

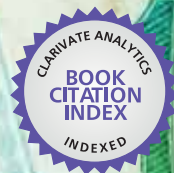


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Globalization

Today, Tomorrow

Edited by Kent G. Deng



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Globalization - today, tomorrow

edited by

Kent G. Deng

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Meet the editor



Professor Deng is Reader in Economic History, Director of China in Comparative Perspective Network (CCPN) and Co-Director of the Confucius Institute for Business London (CIBL) at LSE; and is also a Fellow of the Royal Historical Society (FRHistS) and Secretary of the 'History and Economic Development Group', UK. His taught courses at LSE include 'Comparative Economic Development:

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Kent G. Deng

Preface

This collective volume contains nine essays on globalisation, a multidimensional and multi-disciplinary issue that we are all deeply concerned.

Globalisation is like the force majeure from the ever-expanding universe after the Big Bang. As a result, all the currently functioning national systems have been driven out of their old comfort zones and downgraded to sub-systems, as described by Orlando and González in their joint essay on “thermodynamics”. But, whether we like it or not, globalisation is here to stay.

Like a great many, we are in one way or another caught by this ambivalence towards globalisation. However, we are not completely powerless. Globalisation, essentially a growth process of capitalism, undoubtedly creates more material wealth. But, as Jensen points out, that capitalism has a problem of wealth distribution. So, some sort of global governance is unavoidable. Authors in this volume are unanimous that unguarded global market and global capitalism can be a serious threat to our political, economic and environmental security. The essay by Yücel and Dağdelen tackles market ethics and social responsibility. They see the need for a new set of rule of the game of globalisation to discipline powerful capitalist firms whose *raison d'être* is profit-maximisation. After all, globalisation is a product of human connections and interactions. This allows us to understand and shape the process of globalisation in some ways not matter how small they appear. Thus, Beauvois and Pansu have argued for a homogenous cultural benchmark to allow for universality in the age of globalisation. Bundă and Popovici see the inevitability of the emergence of a global/universal culture and values to transcend the national ones.

For an individual, a district, a nation or a vast region of many countries to resist this Juggernaut, as what current-day North Korea has been doing, is unwise and costly. According to the old wisdom, “If you can’t beat them, join them.” However, to join in does not automatically warrant a success, as articulated by Hayat, Bhatti and Bkhari in their joint essay on the quality of domestic firms.

But, a national economy may legitimately stay at the bottom of the global hierarchy, subject to international exploitation and inequality. This is the view of Jaja and Samuel in their studies of Sub-Saharan Africa where foreign direct investment shows overwhelming propensity towards primary products instead of manufactures. Jaja even uses the term of “Americanisation” to describe what has been going on that part of the world. In this regard, globalisation may not open a new growth path, but merely strengthen the old one for a region, à la neo-liberalism and the “Washington Consensus”. If so, the ordinary Africans may miss out the opportunity to partake in the same industrialisation as East Asians. However, the miracle growth in China has not been problem-free. Deng’s essay indicates that in the age of

globalisation, after decades of reforms, the Chinese economy has been totally transformed to a large and open economy. But the economy is both wasteful and vulnerable. Its sustainability remains highly questionable unless urgent measures are taken.

For the reader, the true value of this volume is the depth and variety of the essays which contribute to our current debate on globalisation. It is our hope collectively that more works will follow where this volume has ended.

Editor

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A thermodynamic approach for emergence of globalisation

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Introduction

Despite the notion of the world community's transformation into a "global village", as introduced by Marshall McLuhan in 1960, globalisation remained unrecognized as an influential phenomenon until the 1980s, when it began to be conceptually addressed. Although the existence of globalisation has been demonstrated in empirical case studies, its definition still remains vague, elusive, and even contradictory. The lack of an essential definition has contributed, at least partially, to keep globalisation as a highly contested subject. Although the term is widespread in the last two decades' literature, the essential nature and meaning of globalisation continue to be inapprehensible, and its description is characterized by a collection of numerous adjectives and attributes. In the present debate there is no consensus as whether or not globalisation describes properly the nowadays changes in societies. Although the controversy surrounding the current globalisation debate is relatively recent, the globalisation process seems to have a long evolving history that has not been traced exactly to its origin.

Globalisation seems to present an apparent omnipotence, omnipresence (Steger, 2005), inexorability and inevitability amongst its attributes (Beck, 2000, p. 122); it preys on the most backward societies, ensures that poverty becomes perpetuated, makes material inequality even deeper, increases ecological degradation and is a carrier of violence, social injustice and insecurity for most of humanity (Scholte, 1996, p. 53; Hoogvelt, 2001; Black, 1999; Falk, 2000; Nissanke and Thorbecke, 2006). It may also be stated that globalisation puts an end to national states, promotes neoliberal ideology, increases and globalises financial capital and is found in transnational institutions and corporations, the new empire (Sklair, 2000; Anderson and Cavanagh, 2000; Riain, 2000). However, it can also be seen as an opportunity for less developed nations' progress, development and economic growth (World Bank, 2002; Ravallion, 2003). A variety of channels through which globalisation affects poverty have been recently discussed (Nissanke, 2010) and the effects of economic globalisation on income inequalities have been shown to be different in the short and long run (Sato and Fukushige, 2009). Regarding the relation between globalisation and income inequality, the so-called dimensions of globalisation seem to have different distributional consequences. In

fact, several differential impacts produced by economic, social and political globalisation have been characterized (Bergh and Nilsson, 2010).

The content given globalisation is contradictory, even though for others it is dialectic (Kellner, 2002). It is a material and concrete force, yet it is impersonal, ideological and rhetorical (Desai, 2001; Guillén, 2001; Hirsch and Fiss, 2000; Yeung, 2001; Hay and Rosamond, 2002; Steger, 2005). It is like a live organism (Sahtouris, 1998) but it does not have its own life (Yeung, 2002, p. 300). It is a new phenomenon but has always been around since Columbus and Magellan (Fazio, 2002). It explains everything and does not explain anything (Yeung, 2001; Watkins, 2002). It is the cause and it is the consequence (Yeung, 2002, p. 288). It determines everything; nothing is intentioned in it, everything is chaotic and anarchic (Lewis, 1996). It is phenomenon having universal scope; more than half the developing countries have not been globalised (A.T. Kearning/Foreign Policy, 2004; Pizano, 2002, p. 14). It is time-space distanciation (Giddens, 1990, p. 64); it is time-space compression (Harvey, 1989; 2000). It is the hegemonic communication between nations; it is the end of nation states (Held et al., 1999; Berger, 2000). It is the end of history (Fukuyama, 1992); it is the end of geography (Laidi, 1997). It strengthens democracy (Munck, 2002); it inhibits democracy (Hardt, 2001). It consumes the most backward nations (Falk, 2000); it represents an opportunity for their economic growth (World Bank, 2002; Ravallion, 2003). It is the inevitable path towards prosperity and economic success; it is the cause of poverty and inequity (Basu, 2005). It is a civilising entity; it is destructive (Guillén, 2001). It is integration, competition and individualism; it is differentiation, cooperation and solidarity (Luhmann, 1984; Welge and Borhoff, 1999). It is a process of geographic dimensions; it has economic, political, cultural and social dimensions (Garay, 2000; Yeung, 2002). It is an inevitable and natural biological evolutionary process which began when humans landed on all the continents several millennia ago (Sahtouris, 1998); it is an invented system, it has nothing inevitable and natural about it, its place and date of birth is Breton Woods, US, July 1944 (The Siena Declaration, 1998).

A phenomenon having discursive versatility and causal wealth and attribute diversity and heterogeneity at the same time becomes a very attractive object to be tackled by biology and within the context of evolutionary economics. An attempt is not being made to introduce a particular definition of globalisation but rather just to contribute towards enriching debate about it. Globalisation is shown as being a characteristic or property inherent in self-organising and self-transforming complex social systems.

The economy during the first half of the 20th century, which was very much influenced by Samuelson (1947), assigned a predominant role to mathematics. Relatively few economists have taken Marshall's (1898b) proposal seriously, that of understanding economic subjects' behaviour from the point of view of biology. Marshall has said that mathematics is very useful for understanding simple problems; however, complex problems cannot be understood through mathematics and, much less so, the dynamics of equilibrium. Bearing Marshall's message in mind, it is proposed analysing globalisation as being a self-organised phenomenon lying outside processes of equilibrium. Biological reflection is a central piece of such approach. Understanding globalisation as a historical social phenomenon arising from the evolutionary transition from nature to society, might contribute to see globalisation itself neither good nor bad.

1. Globalisation: neither a definition nor a theory

The definition of globalisation continues being incomprehensible, elusive, vague and, on occasions, even chaotic and redundant (Yeung, 2002, p. 287; Rosenberg, 2000). Held *et al.*, (1999; 2000; Hirst and Thompson, 1996; 1999) have demonstrated the existence of globalisation in careful empirical case studios. Nevertheless, no definition agreed by consensus has yet been reached. Giddens (2000, 2001) considered that globalisation is not just economic but also political, technological and cultural; in his opinion, the topic of globalisation has been globalised during a period of intense and dramatic changes into a world where uncertainty is ostensible. Debate is not centred on existence of globalisation but rather on its nature. Beck (2000, p. 11) has emphasised globalisation's multidimensional nature, economic aspects being just part of its spheres. Therborn (2001, p. 449) has stressed the interaction of economic, socio-political, cultural and ecological aspects, concluding, therefore, that one should talk of globalisations and not just globalisation.

Globalisation implies the growth of supra-territorial relationships between countries for Scholte (2000), whilst Tomlinson (1999) has characterised such empirical condition as being complex interconnectivity, similar to that of a group of multivalent connections uniting our political, economic and environmental practices, experiences and destinies via the modern world. Globalisation thus implies de-territorialisation. Other authors have referred to globalisation as being a set of activities, policies and prescriptions laid down by the IMF, the World Bank, the WTO and FTAs tending to create a free global market for goods and services (Anderson and Cavanagh, 2000). The World Bank (World Bank Group) (2002) has stated that globalisation has favoured the struggle against poverty in more than 20 developing countries, even though it recognizes that in so doing it could have contributed towards increasing inequality.

Hans Köchler (2000), for example, has stated that the globalisation slogan constitutes a fresh phase in colonising the third world; this deals with ideological discourse about how to ensure economic progress in line with the model of North American democracy and conditions ruled by free market rules promoted by the WTO. Globalisation represents prescription for the whole world of the model of North American democracy supported by the imperial rule of the free market. Western institutions, such as free trade capitalism, technological rationalism, or liberal democracy, are becoming global. Nevertheless, there is debate about whether globalisation is the same as internationalisation, westernisation, Americanisation, McDonaldisation (Latouche, 1996; Ritzer, 1993) or market liberalisation. Globalisation has been also used to describe a wide spectrum of phenomena (Steger, 2007, p. 7) that possess little explanatory power and did not allow distinguishing between causes and effects. Some associate globalisation with the emergence of a political belief system that forms an ideological discourse sometimes called globalism (Steger, 2005). Globalisation has been thought of as an unprecedented time and space compression resulting from political, economic, and cultural changes, as well as powerful technological innovations (Castells, 1996-1998), Globalisation has been also perceived as a way of growing flows of capital, people and information taking place across space on a universal scale (Harvey, 1989; Ohmae, 1990).

A.T. Kearny/Foreign Policy (2004) proposed the globalisation index, including countries' levels of interdependence in terms of political relationships, technological integration, personal contacts and economic integration. This index's authors maintain that the most globalised countries have better income distribution. Such result would be valid for both developed and emergent economies. On the other hand, the KOF index of globalisation measures the main dimensions of globalisation (economic, social, and political) in addition to other sub-indices (Dreher et al., 2008). No consensus has been reached about the level of globalisation attained and its limits. However, some approximations for measuring economic globalisation have been advanced in terms of indicators for openness, connectedness and integration (Arribas et al., 2009).

Attempts at incorporating globalisation into the science of complexity were highlighted when constructing a theory of globalisation (i.e. the theory of non-linear dynamic complex systems) (Ormerod, 1998; Cole, 2002). Globalisation is an inherent attribute of all self-organising complex systems for Christian Fuchs (2003). He considered that relating self-organisation to globalisation (Rennstich, 2007) is a process which happens in society and is also present in nature (i.e. the more global a system, the greater the probability of its having higher complexity and a high level of interconnectivity between its component parts).

2. Metaphors and analogies

Metaphors and analogies regarding economics and biology are more than just centuries old. One only has to remember that Darwin alluded to Thomas Malthus and Adam Smith as being immediate sources of his inspiration when introducing the principle of natural selection to the biological world. It has already been stated that Marshall (1898a) proposed that biology and not mathematics was the auxiliary discipline for economics at the end of the 19th century; social phenomena could be better understood through biology than mathematics in his opinion. Metcalfe (2001) stressed that even though the concept of evolution is central to biology, this does not mean that it is exclusively a biological category. Evolution could happen in other domains. It is important to distinguish analogies from the principles inherent in physical nature which can be applied to biological, economic and social systems (Prigogine and Stengers, 1984; Georgescu-Roegen, 1971).

Many criticisms and objections have been made of using biological analogies, particularly regarding applying Darwinian Theory to economics and the social sciences in general. It has been argued that analogies from biology and physics only serve in identifying problems, but have not been appropriate in providing suitable answers (Saviotti and Metcalfe, 1991).

Another viewpoint states Darwinism's universality, the independence of its principles and its relevance for evolutionary economics (Hodgson, 2002; Knudsen, 2002). It has been said that Darwinism leads to a general theory of complex and open evolutionary systems, as well as proposing causal, accumulative and detailed explanations. Evolutionary economics has tended to appeal to the more relevant concepts of non-equilibrium thermodynamics. Such approach (Nelson and Winter, 1982; Nelson, 2002) goes against the founding postulates of conventional neoclassical economics. Geoffrey Hodgson (1993a; 1993b) and Michael Rothschild (1990) have stated that neoclassical economics is based on a metaphor taken from

Newtonian physics. Hicks and Samuelson's discussion regarding dynamics in economics concerned the pertinence of applying physics to economics. Contradicting Samuelson, Hicks stated that this was not possible.

Foster (2000) has criticised the biological analogy of natural selection regarding both its Darwinian and Lamarckian versions, stressing that Schumpeterian evolutionary thinking about economic evolution is compatible with an economic self-organising approach or perspective (Foster, 1997). Darwinian competitive selection is a secondary element in economic evolution as the primary force of evolution is born from the incessant generation of variety and novelty (Foster, 2000). The self-organising economic approach compatible with Schumpeterian intuitions highlights the concept of open system non-equilibrium thermodynamics (i.e. dissipative systems processing matter, energy and information).

Knudsen (2002) considered that Lamarckism and Darwinism share a common causal structure similar to that in economic evolutionary theory, even though the flow of information in Darwinism is unidirectional: from the genes (information) to the proteins (function) present in an organism's cells (i.e. from the replicators to the interactors). The Lamarckist view states that the replicators (genes) become modified due to information received from the interactors so that this modified state can then be transmitted to descendants. The set of encoded replicative instructions can be changed into habits and routines (genes) in economics, thereby allowing variations in intentionality to lead to rapider transformations than those resulting from Darwinian biological evolution (Knudsen, 2002).

Hodgson (1993a) resuscitated Marshall's metaphor (1898b) stating that economics is "a branch of biology broadly interpreted." Hodgson (1993b) thought that Marshall was more influenced by Spencer than Darwin. Really, Marshall never moved beyond a static, mechanistic paradigm, within a context of equilibrium (Hodgson, 1993b; Corning, 1996). Thorstein Veblen posed the following question in 1898. "Why is economics not an evolutionary science?" Economics should explain change before falling into the trap of static equilibrium in his opinion.

Approaches to studying the self-organisation of social systems in terms of evolution and co-evolution of species, genes or technologies (Maynard Smith, 1982; Kauffman, 1993; 1995) have recognised the risk that analogies and metaphors inspired by the inanimate physical world and the biological world (Mesjasz, 2002) may impede advances being made towards fundamental, more specific and systematic studies. The theory of biological evolution has also made use of mechanistic analogies. The notion of natural selection in the biological world has been considered, in its turn, to be a metaphor (Thompson, 2000; Hesse, 1974). Several authors have defended the scientific value of metaphor-based ideas (Lewis, 1996; Maasen, 1995; Hodgson, 2002) but have also insisted that they must go beyond the metaphor itself so that analysis can be systematic (Church, 1999).

3. The origins of natural selection and globalisation

The problems presented on trying to locate the historical origin of natural selection in the biological sphere and globalisation in the social and economic field are associated with the difficulties of theoretical conceptualisation. It is not known with any degree of certainty when natural selection began to act. The moment of its origin has changed frequently (Lima de Faría, 1983; 1988). Some Darwinists have stated that natural selection has acted on individual organisms in general (Lloyd, 1992) or functions or phenotypes (Mayr, 1997); others hold that it has acted on genotypes and genes (Williams, 1966; Dawkins, 1989) whilst others maintain that selection has always operated at molecular level (Eigen, 1971; Eigen and Shuster, 1979).

Swenson (2003) has stated that globalisation began when the earth was formed from a gaseous nebula 4.6 billion years ago. Moore and Lewis (1998) have stated that globalisation may be considered to be a natural process forming part of social evolution whose presence can be recognised during such early ages as four millennia ago during in ancient Assyria. Others hold that it began when humans set foot on all the continents several millennia ago (Sahtouris, 1998). Some people think that the phenomenon is more recent and began after the time of Columbus and Magellan. The starting point would be the great discoveries and the conquest of new territories after the second half of the 15th century (Fazio, 2002). The world system theorists estimate that it began with the capitalist system's expansion during the 16th century (Waters, 1995, pp. 2-4). Roland Robertson (1992; Fuchs, 2003) maintains that globalisation became intensified between 1870 and 1920. Some authors hold that globalisation was born during July 1944 at Breton Woods, USA (the Siena Declaration, 1998). Agnew (2001) has stated that contemporary globalisation had its origin in the Cold War's ideological geopolitics (Agnew & Carbridge, 1995). John Tomlinson (1999; Fuchs, 2003) and Manfred B. Steger (2003) have argued that globalisation made its most recent appearance during the 1970s; others prefer to think that it began at the beginning of the 1980s (Guillén, 2001).

4. Globalisation and natural selection

Darwinian Theory regarding biological evolution has been the object of intense debate during the last few decades. Natural selection has been the target of criticism, being more associated with a descriptive notion of evolutionary processes than with their fundamental explanation. Some critics have assumed that natural selection has been an abstract process of choice between alternative situations (Lima de Faría, 1983; 1988), independently of the universe's physical structure and that of the chosen organisms. Selection is resorted to each time that the basic mechanisms implicated in biological and social systems' architecture, functioning and evolution are ignored.

Progress beyond the analogy between natural selection and selection resulting from the process of competition has not been made in the case of economics. There is not empirical evidence showing that selection constitutes the basic mechanism of biological, economic and social evolution. Darwinism and its natural selection do not offer an explanation for the principles concerning the spontaneous thermodynamic ordering of living beings. Darwinian "fitness" and adaptation have also been questioned, the first because it is very difficult to quantify and the second due to its similarity with natural selection. The self-organisation

(Rycroft and Kash, 2004; Kauffman, 1993; 1995) of biological, social and economic systems presents itself as an alternative for understanding the nature of systems from their individual to planetary level.

