Motors, Outcomes, and Limits of Globalization

At the end of this session, you should be able to understand

- Globalization as a result of modernization
- Globalization without direction
- Global conflicts and risks
- Global awareness and identity
- Making sense of globalization ➔ more terms & definitions
- Dimensions of globalization
- Limits of globalization rhetoric & interests behind it
- Pro or con globalization?
- View and discuss sequences from the Wide Angle Video: “The Empty ATM”

Globalization Definitions (Reading by Ulrich Beck, 2000)

- “Globalism" stands for the neo-liberal ideology according to which the "invisible" hand of self-regulatory markets will promote happiness of mankind without any state intervention.
- "Globality" represents the recognition and awareness of global interconnectedness where no “country or group can shut itself off from others,… anything [that] happens in the world is no longer a local event.”
- “Globalization” is a term that “denotes the processes through which sovereign national states are criss-crossed and undermined by transnational actors with varying prospects of power, orientations, identities and networks,…which creates transnational social links and spaces, revalues local cultures, and promotes third cultures.” It is a definition reflecting the processes that create interdependence. Globalization is a "dialectic process not only about people going into the world, but also about the world coming back into our homes,” for example through media channels, news, music and fashion styles, food, etc.

Characteristics of Globalization

- global processes: trade, finance/money exchange, migration, pollution, democratization, terrorism
- global institutions and rights: universal human rights declaration signed by almost all states, UN, World Bank, WTO, Red Cross, Interntl.Court of Justice, Amnesty International, Green Peace
- global awareness-identity: knowledge about effects of pollution (global warming, depletion of fishing and drinking water sources), information transfer transcends boundaries of time and space (CNN, internet), planet earth (picture shot from moon or satellites)
Dimensions of Globalization
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Globalization is:
- the widening, deepening, and speeding up of worldwide interconnectedness
- a historical process
- a social and political process involving various actors and institutions that shape ‘worldviews’
- a geographical process
- about the links, networks, flows, and interactions that make up a particular world system
- about interactions and flows at changing scales

Technological globalization: time-space convergence
- Transportation:
- shipping, railroad, air, …
- Communication/ Information :
- telegraph, telephone, fax, email, WWW, video-conferencing …

Economic globalization ...
- Systems and networks of trade during pre-industrial globalization
- trans-Saharan salt-gold trade
- trans-Atlantic slave trade
- Triangular slave-sugar-money trade
- State trading companies

- Globalization during industrialization of the North
- Factory system & assembly line
- Extraction of raw materials in south
- Pronounced Global rift: massive shift in wealth from south to north

- Second industrial Revolution
- Global factories
- Out-sourcing
- Off-shore production
- Global financial markets

Cultural globalization
- sugar, tea, coffee, opium, heroin
- oil and automobiles
- weapons (AK 47s, land mines, nuclear weapons, anti-terrorist technologies)
- World Music, CocaCola Colonization, McDonaldization…

**Political globalization**
- Multi-national organizations: U.N.
- Multi-lateral agencies: IMF, World Bank
- International regulatory organizations: WTO
- International judicial bodies: World Court
- Trans-national agreements: NAFTA,
- Multi-national unions: EU
- Multi-national military structures: NATO

**Environmental globalization**
- 1968-1970s: the ‘whole earth’
- "mutually assured destruction" (MAD)
- Global climate change:
- Greenhouse gases and global warming
- Kyoto protocols

**Questions about the Reading by Beck (2000) and Strada (2003, chapter 1)**
1. How does the media play a role in shaping one’s experience of being part of the world (concept of "globality")?
2. Give examples of the fusion of local and global culture?
3. What is the essence of globalization?
4. Categories or dimensions of globalization (military, communications, environmental, cultural, economic….)
5. Is G. good or bad? Critics (Rodrik, Etzioni, Brecher, Beck…) vs. Supporters (Friedman…).
6. How realistic is the “Jihad vs. McWorld” hypothesis?
7. What are ecological global issues? What are the most important in your view?
8. What and how do global issues influence the survival of our planet and species? (Name issues, such as food, population, environment, drug trafficking, energy, human rights, migration, microbes, poverty, war & gun violence, WMD proliferation, labor exploitation, …)
9. What should the U.S. government, corporate, military, cultural, media, and academic elite do to promote a sustainable global future for the American people and the planet?
10. How does the “War on Terror” and “Homeland Security” contribute to the sustainability? What other priorities should be on the agenda of the White House, Congress, media, and the American people? Why and in what order?

