



Globalisation

Seen Environmental Learning Information Sheet no 1

What is globalisation?

“Globalization is a process of interaction and integration among the people, companies, and governments of different nations, a process driven by specific policies on international trade and investment and aided by information technology.”

Globalisation is a new word to describe an old process: the integration of the global economy that began with the spread of European colonisation five centuries ago. This process has accelerated over the past 25 years with the explosion of computer technology, the dismantling of trade barriers and the expanding political and economic power of global organisations such as transnational corporations (TNC's). (see Information Sheet on TNC's) Today there are very few decisions made by governments or private organisations nationally without first referring to international rules or regulations. Globalisation has effects on the environment, on culture, on political systems, on economic development and prosperity, and on human physical well-being in societies around the world.

As the internet and the world wide web have enabled people and businesses to communicate more smoothly and efficiently, globalisation has helped to spread a homogenous and largely commercial culture. Disney movies, Barbie dolls, hip-hop music and sports utility vehicles have attracted millions of people in cities worldwide to aspire to this 'jet set' lifestyle. There is every reason to believe that this global exchange of people, products, wildlife, technology and ideas is unstoppable and will continue into the future. Change, as even dictators find out, is inevitable.

Change appeals to the fundamental goals of social and economic progress anchored in European philosophy. The idea is that change, through growth, brings about economic progress and is therefore a prime indicator of human development. Today we live in an unparalleled

age of fabulous wealth and opportunity. But not everyone is sharing in this dream and many would argue that the social goals of community improvement and the provision of basic rights to shelter, food, health, education, water and sanitation have been left behind in a corporate rush for economic integration to support ever higher profits.

Globalization is deeply controversial. Proponents argue that it allows poor countries and their citizens to develop economically and raise their standards of living, while opponents of globalization claim that the creation of an unfettered international free market has benefited transnational corporations in the Western world at the expense of local enterprises, local cultures, and common people. Resistance to globalization has therefore taken shape both at a popular and at a governmental level as people and governments try to manage the flow of capital, labor, goods, and ideas that constitute the current wave of globalization.

Globalisation and economics

Globalisation essentially is about economics. Because the world is ordered around a 'free market' or capitalist set of rules, hardly a decision is taken without first considering what it will cost. So it is not possible to examine an environmental issue, risk or problem without understanding the economic background that caused it.

The 'magic of the market' is not a new concept. The idea of a free and open market was first developed by Adam Smith in his book 'The wealth of nations' where buyers and sellers met to exchange money for products and services and prices found a natural level according to where supply meets demand. In this way 'scarce or limited resources' would be best allocated among competing human wants.

But Smith's vision related to a system where:

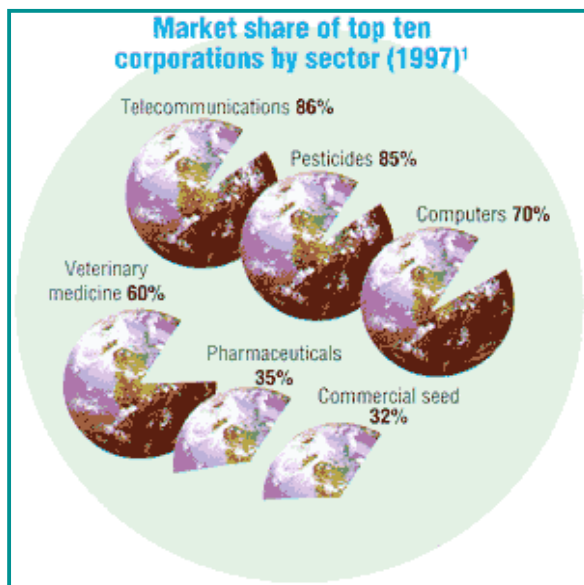
- Capital was invested locally in community enterprises
- Buyers and sellers were equal and neither could influence the price
- All parties got a fair return

