

ECONOMIC GLOBALIZATION AS SEEN TODAY

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Summary

The work is aimed at presenting the theory of globalization seen from general and deeper perspective in contemporary times. There were also marked the main issues of globalization, such as the liberalization and technological progress, international financial flows, development of financial markets, as well as benefits and costs of the economic globalization.

Key words: globalization, economics, capital, liberalization, financial markets.

Introduction

Although the globalization has an impact on every aspect of modern life, people do not often realize it. We perceive the world around us as real, everyday life, not understanding that we are subjected to manipulation. Meanwhile, we are not observers, but elements in this process.

There is a widespread view on neoliberal economic globalization that has crowned all achievements in history of the economy. This point of view is hold mainly by economic powers and representatives of big corporations sharply opposed by economists from countries of small economies, members of grassroots movements, antiglobalists, pacifists and environmentalists.

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Definition

There are a lot of different definitions of the globalization. Even though a term globalization is used universally, it is also ambiguous and multifaceted. It touches the sphere of economics and finances and spreads through the area of politics, demography, technology, information, ecology, health, internal and international safety, as well as culture and religion. In the most general way it is defined as “a process created by phenomena or action about the worldwide dimension⁴.” However, the most popular perception of the globalization concerns an advanced form of business activity, which is carried out on the international area of markets, sectors and enterprises, simultaneously with developing connections between different kinds of entities of the international life.

According to the Economical Dictionaries, the globalization is a process of creating the world economy on the entire globe, for which states' borders are not already crucial. The process of globalization has been going by removing obstacles to the exchange and production of goods and services, financial flows and free moving of people. These barriers has been abolishing between the OECD and the European Union members. Also a majority of the countries known as *emerging markets* have been removing them. The main benefits from the globalization concern a reduction in production costs as well as lower prices of goods and services and the most efficient way of use available world resources of work and capital. The process of the globalization has been going faster at the end of 20th century thanks to progress in the development of computer and telecommunications techniques (fast increase in the computing powers of computers, the Internet, mobile communications and the satellite television) and for lowering prices of the air transport. Due to the Internet development, a lot of services, such as bookkeeping or creating databases, which had not been a part of international exchange system, started to be available online, stimulating the international competition and supporting the reduction in costs and prices. The globalization also allowed China, India and other developing countries to join the world economy. It means that over 2 billion of new consumers appeared on the global market, what is the greatest demand revolution in history. The scale of the world production would become much bigger, when incomes of households in these countries hit the record high.

The dynamic progress of the globalization is well visible in the economic life, whose more and more aspects have a worldwide character. Step by step

⁴ A. Muszyński, G. Gercheva, *Multinational corporation in global economy (selected problems)*, „Globalization, the State and the Individual” 2014. No 2, p. 107-112.

and consistent creation of global economy is connected with development of international relations⁵. Trade, investments, transfer of capital and the technology create strong connections, which feed the global economy. “The globalization is regarding the globe - features, action, processes, phenomena, effects, threats which are global, ergo, which constitute global character of the world.”⁶ In general, globalization concerns “trends and concepts to manage the future of world (strategic planning) aiming at creating standards in the production and behaviours of consumers on global market.”⁷

Genesis

Globalisation started quite long time ago. In its the first period (XVI-mid XVII century) the most important achievements concerned the long-range trade and the development of political empires in Europe and Asia. Next period (1750-1880) constituted development of European colonial empires, industrialization of world and strengthening of so-called “free trade”, related to reducing tariff barriers in the international exchange. Following period (1880-1945) includes a development of the global capitalism and division of world between colonial powers, what led to two world wars and two world economic crises. From the end of the World War II up to years 70th of the XX century different political, economic and social-cultural processes was occurring, shaping and disintegration of bipolar order of world as well as proliferation as a result of decolonization. The directions for the global economy were presented especially in provisions of the Bretton Woods system, which established the World Bank and the International Monetary Fund, and the agreements concerning the free trade GATT. They have had a crucial impact on the last period of the globalization which contains the disintegration of the USSR and the Soviet block, the expansion and the intensification of international trade and finances and finally the development of the communication based on processors, computers, the Internet and electronic media, as well as the widespreading of international crime.

The modern process of the globalization started after the end of World War II, at the beginning under auspices with the GATT what was supplied

⁵ L. Gabryś, „*Instytucja państwa w dobie globalizacji* [in:] *Wyzwania procesu globalizacji wobec człowieka*, E. Okoń-Horodyńska (ed.), Akademia Ekonomiczna im. Karola Adamieckiego, Katowice 1999.

⁶ L. Zacher, after: L. Gabryś, 1999.