**View and Discuss the Wide Angle Video: “The Empty ATM”**
Source: [http://www.pbs.org/wnet/wideangle/](http://www.pbs.org/wnet/wideangle/)
**Background**

Since un-hitching its peso from the U.S. dollar, Argentina has suffered a spectacular economic collapse. Could Argentina's dire economic situation ignite a new contagion that would sweep through Latin America, destabilizing the region, and further threaten America's ill economy? And, beyond that, could something like that ever happen at home, undermining America's middle-class stability?

Argentina's problems have seemed all-the-more troubling because the country was long considered a model of market reform. But beginning in January, when Argentina changed its monetary policy, its long-overvalued currency went into a free fall. Since then, inflation has soared. Confidence in the national currency has collapsed, resulting in massive bank runs. Today, by some estimates, at least 40 percent of Argentina's once predominately middle-class population lives below the nation's poverty line. Nearly one-quarter of the working population is unemployed.

**Short History of Argentine**

1946: Lt. Gen. Juan Peron elected president
1952: Eva Peron, his popular wife dies
1995: Peron forced to resign & move to Spain
1973: Peron returns to Argentina & reelected president
1974: Peron dies, his 3rd wife takes over presidency
1976: Military coup & start of “dirty war” with death squad killing & torturing thousands
1982: Argentina invades Falkland Islands but is defeated by UK restoration of civilian rule

In the 1980s under President Alfonsin, Argentina restored its democratic institutions. The country reorganized the armed forces and even charged former military leaders with human-rights abuses. The radical Alfonsin continued Argentina's protectionist trade policies, however, exacerbating Argentina's economic crisis. In 1989, it fell to Alfonsin's Peronist successor to fix the economy, which he and his finance minister, economist Domingo Cavallo, did in one remarkable six-year term. In his second term, however, Menem let up on his austerity reforms and -- after a falling out in 1996 -- Cavallo resigned.

1991: Peso pegged to U.S. $ after years of hyperinflation
Aug. 1998, Argentina has its worst recession in decade; unemployment hits 15 percent.
In 1999, when Fernando de la Rua replaced Menem, the economy had already entered recession, a plunge that Cavallo's 2001 return as finance minister failed to stop.
Dec. 2001: Default on $155 billion of debt -- world's largest. President de la Rua resigns.
Jan.2002: Peronist Eduardo Duhalde, who replaced de la Rua, becomes interim president.
Peso decoupled from dollar. But de la Rua failed to reverse the economic crisis.
April 2002: Banking and currency operations stop.
July 2002, with half of all Argentines below the poverty line and nearly one-quarter without jobs, popular discontent with elected officials continues to grow. July 2002: Early elections called for March 2003.
2003: Banking crisis worsens. IMF approves short-term aid, including $3 billion loan and deferral of $3.8 billion until 2004
2004: Nestor Kirchner takes office as Argentina’s 6th president in 18 months

The Argentine Crisis: Could it Hit Here in the U.S.?
Argentina's experience demonstrates how high inflation impoverishes and embitters the middle class, devastates the poor, and undermines democratic institutions. That is a lesson for any country. But Argentina's economic woes ultimately have to do with its particular path of political and economic development and its distinctive culture of spending and corruption.

When did Argentina embark on this "distinctive" path? After all, Argentina was once one of the richest countries in the world. The answer starts with Juan Perón. Now best remembered as the husband of Evita, Perón emerged as Argentina's strongman in the years after World War II. The embodiment of nationalistic populism, Perón built on the prewar legacy of fascist ideas, turning Argentina into a corporatist country, with powerful organized interest groups -- big business, labor unions, military, farmers -- that negotiated with the government for position and resources. Perón nationalized large parts of the economy, put up trade barriers, and cut Argentina's links to the world economy -- long the source of its great wealth. Perón was also wildly popular -- until Evita's death in 1952. Thereafter, however, the economy became so chaotic that he prudently went into exile.

The years that followed were characterized by a revolving door of elected presidents and military juntas. But the military showed little competence in running the economy. And after Argentina's defeat in the 1982 Falklands War, it lost its mandate to rule. The tasks facing democratically elected successor Raúl Alfonsín were huge. In the previous five decades, Argentina had gone through 24 presidents, 26 successful military coups and several hundred unsuccessful ones. Alfonsín's great contribution was the restoration of democracy and civic institutions, but his effort at reviving the economy failed. Hyperinflation had reached an almost-incomprehensible 20,000 percent, the economy was contracting, and food riots were taking place in the streets.

