The consequences of globalization: 
a theoretical review

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01-05-2011
Introduction

“It has been said that arguing against globalization is like arguing against the laws of gravity. But that does not mean we should accept a law that allows only heavyweights to survive. On the contrary, we must make globalization an engine that lifts people out of hardship and misery, not a force that holds them down”.

- Kofi Annan, 7th Secretary General of the United Nations (quote found in: Crosette, 2000)

Globalization is everywhere. However, as a subject it is extremely controversial, as it means many different things to different people (Kacowicz, 1999). Globalization is a multifaceted, multidisciplinary topic (Stallings, 2000) and has economic, political, technological as well as cultural elements (Garratt et al., 2003: 441). Globalization and its consequences remains one of the hottest areas for debate among academics, with different academics arguing for and against globalization. As Stiglitz (2002) put it: “few subjects have polarized people throughout the world as much as globalization”. Some of these debates about globalization concern the following (Fischer, 2003: 5)

- Whether poverty and inequality are increasing or decreasing due to globalization;
- Whether integration into the global economy is good for growth;
- Whether the international finance system is too crisis prone;
- Whether the global trading system is fair or unfair;
- Whether globalization results in unfair labor practices (including child labor) in developing countries;
- Whether globalization damages the environment;
- Whether multinational corporations have become too powerful to the detriment of developing country citizens and governments;
- Whether globalization makes the world better or worse;
- What the roles of governments and international institutions like the International Monetary Fund (IMF), World Bank or World Trade Organization (WTO) should be;
- Whether it is more important now than at some earlier date (Bordo et al., 1999);
- Whether it displaces the nation state (Wade, 1996; Guillen, 2001);
- Whether a global culture is in the making (Guillen, 2001);
- Whether globality is different from modernity (Guillen, 2001);
- Whether it produces convergence of societies (Guillen, 2001);
- Whether globalization is really happening (Guillen, 2001);
- Whether globalization displaces national culture and local habits (Olivier et al., 2008);
- Whether globalization leads to more or less democracy in the world (Li & Reuveny, 2003).

This paper examines the consequences of globalization. It does so from a multidisciplinary perspective; various viewpoints and topics are presented. Thousands of authors have published thousands of complete books on globalization. Thus, this paper doesn’t claim to be a complete overview of globalization; rather, it is intended as a brief summary of various aspects that are associated with globalization in the literature.
Theoretical framework

The theoretical framework discusses globalization, and its consequences.

Globalization

There are around 5000 different definitions of globalization (SustainAbility, 2007: 10), and academics can’t seem to agree on a particular one. Definitions range from the relatively simple “globalization is the freer movement of goods, services, ideas and people around the world” (SustainAbility, 2007: 10) to relatively more complex definitions, like the one used by Hurrell & Woods (1995: 447-448), who say that globalization is the “process of increasing interdependence and global enmeshment which occurs as money, people, images, values and ideas flow ever more swiftly and smoothly across national boundaries. It is assumed to be a process driven by technological advance which will lead to an ever-more homogeneous and inter-connected world. In the new globalized world economy, it is argued, states will cooperate more and international institutions will flourish”.

In terms of people’s daily lives, “globalization means that the residents of one country are more likely now than they were 50 years ago: to consume the products of another country; to invest in another country; to earn income from other countries; to talk on the telephone to people in other countries; to visit other countries; to know that they are being affected by economic developments in other countries; and to know about developments in other countries” (Fischer, 2003: 4). In other words: globalization is turning the earth into a global village (UNESCO, 2005: 105)

Various authors have categorized the major aspects of globalization differently. Alderson & Nielsen, (2002: 1246) state the major aspects of globalization are: capital flows, international trade, and international migration. Dreher (2006: 1092) provides a more complete categorization, and divides globalization into economic, political and social globalization. See table 1 for Dreher’s categorization.

Table 1: a categorization of globalization by Dreher (2006)
Thus, globalization is not only an economic phenomenon: “the technological and political changes that drive the process of economic globalization have massive non-economic consequences” (Fischer, 2003: 4). Norris (2000: 2) puts it this way: “globalization is understood as a process that erodes national boundaries, integrating national economies, cultures, technologies, and governance, producing complex relations of mutual interdependence”.

Globalization emphasizes market mechanisms as engines of economic growth (Simmons & Elkins, 2004: 173). It is a gradual process affecting different countries and sectors in a different way (among other things due to different initial positions; Andersen & Herbertsson, 2005: 1096; Gorodnichenko et al., 2008). According to Friedman (2005: 6), globalization has leveled the competitive playing fields between developed and developing countries. This can be for example seen in the fact that China is the new epicenter of the globalizing economy (Lee & Lee, 2006: 53). Globalization is said to be good for economic growth, and the countries with the lowest growth rates (e.g. Zimbabwe or Rwanda) are the countries that did not globalize (Dreher, 2006: 1105).

Globalization is – for many years now – the subject of a fierce debate between pro-globalists and anti-globalists.

Supporters of globalization use a variety of arguments to support their position. Some of those arguments are that globalization brings a bigger variety of products, and that globalization has brought more prosperity. In addition, they claim that globalization has greatly increased the international mobility of goods, services, capital, finance, and consumers. The Internet and E-commerce in particular has increased the international mobility of goods and services (Marossi, 2006: 336). Most economists view globalization in a positive light, based on the international benefits of free trade (Jaffee, 2005: 1).

The opponents of globalization also have used a variety of arguments, including that globalization is the imposition of a ‘free market’ dominated by conglomerations (Lieten, 2003: 8), and in particular that “globalization is the continuation of colonialism and imperialism under a different name, and that its main feature is the sourcing for profits, and that such sourcing is benefited by the removal of all hindrances imposed by independent states and countervailing powers. The globally operating capitalism, mainly of US vintage, the argument continues, is bleeding the world white and is having dramatic ecological, political and social consequences, including child labor” (Lieten, 2003: 2). The Economist (2001d) states that for critics of globalization, the rise of international capitalism is “a force for oppression, exploitation and injustice”.

Held et al. (1999: 10) categorize the parties in the globalization debate as either one of the following three: hyperglobalists, skeptics, and transformationalists. Hyperglobalists argue we live in a global world. They focus on global capitalism and they argue that globalization is the end of the nation state. The skeptics argue that globalization is a myth. They question what is global about globalization, because they state that the world economy is regionalized, as it evolves in the direction of 3 big trading blocs: Europe, Asia, and North America. The transformationalists argue that globalization is a driving force behind many social, political and economic changes that are reshaping modern societies. They say that globalization is transforming state power and world politics.
Short history of globalization

According to Friedman (2005: 7-8) there have been 3 eras of globalization:

- **Globalization 1.0.** This lasted from 1492, when Columbus discovered America after which came a period of trade between the ‘Old World’ and the ‘New World’, until around 1800. It shrunk the world from large to medium, and the era was led by national states.

- **Globalization 2.0.** This lasted from 1800 until 2000, and was interrupted by the Great Depression and World Wars I and II. It shrunk the world from medium to small, and the key agents of change were multinational companies. In the first half of globalization 2.0, global integration was driven by falling transportation costs, due to the steam engine and the railroad. In the second half globalization 2.0, globalization was led by falling telecommunication costs, due to the widespread use of the telegraph, telephones the PC, satellites, fiber-optic cable, and the early version of the Internet.

- **Globalization 3.0.** This began around 2000 and is currently still going on. Globalization 3.0 is shrinking the world from small to tiny. It is led by individuals and powered by the Internet and software.

Thus, Friedman (2005: 8) states: “while the dynamic force in globalization 1.0 was countries globalizing and the dynamic force in globalization 2.0 was companies globalizing, the dynamic force in globalization 3.0 – the thing that gives it its unique character – is the newfound power for individuals to collaborate and compete globally”.

Many other authors have come up with their own theories of when globalization began. Some authors argue that globalization began earlier; for example, Abu-Lughod (1989: 8) writes that “between A.D. 1250 and 1350 an international trade economy was developing all the way from northwestern Europe to China” and Frank & Gills (1993: 3) argues that “the existence of the same world system in which we live stretches back at least 5000 years”. Others argue that globalization began later; for example, O’Rourke & Williamson (2000) argue that it started in the beginning of the 19th century. They write that: “the 19th century international economy was globalized in a way which the world economy of earlier centuries simply never was” (O’Rourke & Williamson, 2000: 26).

Williamson (1996) also divides globalization into 3 eras: the period 1870 - 1913, the middle years between 1914 and 1950, and the late 20th century. He characterizes the middle years between 1914 and 1950 as ‘deglobalization’, because of slow growth and divergence between countries. In terms of trade relative to global GDP, the economy of the early 20th century was pretty advanced. World War I was the negative turning point, and the end of World War II marked the positive turning point again. Fischer (2003: 3) states that only in 1973, world trade as a percentage of global GDP had reached the level of 1913 again – and it has continued to grow ever since.

It can be concluded that globalization is not a new phenomenon, but its characteristics have changed significantly in the last decades. Nowadays the scale and pace of globalization are unprecedented, with the biggest difference being that the impacts of globalization are felt simultaneously at different places worldwide. This simultaneity differentiates the current globalization period from previous globalization periods (UNESCO, 2004: 35-36). While the phenomenon is not new, however, the term ‘globalization’ itself stems from the 1980s. The term is credited to Levitt, who has used it for the first time in his Harvard Business Review article ‘the globalization of markets’ (1983).
Drivers of globalization

Friedman (2005) argues in his book ‘The world is flat’ that there are 10 forces that ‘flattened the world’. In other words, these have been the driving forces of globalization. According to Friedman, the 10 forces were: (1) the collapse of the Berlin Wall in 1989, (2) Netscape going public in August 1995, (3) workflow software, (4) uploading, (5) outsourcing, (6) offshoring, (7) supply-chaining, (8) insourcing, (9) in-forming, and (10) wireless, VOIP and file sharing technologies.

Others come up with different drivers of globalization. SustainAbility (2007: 11-12) mentions 4 of these drivers: (1) the opening up of existing markets, with successive waves of liberalization, deregulation, and privatization, (2) the rapid evolution of technology and global connectivity, (3) the greater prominence of developing countries, and (4) the extraordinary surge in the number, reach and sophistication of multinational businesses. Globalization has accelerated since the 1970s, and since the 1990s, this acceleration has increased even further. The main forces accelerating the trend of globalization are the Internet, the World Trade Organization, the dramatic surge in low-cost communications technologies, and economic reforms in rapidly developing economies (Boston Consulting Group, 2006: 6). It should be mentioned that international air transport and international sea transport have been major contributors to globalization (OECD, 2008: 37; OECD, 2008b).

According to UNESCO (2004: 83), the recent waves of globalization have been driven not only by rapid changes in international transport and ICT, but also by drastic geopolitical and socioeconomic changes, such as the collapse of the Soviet Union. The fall of the Soviet Union meant that the free market system became the unchallenged platform adopted by nations around the world. UNESCO (2004: 84) also mentions that the economic integration of Europe, starting after WOII, has fastened globalization. This economic integration eventually resulted in the Euro currency.

Quantifying globalization

AT Kearney (2007) published the ‘Globalization Index Report’, ranking 72 countries according to their degree of globalization as measured by 12 variables. These variables can be divided into 4 categories: economic integration, personal contact, technological connectivity, and political engagement. In 2007, they ranked the 10 most globalized countries as follows: (1) Singapore, (2) Hong Kong, (3) the Netherlands, (4) Switzerland, (5) Ireland, (6) Denmark, (7) United States, (8) Canada, (9) Jordan, and (10) Estonia. The 10 least globalized countries are: (63) Pakistan, (64) Bangladesh, (65) Turkey, (66) China, (67) Brazil, (68) Venezuela, (69) Indonesia, (70) Algeria, (71) India, and (72) Iran. However, it can be argued that the criteria used to make this ranking are not well designed, since all BRIC’s (acronym for Brazil, Russia, India, and China) are quantified as among the least globalized countries (Russia is ranked 62nd). In fact, the 4 BRICs are key to globalization. In the words of a Goldman Sachs report (2005: 3): “the current and prospective outlook for globalization has the BRICs nations at its core and the interplay between the BRICs economies and the G7 is a critical aspect of globalization and interdependence”.