⁷ Z. Białobłocki, S. Białobłocka, A. Stiepanow, *Kreatywny menedżment*, Centr profesjonalnoy orientacji młodzieży, Moskwa 2006.

with series of agreements in order to remove restrictions of the free trade. So-called “Uruguayan Round” established the World Trade Organization, which deals with regulation of trade between participating countries. Other double-sided trade agreements, including the Maastricht Treaty and the North American Free Trade Agreement, were entered into the purpose of reduction in customs and trade barriers. Ending the cold war precipitated the processes of the globalization, making free all kinds of human activity especially in social groups, groups of businesses and states. Due to lost on the topicality of the division into first, second and third world, a fundamental change in the structure of international relations emerged.

In the ideological-political meaning it became a unity in the greater degree, because all states of the second world and the straight majority of the third world set about building market economies based on the liberal model of management. An unprecedented liberalization of all forms of the international trade was supported by the technological progress facilitating communication in all aspects of life. There is a useful term *time–space compression* applied in analyses of globalization’s processes. These processes are intensified by a huge amount and diversity of analyses and research issued during last two decades, treating the globalization in different ways, according to individual perception and system of values of researchers.

Economic globalization

Globalization is a process of organising and managing the production, the exchange and world financial flows and treatment the entire globe as one market by economic entities⁸.

There are some factors determining development of the process of the globalization⁹:

- development of technical role of communication;
- liberalization of the international trade;
- reduction in barriers of the flow of goods and capital.

The globalization of the contemporary economy is happening now, enlarging the range of influence and creating every day challenge. The confirmation of this process is easy to be found in the statistics. The world trade and capital flows in the last decades grew more quickly than the global

⁸ B. Winiarski, *Polityka gospodarcza w obliczu procesów globalizacji. Perspektywy na pierwsze dziesięciolecie XXI wieku.*” Wyd. 3. Warszawa: Wydawnictwo Naukowe PWN, 2006.

⁹ A. Muszyński, G. Gercheva, 2014, p. 109-118.

product. They gained momentum at the beginning of years 90, after the fall of the Iron Curtain and opening China, India and states of Latin America to international cooperation. Countries and regions which so far existed apart from the main global economic system, on the tide of the globalization started playing an important role.

The dynamic growth of the economy in developing countries, as well as increasing incomes of their residents, paved the course for the global economy. It was extended the scope of the exchange enabled progress in the communication and information techniques which became available to poorer developing states. These countries successfully started using new technologies, being able to apply them more cheaply than developed countries.

Globalization and rising of sharp world markets competition induced that changes of production location can be the way to increasing productivity, production's effectiveness and enhancing the competitive position in the international environment as well. On the other hand, that process made the developed states more or less anxious about current production and places of employment. In twenty-four hours of the globalization, developed states which had managed the majority of production process, melted under the more and more bigger pressure coming from a new sources.

Firstly appeared a group of new power commercial, including China, India and "tigers" which disposed simply unlimited and cheap labour force. Secondly, costs of the trade exchange lowered on international markets. Finally, the companies were more and more able to grew in transnational environment, using own branches or branches located on foreign markets, by means of refined technologies and professional systems of management.

The liberalization and the technological progress

Wanting to cope in the conditions of growing pressure, many enterprises have been seeking ways for effective and cheap factors of the production. The more and more better and cheaper communication and the growing openness of the global economy caused, that the location of those factors played a lower role. The companies went more and more ready to invest on foreign markets, even though the resignation of production on the parent market was costly. And so the enterprises choose the most beneficial place in the world, for undertaking attractive conditions for business activity and for paying tax.

Contemporary capital has much more possibilities to choose the investment location than in the times of industrial economy, which was strongly depended on raw material resources and energy. The exchange in the foreign

trade is regarding only goods and final services, and from a point of view of the international relocation of the production. Processes of the specialization and fragmentation are mainly driven by corporations transnational which seek the benefit in the developing geographically specialization. They are making the relocation relatively easily, aspiring simultaneously for taking the place exclusively in these phases of a production process which is delivered to them of higher value added.

Lower costs of the exchange, easier communication, good access to information, fragmentation of production of goods and services depend on the disintegration of benefits. Companies carry out the strategy of the optimum location for individual stages of the production. Following it the contemporary international trade does not already confine itself to the exchange of ready goods and services, but in the greater scale includes parts and elements, of which the output is located apart from the parent market. Simultaneously it owns companies for changing the way of managing a company.

The perspectives for the delocalization become much more real, if the economic entity is coming across the problems concerning¹⁰:

- reaching new consumers,
- costs reduction,
- access to factors of the production,
- development of new technologies due to need of improvement the productivity.