There is no unified Darwinian theory, although there are many subjective (Lima de Faria, 1983; 1988) and contradictory approaches (Lima de Faria, 1983, p. 1024; Prothero, 1992; Lewontin, 1978; Witting, 2003; Mayr, 1978); something similar happens with globalisation. Every author has his/her own definition. In terms of its most outstanding attributes, globalisation has become analogous for natural selection. It has powerful omnipotent, omnipresent and universal properties "explaining" all economic, social, political or cultural events. Such mystification conspires against analysis of the driving forces of social and economic evolution from a historical point of view and contrasts with modern social thinking's classical foundations (Rosenberg, 2000, p. 2-3).

5. Globalisation as a self-organising complex system

Non-equilibrium thermodynamics can describe active structures' historical genesis (Prigogine, 2004; Prigogine and Stengers, 1984; Kauffman, 1993; 1995). Biological and social organisation implies forming structures which are very different to those of equilibrium which characterise the inanimate world. Complex, self-organising biological and social structures are born in open systems in which matter, energy and information are exchanged with their surroundings. The system is kept far-from-equilibrium and its dynamics corresponds to non-linear processes leading to their components' coherent interaction; new dissipative structures are born spontaneously in such conditions (Prigogine and Stengers, 1984).

Kauffman (1993; 1995) has proposed the spontaneous emergence of order in living systems and attributed a secondary role to natural selection concerning self-organising complex systems. Biological and social structures (as spontaneously produced phenomena in open systems and those very distant from equilibrium) are influenced by their surrounding environment, but also influence it in turn (Prigogine, 2004). Communities, nations and regions forming the global system behave as complex, open systems which are far-from-equilibrium. Interactions between subunits are non-linear (Heylighen, 2007). Globalisation must also be understood as being a complex self-organising system produced by social evolution (Rennstich, 2007).

5.1 The phenomenon of globalisation and the phenomenon of life

Globalisation is a collective distinctive characteristic of social complexity (i.e. the whole of the human species). Life is also a collective characteristic (Kauffman, 1993; 2000). The phenomenon of life, together with that of globalisation, has been defined in many different ways. Around 80 definitions have been proposed recently (International Workshop on Life, Pályi *et al.*, 2002; Zhuravlev and Avetisov, 2006). In practice, the end result has been to describe the constitutive elements instead of insisting on the search for an essential definition. Albert Lehninger (2000) has said that, "living organisms are composed of lifeless molecules," whilst Bohr (1933) stated that, "The existence of life must be considered as an elementary fact (or axiom) that cannot be explained, but must be taken as a starting point in biology."

Zhuravlev and Avetisov (2006) have combined life's manifestations (attributes or properties) into three groups: a state, a structure and a process. The difficulty presented when one tries to break down the attributes and seek their dynamic interactions can be recognised from such triptych vision. In the case of life actually present in the biosphere, this is seen as being a specific state of matter, commonly called the living state. Even though the essence of live matter is not clear, Zhuravlev and Avetisov (2006) suspect that it is related to the excited state of organic molecules and their assemblies. Understanding living matter refers to complex molecular systems' physics and chemistry and concerns the question about the events leading to the transition from the inanimate state to the living state. According to Prigogine (1977; 2004), new states are originated far-from-equilibrium in matter acquiring properties such as "communication," "perception" and "memory", these being typical of living systems.

In the structural and functional sense, life on Earth is represented by a specific hierarchical system called the living system, composed of self-reproducing agents (Zhuravlev and Avetisov, 2006). The phenomenon of life is comprehensible from individual organisms (and their cells) up to the level of a global ecosystem where the individual agents interact to organise more complex systems having different hierarchical levels. The tendency towards hierarchical structures is very obvious in the phenomenon of life (McShea and Changizi, 2003). The whole of the system is, at the same time, fragmented and integral. Life on Earth is a global phenomenon; it is thus composed of a series of hierarchically organised subsystems (Oltvai and Barabais, 2002) such as molecules, genes, biochemical networks, cells, tissue, individuals, communities and ecosystems.

Life on Earth has also been understood as being a specific process, the living process (Zhuravlev and Avetisov, 2006). Self-reproducing agents evolve within a context of uncertainty by producing genetic diversity. Dynamic and informational content, alongside the exchange of matter and energy, is also inherent to the living process. Andrade (2000) emphasised W. H. Zurek's proposal (1989) as he understood biological systems as being cognitive systems. Additionally, cognitive systems and living systems can be assumed to be collectors, processers and users of information.

5. 2 Globalisation as a state of social matter

Globalisation can be assumed to be a state characteristic of "social matter." It is the result of multidimensional interactions happening between individual agents, communities, nations and regions through codes of international, transnational and global interaction. The phenomenon of globalisation emerged as a less complex, less global, more local state of social matter. Regarding the state of social matter (human biology), such phenomenon is the result of social agents' cognitive "excitation" leading to approaches enabling collective learning and the accumulation of information and knowledge (Devezas and Modelsky, 2003). Such state of humanity is maintained through agents' interactions in which matter, energy and information/knowledge are exchanged at all hierarchical levels. Globalisation is the organisation of social matter, humanity, at planetary level. Social matter is living matter which has moved from the biological (living) state to the social state.

The notion of state is usually associated with the essential description of a system's components. To understand the phenomenon of life, one must differentiate between individual agents (which are relative passengers due to their ephemeral nature) and lasting populations or species containing them, to which they contribute towards forming, to which they belong. The allusion to the generic phenomenon of life on the face of the Earth has an abstract meaning, but the ecosystem relationships sustaining species have a concrete meaning, even though not all of them are related with the same intensity. Such characteristics do not contradict the conceptualisation of life as being a planetary phenomenon. Following a similar line of logic, the social matter represented by individual social agents is ephemeral whilst the communities and nations sheltering them last and are those which, in addition to maintaining their cohesion and internal coherence, contribute towards the structuring and functioning of the phenomenon of globalisation.

5. 3 Globalisation as a structure and a system

Globalisation in terms of a hierarchical systemic phenomenon is the result of an interconnection which open subsystems establish with their surroundings, in far-from-equilibrium conditions. Globalisation (as a hierarchical systemic structure) is interconnected to individual agents, local communities, nations and regions with differing degrees of intensity. It is thus necessary to turn to the concept of system to understand globalisation. Systems, especially autopoietic, self-organising and self-sustainable ones, present attributes which only appear when seen from a systemic global perspective (Maturana and Mpodozis, 1992).

Human societies' hierarchical structure has not been clearly established. Several levels of organization have been identified such as the family, the clan, the town, the national state (McShea and Changizi, 2003). There is a species of subsystem succession which includes (in order of growing complexity) individual agents, families and communities (urban and rural) within the framework of nations, continuing with communities of nations (regions) up to global level. Subsystems contain others in such hierarchical logic, making fractal arrangements and establishing horizontal and vertical interactions (McShea, 2001; Oltavai and Barabási, 2002).

Subsystems have heterogeneity in space and time in the phenomenon of globalisation and also generate diffuse frontiers, especially in their form and in some of their dimensions, determined by their internal elements' activity and parameters and their interactions with their surroundings (Prigogine *et al.*, 1972; Prigogine and Lefever, 1975). Each community, at whatever level, is simply a component or fragment of a globalised subsystem. Put another way, it is a population of interrelated individuals (economically, socially, politically and culturally) responding or reacting as a whole (community, nation or region) to the effects of the external environment, to their interconnectivity with other subsystems, as well as to their internal logic.

A society may be considered as being a network of subsystems which, in their dialectic interaction and dynamics, assure the maintenance of unity, cohesion and continuity through space and time, within certain not necessarily physical boundaries or limits (Fuchs, 2003). Analysing globalisation should show how the different hierarchical levels are spatially

interconnected. Fuchs (2003) has suggested that a global society and national societies may be found in the social space, as well as other transnational collective actors. Seen in this way, the global thus becomes a planetary-scale social space (Swenson, 1997).

5.3.1 What is national and what is global

Global structural sense is radiated at all levels, even though with variable intensity in different dimensions, latitudes and moments. There are trends towards globalisation at all levels, in communities, nations and in regions. Nations have a global sense regarding the local communities which they contain. That which is local constitutes the global whole; it is a condition of its existence. Globalisation is made up of local organisms (communities, national states) where the set of their interactions and interconnections supports growing globalisation. In spite of its asymmetries, fragmentations, exclusions, heterogeneities and inequalities, the phenomenon has planetary characteristics.

Considering globalisation's planetary nature is unavoidable as part of an evolutionary analysis. The phenomenon of globalisation is not something exogenous to national and regional subsystems; these are a constituent part of the global phenomenon in the sense that they form part of planetary interconnectivity. Nations (and regional blocks) per se are manifestations of globalisation events, growing interconnectivity between individual agents, communities and localities, not only in the geographical-physical sense but in the social and historical sense. Globalisation may be seen from the planetary dimension, but is present at all levels. The notion of globalisation covers the national level in the sense that that which is national (in its hierarchical concept) establishes close interconnections between individuals, local communities, to form a national system having greater complexity transcending and covering that which is local without abolishing it. For example, national institutions coexist side by side with other more local ones, as well as national interconnectivity in multiple orders. The national system removes citizens from their local dimension, their communities, to install them in a more global national temporal-spatial dimension, preserving their original dimension. In this sense, and as part of the same hierarchical logic, the global system presupposes the existence of their national components, their subsystems.

The emergence of more complex social systems does not imply the disappearance of the less complex systems making them up, or mean that all the less complex components must be included with the same intensity in a more global system. In terms of interconnectivity and feed-back, nations participate as nodes in varied complex networks. Humanity is organised into a growing worldwide interactive multidimensional network (Cao, 2007; Rycroft and Kash, 2004). Such complex networks are characterised by non-linearity, unpredictability and permanent changes accompanying the formation and making up of their nodes and interconnections.

Localities also behave as complex social subsystems having other more or less complex subsystems as their surroundings. There is a flow of matter, energy and information/knowledge (embodied in human talent or codes, technology and culture) between these subsystems. Local communities, nations, behave as open far-from-equilibrium systems (at all hierarchical levels), whilst the planetary global system is essentially a closed system (and, to a certain extent, is self-contained and self-referred); even

though it receives energy from solar and stellar radiation, it hardly exchanges matter with its surroundings. There is no absolute global system exhibiting the behaviour of an open far-from-equilibrium system exercising total coordination as the global system is an essentially closed system. In effect, there are national (local) subsystems which are articulated (even though unequally) for approaching a coordinated global system. National (local) subsystems have the inherent characteristics of open thermodynamic systems in the sense of being permeable to the flow of matter, energy and information, as well as remaining far-from-equilibrium.

5.3.2 Complex systems and globalisation

Complex systems are characterised by enormous heterogeneity and variety in their components and how these are organised or connected in complicated metabolic interactive networks, into hierarchies and multiple time-space scales (Carlson, and Doyle, 2002). The sciences of complexity understand living and social organisms as being self-organising and adaptive systems, acting through decentralised, non-linear, non-deterministic and constant flow far-from-equilibrium processes. The causal successions of self-organising complex systems present truly complex articulations of feed-back loops and circuits, allowing them to evolve, adapt and respond to challenges (Ormerod, 1998; Cole, 2002; Maturana, 1980). Changes in organised complexity result from the spontaneous birth of new structures, connections and forms of behaviour characteristic of open far-from-equilibrium systems (Capra, 1996, p.85). Irreversibility, directionality in time and historicity can be added to these characteristics (Urry, 2005; Depew and Weber, 1988, p. 333).

It can also be assumed that complex systems are particularly tolerant or robust regarding constrictions or perturbations of a certain magnitude and are thus highly optimised, but not in terms of equilibrium (Carlson and Doyle, 2002). This means that complexity is exemplified here by highly structured and interconnected networks or configurations resulting from deliberate engineered design or evolution; this does not exclude fragility or susceptibility regarding variety- and innovation-carrying internal or environmental fluctuation, perturbation or instability or even extinction and collapse. Nevertheless, if globalisation as an evolutionary process includes and is characteristic of the emergence of a highly structured, hierarchised and complex system then such process must have an inherent determined robustness, tolerance or buffering capacity regarding onslaughts and challenges in all its dimensions.

5.3.3 Structural and systemic formalities

Understanding globalisation in terms of structure and system incorporates formal demands. Hugo Fazio (2002) has stressed the difficulties which emerge when trying to approach globalisation due to the angle from which it is seen being very different: structure, state, process or moment. Regarding systemic analysis, it is argued that the notion of system presupposes the existence of structures in which the system's units/components maintain interactions in a defined way. The systemic foundation of globalisation is represented by growing interaction or interconnection between national and regional subsystems, as well as between the components within them, even though its heterogeneity, asymmetry and

variable intensity could suggest that globalisation as a system does not imply complete and extended interdependence, frank reciprocity.

National subsystems are a condition for the existence of the phenomenon of globalisation. Nevertheless, some authors have assumed that globalisation can only be understood as system, if the national scope in all their dynamics is set aside (Fazio, 2002). The inequalities and heterogeneities presented in globalisation are used as an argument against a systemic notion, given that it is not unusual for systems to become associated with synchronic behaviour and it is implicitly assumed to be an organismic and functional whole tending towards equilibrium (Fazio, 2002). Octavio Ianni (1999; cited by Fazio, 2002) has shown that system dysfunction, imbalance and disequilibrium tend to be objects of correction or suppression. In such case, preserving equilibrium is being sought, thereby negating the potentialities of open and far-from-equilibrium systems.

It has been argued that globalisation is not a system because it has not been consolidated at planetary scale and its intensity and orientation are very different in different parts of the globe (Fazio, 2002). This fact does not invalidate a systemic approach. It is true that subsystems are diverse but this does not detract from the existence of a global system. Subsystems (as components of a global system) are diverse in their different dimensions. Their interconnections' intensity, form and orientation are equally diverse. Political contingency, uncertainty, unexpected happenings, unpredictability, revolutions, institutions, fluctuations inherent in open far-from-equilibrium systems change the phenomenon's directionality, mould or create new orders, accelerate and decelerate some of this particular phenomenon's manifestations. The human agency plays a role having transcendental importance in such local or global systemic scale fluctuations. The notion of open and far-from-equilibrium system is incompatible with the generalisation, uniqueness and homogenisation attributed to the experiences observed in the phenomenon of globalisation by some authors.

In formal definitions, structure is associated with a system formed by articulated and coherent events where each component depends on others. This functional coordination does not contradict its non-equilibrium condition. On the contrary, it is one of the conditions for generating order. Globalisation is linked to transnational practices and expressions in multiple dimensions (economic, social, political, cultural), tending towards world-widening in all its manifestations. Capitalism thus plays a determining role in strengthening and bolstering the structural notion of the phenomenon and more recent globalising tendencies (Fazio, 2002).

5.4 Globalisation as a process

In terms of process, the phenomenon of globalisation is a historic reality of the human species and thus constitutes a social evolutionary process. Globalisation can also be seen as a manifestation of a multidimensional cascade of world-wide evolutionary processes from the perspective of the changes articulating the world system (Devezas and Modelsky, 2003). The phenomenon of globalisation seems to be the systemic consequence of an evolutionary and irreversible process in which creating complexity and order is inherent in open far-from-

equilibrium social systems. Such social system of the human species is a "world system" in Devezas and Modelski's words (2003).

The notion of process does not only imply the general ability for evolving but also the interconnections and interactions which different hierarchical systems sustain within their surroundings. Such interactions would include the transformations which a system's constituent agents (at all levels of hierarchical organisation) produce on their surroundings and the mutations or variations which systems experience, primarily as a response to their internal dynamics and logic, as well as variations constituting responses to interaction with their surroundings. Regarding their autonomy and the exercise of their active role in evolution, systems vary and create innovations in their multiple dimensions, some of which may eventually show Lamarckian hereditary characteristics (Knudsen, 2002) ("replicators": habits and routines, institutions, norms, identities, cultures). Put another way, "interactors", individuals and firms (for example, in the economic dimension) exhibit degrees of freedom concerning "replicators" (habits, routines) which could become modified as a result of developing "interactors" and their interactions.

Globalisation's systemic agents (individuals, communities, nations, regions) thus experience transmutations intimately related to generating tremendous multidimensional variety which will interact or be put to test in an environment formed by other subsystems. As happens with the phenomenon of life, it is worth asking whether the direction in which evolution and the development of globalisation is advancing is accidental or whether, on the contrary, it obeys an inexorable trajectory. Alternatively, it deals with an event whose actual scenario is the most probable one (even though other realities are not just probable but could be made possible by the active intervention of a human agency).

5.4.1 Thermodynamic approaches to globalisation

Globalisation behaves as a self-organising hierarchical complex system which undergoes constant change without presenting structural and immovable systemic stability. It deals then with an evolutionary process creating newer and greater complexity and instability, innovative evolutionary dynamics, generating self-organisation and hierarchy, whose thermodynamic properties are not restricted to just the setting of nature but are also extended to human society at all its levels (Corning, 1995; Kay, 2000).

The concepts of non-linearity, instability and fluctuations have moved from the realm of chemical kinetics to social "kinetics." Prigogine (2004; 1976) has called the order generated by the state of non-equilibrium "order by fluctuation." This refers to the order resulting from fluctuation in any of a system's dimensions. Instead of disappearing in such endogenous dynamics, fluctuation increases its magnitude within the system and surpasses the critical threshold of stability. The global order which can be observed at all levels of human organisational hierarchy comes from the instability caused by economic, social, political or cultural fluctuations which (in their development) have surpassed previously existent states' critical stability thresholds. Complex systems experience deep transformations and adopt distinct behaviour thereby affecting changes in their spatially and temporally organised functional structure (Prigogine, *et al.*, 1972; Prigogine and Lefever, 1975).

Dissipative structures in human societies are sources of self-organisation (Kauffman, 1993; 1995; 2000). They cannot be isolated from their surroundings as these are sources of matter, energy and information, and isolation will move them inexorably around the realm of equilibrium where disorganisation and inertia are the norm. Globalisation is characterised by its great complexity and the rapid flow of information and knowledge between subsystems, in spite of the evident asymmetries, inequalities and heterogeneities (World Bank, 2002; Ravallion, 2004; Almansa, 2000).

By contrast with the far-from-equilibrium world, equilibrium's analytical considerations refer to a homeostatic world in which fluctuations are buffered or absorbed by the system itself. No fluctuation can become a source of variation and innovation in such circumstances (Prigogine, 1980; Prigogine and Stengers, 1984; Gunaratne, 2004). If the phenomenon of globalisation runs along the paths of equilibrium then its evolution will be absent and the construction of increasingly complex and coherent systems and subsystems will become excluded.

Non-linear interaction networks constructed amongst component units within subsystems, and through them, incorporating feedback loops contributing towards sustaining metabolic routes and networks in non-equilibrium thereby strengthening and broadening them due to their catalytic and self-catalytic nature (Kay, 2000; Maturana, 1980; Varela, 1981), are not exclusive to living systems.

Information and knowledge flow through these networks constituting "energetic" potentials favouring constructing complexity on being "dissipated." Even though information and knowledge can be reused, the incessant generation of new information and new knowledge implies that they will be rapidly replaced through practical application. Subsystems having greater cognitive potential will tend to transfer more knowledge within them and towards those subsystems having less potential.

Dissipative structures are the result of irreversible processes (Prigogine, 1980; 2004). The second law of thermodynamics concerns the distinction between reversible and irreversible processes. Entropy produced by real world physical events can only be positive or zero. Such result is a direct consequence of processes' irreversibility and has become a universal law of macroscopic evolution. However, it should be stressed that evolution and irreversibility are associated with the disappearance of initial conditions and dissolving structures within the framework of the concept of equilibrium, whilst they are related to the emergence of order and growing complexity in far-from-equilibrium biological and social systems (Prigogine, 2004; Kauffman, 1993; 1995).

