

World Historical Changes That Lead To The Emergence Of The Globalization Process And Its Effects In A Developing Country*

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Resumen

La historia nos ofrece importantes lecciones para entender el significado de los escenarios donde se desarrollan los procesos de la globalización. La globalización como un proceso no lineal puede heredar las discontinuidades y fracturas propias de los sucesos

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- * The present paper surveys some of the early academic contributions made by distinguished authors that are considered as the standard exponents of the 1990-2000 debate about the meaning of the term globalization. Some of these materials are included in by my University Students in the Course 402332-Global Economy Global Governance-at Universidad de Bogotá Jorge Tadeo Lozano. Materials on this paper are part of the research Convocatoria Interna N° 9-2012. Ref. 539-09-2012. "La Crisis del Dólar y el Euro y sus Efectos en la Economía Internacional. Universidad Jorge Tadeo Lozano.

históricos, o incluso registrar el efecto de los cambios en la tendencia propia de los acontecimientos políticos y económicos. Algunos efectos de estos sucesos, pueden parecerse a procesos que decaen en el tiempo, u otros que tienen sucesivas expresiones que manifiestan su carácter fluctuante o explosivo, en particular como ocurre con la apertura a nuevos mercados. Pueden también las economías verse afectadas por los choques externos, o por los cambios en la tendencia de los movimientos políticos a escala mundial, regional o local. Estos cambios pueden o no coincidir con las explosiones ocurridas en los mercados financieras o de bienes transables, o con las mejoras en los indicadores de convergencia económica. Las migraciones, las pandemias o los saltos tecnológicos pueden afectar el clima de la salud pública o modificar la tendencia en la distribución de las ganancias del comercio mundial, acentuando las diferencias de la propiedad y la riqueza entre los países ricos y los más pobres, así hayan acogido reformas liberales que se mejoran con el libre movimiento de factores productivos y recursos financieros. Desde el punto de vista sistémico el proceso de globalización permite incrementar el ritmo de interacción entre los mercados y entre los países participantes, como en efecto ha ocurrido en el mundo después de la caída de Muro de Berlín. Estos y otros aspectos que caracterizan el proceso de globalización son estudiados en el presente recorrido académico.

Palabras clave: globalización, mercados abiertos, democracia, participación, libre circulación de factores, mercado financiero y de dinero.

Abstract

History offers important lessons to understand the meaning of the scenarios where the globalization processes unfold. Globalization as a non-linear process can inherit the discontinuities and fractures of the historical events, or even to record the effect of changes in the political and economic developments. Some effects of these events can resemble processes that decay over time or others who have successively manifested fluctuating or explosive characteristics, especially as it is the case with the opening of new markets. Economies can also be affected by external price shocks changing the trend of the political movements, well at the global, regional or local level. These changes can or not coincide with financial markets explosions or well in tradable goods, or improvements in the indicators of economic convergence. Migrations, pandemics, or technological jumps can affect the climate of public health or modify the trend in the distribution of the profits from world trade, accentuating the differences in property and wealth between rich countries and the poor, have so embraced liberal reforms that improve the free movement of factors of production and access financial resources. From the systemic point of view the globalization process allows to increase the pace of interaction between the markets and among the participating countries, as indeed happened in the world after the fall of the Berlin Wall. These and other aspects that characterize the globalization process are studied in the present academic travel.

Keywords: globalization, open markets, democracy, participation, free movement of factors, money and financial market.

I. Twenty Years after the End of the Cold War and the Vision about Globalization

In this review paper we do not intend to analyze the wider literature written about the concept of globalization. Rather we concentrate on commonly accepted literature views written on the topic by some reputed authors since the “Fall of the Berlin Wall” in 1989 through the year 2000. We divide the literature review on six topics. One related on the propositions made by authors like Fukuyama and Huntington and their personal view about globalization and the emerging liberal and democratic order. Second, a review on the dialogue held about Economic History and Globalization conceived as a historic and geopolitical discussing element. Third, we explore the process Globalization along three great Economic Cycles occurred during the last hundred years. The fourth point intends contrasting views about current notions about Geopolitics and sees how they connect with modern Globalization definition. An important point brings to the fore the discussion between the Global Public Policy and the scope of Microeconomic Policy on the global competitive strategy. The fifth point observes some linking elements between the emerging concept of Globalization, and the world governance policy, multinationals and competitiveness strategies and finally the spread of technology as the new name given to world governance.

The authors Francis **Fukuyama** and Samuel **Huntington** started their enquire with an academic work that discussed about a particular view of the place in international politics and liberal democracies facing the historical events that followed after the fall of the Soviet Union’s communist regime during the 1990’s.¹ Fukuyama referred in “*The End of History*” that history’s object is understood as a unique process where the economy and culture evolved until society transforms into the technological capitalist system, event that would be self-evident after the fall of Berlin Wall (1989, p.12) and where some countries like the Latin American Nations that abandoned the militarist experience searched for a more democratic paradigm.

Fukuyama develops a normative argument concerning the goodness of liberal democracy and explores those arguments discussed by the schools of history and nature to admit a crisis in modernity searching for empirical facts of history to prove its directional pursues and confirm it is the product of free human self-creation as suggested by Leo

1 Francis Fukuyama. 1989. “The End of History”. *The National Interest*. Vol 16. Summer 1989. Pp. 3-18. Francis Fukuyama. 1994. *El Fin de la Historia y el Último Hombre*. Colombia. Editorial Planeta. English version “The End of History and the last man”. New York .The Free Press .

Strauss and George Wilhelm Friederich Hegel. Considers what Hegel said about Napoleon who understood the rationality of the world and was the person who was in the possibility to obtain universal recognition. Huntington view about the clash of civilization on the other hand shows a political tendency of the world where countries return to democracy by various reasons as shown with important political and economic evidences consigned in his works “The Third Wave” and “The Clash of Civilization”. Huntington, suggest that the end of the Cold War only indicates the end of conflicts within Western civilization and in the broader picture it means the world is in the beginning of a new era of “intercivilizational” agreements where an increasing number of states that choose liberal democracy would come to terms although in the actual third wave of democratization some of these democracies are likely to revert to authoritarianism.

In this research work we attempt an academic overview of some of the inspiring proposals made by scholars on this topic of the formation of a “one world-one single market” system where analysts’ foresight views about this emerging historical event. The rising literature on the globalization issue is particularly large, so we restrict our appreciation to some scholarship works written from 1989 to 2000. Following different historical approaches, we start claiming that both authors, Fukuyama and Huntington coincide that the world after 1989 when the Cold War was over East-West ended some political and economic events that shaped the “peaceful world” we know, at least in what concerns to World Wars. To begin with, the trigger factor that altered international politics was the fact that the Soviet Union and other socialist countries and great powers were considered the dangerous elements that could introduce the world into a new world war system. As dangers of a war diminished, international relations analyst considered the “endism” of war between certain types of nation states as a real possibility. Perhaps all agreed, in an absence of armed conflict between democratic regimes after the political and economic world opened to democracy and trade stimulus.

After all, democracy is a means for peaceful resolution of disputes and where liberal market economies and free market exchange is a historical force that brings prosperity to global players engaged in participating in the referred democratic zone of peace. In 1989, 60 out of 167 sovereign states were classified as free and since then the number of democratic states has been growing although some have returned to authoritarianism as happened in some Latin American Countries that adopted a brand of socialism. Some argue that war does not pay and that if trade is practiced among different countries there are motives strongly against war as less conflict of interest among countries and resorting to war to achieve its goals become very dear, as demonstrated by the destructing events attributed to the Second World War. Although these wishful predictions here presented on those days still remain the risk factor of some intrastate violence that prevails with its never ending widespread number of casualties.

The “*End of History*” as a provocative phrase suggests that Fukuyamas’s argument conveys a triumph on liberal-democratic principles as it is an alleged change in political

consciousness, although conflict between states is still possible as suggested by Middle East political turmoil facts, and by the amalgamation of larger and smaller political units that shares some war possibility. As China advances in the road of competitiveness dependency links itself with developing countries interests as with other those nations offering cheap supply of raw materials. Fukuyama reminds us about this interests derived by the conflicting situation presented when industrialized countries attempted to expand its influence to retain on raw materials source this mechanics of growth and competitiveness. Consciousness, ideas and ideology are words that shape actions of nations as well as men, movement that in Fukuyama's work *The End of History and the Last Man*, goes as far as to substantiate the fact that after the end of the Cold War the centralized state economic decisions process tend to be driven by these mankind motivators. Self-stem, popular sovereignty and the rule of law are those social variables that generally associate with the advance of a governed historical process.

The author published some "Reflections on the End of History, Five Years Later", in the academic journal *History and Theory* arguing that his investigation of various events is contemporary and empirically sound to evaluate liberal democracy developments. The relation of the empirical and normative evidence coincides with the description made of current events. The author however sees that the term democracy might be still an illusion. After the Berlin Wall fall in 1989 which marked the end of the Cold War and the end of a virulent nationalism still some nations attempted a return to power by some extremist's or terrorist groups that intended to dissolve the emerging democracies destroying the liberal world peace². This emerging event responded to the fundamental changes occurred in some leading countries as we saw recently by the irritating annexation attempt of Crimea and of East Ukraine by Russia. This reminds humanity how the Soviet Union united its geography with the help of the secret police activity, achieving its ends through the exercise of crude force to attain in other historical moments its political aims (1989, p.18).

During the XXIst century's socialism experiment in Venezuela, Ecuador, Brazil and some other Latin American countries, regional governments' showed a political interest to attempt a socialist change when "other side of the ideological spectrum rejoiced in the hope that the opportunity to enact their long-delayed projects has finally arrived and representatives of parties with Marxists origins took power in country after country, attempting to accomplish an economic, social and political end at once" as suggested by **Weyland** et. all, in a new book entitled "*Leftist Governments in Latin America. Successes and Shortcomings*"³.

2 Francis Fukuyama. "Reflections on the End of History, Five Years Later". *History and Theory*. Vol 34. No 2. May, 1995. Pp.27-43.

3 Kurt Weyland, Raúl L Madrid and Wendy Hunter. 2010. *Leftist Governments in Latin America. Successes and Shortcomings*. Cambridge. Cambridge University Press, p.2.

The late Fred **Halliday** considered that the great winner with this paradigm after the events of 9/11 was the nation that adopted the open world democratic systems. These theories seemed written in philosophical terms based from history idealist speculation rather than with empirical demonstrability to suggest that some historical irreversible trends followed by technological capitalism⁴.

