MODULE 2: GLOBALISATION, WEALTH, AND POVERTY

KEY CONCEPTS

1. **Belt and Road Initiative**: A global development strategy initiated by the Chinese government involving infrastructure development and investments in nearly 70 countries and international organizations.
2. **Comparative advantage**: An economic theory stating that countries should specialize in producing and exporting goods they can produce most efficiently and import goods that other countries can produce more efficiently.
3. **Containerisation**: The use of standard-sized shipping containers for the transport of goods, often on large container ships. It has significantly improved efficiency in handling, transportation, and logistics.
4. **Exploitation**: A situation where some individuals or groups in society benefit disproportionately from the labour or resources of others, often through unfair practices.
5. **Free trade**: An economic policy that allows businesses in different countries to trade without government interference or restrictions such as tariffs, quotas, or subsidies.
6. **Global North**: A term used to refer to so-called “developed” countries, mostly located in the northern hemisphere, including North America, Western Europe, and parts of Asia.
7. **Global South**: A term used to refer to so-called “developing or less developed” countries, mostly located in the southern hemisphere, such as parts of Africa, Central and Latin America, and developing Asia.
8. **IMF (International Monetary Fund)**: An international financial institution aimed at fostering global monetary cooperation, securing financial stability, promoting high employment and sustainable economic growth, and reducing poverty.
9. **Industrial policy**: Government policies aimed at encouraging the development and growth of certain sectors of the economy.
10. **Infant Industry**: A new industry, which in its early stages has trouble or is unable to compete with established competitors abroad.
11. **Negative externalities**: Costs that are suffered by a third party because of an economic transaction, for which they are not compensated.
12. **Offshoring / Onshoring**: Offshoring refers to the practice of moving a company's operations, services or production to another country to reduce costs. Onshoring, also known as reshoring, is the act of reintroducing domestic manufacturing to a country.
13. **Political institutions**: Structures and systems within a society that govern the behaviour of its members. They include legal systems, governmental structures, and political parties.
14. **Remittances**: Money sent by a person in one country to a person in another, typically by individuals who have emigrated sending money back to family in their home country.
15. **Washington Consensus**: A set of economic policy prescriptions considered to constitute the "standard" reform package promoted for crisis-wrecked developing countries by Washington-based institutions like the IMF, World Bank, and the US Treasury Department.
16. **World Bank**: An international financial institution that provides loans and grants to the governments of poorer countries for the purpose of pursuing capital projects.
17. **WTO (World Trade Organization)**: An international organization designed to supervise and liberalize international trade.

INTRODUCTION

MODULE 2: GLOBALISATION, WEALTH, AND POVERTY

Globalisation is a multifaceted process that involves the increasing interconnectedness of societies, economies, and cultures around the world. It encompasses the rapid exchange of goods, services, information, ideas, and people across national borders, fuelled by advancements in technology, transportation, laws, and communication. Economic globalisation, in particular, refers to the integration of national economies into the global economy.

Proponents of globalisation has claimed that it has generated numerous benefits, such as increased economic growth, poverty reduction, and innovation. Opponents worry about local and global inequality and exploitation, as well as environmental degradation,

In this chapter we will focus primarily on economic globalisation over the last 30 years, its origins, features, and impacts. This chapter is written to provide the reader with a general introduction to these themes that you can use to spark discussions in the classroom using the scenarios provided throughout. We start with exploring the historical origins of globalisation. We then present three views: the mainstream view ('globalisation has led to benefits for the **Global North** and **Global South**'), the neo-colonialism view ('globalisation is upholding a wealth transfer from the Global South to the Global North'), and the post-industrialist view ('globalisation has led to benefits for the Global South and middle- and upper-class in the Global North, at the expense of the working class in the Global North').

HISTORICAL BACKGROUND OF GLOBALISATION

Economic globalisation as we currently know it has its most direct origin in the establishment of global institutions and policies after the Second World War. This accelerated the integration of national economies into a global system.

