The Eight Deadly Sins of Globalisation

By Joachim Rau, © Conzett/Oesch Verlag

If size was the most important criterion, the dinosaurs would still be alive. Wendelin Wiedeking, CEO Porsche

Globalisation is one of today's buzzwords, but it buzzes differently in different situations. In the world of political after-dinner speeches, globalisation increases prosperity, opens frontiers and makes everybody happy. In the real world, it arouses anti-capitalist feelings and has an aftertaste of job losses and the emigration of investments. "Global fear" from below – many critics and others who are the losers by modernisation connect internationalisation with cuts in the social system. A great deal has been written about the opportunities offered by globalisation, but eight possible deadly sins count against it:

1. Identity crises

In the course of globalisation, civilisations, cultures and religions meet head-on. The "intellectually better-situated" will make their way all right, but what about the less mobile, the poor farmworkers who make up two thirds of the population in countries like Thailand or India? They can't simply be retrained in two years as programmers for C++. The faceless World Company respects no history and knows no extenuating circumstances.

Whenever their environment is threatened or destroyed, people tend to look inwards, or backwards into the past. Intolerance, xenophobia, fundamentalism or seeking refuge in religious sects are the last resorts of those who are the losers by globalisation, and all those responses are signs of an identity crisis. Globalisation's winners are liberal and cosmopolitan, while the losers think along national, fundamental, even racial lines, but are politically speaking in the majority. The next elections will therefore be won by politicians who seem more or less credible and who promise the people bread, together with a nationalist and racist slant on things.

In some Islamic countries, religious fundamentalism has reached fanatical levels, as in Algeria and Egypt. In Germany there are over 2.7 million Moslems, who form the third largest religious community, but Germans know almost nothing about Islam, just as citizens of Islamic countries know almost nothing about Christian Europe. The lack of understanding is so great that Western pressure for human rights and democracy is often seen merely as an instrument of power for the preservation of the economic and political dominance of the West. In the view of Iraqi economist Kadhim Habib, globalisation is seen by many Third World countries as interference in their lives with the aim of creating a one-sided freedom – it does not benefit the economies of those countries, but favours the flow of capital and trade, and hence helps multinational firms most of all.

2. Market without a state

Daimler and Chrysler, Thyssen and Krupp, Vodafone and Mannesmann: the last few years have brought a whole series of mega fusions, which seemed never-ending. There was a worldwide outbreak of fusionitis.

The firms involved said it was the only way of ensuring the optimum worldwide management of resources in view of the competition – the immense research and development costs for new cars, medicines or IT solutions demand giant firms. In other words, firms see themselves as victims of a global economy. But without them and without the money markets, nothing is possible; they are not the victims of globalisation – they *are* globalisation.

Multinational firms are subject to no controls – who could possibly control them? Individual states only have control over firms within their own territory. Deregulation and liberalisation mean that states will lose still more influence, in order to allow the flow of capital and goods free rein. Already, well-led firms and investment funds are able to reduce their tax liabilities as low as they like. Siemens, the German electronics giant, shifted its headquarters for tax purposes outside Germany, and in the business year 1995-6 paid not a single deutschmark to the German tax-man, while Jürgen Schrempp, chairman of DaimlerChrysler, announced in 1996 that his firm would not be paying any tax on profits in Germany for at least four years. In the business year 2000, the firm even got 45 million euros back in tax rebates. On average in the EU, wage and salary earners paid 13% more tax than ten years earlier, but joint-stock companies paid 40% less.

3. Culture left high and dry

Will economic globalisation also lead to a globalisation of culture? So far the cultural variety in the world has not increased, but is shrinking fast: Coca-Cola, Nike, McDonald’s and Michael Jackson are symbols of a global culture with uniform patterns of tastes and consumption. Like rainwater, the market seeps into every nook and cranny of human life. Globalisation has flooded over areas that thought they were safe from flooding: sport, religion and culture. Even in Iran, American “Heavy Metal” is the most popular type of music among middle-class teenagers.

In order to exert worldwide control over culture, the entertainment industry is investing ever-greater sums. The film “Titanic” cost 20th Century Fox and Paramount 180 million dollars, three times as much as an average Hollywood super-production, and 35 times as much as an average French film. The film was released on all five continents in 1997, and was a worldwide hit, not least thanks to an advertising campaign of global dimensions costing over 60 million dollars, the kind of sum for which Hollywood might film and market a biblical story. The rhetoric of the film studio is so transparent that even a Hindu or a Moslem is moved by its products – mainstream-ware, as they are called, or more pejoratively, products of the “dumbing-down” of culture. And that does not exactly do culture much good.