Andersen & Herbertsson (2005) tried to quantify which countries have become the most globalized in the period 1979-1998. They distinguish between the access to international markets and the actual usage of these markets. In terms of access to international markets, the US, the Netherlands and Belgium are the most globalized economies. However, in terms of actual usage of these
opportunities, Ireland, Belgium and the UK top the list. It is important to note that only OECD countries were included in the research, which excludes developing countries (including the BRICs).

According to an article from Bennhold (2007) in the New York Times, France is the European country that is most afraid of globalization, with 64% of French people considering globalization a threat for jobs in France, and globalization is often associated with Americanization. Meunier (1999: 29) puts it like this: “France is unique in the fight against globalization because its political and cultural identity combine all the elements that are threatened by globalization: a universalist culture; a language with international aspirations; a ‘superior’ food; an older practice of democracy; a sensitive view of national sovereignty; a central role of the state; a need for a world role; a sense of duty towards the more disadvantaged nations; and, most of all, a deep-rooted anti-Americanism”. 
Consequences of globalization

The most important consequences of globalization are discussed below.

Globalization and trade

Trade is defined as “the buying and selling of commodities” (Chase-Dunn et al., 2000: 82). Theories of international trade have been dominating economics for a long time. Already in 1817, David Ricardo proposed a theory of international trade, and introduced the term comparative advantage. Ricardo’s model was overly simplistic, because it comprises of only 2 countries and 2 products. For example, France has a comparative advantage in producing cheese (Kennedy & Koehn, 1996). Since then, his theory has been refined and expanded many times. In the 1930s, an extension of Ricardo’s original model emerged, called the Heckscher-Ohlin theory, and became very popular. The Heckscher-Ohlin theory of international trade states that countries will export the services of abundant factors and import the services of scarce factors (Blaug, 1992: 190). Thus, a country with plentiful capital and scarce labor would export primarily capital-intensive commodities and import labor-intensive commodities (Coleman & Yoffie, 1986: 1). Decades later, Leontief (1953) found that the United States (the most capital-abundant country in the world) exported labor-intensive commodities and imported capital-intensive commodities, which contradicts the Heckscher-Ohlin theory. This was called the ‘Leontief’s paradox’, which states that the country with the world’s highest capital-per worker has a lower capital/labor ratio in exports than in imports (Coleman & Yoffie, 1986). Many authors tried to explain the Leontief paradox, but Leamer (1980) proved that Leontief had performed the wrong statistical tests. Later, other theories of international trade emerged, like the ‘gravity model’ (Bergstrand, 1985) and the ‘new trade theory’ (Krugman, 1994). Porter (1998) argued that some countries always will have competitive advantages relative to others, and that national competitiveness is determined by the productivity that a nation achieves in using its human, capital, and natural resources. The gains from trade come from exploiting each nation’s comparative advantage (Kennedy & Koehn, 1996).

Trade has an effect on growth, employment, consumer prices & consumption, revenue, and government spending (WTO, 2008: xxiii), and thus international trade is integral to the process of globalization (WTO, 2008: xiii). Globalization of trade accelerated after WOII, and is driven by: (1) technological advances that lowered the costs of communication, transportation and computation, and (2) the liberalization of trade and capital markets, which means that many governments removed their protectionism measures, such as import tariffs and quotas (Soubbotina & Sheram, 2000: 66). The World Trade Organization (2008: xiv) adds: “political developments in the last decades of the 20th century sowed the seeds of further economic integration. These include China’s economic reforms, the fall of the Berlin Wall and the collapse of the Soviet Union”.

Kim & Shin (2002: 452-453) found that international trade increased 46.5 times in absolute terms between 1959 and 1996. When they controlled these findings for both inflation and the production output increase of countries, they found that international trade in this period increased 2.2 times. They state that this is evidence that the world became increasingly globalized since the 1960s. Furthermore, they found that from all 105 countries studied, all countries were trading more in 1996 than in 1959; “countries had significantly larger numbers of trading partners in 1996 than in 1959, and the world trade network became denser. However, this does not mean that all countries have
been integrated into the world economy to an equal extent” (Kim & Shin, 2002: 464). In addition, Soubbotina & Sheram (2000: 68) found that world exports have grown twice as fast as world GDP in the period 1965-1996. Table 2 shows the worldwide increase in exports and imports since the 1970s. In addition, table 3 shows the same data for the United States, China, and the Netherlands.

Table 2: total world exports and imports of merchandise in the period 1970-2010, in millions of dollars (WTO, 2011)

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<tr>
<td>World exports</td>
<td>317,000</td>
<td>877,000</td>
<td>2,034,000</td>
<td>1,954,000</td>
<td>3,449,000</td>
<td>5,164,000</td>
<td>6,456,000</td>
<td>10,489,000</td>
<td>15,238,000</td>
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<tr>
<td>World imports</td>
<td>329,000</td>
<td>912,000</td>
<td>2,075,000</td>
<td>2,015,000</td>
<td>3,550,000</td>
<td>5,283,000</td>
<td>6,724,000</td>
<td>10,855,000</td>
<td>15,376,000</td>
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Table 3: total exports and imports of merchandise for the United States, China, and the Netherlands in the period 1970-2010, in millions of dollars (WTO, 2011)

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<tr>
<td>U.S. exports</td>
<td>43,241</td>
<td>108,856</td>
<td>225,566</td>
<td>218,815</td>
<td>393,592</td>
<td>584,743</td>
<td>781,918</td>
<td>901,082</td>
<td>1,278,139</td>
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<td>U.S. imports</td>
<td>42,389</td>
<td>105,880</td>
<td>256,984</td>
<td>352,463</td>
<td>516,987</td>
<td>770,852</td>
<td>1,259,300</td>
<td>1,732,706</td>
<td>1,968,071</td>
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<tr>
<td>China imports</td>
<td>2.279</td>
<td>7.926</td>
<td>19.941</td>
<td>42.252</td>
<td>53.345</td>
<td>132.084</td>
<td>225.094</td>
<td>659.953</td>
<td>1,395.099</td>
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<tr>
<td>Netherlands exports</td>
<td>13.355</td>
<td>39.888</td>
<td>73.960</td>
<td>68.257</td>
<td>131.775</td>
<td>203.171</td>
<td>233.130</td>
<td>406.372</td>
<td>571.900</td>
</tr>
<tr>
<td>Netherlands imports</td>
<td>15.688</td>
<td>40.897</td>
<td>78.039</td>
<td>65.197</td>
<td>126.098</td>
<td>185.232</td>
<td>218.267</td>
<td>363.822</td>
<td>516.732</td>
</tr>
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However, these numbers don’t tell the whole story, since countries in general got richer and total GDP rose. That is why trade globalization can best be measured over time as the sum of all international exports as a percentage of global GDP (Chase-Dunn et al., 2000: 82). See figure 1 and 2.

Figure 1: worldwide exports of goods and services as % of global GDP (World Bank, 2011)
As can be seen in these figures, the trend of trade globalization is clearly visible. Global trade grew faster than global GDP. From these three countries, the Netherlands engages relatively the most in export, while the absolute data from table 2 shows that China is absolutely the biggest exporter. In 2009, there was a worldwide decline in trade, due to the economic crisis. This decline in trade has been the sharpest in countries that are the most open to world trade (e.g. Singapore), which raises questions like ‘can a country be too dependent on trade?’ (The Economist, 2009). Since 2010, worldwide trade is growing again.

Participating in free international trade has several benefits and risks for countries. Countries that participate in free trade benefit from increased access of their producers to international markets, and there can be potential ‘spill over’ benefits from trading partners, such as specific knowledge or technologies (Soubbotina & Sheram, 2000: 67). Besides, it has been shown that trade leads to decreasing infant mortality rates while increasing national wealth (Apodaca, 2002: 905). In addition, it is argued that international trade increases economic output, because (1) producers gain access to new imported varieties, which increases productivity levels, and (2) these increases in the number of product varieties reduce innovation costs, creating even more product variety (Broda et al, 2006). While increased product variety is a benefit for consumers, this is also a risk for countries because of the increased competition from international competitors (Soubbotina & Sheram, 2000: 67). However, opponents of globalization fear that increased trade has negative influences on the environment (Frankel & Rose, 2002: 1). The costs and benefits of participating in international trade also depends on other factors, like the size of a country’s domestic market, its natural resources and its location (Soubbotina & Sheram, 2000: 68).

On the surface it seems that the developing countries that have increased their participation in international trade and attracted foreign investment have accelerated growth and reduced poverty (Dollar, 2003). Moreover, new evidence suggests that countries which exclude themselves from participating in international trade are more likely to lose than to win. Stern & Deardorff (2006: 1426) state in this regard that: “it is strongly likely that excluded countries will be hurt by trade
liberalization undertaken by other countries”. However, Fischer (2003: 13) adds that “openness to the global economy is a necessary, though not sufficient, condition for sustained growth”.

Institutions like the IMF, the WTO, and the World Bank have played an important part in promoting free trade (Soubbotina & Sheram, 2000: 66). These institutions are seen by anti-globalization activists as the catalysts of globalization. Many people disagree with the policies of these institutions. The most common complaints about the WTO are a lack of transparency, that it overrules domestic laws, and that it is dominated by large multinational corporations, and the fact that a few rich countries dominate the WTO and that developing countries have a small role (Deardorff & Stern, 2002: 417-418). Furthermore anti-globalists argue that (1) these institutions force their policies on developing countries, and (2) institutions like the WTO, the IMF and the World Bank promote inequality and poverty, and thus actually hurt developing countries instead of helping them. This disagreement is apparent in mass protests against the WTO, IMF, World Bank and globalization in general. Notable globalization protests were in Seattle in 1999, Genoa in 2001, and Cancun in 2003. These protests have sometimes resulted in deaths. For example, in Cancun in 2003, one South-Korean farmer, Lee Kyung-Hae, stabbed himself to death in protest against the WTO’s efforts to open agricultural trade in South East Asia (The Guardian, 2003), and in Genoa, Italy, police shot an anti-globalization protestor, Carlo Giuliani, to death in 2001 (New York Times, 2001).

While the abovementioned institutions and many authors promote free trade, some authors (e.g. Nader et al., 1992) argue against free trade. Nader et al. (1992: 1) states: “operating under the deceptive banner of ‘free’ trade, multinational corporations are working hard to expand their control over the international economy and to undo vital health, safety, and environmental protections won by citizen movements across the globe in recent decades”.

In addition, Kennedy & Koehn (1996: 6-7) state 3 objections against free trade:
- The uneven distribution of gains and losses: the gains from trade are often widely dispersed while the losses are concentrated and borne by highly visible groups;
- Infant industries (a new industry which has a potential comparative advantage may not get started unless it is given temporary protection against foreign competition);
- National security (some industries must be protected for national security reasons).

However, President George W. Bush said in 2001: “those who protest free trade are no friends of the poor. Those who protest free trade seek to deny them their best hope for escaping poverty” (Los Angeles Times, 2001).

The benefits from opening up to free trade are not equally distributed across countries (WTO, 2008: xvii). However, Deardorff & Stern (2002: 421) argue that “those who gain most from the WTO are those who gain from globalization, especially small, poor countries who would be most hurt by nationalistic policies”.

