

GLOBALIZATION: THE WORLD'S DISASTER, PROBLEM OR HOPE

*Krasimir Nedyalkov¹,
Agnieszka Pawlak-Wolanin²*

Summary

Globalization affects every aspect of a contemporary man's life in ways of which he often remains unaware. We perceive the surrounding world as our reality and our everyday life, not understanding that we are often subject to manipulation and socio-technical treatments, that we are not only the observers of the ongoing process but also its element.

Keywords: globalization, international relations, economic globalization, political globalization, disaster

Introduction

Are we at the threshold of Toffler's 'third wave', approaching practopia or on the verge of total bankruptcy of all contemporary concepts? Will the direction in which the contemporary world is moving bring human kind 'satisfactory emotional life and healthy psychosphere'³ or will we be faced with a fait accompli – a global military conflict between the continuously impoverishing world of Islam (poor South) and convinced of its superiority, the satiated and increasingly decadent Western civilization (rich North)? The contemporary world is dominated by the belief that the neo-liberal globalization of economy is the highest achievement of economics and that there is no real alternative to it (TINA – „There is no alternative” Margaret Thatcher). This view is presented mostly by economic superpowers and

¹ Assoc. Prof. PhD, Vice President of Varna Free University, Bulgaria.

² PhD, Copper Region Professional College in Lubin, Poland.

³ A. Toffler, „Trzecia fala” translated by E. Wojdyło, M. Kłobukowski, Poznań 2006, p. 409.

representatives of transnational corporations and increasingly denied by economists from less economically expansive countries and mass social movements – anti-globalists, pacifists, ecologists, the dissatisfied, etc. One of the most adamant critics of the neo-liberal economic and financial globalization, professor Jean Ziegler, in his incredibly reliable (and shocking for an average inhabitant of the West) analysis of the picture of the world in the first decade of the 21st century included in his “Empire of Shame”⁴ presents the process of making poor countries dependent on rich countries through debt mechanisms leading to famine, emigration and military conflicts.

Professor Ziegler makes his readers consider thoroughly the following facts:

- In 2005, 52.8% of the world’s GDP was controlled by 500 transnational corporations.
- More than 10 million children aged under 5 die of malnutrition, epidemics and lack of drinkable water each year.
- 1.8 billion people live in extreme poverty, for less than a dollar a day, while 1% of the richest have 57% of the income of the poorest.
- 850 million people are illiterate; 325 million children in school age have no means to spend on education.
- Illnesses commonly considered curable killed 12 million people in 2005.
- Military conflicts are not a transitory phenomenon but something permanent – war is not pathology, but normality.
- International law, including six UN Human Rights Conventions (against tortures, discrimination of women, Nazism, for children’s rights, for civic and political rights) is not observed. What is worse, there is no mechanism which could enforce these laws. Subsequent resolutions of the UN, full of condemnation, do not make any impression on international society and do not discipline anyone.
- In 2005 public aid granted by industrialized countries of the North to 122 developing countries was 58 billion dollars (less than 10% of the US arms expenditure in 2008). In the same year, 2005, developing countries transferred to countries and companies of the North 482 billion dollars for servicing their own debt. *“This debt and its servicing constitute the most visual illustration of the structural violence in the contemporary world order. You don’t need machine guns, napalm or tanks to subordinate other countries. Their debt is totally sufficient to achieve this.”*⁵
- Developing countries contract enormous loans for building, developing or modernizing infrastructure (highways, ports, airports, etc.). The

⁴ J. Ziegler „Imperium hańby” Wydawnictwo: Książka i Prasa, 2012.

⁵ Ibidem

implementation of these investments is commissioned (whether due to a political decision or through a tender procedure) to companies belonging to international corporations. When it becomes impossible to pay off the installments and interest on contracted loans, creditors make conditions of conducting reforms in line with recommendations of the International Monetary Fund, World Bank, World Trade Organization, and lowering budget expenditure. These savings are made at the expense of social expenditure, such as expenditure on education and health and it is the poorest who suffer from their results most. It should be emphasized here that savings are never related to expenditure on the army, special services, or the police, as these institutions guarantee safety of foreign investments.

John Perkins, in his book titled "Confessions of an Economic Hit Man"⁶ describes himself and his co-workers – professionals whose job consisted in convincing the leaders of developing countries of strategic importance to the USA – from Indonesia to Panama – to agree to giant investments in the development of infrastructure and to grant related contracts to American corporations. Burdened with enormous debts, such countries became in reality merely vassals of the American government, World Bank and other, US-dominated agencies which, using the pretext of economic aid, made the governments of independent countries depend on them. John Perkins revealed the behind-the-scene secrets of the beginnings of the globalization era which he witnessed while working for many years as an expert on economic forecasts. He was recruited by National Security Agency via one of international consulting companies. He specialized in the so-called Third World countries and his task was to maximally stretch forecast data on the basis of which poor countries which possessed needed mineral resources contracted giant investment loans expecting grossly overestimated economic prosperity. Such loans – traps, by forcing political and economic submissiveness, opened the way to oil, food and textile concerns as well as new American military bases. The lack of possibility of repaying the loans obliged the government of such a country to accept a draconian 'repair plan' of the World Bank, which meant that the country had to withdraw from further public areas (education, medical care, etc.) within the obligatory expenditure cutting.

National assets were privatized, mostly much-sought by the West natural resources, whose fields were taken over by foreign investors usually for a song and who were granted considerable tax reliefs related to exploration and processing, which was supposed to stimulate home economy.

