APPRECIATIONS ON CRITICS OF THE GLOBALIZATION PROCESS

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Abstract:

Globalization has become not only one of the most fashionable wor ds used by politicians, business people, union leaders and economists alike, it has also assumed the role of scapegoat for everything that is wrong in the world. Globalization is the phenomenon that has raised the fiercest debates and has made the topic of several conferences and congresses, as well as of important meetings attended by government representatives from all the world states.

Opponents of globalization believe it is the very source of all financial crises, as the capital invested in promising economies is suddenly being withdrawn at the first sign of political or economic weakness. Globalization is what increases the inequality of income on a national level, thus leading to a widening of the gap between rich and poor nations.

The debate over globalization is much broader than what the members of the two competing teams may imagine. The novelty brought about by the dispute over globalization is that both individuals and institutions fight together against the negative repercussions of globalizati on.

Key words: opponents of globalization, multinational corporations, nation -state, international liberalization

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I. INTRODUCTION

Critics of globalization accuse western leaders of hypocrisy, and they have a point. The latter have forced poor countries to lift any commercial barriers, but they have kept theirs in place, thus preventing developing countries from exporting their farm products and depriving them of the income they could have gained from this activity, incom e they desperately need. The west has established the priorities of globalization and has assumed a high percentage of the benefits, to the disadvantage of developing countries. [8] Not only have industrialized countries refused to open the gates for commodities from developing countries, but they insisted that the latter open theirs for commodities from developed countries. Not only have highly industrialized countries continued to subsidize agriculture, they have also made it harder for developing countri es to face competition.

Another "evil deed" assigned to globalization is that the phenomenon causes the diminishing of the sovereignty of the nation-state, as it gradually loses its authority when faced with the unstoppable power of financial markets and multinational corporations. Many politicians criticize globalization while, in fact, they benefit from it. It is to be mentioned that the governments of developing countries are not always allied with the opponents of globalization.

It seems only logical that partially solved or unsolved problems will find a solution in the global order. That is precisely why globalization is expected to bring about another world order principle that would offer a new way of managing powers and of allocating resources, to generate a new action plan and another sphere for a new economic and political order that will succeed in solving the trials of economic and financial history. Globalization is essentially a problem that can be solved only with and by the global society. [5]

Despite the criticism against it, most economists are currently defending globalization in general, although some of them still wonder about the opportunity of financial globalization or about the need for a real international governing of its process. However, only a very small group of economists disagree with globalization, while very many of them are dissatisfied with the way globalization is being carried out, without any world institutions to control and monitor it.

Globalization is a dynamic proc ess of international liberalization, opening and integration on a large number of markets, from labour to goods, from services to capital and technology. The period we are experiencing is not the first wave of globalization, but we sure hope this era of globalization won't end as tragically as the previous one, as it would, again, trigger a withdrawal from the economic competition subordinate to the rules of the market and an enrolment in the political and military competition, and armed conflict. This is unlikely to happen, as the present period of globalization has lasted for more than 50 years and, even though it has witnessed numerous market booms and busts, its fundamentals are stronger than those of the first era of globalization. [2]

Globalization requires that, on a global scale, countries should integrate and thus consolidate market interdependence and develop the cross-border mobility of production factors and capital. The constant integration of the world economy brings about several common interests among economic agents. It gives rise to potential conflict but also creates a framework for a globalization that gradually intensified in the past few years.

Given the lack of a specific movement and the heterogeneous degree of the liberal economic policies of governments, the "consensus", often mentioned by globalization opponents, is yet to be reached. The debate over globalization is much broader than what the members of the two competing teams may imagine. The novelty brought about by the dispute over globalization is that both individuals and institutions fight together against the negative repercussions of globalization.