The phenomenon of life results from irreversible processes and, in turn, induces new irreversible processes. Irreversibility generates irreversibility (Prigogine, 2004). Such conclusion is also valid for social systems. Considerations relating to the concept of irreversible processes are thus not alien to the phenomenon of globalisation. Irreversible processes become more relevant when dealing with biological and social phenomena corresponding to temporal evolutions where the past and future are assigned different roles (Prigogine, 1980). Time flows in a single direction in such evolutionary and historic sense,

from past to future. Globalisation is a process which does not escape the inexorable arrow of time present in biological evolution and in physics. Globalisation is clearly a consequence of the presence of irreversible processes within the sphere of social systems. As happens with the phenomenon of life, and extending Prigogine's intuitions (2004) about biological phenomena to globalisation, it can be stated that the rupture of symmetry present in globalisation is a manifestation of the universal arrow of time; globalisation is irreversible and induces greater globalisation and irreversibility.

5.4.2 Uniformisation and homogenisation

Globalisation is associated with nations' uniformisation and homogenisation in all their spheres (i.e. with the extinction of heterogeneity and variety). It thus follows that isolation will be the better alternative to avoid falling into uniformity. Such proposal ignores the fact that a social system at any of its levels of organisation requires matter, energy and information from outside it. Its local operation is not possible without global interaction. The surroundings does not necessarily determine or impose a type of particular complexity. The inevitable opening could constitute an opportunity for liberating the system from its limited local framework regarding the possibilities of creating complexity. In the cultural context, the movement of ideas across traditional cultural borders is not a new phenomenon, except that now those cultural flows show a higher speed and scope (Kim and Bhawuk, 2008). Some concerns have been raised regarding threats to collective identity as well as concerns about cultural homogenization. On the contrary, it has been emphasized that the enhanced intercultural contacts offer new opportunities and possibilities (Kim and Bhawuk, 2008).

Determination coexists with the supply of possibilities in the surroundings; there is space for dependence and interdependence. National systems are not a representation of a "global" environment because numerous national "species" coexist in spite of it being stated that there is a determinant and homogenising "global" environment. Social systems decide the management of flows of matter, energy and information in their relationship with the surroundings through their cognitive activity (Andrade, 2002; Ángel-Rodríguez, 2004). Globalisation is not a homogenising force as the empirical evidence indicates that national societies continue, even though in a differentially, generating variety and complexity.

Regarding biological evolution, it has been suggested (Brooks, 2001; Brooks and Willy, 1988) that the emergence of order and complexity in an organism is the result of the interaction between self-organised subsystems (intrinsic factors) and equally organised and complex external surrounding environment (extrinsic factors), each having its own rules of behaviour. Globalisation would imply that more complex and developed social systems impose conditions on less developed ones, making them more complex and globalised, without necessarily compromising their identity or autopoietic autonomy and their ability to evolve.

Within the context of the evolutionary process of relationships between systems having differential development accenting their complexity, and taking Woese (2002) as an analogy, simple and modular economic systems (i.e. hardly interconnected internally, not very complex or robust) may be exposed to their components becoming easily displaced by

foreign components or modules from the exterior, thereby becoming a driving force in their evolution. They will thus be more connected with the exterior than their interior during early stages of their evolution; they will become exposed, before having obtained their own "genetic" identity, to this being imposed on them from outside, from other innovation-exporting systems. Their evolution as backward and hardly differentiated systems will tend to mainly take place through components ("genetic", economic, political, cultural, technological, informational, and cognitive) from the exterior, obviously in asymmetric conditions of innovation interchange. In spite of such apparent tendency towards homogenisation in favour of more developed and complex systems, many arguments tend to demonstrate that the process of globalisation does not lead to convergence and homogenisation but it is rather a dialectic process of unequal and heterogeneous development which, even though coordinated, also fragments and, even more so, produces divergent results and contrary effects in some cases (Giddens, 1991, pp.21-22; Giddens, 2000, pp. 30-31).

Globalisation has distinct effect on each nation and such process is not necessarily convergent, nor is it equitable (Keohane and Nye, 2000, p. 76). Garrett (1998) has refuted the simplistic vision of convergence and homogenisation. The empirical evidence supports the assertion that the process of globalisation preserves national specificities (Guillén, 2001; Zelizer, 1999). Cole (2002) maintains that heterogeneity prevails over homogeneity in spontaneous self-organisation. If this were not, then that which is global would put an end to the structural support enabling its existence. The whole cannot finish with its constituent parts. Globalisation and localisation can be read as two sides of the same coin (Cole, 2002). It may be added that codes of interaction between national subsystems tend to become homogenised, as happens with living organisms' molecular logic (Lehninger, 2000). Subsystems tend to preserve their internal national identity during this process. In other words, there may be convergence in the logic of global interactions (Heylighen, 2007), but divergence or "speciation" in subsystems.

5.4.3 Generating variety

Examining the economic, social, political and cultural history of humanity leads to the inevitable conclusion that wherever one's gaze is directed, fluctuations, instability and evolution are observed, thereby generating diversity and variety and a general tendency towards self-organisation, complexisation and the emergence of a new order. So that the process of globalisation in non-equilibrium is considered as being a self-organising system, it must be considered as a whole, a unit, where all coherence present in the relationships between its open subsystems is internal to it. Not just accidental spontaneous change but rather the intervention of human agency must be taken into account in this process of systemic growth of complexity and hierarchisation, purposeful action. A self-organising approach to the process of globalisation thus seems to be more compatible with a historical evolutionary description of humanity than with a reductionist and mechanical neo-Darwinist approach supported by the human analogy of natural selection, be it social or economic.

Reflection about thermodynamic systems within the framework of evolutionary economic theory does not constitute an analogy, as emphasised by Metcalfe (1998), but rather

resolution dynamics operating when variety is generated in any type of dissipative system. Self-organisation is not a simple analogy (Foster, 2000), but rather one of dissipative systems' properties which is manifest in different ways according to the context (Foster, 1997). The transfer of matter, energy and information during the globalisation process incorporates changes between the global phenomenon's constituent subsystems. Globalisation's evolutionary nature is due to variety or "speciation" being exhibited (before convergence) in the social organisation and in opportunities for cooperation and interchange. The continued generating of variety in subsystemic and global interconnections breaks the causal Darwinian relationship between selection and variety being generated (Foster, 2000). The role of competitive Darwinian selection between different connections thus becomes secondary within such context. Following Foster's line of thought, the engine for economic evolution and globalisation is born from variety and innovation in systems and their articulations, including information production, transfer and processing. Technological innovation is characterised by materialised self-organising processes in firms and other innovative agents (Biggiero, 2001). The greatest evidence of self-organisation can be seen in the increase in inter-organisational collaborative activities such as joint-ventures, consortiums and strategic alliances (Richter, 1994; Rycroft and Kash, 2004).

5.4.5 Historical transitions for nature and society

Globalisation may be understood as being a transition from biological evolution to social evolution; life is thus the result of the transition from chemical evolution to biological evolution. Following this line of thought, globalisation has inherited the transformation of matter, energy and information from biology (its preceding stage) in the same way that biology inherited attributes of development from the inanimate world, in spite of the notable difference observed between the cell's chemical composition (even the most simple one) and that of its inanimate environment (Zhuravlev and Avetisov, 2006). Complexity, active adaptation, and hierarchical organisation at multiple levels took place during the period of transition from chemical evolution to biological evolution (Zhuravlev and Avetisov, 2006). Such attributes of biological evolution were in turn inherited by globalisation. Other attributes appeared during the transition from biological evolution to social evolution which have been reflected in an intensification of the production and flow of information and knowledge, as well as their indissoluble support (collective processes of learning and other institutions). That which is social presupposes the existence of that which is biological with all its material and informational elements. The human species on the planet cannot just be seen as a biological assembly. Its task goes far beyond that. It supports a complex social system consisting of many interdependent units of behaviour which interact so that collective behaviour can emerge on several hierarchical scales up to the formation of the entire global system (Devezas and Modelski, 2003; Modelski, 2007).

Seen from the viewpoint of self-organising hierarchies, the space for living organisms emerged from the self-organisation of inanimate matter, whilst living matter in its self-organisation of superior order generated the social space (Fusch, 2003). Following this sequence of transitions, life's environment is the inanimate state which preceded it as well as life itself which is represented in individual agents, species and ecosystems. The inanimate world did not cease to exist when life emerged. In fact, many inanimate components were not included in living organisms whilst only very small percentages of

others were included. Globalisation's open systems also have their surroundings in that which came before them: the inanimate world, biological ecosystems, as well as that which is social, represented by individual systems, local, national and regional organisations. It can thus be stated that the transition from local to global evolution did not imply that local elements should disappear. It is more appropriate to refer to globalisation as a self-sustainable system than a self-reproducible one as in effect they are the ephemeral units or individual components of the system reproducing them whilst the whole phenomenon lasts.

Social evolution's sustainability is compatible with historical transitions' diversity. Devezas and Modelski (2003) have stressed the most recent facts regarding social evolution which might be indicative of the beginning of a possible common (global) organisation for the whole human species of a modern world system characterised by the emergence of a global level of interactions and institutions (Modelski, 2007; Heylighen, 2007). World social evolution will thus consist of a cascade of evolutionary processes at all levels of the human species' hierarchical organisation and not just by predetermined simple, unique trajectories. The complete description of the construction of a world system will correspond to a millenarian process of learning made up of four phases (ancient, classical, modern and postmodern) (Devezas and Modelski, 2003; Modelski, 1999: 2000). Devezas and Modelski's analysis (2003) has suggested that the emergence of such world system may already be 80% complete and could soon be moving into its consolidation phase. This would suggest (without prejudicing the human agency's historic role) that the basis for constructing a world system would be ready by now and that it is very improbable that there would be a drastic reconstruction or modification of the general lines of contemporary world order.

6. Conclusions

In spite of globalisation having been one of the most widely discussed and referred to topics in recent economic, social and political literature, there is no consensual definition. A reading of the phenomenon has been proposed here in terms of a state, structure and process, within the context of evolving self-organising complex systems.

Globalisation is a characteristic state of "social matter," originating multidimensional interactions between individual agents, communities, nations and regions through institutional codes articulating international, transnational and global dynamics. It has already been stressed how open system non-equilibrium thermodynamics contribute towards describing the historical genesis of active biological and social structures (Prigogine, 2004; Prigogine and Stengers, 1984; Kauffman, 1993; 1995). Globalisation is an open and complex, hierarchical and self-organising system, having no end to its evolutionary history, lacking structural and systemic stability.

Globalisation is the result of far-from-equilibrium subsystems' interconnection being opened up and maintained with their surroundings. Globalisation incorporates coherent relationships between a system's units (individual agents, nations, regions). Such processes take place in a far-from-equilibrium milieu.

The order of global dimension characterising all levels of human organisational hierarchy comes from instability deriving from economic, social, political or cultural fluctuations

which have gone beyond critical stability thresholds for previously existing states during their development. Such dynamics become transformed into greater perturbations bearing new states, new order, new stability which, in turn, become the starting point for future instability. There is no space for equilibrating forces in such processes (Prigogine, 2004).

Globalisation is a collective characteristic of social complexity (i.e. of the whole human species on the face of the planet Earth). Understanding globalisation implies dealing with the difficulties inherent in complex systems which cannot be approached in terms of a brief essential definition. The empirical evidence has shown that national societies will continue to generate variety and complexity. Globalisation must thus not be understood as a uniformising and homogenising event for nations.

Humanity's economic, social, political and cultural history shows that an advance has been made towards a world immersed in fluctuations, instability, evolution, thereby generating diversity and variety. Consequently, the self-organising approach to globalisation seems to be more compatible with a social, economic and cultural evolutionary description of humanity than the neo-Darwinist reductionist and mechanical approach based on the human analogy of natural, social or economic selection. Within the framework of planetary evolution in terms of its physical, chemical and biological orders, it is thought that globalisation corresponds to a transition from biological evolution to social evolution in the same way that it has been proposed in a very documented way that life comes from the transition from chemical evolution to biological evolution. It has also been stated in this chapter that the open subsystems constituting globalisation also preserve the reality from which they come as well as their surroundings: the inanimate world, biological ecosystems and that which is social, expressed in individuals and organisations' behaviour (at local, national and regional levels).

The approach proposed in this chapter has shown that simplistic affirmations about globalisation have no grounding (from those who defend it because it is "good" and from those detracting from it because "it is not good"). It is neither the one nor the other. Complex systems are with us. They are not good or evil in themselves and the observer's opinion and actuation in the system is nothing more than one of the components of self-organisation processes.

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The rhetoric of neo-institutionalism and the quality of formal education

Continuity and change, national and global quality cultures

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1. Introduction

A large amount of the economic literature has been written out of the desire to provide clear and adequate answers to a crucial question: Why is the world divided between the rich and the poor? Why are some economic players unable to reach high performance standards? Which are the rules to govern the economic game? Are we all subjected to the same rules? Who imposes such rules?

Out of the variety of theoretical paradigms approached by those who intent on identifying the mechanisms to ensure the achieving of high economic performance, we shall consider the one functioning under the terms imposed by social, economic and political institutions. Institutions are essential in setting up structures of incentives under which people interact within society; they are a product of the overall society or a social segment. Considering their endogen nature (as they are the result of a collective desire) we can infer that the act of establishing institutions requires the harmonization of otherwise heterogeneous interests. Within a society, there is no guarantee that all individuals and social groups should make similar institutional choices due to their potential impact on the future sharing of resources. Who will prevail in such a confrontation? Although the efficiency of a certain set of institution is important during the selection stage, political power is the supreme decision making power. The politically stronger group will determine the rule of the game according to its interests (Acemoglu et al. 2005). Consequently, political institutions determine the pattern of economic institutions and in their turn, such institutions will impact a nation's economic performances.

The neo-institutional discourse on continual and systematic institutional change has a considerable influence over long-term economic performance and it lends itself to a topic of general interest - the quality of education. This chapter emphasizes that individual choices in the realm of education are considerably influenced by personal values and beliefs; they derive from the process of learning materialized in the culture passed on from one generation to another. Time is the framework in which the learning process shapes

institutional evolution and institutions are the social constructs which create social knowledge and progress (Bundă, 2008). The mutual interdependence between the two processes is a challenge for political decision making factors. The educational reform aiming at developing a “quality culture” for the educational system needs to start, in our opinion, from national values and beliefs.

2. The teachings of a Nobel Prize winner

Douglass North, a Nobel Prize winner for his contribution to neo-institutional thinking, ironically hinted at a provocative idea: efficiency is more important for theory than for practice. Institutions are not necessarily created to be socially effective; formal rules most often serve the interests of those who are able to abide by such rules. According to such reasoning, economic efficiency is an exception rather than the rule (North, 1993, p.7). Such a warning coming from a heterodox is without doubt against mainstream economics hypothesis, yet extremely useful for those who are keen on watching the things around them realistically.

While narrowing such debates to the process of acquiring theoretical knowledge (a vital element meant to boost economic performance on long term) the adepts of neo-institutionalism consider that this is influenced by financial rewards and positive social attitudes to science.

The overall social approach to the benefits of expanding knowledge (in various stages of historical development) is the major source of long term change. Likewise, educational improvements are dependent on the features of social institutions and the institutions are variables strictly influenced by the level of education. Therefore, fostering the progress in the theory of social change involves (in North’s opinion), doing away with the hypothesis of rationality (as in traditional economic principles) and constructively explore the nature of the learning process (North, 1990).

The accumulation of knowledge requires the development of a structure meant to interpret various signals received by senses from the environment. The provisional architecture of such a structure is genetic and it gradually undergoes the process of metamorphosis, as a result of personal experiences. Such a structure is made up of categories and taxonomies gradually developing, which reflect the way in which individuals organize their own perceptions, record and classify their memorized experiences. Using such taxonomies, individuals construct mental models meant to interpret reality. Both the categories and the mental models develop throughout time, either emphasizing or altering previous positions. On the other hand, beliefs are transformed into social and economic structures by institutions (which can be seen both as formal and informal behavioural constraints). The following quotation is illustrative for the stage of our research: “There is a close relation between mental models and institutions. Mental models are internal representations created by individual cognitive systems in order to interpret the environment. Institutions are external mechanisms created by individuals to structure and order the environment” (translation mine, North, 1993, p.12-13).

Consequently, knowledge develops and determines our perception of the environment and in their turn, such perceptions inscribe the need to improve our knowledge. The learning process depends on the way in which values filter experience-derived information and on the various experiences lived by individuals and societies throughout time.

Under such circumstances, it is essential to understand the “path dependence” phenomenon; once a national economy is on the upward / downward trend or stagnates, it is very difficult to reverse such trends on the long term. Knowledge acquisition is underlain by perceptions derived from the process of collective learning across generations. The act of learning is a cumulative process subject to social and cultural filtration. As learning incentives are also influenced by culture, there is nothing to guarantee that the amount of experience gathered by society can adjust the rewards / incentives so as to support the solution identification process.

When the social and economic development is on a set path, the network of externalities, the learning process within organizations and the subjective interpretation of the problems encountered by society will strengthen the path. It is difficult to reverse a downward trend mainly because of political institutions and the values taken on by social actors. History has given evidence that it is not enough for statesmen to be aware of economic problems and to come up with “reasonable” solutions. The mere transfer of formal political and economic regulations from a successful market economy to underdeveloped economies does not automatically ensure high economic performance, as economic results are also influenced by informal /and gradually changing rules and by the enforcement of formal regulation.

3. Placing the education issue on the ground of sustainable development

Education has the potential to induce behavioural changes toward the gradual adoption of new formal/informal rules properly adapted to achieve/reinforce sustainable development. It should contribute to all three axes of sustainable development, namely:

- The Social perspective – education strengthen social cohesion by investment in human capital;
- The Economic perspective – education contribute to building a knowledge society based on sustainable economic growth; and,
- The Ecological perspective – education are crucial for changes in citizens’ behaviour on issues such as: consumption, transport, use of sustainable energies, etc.

Nevertheless for all the three axes the economic logic is prevalent. In the light of this chapter success in revising unsustainable trends will, to a large extent, depend on the human accent and the flexibility in understanding the type of education needed for sustainable human development.

3.1. A national perspective

Political discourses, curricula and plans related to Romania’s sustainable development are generously filled with sentences capitalizing on education. At first glance, one may argue that the Romanian society acknowledges that education is a strategic factor in the national development, given its vital contribution to the multi-faceted and anticipative shaping of the human capital. Yet, this is all, of course, wishful thinking.

The educational policies aiming at including minority group into the educational system are closely intertwined with the efforts made on the line of sustainable development. They should become the vector of the educational reform. Development should start from long forgotten areas by this phenomenon; extending and improving the educational network, increasing teaching career opportunities, improving school transportation in rural, poverty-stricken areas are formal measures, yet meant to rekindle long forgotten feelings: respect for

school and learning. To this end, the passage from economic to human sustainability becomes shorter and obstacle-free, as high-quality education is likely to develop responsible attitudes toward community and environment.

For a deeper understanding of the matter, one should pay specific attention to the distinctiveness of the types of learning: formal, non-formal and informal education.

- Formal education: learning that occurs within an organized and structured context (i.e. formal education institutions such as schools, colleges, vocational training institutes and universities), and follows a particular structured design. It typically leads to a formal recognition (diploma, certificate). In those cases, the issue of sustainable development tend to be inserted in the curriculum of the institution;

- Non-formal education: learning which is embedded in planned activities that are not explicitly designated as formal learning, but which contain an important learning element, such as vocational skills acquired on the workplace;

- Informal education: learning resulting from daily life activities related to work, leisure, free-time, etc. This type of learning is sometimes referred as experiential learning.