Traditional forms of the internationalization of the production, based on import of raw materials and on export of ready goods, are step by step replaced. Goods and services, most often of high standards are produced to the mass scale by the quite narrow group of producers. This way of supplying goods becomes an object of the intensive trade exchange. As a result a participation of this category of goods and services in the foreign trade grows. In practice they are put in different ways in order to make the final product be appropriate to local markets or consumer taste. At this stage the most important issues involve the availability of product and cheap labour force. Due to dominating profile of the specialization, the activity of developed economies concentrate on these stages of manufacturing process which concern the highest value added. Therefore the cheap labour force or attractive location of the production go with maintaining the part of the most advanced technological production and modern methods of the management in the parent country.

¹⁰ World Investment Report, UNCTAD (Departament Analiz i Prognoz Ministerstwa Gospodarki, Warszawa, listopad 2007).

International financial flows

The international trade is not the only “channel” for distribution of globalization processes. Along with boosting global investing activity of corporations a role of direct inward investments grows. The global facilitations of production and development encourage companies for widening the activity outside the internal market.

Direct inward investments made by large transnational corporations are a crucial factor of processes of the globalization. Especially in dozen last years their position has been increasing in the global scale, including the developing countries.

It should be emphasized that the growth of the inflow of direct inward investments to a considerable degree is generated with investments in actions, loans and credits granted in frames of the corporation, carried out between membership states. In the few last years, over the half of investment in developed states have been carrying out between these countries. This trend is accompanied by visible high profits of enterprises and seeking new strategic investments abroad. The special attention is now concentrate on raw material investments, particularly on new sources of fuels.

In last few years an expansion of services has been playing a crucial role in flows of direct inward investments. They often are needed to provide proper functioning for companies on the market, especially to seek new ways of increasing the effectiveness and to ease producing services.

Globalization of financial markets

The process of globalization has been changing the architecture of contemporary financial markets in the time and space. The development of telecommunications techniques causes the lost of the meaning and justifying of existing solutions. New, more liberal functional issues, which are supposed to ensure the wide access to financial markets are implemented.

Therefore, financial systems of individual national economies have been liberalized for increasing the freedom of the allocation of capital. The term *financial markets* was defined as a network of institutions and regulations used to build up mutual trust among exporters and importers of capital and for the allocation of the surplus of financial resources in the allowing way for keeping its unity.¹¹

¹¹ J.K. Solarz, *Międzynarodowy System Finansowy. Analiza instytucjonalno-porównawcza*, Wydawnictwo Menedżera i Bankowca, Warszawa, 2001.

The globalization of financial markets refers to intensification of global connections¹². It should be understood as the freedom of financial flows which cover regional and international financial markets and whose participants of the side of the supply and the demand are within national, regional and international reach. The global financial market, created as an effect of international markets globalization, is a meeting area of the supply and the demand for domestic and international money, foreign currencies and the capital. They are expressed in money, which can be national, international common for the determined group of states or the e-cash and meet together in different forms, time and size.

This market creates the development of the international trade and serves effecting financial transactions, but is also a place of numerous financial speculations and, in consequence, of turbulence in world of finances. This instability is related to the globalization of financial markets. Therefore, analysing and assessing the contemporary globalization of financial markets, it should be realized of advantages and disadvantages of this process, particularly because its benefits and threats are interconnected and it is necessary to analyse them together.

The positive aspects of developing world economy concern:

- the optimization of resource allocation and improved conditions of the management,
- improvement of functioning of markets by internationalizing them and growing competitiveness,
- diversification of the financial risk,
- research of new instruments and financial services.

However it should be noticed negative aspects of the globalization of financial markets¹³:

- *effect of moving* - turbulences on one national market are quickly transferred to other markets,
- scale of international flows capital and easiness of turning this trend away,
- the easiness of acquiring financing causes possibility of growing imbalances in the global economy to sizes which could be dangerous for the economic stability.

The effect of moving is the most dangerous aspect of the globalization of financial markets and in consequence makes the financial markets unsafety. Potential destabilizing factors are moved via the international trade, gregarious behaviour of investors, the global diversification of the investment

¹² A. Borcuch, *Globalny system finansowy*, CeDeWu, Warszawa, 2009.

¹³ Ibidem

portfolio and direct inward investments. The effect of these factors is going further, transferring the destabilization to the financial system and making him unstable¹⁴.

The financial system is stable, if institutions and organizations which form it are able to prevent from disorder in settlements system and the financial agency as well as to prevent from appearing of negative results of the financial crisis. A global contemporary financial system didn't demonstrate such features during the last financial and economic crisis¹⁵.

In the architecture of the contemporary global financial system there are contained crisis factors, including¹⁶:

- high outside imbalances which cause the fast rise in the foreign debt and serious addiction from foreign capital,
- outflow of capital and the depreciation of national currencies,
- easier access to credit for economic subjects and households,
- lack of dynamic height of domestic safe deposits credit,
- problems with the liquidity of international financial institutions in conditions of growing aversion for the risk.

A strong relations of contemporary financial institutions is a crucial factor describing global financial markets. They form the complicated web, in which every of them is a lender, as well as a borrower.

