

The Impact Of Globalization On Advanced Economies: A Case Study Of The United States Of America

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Abstract

Over the years attention of scholars has been on the impact of globalization on developing economies, yet little effort is directed to its impact on the advanced economies. Globalization from the perspective of international integration of markets for goods and technology has coincided in the past two decades with a shift in labour demand away from less-skilled workers toward those with more skills. Much of the effects of globalization have focused on the impact of imports from developing countries on wages, employment, and income inequality. However, increased capital mobility, including the outsourcing of production of low-wage countries, as well as immigration from developing countries to the advanced economies appears to have had only modest effects on labour markets in the advanced economies. Nonetheless, increased globalization can increase the sensitivity of wages and employment to external shocks and thereby contribute to increased job insecurity. The aforementioned impact of economic globalization as it affects the United States of America formed the fulcrum of discourse in this paper.

Introduction

This paper is set to debunk the view that globalization is another term for a form of Americanization, as it is believed by some observers that the United States could be one of the few countries (if not the only one) to truly profit from globalization. Of course, the gains of the U.S.A under economic globalization are equal to or proportional to their losses. The debate over the effect of globalization on the United States has frequently shed more heat than light.

In this paper, globalization will be confined primarily, to the economic arena, and the public policies related to the economic realm. In general, the process of globalization then refers to the vastly increasing economic interpretation of the US economy with economies of other countries. That means greatly increased trade and the lowering of most types of barriers to trade between countries. Even more important; it also means vastly increased inter-country investment and the increased mobility of capital, facilitated by lowered restraints on freedom of capital to move wherever it chooses.

Thus, we will confine our attention here to a sub-set of what could properly be considered “globalization”. Primarily, we will be focusing on economic globalization, combined with related political measures that attempt to promote, impede or regulate this economic process. Numerous

cultural, social and non-economic political issues concerning a more widely conceived process of globalization will not be addressed, in this paper since our focal point of view is on the impact on advanced economies. M.B Steger conceptualized economic globalization as the intensification and stretching of economic interrelation across the globe (Steger, 2005 p. 13)

Most of the debate over globalization has concerned trade policy and trade treaties, although these treaties have included clauses that go well beyond simple trade policy to intellectual property rights, investment rights and assorted other rights of capital. Therefore, this paper will focus on trade treaties such as the proposed free trade area of the Americans (FTAA) treaty or the previously enacted North America Free Trade Agreement (NAFTA), the second section will briefly examine likely impacts on the USA in three areas: jobs losses or gains, workforce composition and immigration.

Globalisation: A Historical Overview

Globalization refers to increasing global connectivity, integration and interdependence in the economic, social, technological, culture, political and ecological spheres. Globalization is an umbrella term as is perhaps the best understood as a unitary process inclusive of many sub-process such as enhanced economic interdependence, increased cultural influence, rapid advances and information technology, and novel governance and geopolitical challenges that are increasingly building people and the biosphere more tightly into one global system. M,B Steger defined globalization to be a multidimensional set of social process that create, multiply, stretch and intensify worldwide social interdependencies and exchanges while at the same time fostering in people a growing awareness of deepening connections between the local and the distant. The writer went further to trace the historical origin of globalization to various epochs as the pre historical period (10,000 BCE 3500 BCE), the pre-modern period (3,500 BCE 1,500 CE), the early modern period (1500-1750), modern period (1750-1970), the contemporary period (from 1970). (Steger, 2005) These stages of globalization as illustrated by Steger help to inform us that the whole process of globalization is not entirely new. Historically, the term globalization is as old as human civilization and probably the beginning of exploration movement which tends to create world wide connectivity such as carried out by Christopher Columbus to India and Cuba in 1492, Marco polo to Asia 1271, Vasco Da Gama to East Africa in 1498, Mungo park to the Niger etc The term globalization involve the whole processes of Islamization and Christianization as well as other external traditions. Baylis and Smith(1997:16) concurs to the view that it is hard to determine a specific moment when globalization started. Periodization is always imprecise and contentious, largely because change and continuity are invariably intertwined.