Since trade is a clear means of encouraging human welfare and economic growth, Apodaca (2002: 905) stresses the need for “trade not aid” with developing countries.
Globalization and poverty & inequality

How globalization is associated with global poverty and inequality is one of the fiercest debates of globalization. The OECD (2001: 2) says poverty is multidimensional and encompasses “different dimensions of deprivation that relate to human capabilities including consumption and food security, health, education, rights, voice, security, dignity and decent work”. The official poverty numbers from the World Bank are the most cited in this regard. To measure poverty, a poverty line is needed. World Bank researchers Chen & Ravallion (2009: 4) state the current international poverty line is $1.25 dollar a day, which is the mean of the national poverty lines of the poorest 15 countries in terms of consumption per capita. Thus, world poverty is measured as by the poverty standards of the world’s poorest countries. In general, the richer a country is, the higher is its national poverty line (Soubbotina & Sheram, 2000: 31; Ravallion & Chen, 2009: 18). The national poverty lines of China and India are closer to $1.00 a day, while the median poverty line for all developing countries is $2 per day (Chen & Ravallion, 2009: 4). They found that the cost of living in developing countries is actually higher than previous estimates, so all previous poverty levels have to be revised upwards. Thus, there are more poor people worldwide than initially thought (Chen & Ravallion, 2009: 13). See table 4 and 5.

Table 4: trends in global poverty I: % of the world population living under the poverty line (adjusted for 2005 prices; World Bank estimates; Chen & Ravallion, 2009: 42-43)

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<tr>
<td>$1,00 a day</td>
<td>41.4%</td>
<td>29.8%</td>
<td>27.0%</td>
<td>22.8%</td>
<td>16.1%</td>
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<td>$1,25 a day</td>
<td>51.8%</td>
<td>41.8%</td>
<td>39.1%</td>
<td>33.7%</td>
<td>25.2%</td>
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<tr>
<td>$2,00 a day</td>
<td>69.2%</td>
<td>64.2%</td>
<td>61.5%</td>
<td>57.1%</td>
<td>47.0%</td>
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<td>$2,50 a day</td>
<td>74.6%</td>
<td>71.6%</td>
<td>69.2%</td>
<td>65.9%</td>
<td>56.6%</td>
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Table 5: trends in global poverty II: absolute number of people (in millions) in the world living under the poverty line (adjusted for 2005 prices; World Bank estimates; Chen & Ravallion, 2009: 44-45)

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<tr>
<td>$1,00 a day</td>
<td>1515,0</td>
<td>1227,2</td>
<td>1237,9</td>
<td>1145,6</td>
<td>876,0</td>
</tr>
<tr>
<td>$1,25 a day</td>
<td>1896,2</td>
<td>1720,0</td>
<td>1794,9</td>
<td>1696,2</td>
<td>1376,7</td>
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<tr>
<td>$2,00 a day</td>
<td>2535,1</td>
<td>2639,7</td>
<td>2821,4</td>
<td>2872,1</td>
<td>2561,5</td>
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<td>$2,50 a day</td>
<td>2731,6</td>
<td>2944,6</td>
<td>3176,7</td>
<td>3316,6</td>
<td>3084,7</td>
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</table>
Thus, it can be seen that, relatively, there are less poor people in 2005 than in 1981. Absolutely, it depends on which poverty line is taken. By the $1 a day and the official $1,25 a day poverty line, the absolute number of people has fallen. Measured by this official $1,25 a day poverty line, there are 1.4 billion poor people in the world in 2005 (as compared to 1.9 billion in 1981). If measured by the $2,00 or $2,50 poverty line, the absolute number of people living under the line has actually increased. Thus, while the number of people that is relatively poor has risen in the abovementioned period, the number of people that are absolutely poor (below $1,25 a day) has fallen (Ravallion & Chen, 2009).

According to The Economist (2004b), one of the biggest parts of the globalization-poverty-inequality debate revolves around a single technical issue: “it better to measure consumption (and hence living standards) using data drawn from national accounts or data drawn from household surveys? The two sources ought to marry up. In fact they differ systematically, and by a wide margin. Worse, growth in consumption, not merely levels of consumption, differs persistently according to which source is used. National-accounts data tend nearly always to give a much more optimistic view of trends in poverty than do household-survey data”. The estimates from the World Bank by Chen & Ravallion (2009) use household survey data, and these numbers are subsequently used by the United Nations to gauge its progress against the Millennium Development Goals of reducing the number of people living under $1 a day in 2015 to half the level of 1990. In contrast, Pinkovskiy & Sala-i-Martin (2009: 64-65) used national account data to estimate poverty numbers. They estimated that in 2006: 2.3% of the world population, or 152 million people, lived under the $1 a day line. Compare those numbers to the numbers in table 3 and 4, and it will become clear that how poverty is estimated makes a big difference.

The Economist (2004b) explains the difference: “the World Bank attempts to measure ‘consumption poverty’, as opposed to ‘income poverty. To the extent that poor people manage to save, their consumption will be less than their income, and so there will be more poor people on the Bank’s definition. Also, the Bank expresses its poverty ratios as proportions of population in the developing countries; Mr Sala-i-Martin, for instance, uses global population”. In addition: “as people get better off, they are less likely to respond (accurately or at all) to surveys. As a result, as countries get richer, the ratio of ‘survey consumption’ to ‘national-accounts consumption’ is usually found to fall”. But one data source is not better than the other one; both have their advantages and disadvantages. Disadvantages of surveys can be bad survey design, discrepancies in samples and poor execution; while disadvantages of national account data are that it fails to capture non-market income (while the informal sector is very big in some countries) and it fails to capture consumption. New data will fail to resolve the issue, because household surveys and national account data are mutually contradictory (The Economist, 2004b). The Economist (2004b) further states that the World Bank poverty estimates are too pessimistic, and poverty has probably fallen faster than these widely cited estimates suggest. The truth is somewhere in between the estimates of household surveys and national account data.

The discussion about trends in global poverty is a big part of the debate on globalization, but it doesn’t explicitly address globalization; whether whatever has been happening is caused by increasing integration into the global economy (Fischer, 2003: 9). Various authors tried to come up with an answer to this issue. While some authors (e.g. Soubbotina & Sheram, 2000: 31; Lévy, 2007: 599; Nissane & Thorbecke, 2005) say there is a positive relationship between globalization and
poverty reduction, other authors (e.g. Wade, 2004) contradict the claim that globalization caused a reduction in poverty. The Economist (2001d) even states that “far from being the greatest cause of poverty, globalization is the only feasible cure”. The Economic Commission for Africa (2005: 203) argues that globalization is positively linked to productivity growth, which allows wages to rise, and thus poverty to decline. Other authors say that globalization lowers prices, thus increasing consumption, and this is likely to affect poverty (Goldberg & Pavcnik, 2004: 42).

However, while it is said that globalization increased real income and consumption in many countries (OECD, 2008: 15), it is argued by many that globalization had an uneven impact on the developing world, thereby increasing inequality both within and between nations (Nissanke & Thorbecke, 2005; Lieten, 2003: 2; Deardorff & Stern, 2002: 421; Apodaca, 2002: 883; Kremer & Maskin, 2003; OECD, 2008: 15). There is a distinction between cross-country inequality and within-country inequality. Cross-country income inequality is defined as “the gap between average incomes in the richest countries and average incomes in the poorest countries, measured without regard to changes in population” (The Economist, 2004b), and within-country income inequality is the income gap between the rich and the poor in a country. Lieten (2003: 2) says in this regard that the richest 50 million on the planet earn as much as the poorest 2.7 billion. To critics of globalization, this is a “sign of the moral bankruptcy of the system” (The Economist, 2004b).

Fischer (2003: 11-12) and The Economist (2004b) show that if one looks at GDP per head, the poor countries are on average not catching up with rich countries, and that cross-country inequality is increasing. However, if one looks at the GDP per head proportional to population, the growth of India and China has been much higher than the average of poor countries. In fact, India and China grew so fast that – combined with their huge populations of poor people – it shows a catch-up of GDP per head and thus that cross-country inequality is decreasing. So it depends on how one looks at the numbers. Dollar (2005) argues that growth rates in developing countries have accelerated, and that these countries now – for the first time in modern history – grow faster than developed countries. This means that cross-country inequality is slowly declining. Ravallion (2003: 751) refers to this as ‘pro-poor growth’, defined as “a situation in which incomes of the poor grow at a higher rate than those of the non-poor”. This can apply to both cross-country inequality and within-country inequality. Dollar (2005) also found that within-country inequality is not increasing in general, but it has increased in some very populous countries, notably China, India and the US. The Economist (2004b) notes that if cross-country inequality and within-country inequality are increasing, it does not automatically follow that global inequality (across all the people in the world) is increasing; in fact, global inequality may well be falling. If there is a group of poor countries – accounting for a big share of all the poor people in the world – growing richer very fast (like India or China), it can mean that global inequality can be decreasing, even if income inequality in India and China themselves is increasing and if the gap between the very poorest countries (of Sub-Saharan Africa) and the richest countries is increasing. Global inequality in this case is falling, because average incomes in the two most populous countries are rising very fast (The Economist, 2004b). They further state that: “It so happens that average incomes in India and China are going up extremely rapidly. Without knowing anything else, one should therefore be sceptical about all the claims that are so confidently made about rising global inequality”. Using national account data, Pinkovskiy & Sala-i-Martin (2009: 66) argue that global inequality has decreased, by showing that the average worldwide Gini index of countries has fallen from 0.676 in 1970 to 0.612 in 2006.
Some regions, like East and South-East Asia, have particularly benefited from globalization, while other regions, like Sub-Saharan Africa, have not seen any improvement (Apodaca, 2002: 883; Fischer, 2003: 11, 13). See figure 3 for trends about the number of poor people per region.

Figure 3: the number of poor people per region (based on Ravallion & Chen, 2009: 44 and Chen & Ravallion, 2004: 41-42)

Again, a methodological issue arises. Chen & Ravallion used household surveys to obtain these figures. Using national account data, Sala-i-Martin & Pinkovskiy (2010) found that poverty in Africa has fallen rapidly in the period 1970-2006. According to them, this decrease in poverty is not due to any specific large country, but due to poverty reductions in all African countries. Still, Sub-Saharan Africa is the region with the highest incidence of extreme poverty and the greatest depth of poverty (Chen & Ravallion, 2004). Some of these poor countries are stuck in what Soubbotina & Sheram (2000: 33) call ‘the vicious circle of poverty’. See figure 4.

Figure 4: the vicious circle of poverty: (Soubbotina & Sheram, 2000: 33).

However, the interesting fact is that views of globalization are more positive in low-income countries than in rich countries (Dollar, 2003). He states that according to a recent survey, 75% of people in Sub-Saharan Africa thought that multinational corporations had a positive influence on their country,
compared to only 54% in rich countries. Moreover, there was more enthusiasm for foreign trade and investment in developing countries than in developed ones. In addition, he found that people in poor countries tend not to blame globalization for lack of progress in their country, but rather they blame poor governance in their own countries (Dollar, 2003).

The Economic Commission for Africa (2005: 205) states: “contrary to general perception, Africa’s markets are integrated considerably in the global economy. But, this integration is asymmetric. Africa depends on the rest of the world, whereas the rest of the world does not depend on Africa”. They also state that education and skills are essential (2005: 216). The explanations given for failing to take advantage of globalization are economic and geographical constraints (climate), policy (resistance to reform) and institutional factors (Sindzingre, 2005: 2-3). The Economist (2004b) says Africa is not poor because of globalization, but because it has not taken advantage of globalization, like other countries have.

Alderson & Nielsen (2002: 1244) found that the variation in inequality between nations “is principally affected by the percentage of the labor force in agriculture, followed by the institutional factors union density and decommodification, and only then by globalization”. These authors also point out that mass-migration from Europe to upcoming and fast-developing countries caused inequality to rise in the people-importing countries, but at the same time caused inequality to decline in the people-exporting countries. Fisher (2003: 10) puts everything in a historical perspective: “inequality among national average incomes appears to have been increasing for at least 400 years, since before the rapid increases in economic integration that took place in the nineteenth century. However, this long-term rise in inequality among national average incomes seems to have slowed during the past 20 years”. Evidence from Ravallion (2001) supports this claim, suggesting a trend of inequality convergence within countries; within-country inequality levels in income are slowly converging toward a medium level of income inequality – a Gini index of around 40%.