The simple dynamics of globalisation leads to the spread of a world culture, a “uniform civilisation.” Taken to its logical conclusion, this “Madonna economy” will lead to the life experiences and consumption habit of a middle-class family becoming the same all over the industrialised world – it’ll be a case of “eat, sleep, work alike.”

4. McJobs

In advanced economies there has been a great increase in the disparity of pay between qualified and unqualified workers, which started at least as far back as the early 1980s and has led to increasing unemployment among the unqualified. At the same time, the pool of qualified workers has grown, especially in the booming IT sector. This general tendency is strengthened in the rich OECD countries by “de-industrialisation”: industrial and consumer goods are increasingly being produced in developing countries and “threshhold countries,” and then imported into richer countries.

It is often stated that the reason for this is the growing competition from low-wage countries. That is only partly true, however. On the one hand, the productivity of factories, i.e. the output per worker, is rising, on the other hand the importance of the industrial sector in the gross domestic product is falling. In parallel with that, the part played by the “tertiary sector,” the service sector, is becoming increasingly important. Low-wage jobs in the service sector are, however, bound to a particular place. As a result, the industrial middle class is falling victim to globalisation, whereas the market for highly qualified people at the top of the scale, as well as that for the “service proletariat” at the bottom end, is growing.

In view of this trend, sociologists in the US have defined a new social class: the “working poor,” who go on getting poorer even though they are working. “McJobs” are becoming normal – to keep their heads above water, poorly qualified people are being forced to take on several low-wage jobs at the same time, for example helping out in a fast-food restaurant or in a call centre.

5. Greenhouse economy

It is impossible to organise the whole of world trade along environmental lines. Since globalisation operates across national borders, it causes a constant re-siting of production to places where environmental norms are ignored. Global markets require global transport, so globalisation indirectly strengthens the greenhouse effect, since a cross-border economy is impossible without low energy costs. The low oil prices in recent years have meant that transport costs hardly play any part in the final price of goods – the production of goods in areas far removed from their place of sale is made lucrative by free trade. The immense distances products travel – wine from Argentina, flowers from Colombia – is not exactly good for the world’s climate.

Environmentally speaking, this is as unacceptable as the fact that the lax environmental laws in some countries are seen as a positive advantage. There is nothing countries desire more than an influx of investors, and nothing they fear more than an investment drain. Competition between countries to achieve the laxest laws and the even laxer implementation of those laws leads to crimes against the environment, whose effects are global and are thus borne both environmentally and financially by the whole of the world’s population.

For example, in 1997 forest clearance by fire on the Indonesian islands of Sumatra and Borneo caused the largest forest fires in the recent history of South-East Asia. Smog pollution reached record levels, and in Manila, the capital of the Philippines, people were forced to wear facemasks. One cause was uncontrolled burning by large logging firms to clear brushwood in order to get at the tropical hardwoods which command high prices on world markets.

6. Isolated cells

Globalisation may create a land of milk and honey, but prosperity is only rising modestly: “The liberalisation of capital markets has not brought people the promised prosperity; instead it has brought crises which cause pay levels to drop by 20 to 30 per cent and unemployment to rise 2, 3 and 4 times over." Those critical words are not a quotation from Fidel Castro or an armchair Marxist, but from Joseph Stiglitz, the former president of the World Bank.

There is no economic law, which states that developing countries must necessarily reach the income levels of developed countries as soon as they liberalise foreign trade and capital flow. For Rwanda, Bolivia or Armenia the "opening-up of markets" is an empty phrase – they have nothing to sell. For them, globalisation means being dominated by those who have something to sell. The same is true of Russia, but its 20,000 nuclear weapons are 20,000 reasons for preventing the financial collapse of the Russian giant – if money does not go to the Russians, the Russians' nuclear weapons will go where the money is.