However, in this paper, we shall be discussing the aspect of globalization that is fuelled by new technologies such as internets, phones, jet plane, space shuttles etc which has assisted in the growing forms of political and economic interdependence of the movement of person's goods and services. The overall human inter-relations vis-a-vis globalization as it affect USA positively and negatively.

The Bretton Wood institutions

The term economic globalization started with the Bretton wood conference of 1944 which saw the United States and Britain as economic powers of the global North reverse their protectionist policies of the inter war period (1918 – 1939). In the Bretton wood conference, it was agreed to the establishment of the International Monetary Fund (IMF) to administer international monetary system. Secondly, the establishment of the international bank for reconstruction and development was designed to provide loans for Europe post war reconstruction. It is presently known as World Bank. Finally, General Agreement on Tariff and trade established in 1947 as a global trade organization charged with enforcing multilateral agreement was in 1995 replaced with the world trade.

Since world war 11, barriers to international trade have been considerably lowered through international agreement General Agreement on Tariff and Trade (G ATT). Particular initiative carried out as a result of GATT and the world trade organization (WTO), for which GATT is the foundation, includes: The promotion of free Trade in the areas of:

Reduction or elimination of tariff; construction of free trade

zones with small or no tariffs. Reduced transportation cost,

especially from development of containerization for ocean

shipping. Reduction or elimination of capital control.

Reduction, elimination or harmonization of subsidies for

local business.

Intellectual property restrictions include:

Harmonization of intellectual property laws across the majority of nations, with more restrictions. Supranational recognition intellectual property restrictions (e.g. Patents granted by China would be recognized in the United States. (A:/Globalization-Wikipedia, the free encyclopedia.htm.) In the United State, deregulation was launched in all manner of vital function trucking and rail, health care and energy. (A :/Globalization-Wikipedia, the free encyclopedia.htm.)

The sophistry of the GATT globalize movement was shown in its slogan, “one word, one market” to argue that citizens of every nation had the right to access their food and all other needs directly from world source, not from the “confines” of their own nation. Borderless free trade was the goal across the border of banking, labour, industries and agricultural goods and services, and especially access to minerals and natural resource.

The world Trade Organization (WTO) came into existence on 1 January 1995 and co-existed with GATT for a year, whence the latter, as an organization, passed into history because of its new - liberalist ideology. New-liberal ideology Margaret Thatcher (British prime minister) and president Ronald Regan (US) was a counter attack on Maynard Keynes ideas of state interventionism. The neo-liberal measures include (i) privatization of public enterprise (ii) deregulation of the economy (iii) liberalization of trade and industry (iv) massive tax cuts (v) monetarist measure to keep inflation in check, even at the risk of increasing unemployment (vi) strict control on organized labour (vii) the reduction of expenditures, particular social spending (viii) the down sizing of government (ix) The expansion of international market and (xii) The removal of controls on global financial flows.

A lot of scholarly attention seems to have been drawn on the W.T.O neoliberalist ideology that such globalization weakens monopolies. As countries open up their market, national monopoly producers face competition from foreign firms. However, one firm will occasionally get a sufficiently large global technological advantage that it acquires a temporary global monopoly, and more commonly oligopolies exert global market power. Globalization has enriched the world scientifically and culturally and benefit many people economically as well (Globalization: Curse or Cure 2000) yet it has some extent magnified the problems that have become greater and frustration has mounted (Globalization: Curse or Cure 2000) of course, economic globalization simply refers to the intensification and stretching of economic interrelation across the globe. Gigantic flows of capital and technology have stimulated trade in goods and service. Markets have extended their reach around the world, in the process creating new linkages among national economies. 'Huge transnational corporation, powerful international and economic Institution, and large regional trading system have emerged as the major building block of the 21st century global economic order. (Steger,2005)

Martin Khor wrote that:

Economic globalization is not a new process, for over the past five centuries firm in the economically advanced countries have increasingly extended their outreach through the trade and production activities (intensified in the colonial period) to territories all over the world. However, in the past two or three

decades, economic globalization has accelerated as a result of various of liberalization that have swept across the world. (Khor, 2003).

