

# Contemporary Economy



Contemporary Contemporary Economy  
Electronic Scientific Journal  
<http://en.wspolczesnagospodarka.pl/>

Vol. 9 Issue 3 (2018) 1-9  
ISSN2082-677X  
DOI [10.26881/wg.2018.3.01](https://doi.org/10.26881/wg.2018.3.01)

## DEVELOPMENT PARADOXES OF GLOBALIZATION

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### Abstract

The article focuses on the negative influence of globalization on the world economy. The purpose of this research is to systematize the global processes and outline the paradoxes of its development. The article defines the etymology of the term globalization and characterizes its scope of use. It analyzes the origin and formation of the globalization theory, while also systematizing its main areas of investigation. The research explores the fundamental disagreement as to how to conceptualize the phenomenon of globalization. The process of rethinking social change is studied, particularly to the extent that it relates to labelling the existing forms of activity. A systemic critique of global processes is presented, together with its basic critical comments. The article discusses the global prospects of tectonic shifts, which are bound to cause critical changes in the global environment, leading to corresponding changes in the world megatrends. This is proof that the alterglobal model should implement new principles of a global system based on social partnership, state protection and welfare.

**Keywords:** alterglobalization, development, economic globalization, income distribution, poverty.

**JEL classification:** F02, F50, F63

### Introduction

The term globalization came into use to designate a new stage of economic internationalization; one characterized by an increasingly prominent role played by external factors for the development of all countries in the world, creation of transnational capital, as well as a strengthening of the global integration process in consequence of the global operations of TNCs. Simultaneously, various perspectives have been offered on the structure and logic of the globalization process, ranging from globalization of objections to globalization of absolut-

isation. Therefore, this diversity of approach and a large number of interdisciplinary researches justify the assumption that globalization is an ambiguous and inconsistent phenomenon. Consequently, the task of developing and implementing a program of transformation that must be alternative and global, is still valid today. Theoretical aspects of economic globalization have been investigated by R. Findlay, K. O'Rourke, R. Cohen, O. Reiser. Alternative models of economics have been researched by: W. Beck, D. Becker, D. Bell, I. Wallerstein, R. Keohan, R. Robertson, G. Pleyers, D. Held. The issues related to this problem nowadays include its recent emergence, its great practical importance and lack of theoretical grounding. These factors have contributed to the choice of the research goal of this study, i.e. assessment of theoretical and methodological foundations of the development paradoxes of globalization.

## **1. Etymology of globalization**

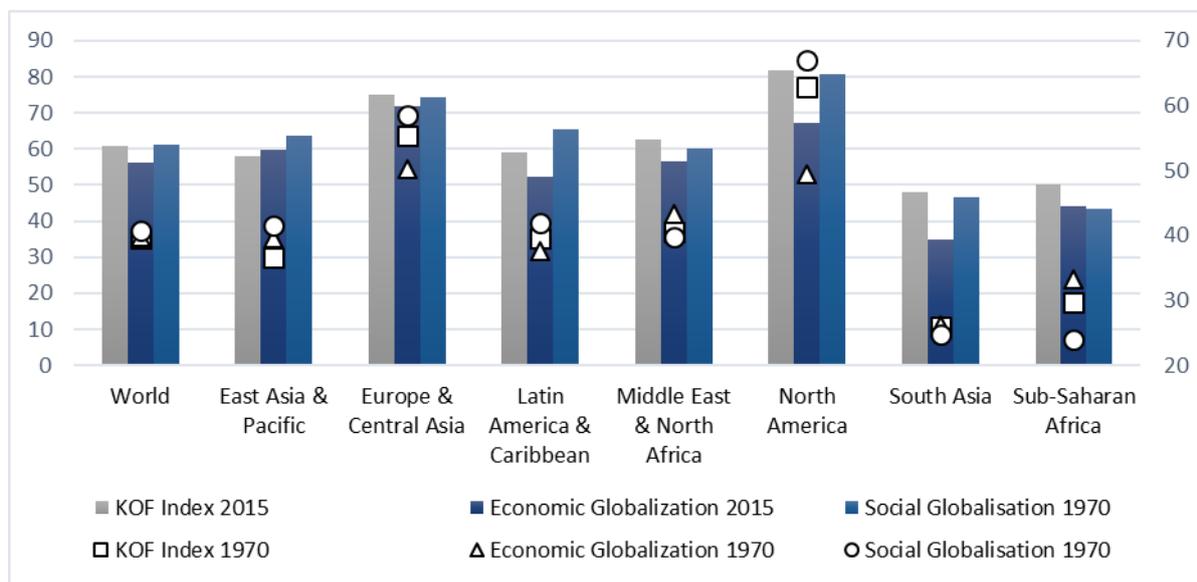
In economics, globalization is understood as a “new level of international competition – competition between nations for a place in the world community”. However, from the above we can conclude that globalization contradicts (rather than eliminate, include, reintegrate or subordinate) the national economy and other spheres of relations. Therefore, it is virtually impossible to understand the current stage of globalization within the context of the old categories that reflect national and state processes. The national economy may be explicitly or implicitly manipulated by TNCs. In addition, in terms of creating a single world economy, competition as an economic phenomenon within national economies and between them tends to die away.