Early education is one area to cover especially for the case of Romania. "The seven year education at home" is the period to delineate the process of individual becoming, the period in which parents teach their children to tell apart the good from the evil. This parental responsibility is both natural yet difficult in a society whose social values are continually perverted and social hierarchies undermined. People with doubtful behaviour reach the top of the ladder. Unfortunately, in the Romanian society, the setting of example has undesirable results. The achievements and the efforts of the authentic elite are too often discarded. Consequently, consistent efforts to self improvement do not attract large numbers of supporters. We are still charmed by the myth of the "overnight success". Everything is analyzed from a money-oriented perspective and in a short time span.

Such considerations urge us to recommend in-depth educational reforms, aiming at restructuring learning incentives and informal educational institutions (Askling, 1997). We strongly consider that formal education should be built on the solid foundation of informal education. In real life, however, reforms aim to restructure the higher levels of education to perfection as they consider that the foundation will inevitably be laid anyway. It goes without saying that a technical solution to this edifice is difficult to find.

The act of renewing social institutions takes time and asks for extensive reforms. Still remains the dilemma: Has indeed the formal education the potential to bring about welfare? If yes, for sure it implies a gradual and time consuming process.

As it was shown above the economic theory has developed mental models to understand the mechanism of producing welfare. This is a legitimate field of knowledge to the extent in which it serves for improving the quality of life for all human beings.

3.2. Notes on the European discourse on education and sustainable development

The European discourse on the relation between education and sustainable development has a pragmatic and programmatic character. In turn, the Education for Sustainable Development Strategy stated by the UN Economic Commission for Europe in 2005, recognizes that:

"Education for Sustainable Development is a lifelong process from early childhood to higher and adult education and goes beyond formal education. As values, lifestyles and attitudes are established from an early age, the role of education is of particular importance for

children. Since learning takes place as we take on different roles in our lives, Education for Sustainable Development has to be considered as a "life-wide" process. It should permeate learning programmes at all levels, including vocational education, training for educators, and continuing education for professionals and decision makers."

Education has intrinsic value and is a key field to enable individuals realising their full potential and achieve personal fulfilment in all aspects of their lives. It plays a crucial role in their intellectual, moral, social, creative and physical development and, by promoting essential social and civic values such as equality, tolerance, respect and active citizenship; it makes a significant contribution to strengthening social cohesion.

Whilst acknowledging the wide range of roles which education fulfil, an important part of education's role in fostering social cohesion lies in its ability to equip people with the knowledge, skills, competences and attitudes needed to enter and remain in the labour market. Integration into the world of work gives individuals an opportunity to have a full stake in society, thus contributing to their social inclusion, active citizenship and personal fulfilment.

In terms of enhancing employability, the capacity of Europe's education and training systems to ensure a supply of highly qualified people mastering the requirements of today's working world and contributing to innovation both as employees and entrepreneurs will be decisive, if Europe is to maintain and improve its competitive position in the global economy.

3.3. Changing the rhetoric for a global perspective

So far the economic logic was preponderant. At national and regional levels the education is important for its promises for future economic growth and development. Even the neo-institutional theories depart from the human intrinsic cognitive systems and follow all the way to the same end point: economic performance.

This is not the only way, but it is one of the most sophisticated economic demonstrations for the role played by education in the contemporary world.

Yet there is a growing awareness that we all are lost if continue to follow the economic way. Some global approaches to world education change the direction toward a global intelligence. That is: "the ability to understand, respond to, and work toward what is in the best interest of and will benefit all human beings and all other life on our planet. This kind of responsive understanding and action can only emerge from continuing intercultural research, dialogue, negotiation, and mutual cooperation; in other words, it is interactive, and no single national or supranational instance or authority can predetermine its outcome. Thus, global intelligence, or intercultural responsive understanding and action, is what contemporary nonlinear science calls an emergent phenomenon, involving lifelong learning processes". (Spariosu, 2005, p.3)

How can global intelligence be acquired?

It involves remapping traditional knowledge, accumulated and transmitted by various educational disciplines, and finally dropping out the disciplinary mentality. The global intelligence presupposes a holistic mode of thinking, a trans-disciplinary or integrative one, and also new kinds of knowledge from an intercultural perspective.

Yet, a global mode of thinking will emerge from "local" knowledge with its own historicity. Knowledge is always bound to a specific time and place, to a specific culture or system of

values and beliefs or, indeed, to a specific lifestyle. A global approach attempts to identify the cultural specificities of knowledge, explore commonalities and differences among them, and negotiate, if need be, among such specificities. It also presupposes that, in the process of exploration of cultural commonalities and differences in the way in which we acquire and utilize knowledge, new kinds of cross-cultural knowledge emerge through intercultural research, dialogue, and cooperation, and new kinds of integrative cognitive and learning processes become possible. (Spariosu, 2005, p.8)

Then there is a need for designing educational models to foster the kind of local-global learning environments and intercultural, intellectual climate that are needed for sustainable human development in the next few decades.

The current educational system privileges imitation students, not creative, critical, and analytic professionals with a broad and disciplinary free understanding of society at large. The core challenge for educational institutions is to turn away from conventional lecturing to learning situations based on the search for solutions to real-life, open-ended problems. (Denzin et al., 2003, p.134)

Innovative education practices for sustainable human development covering all three types of education (formal, informal, and non-formal) must be encouraged. These practices will be configured to provide a good spread of activities focussing on all three pillars of sustainable development: environmental, economic and social. Their innovative character should come from mission and objectives assumed, the delivery method of educational services and the institutional frameworks.

There is a large scope for systematic and trans-national educational reform to change the current situation of powerful constellation of forces through cooperative and innovative practices.

Paradoxically, the ongoing economic determinism of development process can be counterproductive. All the demonstrations of the economic development theories formalized or not, are very interesting intellectual exercises that unfortunately bring just little long termed benefices for human beings. Even more these benefices are not shared equally and equitable to all the people of the world. It is high time for return to natural and simple things. People always had the inclinations to struggle for survive or to cooperate for surviving. The economic institution – market is probably the most populated field of battle throughout history. Are we prepared to imagine a world in which competition is totally replaced by cooperation? And yet we wonder the project of global economy undertake only the disappearance of many types of frontiers? In market terms this means that finally we'll have a larger battle field.

This is the call for mentality and paradigmatic shifts. It should be abandoned the mentality of confrontation and look for other ways of organizing human relations, as well as our cognitive and learning processes. The shift will take place gradually, much impeded by the tendency of path dependence. This shift enhances a learning process that changes the national cultural filter and prepares the emergence of a global culture. Once such conditions installed, it will enable proliferate of global intelligence. From the paradigmatic perspective, in our opinion the neo-institutional approaches still find a place in this landscape of scientific inquire based on mutually, intercultural cooperation. A new set of economic, social and politic institutions should be crafted to guide all of our future interactions on this planet. This new rules of game borne from cooperative actions, but not confrontational selection process will naturally lead ourselves to the achievement of the final goal – that of the sustainability of human development.

4. Toward a quality culture in formal education

Within the economic, social and ecological axes of human sustainable development, quality has a significant importance and represents a challenge since quality assurance in formal education has more and more come to the fore in recent years.

Quality is a multi-faceted concept, difficult to render operational in educational terms. In general, there are a number of quality concepts as regards formal education programmes. All of these are seen as relevant and competing. In fact, there is a strong belief that a 'one-fits-all' concept of quality is not desirable. Instead, differentiation is much welcome in view of differences of needs and in order to match a broad spectrum of individual and economic demands.

Among the quality concepts of formal education are – just to mention only the most common ones here –, according to broadly accepted typology: quality as (a) perfection or consistency, which is linked to notion of reliability and to conformity through compliance with set standards; (b) the exceptional or excellence, which bears an element of elitism; (c) fitness for purpose, often linked to the need to address to a required reference point; (d) value for money, which is sometimes linked to the notion of value for time invested, both of which relate more closely than other definitions of quality to the quality concept of – partly rational and partly emotional – customer satisfaction; (e) transformation, considering the individual gain accrued in the course of a learning experience.

Positive definition of quality approaches are necessarily paralleled by negating or abandoning others. Here the slogans 'from input factors to learning outcomes defined in terms of competences' and, which is partly related when seen from the viewpoint of process and approach, 'from teaching to learning' and 'student-centred learning' come to mind. Despite profound and serious difficulties in defining the content of learning outcomes and relevant competences, in validating them, in making them operational, in installing fit-for-purpose learning devices and environments, and in measuring their accomplishment, the shift to learning outcomes and to student-centred learning rather than focussing on input and teacher perspectives has been one of the key mantras in the quality debate. However, there is still no denying of the relevance of input factors, such as qualification and numbers of staff, of equipment, or of student intake. So in practice, from case to case, there seems to be considerable ambivalence between rhetoric and traditional reality in defining and measuring quality features.

The likely key to consolidating all these approaches is that all factors need to be linked in a methodically correct manner. This is done by not taking input factors as isolated starting points for developing and judging quality. Instead, input factors should rather be seen as elements to be considered incidentally when addressing the question as to whether or not the envisaged educational purposes could, in terms of underpinning both at the level of concept and of its subsequent implementation, feasibly be accomplished.

It clearly results that quality cannot be solely evaluated by calculating quantitative indicators, such as: the number of students per member in the teaching staff, educational spaces etc. Other specific indicators are even more important: the professional and methodological competence of the teaching staff, the cultural, ethical and social accountability of education, student satisfaction. Consequently, a quality education depends, to a large extent, by the synergic harmonization of three elements: institutional capacity, educational efficiency and quality management.

To this end, a functional emerging educational system should capitalize on the following aspects:

- educational goals, curricula, teacher competence and the efficiency of educational practices;
- educational spaces, equipment, libraries and reading rooms;
- performance criteria, standards and indicators, internal and external evaluation pertaining to such standards and causes of dysfunction;
- the amount of financial resources.

The success in setting up a “quality culture” is influenced by objective and subjective factors, by national and global trends. Some countries have set the trend and the others need to follow in their footsteps. This is about the assertion that the majority of countries have understood the expectations of the minority of leading countries in the world economic hierarchy. Each of them is just a piece in a puzzle called the Global Economy, which needs to adjust to fit in. Very much like a diligent student who learnt his/her lesson well, the governments set priority action plans which will directly impact upon the future development of the national education system.

How can such plans be accomplished? How can we achieve a global quality culture? The necessary steps are easy to set, hard to achieve and impossible to quantify, as tangible results become visible in many years. Firstly, one should improve the quality assurance system at pre-school, primary, secondary and tertiary levels, by assisting schools to improve their management and supply relevant jobs for the labor market. Secondly, improving teaching competences and the competences of the people involved in the educational system by supporting them in their life long learning process. Thirdly, one needs to extend the life long learning framework by assisting the agents/suppliers of life learning education to reach the standards of quality management assurance. Fourthly, young researchers should be encouraged to develop their competence by increasing their doctoral and post-doctoral educational opportunities. This enumeration can continue indefinitely. It will be interesting to note, however, whether such desires, expectations and actions pertaining to a “quality culture” will ever take effect in a national culture. In retrospect, forthcoming generations will easily solve this problem.

For the time being, the majority of countries are currently importing patterns and solutions created by developed countries. Although quality assurance activities have not had a long tradition worldwide, some countries or groups of countries have obtained worthwhile results. Therefore, the mission lies in promoting “compatible quality assurance systems” meant to render national education internationally recognized. In more concrete terms, we need to set in motion a mechanism meant to ensure that educational establishments observe national and international quality assurance standards. To this end, quality assurance strategies mirror the ability of an educational supplier to be accountable to internal clients (pupils, students, teaching staff) and external agents (employers, society) and ensure that standards are met. This quality assurance becomes an important factor in the invisible competition between nations in terms of culture and education.

Consequently, judging by the promise of progress it delivers, we consider that the implementation of a quality assurance system is necessary, yet far from being accessible, due to certain specificities: the school is not a factory, students are not goods/commodities, there are multiple clients (students, parents, employers, the society) and so one cannot identify precisely all the elements of a manufacturing process. Despite such specificities,

quality management can be functional in education as well. The educational process can be improved, teaching efficiency can enhance and teacher/student satisfaction can increase. Quality management stands for a different way to organize and harmonize efforts so as to ensure that people fulfill their tasks enthusiastically and actively contribute to improving their techniques. It might look rather impossible, yet practice provides us with plenty success stories for this type of management. To increase the chances of success, one needs to observe a simple principle - the process should prevail over the product. Such management will capitalize on the learning process as such, rather than on the results evinced by tests and examinations. From this perspective, the human factor is in the foreground again, and we consider that the weak spot which management should address is individual attitude towards the educational process. We need to consider that both the student and the teacher act and interact under complex incentive structures. We need to identify those mechanisms to induce perceptions and values meant to ensure the quality of the teaching activity. Quality culture derives from this; it stands for cooperation and responsibility.

5. The necessary steps for enabling the emergence of a global quality culture in formal education

Quality culture encompasses a more implicit consensus on what quality is and how it should be maintained and promoted. Nonetheless, this chapter is based on the conviction that quality culture can be consciously promoted. The procedure of promotion described here after is based on the agreement of common goals from which indicators of success and quality measures are derived. By a conscious promotion of a common quality culture in international cooperation, potential failure of the partnership can be diminished because contradictions with existing quality cultures at partner institutions are avoided and the partnership is firmly based on common goals as the focus of cooperation.

Therefore a common quality culture or, more broadly, a global quality culture may emerge if the mentality of confrontation is abandoned. The single suitable rule is the cooperation. Applying this rule each step towards a global quality culture should be taken cautiously. There is need of an entire process based on intercultural dialogue. The agents of each culture should interact until the harmonization of their values, beliefs, standards etc.. As a result, a new culture will take form which is not a mere sum of the former ones.

5.1. The case of a joint programme in formal education

For envisaging the mechanism through which the third culture, the integrator one emerges, we will discuss in more details about the three phases crossed for the establishment of a joint programme in formal education.

The first phase - *set-up phase* - concentrates on the promotion of a common quality culture between the partners involved in the development of a joint programme. *The consolidation phase* focuses on the implementation of quality assurance procedures which form the basis of the emergence of a common quality culture shared by partners. *The maintenance phase* builds up the routine of quality assurance procedures which are constantly tested and re-adjusted by evaluation procedures and thereby form the backbone to the promotion and maintenance of the common quality culture across partner institutions. The most challenging aspect in regard to a common quality culture in international cooperation is that quality

culture is always more than a mere set of rules and procedures which can be 'mechanically' negotiated, agreed upon and implemented.

Phase 1: Set-up. Considerations of quality must precede and guide the set-up and implementation of a joint programme. Defining the goals and the contents of the programme and choosing suitable partners and target groups as well as developing financial concepts are at the heart of a successful joint programme.

Understanding the quality of joint programmes – and their different ways of certification – has to be put in relation with the different expectations of the various partners of a joint programme. Stakeholders, such as parents and financiers, want to obtain properly educated and successfully graduated pupils/students. In their turn, pupils/students expect, besides education, additional services, such as tutoring or assistance in finding accommodation. Finally, students expect a better preparation for an international labour market (increased employability).

Joint programmes enable departments and universities to establish programmes which they might not be able to set up by themselves, to find new sources of funding and to get an international reputation and higher rankings. Industry expects internationally trained students with adequate knowledge and competences. The expectations of the target groups clarify the parameters according to which they define quality.

Accordingly, quality assurance measures have to be implemented in order to observe the following: (1) high standard of educational offers, (2) high level of knowledge and skills of graduates, (3) relevance of qualification for the labour market, (4) services adapted to the needs of the culture of pupils/students in joint programmes, (5) innovation capacity of joint programme in respect to educational add-on and funding, and (6) growing reputation of the departments and education institutions involved.

The decision to develop a joint programme should be based on clear ideas about the goals and special benefits. Main goals related to joint programmes can be listed as follows: (1) increased intake of pupils/students, (2) increased reputation, (3) higher attractiveness of graduates for a global labour market. General add-ons of joint programmes are mobility as well as cultural and linguistic competences of graduates.

The difference of joint programmes, compared to the classical local degree programmes, is that partners have to agree on procedures for quality assurance that are acceptable to all participants, both externally and internally. The highest interlocking between partners in the field of academic education is a joint degree. To understand the quality aspects of joint programmes, the interaction between the partners has to be analyzed.

Within this cooperation, the problem of achieving a quality system for joint programmes is that a unilateral adoption or merger of the quality systems of two or more partners is, in most cases, impossible for political or legal reasons.

A more realistic approach towards quality of joint programmes is that partners in joint programmes agree upon and mutually accept the systems of quality assurance instead of taking only the local requirements or try to find a partner with identical quality culture. A prerequisite for this is that all partners have a similar overall level of quality standards. If the partners agree that the procedures of the partner are different, but lead to the same level of quality in the framework of the common goals, accreditation is reduced to a local activity of each partner. The latter proposal is the most likely to find application in the set-up and running of joint programmes.

Accordingly, it is up to each partner to recognize the partners' quality culture as equal or fully acceptable. That also means that no single definition of quality can be given. Another issue is to promote a common quality culture for the running of the joint programme. The promotion of the common quality culture builds on the goals of the joint programmes commonly agreed on by the partners. The goals lead to the definition of indicators and quality measures. Therefore, quality culture can be seen as common goals leading to indicators of success which verify the achievements of the goals. The definition of indicators, in turn, leads to the identification of quality measures which can ensure that the goals of the joint programme are met. The process has to be combined with mechanisms that guarantee the regular quality check.

As a first step, partners have to develop an understanding of the quality strategies applied by partners. As a second step, partners have to negotiate their varying quality perspectives. This is a process which combines quality strategies, accepts characteristics of the partner and finally agrees on a common strategy to be applied to the common project of a joint programme. On the one hand, the outcome of this process is a set of joint quality assurance processes which does not contradict the procedures existent at respective institutions. On the other hand, though, the output of the process as well as the process itself is more than a set of rules and procedures. The process of combination, acceptance and agreement in itself is witness of an emergent cooperative quality culture which can be subsequently promoted by following the outcomes of that negotiation process.

Phase 2: Consolidation - Establishment of routine procedures for quality assurance. The consolidation phase goes hand-in-hand with the set-up and concrete implementation of quality assurance procedures best suited for each programme. Basically, the issue at stake during the consolidation phase is the monitoring of the implementation of procedures and understandings that were agreed upon in the set-up phase. A routine should be established regarding following issues:

- Application and pupil/student selection

Information on actual practice has to be communicated between the partners. Procedures also have to be established on how to act in respect of problematic cases. Likewise, transparent information has to be available to prospective pupils/students who want to apply for the joint programme. Regular feedback on deficits of the pupils/students has to be collected and discussed between the partners. Based on this feedback, the process of application and pupil/student selection has to be improved continuously.

- Recognition

Comparison of courses is the basis of mutual recognition of pupil/student performance and, as such, is one of the key issues to be established in the set-up phase. The actual procedures and regulation in relation to recognition have to be established and implemented in the consolidation phase. This refers, for example, to regulations of how to agree on study plans and workload for pupils/students.

- Mobility

Agreement has to be established about the study periods to be spent at a partner institution and how the pupils/students are selected for a stay with respective partner institutions (assuming that not all pupils/students can go to the partner institution of their choice). This issue includes monitoring direction of mobility: partners should strive for a balanced number of mobile pupils/students coming from and going to respective partner institutions. Crucial for the successful performance of the pupils/students during the mobility phase is

the establishment of adequate counselling services. These should be comparable at the respective partner institutions and pupils/students have to receive clear information on where to turn in case problems arise.

- Responsibilities

Responsibilities have to be clearly defined. This refers to tasks in the organisation of the joint programme on inter-institutional level, but also on internal organisation at each institution. The consolidation phase shows how well the distribution of responsibilities works and where it needs adjusting.