Globalization of the economy such as advance in communication and transport technology, combined with free market ideology, has given goods, service and capital unprecedented mobility. Northern countries that want to open world market to their goods take advantage of abundant cheap labour in the south, policies often supported by southern elites. They use international financial institution reduction trade agreements to compel poor countries to integrate by reducing tariffs, privatizing state enterprises and relaxing environmental and labour standards. With international trade, financial transfers and foreign direct investment, the economy is increasingly international interconnected. Trade agreement, such as the FTAA, NAFTA and CAFTA facilitate international trade, thereby strongly impacting people at all levels of the economy. They make free

trade for Northern exports without prohibiting the rich countries protectionist measure that harm southern competitors,

A view holds that: It is therefore high time that the mantra, of unrestrained globalization be questioned and challenged. The *tall* claim made by its advocates needs to be carefully scrutinized without the prevailing neo-liberal bias. The many failures, economic distortions and pitfalls of globalization need to be exposed. (South Asian Voice, 2007) Ikpe wrote in her paper titled “Economic system” that;

The government managed capitalism has been predominant even in most capitalist countries. What makes different is the governments pledged to return to pure capitalism in major capitalist countries percentage of the mix between government and private initiative. In the United State of America conservative deplore. The increase involvement of government in the economy. From time to time, there has been conservation. (Ikpe, 2003:215)

Nevertheless, the attention of this paper is to examine the impact of globalization on an advanced economy with the United State of America as a case study.

Impact of Globalization On The U.S.A

Globalization has encouraged international integration of markets for goods, factors, and technology has coincided in the past two decades with a shift in labour demand away from less skilled workers towards those with more skills. This shift in labour demand has “Comparative advantage”, each country comes out ahead, compared to how well it would do if it tried to produce everything itself, including those things it produced inefficiently.

There is abundant evidence that, over the long run, no country is able to develop fully without opening itself to extensive trade. Attempts at isolationist economics have uniformly been disastrous failures, measured by conventional measures of economic growth. The North American free Trade Agreement (NAFTA) and its side labour agreement, the North American Agreement on labour cooperation (NAALC), both went into effect on January 1, 1994. These agreements, supporting globalization between Canada, Mexico and the United States were signed with the intent of increasing economic growth and employment in all three countries over a fifteen year period. (Karla, 2006) However, the formation NAFTA was not without problems. NAFTA has been controversial since it was first proposed. Transnational corporations have tended to support NAFTA in the belief that lower tariffs would increase their profits while labour unions in Canada and the united states have opposed NAFTA for fear that jobs would move out of the country due to lower labour costs in Mexico (http://en.wikipedia.org/wiki/North_American_Free_Trade_Agreement)

One of the effects of globalization vis-a-vis NAFTA is in the area of unemployment. Lane Smith noted that:

Employment in US manufacturing industries has declined since NAFTA went into effect. Counting jobs that actually left the United States plus those that would have been created if not for rising imports, Economy E.P.I. Institute estimates that NAFTA caused a net loss of 440,000 U.S. Jobs. In fact, during the 1990s, the overall US trade deficit quadrupled, resulting in a net loss of 3 million jobs (Lane, 2006)

In a detailed study on the impact of Globalization on workforce Development and Composition in Florida, U.S.A, Bruce Nissen reveals that:

Florida gained 28,586 jobs through increases exports but lost 64,097 jobs through increased imports, for a net loss of 35,511 jobs. This net loss of jobs was offset by an enormous increase in population and consequent overall growth of jobs in the state over the ten year period but the net independent impact of NAFTA on the state was a loss over 35,000 jobs (Bruce, 2004)