Wade (2004: 582) points out the consequences of increasing income inequality within countries: (1) higher poverty, (2) slower economic growth, because inequality constrains the growth of mass demand, especially in large countries like China, (3) higher unemployment, and (4) higher crime. He also points out the consequences of increasing income inequality between countries: “rising inequality between countries impacts directly the national political economy in the poorer states, as rich people who earlier compared themselves to others in their neighborhood now compare themselves to others in the United States or Western Europe, and feel deprived and perhaps angry” (Wade, 2004: 582). He further states that (2004: 583): “migration is a function of inequality, since the fastest way for a poor person to get richer is to move from a poor country to a rich country. Widening inequality may raise the incentive on the educated people of poor countries to migrate to the rich countries, and raise the incentive of unskilled people to seek illegal entry”.

The rapid integration of 6 of the largest non-OECD economies (Indonesia, South Africa and the 4 BRICs: Brazil, Russia, India, and China) into the world economy was an important part of globalization during the last 2 decades (OECD, 2009). Currently, more than half of global growth is coming from emerging markets, and globalizing developing countries are growing much faster than rich countries, resulting in rapid poverty reduction in these countries (Dollar, 2003; AT Kearney, 2008: 2). Apodaca (2002: 884) says that these high growth rates – in East and South-East Asian countries – are driven by production and export manufacturing, financed by foreign direct investment.
With 38% of the world’s population living in China and India, these countries shape world trends in poverty and inequality (Wade, 2004: 577). Chen & Ravallion (2004) argue that China has made significant progress in poverty reduction, as there were 390 million less people in China living under the $1 day a day standard in 2001 than in 1981. They state (2004: 24) that: “the dramatic progress against poverty in the early 1980s owes much to China. If one focuses on the developing world outside China then the number of poor by the $1 per day standard has changed rather little – indeed, it has risen slightly”. Ravallion & Chen (2007) say that – while the proportion of the population in China living under the poverty line of 850 Yuan per year dropped from 53% to 8% of the population – progress was unevenly distributed over time and across provinces; rural economic growth was far more important to Chinese poverty reduction than urban economic growth, but they also state that this is not surprising in a country with so much poverty in rural areas. Fujita & Hu (2001) agree, stating that regional disparity in China has been rising, and that globalization and economic liberalization have caused this increase. The east coast is relatively richer than the west of China. In his study about the consequences of globalization in India, Nayar (2006) argues that globalization has been largely beneficial for India. Globalization helped India and China to narrow the gap with rich countries (Lévy, 2007: 599). However, as Chen & Ravallion (2004: 23-24) state: “while the overall picture is good news, it is no cause for complacency. The 390 million fewer poor [in China] by the $1 a day standard over 1981-2001 are still poor by the standards of middle-income developing countries, and certainly by the standards of what poverty means in rich countries”.

Poverty in certain countries leads other countries to send developing aid. However, such aid programs are totally ineffective (Doucouliagos & Paldam, 2009). There is an international norm of spending 0,7% of GDP on international aid, but Fisher (2003: 21) says that only the Netherlands and Scandinavian countries meet this criteria. He states that aid has fallen over decades, because of “growing skepticism about the effectiveness of aid, abetted by the continuing emphasis on those in the development business on remaining problems rather than achievements. Corruption in some of the recipient governments has also severely reduced public support for aid. In addition, the way the aid process has worked has created an aid dependence in some of the poorest countries that has inhibited their taking action to solve their own problems” (Fischer, 2003: 21). He also proposes a solution: “the aid process needs to be made more effective through greater selectivity among countries and sectors within countries and through countries taking greater ownership of the process. But at the same time it is hard to see the problems of the poorest countries being solved without significant increases in aid” (Fischer, 2003: 25).

Some authors (e.g. Wade, 2004b) see world poverty in the light of ‘the Matthew effect’, which means that the rich get richer and the poor get poorer (Merton, 1988). As was discussed before, others argue that globalization – while reducing poverty – places the wealth of globalized countries in the hands of a few privileged people. Whatever is said about inequality and the developing world, the fact is that the United States – the biggest advocate of modern capitalism and democracy – has one of the highest levels of inequalities among the rich states in the world (Popescu, 2007: 16). This is measured by the Gini-index, which is basically a measure of how income is distributed within a country. The result is a number between 0 and 1, whereby 0 means that that there is total income equality (everybody has the same income), and 1 means that there is total income inequality (there is only 1 person in the country that earns all the money, and the others have no income). A world map by Gini coefficients is shown in figure 5.
While 75% of the poor people in developing countries still live in rural areas, there is a clear poverty urbanization trend. The poor people in developing countries are urbanizing faster than the total population (Ravallion et al., 2007: 693). Many people are moving to cities because there is more work in cities than in rural areas. In general, globalization has led to bigger cities (Glaeser, 2009).

With the rise of globalization, a new social movement, called alter-globalization (standing for alternative globalization) emerged that “fights against the new liberal pattern of globalization, pretending a better and more careful way towards the human being and environment” (Popescu, 2007: 18). In general, the movement supports global interaction, but without the detriments, striving for ‘economic justice’ (Popescu, 2007: 18).

For poor countries, the issue is not “whether to participate in the global economy, but how to do so in a manner which provides for sustainable and equitable income growth” (Kaplinsky, 2000: 177). The Economic Commission for Africa (2005: 203-204) point out how Africa can harness the opportunities from globalization: (1) African countries need to focus on productivity growth, (2) to increase the competitiveness of exports and attract more foreign direct investment, the improvement of infrastructure, especially telecommunications, is essential, (3) industrial policies need to be designed carefully and adapted to local conditions, and (4) incentives for both foreign and domestic investment should be targeted with care. Fisher (2003: 23; 25) argues that the best way to reduce global poverty and inequality is to make the global system deliver economic growth more consistently and more equitably. In particular, he argues that (1) developing countries can benefit by opening up trade to each other, and that (2) developed countries need to liberalize agricultural trade and end the massive subsidies to agriculture that impair the exports of many developing countries.

Despite a lot of research on the effects of globalization on inequality, there is no consensus on its effects. This is because “scholars disagree about how to measure globalization and about how to draw causal inferences about its effects” (Brune & Garrett, 2005: 399). The World Bank (2009: 47) says the prospects for the near future are bright: “per capita GDP in developing countries over the period 2010–15 is expected to expand at a relatively rapid annual pace of 4.6 percent, much faster
than the 2.1 percent pace of the 1990s and the 0.6 percent average of the 1980s”. However, other authors are more skeptical. For example, Wade (2004: 581) states: “whatever we conclude about income inequality, absolute income gaps are widening and will continue to do so for decades”.

Globalization, capital and financial markets

There is an extensive debate in the academic literature on the effects of foreign direct investment. Foreign direct investment (FDI) is “when multinational corporations, the majority of which are headquartered in the Western industrialized countries, invest in a corporation in another nation, either by buying an existing business or by furnishing capital to launch one. FDI presupposes a long-term investment commitment” (Apodaca, 2002: 892). See table 6 for the size of FDI flows.

Table 6: FDI flows in the period 1970-2009 in millions of dollars (UNCTAD, 2010)

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</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>13.346</td>
<td>26.567</td>
<td>54.076</td>
<td>55.832</td>
<td>207.697</td>
<td>342.544</td>
<td>1.401.466</td>
<td>985.796</td>
<td>1.114.189</td>
</tr>
</tbody>
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The enormous increase in FDI is mainly driven by the globalization of the world economy (UNCTAD, 2003: 29). This FDI increase is one of the positive aspects of globalization: more money has become available to developing countries, allowing them to develop faster (Stallings, 2000: 7). FDI is currently actually the main source of capital for developing countries (UNCTAD, 2003: 29). Particularly noteworthy in this regard is the fact that since the 1990s, 10% of the world’s FDI has flowed into China (Lee et al., 2009: 1127), and in 2008, China received 25% of all FDI inflows to developing countries (World Bank, 2010: 2). However, the importance of market size as a determinant of where to invest is diminishing; UNCTAD (2003: 29) states that “even small countries may now compete for FDI, given that they can provide sufficiently attractive production conditions for foreign investors”.

One of the biggest debates on the effects of FDI concerns economic growth. While some authors (e.g. Li & Liu, 2004; Saggi, 2002; Görg & Greenaway, 2003: 18; Apodaca, 2002: 892) argue that FDI has a positive effect on economic growth in the country that receives FDI (also called host country), others (e.g. Carkovic & Levine, 2002) argue that FDI inflows have no significant influence on economic growth. Taking Vietnam as their case study, Anwar & Nguyen (2010) show that there is a reinforcing two-way linkage between FDI and economic growth: FDI causes economic growth, but economic growth also causes an increase in FDI. Other authors argue that the effect of FDI on economic growth is dependent on the level of economic freedom in the host country (Azman-Saini et al., 2010), the host country’s industrial policies (Blomström & Kokko, 2003: 21), the size of the domestic market, the competitive climate relative to local producers, and the level of human capital available in the host economy (Balasubramanyam et al., 1999; Borensztein et al., 1998). Basu & Guariglia, (2007) state that, next to promoting economic growth, FDI promotes human capital inequality and, in addition, tends to reduce the share of agriculture to GDP in the recipient country. Furthermore, it is argued that FDI benefits not only the state and the rich, but also the poor: FDI is associated with improvements in income equality in both the host and home country (Çelik & Basdas, 2010: 369), a reduction in physical integrity abuses, decreasing infant mortality rates, and increasing economic development (Apodaca, 2002: 904).
Globalization supporters argue that FDI brings important benefits to the recipient countries, in the form of capital inflows, transfer of technology (called technology spillovers), transfer of management know-how, human capital formation, international trade integration, access to export markets, enhancement of enterprise development, good governance (UNCTAD, 2003: 233; Apodaca, 2002: 892) and higher productivity for domestic firms in the industry of the FDI receiving country (Haskel et al., 2002). This in turn is said to improve the international competitiveness of firms and the economic performance of the recipient country (UNCTAD, 2003: 1). It has been said that FDI is the main channel through which advanced technology is transferred to developing countries (Borensztein et al., 1998: 133). By increasing capital and technology flows to developing countries, globalization can generate a higher rate of income growth than would be possible in a less integrated world economy (Gundlach & Nunnennkamp, 1996). FDI can also lead to the establishment of a local industry, which in turn can become so powerful that it reduces the competitive position of multinationals in that industry (Markusen & Venables, 1999: 352). However, much of the success of FDI depends on characteristics of the host country (Hanson, 2001: 23). Also, the potential FDI spillover benefits are only realized “if local firms have the ability and motivation to invest in absorbing foreign technologies and skills” (Blomström & Kokko, 2003). Globalization skeptics contradict the claim that FDI leads to positive spillovers for host economies (e.g. Hanson, 2001; Görg & Greenaway, 2003).

Other authors argue that absorptive capacity in the receiving FDI country is crucial for obtaining significant benefits from FDI (Borensztein et al., 1998). As Saggi (2002: 229) states: “without adequate human capital or investments in R&D, spillovers from FDI may simply be infeasible. Thus, liberalization of trade and FDI policies needs to be complemented by appropriate policy measures with respect to education, R&D, and human capital accumulation if developing countries are to take full advantage of increased trade and FDI”.