1. The Bretton Woods System: In 1944, representatives from 44 countries met in Bretton Woods, New Hampshire, to establish a new international monetary and financial order. The system aimed to facilitate global economic growth, stability, and cooperation by creating institutions such as the International Monetary Fund (IMF) and the World Bank, as well as implementing a system of fixed exchange rates pegged to the US dollar. This decreased barriers for capital flows and helped establish the dollar as the currency in which global trade and investment was undertaken.
2. The General Agreement on Tariffs and Trade (GATT): Signed in 1947, GATT was a multilateral trade agreement designed to reduce trade barriers and promote international trade. GATT would later evolve into the World Trade Organization (WTO) in 1995, further liberalizing global trade. This meant a lowering of tariffs and protections for local markets, and made doing business in other countries cheaper for companies.
3. Multinational corporations: The post-war era saw the rapid expansion of multinational corporations (MNCs) that took advantage of the increasingly open global market. MNCs became vital agents of economic globalisation, transferring capital, technology, and expertise across borders. A good example is Apple, which has set up a supply chain across eastern Asia to build its devices.
4. Technological advancements: Innovations in transportation and communication technologies, such as containerisation, the internet, and mobile phones, enabled faster and more efficient global trade and information exchange.

These factors, combined with supportive government policies on a national level, helped to create a global economic landscape characterized by interconnected markets, increased trade, and the emergence of global supply chains.

A concurrent trend running alongside these developments was decolonisation. The effects of decolonisation on the economies of decolonised nations have been mixed. On the one hand, decolonisation brought political independence to these nations, which allowed them to chart their own economic development paths. On the other hand, the legacy of colonialism often left these nations with significant economic challenges, including poverty, inequality, and underdevelopment.

One of the most significant effects of decolonisation on the economies of decolonised nations was the emergence of new economic systems. Many newly independent nations sought to build socialist or mixed economies that emphasized state ownership of key industries and resources. For example, in Tanzania, President Julius Nyerere pursued a policy of Ujamaa, which aimed to build a socialist society through collectivisation and nationalisation of key industries.
Other nations, such as India and China, pursued a policy of state-led development that emphasized investment in infrastructure and heavy industry. These policies helped to lay the foundation for the rapid economic growth that these nations experienced in the following decades.

However, the legacy of colonialism also left many newly independent nations with significant economic challenges. For example, many nations were left with export-oriented economies that were heavily dependent on a few key commodities, such as oil or minerals. This made these nations vulnerable to fluctuations in global commodity prices and hindered their ability to diversify their economies.

In addition, the unequal distribution of wealth and resources that characterized many colonial societies often persisted in the post-colonial era. This led to high levels of inequality and poverty in many newly independent nations. In multi-ethnic states, this often favoured dominant ethnicities, who exerted control over state institutions and companies.

Economic globalisation in the post-Cold War era

The fall of the Soviet Union in 1991 marked a significant turning point in the historical background of economic globalisation. This event not only signified the end of the Cold War but also accelerated the integration of the global economy. There are two mechanisms at play here. The first one is that the collapse of the Soviet Union meant that many communist countries entered into the capitalist international trade order. The key marker here is China’s entry into the WTO in 2001. The second one is that the ideology of market-based economics became dominant across the world. This is sometimes referred to as the Washington Consensus, especially when talking about the policy advice that institutions such as the World Bank and IMF give to countries in the Global South on how to run their economies efficiently.

An unrelated mechanism that helped spread economic globalisation during this time was the rise of the internet, which allowed for near-instantaneous communication across the globe. This made it easier for companies to coordinate more complex supply chains across different countries.

MODULE 2: GLOBALISATION, WEALTH, AND POVERTY

These developments contributed to an increasingly interconnected and interdependent global economy. However, this period of rapid economic globalisation also raised concerns about growing income inequality, job displacement (especially from the industrial heartlands in the Global North to industrial areas to the Global South, something also referred to as the "China Shock"), and environmental degradation. Some of these concerns became more apparent in the responses to the financial crisis of 2008. Some indicators were present before as well, however. Liberalisation of global trade agreements ended with the break-down of talks in the Doha Rounds, where the WTO failed to make headway. The key source of this conflict consisted of concerns by the Global South that trade liberalisation harmed the development of their nascent industries. Successful trade agreements since have been more regional in nature – such as the North American Free Trade Agreement in Northern America, the EU in Europe, and the South African Development Community in Southern Africa.