⁶ J. Perkins „HITMAN – Wyznania ekonomisty od brudnej roboty”, Wydawnictwo Studio Emka, 2006.

They obviously did not achieve this, as giant incomes were immediately transferred abroad while the living standards of the society were consistently decreasing. Perkins claims that the gradually tightening knot of politics and corporate interests led to a situation in which the US government was forced to consider the corporate policy as its own and to listen politely to the boards of corporations (!), while nearly all wars the USA led in the second half of the 20th century and at the beginning of the 21st century had such corporate implications. In spite of visible weaknesses of this book (in our opinion too much load smacking of falseness and too much emotional exhibitionism), the description of this anatomy of enslavement is appalling.

The globalizing world

The globalizing world is equally depressingly described by Song Hongbing, a Chinese financial analyst in his books: “Currency Wars”⁷ and “Currency Wars 2. World of Gold Privilege”⁸. Learning about the history of slow decline of the West consisting in voluntary submission of states into slavery of banks, we learn the mechanisms of decision-making and management in the contemporary world, the process of forming powers, the rise and escalation of conflicts, making alliances and achieving the equilibrium between the finance elites of Europe and America.

What is most interesting is the influence of George Soros (a member of the Bilderberg Group⁹, founder of the Open Society Institute and Batory Foundation). Soros, known as the man who defeated the Bank of England by playing for the lower GBP rate with his speculations worth 10 billion dollars, as a result of which the Bank of England withdrew from the Exchange Rate Mechanism (ERM II) and who was accused by the Prime Minister of Malaysia, Mahathir bin Mohammad, of breaking down the currency of this country during the Asian financial crisis of 1997, was deeply involved in economic transformations in Central and Eastern Europe. According to

⁷ S. Hongbing „Wojna o pieniądź. Prawdziwe źródła kryzysów finansowych”, Wydawnictwo WEKTORY, 2011

⁸ S. Hongbing „Wojna o pieniądź 2. Świat władzy pieniądza”, Wydawnictwo WEKTORY, 2011

⁹ Bildberg Group – informal association of the most influential people in the World, operating since 1954. The first meeting of the group was held on the initiative of a Polish emigration politician, Józef Retinger. Numerous conspiracy theories which are associated with the group see it as constructing the secret world government – a political body aiming at introducing a single international law. Supporters of such theories see the group as continuation of the Venetian Black Guelphs or the Order of the Illuminati.

Hodbing, in case of Poland, Soros' fund – Quantum Fund – significantly contributed to the taking over of the authority in Poland by Solidarity and influenced three consecutive Polish presidents. Soros, together with professor Jeffrey Sachs, former governor of Federal Reserve, Paul Volcker and Vice-President of Citibank, Anno Ruding, are the authors of the “shock therapy”, which was applied not only to Polish economy but also to economies of other central-European countries. It consisted not only on making corrections in the structure of industrial branches and effective limitation of independent monetary policy, which was tantamount to conducting an extensive operation on the macro-economic economic order. The final effect was the total economic disintegration, sharp recession in manufacturing sector, direct decline of living standards, collapse of national industry, bankruptcies of companies, growing unemployment, discontent and skillfully fuelled social conflicts. Then international banks, using the plan of “exchanging debts into shares”, during the great sale at reduced prices, were free to buy the most important assets of a given country. All the countries which experienced such philanthropy suffered from the loss of their assets and dependence on foreign capital, which led to the situation in which, two decades after transformation, their economies still cannot regain their power.¹⁰

On the other hand, Thomas L. Friedman, in his book “The World Is Flat. A Brief History of the Twenty-First Century”¹¹ appears to be an absolute enthusiast of the progressing globalization. His book is a specific compendium of globalization knowledge, trends which stimulate it and phenomena it caused. Friedman defines 10 flatteners which contributed to the “levelling of the world”:

1. Collapse of the socialist bloc and opening their economies to the free-market like competition. The date he uses is 09th November 1989, when the Berlin Wall collapsed. It is the first symbolic date taken by the author as the dawn of the new era in leveling the world.
2. The stock exchange debut of Netscape, a company established in Mountain View in California. It was the first to offer a commercial and popular Internet browser (9th August 1995).
3. Workflow software. In any place of the world it allows you to use this resource regardless of the time or geographical location of the employer.
4. Uploading, which can be compared to an open source model, in which both real and self-appointed experts work on projects, usually related

¹⁰ George Soros in 2012 roku was awarded by the Polish President – Bronisław Komorowski – with the Commander's Cross with the Order of Merit of the Republic of Poland.

¹¹ T.L. Friedman „Świat jest płaski. Krótka historia XXI wieku”, Wydawnictwo REBIS, Poznań 2006

to IT solutions. They offer the results of their work to all users free of charge and perfect and develop their product. This phenomenon effectively influences the market, for example of software.

5. Outsourcing directed mainly to India and China, where cheaper employees may perform various, usually simple tasks, which greatly decreases costs.
6. Offshoring – relocating selected business processes of a company abroad. This is mostly related to China's opening to international cooperation and free trade with the rest of the world.
7. Supply-chaining, building competitive advantage on complex, precise, reliable and quick supply chain. Logistics becomes a key process in many sectors.
8. Insourcing – taking over some functions of one company by another, which is better prepared to do so and for which it is only a subtle deviation from the currently implemented strategy.
9. Informing – the power whose source lies in information resources of computer networks. Increasingly better browsers and information services in various areas slowly limit the inequalities in access to information for transaction parties and for third parties.
10. Steroids, a phenomenon of communication between various devices and the man in any place in the world. Mobile phones, WiFi or blue-tooth are only some examples of limitless information resources, regardless of the location of the information-seeker.