Another important theme of globalization is financial globalization, which is defined as “the liberalization of trade in financial assets” (Stulz, 2005: 1595). This is said to have begun in the first half of the 20th century, but has accelerated since the 1980s. International financial markets are increasingly becoming one enormous, integrated global capital market (Stulz, 1999b: 24; Healy & Palepu, 2001: 433-434). The influence of the 2 biggest financial centers in the world – New York and London – goes far beyond the national boundaries of their country (The Economist, 2007b). The globalization of equity markets has also expanded to emerging markets, where asset returns are intrinsically more risky (Calvo & Mendoza, 2000: 97). The globalization of capital markets leads to “higher stock prices in developed as well as developing economies. As a consequence of the globalization of equity markets, large companies everywhere can raise capital from foreign as well as local investors. Having a global shareholder base means having a lower cost of capital and hence a greater equity value” (Stulz, 1999b: 24). In addition, it is argued that globalization increases the monitoring of management and thus reduces information and agency costs. As a result, globalization decreases the cost of equity capital in addition to reducing the expected rate of return required by investors (Stulz, 1999; Stulz, 1999b: 15). However, other authors (e.g. Stiglitz, 2004) point out that the globalization of capital markets – pushed in the 1980s and 1990s by the IMF – has caused worldwide financial recessions and economic crises. Thus, the globalization of capital markets has led to increased economic instability, instead of economic growth (Stiglitz, 2004).
Another subject is the relationship between globalization and inflation. However, most authors argue that globalization has not influenced inflation significantly, and that it has not influenced the structure of inflation dynamics (Ball, 2006; Ihrig et al., 2007).

Shareholders benefit from globalization as well, for 2 reasons:

- “The risks of equity are shared among more investors with different portfolio exposures and hence a different ‘appetite’ for bearing certain risks. With the resulting global diversification of investor portfolios, companies with access to global markets experience a reduction in market risk premiums and hence a lower cost of capital. And a lower cost of capital means a higher stock price for a given level of cash flows or earning” (Stulz, 1999b: 24);
- “When firms in countries with less developed capital markets raise capital in the public markets of countries (like the U.S.) with highly developed markets, they get more than lower-cost capital; they also import at least aspects of the corporate governance systems that prevail in those markets” (Stulz, 1999b: 24).

In conclusion, Mishkin (2006) states that the potential benefits of financial globalization are huge, but that those benefits have not been reaped yet because the complementary reforms are not yet undertaken. He argues that if those reforms are done, the benefits of financial globalization will be enormous. Rodrik & Subramanian (2008: 16-17) however, say that “it seems increasingly clear that the benefits of financial globalization are hard to find. Financial globalization has not generated increased investment or higher growth in emerging markets. Countries that have grown most rapidly have those that rely less on capital inflows. Financial globalization has not led to better smoothing of consumption or reduced volatility. If you want to make an evidence-based case for financial globalization today, you are forced to resort to fairly indirect, speculative, and, in our view, ultimately unpersuasive, arguments”. Thus, authors can’t seem to agree on the effects and the future of financial globalization.

**Globalization and jobs**

When it comes to globalization and jobs, the academic literature focuses on international offshoring, job security, international labor migration and wages.

The majority of jobs are not global, but local and regional. But people’s jobs and their living standards ultimately depend on the globalized sector of the national economy (Castells, 1999: 5). However, trade liberalization has been linked to job losses in formerly protected sectors (Rama, 2003: 32). Slaughter & Swagel (1997: 1) say that “there is no doubt that globalization has coincided with higher unemployment among the less skilled”, while Gwartney et al. (2010: 197) argue that more economic freedom leads to lower unemployment among the total labor force. However, this effect can’t be attributed to globalization (Ghose, 2003). There has been a big increase in informal employment in developing countries the last 30 years. While some people have attributed this to globalization, others have argued that “at the very least, international trade has not helped informally employed workers to find better working conditions” (Bacchetta et al., 2009: 22).

Globalization has increased international labor mobility (Taran & Geronimi, 2002: 1). An extensive global survey by Manpower (2008: 2) found that 37% of respondents would be willing to relocate to ‘anywhere in the world’ for a good job opportunity. And people increasingly do so: international
migration figures more than doubled between 1975 and 2000, and The International Labour Office estimated in 2002 that the global total number of migrant workers and family members was around 120 million (Taran & Geronimi, 2002: 2-3). These authors also state (pages 3-4) that there is a growing demand for migrant labor worldwide, but that migrant workers usually fulfill the ‘three-D’ jobs: dirty, degrading and dangerous. In addition, that international migrant workers face discrimination and xenophobia directed at them in the host countries (Taran & Geronimi, 2002: 1). However, Fischer (2003: 3) states that in terms of migration and labor flows, “the modern system is less globalized than it was a century ago”. He gives the examples of mass emigration from Ireland and Italy in the second half of the 19th century, and that a greater percentage of the US population in 1911 was foreign born than is the case in the US today.

Highly skilled labor is also increasingly globalized, with educated talent being hired around the world (Castells, 1999: 5). This gives rise to international ‘brain drain’, which is a very serious problem, with some developing countries losing 10 to 30% of their highly educated workforce to other countries (Lowell & Findlay, 2001). This has negative effects on economic growth and productivity in these countries. However, Lowell & Findlay (2001) argue that there are also potentially positive sides to international brain drain: it expands possibilities for transfer of knowledge and technology, and it potentially brings new skills when the migrants return to their original country. Thus, Fischer (2003: 25) concludes that international labor migration can be either good (in helping reducing income inequalities among countries if it is the less-skilled who migrate) or bad (because of brain-drain).

Many discussions about globalization and jobs revolve around offshoring. “Offshoring occurs when firms transfer jobs abroad for work that has traditionally been done in their home country” (Stack & Downing, 2005: 514). For example, many companies offshore their production to China, and offshoring in India’s IT sector is considered by many to be a success story of globalization (Gereffi & Sturgeon, 2004: 7). The Economist (2004) explains: “as transport costs fall, globalization is beginning to separate the geography of production and consumption, with firms producing goods and services in one country and shipping them to their customers in another”. Offshoring reduces costs and leads to a more competitive position in the market (Arndt, 1997: 77). Many authors have found different and contradicting effects of offshoring on jobs in the home country. Some authors (e.g. Milberg & Winkler, 2009; Matloff, 2004: 27; Harrison et al., 2007: 347) state that lots of jobs will be lost to offshore workers in developing countries. Other authors (e.g. Arndt, 1997; The Economist, 2008; Mann, 2003) state that offshoring increases the amount of jobs in the home country. The latter authors state that offshoring – rather than threaten employment – increases employment in an industry by creating more jobs in the remaining activities than are lost to offshoring. The Economist (2008) even estimates that since the mid-1990s, offshoring created 100,000 extra jobs in the UK alone. Mann (2003) explains why; he argues that cost savings from offshoring lead to higher investments and those higher investments create new jobs. However, not all authors agree. For example, Brainard & Riker (1997) found that jobs abroad do substitute for jobs in the home country, but that the effect is quite small. Desai et al. (2005: 15) found the opposite: a 10% increase in the number of jobs abroad in the offshoring country is associated with a 2,5% increase in the number of jobs in the home country. Thus, there is no unanimous conclusion about the effect of offshoring on jobs.
Van der Hoeven (2010) argues that globalization makes labor’s position more precarious, thereby lowering job security; a trend magnified by the crisis of 2008. Anderson & Gascon (2007) also found that there is a link between the threat of offshoring and workers’ perceptions of their job insecurity, and that – even though education is a strong predictor of the level of job insecurity – even the most educated workers are starting to feel higher levels of job insecurity.

The effect of globalization on wages is equally ambiguous. One thing that is sure is that the GDP per capita has increased in both developed as developing countries in the last 30 years (World Bank, 2011b). Wages have grown fastest in countries that have integrated with the rest of the world economy. Openness to trade has a negative impact on wages in the short run, but it only takes a few years for this effect to reverse for a country (Rama, 2003: 31). However, the benefits from globalization are not evenly distributed across workers: there has been a wage increase for higher skilled workers (Rama, 2003: 32), and the income gap with less-skilled workers has thus grown (Slaughter & Swagel, 1997: 1). Arndt (1997: 77) says that the effect of offshoring on wages depends on the nature of the industry: offshoring in labor-intensive industries in a capital-abundant country raises wages, but offshoring in the capital-intensive sector (the exportables sector) reduces wages.

McBride & Williams (2001: 281) say that globalization requires the adoption of more flexible, market-based, or ‘neoliberal’ labor market policies. Otherwise, nations will see a declining performance of the labor market. However, they also note that many nations have been reluctant to adopt those flexible labor market policies.

**Globalization and culture**

Culture consists of “symbolic vehicles of meaning, including beliefs, ritual practices, art forms, and ceremonies, as well as informal cultural practices such as language, gossip, stories, and rituals of daily life” (Swidler, 1986: 273). In the context of globalization, cultural globalization refers to “the emergence of a specific set of values and beliefs that are largely shared around the planet” (Castells, 2009: 117).

There is a discussion among academics whether a global culture is in the making. While some authors (e.g. Held et al., 1999: 374) argue that there is no global culture, others (e.g. Meyer et al., 1997: 162) argue that there is a one. Castells (2009: 118) says that to some extent there is a global culture, and that this global culture can be observed at 3 levels:

- “For a small but influential minority of people, there is the consciousness of the shared destiny of the planet we inhabit, be it in terms of the environment, human rights, moral principles, global economic interdependence or geopolitical security. This is the principle of cosmopolitanism supported by social actors who see themselves as citizens of the world. […] Cosmopolitanism is the sharing of collective values on a global scale and thereby building a human community that transcends boundaries and specificity on behalf of a superior principle. […]

- There is a multicultural global culture characterized by the hybridization and remix of cultures from different origins, as in the diffusion of hip hop music in adapted versions throughout the world. […]

- The culture of consumerism, directly related to the formation of a global capitalist market”.  

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Arnett (2002: 774) argues that “most people worldwide now develop a bicultural identity that combines their local identity with an identity linked to the global culture” and that “identity confusion may be increasing among young people in non-Western cultures as a result of globalization”. However, he also mentions that “cultural diversity will continue to exist as local cultures adapt global influences to local circumstances” (Arnett, 2002: 782).

Some major international TV and news stations that are globalized are CNN, BBC, Discovery channel, and MTV (Thussu, 1999: 127; Boyd-Barrett & Rantanen, 1998). Some see this as media imperialism, defined as “the processes by which modern communication media have operated to create, maintain and expand systems of domination and dependence on a world scale” (Fejes, 1981: 281). Media globalization is said to lead to a homogenization of culture, identity and locale (Movius, 2010: 10). However, Movius (2010: 11-12) also points out some critiques on culture and media globalization: audience reception research points out that viewers in different countries interpret American TV programs with their own values and judgments, which suggests that values are not imposed. In addition, she points out that the US is not the only dominant player in terms of media production, that cultural imperialism theories assume a homogeneous culture and don’t take into account the importance of understanding local cultures, and that there is a lack of attention paid to evidence that proves audiences prefer locally produced content.

Globalization is associated by some people with the destruction of cultural identities and national cultures, which are viewed as the victim of a Western – particularly American – consumer culture (Olivier et al., 2008). UNESCO (2004: 54) says that “for much of the Third World, America has come to personify all the Western powers that created empires of colonization, and whose influence on their developing societies has been so strong and disruptive over these last 500 years”. American perspectives dominate in many fields, including world politics. Nizami (2005: 79) mentions that the dominance of Western perspectives “is nowhere more evident than in the works of reference – encyclopedias, general histories, etc. – which help to define and periodize subject matter, to control curricula and to shape public attitudes”. However, some authors disagree with the claim that globalization destroys culture. For example, Tomlinson (2003) argues that cultural identity is much more the product of globalization than its victim. He states that (2003: 271) globalization is the “globalization of modernity, and modernity is the harbinger of [cultural] identity”.