Huntington in “*The Clash of Civilization*” shows some animosity still prevailing in what he defines as civilizations after observing that “...the interactions between civilizations vary greatly in the extent to which they are likely to be characterized by violence...”. Also considers that “...economic competition clearly predominates between the American and European subcivilizations of the West and between both of them and Japan...”.⁵ The critique this author makes about cultural hegemony of modernity coincides with the meaning we adapted to the terms “nation-state” and “national identities”, and how the United States the hegemonic nation in its preeminence goal to rule the world is aimed to preserving at least his cultural heritage. His questioned views about civilizational identities made the differences in religious traditions and ethnic and racial divides that make the sources of conflict in the forthcoming years. Conflicts will occur along the fault lines between civilizations, and these more visible and less effectively managed as observed by the resurgence of Islam post 9/11.⁶

Both liberal and communist states were for Hegel and Marx a significant expression of underlying institutions that evolved towards an end. Market liberal economy showed that under certain conditions, material prosperity reaches highs never experienced before despite positive and negative externalities like welfare policies or climate change due to atmospheric CO₂ emissions. China adoption of market incentives to expand its world economy presence during the last two decades of the twentieth century shows the possibilities to improve people’s expanding local wellbeing and acquiring geopolitical preeminence with the three Chinas “united”. Applied sciences introduced spectacular advances both in military science and in consumption possibility. In capitalist societies despite inequality in the distribution of income still rounds some rich countries as well as social instability as suggested recently by celebrated author’s works like **Piketty** and **Stiglitz**⁷.

4 Samuel P. Huntington. 1997. *El Choque de Civilizaciones y la Reconfiguración del Orden Mundial*. Barcelona. Editorial Paidós. Samuel P. Huntington. 1994. *La Tercera Ola. La Democratización a Finales del Siglo XX*. Barcelona. Editorial Paidós.

5 Samuel P. Huntington. 1993. “The Clash of Civilizations”. *Foreign Affairs*. No 3. Summer. p. 22.

6 Barrie Axford. 2013. *Theories of globalization*. Cambridge. Polity. P103.

7 Thomas Piketty. 2014. *Capital In The Twenty-First Century*. London. The Belknap Press of Harvard University Press. Joseph E. Stiglitz, 2013. *The Price of Inequality*. London . Penguin Books.

1.1 From Global Economic History to Globalization

The author James **Foreman-Peck** in his work *Historia Económica Mundial* shows how Western Europe dominated trade in head of Great Britain, the country with the largest national income per capita and perhaps the first modern globalizing economy. The remarkable European economic superiority is due to economic trade conditions that prevailed for the last two centuries and the local political preconditions given by the enclosures and the workshops in England converted in modern industries and the recognized political theory assumption where the national faculty to exercise the monopoly of violence received recognition by governor class. Its political and judicial system was able to impose decisions to ensure that rights were respected and prepared to resolve conflicts⁸.

Along the colonial empire controlling the Indian subcontinent as an exercise of world political power had long standing from the 18th century, when the old Mughal Empire was dissolved and the company of the British East Indies took advantage of the subcontinent fragmented political situation of exercising mastery of Indian divided provinces. This geopolitical experience was costly as to maintain a representative public administration, as numerous riots and popular resistance arose in British advantage to control larger territories overseas. In the case of the Imperial China, a nation that was not prepared to grant extraterritorial rights to resident European traders and attempts to impose British law came to precipitate a war in which the dominance of European troops was highlighted because of its superiority in technology and political acumen. In the case of imperialism exercised over the Kingdom of Thailand, was easy to attract to the system made by the enlarged world economy since its Monarch (Siam) had a preference for British and Western economic achievements. This gesture granted the ease economic to eliminate export duties and reduces tariffs on imports.

Rapid colonial market expansion experienced by the 19th century trade cycle and economic development was due in large part by technology that was implemented in the maritime and terrestrial transport with steam navigation and railroads. This was presented by the need to free markets to emerging economies; the first big step was to improve the railway and navigation technology. Carry luxury goods was never important to large economies since it was very expensive to transport them and thus this rising cost of a large world market, excepted for dear gold and spices. With the expansion of the maritime and railway network, it changed this cost situation, not only by reducing the charges of transport in general, but it became possible to carry these goods by varied and different routes shortening distances, time and costs, confirming von Thünen's theorem about integrating concentric regional circles around metropolitan areas to development. Other improvements such as the opening of Suez Canal helped to further reduce the gap between Europe and the East, thereby significantly lowering the costs of transportation in these routes. The railway network is a land mark indicator of the degree in which

8 Foreman-Peck, James. 1995. *Historia Económica Mundial*. Madrid. Tercera Edición. Prentice Hall.

international markets invaded economies or brought closer together to the centers the far away countries or peripheral regions as demonstrated by Fogel in his work entitled *Los Ferrocarriles y el Crecimiento Económico de Estados Unidos*⁹. According to the liberal ethic, countries that allowed the trade would benefit both as propellants of economic relations maximizing income revenues and increasing welfare gains as people were let to buy and sell freely and satisfy its consumed “utilities”.

Foreman-Peck suggests that competition prevented the use of the bargaining power to raise market prices above competitive levels. He considered that the structure of prices at competitive levels and the improvement in the purchasing power allowed greater access to the ownership of resources. However, the distribution of income indicators was uneven, and to the mercantilists, trade was essential for the growth and economic development emphasizing that generated employment and exports were therefore needed but acquiring more gold was essential to support growth in the long run. This Exchange was supposed to be generating increasing returns to the State through higher taxes on imports, while the tax base allowed achieving a growing internal economic power, improving the ability of the Government to become an investor in public utilities and satisfy its geopolitical strength through its Royal Navy world presence. From the social structure point of view early globalization linked the slave trade to business although was not the most humane source of cheap and massive employment for the extractive industries in the colonies and in the world periphery. For African economies, meant a high price the continuous emigration of labor force, and for Brazil a benefit the creation of an African enclave in the South American continent. Arguments to justify trade enlargement are supported by Adam Smith’s size of the market concept or as demand creator proposal made by Ricardo’s thesis about the comparative advantage as an explanation of exchanging more goods. According to the Rybczynski theorem, if the conditions of the theory of Hecksher-Ohlin, the growth of the labor force of a country through immigration, in the absence of other changes in the allocations of the economy, raised the production and export of goods work in out of a proportion that encourages the increase in labor-intensive factor.

The world expanded from free trade to globalization as the same economic system was governed by trade and investment rules that respected rational allocation of resources. The author **Alan Taylor** (2002) in his work “*Globalization Trade and Development*” invites the reader to compare *economic* and *political* forces that compete against traditional political forces and its institutions to produce sustainability to the world market system.¹⁰

He thus defines in his model that *vertical flesh* axis represents some of the *economic and technological forces* that are considered as the element that gives support to economic

9 Robert William Fogel. 1972. *Los Ferrocarriles y el Crecimiento Económico de Estados Unidos*. Madrid. Editorial Tecnos.

10 Alan M. Taylor. 2002. “*Globalization, Trade and Development: Some Lessons From History*.” NBER. Working Paper Series. Working Paper 9362. <http://www.nbr.org/paperes/w 9326>.

actors to display modern communication system and to obtain swift information at an inexpensive cost. Via new technologies like the telegraph, the phone, and internet this information is obtained. The *political forces* that he calls the *horizontal spirit* axis of globalization are part of the dominium of anarchical competing States where trade policies, capital movements and labor migration characterized the new globalization trends. Execution of contracts, fiscal policy and monetary easiness imposes freedom after modern political “constitutions” evolved to satisfy needs.

In a *vertical flesh axis* of the Cartesian plane, the author considers that the *flesh of economic and technological* forces are those that orient and promote globalization through regulatory mandates and foreign trade regimes, corresponding to those new economic forces the benefit of lower transport cost and more valued added to goods produced and access to better information channels. Financial and business information processed at high speed and characterized by lower cost allowed “*global*” market interaction. The time and space where a 19th century’s global event occurred needed 100 or 150 years to evolve. Here the global “economic laboratory” provided the historical data to interpret cross-country comparisons of exchanged currents of people, goods and transactions, wherein this historical setting time and space dramatically contracts.

This modern author raises three important empirical elements to understand what we mean by globalization in the emerging 21st century context. First, he suggests that a golden age of commonly accepted globalization existed between the years 1870-1914, where a second cycle of market protection via tariffs and other restriction goes until the finalization of the Second World War, and thirdly a phase of unlimited expansion that goes until the fall of the Berlin Wall.

During the nineteenth century 1870-1914, the event of globalization was helped *first*, by a favorable economic environment to extractive activities and raw material market exchange accompanied by the rise of the gold standard, mechanism conceived as a means of payment and provider of exchange stability, and *second*, the transportation revolution which lowered long-distance shipping costs. The change in shipping technology the construction of major canals, the changes in tariff policy particularly after 1914 contributed to increase world trade volumes. *Finally*, the impact of the World Wars encouraged the consumer’s economy growing and transforming into the driver of growth as suggested by von Misses. The long run impact of English Pound and the dollar contributed to extend foreign investment practices around many countries. Several questions must be answer to appreciate globalization foresight according to Taylor’s views:

- First measuring the extent of the two historical globalization processes.
- Identifying events that explain the rise and fall of globalization in different periods and in different world areas.
- Determining for whom the costs and benefits of globalization goes.

After the 1940's Breton Woods Accords the world rose the question of defining what Taylor considers are the initiating conditions to spread a "Global capital market" as impressive as the emerging degree of "Economic Integration" that followed when "the ratio of the stock of foreign investment in the world to global GDP increased" and with the "time series technique observes that in the world economy the ratio of stock of capital to global GDP rose dramatically". From 1870 to 1914, this passed from 7 percent to 18 percent of total figures. He also observed that from 1914 to 1950 it fell to just 15 percent and it rose slowly but until the 1980's when it then surged quickly and in the last two decades of the twentieth century passed from 25 percent to 92 percent (Taylor, 2006, p.2). The "global financial crisis" after the 2008 dollar collapse, means a new shock to interpret the impact of this event, as the U.S. Treasury had to proceed to back banking credit facilities for nearly US\$ 11.9 trillion.