Since “The Lexus and the Olive Tree” Thomas L. Friedman has remained an indomitable supporter of globalization in spite of the shock caused by the events of 11.09.2001. In his opinion the world has not stopped changing for better, mostly thanks to IT and an increasing share of knowledge in creating economic value. The author argues that globalization is generally good, assuming that global interaction of production chains will make us realize the nonsense of wars between the societies forming these chains.

The concept of the flat world is a continuation of an equally suggestive concept of “a global village” introduced in the 1960s by Marshall McLuhan. However, although new technologies do account for decreasing differences between the regions, paradoxically, these differences grow. The multitude of development possibilities offered by the world is shadowed by the growing social traumas, increasing uncertainty and insecurity, accompanied by the crisis of trust¹².

¹² P. Sztompka, *Trauma wielkiej zmiany: społeczne koszty transformacji*, Instytut Studiów Politycznych Polskiej Akademii Nauk, Warszawa, 2000 and P. Sztompka, *Zaufanie, fundament społeczeństwa*, Wydawnictwo Znak, Kraków 2007

Globalization is undoubtedly a challenge to the world. We tried to systematize its most important aspects in this paper and to prove that the thesis made in the first paragraphs of the paper – that globalization hugely affects our everyday life – is becoming true each day.

Economic globalization

Globalization of the economy covers the processes of organizing and conducting production, exchange and flow of capital on a global scale and consists in treating the whole world as one market by economic entities¹³.

The development of the economic globalization process is conditioned by the following factors¹⁴:

- development of technical means of communication;
- liberalization of international trade;
- reduction of barriers to goods and capital flow;

Globalization of contemporary economy is a fact we are witnessing. It is growing and creating new challenges. The facts are confirmed by the statistics. The global trade and capital flows in the past decades have grown faster than global product. Also the value of direct foreign investment is growing as well as the scale and scope of activity of transnational corporations. There are approximately 78 thousand international companies in the world, 780 thousand dependent companies and 780 thousand daughter-companies. The sale turnover of these branches amounts to 19 trillion dollars, doubling the value of global trade¹⁵.

These are the phenomena accompanying the integration and liberalization of economies being part of global economic processes in the past decades. They accelerated at the beginning of the 1990s, after the collapse of the Iron Curtain dividing Europe, the opening of China, India and Latin America countries to the world. The countries and regions which had functioned outside the main course of the global economic system, became important as a result of globalization. Dynamic economic growth achieved by developing countries and increasing incomes of their inhabitants account for the increasing influence of these economies on the world economic situ-

¹³ B. Winiarski: „Polityka gospodarcza w obliczu procesów globalizacji. Perspektywy na pierwsze dziesięciolecie XXI wieku.” 3 edition. Warszawa: Wydawnictwo Naukowe PWN, 2006, p. 177.

¹⁴ Ibidem

¹⁵ Data on the basis of the report by Departament Analiz i Prognoz Ministerstwa Gospodarki, Warszawa, November 2007

ation. Now international trade is increasingly affected by them – the share of these countries (non-OECD) in total turnover increased from 25% at the beginning of the 1980s to 36.8% in 2006.¹⁶ Also the structure of trade is changing – technologically advanced goods often constitute the export offer. The scope of trade could be widened as a result of progress in communication and IT, which became available to less developed countries. Those countries, although they did not ‘produce’ new technologies, successfully implemented them – cheaper than developed countries.

Tightening relationships between economies, increased liberalization and integration of trade markets, de-regulation of capital flows, reduction – thanks to new possibilities offered by technology – of communication and transport costs, they all have changed the conditions of conducting a business activity. Global economy leads to global activity of enterprises. This is manifested in shifting production which is labor-consuming or services related to business processes to any place in the world. The location criteria may differ, but they are mostly related to the lowest manufacturing costs a company is seeking.

Globalization and accompanying it fierce competition in world markets accounts for the fact that the change of location of production processes may be seen by an enterprise as a way of improving efficiency and effectiveness, strengthening its competitive position in the international environment. On the other hand, in developed countries, that is in EU countries and the USA, this evokes more or less justified fears related to maintaining current production and jobs. In the globalization era, developed countries which achieve comparative advantages in products demanding high input of knowledge and use of the state-of-the-art technology are facing an increasing pressure from several sources. First of all, a group of new trading superpowers has emerged, especially China, India and “Asian tigers”, which possess limitless resources of cheap labor. Secondly, the costs of conducting a trade exchange in international markets have lowered considerably. Finally, the capacities of transnational companies using their own branches or outlets located in foreign markets to achieve a better position in the hierarchy of added value have increased thanks to the possibilities of implementing sophisticated technologies and management systems.

Liberalization and technical progress

In order to survive the growing pressure, a lot of companies seek ways of effective and cheap use of production factors. Increasingly better and

¹⁶ Ibidem

cheaper communication and openness of global economy leads to a situation in which it is not where these factors are located but what competitive advantages may be achieved by them that really counts. This explains the willingness of particular companies to invest in foreign markets, sometimes even at the cost of resigning from their activity in their domestic market. Companies choose the most profitable place in the world for conducting their economic activity and for paying taxes.