Globalisation after the financial Crisis of 2008

The 2008 financial crash marked a critical juncture in the evolution of globalization. It exposed the vulnerabilities of the interconnected global financial system, prompting a re-evaluation of the risks and benefits of economic globalisation. It also sparked worries in the Global North about economic uncertainty for the working classes. Several key trends and concerns emerged in the aftermath of the crisis:

1. An emerging shift in economic power: The crash had a lasting impact on advanced economies, while emerging markets such as China and India continued to grow, leading to a gradual shift in global economic power. This trend has contributed to the rise of new regional trade arrangements and an increasing importance of developing countries in shaping global economic policies. Its chief influencer is China, who through the One Belt and Road Initiative is building infrastructure and providing development loans to countries in Asia and Africa. At the same time, other countries in the Global South have felt the impacts of their dependency on the Global North. Brazil, for instance, has faced more sluggish economic growth after a fall in commodity prices hit its commodity-oriented growth.
2. Growing protectionism: The crisis fueled skepticism about the merits of free trade and economic liberalisation, leading some countries to adopt protectionist measures. This has resulted in increased trade tensions and a slowdown in the pace of global trade liberalisation. For example, under Donald Trump America pulled out of the Trans-Pacific Partnership (TPP), a trade treaty with countries in the Indian Pacific.
3. Inequality and social unrest: The crisis exacerbated income inequality and fuelled public discontent, as people questioned the benefits of globalisation for the wider population. This has given rise to both populist movements and calls for a more inclusive and equitable global economic system.

The coronavirus pandemic in 2020-2021 highlighted a few of these concurrent trends, but also exposed the world to the realities of its interconnected global market. The brief collapse in international trade when countries went into lockdown highlighted supply chain difficulties, and kickstarted a round of inflation that lead to a complicated economic picture during the recovery from the pandemic.

MODULE 2: GLOBALISATION, WEALTH, AND POVERTY

Case study: the US-China trade war

One key example that highlights these challenges is the burgeoning trade war between China and the USA.
The US-China trade war refers to a prolonged economic conflict between the United States and China, which began in 2018. The dispute was primarily driven by concerns over trade imbalances, intellectual property theft, and forced technology transfers, as well as broader strategic competition between the two countries.

The trade war was initiated by the US under President Donald Trump, who imposed tariffs on billions of dollars worth of Chinese goods in an attempt to address these issues. In response, China retaliated with tariffs on US products, leading to a tit-for-tat escalation of trade barriers between the world's two largest economies.

Throughout the conflict, multiple rounds of negotiations took place, with both sides reaching temporary truces and partial agreements. However, a comprehensive resolution remained elusive. In January 2020, the US and China signed the "Phase One" trade deal, which saw China commit to increasing its purchases of US goods and services and making structural reforms in areas such as intellectual property protection. In exchange, the US agreed to suspend some tariff hikes and reduce others.

Despite this agreement, tensions between the US and China have persisted, and many tariffs remain in place. The trade war has had far-reaching consequences for both countries and the global economy, including supply chain disruptions, reduced economic growth, and increased uncertainty for businesses and investors. The future trajectory of the US-China trade relationship remains uncertain and continues to be a significant factor in global economic stability.

THE MAINSTREAM VIEW ON GLOBALISATION: ‘WIN-WIN’

The researcher Max Roser, an economist and founder of Our World in Data, a website that provides data and research on global development, has looked at the decrease of global poverty. He argues that economic globalisation has led to significant reductions in poverty and improvements in living standards around the world. He points out that since the 1980s, the number of people living in extreme poverty has decreased by more than 1 billion. He argues that the cause of this is that economic globalisation has led to greater economic opportunities for developing countries, with many countries experiencing rapid economic growth and development as a result of increased trade and investment. We dub this view the “mainstream” view, as it is the view you are most likely to encounter when speaking to experts, reading the news, or looking at the direction in which policy has been travelling for the past few decades. We will be looking at the key arguments that support this view in three areas: free trade, finance, and economic migration.

International Trade

MODULE 2: GLOBALISATION, WEALTH, AND POVERTY

The standard view of international trade is that it brings economic benefits to both the Global North and Global South. Firstly, it facilitates the efficient allocation of resources by enabling countries to specialize in producing goods and services in which they have a **comparative advantage**. This specialization results in increased productivity, lower production costs, and higher-quality goods for consumers. Secondly, international trade expands markets for exporters. This allows firms to sell their goods to more customers, which allows them to achieve the advantages of economies of scale, which lowers their production prices and enhances their competitiveness. Finally, trade stimulates economic growth, generates employment opportunities, and fosters technological advancements through the transfer of knowledge and skills between trading partners.