Many of the argumentative models of fundamentalist opponents and target oriented opponents do not match the dominating doctrine of economic sciences – they are often so opposite that it is absolutely impossible to have an economic discussion, as they only claim regulations that have no economic background. On the one hand, economists take a high interest in the benefits on efficiency and growth and development chances, but, on the other hand, opponents of globalization seriously doubt the highly increasing global integration, thus hinting at the restriction of market economy processes. Given the theoretical and empirical results they are referring to, economists can only refuse the criticism and resolutions offered by certain non-governmental organisations. Moreover, they underline the ability to solve the problems related to the market mechanism and to competition and thus urge politicians to use these abilities. [1]

It should be noted that opponents often tend to directly blame financial globalization for empirically demonstrated, but undeniable, world dysfunctions. In the historical debate on the role of industrialisation in Europe and the United States, it is admitted that all the justly blamed conditions have been equally precarious, or even worse, after the structural change. Moreover, both economic and financial globalizations are unjustly assigned certain general factors.

It must be noted that economists admit to the existence of a certain number of market bust cases. Based on the analysis of public assets and external negative effects, we can reiterate several arguments issued by the opponents of globalization and we can justify their haste, as was the case when cash was granted in order to avoid contagion in a possible financial crisis. The arguments of several opponents often mention the wish for a more strict international cooperation regulation in order to face problems. English economists underline the notion of "global governance" created from the merger between the liberal demand pointing at the fundamental principles of the world economic order and the regulation wanted by globalization opponents.

Nevertheless, the measures suggested by the opponents are often organised, so that the market intervention method would trigger exactly the opposite of what is really expected. The most significant example is the Tobin tax, which, not only should decrease volatility, it should also grant the financing of the development aid. The two objectives cannot be carried out, since the decrease in the volume of financial market will highly increase volatility.

Opponents of globalization often criticise the phenomena that are not related to market integration but to anything that prevents it. We can find such examples in the literature about industrialised countries protectionism, migration barriers or the IMF operations that can favour moral hazard. By criticising the market economy systems, fundamentalist opponents often use these arguments without realising that they are actually criticising the interventions that do not favour this market system. Contradictory claims thus ensue. For instance, when opponents claim a higher social level for developing countries, they are ready to accept, either willingly or not, the protectionist effects on these countries.

II. VARIOUS REPROACHES EXPRESSED BY OPPONENTS AND PROPOSED

In the light of these arguments, we'll draw a brief comparison between the different opinions expressed by opponents and the suggested solutions.

As mentioned before, the criticism against the slow and uneven growth caused by international trade, is partly unjustified. Poverty is a problem that persists and doesn't seem to have deepened in the present phase of globalization, although globalization can alleviate it. That is, at least, the result shown by studies that find a positive balance between the opening of the market and the alleviation of poverty. Consequently, fundamentalist suggestions on the different market interventions (price control, protectionism), must be rejected.

Moreover, the possible repercussions or inequalities may arise from other reasons as well, not necessarily triggered by globalization. In developing countries there may be wars, uneven economic structures, demographic development and the failed domestic economic policies. On the one hand, the numerous regulations and the demographic process may create problems in industrialized countries, not necessarily created by globalization. On the other hand, the sustained growth triggered by globalization can be of help in overcoming problems of such nature. [3]

Nevertheless, an increase of the aid for world development and redistribution is absolutely normal. The minimum wage guarantee is a prerequisite for economic growth in less developed countries. However, public means are not enough and only certain transfers could alleviate the serious problems of attraction and allocation and those related to economic policies. The positive role of foreign direct investments and of private cash flows for the development of the newly industrialized countries of south-east Asia have proved that private initiative has a critical role. That is the reason why poor countries should create the necessary circumstances for certain means to function: liberalization, protection of property rights, as well as attractive and stable conditions for investments.

As for the repercussions of globalization on the labour market, one must admit that, in industrialized countries, certain pressure can be applied on salaries or on the jobs of unskilled employees, either through foreign trade, or through migration. Nevertheless, globalization is too overrated. In the past decades, the pressure on unskilled labour force was most likely caused by the unstoppable technological development, often triggered by the conventional wage policies and the regulation of the labour market that extremely increases simple labour and thus favours the replacement by capital. On the other hand, because of increased development, globalization indemnifies those affected through social redistribution systems.