Contemporary capital enjoys more location choices than in the industrial economy, which was strongly dependent on material and energy resources. In the most developed economies we can observe de-industrialization (of declining industries) and technological progress which made the application of modern communication techniques possible. They allowed division of the production process (fragmentation), that is selecting a given stage or part of production from the core activity of a company and commissioning its performance to an outside company (outsourcing) or moving part of production to another region or country (offshoring).

It should be emphasized that it happens in a situation where we observe strong specialization of production. Foreign trade exchange concerns not only goods and end-products, but also – and from the perspective of international relocation of production most of all – significant growth of the share of components which constitute relevant contribution to the process of manufacturing end-products or services. Processes of specialization and fragmentation are mostly driven by transnational corporations which seek advantages in geographically developing specialization. They find it easy to relocate and aim at securing only those stages of a production process which provides them with higher added value.

Lower exchange costs, easy communication, available information, they all allow fragmentation of goods and services production, as they can be contracted and located in various parts of the world, depending on the breakdown of comparative advantages. Thus companies implement the strategy of optimal location for particular production stages. As a result, contemporary trade is no longer limited to exchange of ready goods and services, but also covers parts and elements whose production is located outside the home market. This phenomenon has led to changes in managing a company. After years of vertical integration, when companies focused all activities related to production of components, we are witnessing a process of disintegration – seeking suppliers outside.

Production fragmentation depends on the country's possession of production factors and their price. Therefore, in case of developing countries we observe a trend to relocate those which are relatively expensive in a domestic market. Simultaneously, in countries performing outsourcing

and offshoring, the technological level and employees' qualifications should be sufficient so as not to burden the production process with any risk, such as loss of quality. Thus the trend to relocate operations requiring large labor input and low technological level. Moreover, as we can see in case of transnational corporations which are leaders of those processes – due to their global approach to investment strategies – production division aims both at minimizing costs and using advantages offered by local markets.

The prospects of de-location become real if a given economic entity encounters difficulties in the following areas¹⁷:

- attracting new customers,
- cost reduction,
- access to production factors,
- implementation of new technologies to improve productivity,
- or a combination of these possibilities.

The phenomena of fragmentation of economic activity and its de-location are reflected in growing production and trade in products which are parts, elements and components of the manufacturing process. They are an outstanding feature of economic globalization and constitute specific quality in international division of labor.

Traditional forms of production internationalization, based on imports of raw materials and exports of finished goods, have been replaced. Goods and services needed in production are usually highly standardized and mass-produced by a small group of highly specialized producers. Goods produced in this way (parts, components, semi-products) are traded extensively. As a result, the share of this category of goods and services in foreign trade is increasing. Standardized parts and components become an element of the next, usually lower (as regards use of capital, knowledge and qualifications) stage of a production process. In practice, they are assembled in various ways in order to manufacture a final product adapted to local markets and/or consumer tastes. What matters at this stage is availability of numerous and cheap labor. The dominant profile of specialization accounts for the fact that the activity of developed economies focuses on those stages of a production process which have the highest added value. This explains why they use cheap labor or change location and at the same time make sure that the part of production related to the most advanced technologies is located in their home country (for example due to protection of copyright, know-how, etc.).

¹⁷ World Investment Report, UNCTAD – source: reports of Department of Analyses and Forecasts of the Ministry of Economy, Warsaw, November 2007

The process of internationalizing production on the global/regional level generates increased intra-industry and intra-firm trade. This means that the dependence on imports of parts and components produced within the same branch of industry or within one corporation grows. In practice, developed economies experience intense intra-industry trade, which allows them to increase benefits and deepen specialization in a limited number of products in particular sectors. This leads to increased specialization and fragmentation (within corporations, sectors) of production processes.

Reasons for de-location

- Access to cheaper production factors. Lowering trade barriers and technological progress allow capital movement (in search of cheaper raw materials, labor), which is reflected in the tendency to move labor-intensive production to places with high supply of cheap labor.
- Possibility of enjoying benefits of location in foreign markets and reducing the risk of losing know-how, technological innovations and management knowledge. This can be achieved by establishing companies in foreign markets.
- Agglomeration effects – the choice of location is determined by access to other firms, knowledge, technologies and specialist, highly-qualified labor, where we can expect diffusion of innovative processes and economies of scale. Moreover, the market size and concentration of companies enable relatively easy adaptation of labor to changing market requirements.

International capital flow

International trade has not been the only distribution “channel” of economic globalization processes. Along with dynamic transborder investment activity of corporations, the role of foreign direct investment (FDI) has grown. Global rationalization of production and development of foreign markets stimulate multinational companies to expand their external activity. Such activity is encouraged by the size and development prospects of Asian countries and favorable global economic situation.

Foreign direct investment made mostly by large transnational corporations are a vital element of globalization processes. Especially for the past several years we have been observing significantly increased inflow of FDI globally, also to developing countries. Huge international corporations investing abroad provide their host country with capital, technology and access to markets. For them, on the other hand, such investment is the main factor

increasing their competitiveness in global markets. Good economic situation in the world economy and high profits of international corporations are conducive to foreign investment.

We should also emphasize that increased inflow of foreign direct investment is greatly generated through investment in shares, loans and credits offered within the corporation, carried out between member states. There is some kind of regularity observed recently, typical for developed countries – more than half of investment is carried out between those countries. This visible trend is also driven by companies' high profits, economic climate and search for new strategic investment abroad. Investors currently pay special attention to investment in raw materials, especially to search for energy resources fields.