Economists consider that the exchange rate, capital mobility and monetary policy are determinants that can be controlled but in historic terms we observe that in the classical gold standard (1870-1914) monetary policy was subordinated to the goals of capital mobility. In the interwar period, governments felt the need to use autonomous monetary policy and brought the collapse of the gold standard or allowed capital mobility. The economic chaos and instability of the interwar period was intolerable to those planning the contours of the postwar global economy at Bretton Woods, and fixed exchange rates were still viewed as a *sine-qua-non* for a stable world economy. The new arrangements that sacrificed capital mobility to keep currencies on "adjustable" pegs to the dollar preserved the monetary policy autonomy for some time but in the 1960's, the adjustability of pegs invited speculative attacks, and rising inflation from the U.S. importing anchor currency.

From 1971 onwards, the major economies have floated, adapting to capital mobility, preserving policy autonomy to limit transferring inflation symptoms. In other words the Taylor's globalization model considers that in the *horizontal spirit axis* lays the real *spirit of globalization* where, *political forces and institutions* reinforce or inhibit globalization. These are trade policies, as well as control of capital, immigration and those forces that restrict the market of goods and factors. It also includes items like the provision of public goods, property protection, contractual obligations and legal matters. The monetary and fiscal policy encourages controlling activities to curtail or eliminate bribery and corruption. In the *spirit horizontal axis*, the *political institutions* reinforce or inhibit globalization if right trade policies, control of capital, immigration and allocations of market of goods and factors respond to an organized system. It includes items like customs which provide public goods, property protection, and contractual obligations. In this axis the behavior of monetary and fiscal policy are predictable, where the elimination of bribery and corruption helps to reorganize markets.

Kenwood and Lougheed in their book entitled "*The Growth of the International Economy*" suggest in a work divided in three parts, that the international economy had a stage

of rapid historical growth during 1820-1913, a period of crisis between the war and the period of rapid rate of expansion in the international setting that manifest after 1945.¹¹ The authors established that the exchange of goods and services were the means through which world independent units came in relation to a rapid development, arguing that the international economy promoted trade making part of the national or international community that experienced a major growth share of the economy in several ways:

- By providing opportunities for international specialization.
- Acting as a mechanism to disseminate trade-based advances in technology.
- Suggesting that part of the endowment of factors, allowed countries to grow faster thanks to technical progress that was attributed to technology, change that propelled increase in productivity and with the demand for goods and services spread welfare gains.

It is argued that the international economy promotes the growth of the economy in several ways thanks to the rapid change in the structure of the transport costs, and by the emergence of new products and production processes closing the gap between national specializations in the production along the line of the comparative and competitive advantage. This historical event was present during the last two centuries where agents like the so-called investment banks most of them located in the City of London improved the quality of the investment current in particular in Europe or Latin America. The capital outflow is linked to the higher levels of savings represented by individual households that in the end financed Governments that required loanable funds. These investment institutions helped to mediate or arbitrate resources. The process of labor migration had strong impact on growth, after millions of Europeans sought destinations in various continents, especially in North America and South America. The unification of States contributed to increasing the exchange of specialized goods represented by raw materials and manufactured goods thus increasing trade balances and exchange flows.

The author **Barrie Axford** wrote a book entitled “*The Global System. Economics, Politics and Culture*” on similar lines with the two previous. Relates the globalization experience after integrating the concept of hegemony with the expansion of the global economic system.¹² In chapters 1 and 2 of this interesting work views the global system as the conductive force that transforms the social structures including modern forms of capitalism where the use of machines increases production in several ways in the newly industrialized countries. Considers that the global system changed since the 16th century when an increasing numbers of Nation-State developed its frontiers and other institutions being its immediate effect the transformation of the current world map where global

11 Kenwood, a. G, and A.L. Lougheed. 1998. *The Growth of the International Economy.1820-1990* Third edition. Routledge. London.

12 See Barrie Axford. 1996. *The Global System. Economics, Politics and Culture*. Polity Press. Cambridge.

politics characterizes political situations of confrontation and conflict. Creation of the nation-state required surpassing the issue voluntary associations of producers, reconciling ethnic and religious groups and according international laws favored integration and trade. Aspects of structuralism or relations with social partners traduced in different forms of mediation or modern social cooperative relations (1996, p. 3).

The Chapter 5 of the book refers to the scope of the European unification pointing out what parts and elements were involved in the process creating a new societal identity. Is the case of the formula of that International Monetary Fund and monetary systems like the Maastricht Accord where some countries attempted to create a Monetary Union between those signatory states that achieved conditions for the future convergence of economic indicators. Globalization at the end of the day is not more than a process that serves to compress the world time and distance. (1996, p. 5).

- Here, the world economy thrives on information and sharing knowledge.
- Industries where parts are made in other countries links integration and global partnership.
- Adopting the criteria of theory z and the “just in time” from the Japan, increased production and the issues and concerns about the ecological defense of invaded parties thought.
- Culture-related systems are composed by individual social-groups, or multi ethnic communities.

What a critic situation becomes in this context is that the behavior of competing states in the absence of rules governing the interaction of States in relation with the international system. This mix of interests collides with the realistic approaches to international policies that identifies and melt anarchy with regional strategies of survival. This vision is at odds with the constructivist approach of international relations in which identities are not given for free if not build by the states system. It is here therefore necessary to integrate the system to the subjects that comprise it forming within them the parts into a new whole. Supranational and world systems approach this subject according liberal and state views.

Axford in the Global systems observes that “...although the State during the 19th century attempted to organize political life by obtaining its legitimacy from the daily aspirations of citizens, during the 21st century states have to invoke alliances or subordinate with scope supranacional regimes emanating proposals, regional or local, or inspired by the feeling of civil society” (1996. pp. 41-43).

The theory of dependence or unequal exchange and power shared between countries that are related via periphery catalog negative effects between the advance of capitalism and other autonomous author like Minks pursue economic development at a large geographical scale. And from the perspective of global culture as a frame of reference leads

to different Constitutions of power and legitimacy, as it is the structure of education, population policy and environment policy that contributes to new forms of globalization. The values of globalization tend to extend its identity to different areas due in part to the behavior of the local practices where states tend to compete for traditions emanating from the global behavior of the political and economic mechanism. The sum of local authorities proposals make up a new network structured in a wide world whose consequences could be result of universal type institutions as suggested by the author Axford (1996, pp. 127-128). Also suggests this author that "...the advancement of post-modernity leads finally to the triumph of chaos or disorder against conceptions of large-scale, long-term social change and of organizational dynamics. Modernity endorses traditional cultures by virtue of predominance of reflexivity or self-monitoring contrasting with a post-modern notion of the excess of flux, contingency and complexity and...finally brings in the industrial societies that clamor for globalization that is coterminous with the industrial society that spread in scope to be global rather than exclusively national" (Axford, 1996. p.130).

At the other end of the theoretical international relations spectrum lies the work of the author **Immanuel Wallerstein** whose six great ideas about globalization are included in his provocative work "*The Modern World System*" (1974, p. 15) where he develops the notion that Europe constituted a kind of social interactive system that the world has not ever seen before. For some reason that deserves deeper inquire he suggests that in the world system, political life is governed by states and larger cities that adopt common rules, although each piece cannot not govern the whole world-system, mainly because it became larger than any juridical locally defined unit. It is therefore defined a *world-system* because the basic linkage between the parts of the system is in fact economic, although some cultural and political links do prevail. The authors Chase-Dunn and Grimes consider that the world system is an interactive complex where international relations and world market relates to each other, where structures such as individuals, firms, towns, regions being nationals or international as well as global interact in different patterns and ways. Thomas Shannon explains that the core countries is organized as system of competitive nation-states (1992, p.85).¹³

To better study this system and explain why it evolved in such a way, it is interesting to consider that the European economy transformed into a whole organization where new initial conditions determined the behavior of a set of harmonious paths, so that political development and sustained economic growth could occur. One important group of interrelated variables that contributed to integrate the world into a system can be defined as follows. In the *first* place, a prevailing nucleus of population in some small centers gradually linked or subordinated to emerging economic activity or rules originating in the

¹³ See the work of Thomas, R. Shannon. 1992. *An Introduction to the World-System Perspective*. Boulder. Colorado. West View. Chapter 4 . The Contemporary World System, and pp. 117-118 for a wider explanation of world systems.

center of the enlarged world-system. This increased world system made of a larger population nucleus gradually interconnected the constituent parts with an intermingled group of peoples engaged in production of surplus of different goods that required the help of a regular transport and communication network to be distributed on time. Removal of political and economic barriers to long distance trade also contributed to reduce risk in the business of transportation, bringing to the process significant reduction in transport and transaction costs. In this way, trade allowed for new changes to follow in the market structure and consumption composition, changing from luxuries to bulk goods in the enlarged trading system.

Minchinton in his work "*The Growth of English Overseas Trade*" suggests that the old European trading system in the centuries referred to benefited from a *second* of Wallerstein element associated with the exploitation of a favorable geographical position of goods in producing areas. One important characteristic that allowed for the appearance of an enlarged system and closing distances was the extended use of improved vessels, so ship construction became a labor creating industry closely associated with trade activities and one important agent in developing the new world structure. An important improvement that contributed to more regular navigation practices was the cartographic skills and navigational techniques acquired that allowed for easier market access. As the new trading system organized around a regular pattern, the exploitation of extra-European trade helped to promote individual merchant's activities¹⁴. Time and space were shortened in this new emerging system of exchange. Therefore new economic conceptions like the improvement of efficiency, a notion commonly associated with cost reduction, helped to finance the enlargement of the world system. The more capital accumulated along this path, made this the *third* Wallerstein element is the base for the development of a new powerful factor that was the banking institution devoted to financing this and other complementary activities.

To this new enlarging process, must be added a fourth transforming activity that brought capital and production surplus. It refers to the rapid transformation of agricultural activity, an economic process that contributed to increasing local consumption and expanding trade currents. With the incorporation of frontier agricultural land into production, additional initial conditions for sustained growth and for further capital accumulation developed, becoming important institutional changes that for some centuries to come allowed for sustained growth. Wallerstein sums up as a final point the fact that the world-system fused into a contributory productive system forming what we know as a world economy made of several nation-states (1994, p.12).