It has been estimated that from the 6000 languages that are currently spoken in the world, only 300-600 (or 5-10%) of those languages will still be spoken at the end of the 21st century. 90 or 95% of all languages will disappear (Miyaoka et al., 2007: 9; Krauss, 2000: 9). The languages in those regions will be replaced by other, dominant, languages (UNESCO, 2003: 2). This raises questions about the dominance of certain languages, especially English. It is widely recognized that English is the current dominant language worldwide; English is dominant in music, movies, entertainment, international air traffic, international politics, and most scientific, technological and academic information in the world is expressed in English (Short et al., 2001: 3). English is also the dominant language on the Internet, with most websites in English, and 536.6 million native English speakers online (compared to 444.9 million native Chinese speakers and 153.3 native Spanish speakers on the Internet; www.internetworldstats.com). That is why The Economist (2001b) calls English ‘the language of globalization’. The benefit of English as a world language is that it enables people of different countries to talk and do business with each other (The Economist, 2001b). Mandal (2000: 1011) says that “in the discourse of globalization, English is claimed to be the most efficient and sensible
language of trade and communication as the world’s political economy becomes truly global in its reach”. However, Phillipson (1992) used the term linguistic imperialism to refer to the dominant use of the English language worldwide. Dor (2004: 97) says about this: “the spread of English as the lingua franca of the information age is viewed as the linguistic counterpart to the process of economic globalization; the causal factors working against the process of Englishization are thought of as locally bound and are equated with patterns of local resistance to economic (and cultural) globalization”. The Economist (2001b) mentions that a language is not only a medium of communication, but also a repository of culture and identity; “and in many countries the all-engulfing advance of English threatens to damage or destroy much local culture. This is sometimes lamented even in England itself, for though the language that now sweeps the world is called English, the culture carried with it is American”. They further state that: “the triumph of English not only destroys the tongues of others; it also isolates native English-speakers from the literature, history and ideas of other peoples”.

Some argue that English simply can’t be overlooked: “it is possible that people who write up their research in languages other than English will have their work ignored by the international community” (Crystal, 2003: 16). For example, French scientists know that they must either “publish in English or perish in French” (The Economist, 2001b). Since English is such an important language nowadays, some authors (e.g. Erling, 2004; Phillipson, 1996: 165) argue that we live in a multilingual society now, and that education thus should be multilingual; there should be an increased teaching of English as a global language. However, Phillipson (2001) notes that in several EU countries, there are people protesting against cultural and linguistic homogenization, which is viewed as Americanization. Some countries try to avoid the intrusion of English words in their language. They try to come up with local substitutes for English words, with varying degrees of success. For example, the French language institutions have debated for years whether to allow CD-Rom or to use the locally adapted word cédérom, Poland has implemented a law that forces all companies selling foreign products to use Polish in their advertisements & labeling, and it has been reported that Air France pilots have protested against air-traffic instructions given in English (The Economist, 2001b).

Crystal (2003: 7; 9; 10) explains how a language becomes global: “why a language becomes a global language has little to do with the number of people who speak it. It is much more to do with who those speakers are. Latin became an international language throughout the Roman Empire, but this was not because the Romans were more numerous than the people they subjugated. They were simply more powerful. [...] A language has traditionally become an international language for one chief reason: the power of its people – especially their political and military power. [...] In the 20th century, [...] economics replaced politics as the chief driving force. And the language behind the US dollar was English”. The Economist (1997) says English became global because of the combination of British colonialism and American commercialism. The triumph of the United States is the main reason for the domination of English, and “therein lies a huge source of friction” (The Economist (2001b).

In 1887, L. Zamenhof invented Esperanto, which is currently the most popular international auxiliary language (Forster, 1982). It was devised as a politically neutral, easy to learn, international language. While the estimations of the number of people who speak Esperanto vary from a couple of hundred thousand people to two million people, it has been noted that the diffusion of Esperanto has not delivered on its initial expectations (Guillen, 2001: 254).
Keyboard design for computers is another area where globalization is visible (Dor, 2004: 113): the English QWERTY is unquestionably dominant. The worldwide spread of major religions – which already begun many centuries ago – can also be seen as globalization (Therborn, 2000). Finally, that people worldwide wear the same clothing brands, use the same products, listen to the same music, watch the same movies, and that most of them have access to McDonalds and Coca Cola, is also part of globalization. Food and entertainment in the context of globalization are discussed next.

Globalization and food

Globalization of food means that people eat food from other countries. This is unquestionably the case worldwide, for example with Sushi (Carroll, 2009; Issenberg, 2007). The Economist (2007) says that the globalization of food began in the first century BC, with the opening of the Silk Road, which meant that “knowledge of winemaking passed eastwards from the Middle East to China, while the idea of noodles moved in the opposite direction”. However, the globalization of food markets doesn’t mean that some nations don’t have competitive advantages in food production anymore: some countries will always have particular competitive advantages in producing certain types of food (Porter, 1998).

Nowadays, multinationals such as Danone, Nestlé or Unilever export their food products to many different countries, and supermarkets all around the world are full with food from other countries. Spices that once took adventurous trips by boat to the New World can now be bought in every supermarket. So globalization brings more food variety. However, there are also bad sides to the globalization of food. For example, since Bolivian farmers increased their exports of Quinoa, the price of Quinoa has risen significantly. The price of Quinoa has tripled in the last 5 years, and many Bolivians – who have eaten Quinoa for centuries – now can’t afford to buy Quinoa anymore (New York Times, 2011).

Especially the worldwide emergence of fast-food restaurants, like McDonalds, has attracted particular attention. Sometimes called the ‘McDonaldization’ of society, McDonalds is said to represent American cultural imperialism and destroy cultural and regional food traditions with a single, homogeneous system (Ritzer & Stillman, 2003; Ram, 2004). People of the anti-globalization movement have protested worldwide against McDonalds, portraying McDonalds as a symbol of America (Ritzer & Stillman, 2003: 40). There are even several accounts of anti-globalization protesters destroying McDonalds’ restaurants (Dade, 2009; BBC, 2001). Other typical icons of globalization are Starbucks and Coca Cola.

In 1986, a culinary branch of the anti-globalization movement emerged, called ‘The Slow Food Movement’ (as opposed to fast-food), which emphasizes local food production and the preservation of local food cultures. One of the objectives of The Slow Food Movement is to return to local and regional food supply chains and away from global ones (Issenberg, 2007; Carroll, 2009; Pietrykowski, 2004).

Globalization and entertainment

Entertainment is highly globalized. The Economist (1997) says that the globalization of TV shows is essentially a consequence of the transition of broadcasting from a medium in scarce supply to one of plentiful capacity. However, America dominates international media globalization. The dominance of
Hollywood movies in cinemas worldwide brings many good movies, but it raises issues about the worldwide diffusion of American culture and its reception in other countries (Scott, 2004: 9). In addition, American TV series continue to dominate TV’s worldwide, with ‘the Bold and the Beautiful’ attracting 500 million viewers in 98 countries (Blakley, 2001: 5). The Economist (1997) says that 2 factors helped to create a market for American exports of TV shows: (1) language and culture, and (2) the curious economics of the business. As is apparent by the widespread popularity of American TV shows, the American culture and the English language have a universal appeal. The curious economics of the business is that the production of TV shows is a fixed-cost business, and that most European TV productions cost between 2 to 5 times more than imported programming, making imports the cheapest way to fill the airwaves (The Economist, 1997). The result of American domination is that some people fear the homogenization of distinctive national and regional tastes (The Economist, 1997). But America is not the only country with worldwide entertainment industry success. The Indian Bollywood industry actually produces 800 movies a year, which is more than Hollywood (Blakley, 2001: 5). Japanese cartoons like Pokémon and Dragonball Z were a huge success worldwide, including in America (The Economist, 1999). In addition, Harry Potter is a British creation. However, the Economist (1997) states that in most countries, the top-rated shows are mainly locally produced shows. People watch imported TV shows only as a second choice, resulting in the trend that American TV shows increasingly try to give their TV shows a local feel when they are exported abroad.

The worldwide video game industry is fragmented, with manufacturers from America (Microsoft) and Japan (Sony and Nintendo) dominating the worldwide video game market. Recently, China announced plans to double its entertainment industry in the next 5 years, in order to extend China’s cultural influence worldwide (Beaton, 2011). America also dominates the international music industry, with many internationally popular pop artists coming from the US. Also the spread of American theme parks, like Walt Disney, which – outside the US – has (or is currently building) theme parks in Paris, Hong Kong, Shanghai and Tokio, can be seen as a result of globalization.

The Economist (1997) says that the switch to digital media – with its falling cost of distribution – is creating new opportunities for businesses worldwide to capitalize on the globalization of media.

Globalization and the environment

Globalization has an ambiguous relationship with the environment. Environmental problems increasingly are global: climate change and ozone depletion are just two examples (Frankel, 2003: 33). During the 20th century it became apparent that air pollution was increasing – partly because of increased car ownership and usage – and that it was a global problem (Brimblecombe, 2005: 429; 436). In several parts of the world, like the Amazon, globalization – with the movement of people, goods, capital and services – has caused deforestation (Meyerson et al., 2007: 182). Deforestation is a serious problem, destroying around 2 million hectares of forest annually, and close to 20% of current greenhouse gas emissions are linked with deforestation (United Nations Environment Programme, 2011: 15). In addition, around 60% of the earth’s ecosystem services have been degraded in the last 50 years, and since 1900, the world has lost about 50% of its wetlands (United Nations Environment Programme, 2011: 15)
However, Christmann & Taylor (2001) argue that globalization might also have positive environmental effects, because globalization increases self-regulation pressures on firms in low-regulation countries. Supporters of globalization also argue that increased FDI and lower trade barriers encourage firms to transfer environmental-friendly technologies (and its accompanying management systems) from countries with stricter environmental standards to developing countries, which lack access to environmental-friendly technologies and capabilities (Drezner, 2000). Trade allows countries to attain more of what they want, including environmental-friendly goods and technologies (Frankel & Rose, 2002: 5). The Economist (2001c) argues that trade increases economic growth, which is "the ultimate guarantor of greater environmental protection", because, they say, "as people get richer, they begin to demand a cleaner environment—and can afford to pay for it". In addition, they argue that globalization exposes polluting industries to international competition, and attracts FDI; these in turn, they argue, increase investment in newer, and therefore cleaner, technologies. Moreover, “history also shows that countries that have embraced free trade have seen their environments improve along with their economies” (The Economist, 2001c).

Many of the discussions in the academic literature about globalization and the environment revolve around the pollution-haven hypothesis and the environmental Kuznets curve.

The pollution-haven hypothesis says that globalization causes pollution-intensive industries to relocate to countries with lower levels of environmental regulations and laws. Thus, these countries with few environmental regulations become production platforms for pollution-intensive goods and then export them worldwide (Christmann & Taylor, 2001: 441; Frankel & Rose, 2002: 7).

Findings from various authors (e.g. He, 2005; Grether & de Melo, 2003) support the pollution-haven hypothesis. He (2005) found that a 1% increase in FDI in China led to an industrial sulfur dioxide (SO$_2$) increase of 0.099%. However, other authors (e.g. Eskeland & Harrison, 2002; Iwami, 2006) contradict the pollution-haven hypothesis. For example, Eskeland & Harrison (2002) found that foreign firms in developing countries are less polluting than domestic firms in developing countries, which in a way contradicts the pollution-haven hypothesis. In addition, Iwami (2006) claims that the production of pollution industries in developing countries is mainly determined by the domestic consumption of that country, which is indirect evidence against the pollution-haven hypothesis.

Some authors (e.g. Woods, 2006) expect the pollution-haven hypothesis to lead to the ‘race to the bottom’ effect, in which countries loosen up their environmental standards in an effort to attract and retain industry. These authors expect that countries that are open to international trade will adopt looser environmental standards to remain competitive (Frankel & Rose, 2002: 5). Others (e.g. The Economist, 2001c; Revesz, 1992; Wheeler, 2001; Prakash & Potoski, 2006) contradict the claim that a race to the bottom effect is happening. For example, Wheeler (2001) found that the most dangerous form of air pollution has declined in the biggest cities of China, Brazil, Mexico and the US during the era of globalization, thereby contradicting the race to the bottom.