The key case study that proponents of international trade can point to is the rise of the 'Asian Tigers'. In the book 'How Asia Works,' the journalist Joe Studwell explores how successful use of the opportunities of economic globalisation has driven the rapid growth of East Asian economies such as Japan, South Korea, Taiwan, and China. These countries initiated an export-oriented **industrial policy**.

In these countries, the government allowed certain industries or regions to compete with the global market, whilst heavily subsidising these companies. Industries which achieved favourable results on the global market then received favourable treatments. In South Korea this led to a rise of a set of globally competitive companies such as Samsung and Daewoo.

Benefits for the Global North are analogous. Trade means that firms in the North can find more clients to buy products from, increasing their profits. Trade also means that consumers in the North can get cheaper goods.

Global Finance

In order to be able to build the industries that can compete in global trade, you need cash and resources. Proponents of globalisation argue that globalisation has made this cash more easily available.

The key feature of the global financial system is the use of the dollar as the global reserve currency. This is not a law handed down from above, but a consequence of the dollar's stability and attractiveness, as its value is pegged to the performance of the world's largest economy (although China may have overtaken the USA). As a consequence, companies and countries will want to have reserves in dollars that they can use to import goods, and they get dollars by exporting goods on the global market. To reduce transaction costs and currency fluctuation, many countries have pegged their currencies to the dollar or allow for the use of dollars in their countries.

Why are these fluctuations so important? A sudden currency appreciation – where your own currency becomes more attractive (or expensive) - can harm export-oriented sectors and reduce the competitiveness of domestic industries. The reason why is that these sectors, who often have to pay for domestic supplies and wages in local currencies, see their costs increase. Think as an analogy of ordering a new phone from a webshop. The same phone might be cheaper if you ship it from AliBaba rather than Amazon. A big reason why is because the Chinese Yuan is often cheaper than that of the Euro or dollar.

In contrast, currency depreciation – when your currency becomes less attractive - can increase import costs and inflationary pressures. Think as an analogy of a European tourist going abroad to the United Kingdom and paying for their restaurant bill with euros that they exchanged for pounds. With the euro being less valuable than pounds, this restaurant meal feels more expensive for you, and they might think twice before ordering dessert!

A second important feature of global finance is played by global financial institutions, such as the World Bank and the International Monetary Fund (IMF). They provide financial and technical assistance to developing countries, helping them to build infrastructure, implement policy reforms, and stabilize their economies. These institutions operate as a "lender of last resort": if a country is undergoing a tough economic time, these institutions can help them get the capital that countries need to invest. In exchange these institutions often demand economic reforms. These are often aimed at building larger private sectors, for instance by privatising national companies and reducing trade barriers. In recent years, alternatives to these institutions have sprung up. Chief amongst them is the Asian Infrastructure Investment Bank (AIIB), a Chinese-controlled financial institution that offers loans for the development of infrastructure, often with less conditions on policy reform.

Whilst these large government-controlled institutions can play a large role in providing cash for development, private banks and investment funds bring in large amounts of cash as well. Laws that allow for easier cash transfers and ownership of countries by foreign actors have made it easier for firms to set themselves up around the world and build factories abroad.

Case Study: Sri Lanka Economic Crisis in 2022

The Sri Lankan economic crisis in 2022 serves as an illustrative example of the complex interplay between international trade, FDI, and financial markets in the context of global economic integration. The crisis was characterized by a severe foreign exchange shortage, high inflation, soaring public debt, and an unprecedented depreciation of the Sri Lankan rupee.

In short, Sri Lanka depended on receiving sufficient dollars to buy goods on the international market, chief among them artificial fertiliser. The COVID-19 pandemic disrupted supply chains and severely impacted the country's crucial tourism sector. Sri Lanka's government also engaged on wasteful pet projects, such as building a port in the country's second city with Chinese-backed funding. This city was important for the ruling elite, but its economic necessity was questionable. As a consequence, Sri Lanka was running deficits, was seen as a potential risk by international investors, and was unable to receive dollars via exports and tourism.
Being afraid of the ability to import fertiliser on the market, the Sri Lankan government took the controversial step of limiting the use of fertiliser. The anticipated drop in produce led to a collapse in confidence in the Sri Lankan economy, and with it a depreciation in the Sri Lankan rupee. .

Labour

The final effect to look at is the effect that globalisation has had on labour. We look at three dimensions: the increase of manufacturing jobs in the Global South, the increase of migrant labourers, and the adaptation to these labour flows in the Global North.