Modern historians are increasingly seeking to refute the idea that globalization was the acquisition of recent decades and they have reasonable evidence. The argument stemming from an evaluation of active growth of international trade and the rapid reduction of duties and price differentials in the second half of the 19<sup>th</sup> and the early 20<sup>th</sup> centuries suggests at least two ‘waves’ of globalization. Some researchers believe that the initial surge of globalization can be traced back as far as the 16<sup>th</sup>-17<sup>th</sup> centuries, which is why they consider “three waves of globalization” (Robertson, 2003). The most appropriate approach is represented by Robert R. Findlay and K. O'Rourke, who considered economic history since the 1970s not as a specific stage of globalization, but as a return to its lost position in the first half-century, terming this process “reglobalization” (Findlay, & O'Rourke, 2007).

The term “globalization” came into use in the early post-war years as a derivative of the verb “to globalize”, whose presence as an independent concept was first recorded in 1950 (Webster, & Gove, 1981). Thus, in 1944 O. Reiser and B. Davies in their study “Planetary Democracy” repeatedly used the concepts “globalize” and “globalism” (Reiser, & Davies, 1944). In the early 1970s, European managers used to describe the growing interdependence of national economies with the French word “mondialisation”, whose reverse translation appeared in English as “globalization” in the sense in which it is now used. This term was used sporadically and was first placed at the center of a conceptual study in 1981 by the American sociologist G. McLean, who proposed “to understand the historical process of globalization, the rise of globalization social relations and give it an explanation” (Scholte, 1996). In 1983, R. Robertson used the term globality in the title of one of his articles in 1985, whose detailed interpretation followed, and was elaborated in a special study in 1992 (Robertson, 1983). By mid-1990s, the concept of globalization in which this process was interpreted as one of the most important in the modern world, was circulated so widely that M. Waters wrote: “Just as the basic concept of the 80s was post-modernism, the key idea of the 90s can be globalization, by which we mean the transition of humanity in the third millennium” (Waters, 1995).

## **2. Theories of globalization**

It is worth noting that the modern theory of globalization emerged out of a number of scientific traditions and research works. The basis for modern theories of globalization was supplied, according to L. Kyryanova, by five different areas of research, developing since the middle of the 20<sup>th</sup> century. The first such direction related to research in management, developing from the 1960s. At the centre of these studies lies the phenomenon of multinational corporations. These originated as management-enhancing measures to improve the competitive position of large US multinational companies. However, in the 1970s, when American corporations significantly expanded the geographical extent of their operation in an effort to capture new markets and move production to regions with lower labour costs, these investigations formed a separate important direction in research on the problems of management. The level of globalisation worldwide increased rapidly between 1990 and 2007 and has risen only slightly since the Great Recession. In 2015, globalisation decreased for the first time since 1975 (see Fig. 1). The fall was due to the decline in economic globalisation, with social globalisation stagnating and political globalisation increasing slightly. The level of economic globalisation had sunk in 2009 for the first time since the Great Recession. The decline in economic globalisation was apparent in both sub-domains of *de facto* and *de jure* globalisation. This means that not only measured trade and financial flows fell, but also that there was a deterioration in the political framework conditions that facilitate these flows. The decline in *de facto* globalisation is mainly attributable to the sub-domain of “trade globalisation”, whilst the indicator for “financial globalisation” moved sideways. In terms of *de jure* globalisation, both subdomains of trade and financial flows receded somewhat. The most strongly globalised countries are countries that operate as financial hubs and/or trading centres. The level of social globalisation stagnated in 2015 on the wave of strong growth in previous years. *De facto* social globalisation fell slightly, although compared to *de jure* social globalisation it was slightly up (Kof.ethz.ch. 2018).



