Journal of Economics Library
econsciences.com
Volume 12 June 2025 Issue 2

Beyond prosperity: Reconciling the economics and philosophy of globalization amidst persistent impoverishment in the Developing World

By Rizwan Ahmad YAZERKEM †

Abstract. The economics and philosophy of Globalization are generally not discussed together. This paper assesses the claims of economic prosperity through economic integration in the backdrop of cultural, political and social value system implications of Globalization. This debate becomes important when we see a major part of developing world still struggling with impoverishment while cheerleaders of Globalization already claim a success story out of increased integration of developed and developing economies post 1980s.
Keywords. Globalization, Macroeconomic policy, Economic integration, Postmodernism.
JEL. F15, F36, F60.

1. Introduction

The term Globalization came into use since 1980s. It conveys the meaning of spread of Western values of liberty and universalism connecting people with each other (Schlote, 2005; Kahler, 2004). This interconnectivity generates the powerful metaphor of world as a "global village". In pure economic sense Globalization is defined as "internationalization of economic activity... (through) ...integration" (Held, 2000, p.92; Knight, 2003).

Generally the literature discusses the notion of Globalization within the ambit of two seemingly separate but basically interrelated aspects: economics and philosophy. The economic discussion of Globalization is relatively straightforward. Its philosophical aspect is however more ambiguous and manifests itself more so as cultural, political and social phenomena. The economics and philosophy of Globalization are however rarely discussed together. This paper explores the intertwined nature of Globalization"s economic and philosophic facets. Its main aim is to assess the optimistic macroeconomic claims made by the Globalization cheerleaders and to integrate the realities of these claims with the underpinning philosophy.

The paper has five sections. Section 2 highlights the economic achievements of Globalization attributed to trade liberalization and macroeconomic policy making. The ground realities of the economic claims of Globalization are briefly outlined in Section 3. Section 4 expounds the resultant macroeconomic and policy related difficulties associated with Globalization whereas its philosophical underpinnings are discussed in Section 5. These four sections are followed by a Discussion Section which seeks to make sense of the notion of Globalization in terms of its economic claims and socio-cultural aspects.

† Pakistan Research Institute of Market Economy (PRIME), Islamabad, Pakistan.

2. Globalization through economic integration

Global economic integration sought to be achieved through increase in international trade is at the heart of theory of economic Globalization. Many economists use the terms "globalization" and "economic integration" interchangeably (Rodrick, 2000). Economic integration or Globalization is accompanied by the emergence of a common culture where people buy same sort of goods and services and use English as their business language (Todaro & Smith, 2011, p.544) along with Western styled way of living. It is claimed that globalization, through increased international trade, is leading to decrease in poverty and income inequality specially in developing countries like China and India. Empirical studies show a strong positive effect of trade on economic growth. It is also found that globalization spurs faster growth which leads to poverty alleviation in developing countries (Dollar & Kraay, 2001; Parikh, 2007, p.260-262).

The idea that increase in international trade leads to economic growth is not a new one and is traced back to the times of Adam Smith (Edwards, 1993). The cheerleaders of Globalization identify that economic integration has caused faster growth in poor countries, decrease in the number of poor people in the world and, decrease in global inequality. They prove their claims through empirical data using indicators such as capital and trade flows, transport and communication costs, trade reforms and trade volumes, growth in per capita GDP and benchmark China, Mexico, Argentina, Philippines, Malaysia, Bangladesh, Thailand, India and Brazil to make their case. Their basic claim is that economic integration is a positive force which is improving lives of the masses in developing countries (Dollar, 2004).

World Bank's "star globalizers" (China, Vietnam, India and Uganda) of the 1990s showed an average growth rate of 4.75 during the decade which was much higher than that of most of the developed Western economies (Rodrick, 2007).

Other economists however find that openness or trade liberalization alone is not sufficient to increase economic growth in itself. They claim that opening of domestic markets through other trade policy variables like import tariffs, tariffs on intermediate inputs, trade taxes and total import charges are crucial to attain economic prosperity (Mamoon *et al.*, 2011). In nutshell the cheerleaders of Globalization claim poverty and inequality reduction because of Globalization through trade liberalization.