Costs and benefits of economic globalization

The globalization causes extremely different emotions and opinions amongst the society. It is a process unavoidably shaping the world to resemblance of the global village, supporting standards of managing and deepening the homogenization of customers' tastes around the world¹⁷.

Certainly, the influence of the globalization on the poverty is a substantial problem. The question is whether disproportions and the poverty lower, whether increase. Opponents of the globalization think that the process of the globalization made the poor man poorer and rich richer but a number of the poorest states and people didn't change. Simultaneously it is possible

¹⁴ Ibidem

¹⁵ P. Małeck, P. Stanek, *Gospodarka światowa wobec kryzysu globalnego, [w:] Gospodarka światowa w warunkach globalizacji i regionalizacji rynków*, Difin Warszawa 2009.

¹⁶ S. Miklaszewski, A. Garlińska-Bielawska, J. Pera, *Natura i różnorodność przebiegu światowego kryzysu gospodarczego*, Difin, Warszawa, 2011.

¹⁷ B. Stępień, *Instytucjonalne uwarunkowania działalności przedsiębiorstw międzynarodowych*, Wydawnictwo Uniwersytetu Ekonomicznego w Poznaniu, Poznań 2009.

to say that the last years of the global economy undoubtedly had a positive effect on different aspects of life¹⁸.

The globalization can contribute to the deterioration or the improvement in the situation of the most modest households in relation to the economic policy of the country. The actions of governments, which contribute to improvement the situation of the poorest, includes among others better access to credit, appropriate social security or increasing mobilities. Well-developed countries, which are interested in reaching cheap natural and human resources, pursuit the selective migration politics, defending their market before numerous immigration from undeveloped states as well as create tariff barriers against the wave of cheap food which usually is the basic source of the export and the income of poorer states.¹⁹

There are several benefits flowing from the globalization to the economic sphere:²⁰:

- better quality of products and services,
- fall in costs of the communication and the production,
- raising the standard of living,
- growth in the economy,
- new professions,
- stimulating the export,
- access to modern technologies and information,

As a result of the economic globalization it is ranked among some losses:

- unchecked privatization of the sector and the public sphere,
- larger distance between individual sections of the labour market,
- the concentration of power around economic hyper powers,
- fast proliferation of crises on integrated markets,
- rising unemployment,
- deepening social and economic disproportions.

Considering the pros and cons of the globalization, it should be treated subjects of the world economy separately. Depending on economic situation of a country, if it is newly industrialised, well-developed or developing state, differently these benefits are unfold. Modern states feel the glo-

¹⁸ E. Wysłocka, *Globalizacja – błogosławieństwo czy przekleństwo* [in:] *Ekonomiczne aspekty procesu globalizacji*, E. Wysłocka (red.), Wydawnictwo Politechniki Częstochowskiej, Częstochowa 2009.

¹⁹ T. Pakulska, M. Poniatowska-Jaksch, *Korporacje transnarodowe a globalne pozyskiwanie zasobów*, Wydawnictwo Oficyna, Warszawa 2009.

²⁰ J.W. Bossak, *Systemy gospodarcze a globalna konkurencja*, Wydawnictwo Szkoła Główna Handlowa, Warszawa 2006.

balization in definitely different way than traditional ones, e.g. agricultural economies.²¹

Analysing the pros and cons of the phenomenon of the globalization it is possible to say that the globalization doesn't serve needs of poor people in the contemporary world. The current concentration and the rate of change taking place in the world economy, the politics, the society and the environment give grounds for determining the globalization with revolution. It is possible to regard the important impact of the globalization today for the development of the civilization. It is particularly crucial in social and economic aspect. Therefore all of us are affected by the globalization effects, the positives and negatives as well.

Conclusions

Globalization is an ambiguous term, perceived obviously as positive process. The only problem related to it is a dynamic expansion. From the opposite side it is argued that the globalization determines negative effects for the world. It is possible as well to regard the globalization as the final stage of the historical transformation, with its beginning in times of the modern capitalist-colonial economy. In this meaning it is a consequence of the social-economic dominance of the West over the rest of world, which now become a dominance of the technological and consumer civilization.

The globalization is a construction process of new universal order, with exclusiveness and the universality reserved for itself, going without borders of states or cultures, being supposed to embrace the entire globe and the entire human population. This order doesn't come down only to forming some one organization of the social life, but it involves also a sphere of family and individual action of man.

A globalization is a process which is led to change the world of elements to the homogeneous entity of common economy and culture of consumer type. Standardization covers refined economy, politics, demography, social life and culture. It relies on the widespread phenomena of the region independently of its progress.

²¹ B. Ślusarczyk, *Teoretyczno-praktyczne aspekty globalizacji gospodarczej*, Wydział Zarządzania Politechniki Częstochowskiej, Częstochowa 2010.

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