Alfonsin was succeeded by a flamboyant, white-suited provincial governor, Carlos Menem. Menem ran as a Peronist with a platform of populism, handouts, and spending. But once elected, he launched one of the most radical, speedy, and all-encompassing market reform programs in Latin America.

Next door, Chile, which had returned to democracy in 1988, was demonstrating that there was a workable alternative: renewed growth, links to the world economy, and low inflation. And within Argentina, a group of reformers led by Domingo Cavallo --
an economist who later became Menem's finance minister -- argued in favor of market reform. They believed that Argentina's long decline was the result of an irresponsible political culture. Politicians would spend and intervene no matter what the cost, sending inflation through the roof.

Instead of railing against international trade, Cavallo argued, Argentina ought to be expanding it. Menem adopted Cavallo's ideas. Trade barriers were reduced. Competition and export orientation were encouraged. Under the new Convertibility Law, the peso was pegged to the dollar, and the money supply was restricted to the level of hard-currency reserves in the country (the so-called currency board). No longer could politicians feed inflation by spending their way out of trouble. Argentina also launched a privatization program, relieving the state treasury of hundreds of large, loss-making companies.

Argentina's economy rebounded in the 1990s, and Argentines learned once again to trust their currency. But the period of renewed growth soon came to an end. A series of external shocks -- culminating in Brazil's devaluation of the real in 1999 -- pushed Argentina into a prolonged crisis. Particularly significant was the de facto devaluation of the new euro: Argentina's two main trading partners were Brazil and Europe, but since its own currency was tied to the dollar, Argentina's exports became more expensive and less competitive.

At home, reform stalled around 1998. Spending by the provincial governments skyrocketed. In some provinces, the state employed more than half the working population and paid legislators as much as $300,000 a year. By early 1999, Argentina's economy was once again deep in recession. Ironically, the very system that had once brought Argentina stability now undercut recovery. The flipside of the tight currency board was inflexibility. Because Argentines now regarded the currency peg as a bulwark against inflation, devaluation -- which would have boosted export competitiveness -- was not an option.

By the time the government took the dramatic step of abolishing the Convertibility Law, it was too little too late. Confidence in the national currency collapsed, and a massive run on banks took off. The savings of the middle class were wiped out by inflation, the government's freezing of bank deposits, and its forced conversion of dollar contracts into pesos.

Is Argentina a sign of what could happen here? It's highly unlikely. That country's current problems are not an example of market forces gone amok, but of market forces -- and further reform -- kept at bay for too long.

What the crisis does show, however, is that a lasting market reform cannot rely on limited measures, however successful. The currency board system solved the problem of inflation and attracted foreign investment, but it overexposed Argentina to other problems. Tied to the dollar and severed from market indicators, the peso became
unsustainably overvalued, just as the government's fiscal discipline broke down and the debt mounted -- hitting an unsustainable $142 billion.

Ultimately, what brought the country to the brink of an implosion was runaway spending -- amplified by corruption and the breakdown in the rule of law. "It is mainly the economy of the public sector which generates the crises rather than the work of the markets and private companies," said Cavallo after his resignation.

But will Argentines agree? Or will default, devaluation and the devastation of the middle class wash away the legacy that once made Argentina Latin America's leading reformer, and continue to undermine Argentines' confidence in their political and economic system? The answers will determine whether or not Argentina regains its footing and restores its prospects. Those are the real questions arising from Argentina's crisis, both for the nation as a whole, and for every Argentine family now struggling day-by-day, just to get by.

Source: Daniel Yergin is co-author, along with Joseph Stanislaw, of Commanding Heights: the Battle for the World Economy, which inspired the PBS series of the same name. Yergin, who won a Pulitzer for an earlier work, The Prize: The Epic Quest for Oil, Money and Power, is chairman of Cambridge Energy Research Associates (CERA), a leading analytic firm in the energy industries.

Questions about the video
1. Clarification questions--What references did you not understand? What new terms/concepts were used in the video?
2. What was the most important thing you learned from the video?
3. What important questions remain unanswered? Did you find faulty reasoning or questionable facts?
4. What is the film-maker’s purpose? His main idea?
5. How is the video related to globalization?
6. After watching this film, what else do you want to know?
7. What is Argentina's lesson for other advanced capitalist democracies? Does the Argentine crisis point to a flaw common to all advanced capitalist democracies, or are that country's economic troubles strictly home-grown?
8. What is the responsibility of global institutions like the World Bank and the IMF for Argentina’s economic problems?
9. What power has the average Argentine over his life against powerful foreign global institutions and market forces?