The past few years have seen a characteristic feature of foreign direct investment flows, namely an increasing share of services (telecommunication, computer, IT, etc.) at the cost of the manufacturing industry. On average, in the past few years direct investment in the service sector has been nearly three times higher than production investment. They often result from the necessity to ensure proper functioning of companies on a given market, but they are increasingly related to seeking ways of increasing efficiency, which drives the global rationalization of generating services. This is particularly visible in case of computer and IT services and IT services backing up business processes.

Globalization of financial markets

As a process, globalization is continually changing the architecture of contemporary financial markets in time and space. The development of telecommunication techniques makes the solutions used so far obsolete. New, more liberal functional solutions are being introduced, aiming at providing wide access to financial markets. Therefore, financial systems of particular national economies are being liberalized in order to increase freedom of capital allocation. In order to define the concept of a financial market we should assume that it is a network of institutions and instruments and financial markets and regulators used to build trust between exporters and importers of capital and to allocate the financial surplus in a way that ensures its integrity¹⁸.

¹⁸ J.K. Solarz., „Międzynarodowy System Finansowy. Analiza instytucjonalno-porównawcza” p. 9, Wydawnictwo Menedżera i Bankowca, Warszawa, 2001

Globalization of financial markets refers to increased global connections as a result of intensifying transborder financial streams¹⁹ and should be understood as free flow of capital, covering regional and international financial markets, with its participants on the supply and demand side having national, regional and international range. Globalization of international markets creates a global financial market, a market in which demand for and supply of national and international money, foreign currencies and capital in various forms meet, at various times and volumes expressed in national, international currency, or a currency used by a group of countries or in e-currency.

This market generates the development of international trade, allows financial operations, but is also a place of numerous financial speculations and, as a result, turbulence in the world of finance. This instability can be boiled down to globalization of financial markets. Therefore, analyzing and evaluating the current globalization of financial markets we should take a close look at its benefits and drawbacks – especially as they are interconnected, interpenetrated and should always be analyzed jointly.

Its positive aspects for the whole global economy are:

- optimizing allocation of resources and improving management conditions,
- improved efficiency of markets by their internationalization and competitiveness,
- increased number of derivatives protecting against financial risk,
- diversification of financial risk,
- emergence of new financial instruments and services.

The negative aspects of financial markets globalization are:

- “the carry-over effect” – disturbance on one national market is quickly carried over to other markets,
- the scale of international capital flows and the ease of reversing this trend,
- the possibility of increasing – as a result of the ease of obtaining finance – imbalance in global economy – to the size which may in future be dangerous for the stability of economy²⁰.

The most dangerous aspect of financial markets globalization is the carry-over effect, which brings destabilization and, as a result, lack of safety of financial markets. Potential destabilizing factors are carried over via: international trade, herd behavior of investors, global diversification of investment portfolio and foreign direct investment. These factors go further, transferring instability to the financial market and making it unstable. It is worth

¹⁹ A. Borcuch, „Globalny system finansowy”, p. 29, CeDeWu, Warszawa, 2009.

²⁰ Ibidem, p. 33

analyzing the problem of herd behavior shown by investors. At the moment of any disturbance in a given national economy – depending on the size of such disturbance – they either freeze investment or withdraw their capital.

As we have already mentioned, the influence of financial market globalization on the global financial market is direct. The stability of this market depends on the stability of globalization processes.

The most significant consequences of the instability of these processes in financial markets are:

- escalation of the ‘infection’ phenomenon between financial institutions and markets locally and internationally,
- increased short-term capital in form of short-term and portfolio capital flows,
- intensified destruction and imperfection of the global financial market²¹.

A financial system is stable if institutions and organizations constituting it can effectively prevent disturbances in the system of settlements and financial brokerage and prevent negative consequences brought about by the financial crisis. The contemporary global financial system did not show such features during the last financial and economic crisis. Various deficiencies and defects as well as mistakes in the way the system operated caused its instability – and as a result brought about the financial crisis whose consequences can still be felt. It was, most of all, huge and continuous growth of financial turnover in the global scale in conditions of confidentiality and lack of transparency that led to the collapse. The operations of many high risk investment and hedging funds were not subjected to sufficiently precise (in fact – to any) control. Obviously, the imbalance of the world financial system had deep historical and structural sources. Therefore we can venture to say that “... the basis of the current financial crisis is formed by imperfections of the whole system of liberal market economy and minimum supervision over financial markets”²². The lack of reaction from supervisory boards of particular markets showed financial institutions that they were free to act in any way they wanted, which naturally led to the loss of common sense and hunt for profits. If the Federal Reserve and SEC (Securities and Exchange Commission – department responsible for compliance with the law) had used the existing regulations limiting risk, negative effects would be incomparably lower. The procedures aimed at provi-

²¹ Ibidem, p. 34

²² P. Małecki, P. Stanek., ”Gospodarka światowa wobec kryzysu globalnego, [in:] *Gospodarka światowa w warunkach globalizacji i regionalizacji rynków*”, Difin Warszawa, 2009, p. 77

ding balance between general principles of free market and supervision of secure financial turnover were not used²³.

The contemporary global financial system has such crisis factors embedded in its architecture as:

- high external imbalances, which caused quick growth of foreign debt and serious dependence on foreign capital,
- outflow of capital and depreciation of national currencies,
- too easy access of economic entities and households to loans,
- lack of so dynamic growth of home deposits in a situation when credit action was so rapid,
- problems with liquidity of international financial institutions in a situation when aversion to risk grew,
- limiting the size of granted loans – which dramatically weakened internal demand.

