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Globalization of the Economy: A United and Divided World

The roots of the international political economy may have been contemporaneous with black and white films, but nothing about it is black and white. Whatever a person's opinion of globalization may be, our global economy has become an inextricable force in determining the flow of money, people, culture, ideas and politics. After all, globalization is the reason one can eat at McDonalds in more than 100 countries, but it will be packaged differently in every place.

With the end of any major event in history comes lessons and change, and after World War II, that change was the creation of a new international economic regime. Leaders had seen how unsuccessful and detrimental the former system was, from the Great Depression to the massive inflation that set the stage for authoritarian dictators to take power. They had realized, at a large cost, that forcing the burden of payment on one country, in this case Germany, was not an effective way to create a productive economy.

Thus, in a small New Hampshire town known for leisure, in 1944, 44 flags flew as the leaders from 44 countries got to work. At the Bretton Woods Conference, these representatives created the financial institutions that guided the world into a multilateral, integrated global economy. The International Monetary Fund created a system to monitor and assist national and global economies, allowing for support through structural adjustment programs. The World Bank Group developed a program to aid and supplement the development of emerging economies. The General Agreement on Tariffs and Trade paved the path for economic liberalization, with its successor, the World Trade Organization, expanding focus into services, intellectual property, merchandise trade, dispute settlement and member surveillance. Collectively, these institutions govern the standards for global trade and finance.

The rules of the game liberalized the economy, with the new institutions reducing barriers and promoting free trade. Tariffs went down, international financial investment went up, profits were prioritized over borders, and the economies of nations slowly became more and more interconnected. The number of free trade agreements also went up, whether they be continental like NAFTA, regional like the EU, or transnational like the CAFTA-DR or the free trade agreement with Bahrain. The WTO also helped to create the system of most favored nation status, equating trade rules to those of a country's favored trading partners. However, the rules were written by and for the developed Western countries, and that bias was reflected in the impact of the new trade regime.

In the West, economic globalization created a plethora of opportunities for multinational corporations and governments. First, MNCs and TNCs started investing in foreign markets and economies, expanding their playing field. They practiced offshoring and global sourcing, now able to maximize their profits by finding cheap labor and raw materials to create their goods and services. The West also had the added advantage of being home to most currencies that dominated the market. Whether it be territorial or supraterritorial, the majority of loans, payments, exchanges and securities were rooted in the dollar, pound, euro or franc. With the dollar serving as the reserve currency for a long period of time and American companies dominating the stock markets, the U.S. had even more influence on the marketplace in setting prices globally.

Emerging economies, like those in Asia, South America and Africa, were both aided and hindered. The new foreign investments coming from developed countries and loans from programs like WBG led to massive economic growth in these countries. Through economic reforms and investment, Asian economies exploded in what was called the 'Asian Economic Miracle.' This growth created mass migration to urban areas to find jobs, thus increasing economic opportunity for many people. For example, the northern part of Mexico saw an increase in living standards and wages because of new jobs in American manufacturing plants, and new jobs in China lifted some 300 million people out of poverty. Albeit this development, the interconnectedness of the markets created a finicky and anxious trade atmosphere. When economic crisis hit Thailand in 1997, investors retracted from all Asian markets for fear of a snowball effect, creating the snowball effect themselves in what became the Asian contagion. The countries that recovered swiftly were those that addressed the crises swiftly, and much of this assistance came from the IMF. This crisis showed that integration meant everyone succeeds or everyone fails.

The economic rules were created to favor the West and did so. As many developing countries argued, they could gain more from exporting their goods than they did from western or institutional aid. Mexico's foreign minister Jorge Castaneda said, "Developing countries can't be left out because if they are, they won't be let in." However, western countries created their own kind of regional protectionism, managing trade through quotas to ensure their products were prioritized and sold. In advocating for open markets, it is simple to tell what the motivation was for the developed countries: profit.

These rules hit home fast, significantly altering domestic realities and policies on both sides of the global divide. On one hand, investment and open global markets created a vast number of economic opportunities for corporations and workers in emerging countries. In many places, as families migrated to cities, they got hired for more financially stable jobs with higher wages. Like the family in Commanding Heights said, they were now able to provide for their children to go to school. Not only that, corporations, governments and institutions helped fund and develop new infrastructure to maximize efficiency, simultaneously helping the residents. As is the trend of globalization, job opportunities and human capital stretched beyond borders as well. Take Silicon Valley, a hub of technology and innovation that saw massive brain gain through immigration from countries like India and China. Venture capitalists invested in educated immigrants who created companies and jobs locally.

Jobs also left developing countries as companies moved offshore to find deregulated, cheap labor. To the people who lost jobs, globalization didn't seem all that great. Labor unions and nationalist groups advocated for protectionist policies to protect the jobs of citizens. This trend continues even now, from the previous administration's America First ideology to President Biden's American Jobs Plan. The pressure to keep jobs at home resulted in increasingly complex protests like the major one in Seattle in 1999. One part of the protestors were the labor unions, and the other part were young activists who saw the impact globalization had had on deepening the economic divide between developed and developing countries. Although the wind of change brought with it jobs, it also brought human rights and environmental setbacks. Families were disrupted through migration. Mass crowds of workers had to work long hours in horrid conditions with few workplace standards, an example being the maquiladoras that relied heavily on female labor. In some countries like Tanzania, children were forced to work in dangerous places like mines, receiving a fraction of what the product they mined was worth. Because of the drop of regulations due to trade agreements and the WTO, environmental standards also dropped, funneling new toxicity into the air and water. Poor people, who could have used capitalism to get out of poverty, were barred from it due to lack of property rights and the paper wall needed to get those.

While some benefitted from new jobs and new opportunities, others resented the integration of global economies for the consequences it brought with it. Regardless, from the clothes you wear to the food you eat to the technology you use to the people you meet, everything is deeply influenced by the international political economy, enabled by foundational institutions like the IMF, WTO, and WBG.