The trade and finance policies that have been described thus far has led to an increase of manufacturing across the Global South, with especially intense pockets of activities across South-East Asia and Mexico. One reason why these countries received so much interest from manufacturers is that they were relatively poorer countries, which means that people demand relatively lower wages. This lowers costs for manufacturers, and increases employment opportunities in the Global South. The relocation of manufacturing to abroad is called offshoring.

At the same time this cheap labour force is also interesting for jobs in the Global North. Permissive migration laws mean that large amounts of workers in the Global South temporarily or permanently migrate to the Global North to perform work in a variety of sectors, including agriculture, manufacturing, tourism, and the service industry. These workers often send a large chunk of their paychecks back home to support their families. These **remittances** in some cases fund large parts of the economies of their countries of origin. In 2020, remittance flows to low- and middle-income countries reached $540 billion.

Critics allege that these migration flows have put pressure on the jobs and wages of workers in the Global North. Evidence for these claims is mixed. Proponents argue that many of these workers have been able to find employment in other sectors, and that the benefits of cheaper goods and companies increasing their profits and thus room for investments, have helped absorb this shock. For instance, many workers in the United States who lost jobs in the car industry when offshoring to Mexico started occurring in the late 1990s and early 2000s went on to work in the construction industry in the Sunshine Belt.

A complicating factor in this narrative is the role that technological advancements, or automatisation, have played. Some economists argue that displacement effects have been reduced due to cheaper offshoring of migrant labour, but mostly due to the cost-efficiency benefits of automatising work by machines.

THE CRITICAL VIEW: FOR THE MANY, NOT THE FEW

Is the world truly getting better every day? While more and more factories are built every day in the Global South, labourers work extremely long hours in hazardous conditions. And whilst these factories are built in countries in South-East Asia, the continent of Africa struggles to catch up with this growth. Its raw materials, often owned by foreign companies or cronyistic state-owned firms, are sold for a sliver to foreign manufacturers who turn them into profitable luxury commodities. And the ecological costs of this carbon-driven global economy look to hit hardest on the countries of the Global South. And even were we see marked improvements – in countries ranging from Tanzania, Kenya, and Ethiopia in East Africa, to South Africa, Namibia and Botswana in Southern Africa – that improvement has to face an uncomfortable recognition: this development had to be won on the back of the extractive legacy of colonialism, where the Global North took valuable resources and people and left behind pilfered institutions, generated conflict, and maintained ownership of vital assets. This is what we call the “neocolonial” view,

and proponents of this view argue that the mechanisms that drive globalisation do not reach many people in the Global South or actively keep them in impoverished conditions.

World Systems Theory

World systems theory is an approach to world history and social change that suggests that there is a world economic system in which some countries benefit while others are exploited. The theory suggests that the way a country is integrated into the capitalist world system determines how economic development takes place in that country. Like dependency theory, it points out that wealthy countries benefit from other countries and exploit the citizens of those countries. In contrast to dependency theory, however, this model recognizes the minimal benefits that low-status countries in the world system have.

According to Wallerstein, the world economic system is divided into a hierarchy of three types of countries: core, semi-peripheral, and peripheral. Core countries (U.S., Japan, Germany, etc.) are dominant, capitalist countries characterized by high levels of industrialization and urbanization. The core countries are capital intensive, have high wages, and high technology production patterns. Peripheral countries (most African countries and low-income countries in South America) depend on core countries, usually agrarian, have low literacy rates, and lack consistent Internet access. Semi-peripheral countries (South Korea, Taiwan, Mexico, Brazil, India, Nigeria, South Africa) are less developed than core nations, but more developed than peripheral nations. The core countries own most of the world's capital and technology and have great control over international trade and economic agreements. They are also cultural centers that attract artists and intellectuals. Peripheral countries generally provide labor and materials to the main countries. Semi-peripheral countries exploit peripheral countries, just as core countries exploit both semi-peripheral and peripheral countries. The core countries extract raw materials at little cost. They can also set prices for agricultural products that peripheral countries export regardless of market prices, forcing small farmers to abandon their fields because they cannot afford to pay for labor and fertilizer. The wealthy in peripheral countries benefit from the labor of poor workers and from their own economic relations with core country capitalists.

The Washington Consensus

As mentioned in the previous chapter, institutions such as the World Bank and the IMF, and trade deals such as those governed by the WTO, operated under a logic often referred to as the "Washington Consensus". The prescriptions that form this consensus aim to create an open market-based economy with a limited role by the state in crisis-wrecked countries.