This crucial new concept of *the world economy* become what we understand presently a sort of liberalized globalization model where parts in itself interact. From this view point, he regards the world economy as a single interacting mechanism, where variables

14 See the work of W.E. Minchinton. 1969. *The Growth of English Overseas Trade*. Methuen & Co Ltd. London. P. 1.

like commodity prices or the cost of capital, transmit powerful market signals that bring substantial and unpredictable changes into the whole world-system. Orthodox analysts coincide to proclaim that there are endogenous forces in this world system, which when activated, produce long-term cyclical movements, and that instability when excessively prolonged devastates trade and exchange structures. Empirical evidence shows that the duration and intensity of fluctuations became stronger and perhaps virtuous in those countries whose productive activity relied on the specialization of production of valuable tradable goods, and other important considerations that Wallerstein illustrates in his many years research work on the development of the world system¹⁵.

1.2 Globalization and Economic Cycles

The late author Angus **Maddison** in his book “*The World Economy. A Millennial Perspective*” opens interesting views about the definition of Globalization advancing serious analysis on long term series on population, income and income per-capita variables. In his historical work that comprises several books he develops some features to define the phases of capitalism where several globalization experiences are present in the long trend. Used for the analysis of the economic cycle the following variables: growth rate of product, per-capita income, exports, cyclical changes in the product and exports, unemployment, change in consumer prices, and contributions from the Government on the change in demand, foreign trade payments mechanism and factor mobility allowing with his results seminal definitions of this world phenomena. The intensity of these features varies depending on phase stage, being her most favorable the golden-age. The starting point of the capitalist phase depends on the country and the historical moment¹⁶.

- *Cycle I* of commercial liberalism, from 1870-1913.
- *Cycle II* of begging the neighbor, commodities price decline devaluation and tariffs rise. 1913-1950.
- *Cycle III* or golden phase of growth with full employment from 1950-1973.

15 Wallerstein, Immanuel. 1974. *The Modern World-System*. Academic Press. New York. Wallerstein, Immanuel. 1980. *El Moderno Sistema Mundial*. II. Alianza Editorial. México. Other Works are . Wallerstein, Immanuel. 1999. *Globalization or the Age of Transition? A Long Term View of the Trajectory of the World-System*”. Fernand Braudel Center. Wallerstein, Immanuel. 1997. “The Time of Space and the Space of Time: The Future of Social Science”. *Political Geography*, XVII, 1. Wallerstein, Immanuel. 1997. “Space Time as the Basis of Knowledge”. World Congress of Convergence. Cartagena, Colombia, May 31. Wallerstein, Immanuel. 1997. The Rise of East Asia, or The World-System in the Twenty-First Century. Symposium on Perspective of the World-system in the Beginning of the Twenty First Century

16 Angus Maddison. “Fluctuations in the Momentum of Growth Within the Capitalist Epoch”. *Cliometrica*. 2007 Vol 1. P. 145-175. Angus Maddison. 1970. *Economic Progress and Policy in Developing Countries*. Unwin University Books. Great Britain. London. Angus Maddison. 1995. *Dynamic Forces in Capitalist Development*. Oxford University Press. Oxford.

- *Cycle IV* of neo liberal stability of prices from 1970 onwards.

There are tasks as the 1974-75, 1980-82, 1991-93 where there are recessions and deep crisis like in the 2008 global financial Crisis. Maddison considers that phases help to characterize changes in the pace at which deviations from the development of capitalism occur and annual movements of the variables are the factors that best reveal major changes or severity of a recession when they appear systematically in many economies. Some characteristics of economic fluctuations are those where the Great Depression of the 1930s hit all world countries alike. The Crisis or major interruptions in economic activity occurred between 1914-1919, 1930-1932, 1940-1946. Between 1870 and 1913 added stability to the world for most of the 43 years that followed. The 1947-1973, period was of growth, with only 3 years of recession. Wars, the depression, and the payments crisis were unique systemic shocks that precipitated the fall of the product.

Population, factors of production and technical change are elements that contribute to the growth and determine the formulation of economic policy in many countries as happen between 1950 and 1967 and was suggested in his work "*Economic Progress and Policy in Developing Countries*" (1970). In this work:

1) He considers that poverty is removed only if the product is growing. It differentiates between growth and development. To measure the development is required to define why because the income growth is slow in poor countries, as resources are not mobile, questions why there are few managerial skills or manifested scientific research in the emerging countries.

2) Worries what the change in the level of income between countries over time, and invites to produce studies concerning the causes that determine the acceleration of growth, exploring the relationship between commerce and income and determining the causes of slow investment, such as:

- a. low-taxes,
- b. low level of education,
- c. lack of social reform,
- d. low levels of subsidies to the productive industries

3) Brings as an example the case of the Japan before the Meiji dynasty in the 1920's Japan that invested productively about 20% of saved product, transferring the wealth of the savings generated by the activity of the rice industry into industry. Establishes that the colonial governments for example adopted a very conservative fiscal, monetary and exchange rate policies intending to obtain:

- a. Balanced, budgets
- b. Treasured many reserves,

- c. Take advantage of lack of monetary regimes and excessive exchange control.

In **Maddison**'s book "*The World Economy. A Millennial Perspective*" resumes the stage of the world development where his central concern is the distribution of income between countries, suggesting that poverty can only be deleted insofar as it increases the product of poor countries¹⁷.

Based on the methodology of time and space analyzes the behavior of three main variables:

- a. The growth of gross domestic product.
- b. The growth of the population.
- c. The growth of the per-capita income.

In the first case based in the series included in the Appendix of his book specialized on macroeconomic aggregates like growth of gross domestic product observes cycles during which changes on the trend of growth determine particular and characterized phases within each cycle. Figures show the behavior of the population growth, where the first series about the product are approximate built based on samples, and those of the population are expressed with complete but collected figures based on the census that only occurs for some years in the century.

With respect to oscillations and gross product phases that characterize the cycle of the twentieth century, are in his work figures those that comprehend the years from 1906 to 1930, of 1930 to 1940, the War period from 1940-1945, and longer trends like 1945 to 1958, the 1958 to 1989 period and finally the global cycle from 1989 to the year 2000 and perhaps the 2008's global financial crisis.

The serial numbers reveal significant facts, as they are a few peaks of the product growth that reaches a maximum in the year of 1919 when growth was 7,98%, and 9,12% for the year of 1926, while the other higher figures of the century were 9,18% in 1946, 6,92% in 1959, 7,65% in 1972, and 7,35% in 1990. There were three strong moments of decline in the pace of output growth, as they were those who passed from 1925 to 1930 when consecutively falls the rate from 9,12% product to -1,61%; from 1975 to 1981, when it declines of 5,3 percent to 1,61%; and the century minor figure from 1985 to 1997, which was the most abrupt of the twentieth century, when dropped 6,9 per cent. In terms of income capita in this last phase the fall is stronger since shrinks 5,24% in 1990, to - 6,1% in 1999.

The second trend shows that in terms of growth of the population over the century, observes that in accordance with the methodology expressed by the author the annual rate becomes 1,928% in 1906, 2,021% in 1938. Until 1951 the population grew at a rate of

17 See the work of Angus Maddison. 2002. *The World Economy. A Millennial Perspective*. Paris. OECD.

2,439% and then expanded to 3,025% in the year of 1964, when in the particular case of Colombia reaches the maximum growth of its population ever. Since then, a decline in the rate of population growth was evident to 1,81% in 2000.

The third case refers to the behavior of income per-capita, showing that during the course of the twentieth century, increased on average. Income rate higher growth was 3,4%, in the year 1975, declining to 1,8% at the end of the century. Income per-capita had a strong rise until 1927, a drop in real terms until 1950, then a sharp increase until 1981, and then a steady fall reaching its lowest level of 1,5% percent per year. During the last phase of the fall of the per-capita income level the nominal income of the per-capita income shrinks from 5,24% in 1990 to -6,1% in 1999.

The World Bank produced an important collective work “*On The Threshold Of The 21st Century*” that follows a previous report of 1991 where puts into account mechanisms-or-drivers for development and the interaction between the State and the Market¹⁸. The report refers to the persistence of poverty, and suggests investing in human resources create a favorable climate for competition, including innovation, the dissemination of technology and the use of resources. The 2001 Report, elaborates on the globalization and localization concepts, where the concept of development evolved to incorporate social goals such as the reduction of poverty, improve the quality of life, open access to education and health services. In terms of globalization proposes new conditions of trade in goods and services, international capital flows and environmental problems. In regards the location highlights aspects of the decentralization of political power, the concentration of the population in the cities and the provision of public services. The globalization and localization mark the topographical map of the new development. Its operation is determined by the macroeconomic stability, considered as a condition for development. Also the fact that the growth is not spread automatically, nor is there a policy that if one promotes development. This requires a comprehensive approach, in which institutions are important factors for sustainable development. Globalization studies the progressive integration of economies around the world. The search for international partners represents for Governments how to deal with the innovations of international trade. The truth is that the concept of development evolved since the end of the 20th century, as it considers human capital as source that stimulates economic growth. In this Report considers that:

- a. Sustainable development aims to increase income per capita, but also to raise the quality of life through health and education services.
- b. The World Bank proposes large goals, formulates broad policies and highlights the institutional factors that contribute in development. It aims to complement

18 The World Bank produced an important collective work in the year 2000, *On The Threshold Of The 21st Century*. Madrid. Mundi Prensa Editions.

this process with the joint projects with processes, rules with processes and associated with various levels of Government, the private sector and other economic groups and civil society (p. 3).

- c. In the direction of the Noble Laureate Douglas **North**, proposes a solid institutional base with efficient organizations. Institutions understood the sets of rules governing the actions of individuals and organizations as well as the interaction of interested parties and negotiations between the parties involved. To face the globalization and localization are needed new institutional initiatives.

In Chapter 6 of the report of the **World Bank** (2000) it sets new policies to specialize the cities activities through the processes of planned urbanization to exert technological influence on the process of regional economic development (p. 126). In the intermediate developed countries, corresponds to the cities generate about 73% of net revenue, where sectors which suffer greater dynamism are the manufacturing and the services.

The work of Paul **Krugman** on economic geography, “*Development, Geography and Economic Theory*” (1995, p. 88) and the same author “*The self-organizing Economy*” (1996), complements the arguments of the World Bank on the binomial globalization location, as new enterprises characterize relations between capital, specialized high work, and use of inputs of low weight, high technology and easy supply on longer distances. The new regional division of labor pretends:

- Favor trade between countries and regions that depends on the degree of specialization, which promotes the generation of increasing returns to scale.
- Induce through specialization increasing yields and economies of scale, and hope that the trading profits arise from cost reduction and the increase in the level of production.
- Specialization although originally is the result of an historical accident or “path dependence” as suggested by North (1998, Cap 13), can generate cumulative gains from the exchange rate policy and returns to scale.

