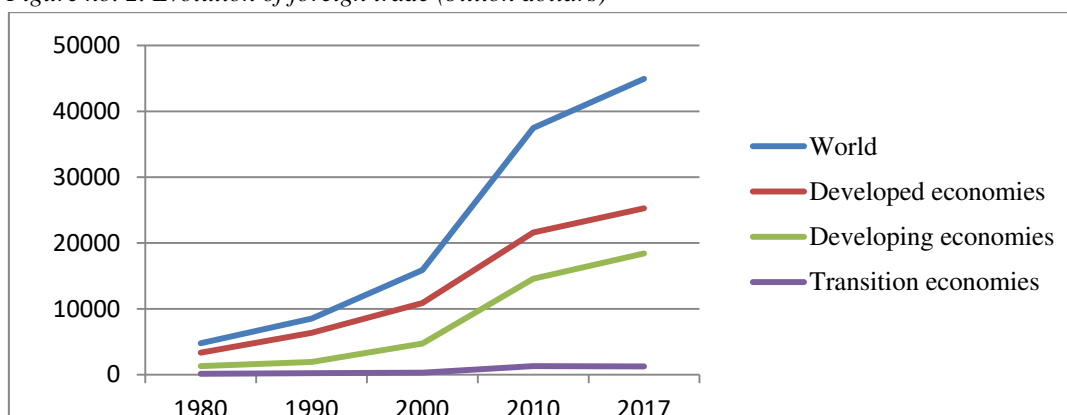
Table no 1. Breakdown of GDP by country category

	1980	%	2008	%	2017	%
World	12293.1	100	64396.8	100	80439.2	100
Developed countries	8553.8	69.5	42561.4	66.0	46389.3	57.6
Developing countries	2727.7	22.1	19677.5	30.5	31917.6	39.6
Countries in transition	1012.1	8.2	2157.9	3.3	2132.2	2.6
China	340.2	2.7	5013.6	7.7	10161.1	12.6

Source:www.unctad.org

The good results recorded in the developing countries in terms of economic growth are due mainly to the Chinese economy's evolution. The share of China's GDP in the total GDP registered by developing countries has increased substantially from 12.4% in 1980 to 31.8% in 2017. In fact, much of the economic growth recorded in developing countries after 1980 was due to China. It should be noted that the economic development that targeted the developing countries was characterized by a high degree of heterogeneity.

Figure no. 2. Evolution of foreign trade (billion dollars)



Source:www.unctad.org

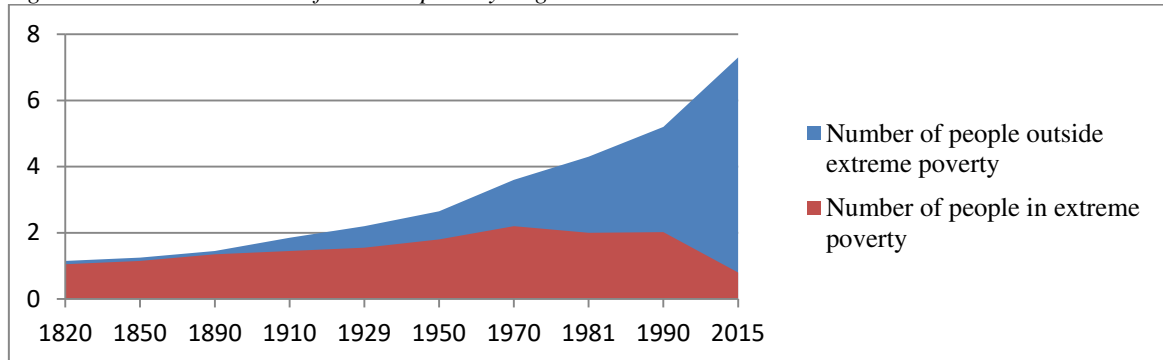
The external trade growth over the analyzed period was higher than GDP growth at both global and country categories levels. Developed countries by reference to developing countries have recorded favorable developments both in terms of relative numbers and in terms of absolute numbers.

The advanced economies, through the competitive goods and services that they have generated have benefited from the globalizing tendencies occurred in the mentioned period. Generally, we can say that the countries that have been better anchored to the global economy, namely those

countries in which the share of foreign trade in GDP has reached considerable values, benefited most from the liberalization of the world economy.