Businesses were small meeting a local demand

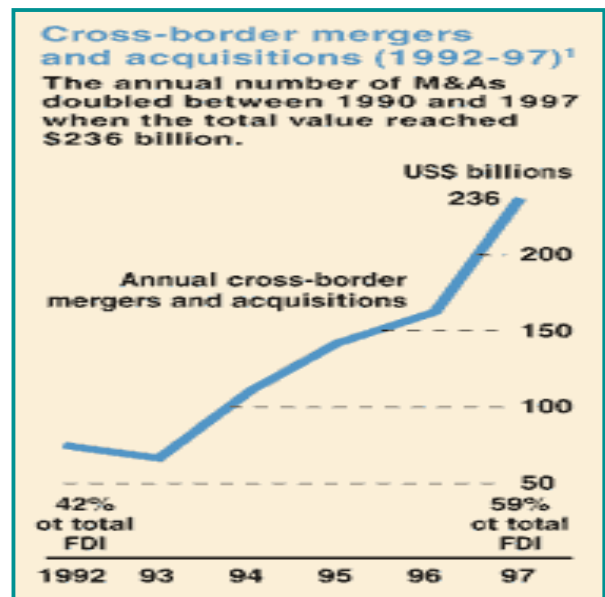
- There were enough resources to go around

Smith's system has little in common with today's industrial and financial structure remade after 1945 according to the Bretton Woods agreement. Today Smith's 'conditions' no longer apply. By the year 2000:

- More than \$1.5 trillion changes hands daily on global currency markets. An estimated 95% of all foreign currency deals are short-term speculation; more than 80% are completed in less than a week and 40% in less than two days. Such investment is neither local nor community based.
- Huge global corporations are now so powerful that they can negotiate their own regulations with countries (see Information Sheet on Ramatex) and ignore the rights of citizens to determine their own future.



Source: New Internationalist Globalisation



Source: New Internationalist, Globalisation

- Businesses are getting larger and larger. Globalization has sparked a frenzy of corporate mergers and acquisitions. These new mega-corporations threaten competition and increase the risk of monopoly. In 1997 more than \$1.6 trillion was spent on corporate mergers and acquisitions. Most have been in financial services, telecommunications, insurance, life sciences and the media.
- Economic globalization has boosted income inequality dramatically, both within and between countries. The income gap between the fifth of the world's people living in the richest countries and the fifth living in the poorest jumped from 30:1 in 1960 to 74:1 in 1997. Access to resources which are finite and dwindling is therefore very unequal.

In this new situation where businesses are increasingly transnational, where the market is global, where the ownership of businesses is with financial holding companies controlled by a few, and where resources are recognised as being finite, Smith's original assumptions no longer hold true.

John Maynard Keynes, the architect of the post-second world war international economy probably foresaw this when in 1946 he wrote that:

“Speculators may do no harm as bubbles on a steady stream of enterprise, but the position is serious when enterprise becomes the bubble on a whirlpool of speculation.”

Globalisation and technology

Technology has been another principal driver of globalization. Advances in information technology, in particular, have dramatically transformed economic life. Information technologies have given all sorts of individual economic actors—consumers, investors, businesses—valuable new tools for identifying and pursuing economic opportunities, including faster and more informed analysis of economic trends around the world, easy transfers of assets, and collaboration with far-flung partners. The spread of technology however has not been ‘neutral’ or ‘value free’. Rather it has been accompanied by the growth of media companies largely based in America, peddling American corporate cultural values. Alex Carey, a social scientist who pioneered the study of Americanization, described the three most significant political developments of the 20th century as ‘the growth of democracy, the growth of corporate power and the growth of corporate propaganda as a means of protecting corporate power against democracy’.

Globalisation and the environment

Because the ‘free market’ works on the basis of property rights it determines who gets to use a resource and how. It also means that the need for more resources to meet an increasing demand has led to trade changing from a cross-cultural exchange to a scramble for wealth and power through the establishment of colonies. The introduction of individual property rights gave the user the authority to develop the land or resource in the manner they wished. All too often this has resulted in individuals and companies exploiting a resource to maximise short term gains or profits to keep the ‘stock price’ high. Those things that were common and difficult to privatise such as water and air suffered from overuse and pollution. With fugitive resources such as fish and wildlife, ownership could only be claimed when they were killed. So for a while,

these resources were exploited nearly to extinction. Other resources such as forests and grasslands that had originally been managed communally for the good of everyone were quickly privatised. With the establishment of colonies and a free market system, traditional rights were not recognised so many people lost ‘ownership’ of common property natural resources and were moved or had to move elsewhere.

