

Globalization and Development: A Critical View of a Spectator

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Globalization as its name suggests is a trend that has taken the world by storm. Its Tsunami-like movement is bound to cause both applause and jitters. It has been argued that globalization will remain a key factor for future world economic development. As a spectator in the whole "chess game", one prompted to question the foundations of the notion that the new concept offers something radically different from the traditional trading patterns. With the presence of the multinational companies around the globe, the world has been globalized. Within that traditional arrangement, the world has realised major inequalities and economic imbalance in terms of trade. How the new arrangement is going to help developing countries from the current economic quagmire still remains a myth. It is further argued that the benefits will be reflected in regard to trading in goods and services and in movements in capital, labour and employment. Indeed, the prescriptions sound good music for the ears. Nonetheless, attempts have not been made to bring to the fore the numerous challenges the new development poses for developing countries. Is it the same old hyena in sheep's clothing? This paper seeks to make a critique of the premises on which the proponents of globalization base their arguments. The paper attempts to challenge the notion of globalization as beneficial to the developing countries arguing that the new concept, like any other, has been around for decades. It will be interesting to understand how the developing countries with weak legal, political and economic structures will benefit from the new economic arrangement. The author intends to use current literatures and studies on globalization to make a strong case against globalization.

INTRODUCTION

I want to start with the words of the Prime Minister of Malaysia who noted, "Globalization can be a trap for developing nations thus they should make every effort to retain control of their own fates". Advocates of globalization are on the view that it will provide more incentives for poor economies due to closer integration with the technologically advanced economies. For a poor country, it might be a major challenge to fully integrate in the global economy before putting everything in place. Nonetheless, the debate has produced two schools of thought. In the first school, are the proponents with a rosy picture of globalization, on the other hand, are the critics who view globalization as corporate led and advancing the hidden agenda of the industrialised nations. As Yusuf (2001) observes, globalization is a source of both hope and apprehension. Yusuf emphasize his argument by pointing to the economic change over the past a hundred years that ushered in a new era of closer integration and the benefits that came along with such integration. This can also be said of the most open nations that are today at an advance stages of integrating in all dimensions.

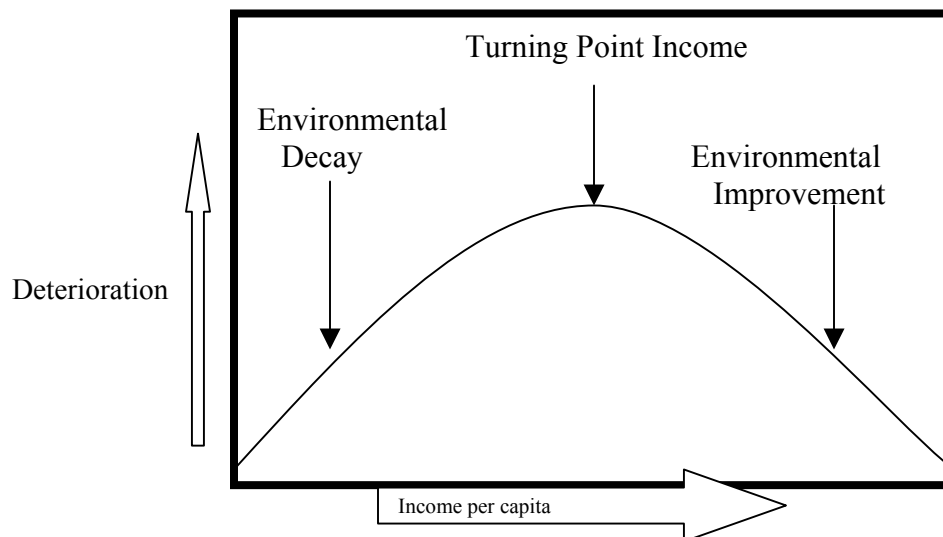
Although the advances in new technology especially the Internet have mostly fuelled globalization, sceptics in both the industrialized and developing countries are still questioning its benefits. Stiglitz (2002) states that the most pressing economic problem of our time is that so many of what we usually call "developing economies" are, in fact, not developing.

GLOBALIZATION IN PERSPECTIVE

The concept of globalization has been described as the growing integration of economies and societies around the world (World Bank). Columbia economist Joe Stiglitz (2002) has written a wonderful book "Globalization and its discontents." The central thesis of his book is that globalization can help promote economic development and end world poverty. Nonetheless, the author points to a major weakness that has become a common grumble among critics of globalization that the World Bank, IMF and WTO have done little to ensure that the world's bottom billion reap from globalization. In essence, Stiglitz (2002)

argues emphatically that globalization has benefited the developed world at the expense of the growing world. This observation corroborates my earlier assertion that the concept has been hijacked by big corporations with the aim of advancing the hidden agenda of the industrialised nations.

The Austrian economist Joseph Schumpeter formulated the concept of "creative destruction." In this Schumpeterian model, innovations lead to new ones, which then destroy the old ones. According to Giddens (2003), the coming into being of the electronic age means governments no longer have control over individual's ways of economic life. Globalization has created a digital divide that may torpedo social and economic development (Sciadas, 2004; Servon, 2002). Norris (2001) identifies the digital divides as economic, social and political. Friedman (2005) argues that this divide is being flattened. The economic historian Alexander Gerschenkron's classic essay "Economic Backwardness in Historical Perspective" (in Stiglitz, 2002) suggested that countries that were far behind the technological frontier of their day enjoyed a great advantage: they could simply imitate what had already proved successful elsewhere, without having to assume either the costs or the risks of innovating on their own. On the other hand, the economist and demographer Simon Kuznets, who went on to win a Nobel Prize, observed that economic inequalities often widen when a country first begins to industrialize, but argued that they then narrow again as development proceeds.