3. The economic ground realities of the contemporary World

On the surface the poverty has decreased in the developing regions of the world during the last two decades. These figures however are a bit misleading. China and India where poverty reduced from 6% in 1996 to 2.8% in 2004 and India from 36% to 29% in the same period are two of the most populous countries of the world (UNESCP, 2011; Townsend & Gordon, 2002, p.380-383). Their combined population accounts for about 30% of global population. If these two countries are taken out of equation then the poverty reduction stats stop looking that attractive as they seem. Empirical studies also highlight that World Bank poverty data are misleading and do not reflect the real rate of global poverty reduction (Cline, 2004, p.29).

The picture concerning income inequality is more ambiguous. According to traditional trade theories economic integration should lead to income inequalities, between skilled and non skilled labor, in richer countries. The trend is expected to be opposite in poorer countries. But recent empirical evidence suggests increasing inequalities in poorer and emerging economies (OECD, 2011). On a global level the World Bank's per capita income data of 2003 shows a gap of $8451 between the world's 66 richest and 52 poorest countries (Gilbert, 2004, p.132). World Bank data of 2005 show that despite the claims of integration-cheerleaders, 73.9% of South Asian (including the "star globalizer" India) and 72.9% of Sub-Saharan African population still live at less than $ 2 a day or PKR 5400 per month (World Bank, 2011).

The same figure for Europe is less than 10%. Empirical evidence also shows that 51 of the largest 100 economies of the world are not countries but business organizations. The combined annual sales of top 200 companies of the world is $ 7.1 trillion (more than the combined GDPs of 182 countries), and that 4.5 billion people in the world account for less than $ 4 trillion of economic activity (McAuley *et al.*, 2007, p.447). The economic superiority of large corporations is coupled with the legal immunity which they enjoy. The American Communication Decency Act (CDA) 1996, for example, provides total immunity for mega service providers such as Google, Facebook, Twitter and Skype from being sued. According to PEW report (February 2010) 73% of wired American teenagers use these social networking websites and their parents can do nothing to stop a third party from posting any content about their children (Jacques, 2010, p. 50, 116 & 118). These figures raise many questions. The most basic and crucial of which remains: how have the business organizations attained this level of economic and legal dominance and clout whereas billions continue to live at merely subsistence economic levels?

4. The other side of economic integration

Empirical studies show that openness has negative impact on income. It is the rule of law and institutional quality of a country which determine its rate of economic growth (Rigobon & Rodrick, 2004). Both rule of law and institutional strength are intrinsic to a country and are hard to import or export like economic goods and commodities. Similarly human capital development, a precursor for institutional quality and rule of law, is found to be dependent on good internal policies and not economic integration. Research also demonstrates that democracy, a prerequisite of Western culture, is not a must requirement for good internal policies which can be harnessed and pursued even by dictatorial regimes (Glaser *et al.*, 2004).

Link between poverty and income inequality reduction and Globalization is also questionable. Inequality both across the globe and within countries is on the rise. The whole continent of Africa seemed to have missed the globalization boat. China and India, both proponents of globalization, are also witnessing increasing inequalities within their countries. Basic assumptions of free-trade theory of globally convex production technologies, existence of perfect competition, politically neutral trade policies and, trade gains trickling down to masses are also open to questions and criticism (Todaro & Smith, 2011, p.545 & 566-567). Research shows however that macroeconomic policies cannot be separated from national and international political policies. The failure of World Bank adjustment programs is largely explained by its inability

to take into account the major political factors operating in a country (Dollar & Sevensson, 1998; Acemoglu & Yared, 2010).

Critics of globalization through economic integration argue that most of the "star globalizers" of 1990s era did not pursue the above mentioned free-trade theory tilt during decades preceding 1990. Both China and India are known to have free-trade restrictive policies along with tightly regulated financial markets. Globalization is also known to be frequently accompanied by sudden financial crisis leading to decrease in aggregate demand and economic malaise and recession (Rodrick, 2007). The case of European integration in the form of European Union is said to be a political rather than economical idea. It has resulted in flawed privatization and deregulation policies, appreciation of Euro over US dollar without a corresponding increase in manufacturing, over dominant role of European Central Bank, rising unemployment and, rise of unleashed corporate elites and media moguls (Stiglitz, 2004; Hay & Rosamond, 2002). This experiment of integration, even at a regional level, has not resulted in the desired economic ends.