The opening of markets from developing countries is a step in the right direction, as they bring about a positive change in salaries and working conditions. On a theoretical level, working conditions are not to deteriorate because of globalization, as empirical studies have not reached that conclusion either. Nor can we fear a *race to the bottom.* In this case, harmonisation on all social levels is needed. It doesn't entail the protection of unskilled employees from industrialized countries and nor is it an attempt to gain any benefits from developing countries. It would be redundant to say that social security systems from different industrialized countries need a reform and that this reform would cause certain services to disappear and would rise responsibility awareness. But these conditions required by reform have nothing to do with globalization. Leaving this phenomenon aside, they represent the priority of economic policies.

The fluctuations of international trade are unsettling, as they can slow down the growth of developing countries. That includes the present protection of industrialized countries and also the barriers on exchange practices in developing countries. The conclusion according to which a one-sided openness of the market can lead to economic growth is not very popular among opponents of globalization. Much of the criticism is focused on the supposed fluctuations caused by industrialized countries, by multinationals or by the World Trade Organization . [7]

Opponents of globalization and economists alike have reached agreement on the claim of renouncing protection; but their opinions greatly differ when it's about valuing the performance of multinationals. It is generally difficult to prove that multinationals may have a certain behaviour that would have a negative effect on the macroeconomic welfare. Instead, it was observed that multinational employees from developing countries benefit from better working conditions than the people employed in national industries. Multinationals wish to have a dominant position on the market, too, but it is less likely to imply world competition. When multinationals succeed in signing disloyal competition agreements with developing countries, the latter are either rewarded by positive external effects, or the respective governments are not considering the welfare of the population. Attacking these agreements through prohibitive measures such as embargoes, boycotts or other severe restrictions against multinationals is not very recommended. A more rigorous control imposed by authorities and better public relations practices are perhaps the best competition policies to be applied in industrialized countries. The institutions that deal with competition policies should be promoted and supported. If they take into account the unimaginable weaknesses of national justice courts, they must also consider the international agreements on the rules of competition policies, but not necessarily a new world order.

III. CONTROL VERSUS LIBERALIZATION

Certain aspects of WTO (World Trade Organisation) are also criticised, especially exceptions, sanctions on allowing counter-protection and anti-dumping procedures, including the more ample notion of dumping as well. Nevertheless, the WTO is especially criticised for the liberalization of the tertiary sector (GATS – General Agreement on Trade and Services) and for the protection of copyright (the Agreement on ADPIC - Legal Aspects of Intellectual Property Relating to Trade).

There is a high number of market busts on international financial markets. Situations can be remedied and measures have been taken on a national and international level. Firstly, we must admit that liberalization also entails certain considerable gains, and that keeping a functional competition would prevent the government from focusing on one thing. The opening of the capital market is generally regarded as positive, and it would be counterproductive to stop financial markets from operating freely by means of capital movement control or transaction taxes, such as the Tobin tax. A different situation can be observed in Chile or Malaysia, as to the extent to which the capital movement control limits the capital flow before the emergence of institutions that warrant the integration of the financial system on the world market. One must always carefully compare this advantage of financial allocation with the risk premiums, possibly higher, for capital interests. [4]

It is difficult to blame financial markets for the debts of developing countries. Rather more importance should be given to the means obtained by governments. The debt of developing countries highly depends on the public powers from industrialized countries. Asking to settle a debt somehow equals some kind of developing aid that may have negative consequences. On the other hand, efforts are made to apply an international debt redeeming procedure, both for sovereign states and for their creditors, in order to at least contain the unsolved problem of state collapse. However, it should be clear that only the regaining of trust can grant new access on international financial markets. Thus, the debt redeeming procedure shouldn't spare the debtor from any responsibility, as there is the risk of excessive indebtedness that would cause some developing countries to always foster poverty.

The moral hazard from the bank system, the possible irrational behaviour of market participants and, due to the complex nature of the increase in financial services, the inconsistent information exchanged between financial institutions and their clients, all these could create real problems on the international financial markets.