Many authors found that there is an inverted-U relationship between pollution and economic development: environmental quality initially worsens but ultimately improves with income (Torras & Boyce, 1998: 148; Grossman & Krueger, 1995; Selden & Song, 1994; Gallagher, 2009: 184). This U-inverted relationship is called the environmental Kuznets curve hypothesis. Frankel & Rose (2002: 3) say about the environmental Kuznets curve: “growth is bad for air and water pollution at the initial stages of industrialization, but later on reduces pollution, as countries become rich enough to pay to
clean up their environments. The standard theoretical rationale is that production technology makes some pollution inevitable, but that demand for environmental quality rises with income”. They further argue that environmental regulations in a country are partly the result of trade, and that environmental regulations result in a cleaner environment. Thus, per capita air pollution emissions in very poor countries are low, in middle-income countries air pollution per capita is the highest, and in rich countries, sophisticated environmental technologies and regulations make air pollutions per capita low again. See figure 6. Grossman & Krueger (1995) found that the turning point usually occurs before a country reaches a per capita income of $8000.

The implication of the Kuznets curve is that “if rising per capita income will ultimately induce countries to clean up their environments, then economic growth itself can be regarded as a remedy to environmental problems” (Torras & Boyce, 1998: 148). However, not all authors agree with the Kuznets curve. These authors (e.g. Schmid, 2009; Perman & Stern, 2003; Stern, 2004; Tisdell, 2001) point out the methodological difficulties and theoretical limitations of the Kuznets curve, while other authors (e.g. Martin, 2008; Harbaugh et al., 2002) claim that there is absolutely no evidence that the Kuznets curve actually exists.

Figure 6: the environmental Kuznets curve (figure from Panayotou, 2003: 46)

Environmental regulations gave rise to ‘the Porter hypothesis’, which is the hypothesis of Porter & van der Linde (1995) that stricter environmental regulations benefits affected firms, because it stimulates innovation – and thereby has positive effects on both the economy and the environment (Frankel & Rose, 2002: 8). This hypothesis has generated a lot of attention among scholars. Some scholars (e.g. Xepapadeas & de Zeeuw, 1999) contradict the Porter hypothesis, while others (e.g. Mohr, 2002; Ambec & Barla, 2002) provide support the hypothesis.

O’Brien & Leichenko (2000: 221) introduce the concept of double exposure: they argue that “certain regions, sectors, ecosystems and social groups will be confronted both by the impacts of climate change, and by the consequences of globalization”. Environmental problems will persist for a long time. Economic growth alone will not address those environmental problems, especially not in a system where each country acts individually, due to the free rider problem (Frankel, 2003: 33). Some
countries rely on others to clean up the global environment, and the Kyoto protocol has been called completely inadequate by some authors (e.g. Roberts & Parks, 2007). Intensive collaboration between all countries and stakeholders is needed to really tackle global environmental problems.

Looking from another angle, Frankel (2003: 33) mentions that “if one broadens the definition of globalization, beyond international trade and investment, to include the globalization of ideas and of NGO [non-governmental organizations] activities, then one can see the international environmental movement as itself an example of globalization”.

In any case, Najam et al. (2007: 10) state that “the rapid acceleration in global economic activity and our dramatically increased demands for critical, finite natural resources undermine our pursuit of continued economic prosperity”. The world’s reliance on finite natural resources is going to undermine both economic growth and the environment in the long run. However, the relationship between trade and the environment is not well understood, but potentially very important (Taylor, 2004: 23). As Frankel (2003: 32) further states: “The relationship between globalization and the environment is too complex to sum up in a single judgment -- whether “good” or “bad”. Spaargaren et al. (2000: 123) agrees by saying that globalization is neither good nor bad for the environment. Panayotou (2000) concludes by saying that that “the more integrated environmental and trade policies are, the more sustainable economic growth will be and the more globalization can be harnessed for the benefit of the environment”.

Globalization and companies

Historically, globalization meant that businesses “expanded from developed to emerging economies. Now it flows in both directions, and increasingly also from one developing economy to another. Business these days is all about competing with everyone from everywhere for everything” (The Economist, 2008c).

Globalization has affected small and big companies in many ways. One feature of globalization is that it gives companies access to new profit pools and markets (Boston Consulting Group, 2006: 10). Some companies trade with other companies in other countries, or sell their products in foreign countries. Globalization also has an impact on the cost of firms: it allows firms to “achieve economies of scale as they are increasingly liberated from the size constraints of their home market” (Hufbauer & Warren, 1999: 14). Globalization has brought firms a reduction in transport costs, better and cheaper ways of communication, access to international markets, but also more competition from both domestic and international competitors (through entry of foreign firms, increased capabilities of domestic firms, etc.; Gorodnichenko et al., 2008; Hufbauer & Warren, 1999). Increased competition leads to smaller margins and thus to lower prices for consumers (Hufbauer & Warren, 1999: 14). Gorodnichenko et al. (2008) found that the effect of increased competition on innovation depends on firms’ technological capabilities. He also found that firms in more market oriented economies tend to innovate more.

Globalization and its increased competition forces firms to reduce their costs, including labor costs. The result is that companies will locate production where the unit labor cost is lowest (Hufbauer & Warren, 1999: 15; Feenstra & Hanson, 1996) – in other words: offshoring. Thus, globalization for some firms means specialization of activities (The Economist, 2001). As Hufbauer & Warren (1999: 16) put it: “in the face of globalization, firms with high unit labor costs must boost labor productivity,
eliminate rents from their wage structures, or relocate their operations”. Gerybadze & Reger (1997: 9) note that since the 1980s the extent of internationalization of R&D has greatly increased. Major corporations offshore their R&D centers to China or other developing countries. Offshoring allows companies to pursue greater flexibility at lower costs, but it also presents major managerial and structural challenges (Lampel & Bhalla, 2010). However, with all the potential benefits of globalization for companies, Deloitte (2005: 1) found in their study that 80% of the most globalized businesses fail to capture the full value of their global investments.

Especially multinationals have been thriving since the rise of globalization, and globalization – with its international transport, trade and communication channels – is the reason in the first place that multinationals can operate all around the world. Globalization is said to make already large and powerful multinationals even larger and more powerful (Aisbett, 2003: 46). Recently, there has been a big increase in acquisitions of major firms in rich countries bought by firms in developing countries (The Economist, 2008c). Moreover, in the Global Fortune 500 list of 2010, there are 67 companies from one of the 4 BRIC countries (7 from Brazil, 6 from Russia, 8 from India and 46 from China; Fortune, 2010). This shows that firms from developing countries can also profit from globalization, and that globalization is not only Americanization (The Economist, 2008c).

The success of small and medium-sized businesses in the globalization era depends mainly on the formulation and implementation of a strategy, which reflects the short- and long-term responses to the opportunities and challenges posed by the business environment (Knight, 2000: 13). Knight (2000: 30) also found that a firm’s response to globalization – the extent to which firms respond to opportunities and threats evoked by globalization – is positively associated with firm performance.

For domestic firms in developing countries, globalization brings opportunities and pressures to innovate and improve their competitive position. Most of these opportunities and pressures operate through more competition and contacts with foreign firms (Gorodnichenko et al., 2008). The Economist (2008c) says that globalization offers a big opportunity for firms around the world to raise the living standards of people worldwide. Hufbauer & Warren (1999: 17) conclude that “despite the many gains that globalization promises, there will be losers from the process as well as winners”.

**Globalization and health**

Globalization affects health in different countries differently. How globalization affects health in a country depends on the specific historical context (political, social and economic traditions) and their stock of pre-existing endowments (e.g. human capital development or environmental resources; Labonte, 2004: 53). Globalization has both advantages and disadvantages in the context of health.

Advantages are that “the diffusion of new knowledge and technology through trade and investment, for example, can aid in disease surveillance, treatment and prevention” (Labonte, 2004: 49). Labonte (2004) also mentions that a global reduction in poverty improves health in developing countries (Labonte, 2004: 49). Globalization – through trade – has increased food security, and thus has partially reduced hunger and undernourishment (Shah & Maitra, 2005: 45). Trade has also generally increased life expectancy and decreased infant mortality rates (Shah & Maitra, 2005: 42; Apodaca, 2002: 905; 901). Finally, even though some diseases have spread around the world, vaccines for a lot of diseases have become available around the globe as well (Debinski, 2005).
Disadvantages of globalization in the context of health include “the more rapid spread of infectious diseases, some of which are becoming resistant to treatment; and the increased adoption of unhealthy ‘Western’ lifestyles by larger numbers of people” (Labonte, 2004: 50). Zimmet (2000: 304) suggests in this regard that “globalization may yet be a thin disguise for a movement that attempts to integrate developing nations into the Western socio-economic and health care models”. The international spread of diseases like AIDS is – because of the international transportation network – one of the unintended consequences of globalization (Shah & Maitra, 2005: 50). Furthermore, trade in animals and animal products have increased the spread of foodborne diseases, like Variant Creutzfeldt-Jacob Disease (Woodward et al., 2002: 6).

One, relatively new, phenomenon in health care is that people travel to other countries to obtain health services abroad. This is called medical tourism, and encompasses medical, surgical (including eye laser surgery and cosmetic surgery) and dental care (Wolfe, 2006). These ‘medical tourists’ “seek modern health care at affordable prices in countries at variable levels of development” (Horowitz & Rosensweig, 2007: 24; The Economist, 2007c). There is a growing trend toward medical tourism to poorer countries. An example of this is the website lasikandholiday.com, which offers eye laser surgery in Turkey, in combination with a travel package. The Economist (2008b) states that two factors contributing to the increased popularity in medical tourism are (1) that the quality of the best hospitals in Asia and Latin America is now at least as good as many hospitals in rich countries, and (2) that the American health care system is a failure. The top 5 reasons people engage in medical tourism are: low cost, avoiding waiting lists, the procedure is not available in the home country, tourism & vacations, and privacy & confidentiality (Horowitz & Rosensweig, 2007: 27). The Economist (2008b) points out that medical tourism can also be risky, due to concerns about legal liability and malpractice. Connell (2006: 1094) states that “the biggest hurdle that medical tourism has had to face, and continues to face, is the challenge of convincing distant potential visitors that medical care in relatively poor countries is comparable with that available at home, in outcome, safety and even in dealing with pain thresholds”. While health care was a local business for a long time, its future promises to be increasingly global, and medical tourism is likely to increase even more rapidly in the future (The Economist, 2008b; Connell, 2006: 1099).

However, patients are not the only ones travelling in the context of health. Health professionals increasingly migrate from developing countries to developed countries; a brain drain that results in a shortage of health professionals in some countries – and thus in worse health care in these countries (Clark et al., 2006). Medical tourism is essentially the outsourcing of medical jobs to other countries (The Economist, 2007c). In addition, The Economist (2008b) states that outsourcing of certain medical services, like X-ray analysis, is becoming more and more common. For example, an X-ray can be taken in the Netherlands, and then analyzed by a doctor in India, who sends the results back to the Netherlands. Outsourcing of X-ray analysis to well-trained professionals in developing countries gets the same results, only cheaper. A New York Times (2003) article called ‘Who’s reading your X-ray?’ mentions that an American radiologist costs more than $250.000 per year, while an Indian radiologist costs only $30.000 - 100.000 per year, depending on their training.