- Evaluation

Even though quality cultures of the partners might be different, evaluation of teaching and procedures should be going on at all partner institutions. The results of these evaluations have to be communicated and discussed between the partners. By cooperating in this mutual comparison quality will be improved in the fields of teaching as well as organisation and procedures.

Key factors for assuring the high quality of a joint programme are transparency and effective communication. Therefore, guidelines for procedures and organisation should be defined and should include regulations on regular up-dates on the current practice at the partner institutions.

Phase 3: Maintenance state - Routine of a common quality culture. During third phase the partner institutions summarise the quality measures and indicators for quality according to the goals set for a joint programme. The quality measures described then have to be established as routine for a successful joint programme since the relationship between goals - indicators - measures form the core of the common quality culture of a joint programme.

The implementation of quality measures and their monitoring through indicators have to go hand-in-hand with a method of quality assurance that provides for regular evaluation and review. It is important that the review procedures are formalised and have a clear reporting line within the partner institutions.

5.2. The quality assurance system

Quality culture is an overarching notion which encompasses managerial competence that can avail itself of practical techniques and technical know-how while complementing this facet by quality culture in the narrow sense of the word, signifying communicative integration of all concerned and thus leading to ownership, true insight and enthusiasm. Again, there is reason to believe that even these 'spiritual' components are at least in part subject to managerialism in that there are tools to foster 'quality culture'. This can be done by active inclusion in and full information on purposes, devices, and effects of quality assurance, by creating and demonstrating win-win opportunities for those concerned. It is on this account that there are different situations across the whole world, though not primarily across state border lines but rather from institution to institution. Admittedly, rather bureaucratic requirements of quality management and of evidence-based, criteria-oriented quality assurance processes present some permanent challenge to developing and maintaining such understanding and live practice of quality culture in matters of educational quality.

Deconstructing quality: from 'formal meanings' to 'situated meanings' - unravelling the politics of quality. Different studies reveal that quality was taking on particular contextualized meanings. This contrast between the 'formal meanings' and the 'situated

meanings’ points ‘the politics of quality’ (Newton, 2000; 2002). Table 1 below, which encapsulates the contrast between the dominant formal meanings of ‘quality’ which emerged in the early 1990s, and the situated perceptions of ‘quality’ which were becoming apparent later in that decade, quality was becoming associated with ‘ritualism’ and ‘tokenism’, and ‘impression management’.

Dominant formal meanings of ‘quality’ in the early 1990s	Situated perceptions of ‘quality’ of front-line academics: post-1990s
Quality as ‘perfection’ or ‘consistency’ Quality as ‘value for money’ Quality as ‘total quality’ Quality as ‘management commitment’ Quality as ‘culture change’ Quality as ‘peer review’ Quality as ‘transforming the learner’ Quality as ‘fitness for purpose’ Quality as ‘exceptional’ or ‘excellence’ Quality as ‘customer satisfaction’	Quality as ‘failure to close the loop’ Quality as ‘burden’ Quality as ‘lack of mutual trust’ Quality as ‘suspicion of management motives’ Quality as ‘culture of getting by’ Quality as ‘impression management’ and ‘game playing’ Quality as ‘constraints on teamwork’ Quality as ‘discipline and technology’ Quality as ‘ritualism and tokenism’ Quality as ‘front-line resistance’

Table 1. (Source: Newton, 2002)

As is evident from these contrasting meanings, whereas a formal definition of quality might be in terms of ‘value for money’, quality might be perceived by system users as a ‘burden’, as an ‘add-on’, or as a part of a compliance culture. Or, in contrast to ‘quality’ defined formally as ‘peer review’, quality was being experienced by many in terms of ‘impression management’ and ‘game playing’, with preparations for external assessment being carefully scripted or ‘stage-managed’. Further, while ‘quality’ for some means ‘fitness for purpose’, for others those purposes are brought into question where quality is seen in terms of ‘discipline’, with an emphasis on improvements in quality assurance as distinct from improvements in quality. And while quality may mean ‘excellence’ in formal terms, experience may point to the ‘ritualistic’ nature of quality, with quality procedures being used to satisfy external requirements rather than internal enhancement purposes.

The messages and common themes which were apparent in studies of academics’ day-to-day experiences of quality indicated:

- I. the importance of ‘users’ views of quality policy;
- II. that staff develop ‘coping mechanisms’ and ‘strategies’;
- III. that front-line academics are makers and shapers of quality policy;
- IV. that the emergent properties of quality systems are important;
- V. that transformative concepts of quality may in practice be undermined by situational constraints and contextual factors.

So, as was argued at the end of the 1990s:

Any quality assurance model, method or system, will always be affected by situational factors and context. This leads to the view that the success of a system may be less dependent on the rigour of application, ...and more on its contingent use by actors and protagonists, and on how the system is viewed and interpreted by them'. (Newton, 1999) This in itself provides an important message regarding how quality is defined, in practice, by system users.

Demystifying quality - lessons learned since the 1990s

What have been the principal lessons learned during the 1990s and the early part of this present decade?

Lessons learned...from 'close up' study and 'impact studies'

Lessons learned from 'close up' study and 'impact studies' include valuable insights into education organisations' responses to 'quality', and to a changing work context, a portrayal of the impact on education organisations identities (Henkel, 2004), and thirdly alternative perspectives and meanings to the 'formal' definitions and meanings of the early 1990s.

Lessons learned... about quality policy

Of the lessons learned about quality policy six are identified here: (1) quality is 'essentially contested', there are competing voices and discourses; (2) there is no 'blueprint' for a quality assurance system: 'close up study' reveals that the constraints of context may undermine a 'blueprint-driven' approach to the operationalisation, or definition of 'quality'; (3) quality is not a 'blank sheet': context and circumstance impact on our intentions; (4) there is a difference between the planned outcomes of policy and those which emerge through implementation; in other words, there is an 'implementation gap' between what we design into or expect of a quality system and what actually happens - education organisations are 'makers' and 'shapers' of quality policy and not passive recipients; (5) the notion of 'situatedness' suggests that any given quality assurance definition or system will always be affected by 'situational factors' and context; (6) in other words in the process of development and implementation quality policy becomes changed, even subverted; at the operational level, quality is relative to how front-line actors construe and construct 'quality' or 'the quality system'.

Lessons learned... about quality management and the management of change

Finally, lessons learned about quality management. Here, a further four lessons are identified: (1) Managers must learn to deal with ambiguity. We work on the edge of chaos, and achieving success in improvement initiatives is riven with difficulties. Often, things simply don't work out as we intended; (2) Are accountability and improvement reconcilable? Again a pragmatic approach is taken. While this tension may not be fully resolvable, acknowledging such tensions can be a basis for intervening with purpose, since it provides a basis for understanding prior to the design and implementation stages; (3) Are education organisations rational, manageable entities, and are quality managers 'change heroes' or 'passive victims'? The view is taken here that managers are neither one, nor the other, and that even where turbulence and uncertainty predominate education organisations are not beyond purposeful intervention by managers; (4) Finally, to manage quality or to manage change effectively, institutional managers must assess the current and emerging climate of operation, and respond meaningfully and purposefully on the basis of such an assessment. Arguably, self-evaluation - the hallmark of a mature approach to quality - provides an appropriate basis for achieving this.

6. Conclusions

Educational discourse is replete with references to the process of building a quality culture inside the educational system. In particular, the issue of educational quality has become an area of great interest and concern due to the conviction that education plays a pivotal role in global economy sustainable development. In choosing to investigate continuity and change surrounding learning process, the questions rely on the contextual and evolving character of the process. The ideas elaborated in this chapter point to the fact that education is a “path dependence” phenomenon. Knowledge acquisition is underlain by perceptions derived from the process of collective learning across generations. The act of learning is a cumulative process subject to social and cultural filtration. The overall social approach to the benefits of expanding knowledge (in various stages of historical development) is the major source of long term change. Likewise, educational improvements are dependent on the features of social institutions and the institutions are variables strictly influenced by the level of education. Hence social institutions are likely to become inertial to change. How can one overcome this obstacle? Economics can provide at least one solution: joining the efforts of researchers coming from different economic areas can lead to worthwhile progress with respect to unveiling the causes and mechanisms of change. Thus, progressing onto a continual ladder of discovery and learning, horizons will broaden, and the prevailing patterns of thinking and perception will become more flexible.

The distinctiveness between formal, non-formal and informal education determines a shift in focus. Learning is a culturally –filtered and cumulative process. Most reforms should be targeted at informal education. The pre-school, primary, secondary and tertiary levels of education form a complex edifice which needs to be built in gradual stages.

Meeting international quality assurance standards is not against this principle; on the contrary, it is quite compatible. It will make us aware that we are in competition with other participants/players worldwide and only quality players win. According to the guidelines developed by this chapter, the authentic and enduring progress in the quality formal education is only triggered by reforms targeted at informal aspects pertaining to the national institutional paradigm. This is the unique way to create a real global quality culture: the continuity of national specific reforms and the gradual change towards “universal” values imposed by the winners of global competition.

The global quality culture is fully compatible with the global intelligence. One emerges as a result of the other. This is the supreme stage, but we haven’t reached that point yet. For the moment we could speak mainly about different national quality cultures and common quality cultures of joint educational programmes. Some steps are made toward the global quality culture, but in the light of neo-institutionalism, they are illusory because even the international standardization of education is just a formal initiative. Merging standards and processes doubled by the promotion of intercultural inquiry especially through non-formal/informal education will conduct us to a global culture, in general, and a global educational culture, in particular.

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Whose rules? Globalizing governance and the great disruption

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Introduction: Impasse Capitalism

We have reached an impasse. Capitalism as we know it is coming apart at the seams. But as financial institutions stagger and crumble, there is no obvious alternative. Organized resistance is scattered and incoherent. The global justice movement is a shadow of its former self. For the simple reason that it's impossible to maintain perpetual growth on a finite planet, it's possible that in a generation or so capitalism will no longer exist. Faced with this prospect, people's knee-jerk reaction is often fear. They cling to capitalism because they can't imagine a better alternative. (Graber, 2009)

The period we live in has been characterized as the end of history, empire, the nation state, neo-liberalism, and the end of the world system. Since the 1990s, the contradictions in terms of justice and democracy in contemporary globalization have also given rise to countermovements that attempt to reassert control over economic forces. The questions that are being clearly articulated by these multifarious and increasingly vocal counterforces are: Who is globalization benefiting? What should be the purposes/aims/goals of globalization today?

The period has also been described as “civilizational crisis,” “consumer civilization,” “business civilization” which underscores the emergence of new perceptions regarding the human condition (and the corresponding rights and responsibilities). Development and “accumulation” have become more knowledge-based, dematerialized and deterritorialized. Some have described the economy as becoming increasingly “weightless,” as more and more of it becomes knowledge- and creativity-based.

We do indeed stand at a moment of transformation. But this is not that of an already established, newly globalized world with clear rules. Rather we are located in an age of transition, transition not merely of a few backward countries who need to catch up with the spirit of globalization, but a transition in which the entire capitalist world system will be transformed into something else. (Mittleman, 2000: 262)

Immanuel Wallerstein asserts that we are currently in a period of transition from one world system to another. Once in the lifetime of a world system, he claims, when contradictions,

secular trends, and cyclical rhythms combine in such a way that the system can no longer reproduce itself, a world system ends and is replaced by another. According to world systems theory, the modern world system today is in structural crisis and has entered a chaotic, transitional period which will cause a systemic bifurcation and transition to a new structure. The nature of the new structure has not yet been determined and, furthermore, cannot be predetermined. It is only in crisis, however, that actors have the most freedom of action, because when a system operates smoothly behavior is determined by the nature of the structure. At moments of transition, individual and collective action become more meaningful, and the transition period to a new structure is more "open to human intervention and creativity." (Wallerstein, 2000: 251-252)

From the International Labor Organization (ILO) to the former chief economist of the World Bank, Joseph Stiglitz, complaints are voiced about the direction of economic globalization, its inherent injustices and lack of transparency, accountability and governing structures. Calls are made for the formulation of an ethical framework for governing global markets and the direction of global processes. In the words of Joseph Stiglitz, we need to bring "choice" back into the global equation, weighing economic efficiency against social costs. (Stiglitz, 2002) Karl Polanyi also reminds us that the economy should be re-embedded in society, rather than having society driven by the economy. (Quoted in Bello, 2004.)

The polarizing discourse of anti-globalization protestors and the heads of IMF and the World Bank have led to the ideological entrenchment of opinions and perspectives. Yet it is the intensity of these globalization battles that has created the environment in which questions about the direction and ethics of globalization have been brought into the public domain for deliberation and debate.

The Debate on Global Inequalities and Social Justice

In recent decades globalization has been associated with the "mean-spirited neoliberal project which is reinforced by the conditionality programmes of the IMF and the World Bank for developing countries." (Thorup and Sorensen, 2004) Not surprisingly, developing countries find the double standards in trade rules hypocritical since Western economies developed behind protective barriers that they are now requiring less developed countries and regions to lower. In developing countries economic liberalization often occurs before a social safety net is secured, causing an increase in misery, which I have termed "crucifixonomics," an abbreviated form of John Ralston Saul's "crucifixion economics". Erzsébet Szalai states that new capitalism is the "uncurbed reign of the economic elite over the other spheres of social existence" (Szalai, 2007).

Soon these servants of the public good had memorized the new vocabulary and were calling citizens clients or stakeholders or taxpayers, using the narrow utilitarian word efficient ... while losing the more relevant concept of whether a law or program was effective. (Saul, 2005: 111-112)

The discourse that had been pouring out of the West since the early 1970s was embraced by multi-lateral economic organizations (MEIs) and development experts and there was no shortage of Western consultants and academic economists eager to push developing countries into experiments with market purity. Imagine how exciting it was for these

theoreticians to find countries prepared not merely to engage in reforms, but to risk the entire well-being of real people – of entire peoples – in order to act as existential case studies. (Saul, 2005: 113)

It is the publicly expressed consensus of the G8 that globalization should reduce global poverty, but quite the opposite has occurred. A study by Mattias Lundberg and Lyn Squire from the World Bank found that the poor are much more vulnerable to shifts in relative international prices that are magnified by a country's openness to trade. They conclude: "At least in the short term, globalization appears to increase both poverty and inequality." (Bello, 2001: 238)

According to the World Bank, the number of people living in poverty rose in the 1990s in all the areas that came under structural adjustment programs: Eastern Europe, South Asia, Latin America and the Caribbean and sub-Saharan Africa. This has pushed further the global public debate about the future direction and progress of economic globalization to increase equitable distribution of wealth and social justice. Zygmunt Bauman points to the central problem of "glocalization": that rich and poor no longer sit at the same (distributive) table of the national state. (Bauman, 1998)

In response to these debates, we are seeing the emergence of new, hybrid forms of multi-stakeholder (public-private and private-private) governance, i.e., governance without government and the increasing role of civil society.

The Emergence of Multi-Stakeholder, Co-regulation of Global Markets

Besides international and intergovernmental treaties, there are increasing numbers of new *loci* of business regulation. Sources of regulation are varied and range from individual firms, and business associations to NGOs and public agencies. Those that have attracted scholarly interest are particularly global policy networks (Ruggie, 2001; Witte et al., 2000) and private inter-firm regimes (Cutler et al., 1999; Haufler, 2000), but there are many others that have not been sufficiently addressed or analyzed like the growing institutionalization of standard setting between for-profit and not-for-profit actors which needs more scholarly attention. Private actors are beginning to establish, maintain, verify, and monitor their own private regulations and these new rule systems are becoming the constitutive tools of global governance today in economic relations.

Whereas traditional forms of regulation emanated from national governments, and later also from intergovernmental agencies, we now see *hybrid* forms of regulation emerging in public-private and private-private governance structures.¹ These include multi-stakeholder approaches to co-regulation.² These relationships are arguably different from the historical alliances of NGOs and the private sector because, in contrast to the past where these different actors met as adversaries, today there is the emergence of shared norms and

¹ Structural hybridization can be observed in the political economy, in the interpenetration of modes of production and hybrid economic formations; in space and time, in the coexistence of the premodern, modern and post-modern; and in the transformation of states, business regulation, and in public-private partnerships between business and society. It gives rise to a plurality of new mixed forms of cooperation and competition (Jensen, 2008).

² Co-regulation is defined in regulatory arrangements where at least one actor is not a profit-making entity; self-regulation is the arrangement where individual firms set their own norms of conduct.

principles. This new and innovative development emerged in the late 1980s and 1990s. (Pattberg, 2006: 2)

Setting standards (both product and production standards) that are ethical, environmentally sound and socially sensitive are increasingly becoming the area within which hybrid partnerships are emerging. Verification, certification and reporting are also moving from self-regulation to co-regulation.

A variety of transformations set the stage for new multi-stakeholder initiatives and co-regulation in the early 1990s. "These changes include a transformation of the discursive field, a restructuring of the political environment and the correlation of social forces therein as well as a growing criticism against forms of corporate self-regulation" (Pattberg, 2006: 11). Analysts differ in their interpretations of how the "global financial architecture" should be transformed. Some only want "to upgrade the wiring and plumbing. More ambitious reformers want to break down walls and reconstruct the interior of the building. Radicals want to create an altogether new building on different foundations" (Scholte, 2003: 205).

An OECD report has surveyed 246 codes of conduct, defined as "commitments voluntarily made by companies, associations or other entities, which put forth standards and principles for conduct of business activities in the marketplace" (OECD, 2001: 3). These codes cover a range of areas like consumer protection, information disclosure, environmental and labor standards. Most of the codes are issued by the businesses themselves (48%) and business associations (37%), but an increasing number are constructed through a partnership of stakeholders (13%) (OECD, 2001: 5). Verification, certification and reporting are also moving from self-regulation to co-regulation.³

Many have designated this new direction as a trend towards private governance, shifting from public to private forms of governance through new institutional modes. This may be part of a cycle of developments that began in the 1960s and 1970s when mandatory regulation was implemented and enforced by states changed to self-regulation in the 1980s and 1990s which corresponded with increasing de-regulation by the state. This has led to cooperative rule making between NGOs and business actors in the late 1990s and 2000s. The current period of global financial instability will certainly show the increased role of the state in the oversight of global financial markets.

In the past, new institutions and initiatives arose from discussions around the New International Economic Order in the mid-1970s, e.g., the UN's Economic and Social Council (ECOSOC), and its Commission on Transnational Corporations, the UN Center on Transnational Corporations (UNTNC), the OECD's Guidelines for Multinational Enterprises, and the ILO's Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, etc.

Based on voluntary compliance and self-regulation, these initiatives were soon neglected during the period of neo-liberal, Reaganite and Thatcherite economic policies. There was little progress in this area until the catastrophic environmental accidents of the 1990s. The combined processes of globalization and de-regulation strengthened the position of TNCs in relation to states. One of the results was that civil society began to turn its regulatory eyes directly at TNCs and throughout the 1990s increasing pressure was put directly on business. The reformulation of the political field in response to growing public criticism against self-regulation and changes in the discourse in the 1990s prepared the way for new multi-

³ Co-regulation occurs when two or more stakeholders design and implement norms and mechanisms to improve the social and environmental performance of firms.

stakeholder initiatives and co-regulation. The change in sustainable development discourse emerged at this time. The Brundtland Report (1987), *Our Common Future*, brought the critical issues of environmental degradation and the failure of development programs to alleviate world poverty and hunger to the global agenda (The Brundtland Report, 1987). It is now recognized that sustainable development, in the words of the World Commission on Environment and Development, should meet “the needs of the present without compromising the ability of future generations to meet their own needs” and these environmental, social and economic concerns are incorporated within its scope (Pattberg, 2006: 12).