The anthropologist Jason Hickel is one of many academics critical of these policies. According to him, these policies have encouraged developing countries to focus on exports and attract foreign investment, and believes that this often comes at the expense of many local industries and small businesses. As a result, many developing countries have become overly dependent

on exports of a few primary commodities, leaving them vulnerable to fluctuations in global commodity prices. An example can be found in the economic crisis of Brazil in 2014 due to low commodity prices, which contributed to the fall of the Roussef government and the electoral victory of the populist Jair Bolsanaro.

Furthermore, Hickel argues that globalisation has resulted in the exploitation of labour and resources in the Global South, with multinational corporations taking advantage of lax environmental and labour regulations to extract resources and exploit workers in developing countries. This has led to a situation where workers in the Global South are often paid very low wages and are subjected to poor working conditions. These wages may then be insufficient to actually help workers up the development ladder, by for instance investing in a home, safer cooking equipment, a plot of land for private use, or education for their children.

Finally, he believes that this liberalisation has led to the destruction of local companies which have been forced to compete with larger and well-resourced international firms. The alternative often proposed is the **infant industry** argument, where governments protect local firms through measures such as trade tariffs and subsidies until they have built up the know-how and client base to effectively compete on a global market.

The book "Broken Promise of Globalisation: The Case of the Bangladesh Garment Industry" examines the impact of globalisation on the garment industry in Bangladesh. Its author, Shahidur Rahman, provides a more negative view of the influence of MNCs on the Global South. he argues that despite the promises of economic development and improved working conditions that globalisation was supposed to bring, the reality for many workers in the Bangladesh garment industry has been one of exploitation, poverty, and unsafe working conditions.

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The book provides a historical overview of the development of the garment industry in Bangladesh, from its beginnings in the 1970s to its current status as a major exporter of garments to the global market. It argues that the industry has been characterized by low wages, long hours, and poor working conditions, and that these conditions have been exacerbated by the pressures of global competition.

Global brands and retailers in the garment industry have been important drivers of this process, and are complicit in the exploitation of workers in Bangladesh. It highlights the ways in which global brands have used their power to drive down prices and shift the costs of production onto suppliers and workers, leading to a race to the bottom in terms of wages and working conditions.

‘Bad’ institutions

MODULE 2: GLOBALISATION, WEALTH, AND POVERTY

Even if some domestic companies manage to do their business, that is often not enough to create strong economic growth in a country. These businesses need to rely on proper infrastructure to bring their goods to their customers. If there is a dispute between them, they need to rely on an impartial court that decides on the dispute. And the taxes that are used to pay for this need to be collected in a fair and timely manner. All of these mechanisms require good **political institutions**. For the economists Acemoglu and Robinson, those are the single most-important factors that affect economic growth. And the legacy of colonialism has often led to the development of the bad kind of these institutions.

In their book "Why Nations Fail," they argue that inclusive political institutions, which allow for broad participation and limit the power of elites, lead to inclusive economic institutions, which encourage innovation, investment, and economic growth. On the other hand, extractive political institutions, which benefit only a small elite, lead to extractive economic institutions, which stifle innovation and investment and limit economic growth.

The challenges faced by the Global South and China in achieving economic development are rooted in their historical legacies of extractive political institutions. In many of these countries, elites have historically used their power to extract resources and wealth from the population, leaving little room for people to use resources to develop. Colonial institutions were by their nature extractive. European elites did not build schools and universities, afraid that an educated colonial elite would challenge their dominance. Infrastructure, when built, was built to facilitate the transporting of materials to Europe, not to connect population centres. In certain cases, the Europeans played out divide and conquer strategies between ethnic groups, such as in Rwanda where the Belgians gave preferential treatment to the Hutus over the Tutsis. When the European elites left, they often left in haphazard fashion, without democratic institutions where people could solve their differences. The new colonial leaders that took power held control over a state designed to extract, and had to govern over a brittle alliance of often divided people, many of whom were worried that they would get an insufficient part of scarce resources. Faced with the dilemma of maintaining stability, they had to resort to preferential treatment for sets of elites, who took control of the most beneficial assets in these countries. And because these elites personally benefit, they are loath to give up this power.