The ECLAC Model-2002 on the “stages of economic development” presented by José Antonio **Ocampo** and a team of prestigious researchers take into considerations in the research work “*Globalization and Development*” some of the late Angus **Maddison** view on Globalization.¹⁹ In particular both Maddison and Ocampo distinguish a *first phase* of globalization going from 1870 to 1913, period characterized by a strong mobility of capital and labor, which coincides with the commercial boom, supported by the reduction of transportation cost. This golden historic stage is distinguished by the affluence of trade before the Great War followed by the disruption of exchange of goods and services

19 Ocampo, José Antonio. 2002. *Globalization and development*. Document LC/G.2157(SES.29/3). Twenty ninth regular sessions. Brasilia. May 6 to 10. ECLAC. Santiago of Chile.

between the wars and characterized by a financial retraction and foreign direct burst where foreign investment increased until the effects of the great depression were over. The historic concept of globalization refers to the interdependence of economic and social processes, while for other scholars are attained as a microeconomic phenomenon or even a cultural experiment. A *second phase* of the globalization process is characterized by the outburst of the world economy and an increase of economic growth that occurred from 1945 to 1973, and is marked by the great effort demonstrated to develop international trade and launch emerging financial cooperation institutions, whose end was a substantial increase in the exports of manufactures between developed countries or world competitive regions. A *third phase* of globalization is the one that manifests itself in the last quarter of the 20th century, and this new historical expression characterized by a worldwide liberalization of trade, where the growing presence on the world stage of multinational companies suggests an integrated production systems, that help rapid capital mobility and the homogenization of the development models around the world.

The concept of globalization refers to the interdependence of the financial, economic, environmental, political, social and cultural processes of global, regional, national and local purposes, by the following three reasons.

This analytical work separates a *first phase* going from 1870 to 1913 which was distinguished by a high mobility of capital and labor, along with the commercial boom supported the reduction of transportation costs. It differs by the disruption of trade between the wars and financial retraction and foreign direct investment during the great depression. The *second phase* from 1945 to 1973 is marked by the great effort to develop international trade and financial cooperation institutions, and by the remarkable increase in manufactured exports between developed countries, models of economic organization and limited mobility of capital and labor. The *third stage* of globalization distinguishes the last quarter of the 20th century. Its characteristic is the gradual liberalization of trade, the growing presence on the world stage of multinational companies that function as production systems integrated, the expansion of the mobility of capital and homogenization of the development models.

Cycle I. 1870-1945

With the help of the *first generation of economists* like Keynes and Harrod-Domar models', analysts distinguish a **first phase** of economic expansion ranging from **1870 to 1913** which is a well-known characterization of high mobility of capital and labor along with the commercial boom occurred on those years supported by the reduction of transportation costs. It differs this economic growth phase by the disruption of trade between the wars and financial retraction of foreign direct investment as occurred during the years of the Great Depression. Modern economic historians such as **Maddison** (1991, 1995 y

2001) **O'Rourke** (2001) and **Williamson** (1999 and 2001) emphasize that globalization has gone through several stages or phases one the golden era described in this title. This period is studied by the theoreticians of economic development searching for the causes of sustained growth. Found a correlation or dependence on the accumulation of capital and output that placed into perspective explains the contribution of fixed capital formation as in the Harrod-Domar model with the increase in the capital-product relationship. Put its attention on the effect of the residual or Total Factor Productivity - TFP in the production function the hypothesis of self-sustained growth tends to be empirically correlated. It shares other economic ideas that support sustained growth as is the influence on the advancement of knowledge and of new institutions on increasing returns, establishing which are the major determinants that contribute to the formation of social capital, recognizing hitherto the importance of the lessons of history for the analysis of long term economic change as observed by Mussa of the World Bank.

A *second generation* of analysts puts into perspective the patterns of the international relations concept of *interdependence*. This generation insists that innovative change and economic policy are agents that determine the action of the Government measures on development. Nicholas **Crafts**, writes his "*Historical Perspectives on Development*" where he inquires about the benefits that economic development reported to the economic history. It distinguishes the contribution of the two old generations of economic historians and development economics. Aside the validity attributed to the regression models that explain the growth trend, it does so thinking that it is better to concentrate on the understanding of the factors that raise the standard of living before that growth. A central aspect in his work is the contribution that considers made economic history and development economics theory concerning the dynamics of technological and institutional changes²⁰.

The main points included in the chapters of this collective work are:

Chapter 1) The concept of globalization refers to the interdependence of the financial, economic, environmental, political, social and cultural processes of global, regional, national and local purposes.

- It is argued that the dynamics of the process of globalization is due in part to the uneven nature of the actors involved.
- The multinationals in this process are great actors and to a lesser extent Governments and civil society.
- With the interdependence of global governance the redistribution of functions between institutions and bodies are the emerging fact.

20 Gerald M. Meier, Joseph E. Stiglitz. 2001. *Frontiers of development economics: the future in perspective*. Washington. Oxford University Press. The World Bank, pp. 301-345.

- Globalization as a concept with historical content and dates back to the rise of capitalism.
- The determinant of capitalism is the only historical phenomenon that has had global reach, although it is said that it is still incomplete process (p.18).

Cycle II. 1945 to 1973

This cycle differs with the others by the great effort to develop international trade and look forward for better financial cooperation institutions, and by the remarkable increase in manufactured exports between developed and developing countries. Was the rise of new models of economic organization and limited mobility of capital and labor. The phase, of globalization distinguishes by the gradual liberalization of trade, the growing presence on the world stage of multinational companies that function as production systems integrated, the expansion of the mobility of capital and homogenization of the models of development. After the Second World War, the world market deepens into the stage of global integration of markets, with breaks produced by the breakdown of Bretton Woods due to the oil crisis of 1973, by the rise of the private capital mobility, and by the culmination of the golden age of industrialization in the developed countries.

Cycle III. 1973-2004

Where the Second World War brought a stage of global integration of markets, that deepened breakdowns caused by the collapse of Bretton Woods due to the 1973 oil crisis, where we can see the mobility of the private equity boom, and the culmination of the golden age of industrialization in the developed countries. In the **third Cycle**, of globalization, there is a **first stage** characterized by the gradual liberalization of trade,

- a. Here the growing presence on the world stage of multinational companies that operates as integrated production systems.
- b. Expansion of the mobility of capital and.
- c. The homogenization of the models of development.

In this phase of global integration of markets two breakdowns are caused by the suspension of the dollar convertibility in gold and finally the fall of Bretton Woods due to the 1973 oil crisis. With a boom of private capital mobility and the culmination of the golden age of industrialization in the developed countries, follows an intermediate **phase of financial globalization** that has had moments of boom when London became the main international financial center. In this phase the pattern consolidated gold as a system of international payments and macroeconomic regulation. During this **financial cycle** of

international capitalism the world system was signed by large equity capital market that financed the large infrastructure projects in the world.

- Arose a great bond market, and the Bretton Woods agreements adopted in 1944, served to create a multilateral system of payments and macroeconomic regulation based on types of fixed but adjustable exchange and financial support to correct balance of payments crises.

The reappearance of the privately funded international long term from 1960 was the product of a new phase of global macroeconomic stability, and of a need to place accumulated savings in safer places. Financial globalization has been faster than the commercial where the hegemony of financial exceeds the real economy. In this third **Cycle of globalization, financial** flows of labor hand have been emerging and:

- Environmental problems have also acquired a global dimension.
- Trade and financial globalization has been accompanied by the global process of culture.

Cárdenas, Ocampo and Thorp²¹ work *“An Economic History of Twentieth-Century Latin America. Industrialization and the State in Latin America: The Postwar Years”* develops the thesis of the periphery and the center to explain how growth out model suffered a sudden halt after the thirties. Mark two critical periods of development, first the Great Depression of 1930 and the External Debt Crisis of the 1980’s. Countries faced the depression of passive and active manner and addressed in cases of large scale industrialization. The advance of industrialization and its relationship with the policies of the State, made this strategy as a factor to achieve economic independence. The issue of economic development came renewed with interest in Latin America, to broaden the agenda to issues related to the quality and level of life, promotion of economic independence, and elevation of the industrial product through the adoption of tariff policies, fees, and flexible rates of exchanges, distribution systems via control of prices, subsidies and support from State-owned enterprises. The volume 3 examines the conception of inward growth, and the removal of international trade as a source of growth. Absent in the industrialization was innovation²². Some research conclusions are that the effect of industrialization accelerated in countries of medium-sized and small, especially in products that are imported in quantities. Contrary to the issues raised by analysts, the export process not stopped during this period particularly because the demand for capital goods and intermediates grew during the rest of the century. Industrialization was superimposed to the export schema, and progressively advanced on export promoter model as suggested by

21 Cárdenas, Enrique, Jose Antonio **Ocampo** and Rosemary *Thorp*. 2000. *An Economic History of Twentieth-Century Latin America. Vol 3: Industrialization and the State in Latin America: The Postwar Years*. Palgrave Press. Oxford.

22 Idem.

Little, Scitovsky and Scott in the work *Industry and Trade in some Developing Countries*²³. They argue that:

- The infant industry argument suggests that the cost of a new industry is high at first, but by protecting their costs decline.
- Against of free trade raises the imperfections in prices and wages to prevent incorporate skilled in enterprises labor.
- It is argued that the industry generates external economies, to provide expertise to other industry benefiting them.
- Also that the protection translates into high returns and greater savings.