The apparently favorable data of globalization is perhaps more explained on the basis of underpinning research methods and traditional data collection tools rather than actual ground realities. Traditionally Development Economists have inclined more towards macro or state paradigm of research as opposed to the micro or market orientation (Rodrick, 2008). The traditional research mindset tends to produce state-level data sets which do not reflect the actual economic conditions of the masses.

As already mentioned, Globalization has spurred major financial crisis in the recent past. The most alarming aspect of this crisis is that they are truly global in nature. They are also associated with a deep sense of economic inequity on the part of the masses. It is on these bases that many are challenging the viability of mechanisms of financial integration which is a key requirement for global economic integration. They argue that financial integration causes regional or even a single national industry financial crisis to spread across the world (Fitoussi & Stiglitz, 2009; Stiglitz, 2010; Stiglitz, 1991; Emran & Stiglitz, 2009; Marzo, 1999). The financial crisis hitting Indonesia, Malaysia, South Korea, Philippines and Thailand in 1997-98 did not only originate from single financial industrial sectors but were also long term in nature and caused protracted recessions in these countries (Barro, 2001; Greenwald & Stiglitz, 1988).

5. The philosophy of globalization

Globalization has its roots in the philosophy and ethics of utility and materialism which were shaped during the period of Western Modernity. The technology revolution of the late 20th century created a world of "hyperreality" of media where the real became difficult to distinguish from the virtual. The onslaught of media hastened the spread of Western values across the world.

Western Modernity collapsed into Postmodernism which is based on the forces of commoditization, consumer capitalism, and the generalized secularization of the world (Boje *et al.*, 1996). This Postmodern worldview presents the contemporary world as a place where scientism has defeated religion, regimented leisure has upper hand over casual entertainment and inhibition of human spontaneity in favor of gadgets and technology. The hedonist "global village", led by Western values and life style, promotes

universalism through repetition and discourages contextuality, indigenousness, localness and inventiveness (Appadurai, 2008, p. 6-7 & 67-68). Globalization is the cultural and economic manifestation of this Postmodern Western worldview.

Many view globalization as a form of neo-colonialism by the West. Eminent contemporary linguistic philosopher Noam Chomsky, in a series of interviews with Barsamian, notes the current Western (especially American) colonialism, in the following way:

> "Much of the world is overwhelmingly opposed to the (Iraq) war because they see that this is not just about an attack on Iraq. Many people correctly perceive it exactly the way it's intended, as a firm statement that you had better watch out, you could be next. ...This (Iraq war) has nothing in particular to do with *access* to the oil for import into the United States. It"s about *control* of the oil... For the last twenty five to thirty years, the U.S. has been blocking any (peace in the Middle East) such settlement... The current government (of George Bush) has claimed rights that go beyond any precedents, including even the right to arrest citizens, hold them in detention without access to their family or lawyers, and do so indefinitely, without charges" (p. 3-6, 8-10, 13, 37-39 & 49).

Postmodernism represents a denial of overarching truths and metanarratives. It is a revolt against all authorities and seeks total moral freedom in the name of liberty and freedom of expression (Forlines *et al.*, 2001, p.420-422). Encouraged by the lack of quest and care for finding truth some contemporary thinkers have assumed that all major questions facing humanity have been settled and nothing is left to be resolved. Francis Fukuyama is one such thinker whose central thesis in his idea of "end of history" is based on Hegelian and Marxian assumptions that once the mankind achieves a society which resolves and satisfies its deepest and the most basic questions, its further evolution would cease. This utopia of Hegel and Marx envisioned the formation of a liberal state and a communist society as end of history. For Fukuyama the "end of history" lies in the attainment of liberal democracy after which no further questions remain to be answered and his observation that "world's most developed countries are also its most successful democracies" (Fukuyama, 2006, p.xii-xv) encourages him to equate democracy with development and success, a stance not very different from the cheerleaders of Globalization who assume economic prosperity for all through democracy and trade liberalization. The end-of-history worldview coincides with the skeptical postmodern perspective in rejecting meta-narratives and moral authority (Rosenau, 1992, p.65). It is ironic that while Fukuyama celebrates end of history, Huntington (1997), points out to an impending "clash of civilization". He seems to imply that the "clash" is inevitable if Globalization, its culture and underlying Western values are not internalized across the world.