Environmental Spillovers

The global economy does not just provide its consumers with innovative goods and commodities. It generates **negative externalities** alongside with this production. If you want to produce beef, you are going to produce a cow whose grain may require the chopping of rainforest to make room for fields. The production of consumer goods means the creation of packaging and toxins, often single-use or hard to recycle, that need to make their way to wastefills. These negative externalities impose costs on the areas in which they land. Wastefills attract vermin and disease. Land use change carries with it destruction of biodiverse habitats and can risk environmental disaster. Neo-colonialists argue that many of these externalities are primarily placed upon populations in the Global South.

There are a few reasons why these externalities occur more often in the Global South. The first of these is cost. It is cheaper to buy plots of land to dump waste in poorer countries, or to find workers who want to do the dirty and hard work of recycling and waste management.

The second one is regulations and democratic control. In countries with weakened democratic institutions, it is harder for the local population to protest against practices such as waste dumping. Conversely, in democratic societies citizens can often effectively organise to delay or deny the construction of polluting factories, or wastefills, or for better regulations to stop a factory from dumping toxins into the water.

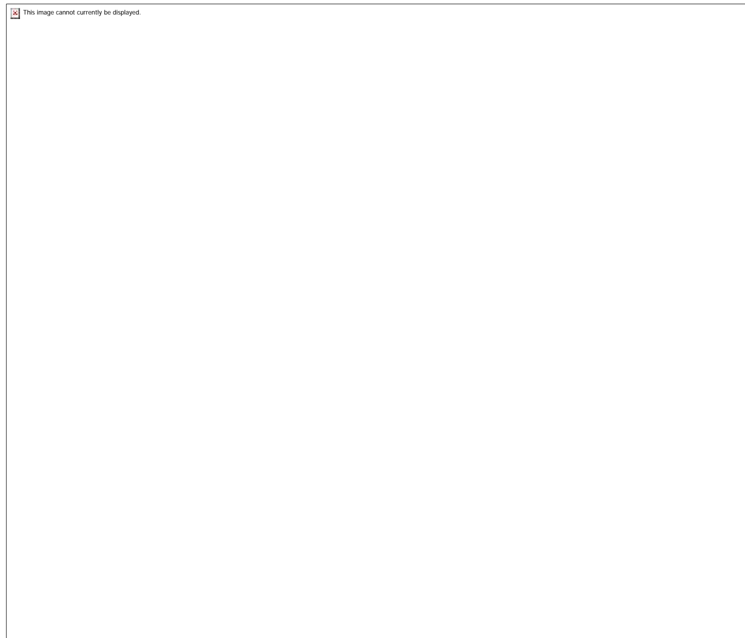
The final one is location. Certain negative externalities related to climate change will hit harder in countries that are in areas where natural disasters are more likely to occur or where temperatures are already hotter, which unfortunately describes countries mostly located in the Global South. Negative externalities in local environments, such as health risks due to pollution by mines, occur only if you live in the vicinity of such extraction sites. Unfortunately for many people living in these environments, the Global South contains many resource-rich environments. Certain materials are only found in a small set of countries. For instance, cadmium, a material crucial for the development of touchscreens, is mostly delved in the Democratic Republic of Congo.

THE POST-INDUSTRIAL VIEW: THE LEFT BEHINDS

A former World Bank employee and economist called Branko Milanovic made headwaves in 2013 when he published an article that contained a graph that has been dubbed the “elephant curve”. This graph illustrates how global income distribution has changed over the past few decades. The curve shows that the largest gains in income have gone to the top 1% of earners in developed countries, while the middle class in these countries has seen little to no gains. The curve also shows that many people in developing countries, particularly in Asia, have seen significant gains in income over the same period.

Milanovic argues that the elephant curve demonstrates that globalisation has led to a "divergence" in global income distribution, with the gains of the top earners in developed countries being offset by the gains of the middle class and poor in developing countries. He points out that while global income inequality has increased, poverty has decreased significantly, particularly in Asia.

MODULE 2: GLOBALISATION, WEALTH, AND POVERTY



One critique of the elephant curve is that it does not capture the full extent of global income inequality, particularly among the very poor. Nobel laureate Angus Deaton has argued that the elephant curve should be combined with measures of absolute income levels, such as the World Bank's poverty line, in order to get a more complete picture of global income inequality. Other economists have disputed the elephant curve on methodological grounds, for instance its lack of comparisons of intergenerational wealth, and the outsized effect of Japan's economic stagnation on the 'downward slope' of the elephant curve.