**Figure 1.** KOF Index Regional Dynamics

Source: Author based on Kof.ethz.ch. 2018.

The second direction relates to a series of researches in the social and cultural theories that were also developed in the 1960s. The basis for this direction in many ways underlay the ideas of members of the Frankfurt School, including a provision stating that the system of mass production of goods, services and ideas is sufficient for the existing system of capitalism as a whole, with its commitment to technological rationalism, calculation and consumption. These ideas were developed in a series of significant works that focus on the study of the impact of

mass communication on the transformation of society and social relations, in particular the emergence of the phenomenon of mass consumerism. This work J. Ortega y Gasset, D. Bell, G. Le Bon, G. Tarde, A. Toffler, D. Rismen (Robertson, 2003).

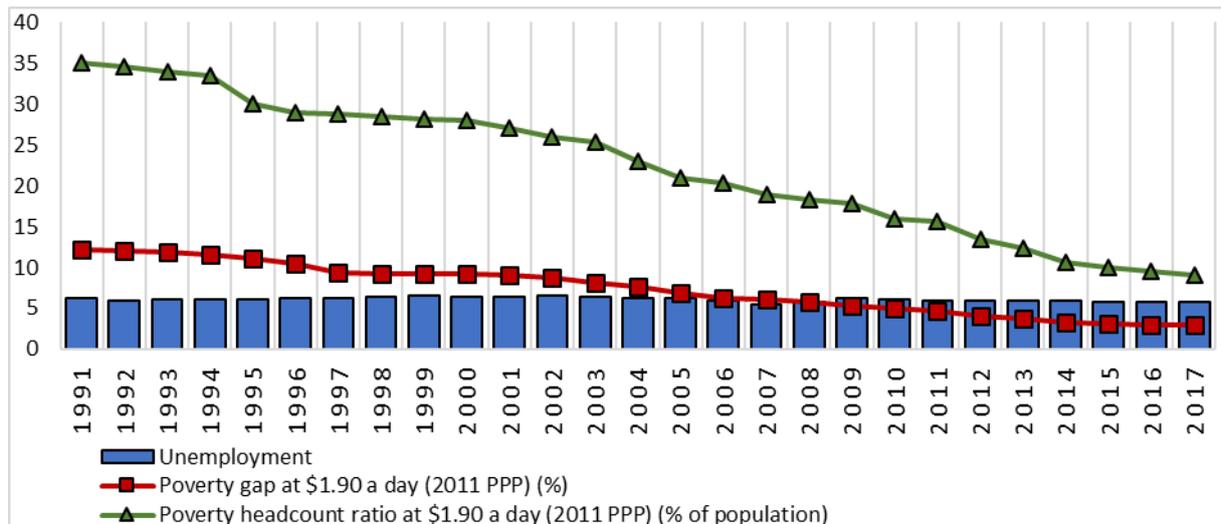
The third direction involves concepts that have emerged from various large environmental movements promoting the understanding of the Earth and its resources as an entity that has its limits. Particularly influential in the development and promotion of these ideas was the activity of the Club of Rome, which published a number of studies under the umbrella term of “global modeling”. The same trends can be attributed to the earlier research of K. Tsiolkovsky, V. Vernadsky, K. Jaspers, E. Leroy and others. Through research and considerations of “world population”, “noosphere”, “world government”, “cosmopolitanism”, “planetary phenomenon”, “general world history”, etc. they cleared the ground for the understanding of humankind as a single whole, which is inextricably linked with nature and the cosmos and inevitably defined by a common destiny (Zvarych, 2016).