This volume relates industrialization as an explanation that comes from institutionalism history. Not against industry and the important point is that it rises the promotion of exports (p. 14-15) arguing that is better to promote than protect, supporting the work of qualified training, improving financial institutions to support the industry, and generating positive externalities. Eliminate policies skewed to the exports and reject the intensive investment in capital that is not productive and efficient. It is better to support exports by directing resources of savings that protect it via excessive tariffs. In the global market allow approaching the external world having an increasing size and profitability around the purchases at the national market. The realistic exchange rate supports exports. In Colombia a globalization phase that lasts between 1967 and 1974 – “was golden for the sustained growth of 6.7%”. Thanks to the Statute of foreign exchange so adopted and the crawling-peg devaluation of the exchange rate and created incentives to export like indirect tax reimbursement Certificate-CAT- the draw back-or-Plan Vallejo and financial leverage through -Proexpo credit facilities, they take off low level exports. In this phase the flow of dollars increased by borrowing via multilateral organizations and also the investment banks and financial corporations thus created for that purpose (p. 244). The fourth phase starts with the creation of UPAC or four strategies of Pastrana-Currie Plan, deepening the financial sector as a result of the increase in the inflation protected financial assets. The stage of unsuspected loss of the 1980’s after Latin American debt forcing increased, curtailed exports and needed to support decrease in imports, as an accepted conditionality imposed by the International Monetary Fund and the World Bank. Neoliberal reforms derived after Washington Consensus that involved adopt ten reforms, related with the fiscal-IVA approval, accorded freer interest rates formation and the opening of financial reform, freedom of trade outside and the creation of the Ministry of Foreign Trade and Bancoldex, floating the dollar and foreign exchange free market, Privatization of the State

23 Little Ian, Tibor Scitovsky and Maurice Schott . 1971, *Industry and Trade in some Developing Countries*. OECD. Oxford University Press. pp. 12-13

corporations, pension funds reforms and privatization of the health service after 1991-law 100, fundamentals the economy improved to face globalization challenges²⁴.

1.3 Geopolitics and Modern Globalization. Resources, Markets and Profits

Cycle 2004-2014

The **Fourth Cycle of Globalization** characterizes the irruption of the XXIst Century where analysts proclaim this is the one of non-economic dimension, that includes culturally and ethical principles. This notion concerns the globalization of values and common ethical principles, first stands out civilians and politicians who guarantee the individual economy to the State power and second economic rights, social and cultural privileges respond to the values of equality, social, economic and non-discrimination (Ocampo, 2002, p. 17-20). In the emerging century stand the world's summits on the environment, of social development, population, women and protection of the rights of the child in this field. Decisions of the United Nations Conference on the environment in Rio in 1992 and the ethnic internatio-

24 Cárdenas, Enrique, José Antonio Ocampo and Rosemary Thorp. 2000. An important point of the work of Ocampo is identifying that the Government adopted counter-cyclical policies particularly through exchange-rate management and the issuing of loans after the Crisis of the thirties, the introduction of the notion of planning by the Congress and the plans and programmes of public works. At the level of the State, it is important to point out that the reform of the State led the growth of centralism, the emergence of the decentralized institutions, and to the loss of power of the departmental governments. Between 30.000 and 60.000 kilometers of roads built before the Second World War, were multiplied by six, to improve their quality and forming a national network of roads. Telecoms raised the number of phones capita and respect of industrialization (p. 249), the creation and consolidation of the internal market were big incentives. Also the best allocation of scarce foreign exchange resources, and active export promotion policy contributed to growth. The industrialization of the country before war can be characterized in the following way: First, the emergence of beverages and soft drink, derived from petroleum products and non-metallic minerals improved industrial base. After the war, came a phase of structural transformation in basic industries like paper, chemicals, metals, metallurgical industry, small and medium industry. From globalization phase- 1925 to 1974, industry productivity rose at a rate of 3% per year and total productivity of the factors-TFP grew 1.2% per year. From the fifties and sixties bankers created medium and long-term credit lines with which met the needs of financing for the expansion of companies. Also the extension of lines of the Central Bank rediscounting contributed to this end. Organizations such as the IFI, ECOPEPETROL and the contribution of foreign direct investment had a wide impact on the emergence of listed companies as well other government owned organizations like "Empresas Públicas de Medellín" improved long term growth. Policies of occasional devaluations and crawling peg devaluations contributed to export growth diversification and in periods of exchange rate appreciation, coffee revenues in dollars were used to support industrialization (p. 257). The tariff system served as agent to protect industries from 1931 as suggested by Luis Ospina Vásquez, Luis. (1957). In 1969 the Andean Group as a subregional mechanism for economic integration was created and for nearly fifty years contributed to teaching Colombia to face globalization by successive competitive stages. The effect of this foreign policy stance was to increase the intra-regional trade as suggested by Alicia Puyana, (1983) in *Economic Integration among Unequal Andean Group Partners*. Buenos Aires. Nueva Imagen.

nalism excel (Ocampo, 2002, p. 23). This phase characterizes by **the global civil society** that has greater capacity for mobilization of communications technologies.

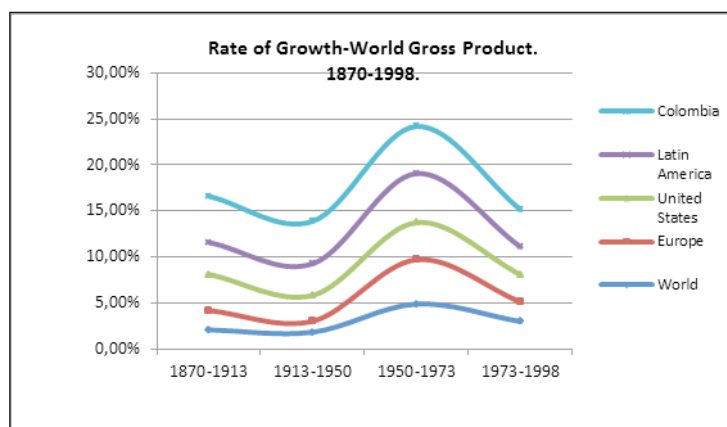
- The global financial development has created an environment of opportunity and facility for the financing of development projects.
- However, the asymmetries between the dynamic forces of the market and the weakness of institutional frameworks that govern them have emphasized a crisis of payments such as Mexico, Brazil and Argentina.
- The **volatility effect contagion** and poor macroeconomic policies harmony determine the recurrence of crises as happened with the 2008's global financial crisis.
- Asymmetry in technological investment matters as an international volatility element that manifested in the financial capital flows towards speculative activities.

Chapter 2) relates the process of globalization as a phenomenon of multiple dimensions. One way to address it is studying trends in trade, investment, finance, macroeconomic regimes and the international mobility of labor. Trade has direct relation with economic growth and integrated production systems, which serves as support to transnational operations of the companies.

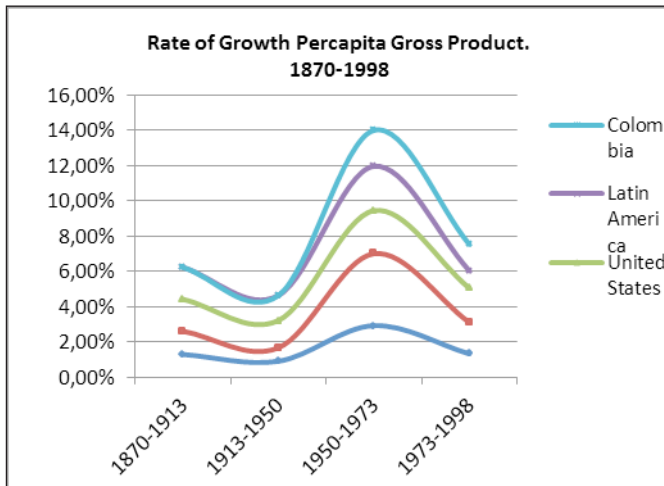
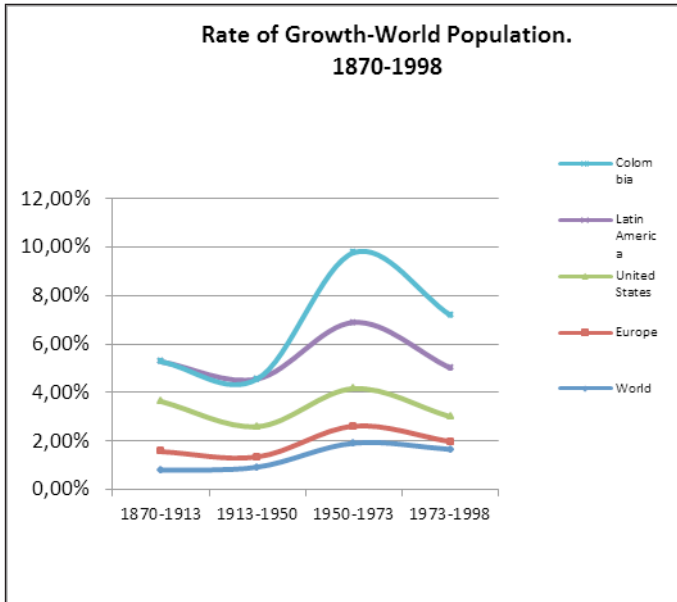
- The process also is related to changes in international finance and macroeconomic regimes (Ocampo, 2002, p. 28). Suggests that during the **First phase** of globalization, 1870-1913, expanded **international capital mobility** and labor. The gold standard was founded in the system of payments and macroeconomic regulation. Then comes a form of State regulation in the currency and socially to directing credit and protect workers. However, the dominant practice of trade in the majority of European Nations was **tariff protectionism**. It corresponded to the process of industrial modernization and acts as an engine of growth and become the factor that promoted international trade. In this first phase the free trade was in some countries the engine of growth (Ocampo, 2002, p. 30).
- The evidence shows that exports earned participation on **world GDP** from 1870 to 1998 from 4.5% to 18%. As to the economic growth of the world's GDP between 1870 and 1913, it was only 2% yearly, and between 1950 and 1973 only amounted to 5% annually. Between 1990 and 1998 of the 3% annual. In this **first phase**, the rate of growth of exports of goods was more than 6% a year. The dynamism of international trade was interrupted between the two world wars, which affected global political stability and slowed economic growth in developed countries. Foreign Exchange and import controls were frequent and severe rupture of the international payment system. Dynamic flows of world trade were in the trading blocs in Europe, Japan and the first generation of Asian Tigers.

- Between 1950 and 1973 many regions lost their participation in world trade. The renewed dynamism of exports from Latin America is explained by the increase of trade in Mexico in NAFTA, Continental Europe winning participation of the 26.6% in 1950 to the 41.7% in 1998, and the developing Asia that in this period of 7.9% to 13.1%.
- The interesting note is the mixed model, where the combination of import substitution and export promotion that arises was a result of the schemes of regional integration in Latin America. Since the mid-1960s the dynamism of sub-regional and regional Exchange exceeded the growth of the product (Ocampo, 2002, p. 35).

During the period 1950-73 trade is related to the growth of the product, figures from **Angus Maddison** published in *“The World Economy. A millennial Perspective”* reveals a strong correlation between growth of exports and gross product by countries. This work suggests that during the second phase of globalization 1950-1973, the correlation is strong between growth of exports and the product in different countries. During the **third phase, 1973-2000**, the correlation is stronger from 1988. The correlation coefficients of the series passed from 0.45 to 0.64 and the coefficients of the variable annual export growth on annual passes 0.257 to 0.477 of GDP growth²⁵.