In Postmodernity the rationalistic and transcendent ideas of Modernity are replaced by the blur and hyperreality of media and technology. On the surface Modernity and Postmodernity seem poles apart because the former accepts the central authority of a human subject, metanarratives, overarching principles and the notion of truth while the later rejects them, yet they share a common thread. That common thread is a deep commitment to empiricism, reductionism, materialism and utilitarianism. In this way Postmodernism is not very different from the utilitarian and materialistic ethics underpinning the era of Modernism of Western Civilization (Yazdani *et al.*, 2011).

6. Discussion

Main focus of this section is directed towards resolving the core issue of this paper: Has economic integration (Economic Globalization) endeavors of last two decades improved global economy and does it also entail cultural integration (Ideological Globalization)? This is a fundamental question in assessing the impact of economic integration or Globalization which by its very definition encompasses not only economic policies but also politico-cultural and social integration. Politics, cultures and societies are based on certain sets of values. The contemporary Universalists slogans of Globalization therefore cannot be materialized without congruence with core Western values.

The arguments in favor of global economic prosperity are fundamentally flawed. Although empirical studies show a positive association between trade liberalization and economic growth, they do not establish a causal link between the two. The association of poverty alleviation with Globalization is not suggested clearly even by the traditional World Bank data. Even if some economic indicators point towards poverty reduction in some developing countries, Globalization cannot be credited with it on its own. China and India are considered the stars of Globalization. Both the countries pursued conservative, rather somewhat anti international trade liberalization policies before 1990s. It can well be that their current economic growth is a result of pre-1990s policies coupled with good internal governance and not economic integration.

The World Bank data showing about 3/4th of South Asian and Sub Saharan African population living below $ 2 a day also refutes the claim that Globalization is causing global or developing countries‟ economic prosperity. Taking China and India out of the equation worsens the South and East Asian poverty data even more. World Bank poverty data is also considered to be skewed because it only includes those countries which are benefiting from its sponsored projects.

Similarly income inequality claims through Globalization are also not supported by empirical evidence presented in this paper. There is a wide gulf between per capita income of world‟s rich and poor countries. The data of this paper also suggests that large business organizations are now richer than most of the countries of the world. Large organizations also enjoy the legal protections offered to them by law codes such as CDA. Because of their immense economic strength, the contemporary large organizations have assumed the role of states. This situation is readily comparable with the status of unilateral power enjoyed by the Church during the Dark Ages of Western civilization.

The paper has also highlighted the role of Globalization in spurring major financial crisis during the last decade. Financial integration seems to have transformed such crisis into “contagious” diseases because they are no longer inhibited by geographical boundaries. They are unpredictable because they have originated from a single industry to spread like a virulent epidemic across borders in no time. They have slowed down economic growth over long periods and have triggered protracted recessions across many parts of the world.

The case of European integration serves as a discouraging model for pursuing interregional albeit global economic integration. Its empirical

outcomes such as increasing unemployment, botched deregulation and privatizations and strong emergence of managerial elitism all point against the claims that Globalization leads to inequality and poverty reduction.

Lack of enough qualitative research and longitudinal studies also seriously challenge the reliability of empirical claims of economic prosperity in developing countries through Globalization. The typical macroeconomic research paradigm of cross sectional data analysis fails to establish causalities and therefore cannot be presented as a reliable rational for supporting the proposition that Globalization through economic integration causes economic prosperity.