The discourse of corporate social responsibility (CSR) that proclaims ethical corporate behavior enhances profits emerged partly in response to the new claims. The European Commission in 2001 defined CSR as: “a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis” (CEC, 2001: 6).

Other definitions call for “achieving success in ways that honor ethical values and respect people, communities and the natural environment” (Business for Social Responsibility). The basic notion of CSR is that not only do companies need to perform ethically in the communities where they are located, but that the community is also an important stakeholder in the companies’ activities. The concept of the “triple bottom line” was employed to define profitability not only in economic terms, but in social and environmental terms as well. CSR and environmental responsibility could increase a firm’s competitive advantage and create new markets. This discourse is prominent today from the UN’s Global Compact to Socially Responsible Investment (SRI). According to reports, socially responsible investing has skyrocketed.⁴ Besides CorpWatch, there is also the influential Dow Jones Sustainability Index, and EthicalCorp, among many others, that regularly report on corporate behavior.

Companies that “learn” do better, especially since much of contemporary economic exchange is in the area of knowledge-production and transfer. The Commission on Global Governance in 1995 issued a broad statement for the building of partnerships: “networks of institutions and processes that enable global actors to pool information, knowledge, and capacities and to develop joint policies and practices on issues of common concern.” It came to be felt in some business circles that they might profit from partnerships with civil society in terms of receiving expertise, feedback and support (and legitimation) on the ground in new and emerging markets.

New Models of Corporate-Civil Innovation

Countless new networks and networks of networks have emerged partnering business with society. The Social Venture Network, the Schwab Foundation, the Global Challenge are only a few that have taken up the gauntlet of CSR and as a movement it is clearly on the rise. The

⁴ In the 1990s, the amount of money invested with socially responsible funds rose from USD 40 billion to USD 2.2 trillion between 1985 and 2000 in the US. By 2000, USD 1 in every USD 10 invested in the UK and the US was linked to some kind of social criteria. Since 1999, US investors have been able to track the Dow Sustainable Group Index, and in the UK investory can follow socially responsible companies on the FTSE4good index.

advocacy of such high profile personalities as Anita Roddick of the Body Shop and the multi-millionaire Stephan Schmidheiny, founder of the World Business Council for Sustainable Development, has brought the discourse into the mainstream. It is a concept that is ignored by companies at their own risk. It has become the subject of books, seminars and even university programs and it is on the rise in the North and South.

CEOs and boards are finding that public relations efforts alone are not enough to satisfy the market. Rather, corporate leaders are discovering that by engaging stakeholders, adopting rigorous business strategies, and implementing reputation management systems, they can more effectively establish trust with stakeholders, gain a competitive advantage, mitigate the impact of crises, and preserve a company's most important asset - its reputation (PWC, 2000).

Civil society organizations are also becoming more savvy and less reticent to dialogue and partner with corporations. Environmental campaigners become environmental consultants, for example. It is through practice and the process of such encounters that informs both spheres of their increasing inter-dependence and increases trust. Privatized forms of regulation replace state regulation which many companies see as an advantage. Whereas public/state regulation relies on possible coercion, private authority relies more on persuasion.

Some of the successful strategies employed to regulate corporate behavior are direct action campaigns, i.e., naming and shaming, including boycotts that attract media attention and challenge the reputation and credibility of the corporations involved. There is an increasing correlation between good business practices and profit which is affected by both negative and positive publicity. Public awareness and information campaigns directed at consumers can have positive results when companies realize that lost reputations translate into lost profits. If you look at the recent AIG scandal, it is clear what reputation management or mismanagement can mean. The new CEO admitted that the AIG name name (which has come to stand for And It's Gone, Ain't I Greedy, All Investments Gone, Avarice Insolence Greed) is "so thoroughly wounded and disgraced" that they are probably going to have to change it. Roger Cowe writes that for a growing number of companies reputational risk is considered as important as the risk of fire or physical catastrophe (Cowe, 2001:6).

What may finally convince corporations about the validity of CSR are increased profits due to responsible business practices. Companies that have effective programs for corporate social responsibility have a rate of return that is 9.8% higher than companies that do not over a 10 year period (Oliviero & Simmons, 2002: 86-87).

Legal action by civil society organizations has also induced corporate accountability in the social, political and environmental spheres. International law and regulations have allowed for companies to be sued that do not conform to human rights and environmental standards.

Standard setting and monitoring are the areas in which civil society activity has increased the most in recent decades. The Global Reporting Initiative (GRI) was formulated in response to the growing outcry against corporate human rights and environmental rights abuse. The GRI is supported by major corporations throughout the world and is building a consensus for a voluntary standard of corporate reporting requirements that transcends specific industrial sectors or geographic areas.

Civil society has assumed a central role in monitoring the implementation of agreed standards. Global civil society organizations can report on the extent to which companies or

whole industries are enforcing codes and standards. This is especially important in developing countries that often do not have the resources to monitor companies on a regular basis. Lessons are still being learned on the best ways to monitor the variety of corporations and industries in a number of countries and here the flexibility of civil society is an advantage. While civil society is now filling an important gap by monitoring and setting standards, in the future it may be better for this work to be led in partnership with official international agencies or governments.

This increases the potential influence and oversight of locally-based groups to monitor and report on corporate activity in the places they operate. NGOs are changing their attitude towards business and vice versa: from an adversarial relationship of confrontation to one that can be characterized as more cooperative. As much as concepts like CSR and ethical business practices can be seen by companies as simply marketing tools, it can never-the-less be stated that these new partnerships and hybrid constructions of regulation are playing a greater role in determining the behavior of global economic actors.

Business as Unusual: The Corporate Citizen Hybrid

There are over 60,000 active multinational corporations with over 800,000 affiliates worldwide. At least 37 of the top 100 economies of the world are corporations. Some economists have found that the combined sales of the world's top 200 corporations are bigger than the combined economies of all but the 10 richest countries. This represents enormous power. A European survey, however, has shown that most people trust civil society organizations more than either business or government. Amnesty International, the World Wildlife Fund and Greenpeace outranked the leading multinationals and are among the top 15 most trusted organizations (Oliviero & Simmons, 2002). With this kind of legitimacy, global civil society organizations (GCSOs) can wield power in response to the negligence and irresponsible behavior of corporations. The global reach of civil society organizations and networks is emerging equal to the extent of global market penetration of corporations today.

Holding corporate players accountable for their actions in global economies is not a new idea and can be traced back to the late 18th century. Modern campaigns are similar they say in that they rely on a broad coalition of people, media coverage, boycott, resulting in the reform of legislation. The debate on corporate behavior has increased due to:

- (1) the globalization of markets,
- (2) the establishment of the knowledge economy,
- (3) the global communications technology,
- (4) the coalescence of power, and therefore responsibility, in the hands of relatively few international and global corporations,
- (5) the need for new social partnerships between corporations, states and civil society seeking solutions to local and global problems (McIntosh et al., 2003: 15).

Corporate citizenship elicits a wide range of responses from business. Some embed CSR values from the ground up in the company's structure, like Jeffrey Hollender's *7th Generation*, Anita Roddick's *Body Shop*, Ben Cohen's *Ben and Jerry's*, Michael Kieschnick's *Working Assets*, Margot Fraser's *Birkenstock Footprint Sandals*, just to name a few internationally known brands. Many business leaders are coming to appreciate that

corporate social responsibility makes good business sense in terms of employee relations, risk control, and reputation promotion which is increasingly emerging as a necessary competitive advantage in world markets.

The Aspen Institute outlines three types of corporate citizenship. The first includes those businesses that obey the law, operate in a transparent way, and focus on issues directly related to their business, in compliance with existing standards (Aspen Institute, 2001). At this level being a good corporate citizen is related to business and business strategy.

The second type of corporate citizenship includes businesses that move beyond compliance to address social issues and interface with society.

The third type encompasses business leaders who address social and environmental issues that may seem to be counter to their corporate interests. They view profit and profit-making in the long-term and understand that long-term business prospects require the protection of natural resources and the building of local infrastructures that will allow them to operate safely and effectively in the future.

Business leaders can have a substantial impact as unlikely allies when they speak up on issues such as climate change and working conditions. They can shift norms and gradually isolate those who do not participate (Oliviera & Simmons, 2002: 80).

In response to the question: Can the needs of society be met through the wealth creation provided by global capitalism? The Aspen Institute's discussions conclude:

No, not yet – as the foundation for the alignment between shareholder value and social wealth is almost entirely lacking. The global rules of the game for business are dangerously nascent. We've globalized the private sector, but we have not globalized the values and institutions of global governance. This situation runs the risk of eroding the rules of the game in individual countries, even in developed countries. The framework in fact defines a category of action where corporations cannot and will not work alone to achieve social progress. Yet rather than foreclose business as an actor, this framework illustrates the need and potential for multiple stakeholders – including businesses – to agitate and collaborate for change (Aspen Institute, 2001).

This multi-stakeholder approach is spreading and is evidenced in a number of regional and global initiatives like the Business Environmental Leadership Council, The Global Reporting Initiative, The Prince of Wales International Business Leaders Forum, The Social Venture Network, Ethos in Brazil and MAALA in Israel, Transparency International, etc. But as the quote above reveals, business alone is not willing or able to address the global challenges and injustices brought about by economic globalization.

It is becoming increasingly clear that civil society is organizing effectively to ensure that companies that pollute and destroy the environment and that operate outside legally established labor codes are having a harder time doing business as usual. More effective partnerships between companies and civil society is also increasing the knowledge and trust between the sectors. This is not to underestimate the legislative and enforcement capacities of states and intergovernmental agencies. This tripartite coalition could form a structure for governing economic globalization by setting universal standards, monitoring corporate behavior globally and enforcing action where necessary. The corporate citizen, as a hybridization of the traditional business player, could help to bridge the gap between markets, states and societies.

Global Economic Institutions: *Quo Vadis?*

Globalization is ... a project governed by the world's political and economic elites – the cosmocracy – for the benefit of a minority of humankind. It is this cosmocracy ... centred on the United States, which promotes and organizes globalization principally through the formal institutions and informal elite networks of global governance ... Dominated by powerful vested interest, the institutions of global economic management constitute the core of a wider system of liberal global governance enslaving the world and its people to the dictates of a neo-liberal ideology and global corporate capitalism (Held & McGrew, 2002: 58).

The goals of global economic institutions have moved from enhancing global stability to serving economic interests and finally the interests of global financing institutions. It is not surprising that the global institutions set up to navigate the global economy have made mistakes and rightly have taken the brunt of the criticism about globalization. The complexities of the processes and challenges today require more than the efforts of global economic institutions, and political and social processes cannot be governed in the same way, by the same rules, as economics. Economic management cannot substitute for political leadership. Social cohesion is an important requirement for economic development and much of the criticism today arises from the kind of economic thinking that pushes all other concerns into the background.

An overview of the contemporary global economic situation and future forecasts reveal that the system generates financial fragility and instability. The growth of US deficits results in the rapid growth of international reserves which lead to financial crashes like the Japanese bubble in the 1980s, the East Asian bubble in the 1990s and financial crises in emerging markets have increased since the 1980s in relation to the post-war period until 1970. In the first months of 2008, we have witnessed market instability and increasing governmental interventions with measures to mediate this instability. The US Federal Reserve cut prime interest rates twice in a few days in the US to try to stabilize the US and global markets.

The system has also not produced higher growth globally. Wealth based on GDP per capita, fell from 2.7% to 1.5% between the 1960–1978 and 1979–2005 periods. The fall that occurred between 1990 and 2004 is particularly revealing since it coincides with the effects (in the 1980s) of the policies of deregulation, privatization, and the liberalization of trade and capital movements. Growth in output (which rose to 2.3% for 2001–2003) may be the consequence of the liberalization that has occurred over the past three decades or is the product of the boom in American consumer debt which draws on Chinese, Japanese and German trade surpluses (Milanovic, 2005).

Much of the world, especially the developing world, has experienced no growth at all, or even negative growth. Sub-saharan Africa's average real income is below the level of the 1980s and 1990s; Latin America is about the same as in the 1980s even though many countries in the region adopted the neo-liberal policies of the World Bank and IMF. Eastern Europe's economic performance has clearly steadily declined and created, as elsewhere, social reaction ranging from apathy to unrest. Only South Asia, beginning from a low base, can be said to have improved, as well as China and India, albeit with periods of instability.

Daniel Altman (2007) estimated that there are roughly 1 billion people in the high-income countries; 3 billion people in countries where growth rates have been substantially faster than in the high-income countries; and 2 billion people – some living in middle-income

countries, others in low-income countries – where growth rates have been lower than in high-income countries.

The brutal fact is that after decades of self-conscious development and market liberalization, the average income for the South is still only around 15% of that of the North in purchasing-power-parity (PPP) terms, and more like 5% in foreign-exchange-rate terms. Also, growth in the South is typically much more erratic than in a typical developed country, with periods of relatively fast growth followed by deeper and longer recessions.

He concludes:

In short, the Matthew effect is (still) operating with vengeance (“To him that hath shall be given, to him that hath not shall not be given”). There is deep irony here, related to the impact of the post-Bretton-Woods architecture on the lives of the poor (Altman, 2007).

Both the IMF and World Bank are experiencing what has been termed a “crisis of relevance” when faced with the rapid and fundamental changes that have occurred in the market over the past two decades. Their traditional “products” – economic aid packages and policy advice to governments – are increasingly questioned as being outdated, targeted towards an earlier period of global economic development and are now subject to competition from a variety of new actors. These include global private foundations like the Bill and Melinda Gates Foundation and private banks. There has even been discussion to establish a similar institution to support the developing economies of Latin America, for example:

Finance ministers from seven South American countries met in Rio de Janeiro on 8 October to discuss the future structure, leadership and funding sources for the so-called Banco del Sur (Bank of the South).

Already, the idea of an alternative funding source for South American countries has been supported across the region. Once inaugurated, the multilateral financial institution will become an alternative to the World Bank, the Inter-American Development Bank and the International Monetary Fund for South American countries interested in loans for social and economic development – loans that come free of the conditions that South American leaders have associated with the failed neo-liberal economic policies of the 1990s (Logan, 2007).

“Debtonation” describes the systemic crisis that goes to the heart of the financial model and underpins economic globalization. More and more banks collapse from the pressure of consumers surviving on credit in the developing nations. As early as October 2007, it was reported in the UK that 10% of homeowners, one million people in the UK alone, were paying their mortgages with credit cards. There is no “invisible hand” even for the developing world. Since the demise of the world market as a result of the subprime mortgage crisis, there are more calls for the global economic architecture and a call for a new Bretton Woods. The underlying problem with the current global economic institutions is the problem of governance: who decides what they do and how they do it.

It is the intensity of the globalization debates that has created the environment in which questions about the direction and ethics of economic globalization have been brought into the public domain for deliberation and debate. This has only increased since the collapse of the neo-liberal model and capitalist markets.

Faith-Based Economics and Heresies: The Great Disruption

This is the excellent foppery of the world, that, when we are sick in fortune – often the surfeits of our own behavior – we make guilty of our own disasters, the sun, the moon, and the stars. Shakespeare, King Lear

According to the World Bank, financial crises have become more frequent over the past thirty years. 93 countries experienced an astonishing 112 systemic banking crises between the late 1970s and the year 2000. Responsibility for the current financial crisis is avoided by two distinct processes, one in which individuals are blamed and the other in which the system as a whole is to blame. There is no question in the first case of blaming the system and none in the second of considering which individuals are to be held accountable for "financial crimes against humanity" – although some may be identified as "financial war criminals" or "banksters", who end up with million dollar bonuses at the taxpayers expense. Their behavior has been described at the least as financial extremism and at the worst as financial terrorism.

Just as the markets and a few economists have shown us that we are living beyond our financial means and overdrawing our financial assets, scientists are warning us that we're living beyond our ecological means and overdrawing our natural assets, and as the environmentalists have pointed out: "Mother Nature doesn't do bailouts." The environmental business expert, Paul Gilding named this moment when both Mother Nature and Father Greed have hit the wall at once – "The Great Disruption" (Friedman, 2009). Climate metaphors and terminology ("financial hurricane," "financial maelstrom," "financial cyclone," "financial tsunami") are being used to frame the financial crisis and the response to it. This is an easy way of framing the crisis as beyond human control and responsibility (Judge, 2008).⁵

It seems that those most aware of the extent and impact of the crises are quite defensive regarding their own role in generating it. An editorial in *The Economist* concluded that:

Those of us who have supported financial capitalism are open to the charge that the system we championed has merely enabled a few spivs [criminals] to get rich (The Economist, 20 September 2008).

Its report the following week did not offer any insight on what action needed to be taken either (*The Economist*, 4 October 2008). There was clearly no reason for any form of apology - - although an analysis was supplied for why apologies were not needed in the article "Who's sorry now: who should apologise to whom, for what and how?" (*The Economist*, October 2008). The *Financial Times* was equally confident about its own position -- and presumably its inability to learn from a crisis whose dynamics it had sustained (*The Financial Times*, 27

⁵ Anthony Judge argues that: "It is apparent that the earlier understanding of a 'climate of change' is now itself being confused with 'climate change'."

September 2008). These could be described as unprofessional failures of institutional learning.

Even in the context of systemic problems it is interesting that the judgement-free term "turbulence" in the market is used to describe the crisis. Such a metaphor frames the crisis as an act of nature or Act of God, clearly beyond human responsibility, whether individual or collective, which should instead be understood as a 50 or 100-year cycle problem, like flooding or hurricanes.

Even Donald Trump is creatively exploiting an Act of God clause. He defaulted in November, arguing he should not have to pay over \$330 million he owes for the construction of his Trump International Hotel and Tower in Chicago because the world economic crisis constitutes a "Force Majeure" -- equating it with war or an act of God. In fact, rather than paying, Mr. Trump thinks the bank should pay him \$3 billion for undermining the project and damaging his reputation.

Thus, one view of the financial crisis, like the discredited view of global warming, is that it is not a consequence of human activity. As with natural disasters, the concern is to minimize irrational panic in response to such crises (*The Financial Times*, 25 September 2008; *The Guardian*, 11 October 2008). You can see this in *The Economist's* effort to relativize the dimensions of the crisis by comparing the cost of current bailouts to past bailouts as a percentage of GDP: USA (1988, 3.7%), Finland (1991 (12.8%), Sweden (1991, 3.6%), Mexico (1994, 19.3%), Japan (1997, 24.0%), S Korea (1997, 31.2%). The current crisis becomes trivial at a mere estimated 5.8%, but absolute amounts are curiously not cited in the comparisons (*The Economist*, 27 September 2008).

This reveals a dysfunctional pattern of thinking and the real challenge is not the particular crisis of the financial system which everyone is talking about. The real challenge lies in the pattern of derivative thinking which sustained the system and denied its problematic nature. Is the subprime crisis, and its consequences for the financial system an indicator of a dysfunctional mode of thought in which we collectively engage today? Does this thinking deny the existence of other systemic challenges and represses consideration of their potential implications in other areas?

A major danger is the current assumption that the only "confidence" that needs to be (re)built is defined by market terminology. Why are "solutions" only being dreamt up after a crisis has struck? (e.g., Hurricane Katrina, the current financial meltdown). What does this imply for other crises whose possibility is authoritatively denied? It is curious the way "faith" is now vigorously encouraged by the most hard-headed economists and businessmen at the focus of the financial crisis. It is seen as central to recovery of the health of the global economy.