The liberalization of capital movement allows, as we have mentioned, large capital holders that are predominantly concentrated in wealthy countries to invest all over the world. Thus, capitalists in wealthy countries are gaining wealth while capitalists in poor countries are diminishing their capital. As a consequence, the gap between wealthy countries and poor countries also increases.

Figure no. 3. The evolution of extreme poverty at global levels



Source: The European Commission, 2017. *Reflection paper on capitalizing on globalization opportunities*, available at https://ec.europa.eu/commission/sites/beta-political/files/reflection-paper-globalisation_ro.pdf, p.8

History gives many examples concerning the fact that many nations have not progressed economically because of the rich, who, in order not to lose their privileges, have opposed the implementation of new technologies and have made access to education for lower category citizens more difficult. (Deaton, 2017, p. 226)

After 1980, from the point of view of taxation, the wealthy, whose number and wealth have increased substantially, were certainly favored. However, the accentuation of globalization through the economic growth it generated has led to a sharp decline in the number of people living in extreme poverty, but especially their share in the world's total population.

In terms of the economic progress generated by the liberalization process, we can see that there is a certain similarity between the former empires and the currently regionally integrated structures, such as the European Union (EU) or the North American Free Trade Agreement (NAFTA).

In an empire, with all its negative aspects, commodities, people, scientific knowledge have moved easier than when they had to cross the border of some states, at certain times of history, which were undertaking protectionist measures. The European integration is, by and large, an act of globalization, which has led to economic prosperity in the context of avoiding military conflicts so characteristic of European states. Moreover, the surrender of part of the sovereignty of the member states to the EU institutions and the controversies surrounding the redistribution of income at the Community level are issues that have generated disputes and frustrations within the Union. It is quite difficult for politicians of advanced economies in the EU to explain that from their contributions development projects and other actions in less advanced Community countries should be supported. The effect of this state of affairs has been immediately reflected in the electoral gains of the extremist parties in many EU member states.

It is undeniable that globalization has meant economic progress for many states, and many citizens have emerged from the poor category, but it is not right to think that globalization has been a full success from this perspective. Globalization has generated progress and wealth, but the problem lies in how the results of the globalization have been distributed, which have obviously caused discomfort among various countries, and among different social categories within each country.

4. From deregulation to crisis

In the contemporary period, we have increasingly encountered expressions, such as crises contagion, global financial crisis, over-indebtedness crisis, currency crisis, systemic crisis, identity crisis, rule of law crisis, etc. Many of the economic analysts have turned into true specialists in crises.

It is clear that by its current manifestation, capitalism is going through a less optimistic period, a period marked by several shortcomings at both microeconomic and macroeconomic level. When some of these shortcomings become chronic, crises are triggered.

We can say that after 1990 we are witnessing a real paradox regarding the degree of state intervention in the economy. On one hand, it is acclaimed that economic development should be achieved through excessive liberalization of markets, and the deregulation by many of the world's states is a testimony to this. On the other hand, after the global financial crisis in 2008, a crisis mainly caused by the deregulation of the banking financial system, there was an appeal for the state's intervention by allocating considerable sums from national budgets in order to rescue those who generated the crisis situation and who until then had fiercely criticized state's intervention in the economy. According to many of the richest people on the planet, as well as of many economic analysts supported by them, state's intervention in the economy must be fluctuating and must be situated at levels that allow the enforcement of the already established expression "privatization of gains and socialization of losses".

The bankers' greed and the deregulation of the banking field at the banks' initiative have led to the outbreak of the global financial crisis in 2008, after the banking system had worked very well for 4-5 decades since the end of the Second World War. Apart from the fact that they managed to influence the modeling of laws in accordance with their own interests, banks have managed the performance of not adhering to the laws of capitalism. Although they have become bankrupt due to the excessive risks taken and should have left the economic scene, the banks have been saved by the states for superior reasons.