The Human Development Index of the United Nations Development Programme (UNDP) measures human development and consists of 3 pillars (health, education and living standards) as measured by 4 constructs: life expectancy at birth, mean years of schooling, expected years of schooling, and gross national income per capita (UNDP, 2010: 13). In the last 20 years, the world has seen substantial
progress in many aspects of human development, including a higher life expectancy, higher income and higher literacy rates (UNDP, 2010). The quality of life – as measured by the 4 factors of the human development index – in a lot of countries is increasing, and the differences between countries in the quality of life are decreasing (Sapkota, 2010: 1). Sapkota also states that globalization is one of the reasons of this convergence. Tsai (2007) concludes that globalization in general has a positive effect on human well-being. He finds that especially political globalization has a positive effect on human well-being; economic and social globalization has no positive effect on human well-being. However, environmentalists claim that the future of human well-being is dependent on environmental quality (Boyce, 2004: 124).

In conclusion, globalization brings benefits as well as risks for health. The link between globalization and health remains a complex puzzle (Labonte, 2004: 47). The global challenge is how to make globalization work for health and how to use health to encourage better forms globalization (Owen & Roberts, 2005: 5).

**Globalization and education**

Education, especially higher education, is highly globalized. Academic programs generally teach the same material worldwide. Students have the opportunity to study in many countries, especially with the rise of temporary exchange programs. See figure 7 for an overview how the number of international students has increased over the years.

**Figure 7: International student numbers (BBC, 2011)**

![International student numbers](image)

It clearly shows that the number of international students is growing. There were 3,43 million students studying abroad in 2009, and this number is expected to increase with 12% per year (BBC, 2011). International student flows are increasingly globalized. One fast-growing trend is the increasing number of Chinese and Indian students that is studying abroad (The Economist, 2005). Universities are now competing internationally for talented students. As The Economist (2005) states: “the better your students, the better your reputation, and hence your chances of attracting more good students”.

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Teachers can teach at universities in other countries as a visiting scholar. As Varghese (2009: 8) puts it: “the cross-border mobility of institutions, programmes, students, and teachers helped in globalizing higher education”. Sato (2002) states that globalization of higher education is “desirable because it provides such merits as offering diversified learning opportunities to people throughout the world”. At the same time, he warns for such demerits as “difficulty of assessing the content, quality, and reliability of higher education provided beyond national boundaries”. The Economist (2005) states that Belarus is the most extreme example of a country that is trying to refrain its students from studying abroad. It refuses to issue exit visas to students wanting to study abroad, and the leader of Belarus – Alexander Lukashenka – says that studying abroad “poisons the mind” (The Economist, 2005).

Another international trend in education is that universities are opening up campuses abroad in other countries, thereby hoping to teach to more students, more cheaply (The Economist, 2005). Two examples are that “the University of Texas is increasing its ties to London’s University College, buying a large building on the campus, and swapping students, staff and know-how” and that “the University of Chicago business school is opening a campus in London” (The Economist, 2005). This trend is also visible on the Internet; students worldwide can get internationally accredited degrees from online institutions, like the University of Phoenix, Kaplan University or Ashford University. The Internet enables institutions to teach to a global group of students, and students have electronic access to courses from educational institutions worldwide. This is called e-learning, defined as “technology-based learning in which learning materials are delivered electronically to remote learners via a computer network” (Zhang et al., 2004: 76).

Finally, another trend is the outsourcing (and/or offshoring) of teaching; universities (especially the ones with a strong brand) can benefit by licensing other people to teach its courses. The Economist (2005) says about this: “Chicago’s Kellogg business school, for example, teaches around half of its students through local partners in places such as Israel and Hong Kong. It controls the curriculum, inspects standards and issues qualifications”.

In addition, the Internet is increasingly used in the classroom. This extends the learning opportunities of students considerably.

The globalization of higher education in turn gave rise to the globalization of quality assurance and global accreditation services (Martin & Stella, 2007; Varghese, 2009: 20). An example is the Bologna Process, which aims to create a common international degree structure (Bachelor-Master) and has brought the European Credit Transfer System (ECTS), which created a common international recording measurement of acquired skills & knowledge (UNESCO, 2008: 133). Teichler (2004: 22) refers to this as Europeanization (as a regional version of globalization), to denote the increasing academic relationships between European institutions, as is apparent in the emergence of the European Erasmus exchange program and the Bologna process.

Globalization and the law

The globalization of law is defined as “the degree to which the whole world lives under a single set of legal rules” (Shapiro, 1993: 37). The international judicial system is slowly globalization, with the establishment of international courts, tribunals, arbitration panels, and regulatory bodies (Halliday & Osinsky, 2006: 450; Slaughter, 1999). Halliday & Osinsky (2006) show that the globalization of law is
focused on several domains: (1) the construction and regulation of global markets, (2) crimes against humanity and genocide, (3) the diffusion of political liberalism and constitutionalism, and (4) the institutionalization of women’s rights. Also, judges themselves are globalizing too, seeing themselves as “fellow professionals in a profession that transcends national borders” (Slaughter, 1999: 1124).

**Globalization and politics**

It is said that economic globalization through trade liberalization creates a demand for political globalization, “because markets are unable to resolve the problems of distributive justice and uneven development that they create” (Chase-Dunn et al., 2000: 93). Many discussions in the literature revolve around the nation state. Delanty & Rumford (2007: 425) state that “the globalization of the nation-state, and its model of political membership and institutionalized governance, has given form to the universal aspiration for democracy”.

From a modern historical perspective, political globalization began with the widespread diffusion of the political ideals of liberalism and Marxism (Cerny, 1997: 253) Globalization of politics has accelerated since World War II. The establishment of the European Union itself in the 1950s can be seen as an important step in the international integration of politics. Another important aspect of political globalization is the establishment of international bodies like the United Nations, the NATO. Nowadays, globalization significantly affects the agenda of the United Nations (UNESCO, 2004: 86).

Taking 3 measures of political globalization—the number of embassies in a country, membership in international organizations, and participation in UN Security Council missions—Dreher (2006: 1094) finds that France has the highest level of political integration with the rest of the world, followed by the US, Sweden and Canada. Hong Kong is the country that is the least politically integrated.

**Globalization and democracy**

There is inconsistency among scholars what effect globalization has on democracy. While some scholars (e.g. Muller, 1995) argue that globalization enhances democracy by stimulating economic development, other scholars (e.g. Cammack, 1998) argue that globalization obstructs democracy, while other authors (e.g. Keohane & Milner, 1996) conclude that globalization has no clear effect on democracy, because it varies per country. Li & Reuveny (2003) examined the effects of 4 national aspects of globalization on democracy: trade openness, portfolio (financial) investment inflows, foreign direct investment inflows, and the spread of democratic ideas across countries. They found that trade openness and portfolio investment inflows negatively affect democracy, while foreign direct investment inflows and the spread of democratic ideas positively affect democracy.

**Globalization and terrorism**

Some scholars debate over the impact of globalization on international terrorism. While Li & Schaub (2004) found that trade, FDI, and portfolio investments have no direct positive effect on transnational terrorist incidents, Bergesen & Lizardo (2004: 38) note that “waves of terrorism appear in semiperipheral zones of the world-system during pulsations of globalization when the dominant state is in decline”. Cronin (2003: 53) mentions that modern international terrorism “is especially dangerous because of the power that it potentially derives from globalization – whether through access to CBNR [chemical, biological, nuclear, and radiological] weapons, global media outreach, or a diverse network of financial and information resources”.

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Globalization and illegal activities

Globalization – with its explosion in communications technology, international transport systems and the fading of borders – is also responsible for an increase in illegal activities. In his article ‘Five wars of globalization’, Naím (2003) mentions that globalization is partly responsible for (1) international drug trafficking (an issue that is given particular attention in UNESCO, 1999), (2) international trafficking of weapons, (3) illegal international trade of intellectual property, (4) illegal international migration & people smuggling, and (5) international money laundering. However, Gwartney et al. (2010: 213) found that more economic freedom leads to significantly less homicides.

Globalization is also visible in the international crime fighting approach, with the establishments of supranational police institutions like Interpol, and international extradition treaties.

Finally, Lieten (2003) argues that globalization leads to more child labor and Farr (2007: 617-618) mentions that globalization has led to sex tourism, to places like Thailand or the Philippines, which can be illegal since many girls working in prostitution in these countries are underage.

Semi-globalization?

Former Harvard professor Pankaj Ghemawat argues in his article ‘why the world isn’t flat’ (2007) that the world is not as globalized as some people think. He argues that 90% of the world’s investments, phone calls, web traffic, patents, charity donations and management research are national, not global. In addition, some authors (e.g. Rugman & Verbeke, 2004; Rugman & Girod, 2003; Rugman, 2003) have found that very few companies are truly global, and most multinationals are not global but regional. Most multinationals have different local strategies instead of one big global strategy, something referred to as glocalization (Robertson, 1995) or ‘think global, act local’. Moreover, the sales of many of the biggest multinationals are regionally concentrated. For example, Rugman (2003: 409) states: “the world’s business is mainly conducted within the triad economic blocks of the European Union (EU), North America, and Asia”. He further states that multinationals perform internationally, but “the vast majority has an average of 80% of their sales within their home region of the triad”. To illustrate his point, he gives the following numbers. See table 7.

<table>
<thead>
<tr>
<th>Company</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wal-Mart</td>
<td>94% in North America</td>
</tr>
<tr>
<td>General Motors</td>
<td>81% in North America</td>
</tr>
<tr>
<td>Kingfisher</td>
<td>98% in Europe</td>
</tr>
<tr>
<td>Vodafone</td>
<td>93% in Europe</td>
</tr>
<tr>
<td>Sumitomo Metal</td>
<td>95% in Asia</td>
</tr>
<tr>
<td>Mitsubishi Heavy Industries</td>
<td>93% in Asia</td>
</tr>
</tbody>
</table>

So some people claim that the world economy is not global but regional. In the context of the Netherlands – to take one country as an example – this means that Dutch people mostly call to Dutch phone numbers, talk online with Dutch friends, and visit Dutch websites; and Dutch companies are much more likely to sell in the Netherlands and invest in the Netherlands than to sell or invest abroad. Thus, Ghemawat (2007) says the world is semi-globalized.
Conclusion

From the discussion above, it can be concluded that there are opportunities and benefits as well as risks and disadvantages associated with globalization. Globalization is neither good nor bad, and some people argue that the world is not as global as is commonly thought. Rothenberg (2003: 2) states: “people in different countries, in varying circumstances, can look at the same set of facts and come to radically different conclusions about the process of globalization and how it affects their lives”.

As Nayar (2006: vii) observes:

“On almost every point, the critics make the opposite case to that of the supporters of globalization. Thus, rather than higher economic growth, the critics see stagnation. Rather than economic advance and industrialization, they see deindustrialization. Rather than local entrepreneurship, they see denationalization. Rather than economic stability, they see economic destabilization. And rather than the enhancement of human welfare, they see impoverishment and growing inequality.”

Anyway, AT Kearney (2008: 1) states that from a historical perspective, “the triumph of globalization has been one of the greatest achievements of the human race”. However, there is still a lot that needs to be done. In the introduction of the World Health Report 1999 from the World Health Organization (1999: vii), the Director General of the World Health Organization at that time, Dr. Gro Harlem Brundtland, communicated her vision about the future:

“The world could end the first decade of the 21st century with notable accomplishments. Many of the world’s poor people would no longer suffer today’s burden of premature death and excessive disability, and poverty itself would thereby be much reduced. Healthy life expectancy would increase for all”.

Similarly, the United Nations Development Programme states that “reducing inequalities, both within and between countries, and building a more inclusive globalization is the most important development challenge of our time” (UNDP, 2007: 2). How that vision can be realized is the subject of another debate. Aisbett (2003: 1) states that “the best hope of achieving beneficial outcomes from globalization is to improve the quality of the dialog between participants on both sides of the debate”. According to Panayotou (2000: 37) the challenge is to “manage the process of globalization in such a way that it promotes environmental sustainability and equitable human development” at the same time. In any case, it seems certain that the attitude towards globalization will be the key to the future of the world (Fisher, 2003: 23).
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