Today many of the world’s environmental problems stem from this ‘free market’ structure where the environment and environmental rights have been given less priority than ‘development’ and increased profit. So the global economy affects every part of the environment around us. The push by transnational corporations for ever-increasing profits through deregulated international trade and manufacturing, requires increasing supplies of natural resources to support it, impacts upon the life support systems of the earth, and affects the quality of life of each and every one of us.

If for example we examine the issue of air pollution and ask where does it come from, it is not difficult to find an answer. It comes from iron, steel and chemical industries, from power stations, from burning forests and from cars and planes. The pollution degrades ecosystems through damage to plants, trees and lakes and causes health problems such as increased cancer and respiratory illness. All these effects result from a manufacturing process, yet the costs of treating the damage are generally not born by the manufacturer but by ordinary people in taxes. These costs should of course be borne by the polluter since in effect the polluter is violating everyone’s right to clean air. It is an inequitable system because while the profits of manufacturing go to a few owners or shareholders, the costs are born by everyone else. This is why global warming (see Information Sheet on Global Warming) has proved such a difficult problem to resolve. A few large American oil transnationals with strong links to an American republican government, can prevail over the views of the majority of people and governments worldwide.

The underlying premise on which business works is one of growth. If businesses don't grow, they don't make increasing profits and they are viewed as failures by their shareholders who may then 'switch' their money elsewhere. Ecological economists have calculated that to support this growth in the consumption of products and services, the average person in the developed world 'uses' 4-6 hectares of land. Since the total amount of land available globally per person is only 1.7 hectares, this level of consumption is only possible through richer nations 'appropriating the carrying capacity' of poorer countries. Such a situation is unsustainable and has political, economic, social and environmental consequences.

Against these arguments, supporters of the globalization process point out that many businesses are working hard to improve their environmental performance, with greater emphasis upon environmental reporting. In addition a growing number of companies in sensitive industries, such as mining, forestry and chemicals, are now producing independently audited environmental reports and carrying out environmental impact assessments before new investment takes place.

Important ideas to stress in your teaching and learning

- Globalization is a process of interaction and integration among people, companies and governments of different nations, a process driven by international trade and investment and aided by information technology.
- Globalisation has many effects that are controversial and in dispute.
- Globalisation is not new, but the pace at which it is happening worldwide is accelerating.
- Globalisation is resulting in the world becoming one ‘free market’ where:
- Most money is invested to speculate on money markets
- Businesses are merging to become bigger in order to gain a ‘monopoly’ in a particular market
- The world is richer, but more and more people are not sharing in this wealth
- The world economic system is based on growth: businesses have to grow and create more wealth to survive. As a result environmental consequences are given less priority than development and making a profit.
- Economic growth and the misuse/overuse of resources is resulting in environmental damage to basic life support systems.

Glossary

Capitalist	Something that is based in capitalism, an economic system based on the private ownership of the means of production and distribution of goods. It is characterised by a free competitive market, and motivated by profit.
Controversial	Provoking strong disagreement or disapproval.
Corporation	A company recognised by law as a single body with its own powers and liabilities, separate from those of individual members.
Ecosystem	A group of interdependent organisms together with the environment they inhabit and depend on.
Finite	With an end or limit.
Free market system	An economic system in which businesses operate without government control in matters such as pricing and wage levels.
Fundamental	The underlying and essential principles or structure of something.
Global warming	An increase in the world’s temperatures believed to be caused by the greenhouse effect and the depletion of the ozone layer.
Homogenous	Having a very similar, or a uniform composition or structure.
Inequitable	Characterised by injustice, unfairness, bias or favouritism.
Merger	The joining together of two or more companies or organisations.
Monopoly	A situation in which one company controls an industry or is the only provider of a product or service.
Privatise	The practice of transferring an economic enterprise or public utility from state control to private ownership.
Sanitation	Relating to the maintenance of public health and hygiene, especially the water supply and waste disposal system.
Unfettered	Not subject to limits or restrictions.

Sources/Further Reading

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