Moreover, by misinformation, if not downright lies, which they have launched in recent years, as well as through the abusive practices they have carried out, the banks have in fact committed crimes on an ongoing basis. Unnaturally, the liability of banks that have committed illegal actions was limited to the fines they paid. The employees of the banks, primarily the managers, who repeatedly violated the law were not held accountable in any way, the permissive legislative system making such a situation possible. Such repeated crimes have characterized some of the big companies also active in other areas. (Stiglitz, 2013, p.330)

The three global institutions, the IMF, the World Bank and the WTO, through their policies, have supported the fundamentalism of markets with negative consequences on the masses of people and the poorer countries. The fiscal austerity applied without regard to the concrete conditions in each country can induce a boomerang phenomenon by job cuts and aggravating social conflicts. The privatization at any cost under the Washington Consensus has only partially solved the problems by creating liquidity for the payment of international creditors. In the medium to long term, privatization has led to an increase in the number of the unemployed and a decrease in state revenues. In addition, the corruption that has characterized the privatization process in many countries has led to a drastic decline in popularity for the global institutions, primarily the IMF. Economic development through excessive liberalization of capital markets is a largely unsustainable phenomenon.

In the last decades, but especially after 2008, we have witnessed a substantial increase in the states' public debts, as well as in the debts of the companies and of the population. This phenomenon can endanger the economic development of the states and the standard of living of the population in the medium and long term.

If in the past poor and over-indebted countries were subjected to military aggression by the rich creditor countries, the situation has now become more nuanced. Under the pretext of disturbing the financial markets and the departure of investors from the capital markets, followed by rising interest rates, the debtor countries are forced to accept the IMF's financial adjustment recipe. It is in fact also a cession of sovereignty in favor of foreign creditors in the way it happened more than a century ago.

The tough and prolonged effects of the 2008 crisis were largely due to the strong growth in the last 50 years of the indebtedness of the developed countries.

5. Conclusions

We would be tempted to say that for globalization the greatest danger is represented by the anti-globalization theorists or the demonstrators (sometimes extremely violent) who take part in the protest actions occasioned by the summits organized by the global institutions. The greed of interest groups, doubled by the manipulation of the public opinion through their media agencies, represent the real dangers to globalization in the medium and long term.

While national elites are calling the shots, including through the legislative system, to support their own interests, the global elites do this very thing globally. Thus, in addition to accentuating the inequality in society, we have found that over time, and especially in the last decades, some nations have specialized themselves in winning, and others in losing. (Piketty, 2015, p. 122)

According to Dani Rodrik, globalization, democracy, independence, and national self-determination are three phenomena that, in order to coexist at the same time in the fullness of the tasks they define, certain compromises must be made. (Stiglitz, 2013, p.243) The challenge of the compromise to be made naturally arises. As democracy and globalization are phenomena with major economic and social global impact, it results that according to the opinion of the specialized literature, which we consider to be right, that the solution would consist in diminishing state sovereignty and transferring prerogatives specific to nation states to global institutions or organizations. In addition, the existence of phenomena such as global warming make it necessary for such global structures to operate. This reality is an argument for supporting the globalization process.

In a context in which we consider that democracy and globalization are priorities, some conditioning is required. Democracy must not be confiscated and used for their own benefit by the economic and political elites, and globalization must not generate asymmetric advantages. As far as possible, globalization must include all the countries in the world in its mechanism, and the benefits generated by it would be distributed much more evenly than before. (Kolodko, 2015, p 89)

We can say that while, after the Second World War, the free world was marked by the possibility of the Communists' taking political and economic control, nowadays the world in its majority wants a more equitable globalization.

Rationally, the US, the EU and China would initiate the principles on which the new world order would be based, conferring advantages to the above-mentioned three countries, but also to the rest of the world at an acceptable level.

6. References

- Deaton, A., 2017. *Marea evadare, sănătatea bogăția și originile inegalității*, Bucharest: Litera Publishing House
- Dobrescu, P., 2016. *Crizele de după criză, o lume fără busolă și fără hegemon*, Bucharest: Litera Media Group Publishing House
- Jones, A, 2011. *Globalizarea, teoreticieni fundamentali*, Bucharest: Publishing Publishing House
- Kolodko, G., 2015. *Încotro se îndreapta lumea, Economia politică a viitorului*, Iasi: Polirom Publishing House
- Piketty, T., 2015. *Capitalul în secolul XXI*, Bucharest: Litera Publishing House
- Stiglitz, J., 2013. *Prețul inegalității*, Bucharest: Publica Bucharest: Litera Publishing House
- European Commission, 2017. *Reflection paper on capitalizing on globalization opportunities*, available at https://ec.europa.eu/commission/sites/beta-political/files/reflection-paper-globalisation_ro.pdf
- www.unctad.org