A vital factor describing the global financial market is strong ties developed between contemporary financial institutions. They form a complex network in which everyone is both a creditor and a debtor and only sometimes a *market maker*. The markets in which the biggest financial institutions are involved are disorganized (*over-the-counter*, OTC), which, among other things, means low transparency and lack of a central agency settling the transactions (no possibility of clearing) and lower level of supervision and regulations. The degree of this complexity was greatly increased as a result of financial innovations of the past years and the application of new financial instruments allowing risk transfer.

Globalization of financial markets is a part of a larger phenomenon – globalization of national economies. The process of financial market globalization started after the collapse of the Breton Woods currency system.

The most significant reasons for financial market globalization are:

- liberalizing national financial markets and related growing competition between financial institutions,
- technological progress in IT and telecommunications,
- faster information flow and information standardization,
- globalization of national economies in various dimensions (trade, institutions, ownership structure, capital, knowledge).

²³ S. Miklaszewski, A. Garlińska-Bielawska, J. Pera, „Natura i różnorodność przebiegu światowego kryzysu gospodarczego”, Difin, Warszawa, 2011, p.20

Benefits and costs of economic globalization.

Globalization evokes totally divergent feelings and opinions. As a process inevitably shaping the world as a global village, it favors uniform ways of management and strengthens homogenous tastes of consumers all over the world²⁴. A vital problem is how to evaluate the influence of globalization on the degree of poverty and to evaluate whether disproportions and poverty decrease or increase. Globalization opponents believe that the globalization process made the poor the poorer and the rich the richer; the number of poor countries and people has not changed significantly. On the other hand, we can say that recent years of global economy have unquestionably benefited various aspects of life. It would be better if rich countries allocated 200 billion dollars a year for poverty reduction instead of spending over 1 trillion dollars per year on wars and arms²⁵.

Globalization may contribute to the deterioration or the improvement of the situation of the poorest households depending on the economic policy of a country. Taking specific actions by governments, such as improving access to loans, providing appropriate social security for those in need or increasing mobility, would result in improvements in the situation of the poorest people. Highly developed countries, interested in gaining access to cheap natural or labor resources, run a selective migration policy, protecting their markets against huge immigration of work resources from developing countries and creating customs barriers to cheap food which usually constitutes the primary source of exports and incomes of the poor countries²⁶.

The development in the interest of international corporations, not societies, is undoubtedly a fault of globalization. These days, countries with highly-qualified labor, outstanding skills in organization and management and high level of knowledge are awarded. Such globalization forces poorer countries to sell their natural resources cheaper, slows down their technological development, and worsens the country's economic situation²⁷.

Globalization also creates new and global problems, such as third world debt, environment pollution, terrorism, AIDS epidemics. Fighting negative

²⁴ B. Stępień, „Instytucjonalne uwarunkowania działalności przedsiębiorstw międzynarodowych”, Wydawnictwo Uniwersytetu Ekonomicznego w Poznaniu, Poznań 2009, p. 141

²⁵ E. Wysłocka, „Globalizacja – błogosławieństwo czy przekleństwo, [in:] Ekonomiczne aspekty procesu globalizacji”, E. Wysłocka (editor), Wydawnictwo Politechniki Częstochowskiej, Częstochowa 2009, pp. 17-20

²⁶ T. Pakulska, M. Poniatowska-Jaksch, Korporacje transnarodowe a globalne pozyskiwanie zasobów, Wydawnictwo Oficyna, Warszawa 2009, p.26

²⁷ J.W. Bossak, „Systemy gospodarcze a globalna konkurencja”, Wydawnictwo Szkoła Główna Handlowa, Warszawa 2006, pp. 41-42

effects of globalization, above all the issue of poverty in poorly developing countries, is a key problem that can be solved through global management. Characterizing the process of economic globalization we should consider that both its positive and negative dimensions depend on the reference point. The balance of profits and losses looks different to representatives of the rich North and to frustrated inhabitants of the poor South.

The advantages derived from globalization in the economic sphere are:

- improved quality of goods and services,
- lower costs of communication and production,
- increasing the living standards (in developed countries),
- economic growth,
- new jobs – new professions,
- stimulating exports,
- access to modern technologies and information,
- inflow of foreign capital,
- transfer of capital to poorly developing economies.

The losses generated by economic globalization are:

- uncontrolled privatization of public sector and public sphere,
- privatization of social problems,
- growing distance between particular segments of labor market,
- concentration of power around economic superpowers,
- quick spread of crises in integrated markets,
- increased unemployment (people with low qualifications),
- increasingly fierce competitiveness,
- destruction of domestic industry in countries accepting foreign capital,
- deepening social and economic disproportions.

Considering pros and cons of globalization we should treat the entities of the global economy separately. Depending on various groups of countries, such as newly industrialized, highly developed and developing ones, these advantages will be different. Globalization will be felt differently in modern areas than in traditional, agricultural regions²⁸.

Entities benefiting from globalization:

- countries of the Triad, that is Japan, USA, Canada and Western Europe, East and South-East Asia,
- mobile, strong and dynamic people,
- global markets,
- strong, highly developed countries,
- modern sectors,

²⁸ B. Ślusarczyk, „Teoretyczno-praktyczne aspekty globalizacji gospodarczej”, Wydział Zarządzania Politechniki Częstochowskiej, Częstochowa 2010, pp. 34-37

- people taking risk,
- people with high qualifications in new technologies,
- large multinational companies.