In the view of the Executive Intelligence Review report of February, 9, 2007, it reveals that there has been an absolute loss of 5.5 million US manufacturing jobs since 1979 including elimination of nearly half the employment in the aerospace and auto-industries, the two major machine-tool reserves of the economy. The re-employment of contingents of these former manufacturing workers at less skilled, lower wage jobs has lowered the productivity of the American workforce. It is also accounted in another report that developed countries have lost jobs in manufacturing since 1970 and not even the United States has increased its manufacturing jobs from only 20.1 million in 1992 to 20.5 million in 1996 (Executive Intelligence Review 2007)

The economic dilemma of the United States under ongoing globalization is no small irony that the United States once the largest capital lending country in the world has turned to a capitalist borrowing country from Asia to make up its fiscal and trade deficits. (Borajas, 2005)

Migration in Globalization: The U.S. Economy Case Study

There is no doubt that “globalization” is a major contributor to the increasing flow of immigrants. However, despite the growing importance of international migration, the statistics needed to characterize migration flows and monitor changes over time are often lacking. There is not enough data to document the link between migration and globalization, but there are a number of suggestions. Two main ideas exacerbate that globalization decreases migration and that globalization increases migration of well educated people from developing countries to developed countries. What impact does this immigration have on U.S.A and its economy? This is much too large a topic to engage here. Anti-immigrant groups and scholars like Borajas argues that the influx of large numbers of people many with relatively low levels of education, creates competition for jobs and drives down wages native born workers. (Borajas, 2005) some of the more extreme versions of these arguments also try to paint immigrants as unduly drawing on public welfare measures without contributing a fair share into the economy or government coffers. Critics of this perspective argue that immigrants contribute a great deal to the economy, that they pay taxes at an equal or even greater rate than their native born counterparts and that they are among the hardest working people in the country U.S.A. (www.aifl.org/ipc/poUcyreports recent.asp).

However, issues pertaining migration can be legal or illegal. J.O. Gold Borough noted that: “there are some 4 million Mexicans residing illegally in the United States accounting to INS estimates and they are still crossing at a rate of about 150, 000 per year (Executive Intelligence Review 2007) A world Bank policy Research Report titled *Globalization, Growth and Poverty* report that: A study following individual, legal immigrants found that an average their left jobs in Mexico paring \$31 per week and on arrival in the United States could immediately earn \$278 per week (a nine fold increase). (*A World Bank Policy, 2002*)

The report continued that:

The experience of Mexico and the United States illustrate how migration can be a positive factor for both economies. About 7 million Mexican citizens are living legally in the United states, along with an estimated additional 3 million undocumented Mexican workers. This represents about 10 percent of Mexico population and an even larger share of the Mexican labour force. Their work in the united state takes pressure off the Mexican labour market (raising wages there) and leads to a significant flow of remittances to relatives back home. In the United States, this labour flow was a key factor contributing to sustained growth with low inflation in the 1990s. However migration into the United States is estimated to have reduced the relative wage of unskilled workers by 5 percent, once again demonstrating that globalization typically produces winners and losers (*A World Bank Policy, 2002*)

However, developments in early 2006 brought the Mexican American border issues to center stage in American politics. In May 2006, the U.S. congress several proposals to build a 400-700 mile fence along the U .S Mexico border to help staunch the flow of illegal immigrant [http://en.wikipedia.org/wlki/North_American_Free Trade_Agreement](http://en.wikipedia.org/wlki/North_American_Free_Trade_Agreement). Whether this measure has checkmated the flow of illegal immigrants into the U.S.A from Mexico is still subject to debate.

The free movement of goods, services and persons has quickened the height of international terrorism. Unfortunately, tools of trade and commerce can be converted into tools of crime. As the multinational corporation have led the drive the globalize the world’s economics, so also is crime, multinational and syndicates. International terrorist are not only al-qaeda network militants but can operate in form of cyber terrorist. Cyber terrorists are skilled in hacking information of private cards and numbers, and information technology in general. They are also skillful in the infection of virus into the computer with the primary motive of cause breakdown of the system. However, one of the remarkable incidents of terrorism against America took place on 11, September 2001, when three hijacked commercial airliners hit, in short succession, the World Trade Centre in New York and the Department of Defense’s pentagon building in Washington, D. C. A fourth plane crashed in Pennsylvania before the hijackers were able to reach their intended target. Over hundreds of heroic New York police and firefighters trapped in the collapsing towers of the World Trade Centre. Since this incident, the psychological set back faced by Americahas led to capital investment in the global fight against terrorism. In addition to the militant terrorist attack, is another aspect of terrorism known as bioterrorism. This aspect of terrorism encourages the use of chemicals in human destruction. A vivid example is the terrorist launching of Anthrax in Washington D. C. after the Osama bin laden master planned September 11,2001 attack on World Trade Centre (W.T. O).