The fourth trend relates to a series of studies on the development of the international economy and politics after the Second World War. During the 1960s, many theories representing the paradigm of “development as modernization” appeared. With this paradigm came a division into developed and developing countries as well as calls for the development of the Third World through the widespread introduction and dissemination of institutions tasked with modernization in these countries. One of the most important followers of these theories was A. Frank. For these theories were modern theories of globalization identifying globalization with the global spread of modern Western institutions, and therefore, equating globalization with Westernization.

The fifth direction includes researches analysing modern society in terms of the impact of information technology and the changing nature of production on the structure of social relations and system of values. There are concepts of post-industrial society, third-wave society, the big-gap era, turning point of eras, postmodernism, etc. The most notable writers of this trend are D. Bell, A. Toffler, F. Fukuyama, A. Touraine, J. Baudrillard, J. Lyotard and others (Zvarych, 2016).

### **3. Criticisms of globalization**

Criticisms of globalization are based on a failure to recognize its favourable effects, or the belief that the forces behind global economic transformations are opposed to the use of global regulatory instruments while also being supportive of the establishment of transnational entities acting to undermine the stability of the state’s social structures, while failing to meet public needs and being entirely uncontrollable. The reason for increasing poverty and inequality among the regions is the result of political conflicts that are difficult to resolve in a diverse country. Growth is not the only factor through which globalisation can reduce poverty. Productivity impacts the wages, too. The empirical experience of developing countries supports this proposition, as the incidence of poverty has declined significantly in many fast growing economies (see Fig. 2).



**Figure 2.** Unemployment and Poverty in the World

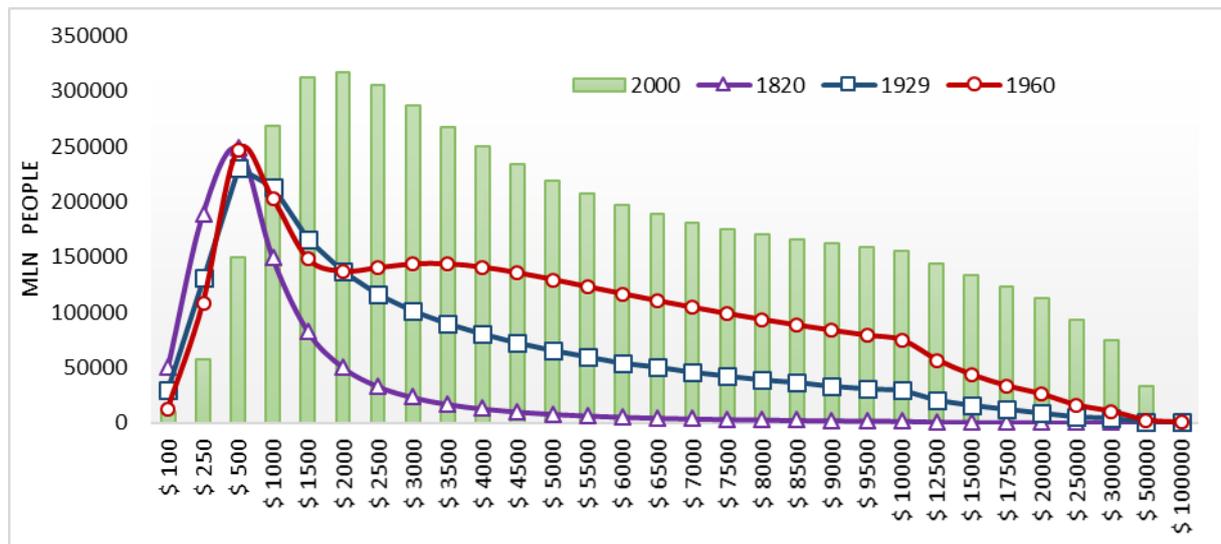
Source: Author based on Data.worldbank.org. 2018.