Globalization is underpinned by Postmodernist philosophy. Postmodernism announces freedom from all authorities such as religion, history, science and most of the other cornerstones of Modernism. It is however based on the same utilitarian and materialistic ethics on which Western Modernist discourse is based. Postmodernism therefore bows down to the authority of capitalism, elitism, corporate empires and media power. It exalts media and sports celebrities to the status of icons. In a very foundational way it is not different from the Western hegemony of Modernist colonialism. The physical colonization is however replaced by a more subtle manifestation called socio-politico-cultural integration which basically means persistence of prevalence of Western values and culture over all other cultures, value systems and ways of living. In this sense Globalization or the cultural manifestation of Postmodernism is neo-colonialism masked in the disguise of integration.

The common denominator of Modernism and Postmodernism is that both originated in the West and both helped spread Western modes of living across the globe. In current times this spread is not only indirect and confined to technology but also through direct brutal use of military force and imposing wars and civil disobedience in many regions of the world.

The cultural integration argument has many flaws. There seems no evidence to support the assertion that universalism in being readily accepted. If this was so then there would be no seven or eight distinct current world civilizations, no US sponsored war against the perceived enemies, no “occupy Wall Street” movements, no massive public protests against G8 and NATO conferences, no development of political and military ties between US and its new allies and, no friction between secular and non-secular ideologies. All of these ground realities point that the claim of a universal culture and way of living through integration is unnatural and illogical.

The above discussion shows that integration whether economic or cultural is not the ultimate end to achieve. It can perhaps be a mean to improve coordination at regional level. Globalization, both economic and cultural, has not benefitted the world equally. As a matter of fact it has accentuated inequality, poverty, elitism, sense of injustice and deprivation and, has only succeeded in imposing Western life style and value system over other cultures and societies... Globalization seems to have failed to achieve economic prosperity but has definitely helped to promote Western values based life styles.

References

Acemoglu, D., & Yared, P. (2010). Political limits to globalization. *NBER*, Working Paper, No.15694. doi. https://doi.org/10.3386/w15694

Appadurai, A. (2008). *Modernity at Large: Cultural Dimensions of Globalization*. USA: University of Minnesota Press.

Barro, R.J. (2001). Economic growth in East Asia before and after the financial crisis. *NBER*, Working Paper, No.8330. doi. https://doi.org/10.3386/w8330

Barsamian, D. (2005). *Noam Chomsky: Imperial Ambitions: Conversations on the Post-9/11 World: Interviews with David Barsamian*, 1st Edition, Metropolitan Books: New York.

Boje, D.M., Gephart Jr., R.P., & Thatchenkery, T.J. (1996). *Postmodern Management and Organization Theory*. California: Sage Publications, Inc.

Cline, W.R. (2004). *Trade Policy and Global Poverty*, Massachusetts: Center for Global Development.

Dollar, D., & Svensson, J. (1998). What explains the success or failure of Structural Adjustment Programs?, *Development Research Group: World Bank*, No.WPS1938. [Retrieved from].

Dollar, D., & Kray, A. (2001). Trade, growth, and poverty. *Development Research Group, The World Bank*, No.WPS2615. [Retrieved from].

Dollar, D. (2004). Globalization, poverty, and inequality since 1980. *World Bank Policy Research*, Working Paper, No.3333. [Retrieved from].

Edwards, S. (1993). Openness, trade liberalization, and growth in developing countries. *Journal of Economic Literature*, 31, 1358-1390.

Emran, M.S., & Stiglitz, J.E. (2009). Financial liberation, financial restraint, and entrepreneurial development. *Institute for International Economic Policy Working Paper Series*, No.IIEP-WP-2009-2. [Retrieved from].

Fitoussi, J.P., & Stiglitz, J.E. (2009). The way out of the crisis and the building of a more cohesive World. *Observatoire Francais des Conjonctures Economiques*. No.2009-17. [Retrieved from].

Forlines, F.L., Pinson, J.M., & Ashby, S.M. (2001). *The Quest for Truth: Answering Life's Inescapable Questions*. USA: Randall Hall Publications.

Fukuyama, F. (2006). *The End of History and the Last Man*, New York: Free Press.