Antities losing because of globalization:

- poorly developing countries, such as Africa,
- weak people without qualifications, resources,
- weak, socially and economically backward countries,
- traditional sectors,
- local communities,
- small and medium-sized companies,
- unqualified workers,
- small and medium-sized local firms,
- people depending on social care.

Analyzing pluses and minuses of the globalization phenomenon we can say that it does not serve the needs of the poor. It does not serve improvement of the natural environment, either, or stability of global economy. The current intensity and pace of changes taking place in the world economy, politics, society and environment allows us to call globalization a revolution. The globalization process may be considered extremely important for the development of mankind²⁹. It is especially significant as it can be considered in two aspects: social and economic. Thus we all experience the effects of globalization, both positive and negative ones.

One of the most important effects of globalization is the creation of knowledge- and information-based economy³⁰. The intensity of knowledge and information flow is an indication of information maturity, changing the Framework and structure of the surrounding world³¹.

Polarization of the Globe

We can observe a phenomenon of progressing polarization of living standards and development levels between countries, which leads to the global division into the so-called 'rich North' and 'poor South'. The aggravating

²⁹ B. Ślusarczyk, „Teoretyczno-praktyczne aspekty...”, op. cit., p. 37

³⁰ R. Żelazny, „Postęp technologiczny a proces globalizacji – wymiar globalizacji, [in :] Instytucjonalizacja procesu globalizacji”, I.M. Smandek (editor), Wydawnictwo Akademii Ekonomicznej w Katowicach, Katowice 2009, p. 30

³¹ Smandek I.M. (ed.), „Instytucjonalizacja procesu globalizacji”, Wydawnictwo Akademii Ekonomicznej w Katowicach, Katowice 2009, p.31

disproportions have created a new conflict axis running along the border of poverty and affluence, as well as they have accounted for the growing need of the sustainable development doctrine in international relations.

It is justified to ask about the reasons for the phenomenon of polarization in development and affluence of particular countries. Many experts agree that the reasons should be traced back to the colonial times. Over the centuries European superpowers grew wealthier at the expense of their colonies, implementing exploitation policies in new territories. The superpowers' policy in territories managed by them consisted in exploitation of natural resources and obtaining slave and cheap labor. There were frequent conflicts and tensions between colonies and countries managing them, which finally led to the outbreak of the first world war. Colonialism limited development of the conquered territories and sometimes led to annihilation of the whole communities. It undoubtedly affected also contemporary economic problems of the former colonial territories. All these elements accumulated together with the disappearance of stable political and financial structures when new countries emerged after the second world war and after the bi-polar division of the world was abolished and the Soviet Union collapsed. When colonies transformed into independent states, they did not solve the problem of self-maintenance, which led to great economic collapses whose effects are still visible.

We should also take into account civilisation and economic differences which are currently visible. In poor South countries such values as economic profit and development are of secondary importance. Those countries have obsolete economies based on inefficient agriculture. Industries are usually limited to manufacturing basic foods which are not competitive globally. The lack of qualified staff and obsolete technologies also affect the situation of the economy. Statistics provided by many international institutions show that in southern countries population is growing frighteningly quickly, exceeding populations of developed states. In conditions prevailing in third world countries, the growing population heightens such threats as illiteracy, famine, soil erosion, lack of work, poverty, which all account for the deteriorating living standards. Currently, many countries and international institutions are involved in helping countries facing such difficulties. These actions do not result from pure altruism but from the awareness that internal threats in those countries in a current situation may become regional or global, which, *expressis verbis*, is demonstrated by the phenomena of terrorism and trans-border crime. Global disproportions are also affected by activities of some countries and transnational economic entities. Profit-oriented companies often use their global dominant position, taking advantage of imperfect legal systems of poor South countries by exports of

harmful substances and establishing branches of dangerous industries. It is not difficult, as the corruption in those countries facilitates such pathologies. Common violations of human rights in third world countries is also conducive to obtaining cheap labor provided by workers who are often children.

Legal conditions created by the countries of the rich North are also of importance, as they favor aggressive activities of corporations, such as favoring producers from developed countries in trade (granting huge subsidies to them). There are cases when highly developed countries use methods hindering poor countries' participation in international trade, by, for example, establishing customs barriers. All this explains why rich countries get richer and poor countries become even more backward socially and economically. The increasing dichotomous division of the world also concerns civilization. As pointed out by Huntington, the conflict along the 'North' – 'South' line is a consequence of the appearance of three civilization circles which strive at achieving hegemony. Due to the processes of weakening the Western civilization it seems inevitable to move the civilization center of the world to the east. Common implementation of eastern political culture may lead to an outbreak of a conflict covering Europe and Asia. Recent world events seem to confirm this. Taking into account the civilization and economic and social aspects, the contemporary world can be divided into six regions, functioning in the area of the 'North' and a specific area of the 'South'. Natural economic expansion of economic superpowers is limited by the activities of countries with medium-level development, possessing cheap labor. According to economists' calculations, the highest growth of exports value, by incredible 15%, was observed in Mexico and China. Similar export results were achieved by Russia (by 18%) and India (13%). This proves the complexity of phenomena which overlap with the existing divisions. Inevitable competition between post-industrial and recently-industrialized countries of the 'North' will accelerate rivalry that may lead to conflicts.