1) Globalization integrates the world – it is a stratification of the international community. Some integration efforts will lead to unification, while others will be hopelessly compromised. 2) Implementation of the “Washington Consensus”, which had been imposed forcibly through various US financial institutions, was aimed at a de-socialization of the world’s peripheral countries. The free-market idea of the economic self-stabilization is achieved automatically and becomes archaic. 3) P. Horst and W. Thompson’s skeptical position: Globalization is a myth intended to hide the confrontational reality of the international economy, which is difficult to balance between the three regional blocs – North America, Europe and East Asia, where national governments retain all of their former power. 4) In the most economically efficient countries there arise large areas of production, which, after opening the borders will not be competitive compared to foreign exporters (a lower level of expenses). 5) J. Bhagwati, P. Krugman: the most expedient – the construction of a free market for goods but not for capital, because capital is unstable by its own nature and requires state control – at least control over exchange rates. 6) American isolationists led by P. Buchanan. Globalization is the system of access to the rich and fair US market of dumping goods from countries with cheap labor. This is causing a flow of free American capital into developing countries and weakens of the US position (Zvarych, 2015).

#### 4. Reconsideration of social changes

Alterglobalism calls for the restoration of political citizenship and political participation. The main challenge for alterglobalization is a reconfiguration of political imagination and conceptualization of social changes (Milliot, & Tournois, 2010). This means avoiding the classical idea of revolution and balance typical of democracy, which remains the base of the nation state (D. Held, 1995). The two branches of the alterglobal movement are represented by two specific experiments at this point. They implement practices, by which citizens and social movements are trying to influence the course of affairs. In this regard, the alterglobal movement is acceptable and interesting for the players of the emerging global civil society and the new social movements that characterized the first decade of post-industrial society including: the green movement, the feminist movement, and the movement of democratization in Eastern Europe and Latin America (Findlay, & O’Rourke, 2007). Different nations, for starters, calculate income and wealth in different ways, and some nations barely keep reliable statistics at all. But researchers

worldwide are increasingly taking on these challenges. More than 70 percent of the world's adults own under \$10,000 in wealth (see Fig. 3).



**Figure 3.** The World Income Distribution, 1820-2000

Source: Max Roser, Stefan Thewissen and Brian Nolan (2018) - "Incomes across the Distribution."

Despite positive developments in some of the issues discussed, protesters of the previous decade continue to question certain aspects of global processes. As a result of changes caused by successive waves of new social movements since 1968, alterglobal movement challenged the existing forms of activity and associated concepts of changes with large movements of industrial society. For example, in the case of trade unions, that are often helpless in dealing with off-shore relocation, alterglobalization tries to fight with the relocation of workers in the global arena (Pleyers, 2013). While intensified requirements for identity and individuality groups adjusted for social equality, neoliberalism and economic globalization have raised this inequality to the level unprecedented since 1945. In addition, the deputy of new generation of activists alterglobalization N. Klein underlines the need to "increase cultural choice that was forgotten". Some post-materialistic values (R. Inglehart, 1977 – respect for diversity, personal development and recognition) remain central to alterglobal movement, but now they have joined with renewed interest in economic inequality and social justice (Zvarych, 2017).

## 5. Global development prospects

The world of 2030 will be radically transformed as compared to our world today. By 2030, no country, be it the USA, China, or any other large country, will be a hegemonic power. The empowerment of individuals and diffusion of power among states and from states to informal networks will have a dramatic impact, largely reversing the historic rise of the West since 1750, restoring Asia's role in the global economy, and ushering in a new era of "democratization" at the international and domestic levels. In addition to individual empowerment and the diffusion of state power, two other megatrends will shape our world around 2030: demographic patterns, especially rapid aging, and growing resource demands which, in the case of food and water, might lead to scarcities (see Table 1). These trends exist today, but in the next 15-20 years they will gain much greater momentum. Underpinning the mega-trends are critical changes to key features of our global environment that will affect how the world works (National Intelligence Council, 2012).