Some South-East Asian countries have managed to catch up with the industrialised West, and their products are already competing with Western ones. Some other countries, such as the oil-producing monarchies in the Middle East, are among the richest countries in the world in terms of income per capita, but their economy is exclusively based on supplying raw materials (oil) to developed countries, which makes them dependent on those countries. The real losers, however, are in Africa, Latin America, Afghanistan and the remaining Communist countries in Asia and the Caribbean. And black Africa, which is already suffering from tribal conflicts and the rapacity of politicians and local warlords interested only in lining their own pockets, will be condemned by globalisation to the role of a mere supplier of raw materials.

7. The end of democracy

Money seeks democracy, since it is only in democracies that money can grow. However, wherever the world economy and the international "global players" make the rules, the power of the state shrinks. The fundamental problem of globalisation is that multinational firms are escaping from local accountability and can no longer be supervised by a merely national state. Democratically elected governments have limited power over multinationals. A world economy is emerging which has no democratically legitimised government to supervise it. A situation in which states have the wool pulled over their eyes, and inequality increases worldwide, "is not conducive to democracy," says Lord Dahrendorf, former Director of the London School of Economics; he believes mankind is "on the threshold of an authoritarian century."

Third World countries are unable to escape from this scenario, especially those of them (and they are many) who have high debts abroad and are dependent on credits from the IMF or the World Bank. A condition of such credits is the adoption of free trade and a market economy, which takes these countries step by step closer to the abyss – in the jungle of the world market, they become mere henchmen of the global economy.

Not only that; the "magic triangle" of liberalisation, deregulation and privatisation leads to a steadily increasing geographical distance between producers and consumers, until a state of maximum alienation is reached. Only the most gullible confuse industrialisation with modernisation, or growth with democracy, and believe that the development of a country can be described exclusively by reference to economic statistics. The losers in the global economic race cannot reach the winning post by simply following the advice of the financial experts of Goldman Sachs and the Harvard Business School, the ultimate gurus of unlimited free trade.

In the course of this move towards a world economy all states will have to surrender a large part of their national sovereignty and at the same time guarantee the global competitiveness of their "own" multinational firms, which now have the task of ensuring the economic and social welfare of a country. The economic scientists of the Lisbon Group warn that the world will soon be "ruled not only in the economic sphere by a group of private networks." The idea that multinational firms might take on the functions of the state, as the US news magazine *Newsweek* has suggested, is utopian, since no top executive is paid for his achievements in the social or political field, but for creating shareholder value. And any such activity would be far removed from any traditional definition of democracy.

The end of national states would mean the end of democracy, since a world republic as a counterpart to the world economy would be such a monster that it would be ungovernable. In the last analysis it is democracy, which will be the victim of the dynamics of globalisation.

8. Financial guerrilla fighters

For French President Jacques Chirac they are the "AIDS of the world economy": speculators. And anyone who has followed recent crises in different parts of the world may well agree with him: in 1992 Britain was forced to devalue the pound sterling and leave the European Monetary System, in 1994 the Mexican peso collapsed, and in 1997 East Asian currencies collapsed. Among the factors responsible in every case were the speculative buying and selling sprees of risk funds, those professional money-multipliers working for insurance and investment companies, who judge all investments, whether currencies, shares or national debts, exclusively on their profitability.

Globalisation has advanced furthest in the capital markets, since – unlike people and goods – capital knows no restrictions imposed by states or speed of travel. The hunt for profit takes only a split second: the currency crises in Asia, Mexico and Britain were only made possible by computer trading, which allows immense sums to be shifted anywhere around the world at the click of a computer mouse.

The speed of light, liberalisation and trading in financial derivatives in vast volumes can have a catastrophic effect on any financial system. Currency movements triggered by massive speculation lead to chain reactions, to a rapid currency collapse and thus to a national catastrophe – governments are held fast in the grip of currency markets, which are almost uncontrollable.

Globalisation does not in any way automatically increase prosperity or reduce unemployment. In fact the risks of causing precisely opposite effects are at least equally great, at least for the majority of the world's population. It is virtually certain that inequalities will increase all over the world, not only between individual countries, but also within those countries. In recent decades the gap between rich and poor has increased considerably: in 1960 the richest 20% of the world's population enjoyed a per capita income that was about 30 times as high as that of the poorest 20%; thirty-five years later it was 78 times as high. But real life also shows that the states that are open to global competition are those at the top of the hit parade in terms of prosperity, whereas those at the bottom of the list are those that are ruled without democratic legitimation, surrounded by trade barriers. There will be no general increase of prosperity, but there will be a selective one: the strong will become stronger, and the weak will become weaker.

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