Conclusions

The polarization problem is additionally complicated by the fact that nearly twenty years ago the scope of economic disproportions between developing and developed countries was quite obvious. Even the group of rich Arab countries – with very weak economies outside the oil sector – achieving huge revenues from selling oil, were mostly consumers of what was produced by the rest of the world. Moreover, they mostly invested in consumer goods and in arms used to stage long and exhausting wars (such

as the eight-year war between Iraq and Iran). Currently, developing countries constitute an incredibly diverse group.

It comprises very poor countries (a group of African states, Bangladesh, Nepal), as well as economic superpowers, such as Saudi Arabia or Brazil, and quickly developing Asian countries: India, China or Indonesia. All this accounts for blurred differences and classification problems. Further division of the globe will cause escalations and evolutions of the existing threats. Poverty, lack of prospects and collapse of the structures of a country responsible for ensuring security and public order facilitates the rise of terrorist groups which use terror to achieve their particular goals. In poor countries crime is growing. Poor countries become global exporters of drugs, as seen in Afghanistan and Columbia. In poor South regions natural environment is further being deteriorated, which may sometimes have global consequences. We may expect an increased number of epidemics and pandemics of infectious diseases, reflected in mass spread of AIDS in third world countries. Many African countries suffer from widespread famine. Every day the media brings us the news of regional military rivalry to secure natural resources and other goods. Those bloody disputes are usually waged under social and religious slogans. Also access to drinkable water may become a source of serious conflicts. Another serious challenge for the civilized world is the problem of mass migrations from poor areas to areas offering better living standards. The above catalogue of threats is open, which should encourage international community, especially rich countries, to support the idea of sustainable development.

References:

1. J.W. Bossak, „Systemy gospodarcze a globalna konkurencja”, Wydawnictwo Szkoła Główna Handlowa, Warszawa 2006.
2. A. Boreuch, „Globalny system finansowy”, p. 29, CeDeWu, Warszawa, 2009.
3. T.L. Friedman „Świat jest płaski. Krótka historia XXI wieku”, Wydawnictwo REBIS, Poznań 2006.
4. S. Hongbing „Wojna o pieniądź. Prawdziwe źródła kryzysów finansowych”, Wydawnictwo WEKTORY, 2011.
5. S. Hongbing „Wojna o pieniądź 2. Świat władzy pieniądza”, Wydawnictwo WEKTORY, 2011.
6. P. Małecki , P. Stanek, ”Gospodarka światowa wobec kryzysu globalnego, [in:] Gospodarka światowa w warunkach globalizacji i regionalizacji rynków”, Difin Warszawa, 2009.
7. S. Miklaszewski, A. Garlińska-Bielawska, J. Pera, „Natura i różnorodność przebiegu światowego kryzysu gospodarczego”, Difin, Warszawa, 2011.
8. T. Pakulska, M. Poniatowska-Jaksch, Korporacje transnarodowe a globalne pozyskiwanie zasobów, Wydawnictwo Oficyna, Warszawa 2009.

9. J. Perkins „HITMAN – Wyznania ekonomisty od brudnej roboty”, Wydawnictwo Studio Emka, 2006.
10. I.M. Smandek (ed.), „Instytucjonalizacja procesu globalizacji”, Wydawnictwo Akademii Ekonomicznej w Katowicach, Katowice 2009.
11. J.K Solarz., „Międzynarodowy System Finansowy. Analiza instytucjonalno-porównawcza”, Wydawnictwo Menedżera i Bankowca, Warszawa, 2001.
12. B. Stępień, „Instytucjonalne uwarunkowania działalności przedsiębiorstw międzynarodowych”, Wydawnictwo Uniwersytetu Ekonomicznego w Poznaniu, Poznań 2009.
13. P. Sztompka, Trauma wielkiej zmiany: społeczne koszty transformacji, Instytut Studiów Politycznych Polskiej Akademii Nauk, Warszawa, 2000.
14. P. Sztompka, Zaufanie, fundament społeczeństwa, Wydawnictwo Znak, Kraków 2007.
15. B. Ślusarczyk, „Teoretyczno-praktyczne aspekty globalizacji gospodarczej”, Wydział Zarządzania Politechniki Częstochowskiej, Częstochowa 2010.
16. A. Toffler, „Trzecia fala” translated by E. Wojdyło, M. Kłobukowski, Poznań 2006.
17. B. Winiarski: „Polityka gospodarcza w obliczu procesów globalizacji. Perspektywy na pierwsze dziesięciolecie XXI wieku.” 3 edition. Warszawa: Wydawnictwo Naukowe PWN, 2006.
18. World Investment Report, UNCTAD – source: reports of Department of Analyses and Forecasts.
19. E. Wysłocka, „Globalizacja – błogosławieństwo czy przekleństwo, [in:] Ekonomiczne aspekty procesu globalizacji”, E. Wysłocka (ed.), Wydawnictwo Politechniki Częstochowskiej, Częstochowa 2009.
20. J. Ziegler „Imperium hańby” Wydawnictwo: Książka i Prasa, 2012.
21. Report of the Ministry of Economy, Warsaw, November 2007.
22. R. Żelazny, „Postęp technologiczny a proces globalizacji – wymiar globalizacji, [in :] Instytucjonalizacja procesu globalizacji”, I.M. Smandek (ed.), Wydawnictwo Akademii Ekonomicznej w Katowicach, Katowice 2009.