Gilbert, G. (2004). *Contemporary Issues: World Poverty*. California: ABC-CLIO, Inc.

Glaeser, E., Porta, R.L., Lopez-de-Silanes, F., & Shleifer, A. (2004). Do institutions cause growth?, *NBER*, Working Paper, No.10568. doi. https://doi.org/10.3386/w10568

Greenwald, B.C., & Stiglitz, J.E. (1988). Financial market imperfections and business cycles, *NBER Working Paper Series*, No.2494. doi. https://doi.org/10.3386/w2494

Hay, C., & Rosamond, B. (2002). Globalization, European integration and the discursive construction of economic imperatives. *Journal of European Public Policy*, 9(2), 147-167. doi. https://doi.org/10.1080/13501760110120192

Held, D. (2000). *A Globalizing World? Culture, Economics, Politics*. London: Routledge.

Huntington, S.P. (1997). *The Clash of Civilizations: Remaking of the World Order*. Touchstone: Simon & Schuster.

Jacques, T. (2010). *How to Fight Google and Win! Reputation Management Textbook of Strategies*, Mandeville: Reagan Publishing, LLC.

Kahler, M. (2004). Economic security in an era of globalization: Definition and provision. *The Pacific Review*, 17(4), 485-502. doi. https://doi.org/10.1080/0951274042000326032

Knight, J. (2003). Updating the definition of internationalization. *International Higher Education*, 33(6), 2-3. doi. https://doi.org/10.6017/ihe.2003.33.7391

Mamoon, D., & Murshed, M.S. (2011). Beyond institutionalism: There lies a good set of trade policies, MPRA Paper No.29532. [Retrieved from].

McAuley, J., Duberley, J., & Johnson, P. (2007). *Organization Theory: Challenges and Perspectives*, Prentice Hall: Financial Times.

Parikh, A. (2007). *Trade liberalization: Impact on Growth and Trade in Developing Countries*. Singapore: World Scientific Publishing Co. Pte. Ltd.

Rigobon, R. (2004). Rule of law, democracy, openness, and income: Estimating the interrelations. *NBER*, Working Paper, No.10750. doi. https://doi.org/10.3386/w10750

Rodrick, D. (2000). How far will international economic integration go?, *Journal of Economic Perspectives*, 14(1), 177-186. doi. https://doi.org/10.1257/jep.14.1.177

Rodrick, D. (2007). How to save globalization from its cheerleaders, *The Journal of International Trade and Diplomacy*, 1(2), 1-33.

Rodrick, D. (2008). The new development economics: We shall experiment, but how shall we learn?, *Faculty Research Working Paper Series: Harvard Kennedy School*, No.RWP08-055. [Retrieved from].

Rosenau, P.M. (1992). *Post-Modernism and the Social Sciences: Insights, Inroads, and Intrusions*, NJ: Princeton University Press.

Scholte, J.A. (2005). *Globalization: A critical Introduction*. 2nd Edition, New York: Palgrave Macmillan.

Stiglitz, J.E. (1991). Government, financial markets, and economic development. NBER *New Working Paper Series*, No. 3669. doi. https://doi.org/10.3386/w3669

Stiglitz, J.E. (1999). The financial system, business cycles and growth. *CEER* No.2. [Retrieved from].

Stiglitz, J.E. (2004). The process of European integration and the future of Europe, *United Nations Economic Commission Europe*, No.2004.1. [Retrieved from].

Stiglitz, J.E. (2010). Risk and global economic architecture: Why full financial integration may be undesirable. *NBER Working Paper Series*, No.15718. doi. https://doi.org/10.3386/w15718

Todaro, M.P., & Smith, S.C. (2011). *Economic Development*. 8th Edition, India: Pearson Education, Ltd.

Townsend, P., & Gordon, D. (2002). *World Poverty: New Policies to defeat an old enemy*. UK: The Policy Press.

Yazdani, N., Murad, H.S., & Abbas, R.Z. (2011). From modernity to postmodernity: A historical discourse on western civilization. *International Journal of Business and Social Sciences*, 2(11), 249-256.

SCAN ME