Globalization and Food Security in the U. S.A

The place of food as life wire of every nation cannot be over emphasized. With the formation of NAFTA (North American Free Trade Agreement), farmers in Mexico was frightened because of heavy agriculture subsidies for farmers in the United States to put a great deal of down pressure on Mexican agricultural prices which force many farmers out of business. ([Http://en.wikipedia.org/wiki/North_American_Free_Trade_Agreement](http://en.wikipedia.org/wiki/North_American_Free_Trade_Agreement)) Of course, NAFTA threatened the safety of the nation's food supply. Thus vindicating Goldsborough (<http://www.globaexchange.org/campaigns/Ftan/503.htm>) that well subsidized U.S. farmers began selling, wheat rice, potatoes, pork, apples and barely to Mexico duty free. Bill Christison in the paper titled: The Impact of Globalization on Family Farm Agriculture accounts as follows:

While the farmer growing cereal gains wheat, oats, and corn-earn negative return and are pushed close to bankruptcy, the companies that make breakfast cereals reap huge profit. In 1998, cereal companies Kellogg's; pucker Oats, and General Mill enjoyed return to equity rates of 56%, 165% and 222% respectively. While a bushel of corn sold for less than \$4, a bushel of corn flakes sold for \$133. In 1998, cereal companies were 186 to 740 times more profitable than farms (Bill, 2000)

The simple reason to be deduced from this argument is that inflow of immigrants into the U.S.A would have made labour cheap and thus the production of farm goods. Next to food production, is quarantine of the animals. America closed its border against Canada in 2003 in protest of a beef animal disease Bovine Spongiform Encephalopathy discovered in Canadian cattle. It took the clearances of the office of the office of international Epizootics (OIE) in Paris to reverse the trend, after billions of dollars has been lost. (www.agribusinessaccountability.org/page/325/)

Globalization, American culture and industry

One of the significant of impact of globalization to the world economy is the aspect of Americanization. The present writer carefully intends to draw comparison between varying cultures and adaptability. On issue of American global industrialization, many U.S factories relocated to Mexico and laid off American workers and replaced them with much cheap labor south of the border (Hawkins, 2006) Unfortunately, the U.S is receiving serious economic threats as most of the assembly plants that sprang up along

the US Mexican border have relocated to China leaving 250,000 unemployed Mexican worker behind.(Hawkins,2006) Presently, the much ado dollarization of the world economy is beginning to witness tremendous erosion. The rise of East Asia in terms of industrial competition is presently turning to a threat to the U. S. A.

Nevertheless, the world is beginning to witness cultural Americanization vis-a-vis imported films magazines and other forms of electronic media. It has been argued that increase in global violence could be deduced from the America spread of the principles of globalization. Apart from that, most celebrities that appear on the T.V screen show cases not the best in egalitarian, distinct class but at times moral hopeless men and women who culture differs.

Conclusion

In this study, careful and purposeful thoughts have been directed towards understanding the impact of globalization on advanced economies. Indeed efforts made so far in this paper, may not have address the topic in its entity, yet the present writer insists that it is quite impossible for a single paper to give a composite over view on the impact of globalization on the U.S.A just like M.B Steger, the writer concludes that transformative social process must challenge the current oppressive structure of global apartheid that divides the world into a privileged North and disadvantages south. Policies therefore must be put in place to grant social justice of the living standard of the poor in order to be full partakers in globalize arrangements.

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