25 Angus Maddison. 2002. *The World Economy. A Millennial Perspective*. Paris. OCDE. Development Centre Studies. Pág 126



Source: Angus Maddison. 2002. The World Economy. A Millennial Perspective. OCDE. Development Centre Studies. Paris. Pág 126. Greco. Banco de la República. 2002. El Crecimiento Económico Colombiano en el Siglo XX. Director Miguel Urrutia Montoya. Fondo de Cultura Económica. Bogotá.

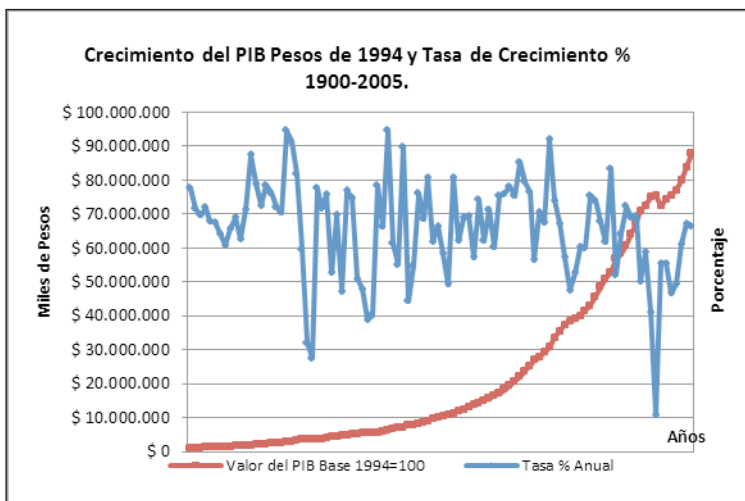
Tasas de Crecimiento de la Economía Mundial 1870-1998
 Tasa de Crecimiento Producto Bruto Mundial-GDP

	1870-1913	1913-1950	1950-1973	1973-1998
Mundo	2,11%	1,85%	4,91%	3,01%
Europa	2,10%	1,19%	4,81%	2,11%
Estados Unidos	3,92%	2,81%	4,03%	2,98%
América Latina	3,48%	3,43%	5,33%	3,02%
Colombia 1905-1913	5,02%	4,61%	5,12%	4,03%
Tasa de Crecimiento. Población Mundial				
	1870-1913	1913-1950	1950-1973	1973-1998
Mundo	0,80%	0,93%	1,92%	1,66%
Europa	0,77%	0,42%	0,70%	0,32%
Estados Unidos	2,07%	1,25%	1,55%	1,02%
América Latina	1,64%	1,97%	2,73%	2,01%
Colombia			2,88%	2,18%
Tasa de Crecimiento. Producto Bruto Per Cápita				
	1870-1913	1913-1950	1950-1973	1973-1998
Mundo	1,30%	0,91%	2,93%	1,33%
Europa	1,32%	0,76%	4,08%	1,78%
Estados Unidos	1,81%	1,55%	2,44%	1,94%
América Latina	1,81%	1,42%	2,52%	0,99%
Colombia			2,03%	1,49%

	Mundo	Europa	Estados Unidos	América Latina	Colombia 1905-1913
Mundo	1.000				
Europa	0.965	1.000			
Estados Unidos	0.543	0.737	1.000		
América Latina	0.846	0.919	0.690	1.000	
Colombia 1905-1913	0.298	0.526	0.820	0.716	1.000
	Mundo	Europa	Estados Unidos	América Latina	Colombia
Mundo	1.000				
Europa	-0.146	1.000			
Estados Unidos	-0.445	0.937	1.000		
América Latina	0.846	0.104	-0.250	1.000	
Colombia	1.000	1.000	1.000	1.000	1.000
	Mundo	Europa	Estados Unidos	América Latina	Colombia
Mundo	1.000				
Europa	0.992	1.000			
Estados Unidos	0.970	0.986	1.000		
América Latina	0.827	0.751	0.693	1.000	
Colombia	1.000	1.000	1.000	1.000	1.000

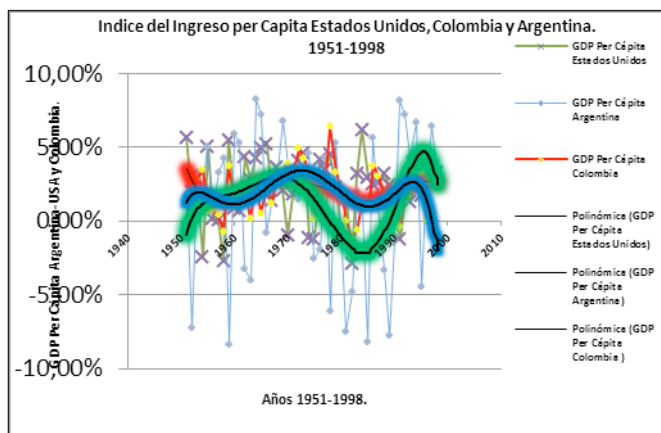
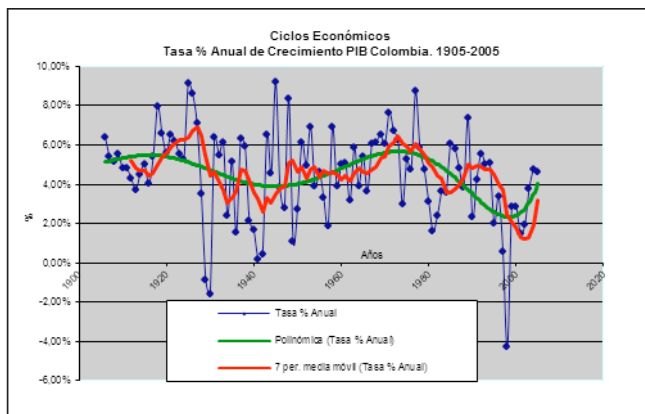
	1870-1913	1913-1950	1950-1973	1973-1998
1870-1913	1			
1913-1950	0.942813068	1		
1950-1973	0.00821529	0.297761705	1	
1973-1998	0.829452384	0.907463477	0.253837032	1
	1870-1913	1913-1950	1950-1973	1973-1998
1870-1913	1			
1913-1950	0.682327979	1		
1950-1973	0.402040631	0.921797818	1	
1973-1998	0.257153825	0.820127278	0.982679005	1
	1870-1913	1913-1950	1950-1973	1973-1998
1870-1913	1			
1913-1950	0.972570882	1		
1950-1973	-0.764808164	-0.870054304	1	
1973-1998	-0.108139616	-0.061258157	0.277479534	1

Source: Angus Maddison. 2002. *The World Economy. A Millennial Perspective*. Development Centre Studies. Paris, p. 126. Greco. Banco de la República. 2002. *El Crecimiento Económico Colombiano en el Siglo XX*. Director Miguel Urrutia Montoya. Fondo de Cultura Económica. Bogotá.



The author **Justin Rosenberg** in his general work “*Contra la Retórica de la Globalización*” brings to the fore a sociological discussion where the logic of an argument associates first with the *Explanandum* - where globalization is a result of a historical process, which gradually transforms old events into a new history. The *Explanans* - is a concept in which globalization is a device that explains the changing character of the modern world and it enables to obtain retrospective discoveries of the meaning of past events or occurring trends²⁶. Rosenberg’s model talks about the compression of time and space, argu-

26 Rosenberg, Justin. 2004. *Contra la Retórica de la Globalización*. Bogotá. El Ancora Editores.



Source: Greco. Banco de la República. 2002. El Crecimiento Económico Colombiano en el Siglo XX. Director Miguel Urrutia Montoya. Fondo de Cultura Económica. Bogotá. Defactor PIB GRECO Ajustado al SCN 93 Año base 1994. B36. Defactor PIB GRECO Ajustado al SCN 93 Año base 1994 (5). Esta serie se obtiene de dos maneras: dividiendo (3) por (5), o retropolando desde 1994 a 1905 el valor del PIB de 1994 del SCN 93 con las tasas de crecimiento de (2); de 1994 a 2000 son los valores de DANE estimados con la nueva base.

ment used to explain the emerging characteristic of a particular historical type of social relations. He understands the capitalist relations of production as an indispensable tool to understand the functioning of modern societies. And the construction of the intellectual view of the world is different according social orders. The literature about this perception is quite large and the subject of the *space and time* relationship might be abstract, linear, and an empty space depending on the analytical tool one uses. A convincing definition comes after interrogating about the when, the how and the where events arose, and integrating this modes with the concept of their role in the interpretation of the new cultural meanings of the globalizing events. Rosenberg considers that the social processes can also analyzed in terms of distance and proximity, duration, simultaneity and sequentially, and

imagine time and space, as empty, homogeneous, uniform and abstract for conducting the analysis of the emerging events (2004, pp.14-18). At the end of the day the vacuum of space and modern time, refers to the social and cultural relations that produce it. The rhetoric of globalization in the field of international relations is situated in the border between international relations and political philosophy.

The critical analyst Richard **Flak**, in his book “*Predatory Globalization*” considers that *globalization from above* derives from the Washington Consensus or neo-liberalism view about who’s actor in world politics is responsible of promoting rapid economic growth, considering that trade and investment as well as a moderate pattern of governance leads to sustaining growth in countries that follow at least ten markets mandates to encourage local national economy to work properly. Some Latin Americans countries advanced “Keynesianism” economic practices to resolve its structural fiscal deficit. The consequence of the malpractice of this policy traduced in the severe consequence of more than one thousand inflation rate a year and incomes deterioration especially in the working class and self-employed groups as it did occur in Argentina and some Southern Latin American nations during the 1980’s. Neoliberalism is claimed to be responsible of market privatization practices, minimizing economic regulation, reducing government expenditure, tax reduction and unrestricted currency repatriation. However adverse effects accounts for predatory globalization where neoliberalism is situated within a merciless civil society that support social contract between state and society leading to workers strikes all over last century in Latin America’s labor movement after steady family incomes decline.²⁷ A new expression of *globalization from bellow* of world economic order should include new priorities like protecting the planet and its inhabitants, avoiding financial crisis like the 2008’s subprime catastrophe, or oceans pollution where rising water and the danger of climate warming by more than two Celsius degrees leads coastlines to inundations and hurricanes damages. Institutional requirements about a new source of voluntary global governance is needed to encourage cooperative social terms and reduce negative consequences of globalization including new consequences of this historical event like pandemics as the one attributed to Ebola, cybercrime, massive migrations and money laundering and the danger of speculative financial flows and black market operations (1999, pp. 2-7).