Even before interacting within globalization, these problems are triggered by financial and monetary crises on a national level and they can affect entire regions all over the world. Moreover, except for crises, financial markets usually react in a rational manner when confronted with an unstable economic policy. Certain irrational behavioural features can certainly be identified in the tendencies of financial markets (herding, speculative bubbles). Nevertheless, ever since the 90's, certain considerable disagreements between fundamental data and the fixed exchange rate system (prices for all currencies), have caused pressure in the financial systems of developing countries during the majority of the financial crises. In this respect, "speculators" cannot be held accountable if they assume the entire economic risk of a possible mistake.

The criticism against the IMF is an exception. To a certain extent, one must agree with the accusation that its financial transfusions have favoured the excessive risk certain market participants have taken on. But it is not true that its stability practices data sheet has conditioned the granting of funds and thus triggered the crisis. The policies of the IMF are, undoubtedly, arguable, as they establish trust only after a crisis and, at the same time, try to stop an expansionist economic policy. [5] A high devaluation of the exchange tax, in the event of a monetary and financial crisis, indicates a monetary adjustment and a stimulus for the economy. If this course of events is to be contradicted by extending the interests and by enforcing austerity policies, the IMF can be accused of serving the interests of private foreign investors and of compelling countries to adapt to these requests by paying a very high price (including unemployment). But, if a crisis cannot be blamed on this policy, what is the point of asking the IMF for help?

The ex ante conditionings, defined through the PSAL programmes, are highly welcome as they decrease the possibility of a crisis. That is the purpose claimed by the "Washington consensus" on the competitive exchange rate. If the fixed exchange rate can only be maintained with very high costs, because of economic crises (such as the Argentina crisis), it would be necessary to grant certain flexibility in the choice of a new exchange rate system.

IV. CONCLUSION

A possible market collapse can be prevented through better information (for instance, matching the funding and accounting regulations), and not necessarily by creating an international authority to supervise the financial market. Unlike an international institution, the national control authorities and the central banks can show greater flexibility if they coordinate their activities. Moreover, fixed exchange rate systems or world monetary systems should be refused, as the exchange rate can be more flexible in diminishing the macroeconomic drifts than the prices of more rigid factors. The World Bank is especially criticised for observing the rules set up by the economic policies of the IMF. Just as with any development aid, the economic literature expresses doubts about the efficiency of supplying public means instead of aid from investors or private capital providers. Nevertheless, one must note the fact that, for certain reasons, the access to international financial markets is not a realistic option for very poor countries. An institution such as the World Bank is irreplaceable in these countries until they meet the necessary requirements for the economic policy before being granted the development aid. Moreover, the Bretton Woods institutions specialised in world financing and cash loans can support the access to information.

Also, the role of the IMF and of the World Bank must be reconsidered in order to include the new global reality: widening the gap between developed and underdeveloped nations, the volatility of global funds and the instant capital transfers. Ever since the beginning, these institutions have been governed by responsible managers from the countries they represented. The interests of the managers did not always coincide with the interests of the members. These interests are now unclear because of the new role of the nation-state in world business. The globalization forces have diminished the power of the state. Now global actors intervene – multinational and non-governmental organizations – and play an active role in the development of the world system. Even if the world is no longer the divided ruin from the end of the Second World War and no longer shifted by the ideologies of communism and capitalism, the IMF and World Bank networks do not have sufficient ranges to accommodate the dynamics of global economy or the complexity of domestic problems. Consequently, the new role of the IMF and of the World Bank in the global economy should aim at a harmonious development, accomplished through the control of failures, normal on a market system, and to draft economic prescriptions that would balance investments, development and political effects. As these institutions have evolved when it come s to reflecting changes in the perception of development in a human context, and also in dealing with the emergence of problems of global interest, they have also adjusted their policies so that their operations can be interchangeable. But this is not an e fficient means to manage and benefit from international finances. It is time for the IMF and the World Bank to have a taste of their medicine: operate efficiently, perhaps as one institution.

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