**Table 1: Demographic window of opportunity**

State	Average age, 2010	Average age, 2030	Demographic window of opportunity
Brazil	29	35	2000 – 2030
India	26	32	2015 – 2050
China	35	43	1990 – 2025
Russia	39	44	1950 – 2015
Iran	26	37	2005 – 2040
Japan	45	52	1965 – 1995
Germany	44	49	up 1950 – 1990
UK	40	42	up 1950 – 1980
USA	37	39	1970 – 2015

Source: Author based on *Global Trends 2030: Alternative Worlds*. National Intelligence Council, 2012.

The increase in prosperity and decrease in poverty are substantial. The income cut-off of the poorest 10% has increased from 260 international dollars to 480 international dollars and the median income has almost doubled from 1,100 international dollar to 2,010. Global mean income in 2013 is 5,375 international dollar. This perspective shows the still very high level of global inequality even more clearly. The cut-off to the richest 10% of the world in 2013 was 14,500 international dollar; the cut-off for the poorest 10% was 480 international dollar. The ratio is 30.2. While global inequality is still very wide, we are now living in a period of falling inequality. In 2003, this ratio was 37.6. The Gini coefficient has also fallen from 68.7 to 64.9. Taking the historical experience as a guide for what is possible in the future we have to conclude that global inequality will remain considerable for a long time. To understand this, we have to question how long it would take for those with incomes at the poorest 10% cut-off to achieve the current incomes of the richest 10% cut-off (which is 14,500 international dollar) (Roser, Thewissen & Nolan 2018). This income level is roughly the level of GDP per capita above which the poverty headcount draws close to 0% for most countries. Even under a very optimistic scenario it will take several decades for the poor to reach the income level of the global top 10%. Two percents is roughly the growth rate that the richest countries of today experienced over the last decades. The poorer countries can achieve faster growth, but we have not seen growth rates of more than 6% over a time frame long enough to reach the global 10%. If the past is a good guide for the future, the world will very likely be highly unequal for a long time (Yip, & Hult, 2012).

## Conclusion

Globalization has yielded positive results related to integration, communication, cooperation, but has also created a number of problems. The problems include a growing gap between the rich and the poor, high social cost of integrating developing countries into the global economic space, a labour market crisis and mass lay-offs in developed countries, catastrophic pollution, negative effects of scientific and technological development, international terrorism, repression of local cultures, environmental degradation, crisis of democracy. Globalization does not reduce, but increases global inequality, creates additional opportunities for major production companies at the expense of smaller and less sophisticated companies. Its essential features increase the efficiency of the world economy, economic and social progress of humankind. At the same time, it often disparages the interests of the general population and countries not belonging to the “club”. The outlined problems impact upon the issue of a new model of the world economy, which should be alternative and global. The alterglobal model should be the implementation of new principles of a global system based on the principles of social partnership, social protection for real democratic values and welfare state institutions. This

model of the world economy must absorb all the positive qualities inherent in globalization and at the same time offer solutions to current problems and gaps.

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## PARADOKSY ROZWOJU GLOBALIZACJI

### Streszczenie

Artykuł koncentruje się na negatywnym wpływie globalizacji na gospodarkę światową. Celem badań jest usystematyzowanie procesów globalnych i zarysowanie paradoksów ich rozwoju. Artykuł określa etymologię globalizacji, scharakteryzował jej definitywny aparat. Analizuje technografię powstawania i formowania teorii globalizacji, usystematyzowała główne obszary swoich badań. Badanie charakteryzuje spór dotyczący konceptualizacji zjawiska globalizacji. Przeanalizowano proces przemyślenia zmiany społecznej, szczególnie w odniesieniu do powołania istniejących form aktywności. Opracowany systematyczna krytyka globalnych procesów i jej podstawowe krytyczne komentarze. Artykuł opracował globalne perspektywy tektonicznych osuwiska krytycznych zmian w otoczeniu globalnym, które wpłynę na światowe megatrendy. Badanie wykazało, że model alterglobalny powinien być implementacją nowych zasad globalnego systemu, który będzie oparty na partnerstwie społecznym, ochronie i dobrobycie państwa.

**Słowa kluczowe:** alterglobalizacja, dystrybucja dochodu, globalizacja gospodarcza, rozwój, ubóstwo.

**JEL classification:** F02, F50, F63

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