Global Public Policy and Microeconomic Policy

The author Wolfgang **Reinicke**, presents an important work about the public policy implications of emerging term globalization. The author’s book title is “*Global Public Policy*” in his study shows that the international relations concept of **interdependence** should be redefined as the increasing process where national economies cooperate, allows

27 Richard Falk. 1999. *Predatory Globalization. A Critique*. Cambridge. Polity Press.

for better world resources mobility and allocation. Reinicke considers there are some historical forces that in the actual process behave like external drivers of this long term event where independent states are connected by an increasing number of channels, like political, social, economic and cultural institutions leading to externalities and complementarities in world markets.

1. ***Globalization at the corporate-level*** phenomenon where industrial organization such as flexible manufacturing is the result of supply factors movements, capital mobility, technology improvements, information flows and freer ownership and control of assets, leading firms to benefit an emergent and single integrated economic place.
2. ***Globalization and economic drivers*** are microeconomic decisions being private in nature, as decisions in technological are associated with firm's innovation process. Capital movements become global responding as forces that lead production to new forms of specialization leading to heightened interdependence.²⁸

Talk about globalization, sovereignty and the nation-state has a new meaning after the cold war ended. Historical time is concerned with discontinuities focusing on what the effect of this end of war will be in the international system, and what will be the new developments derived from liberal economic international system. Recently global international economy has been affected by the crisis in de dollar area and the euro system after excessive expenditure in war ventures lead by the US policy in the Arab countries, private bank loans without reliable collaterals and due to private overspending in Europe ending with a non-systemic consequence on the international global financial system.

The international system is challenged as well by the effects of globalization of consumption, and the diffusion of sources of the technology of communication and information processing. Deep integration of markets through trade agreements and technology used for defense strategy creates a more globally integrated world but also a dangerous place to live, especially after the bipolar system collapsed together with the legitimacy of communism. Emerging problems like the ISI political movement in the Middle East creates confusion in the global political system. The problem with globalization is that the narrow meaning of the globalization term might go further away than the meaning of consumer economics as global problems goes as far to introduce damages by the effects of the environmental pollution, natural resources depletion, and financial crisis that spread risk of wiping bank depositors savings in interconnected financial markets. Poverty global inequality, global crime drugs trafficking illicit arms deals are bids that affect nation state (Reinicke1998, p. 2-3).

28 Reinicke, Wolfgang H. 1998. *Global Public Policy*. Washington The Brooking Institution. Págs, 54-55.

1.4 *Scope of the Concepts of Globalization, Governance, Competitiveness and Technology*

The Economic Concept of **Globalization** shows that the instruments that corporations use to pursue global strategies vary across borders, sectors, and regions where the geographic scope of those strategies, are more limited than the term global means (Reinicke1998: 39). The economist Michael **Porter** suggested that globalization is a strategy where the multi-domestic strategy followed by companies serving multiple independent local markets allows firms to enhance their competitive positions by creating an integrated cross-border network. Through cross-border activity corporations enter a new market along taking advantage of the entire length of the product cycle, and thus exploiting their technological and organizational advantages reducing both cost and risk. Thus a global corporate presence implies that globalization includes all functional aspects of a firm, like management, finance, research and development and marketing. In developing a global strategy firms seek to locate their activities in regions with infrastructure externalities, skilled supply of labor and technological and information structures (Reinicke, 1998, pp.12-13).

By economic globalization **Reinicke** means an irreversible trend of facts that takes place in a social, political and legal historical setting. Despite economic and technological forces that promote globalization, some social political and cultural forces may work in the opposite direction of the foresighted global trend. Path dependence theories proclaim no reversible or irreversibility of social process after initial conditions occurs leading to a new process to take place, however returning to the starting point where globalization forces may drive events in an opposite direction where the process was launched first, like world economic growth through the encouragement of technological advance, or economic and political crisis that leads to depression or civil unrest (Reinicke1998. p, 3).

Governance as a concept is defined as the governing public policy which serve as a basis for determining what acts are regarded as contrary to the public good and the term public policy can be defined as having three broad functional areas: distributive, regulatory and redistributive (Reinicke1998, p. 4-5). Globalization as a qualitative ongoing trend refers to an idea that transforms the meaning of the international system leading to the end of the nation state and the beginning of transnational institutions. For many international analysts, globalization is a term basically referred to financial services and manufacturing, but the radical interpretation of this concept needs to differentiate between interdependence and global governance.

- *Legal* sovereignty characterizes the nation-state and represents the ability to run public policy.
- The *internal* dimension of external sovereignty relates the state and civil society.
- In the economic realm the *relationship* between the public and private sector.

- The *external dimension* of sovereignty portrays relationship among states, and may be functional and equivalent in the internal system, although no external central authority exercises sovereignty.
- *Interdependence* denotes sensitivity among states in the international system, and the source is systemic or external.

After globalization, states leave the financial responsibility and the technology research, information and control of assets to the corporate level. So the more the world globalizes and integrates economically, the states the more fragments its responsibility to multinationals interests, and ideas believed by civil society are implemented by global governmental institutions. (Reinicke, 1998, p. 6).

Defensive interventionism relies on economic measures as tariff and non-tariff barriers or capital controls the force companies to reorganize along national lines. Offensive interventionism relies in a strategy to become global competitors like subsidies as a national political policy to gain competitive advantage.

- Global public policy decomposes in:
- Governance-internal sovereignty.
- Nation-State- territorial foundation.
- Government-institutional environment (Reinicke, 1998, p. 8).
- Global financial markets pioneers in global public policy, and global crime like money laundering is a crucial front that also militates against global finance advance and trust towards institutions (Reinicke, 1998, p. 9).

In the global market companies' **competitiveness** refers to the benefit of the global web of multinational firms in which profitability depends on the improvement of competitive positions and in the interconnecting value creation nodes that distributes value among supply chains. Firms tend to develop globally after integrating strategies that rationalize the allocation of resources across the entire market spectrum and benefitting of the length of product cycle. The global corporation globalizes management, finance, and research and development to improve competitiveness (Reinicke, 1998. p. 11-13).

- The globalization of manufacturing and finance benefits of the liberalization and deregulation of international economic activity encouraged by nine multilateral trade GATT-WTO's rounds leading to widened tariff reduction, facilitating a corporate cross-border activity and establishing a global network of corporate interaction. Cross border horizontal mergers in industries other than financial services, especially transportation and communication facilitated new forms of cooperation among firms (Reinicke, 1998, p. 15)

Previous to the global 2008's financial crisis event, Reinicke discusses about the consequences of international finance liberalization, centered on lifting credit and currency controls and as barriers to capital mobility and consequences about dismantle capital movements in less regulated foreign markets.

Technology is another well-developed force fostering globalization. Financial services telecommunications and computer driven financial innovations make the world shrink (Reinicke, 1998, p. 15). The concept of globalization refers to various aspects of economic life and measuring its scope is quite complex. However as a strategic view of business relies on the organization logic of companies, degree of concentration of firms within geography, and in the financial world is affected by new alternatives of investing financial surplus, like options and securitization of financial assets.

- Foreign Investment is considered as a force that helped to deconcentrate geographical industrial activity. Worldwide FDI flows rose faster than global trade output. In 1996 FDI represented US\$ 350 billion, while transnational corporations number 45,000 parent companies and controlling over 280,000 affiliates worldwide.
- The rapid expansion of FDI leads to a number of mergers and acquisitions representing a growing share of all investment flows.
- Developing countries receive increasing value of investments, and have shifted from primary industries into high-value added and knowledge and R&D intensive manufacturing.
- International intra-firm collaboration depends on internationalization of assets and other cross-border activities. Arrangements may be horizontal, linking firms in different industries or, vertical linking firms in different stages of production in the same industry. The top ten U.S firms draw nearly 6 percent of their revenue from alliances and show a fourfold increase since 1987. Cross-border intra-firm collaboration is cheaper and quicker than globalizing through FDI. Low cost alliances and a collaboration agreement is cheaper than FDI. While development in technology-intensive have increased the attractiveness of intra-firm collaboration (Reinicke, 1998, p. 17-22).
- In the third globalization era, the rapid growth of international trade has become a salient feature of postwar economic lands escape. Trade has grown at 6% p.a while growth of world output has been smaller at 4% p.a.

The aftermath of 2008 global financial and severe drop of oil and iron core prices in 2015, suggests again that the recurrent world economic crisis raise the question that the solution to the global market is very much dependent on the Resources, Markets and Profits tripod's accessibility. Along these lines the author William I. **Robinson** in his book "*Una Teoría sobre el Capitalismo Global*" distinguish between the emerging global eco-

nomony and the contradicting global accumulation circuit. In the world global economy the production process associates with local vertical integration of industries and in the creation of a global production and accumulation process whose decisions are centralized, and so much dependent on the free disposal of resources, markets and source of global profits. Capital as a source of financial accumulation is movable since the 1970's leading to a decentralized investment decision process where long supply and distribution chains govern the allocation of global financial assets. Billions of liquid assets represented in hard currencies or in technological patents are allocated by concentrated governing decision taking bodies along the transnationals. Large business governing bodies represent decentralized capital and investment not exclusively within national borders as it spreads along complex production chains. The world economy integrates foreign trade and financial cash flows within an integrated market. The global economy characterizes by transnational, national and regional productive structures linking production and accumulation within one single market.²⁹

Quantitatively we can say that trade against gross domestic product is larger than 1929's, flux of transnational capital is longer and the information and communication system helps to decentralize production, transnational corporations leads global investments and the number of internationalized economies increased as the process deepens. Globalization of markets and the global financial systems transactions surpasses local banking activities. Quantitatively, production seems to be ruled by global production chains and final product parts and assembly is governed by central management practices where the global productive and managerial system covers the whole global economy (2007, pp. 30-21). Fundamental indicators that refrain advance of globalizations and the rise of a new global culture are, the increase of foreign direct investment, capital formation, increase in foreign financial portfolios, world exports and merging and acquisitions, increase in exports in goods and services, upsurge in value of foreign own assets, great number of multinational corporations and subsidiaries, and the global culture where research and development is now a common worldwide activity made of a network of Ph.D's researchers.

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