Taking the view of Milanovic seriously, in this section we will consider the arguments made by those worried about the effect that globalisation has had on the economies of the Global North. We will call this the "post-industrialist" view, as the main feature has been the decrease in jobs in the industrial sectors in the Global North.

Displacement of Labour

The main points of analysis for the labour displacement theory have been made in the preceding parts. Lower labour costs in the Global South and advancements in shipping and communication technologies made it more attractive for companies to build factories in the Global South. At the same time, some academics argue that advancements in robotics reduced the need for labourers as well. The dispute between these two mechanisms is less important when considering the effect on job losses, but is important when considering possible solutions to the problem. Onshoring policies, where governments try to increase trade barriers on goods imported from the Global South, are less likely to lead to job increases if the true reason for the decline was mechanisation.

The second point of contention has been on the economic effects of those people who have lost their jobs. Studies indicate that many labourers found employment in other sectors. That however does leave two important harms in place. The first of these is the effects of job losses on local communities. Many areas are often chiefly defined by a dominant sector, such as the

car industry in Detroit, U.S., and Turin, Italy. A large loss of productivity in that dominant sector has strong knock-on effects on everyone who works in these areas. The second of these is the effects on people who are effectively unable to retrain to different jobs. That may be because they lack effective initial education, because they lack the resources to invest into a different education, or because they face difficulties to re-enter the job market, for instance because they lack a network, because of their age, or because of discrimination.

Effects of migration

Apart from the theory of displacement, critics of globalisation point to another worry: the idea that economic migrants put pressure on existing jobs and may drive wages down. The logic behind this claim is that economic migrants are often willing to work for lower wages as they come from low-income countries themselves. This argument needs to be weighed by three competing factors. The first is the question as to whether these economic migrants enter sectors where there is pre-existing competition for jobs, or whether they are attracted by a lack of demand from domestic workers. The second is the question as to whether costs of economic migration are outweighed by the added benefits in labour productivity, corporate profits, and taxation that these economic migrants bring to the countries in which they work. And the final element to consider is whether labour regulations, such as minimum wage legislation, are sufficient to block these downward pressures, or whether the legislation can be sidestepped by companies.

CONCLUSION

In the book Six Faces of Globalization (2021), Anthea Robert and Nicolas Lamp make it clear that there are currently at least six stories circulating in Western societies about what has been going on in recent decades. Once celebrated as an unstoppable force that would make the entire world Western, prosperous and liberal, the great story of globalisation has turned into a kaleidoscope where every turn of the viewer brings a new vision and the plot for another story.

As we first encountered, there is the established 'mainstream' perspective. In this story one only sees progress and there are no losers. Globalisation has made markets more efficient and companies more innovative. Technology is advancing in leaps and bounds. Scaling up leads to higher productivity. The economy is growing. Everyone gets a bigger piece of the pie and poverty in the world decreases. Through free trade, economic liberalization, the pruning back of the state and the creation of international institutions such as the World Bank, the IMF and the World Hand Organization, forms of international division of labour have emerged that benefit the entire world. And insofar as there are losers, they can be amply compensated with money and new opportunities

The other five stories focus on those who get the short end of the stick in the above narrative. We encountered one of these groups in the post-industrialist narrative. But there are more to consider:

1. A narrative that rejects globalisation and economic growth, in which 'the planet' is the big loser - think of global warming;

2. A right-wing populist narrative, in which 'the nation' gets the short end of the stick and take back control is the remedy – think of Front National, Brexit or Make America Great Again;
3. A left-wing populist story in which 'classes', especially the working class and lower middle classes in Western countries, are the big losers and a Green New Deal should offer solace;
4. A narrative against multinationals and large (tech) companies, in which workers and communities worldwide are the losers and reform of the institutions of the global market is the main solution;
5. And a story that moves beyond economics: a geopolitical story in which, of the great powers, the West in particular is in danger of losing power and prestige and diplomacy plus realistic power politics must ensure the desired military and ideological balance.

The six faces in that book are Western in nature. In Asia, millions were lifted out of poverty and the middle class grew. There is the prospect of globalisation right there. But in other parts of the world, that prospect seems few and far between. There is not yet an undisputed “Guinean Tiger”. And even in Asia, there have been clear costs to the success story, as garment workers in Bangladesh and the polluted rivers in China can attest to.

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MODULE 2: GLOBALISATION, WEALTH, AND POVERTY

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