Economists, and those with governance responsibility, argue strongly that people should have faith, trust and confidence in the financial system which has abused that confidence. We now see that all along neoliberal capitalism was a form of mythology. That's why the triumphalism was necessary – you could not afford to have anyone challenge the system. Thomas Frank in his book, *One Market Under God* (2001) explains how neoliberalism entrenched its triumphalism into the political system of the US; how it marginalized and delegitimized all challenge and established hegemony in the so-called free world.

How can reliance on hope be distinguished from a false sense of what has happened and what needs to be done? One response can be described as the "creative response of human ingenuity". This is exhibited in many writers like Homer-Dixon who subsequently

recognized the inevitability of collapse of civilization as it is currently known (Homer-Dixon, 2006), and Jared Diamond in his book called *Collapse* (Diamond, 2005). These authors are among others who believe the crisis is a reason to be optimistic.

It is strange, however, that such creative ingenuity has not been employed to anticipate the present or future crises, for example, by extending the global modelling work pioneered in 1972 for the Club of Rome. These efforts to analyze the evolution of the world problematique were undermined. The original study provoked many criticisms which falsely stated its conclusions in order to discredit it (Turner, 2007). Despite the repeated substantiation of its conclusions, including warnings of overshoot and collapse, recommendations of fundamental changes of policy and behaviour for sustainability were never taken up.

If we take an earlier example of just such political-ideological orthodoxy, we need only look at the Karl Polanyi-Hayek debate.⁶ Hayek became the founding father of a model of economic management which has brought us to the current crisis; Polanyi, with extraordinary prescience, warned that the crisis would come; he rejected the idea that the market is "self-regulating" and can correct itself. There is no "invisible hand" such as the neoliberals maintain, so there is nothing inevitable or "natural" about the way markets work: they are always shaped by political decisions.

At the time Polanyi was writing, there were many who agreed with him that free-market capitalism was chronically and destructively unstable, with terrible political consequences; but in the 1970s and 1980s, Hayek's neoliberalism took hold in the US and Britain. The mantra was: Keep the state out and let the economy take care of itself. Alan Greenspan wrote enthusiastically in August 2008 that "the past decade has seen mounting global forces (read: Adam Smith's "invisible hand" globalized) quietly displacing government control of economic affairs". He continued that the greatest danger facing the economy was that "some governments, bedevilled by emerging inflationary forces, will endeavour to reassert their grip on economic affairs". Greenspan has since made a gigantic *volte-face* as he pleaded for the nationalization of banks.

Another response to the crisis is connected to "rapture" in the religious sense.⁷ "Rapture" is at least as important as creative response and human ingenuity. It is a response of faith-based governance, of the widespread belief in some form of "rapture", or divine "bailout by God". This may have been a factor in the US presidential campaign. It is widely believed that the more fundamental or dramatic the complex of problems faced by humanity, the higher the probability of divine intervention. Therefore, it is extremely ironic that economists call for "faith", "belief" and "trust" in an economic orthodoxy in a state of collapse today (Bunting, 2008). What if "Bailout by Jahweh" becomes "Bailout by Allah" who has a different conception of "Wall Street" and the system to be saved?

It is important here to identify the systemic role of actors (states), instruments (financial mechanisms and authorities), concepts and dynamics, as well as how long and short-term risk is managed in a context both fear and a false notion of what has happened and why, engendered and exploited by fact and rumour. By employing the reasoning tools of finance, and its crisis, can we reframe our understanding of other imminent crises -- for which there is a similar lack of preparedness and similar excuses for such lack?

⁶ *The Great Transformation*, published in 1944; *The Road to Serfdom*, also published in 1944.

⁷ bliss, beatitude; transport, exaltation; the experience, anticipated by some fundamentalist Christians, of meeting Christ midway in the air upon his return to earth.

There are critical views of the financial crisis that can help us to look at what is behind the crisis. Larry Elliott argues that it is neither possible nor desirable to recreate the global financial system as it existed prior to the crisis (*The Guardian*, 3 October 2008). He states that clearly a Global Monetary Authority, equipped with the mindset that engendered the current financial malaise, would not have the observational skills or motivations to detect unfamiliar twitchings in the global system. In making a case for another Bretton Woods system of monetary management, Peter Mandelson recommends that we need to inject confidence by regulating to control excessive risk-taking and heavy leveraging, and to improve the way ratings agencies work; and that certain financial products have become so complex that they are not understood by the very institutions that buy and trade them. This is a regulatory and professional failure of the first order (*The Guardian*, 3 October 2008).

The question is whether more vigilant analysis of the financial crisis as it evolves, and the language used in "saving the system" can be used to develop a framework to analyze emergent crises that have been subject to the same neglect through "derivative thinking" (*The Economist*, 11 October 2008). This is key to a new approach to global modelling.

Borrowing another financial metaphor, Anthony Judge claims that academic disciplines are the "banks" of the global knowledge society, and asks the questions: to what extent is it appropriate to see the array of disciplines as having irresponsibly taken on "excessive risk" in their negligent consideration of problems by which society is faced? Can their degree of ingenious specialization be fruitfully compared with what is now recognized as the problematically opaque nature of the derivatives market? Do these factors offer a useful explanation of why disciplines are so fearful of lending to one another, thereby reducing the "liquidity" of a global knowledge system that is so essential to sustaining creativity in resilient response to crises?

Conclusion: Appropriately Anticipating the Crises to Come

This stock collapse is petty when compared to the nature crunch: the financial crisis at least affords us an opportunity to now rethink our catastrophic ecological trajectory.

This is nothing. Well, nothing by comparison to what's coming. The financial crisis for which we must now pay so heavily prefigures the real collapse, when humanity bumps against its ecological limits. As we goggle at the fluttering financial figures, a different set of numbers passes us by. On Friday, Pavan Sukhdev, the Deutsche Bank economist leading a European study on ecosystems, reported that we are losing natural capital worth between \$2 trillion and \$5 trillion every year as a result of deforestation alone. The losses incurred so far by the financial sector amount to between \$1 trillion and \$1.5 trillion....

The two crises have the same cause. In both cases, those who exploit the resource have demanded impossible rates of return and invoked debts that can never be repaid. In both cases we denied the likely consequences. I used to believe that collective denial was peculiar to climate change. Now I know that it's the first response to every impending dislocation (Monbiot, 14 October 2008).

What will this crisis mean for us in terms of our daily lives? We are all beginning to sense the possible consequences of the crisis in terms of our own ability to provide for our families in the future. We feel the crisis, but don't know what it means – a bit more than average unemployment and homelessness or will we all be left homeless and jobless? There are countries like Russia and Argentina that we can ask advice from about what happens when economies collapse in this day and age. We no longer trust economists or politicians to give us answers anymore because we see

that no one has any idea about what is going to happen. We further distrust those that think they do have quick and ready solutions. Their serial irresponsibility warns us that new bailout plans may be a ruse for "comforting the comfortable while afflicting the afflicted".

We are finally feeling, experiencing and learning what countries across the developing world have experienced for over three decades that unstable and inequitable neoliberal economics leads to unacceptable levels of social disruption and hardship that can only be contained by brutal repression.

Just look at the recent events in Greece, Italy, France, Thailand and even Hungary. Many, often contradictory, causes have been put forward: economic (unemployment and neo-liberal economic measures), political (institutionalized corruption and failure of education), cultural or ideological. But the most prominent reaction of commentators has been incomprehension. There is no one political organisation directing these insurrections, no single ideology motivating them, no overwhelming demand put forward. The persistent question, "What do they want?" often leads to the conclusion that the events were not political because they could not be integrated into existing analytical frameworks. What seemed to unite the protesters was simply refusal: "No more, enough is enough." A stubborn negativity characterised the insurrections. Is this a new type of politics after the decay of democracy? – Insurrection and righteous "indigNation" is a response of those who feel invisible to the political system.

The insurrections can be recognised as events of radical change only retrospectively, if the rules of politics change. This depends on who will uphold the possibility of changing the rules of what counts as political. In a recent interview President Obama reflected that there are certain moments in history when significant change is possible. "It's not a certainty," he said, "but it's possible." He said he believed that it's very difficult for any single individual to actually set that kind of "momentum" for change in motion. But when that historical wave is there, he said, "I think you can help guide it." When asked if we are in one of those moments now, he said, "Yes. I firmly believe that."

This is the challenge that Athens, Paris, and Budapest pose to Europe. It is no wonder that "Slumdog Millionaire," which pits a hard-working young man in Mumbai against a corrupt nexus of money and privilege, has become America's movie of the year. Not just Americans are tired and resentful of people who benefit from a system dominated by insiders with the right connections.

The assertion of "incomprehensibility" is associated with an inability to integrate current events into existing analytical frameworks. Assertions of "incomprehensibility" do not just characterize the current financial crisis, but are also consistently applied to the Middle East and even used to explain the Irish No Vote.

In addition to incomprehensibility and the insurrection that results from invisibility, unregulated capitalism can be charged with creating wealth but not effectively distributing it and that it takes no account of what it cannot commodify, neither the social relationships of family and community nor the environment, which are vital to human wellbeing and survival, and indeed to the functioning of the market itself. Ultimately, neoliberal capitalism is self-destructive.

We can now ask the questions why the critique of the neoliberal model which emerged in the late 1990s was ignored. The anti-globalisation movement argued that neoliberal capitalism was unjust, unstable and destructive to human and environmental wellbeing, but it somehow became associated with the anarchic street violence of radical groups. Broad networks of grassroots social movements were ridiculed, marginalized and ignored. There is no alternative, the politicians intoned.

We were distracted after 9/11 by the war on terrorism and ignored the second ground zero on Wall Street as a gathering storm next to the first ground zero. We are now witnessing the collapse of the economic orthodoxy that has dominated politics for nearly 30 years. For decades, we were told "There is no Alternative". Now we are being warned "There Is No Alternative to the Alternative."

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Globalization of markets, marketing ethics and social responsibility

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Abstract

In recent years, owing to the globalization of markets and production processes, an ever increasing number of marketers and entrepreneur and business manager have to deal with ethics and social responsibility issues in cross-cultural settings. In this article, main approaches in marketing ethics and social responsibility have been reviewed for ethical analysis and business manager in international settings. The main purpose of the study is to present some guidelines that can serve as a guide for global marketers in the important areas for markets ethics and social responsibility. It is supposed to assist marketers in their efforts to behave in an ethical fashion. It is assumed that local conditions of markets may be different, but some global markets, ethics and social responsibility principles should be applicable to all markets. It is proposed that a uniform code of ethics and social responsibility should be created by WTO and UN organizations to solve diverse cultural differences to arrive at cooperative strategies in markets.

Keywords: Globalization, Ethics, Marketing Ethics, Corporate Social Responsibility.

1. Introduction

International marketing ethics, globalization and social responsibility affected each other. Increased globalization gave rise to a lot of problems, including ethical and social responsibility at home and abroad. Within the last 50 years, world commerce and trade enlarged nearly 20-fold, surpassed world industrial production, which expanded by six and

a half times (WTO, 2001). In this expansion, both exports and foreign direct investments acted an important role in the global economy and trade.

In addition to large-scaled corporations, small businesses are also increasing their cross border investments. Generally, the average yearly outflow of Foreign Direct Investment(FDI) enlarged from almost \$25 billion in 1975 to the peak of \$1.3 trillion in 2000 (UN, 2001). These mean that millions of business people work abroad in various geographical, political, legal, social, technological and cultural environments. It is easy to estimate that various environments have created many problems, involving ethical problems, for international marketing personnel at home and abroad.

Notably, during the past 55 years, technological improvements in transportation, communication and information processing and the Internet have made big contributions to the development of globalization. If this trend continues, the prophecies of Levitt, about globalization, in 1960's, will become reality in 2020's. To manage this trend fairly, it is recommendable to create universal ethical norms, rules and regulations. To prevent unethical marketing applications, universal code of ethics is necessary. At the same time, this practice would facilitate world wide fair competition in every fields of the world economy.

2. What is globalization?

A. History of Globalization

Globalization is a process that has been going on for the past 5000 years (Tehrani, 2005), but it has significantly accelerated since the demolishing of the Soviet Union in 1991.

The many meanings of the word "globalization" have accumulated very rapidly and recently, the verb "globalize" was first attested by the Merriam Webster Dictionary in 1944. In considering the history of globalization, some authors focus on the events since the discovery of America in 1492, but most scholars and theorists concentrate on the much more recent past (www.globalpolicy.org).

But long before 1492, people began to link together disparate locations in the world into extensive systems of communication, migration, and interconnections. This formation of interaction between the global and the local has been a central driving force in world history. Roughly, Economic Globalization means that world trade and financial markets are becoming more integrated.

According to Friedman (1999), globalization is: "The inexorable integration of markets, nation states, and technologies to a degree never witnessed before- in a way that is enabling individuals, corporations and nation-states to reach around the world farther, faster, deeper and cheaper than before, the spread of free-market capitalism to virtually every country in the world. On the other hand, a great number of economists assert that globalization is an on-going historical process that reached its apex toward the end of the 20th century. This process leads to the increasing integration of the production of goods, services, ideas, culture, communication, and environmental pollution on a world-wide scale, imparting locality of populations and labor.

B. Dimensions of Globalization

Globalization is an umbrella term and has some dimensions. It can be related to every fields of daily life. For instance, a marketing staff versus an engineer could interpret globalization in different ways. Dimensions are as follows (www.globalpolicy.org):

- **Economics** – related to globalization in trade, money, corporations, banking, capital,
- **Political** – science, governance, wars, peace, IGOS, NGOS, and regimes,
- **Sociology**-communities, conflict, classes, nations, agreements,
- **Psychology**-individuals as subjects and objects of global action,
- **Anthropology**- cultures overlapping, adapting, clashing, merging,
- **Communications**- information as knowledge and tools-internet,
- **Geography**- Everything, provided it can be anchored in space.

Each of these social sciences looks at a special aspect of the whole system of interdependent parts that constitutes our world system. Each discipline constructs a concept of globalization that reflects its special point of view: Consider how it relates its focal concerns to the contemporary world system (www2.hawaii.edu).

According to Kongar, globalization has three dimensions. These are political, economic, and cultural aspects of globalism (www.kongar.org).

Political dimension denotes that after the collapse of the Soviet Union, the USA has become the superpower and the single authority in the new world order and security. On the other hand, the economic dimension of the globalization denotes the economic sovereignty and domination of international capital globally. As the third dimension of globalization, cultural aspect denotes two unrelated results of this phenomenon: One of them is globalism of the consumer behaviors, such as consuming similar food, clothes, entertainment and similar products in any aspects of daily life. The second dimension is the micro-nationalism; too much freedom for citizens results in destruction of the unitary structures of independent states, such as Yugoslavia and Iraq.

C. The Emergence of Global Institutions

In international business, globalization has several facets, including the globalization of markets and globalization of production (Hill, 2004: 7-8). The globalization of markets refers to the merging of historically distinct and separate national markets into one huge global markets. On the other hand, the globalization of production refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in cost and quality factors of production (such as labor, energy, raw materials, land, and capital).

As markets globalize and an increasing proportion of business activity transcends national borders, institutions need to help manage, regulate, and police the global marketplace, and to promote the establishment of multinational treaties to govern the global business system. During the past 55 years, a number of important global institutions have been created to help perform these functions.

These institutions include the “General Agreement on Tariffs and Trade”(GATT) and its successor, the “World Trade Organization” (WTO); the “International Monetary Fund”

(IMF) and its twin sister, the “World Bank”; and the “United Nations” (UN). All these institutions were created by voluntary agreement between individual nation-states, and their functions are enshrined in international treaties (Hill, *ibid*: 9). These organizations have many important roles in creating international business ethical rules and regulations. Especially, The World Trade Organization is primarily responsible for policing the world trading system and making sure nation states adhere to the rules laid down in trade treaties signed by WTO member states. Now it has over 145 nations, and the last member is the Republic of China. The WTO is also responsible for facilitating the establishment of additional multinational agreements between WTO member states (www.imf.org).

D. Driving Forces of Globalization

From the economical point of view, two macro factors seem to underlie the trend toward globalization (Frankel, 2000). The first is the decline in barriers to flow of goods, services and capital that has occurred since the end of World War II. The second factor is technological change, particularly the dramatic developments in recent years in communication, information processing, and transportation technologies.

Everybody knows the importance of the role technological innovations and developments in globalization, on the other hand, “declining trade and investment barriers” with the help of GATT and WTO is as important as the first one.

During the 1920s and 30s, many nations erected formidable barriers to international trade and foreign direct investment. International trade occurs when a firm exports goods or services to consumers in another country. Foreign direct investment occurs when a firm invests resources in business activities outside its home country. Many of the barriers to international trade took the form of high tariffs on imports of manufactured goods. The typical aim of such tariffs was to protect domestic industries from foreign competition. Ultimately, this practice depressed world demand and contributed to the Great Depression of the 1930s (Hill, *ibid*: 11).

Having learned from this experience, the advanced industrial nations of the West committed themselves after World War II to removing barriers to the free flow of goods, services, and capital between nations (Bhagwati, 1989). This goal was protected and realized in the General Agreement on Tariffs and Trade. Under the umbrella of GATT, nine rounds of negotiations among member states have worked to lower barriers to the flow of goods and services. The impacts of GATT agreements on average tariff rates for manufactured goods were formidable. If we give a figure, average tariff rates have been fallen significantly since 1950, from average 30-40 percent to 3.9 percent in 2000 (The United Nations, 2001). In order to nullify this tariff rate, Regional economic integrations have been created. Such as, European (EU), North American Free Trade Area (NAFTA), Free Trade Area of the America (FTAA), Association of Southeast Asian Nations (ASEAN), and Asia-Pacific Economic Cooperation (APEC) are important attempts to achieve economic gains from the free flow of trade & investment between neighboring countries.

The most successful regional economic cooperation is the EU. The Single European Act sought to create a true single market by abolishing administrative barriers to the free flow of trade and investment between EU countries. In the near future, it is expected that the EU will become a political union like the USA (Swann, 1990).

E. Universal Marketing Strategies of a Global Company

Theodore Levitt (1983: 92-102) has argued that, due to the advent of modern communications and transport technologies, consumer tastes and preferences are becoming global, which is creating global markets for standardized consumer products. However, this position is regarded as extreme by many commentators, who argue that substantial differences still exist between countries (Douglas and Wind, 1987).

As local companies increasingly engage in cross-border trade and investment, managers need to recognize that the task of managing an international business differs from that of managing a purely domestic business in many ways. First of all, the differences come from the simple fact that countries are different. Countries differ in their cultures, socio-economic and political systems, legal systems and levels of economic development. Despite widespread globalization, still there are many big and enduring differences between the countries (Hill, *ibid.*: 19-37).

Differences between countries require different marketing approaches. For example, marketing a product in Brazil may require a different approach than marketing the product in Australia or Malasia. Managing U.S. Workers might require different skills than managing Japanese workers; maintaining close relations with a particular level of government may be very important in The Republic of China and irrelevant in Germany.

As a global firm, sometimes, it is impossible to advertise a standardized advertising message in different countries. Because of differences in cultural and legal environments, for instance, it is illegal to use any comparative advertising in Germany (Cateora & Graham, 2005: 483). Advertising on television is strictly controlled in many countries, e.g., in Kuwait, the government controlled TV network allows only 32 minutes of advertising per day, in the evening (Sunil Erevelles and his colleagues, 2002).

In order to compete in the international environment, firms can use four basic entry strategies: an international strategy, a multi-domestic strategy, a global strategy, and a transnational strategy (Bartlett and Ghoshal, 1989).