Source: Yandle et al. 2004

The Kuznet's curve demonstrates that pollution will rise along with economic growth during the early stages of industrial growth. This occurs because governments focus on increasing industrial growth and national income rather than on pollution control and once the income per capita reaches a certain threshold, pollution begins to decline (Grossman & Krueger, 1995 in Yandle et al. 2004).

Cases abound of ways in which developing countries can maximize the use of technology and embrace globalization for economic development. Mbarika (2003) posits that adoption and usage of cell phone technology in Africa is the fastest growing in the world. India is an example of a developing country that has leveraged IT for its economic development (Wolcott & Goodman, 2003; Sachs, 2005; Friedman, 2005). There is overwhelming evidence that if small enterprises have access to computers, cell phones and Internet, they could improve their business efficiencies and bottomline (Schreiner & Woller 2003, Sanders 2002, Lichtenstein & Lyons 2001, Hyman & Dearden 1998, Honig 1998). Warscahuer (2003) advocates a "back to IT basics" approach for the world's most distressed regions to climb the development ladder.

A conundrum posed by Kobrin (2007) is where does globalization take us? As we always state, you can only determine your destination when you know where you have come from. In this respect, the history should inform both the proponents and sceptics of what lay ahead through the adoption of globalization. In his study, Kobrin (2007) observed that a number of factors drove globalization forward. The author cites the fall of the Soviet Union, which coincided, with the internationalization of the Reagan-Thatcher revolution; deregulation, privatization and the opening borders were widely accepted as being necessary for economic growth. But this story will not be complete without mentioning the growth of telecommunications especially wireless telephony and the emergence of commercial Internet, which has brought the world economy together.

HYENA IN SHEEP'S CLOTHING

Globalization has destroyed the creative capacity of the developing economies. A consumer in the developing country will be more comfortable with the western products. A considerable number don't want to identify with their national products. A walk into any person's house will reveal the ugly face of globalization – starting with the TV, clothes, dishes, etc. All of these items are foreign made. In effect, globalization has become a wolf or a hyena in sheep's clothing. It 's threatening indigenous languages and even established languages such French. French business students once complained bitterly why such an important subject like economics has to be taught in English, which is a foreign language, and not in French.

THE CASE FOR DEVELOPING COUNTRIES

The whole debate of globalization has not been received well in parts of developing economies. This is quite apparent from the Malaysian Prime Minister in his address at the international conference on globalization. It was a clear call for a new kind of globalization. The new globalization must contribute to and must not detract from greater ethics and morality, greater liberty and independence, greater equality and mutual respect, greater productive democracy and comprehensive human rights. Mahathir (2001) further stressed that developing economies must throw off the intellectual hegemony of globalization's theologians. It is time to put people before profit to ensure that in the process of globalization there are more winners and fewer losers. The idea that globalization will create prosperity for the developing economies is simply based on a false assumption. The vulnerability of developing or rather, not developing countries (see, Stiglitz, 2002) will be more manifest with the increased trade which the proponents of globalization taut as the panacea to these countries problems. Increased trade will also mean increased environmental degradation.

Albert Hirschman, an economist and social thinker, put forward the hypothesis that, for a while, at the beginning of a country's economic development, the tolerance of its citizens for inequality increases, so that the temporary widening that troubled Kuznets need not be an insuperable obstacle. Although Hirschman's observation has been the norm in the past, increased environmental awareness among the present generation would make it impossible for the developing countries to exchange free oxygen with pollution.

ANALYSIS

According to Kobrin, both sceptics in the industrialized and developing countries are trapped in an integrated, global economy from which they can neither escape nor make work. There is the realization that national economies are tied together so tightly by technology that the "cost of returning to autonomous national markets is too high". At the same time, Joseph Schumpeter's concept of "creative destruction" comes handy for applicability. Creative destruction occurs when something new kills something older. Developing countries have experimented with one concept after the other – concepts that are developed by the industrialized nations to promote the agenda of their own business. In this respect, globalization has come handy after such concepts as deregulation, privatization and others before

them. Schumpeter (1975; pp 82-85) observes that capitalism upon which his work is premised is by nature a form or method of economic change and not only but never can be stationary. He further states that the fundamental impulse that sets and keeps the capitalist engine in motion comes from the new consumers, goods, the new methods of production or transportation, the new markets, the new forms of industrial organization that capitalist enterprise creates. But, probably developing countries should strive to go through the baptism by fire, which the industrial countries have undergone. The industrial revolution marked the culmination of serious environmental degradation as shown by the Kuznets curves. A similar experience may not be bad until the economies reach the turning point.

CONCLUSION

Despite the hype of globalization and its concomitant benefits, it's a phenomenon whose growth if not checked, can easily destroy the living environment of the world people. The problem with developing countries lies in their easy acceptance of new concepts without determining the impact it may have on the economy. It's important for these countries to determine the way and degree they want to open up their markets. This gradual change is what has helped developed countries and insulated their economies from fierce competition. Another issue which central to this debate is the timing and sequence of opening up the economy. Governments must not simply surrender their obligation to the nation simply by the mere allure of globalization without a clear understanding of its context. The timing and sequence is, therefore, an important decision. Should the government start with one industry or sector? Free the market at a premature state will prove dangerous to the local industries for they lack the wherewithal to stand aggressive competition waged by the most sophisticated and technologically advanced corporations. This kind of integration must be well thought out. It might require a careful approach such as integrating sector wise and determine which sector first require integration with the global economy in order to avoid falling into global pit.

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