Firms pursuing an international strategy transfer the skills and products derived from distinctive competencies to foreign markets, while undertaking some limited local customization. Firms pursuing a multi-domestic strategy customize their product offering, marketing strategy, and business strategy to national conditions. Firms pursuing a global strategy focus on reaping the cost reductions that come from experience curve effects and location economies. Finally, firms pursuing a transnational strategy involves a simultaneous focus on reducing costs, transferring skills and products, and boosting local responsiveness. Implementing this strategy is very difficult because of simultaneous pressures coming from cost reductions and local responsiveness (Hill, *ibid.*: 376).

F. Is Globalization Suitable for Everyone?

International Monetary Fund (IMF) asserts that as globalization has progressed, living conditions have improved significantly in virtually all countries. However, the strongest gains have been made by the advanced countries and only some of developing countries.

That the income gap between high-income and low-income countries has grown wider is a matter for concern. And the number of the world's citizens in abject poverty is deeply disturbing. But it is wrong to jump to the conclusion that globalization has caused the divergence, or that nothing can be done to improve the situation. In contrast: low-income

countries have not been able to integrate with the global economy as quickly as others, partly because of their chosen policies and partly because of factors outside their control. No country, least of all the poorest, can afford to remain isolated from the world economy. Every country should seek to reduce poverty. The International community should endeavor-by strengthening the international financial system, through trade, and through aid-to help the poorest countries integrate into the world economy, grow more rapidly, and reduce poverty. That is the way to ensure all people in all countries have access to the benefits of globalization.

In order to manage globalization process fairly, international reform efforts and democratic transnational institutions should be created and empowered. To reach such an objective UN-supported commission of 28 leaders produced influential 1995 report " Our Global Neighborhood" and 1999 report " The Millennium Year and the Reform Process" proposes to strengthen global governance without creating world government, while respecting the "rights of people and the role of civil society (www.globalpolicy.org).

3. Ethical issues in international marketing

A. Social Responsibility and Marketing

Business firms produce goods and services by utilizing scarce resources to satisfy customer needs. In their activities, companies should be innovative, cost effective, productive and effective. If they become successful, in the long run, they should contribute positively to the societies' welfare objectives. It requires that companies should be sensitive for the expectations of customers with respect to the social issues and to the environment(Kotler, 2003: 8).

For organizations to have social responsibility means an organization should concern for the people and environment in which it transacts business. (<http://www.knowthis.com/principles-of-marketing-tutorials/>, July 05, 2010). It is expected that socially responsible firms will somehow financially outperform other less responsible firms in the long run. This might result from customer loyalty, better employee morale and motivation, or public policy favoring ethical conduct (http://www.consumerpsychologist.com/intro_Social_Responsibility.html, June 08, 2010).

To be competitive in the long run, companies should adopt strategic plans to optimize the objectives of all partners as stakeholders, management, workers, customers, society and all the humanity.

According to the article of Lichtenstein and et al., "both theory and recent research evidence suggest that a corporation's socially responsible behavior can positively affect consumers' attitudes toward the corporation (Lichtenstein and et al, 2004: 16). Today, international companies donate millions of dollars to various nonprofit organizations through various initiatives including philanthropy, cause-related marketing, employee voluntarism, and other innovative and creative marketing programs. If we want to give an example, Avon, cosmetics company, has raised more than \$200 million for breast cancer education and early detection services through the Breast Cancer Awareness Crusade (Ibid).

A study made by Maignan and Ferrell presents us a managerial guide by using a stakeholder model for implementing social responsibility in marketing(Maignan &et al, 2005:956). We need more studies to approach this issue from the different partners' points of views to create an integrative model to social responsibility approach.

In an organization, marketing function often operates as the “public face” of it, when issues arise between the public and the organization, marketing is often at the center (http://www.consumerpsychologist.com/intro_Social_Responsibility.html, June 08, 2010). At the same time, social responsibility requires that firms should produce new products at high quality and services at reasonable prices. Additionally, these firms could be customer-oriented.

Lichtenstein and et al assert that Corporate Social Responsibility (CSR) actually reduces customer satisfaction levels and, through the lowered satisfaction, harms market value (Xueming & Bhattacharya, 2006:1).

B. History of Ethics

Ethics is a branch of philosophy that studies morals and values. Interest in ethics and ethical codes has been around for a long time. Centuries ago, Aristotle referred to character, which he called “ethos”, as the most potent means of persuasion (Lane Cooper, 1960). He also identified elements of virtue as “justice, courage, temperance, magnificence, magnanimity, liberality, gentleness, prudence, and wisdom”. In Roman times, the emperor Justinian was the first to incorporate ethics into the legal system and to establish schools to educate lawyers concerning ethics morality, and law. Napoleon established a code of thirty-six statutes based on the concept that all citizens, regardless of circumstances of birth or social stature, should be treated fairly and equally. Indeed, every civilization has recognized the need for establishing laws and codes to guide human relationship and behavior (Metcalf, 2003: 74).

Ethics studies the differences between right and wrong, and through these studies philosophers have developed several theories. Some major ethical theories are egoism, intuitionism, emotivism, rationalism, and utilitarianism. Egoism is the belief that people should only look at how the consequences of an action affect them. Intuitionism is the belief in an immediate awareness of moral value. Emotivism is the belief that ethical decisions are expressions of emotion. Rationalism focuses on the metaphysical aspects of ethics. Utilitarianism in ethics considers how moral actions produce the greatest overall good for everyone (www.questia.com).

C. Ethical Universals and National Cultures

1. What is Culture ?

Academics and researchers have never been to agree on a simple definition of culture. In the 1870s, the anthropologist Edward Taylor defined culture as “that complex whole which includes knowledge, belief, art, morals, law, custom, and other capabilities acquired by man as a member of society (Taylor, 1871). As other capabilities, we can include economic and political philosophy, religion, language and education systems.

Especially, religion is very important in shaping ethical systems refer to a set of moral principles, values, that are used to guide and shape behavior. Most of the world’s ethical systems are the product of religions (Hill, *ibid*:105).

Dutch Management Professor Geert Hofstede refers to culture as the “software of the mind” and argues that it provides a guide for humans on how to think and behave; it is a problem-solving tool (Hofstede, 1984: 21). Business consultant E. Hall gives a better definition for

international marketers : “The people we were advising kept bumping their heads against an invisible barrier. We knew that what they were up against was a completely different way of organizing life, of thinking and of conceiving the underlying assumptions about the family and the state, the economic system, and the man himself” (Hofstede, *ibid*: 21).

Most traditional definitions of culture center around the notion that culture is the sum of the values, rituals, symbols, beliefs and thought processes that are learned, shared by a group of people, and transmitted from generation to generation (Herskovitz, 1952: 634). Values mean abstract ideas about what a group believes to be good, right, and desirable. If we put it differently, values are shared assumptions about how things ought to be (Mead, 1994: 7). On the other hand, values are rules and guidelines that prescribe appropriate behavior in particular situations.

2. Ethical Perceptions and Culture

A research conducted by Armstrong reveals that there is a relationship between the cultural environment (Australia, Singapore and Malaysia) and the perceived ethical problems. In another study , Armstrong finds out the most frequently cited problem of Australian International Business Managers is gifts/favours/entertainment and that this problem may be related to the culture where the international business is being conducted. And the most important ethical problem to Australian international managers is large-scale bribery (Armstrong, 1992).

Although, different cultural environments result in different ethical perceptions in international marketing, for the sake of ethical consistency, it is necessary to generate internationally applicable ethical rules and regulations. As a matter of fact, a finding of an empirical research conducted by Armstrong proposes that “The Australian general managers disagreed that it is necessary to compromise one’s ethics to succeed in international marketing”(Armstrong, *ibid*: 161).

D. Ethical Approaches in International Marketing

Due to the globalization of markets and production, ever increasing number of international marketing personnel have to deal with ethical issues in cross-cultural settings. Murphy and Laczniak (1981: 58) asserted two decades ago that “as more firms move into multinational marketing, ethical issues tend to increase”. Actually, international marketers are often criticized for ethical misconduct (Armstrong et al., 1990: 6-15). In a cross-cultural environment, marketers are exposed to different values and ethical norms (Nill, 2003: 90-104). Which ethical position should marketers take when acting in a foreign culture? In other words, whose ethics do we use in international marketing? is very important to be answered. DeGeorge answers this question as “our ethics”; our ethical values are not like a coat that we put on in certain seasons and places throw off elsewhere. We cannot leave our ethics behind as we venture around globe. If we think we can, or if we have no ethics, then, of course, the question is beside the point (DeGeorge, *Business Credit*, 2000: 50).

In International Marketing, ethical decision- making process can be influenced by many ethical approaches. These approaches can be classified “descriptive-prescriptive and communicative approach” (Nill, 2003: 90), and “normative (prescriptive), and descriptive(positive)” theory of marketing ethics approach (Hunt and Vitell, 1986: 5-15).

1. Descriptive Ethics Approach

Descriptive ethics describe the values and moral reasoning of individuals and groups and attempt to provide an understanding of the ethical decision-making process (Schopenhauer, 1979). It is assumed that the ethical decision-making process is affected by a variety of individual, situational, and contextual factors such as personal experiences, opportunity, the organizational environment and the cultural environment (Nill, *ibid*: 91).

2. Normative Ethics Approach

Normative ethics suggest an answer to the general moral question of what ought to do (Schlegelmilch, 1998; Murphy and Laczniak, 1981, Chonko, 1995). These researchers are concerned with the justification of moral norms and ethical values. It has been debated for many years whether moral responsibility can be attributed to business organizations. Some years ago, ethics have nothing to do with international business; then, normative ethics cannot be a concern for business corporations. Some scholars discuss that business organizations cannot assume moral responsibility. Only individuals acting on behalf of the corporation are morally motivated, have intentions, and can be held accountable (Ranken, 1987: 633-37).

On the other hand, some scholars argue that some aspects of the organization are not reconcilable with moral responsibility. Organizations serve a purpose and in that sense are not entirely autonomous. Organizations can never end in themselves; they have been created for a specific purpose. The organization cannot be held responsible for actions that go beyond or against that purpose (Wilmot, 2001: 161-169).

Normative approaches can be classified as “deontological theories” and “teleological theories”. One of the purposes of these theories is to develop guidelines or rules to assist international marketers in their efforts to behave in an ethical fashion (Hunt and Vitell, 1986: 5-15). Fundamental difference between these theories is that deontological theories focus on the specific actions or behaviors of an individual, whereas teleological theories focus on the consequences of the actions or behaviors.

a. Deontological Evaluations:Deontologists believe that “certain features of the act itself other than the value it brings into existence” make an action or rule right (Frankena, 1963). Deontological views have a rich intellectual history dating back at least as far as Socrates. For them the problem has been to determine the “best” set of rules to live by. Examples proposed have been the “golden rule” of “doing unto others as you would have them do unto you” (Sidgwick, 1907). According to Laczniak; international marketers have certain duties, under most circumstances, constitute moral obligations that include the duties of fidelity, gratitude, justice, beneficence, self-improvement and noninjury.

b. Teleological Evaluation:Teleologists suggest that people ought to determine the results of various behaviors in a situation and evaluate the goodness or badness of all the consequences. A behavior is then ethical if it produces a greater balance of good over evil than any available alternative (Nill, *Ibid*). Teleology can be divided into two subcategories as egoism and utilitarianism (Ferrel et al., 1989: 55-64).

(1) **Egoism:** Egoism defines rightness in terms of the consequences for the individual (Mengüç, 1998: 333-352). It postulates that one should choose actions that result in the maximum of good for oneself (Rosen, 1978).

(2) **Utilitarianism:** In contrast to the egoist, the utilitarian does not minimize "bad" or maximize his/her own "good" in general. Ethical universalism (utilitarianism) holds that an act is right only if it creates the greatest good for the greatest number. Hobbes and Nietzsche were ethical egoists but such philosophers as G.E. Moore and John Stuart Mill were ethical universalists. If we explain these theories with an example; deontologists do not tell a lie and they do not consider the results of the action, on the other hand, teleologists could tell a lie if they save a life, or when telling the truth hurts another person.

(3) **Dialogic Ethics Approach**

As a third approach proposed by Nill and Shultz (1997: 4) is communicative approach as an alternative ethical framework for macro marketers. Dialogic idealism combines moral universalism with moral relativism by suggesting universally valid rules that prescribe how an ideal dialogue is to be conducted without imposing moral core values or hyper norms. Thus, the actual outcome of the dialogue will depend on its participants. Only the way in which the dialogue should be conducted can be seen as a universal obligation for everyone who is truly motivated in participating in the dialogue.

Depending on the nature of the ethical problem and specific situational requirements a dialogic approach could be a helpful tool for marketers. Nill (2003: 92-97) argues that "more work is needed to find out how a communicative approach can be implemented as a real-world corporate ethical responsibility approach".

E. Ethical and Social Responsibility Problems in International Marketing

The moral question of what is right or appropriate poses many dilemmas for domestic marketers. Even within a country, ethical standards are frequently not defined or always clear (Cateora and Graham: 142). The problem of business ethics is infinitely more complex in international marketplace, because value judgments differ widely among culturally diverse groups. That which is commonly accepted as right on one country may be completely unacceptable in another. Giving business gifts of high value, for example, is generally condemned in the United States, but in many countries of the world gifts are not only accepted but also expected (www.business-ethics.org).

Upon examination of existing ethical frameworks in the field of international marketing from a macro marketing perspective, it is argued that marketers cannot always rely on universally accepted ethical norms, such as hyper norms or core values that have been suggested by a deluge of marketing literature (Dunfee, 1995; Dunfee, Smith, and Ross, 1999: 14; DeGeorge, 2000). Some basic moral values could be used in evaluating international marketing ethical issues. Violations of basic moral values in international marketing settings should be accepted as ethical problems.

After studying the literature related to international marketing, it is easily seen that most of the marketing ethics studies involve the use of scenarios as research instruments and relate to the following marketing sub-disciplines (Armstrong, 1992: 167): market research, retail management, purchasing management, advertising management, marketing management, industrial marketing, and marketing education. Few studies relate to International Marketing Ethics have been most prominent (Armstrong and Everett, 1991:61-71;

Armstrong, Stening, Ryands, Marks, and Mayo, 1990: 6-15; Armstrong, 1992). Major International Marketing Ethical Problems derived from applied researches by Armstrong (Ibid) are presented with their short definitions as follows:

- **Traditional Small Scale Bribery**- involves the payment of small sums of money, typically to a foreign official in exchange for him/her violating some official duty or responsibility or to speed routine government actions (grease payments, kickbacks).
- **Large Scale Bribery**- a relatively large payment intended to allow a violation of the law or designed to influence policy directly or indirectly (eg, political contribution).
- **Gifts/Favours/Entertainment**- includes a range of items such as: lavish physical gifts, call girls, opportunities for personal travel at the company's expense, gifts received after the completion of transaction and other extravagant expensive entertainment.
- **Pricing** - includes unfair differential pricing, questionable invoicing - where the buyer requests a written invoice showing a price other than the actual price paid, pricing to force out local competition, dumping products at prices well below that in the home country, pricing practices that are illegal in the home country but legal in host country (eg, price fixing agreements).
- **Products/Technology** - includes products and technology that are banned for use in the home country but permitted in the host country and/or appear unsuitable or inappropriate for use by the people of the host country.
- **Tax Evasion Practices** - used specifically to evade tax such as transfer pricing (i.e., where prices paid between affiliates and/or parent company adjusted to affect profit allocation) including the use of tax havens, where any profit made is in low tax jurisdiction, adjusted interest payments on intra-firm loans, questionable management and service fees charged between affiliates and /or the parent company.
- **Illegal/Immoral Activities in the Host Country** - practices such as: polluting the environment, maintaining unsafe working conditions; product/technology copying where protection of patents, trademarks or copyrights has not been enforced and shortweighting overseas shipments so as to charge a country a phantom weight.
- **Questionable Commissions to Channel Members** - unreasonably large commissions of fees paid to channel members, such as sales agents, middlemen, consultants, dealers and importers.
- **Cultural Differences** - between cultures involving potential misunderstandings related to the traditional requirements of the exchange process (e.g., transactions) may be regarded by one culture as bribes but be acceptable business practices in another culture. These practices include: gifts, monetary payments, favours, entertainment and political contributions.
- **Involvement in Political Affairs**- related to the combination of marketing activities and politics including the following: the exertion of political influence by multinationals, engaging in marketing activities when either home or host countries are at war and illegal technology transfers (Armstrong, Ibid).

4. Conclusions and recommendations

It is accepted that globalization is an unavoidable process and will progress forever. All business that firms desire to compete successfully in international environment, should obey to legal and ethical rules and regulations. To behave in an ethically and socially responsible

way should be a hallmark of every marketer's behavior, domestic or international. It requires little thought for most of us to know the socially responsible or ethically correct response to questions about breaking the law, destroying the environment, denying someone his or her rights, taking unfair advantage, or behaving in a manner that would bring bodily harm or damage (Cateora and Graham, Ibid).

Because of unethical deals and transactions of large-scaled corporations such as Enron Company of USA and many others from America, Europe, Asia and Australia gave rise to global financial crises and as a result of these crises stockholders, investors, company workers, suppliers and the whole public faced serious financial losses. For this reason, companies should deal with their all partners ethically and behave in socially responsible (Cacioppe and et al, 2008:681).

Actually, the difficult international marketing issues are not the obvious and simple right-or-wrong ones. In many countries the international marketer faces the dilemma of responding to many situations where there is no local law, where local practices forgive a certain behavior, or the company willing to "do what is necessary" is favored over the company that refuses to engage in practices that are not ethical.

In many countries, laws may help define the borders of minimal ethical or social responsibility, but the law is only the basis above which one's social and personal morality is tested. In the U.S.A., in general, legal sanctions prevent marketers from doing unethical transactions. The problems related to international marketing ethics are not important problems in U.S. domestic market; but in international settings, especially differences in culture creates some ethical dilemmas.

Perhaps the best guide to good international marketing ethics are the examples set by ethical business leaders (J. Byrne, 2003). DeGeorge (Ibid) proposes to solve international business ethics problems in five guidelines:

- a. Do not direct intentional harm.
- b. Produce more good than harm for the host country.
- c. Respect the rights of employees and of all others affected by one's actions or policies.
- d. To the extent consistent with ethical norms, respect the local culture and work with and not against it.
- e. Multinationals should pay their fair share of taxes and cooperate with the local governments in developing equitable laws and other back ground institutions.

On the other hand, Cateora and Graham (Ibid) propose to be used some guidelines in international business: such as, Utilitarian ethics-**Does the action optimize the "common good" or benefits of all constituencies?** And who are the constituencies?. Rights of the parties- **Does the action respect the rights of the individuals involved?** Justice or fairness- **Does the action respect the canons of justice or fairness to all parties involved?**

Answers to these questions can help the international marketer ascertain the degree to which decisions are beneficial or harmful, right or wrong, or whether the consequences of actions are ethically or socially responsible. Perhaps the best framework to work within is defined by asking: Is it legal? Is it right? Can it withstand disclosure to stockholders, to company officials, and to the public? (Dunfee, et al., 1999: 14).

Though the U.S.A. has clearly led the campaign against international bribery, European firms and institutions are apparently putting more effort and money into the promotion of what they call "corporate social responsibility (Maignan and Ralston,2002: 497-514). For example, the watch dog group Corporate Social Responsibility (CSR) Europe, in cooperation with the INSEAD business school outside Paris, is studying the relationship between investment attractiveness and positive corporate behaviors on several dimensions. Their studies find a strong link between firms` social responsibility and European institutional investors` choices for equity investments (Stock, 2003:1, and www.csreurope.org).

All this is not to say that European firms do not still have their corporate misbehaviors (C. Matlack, 2003: 48-50). However, it is expected that more efforts in the future to focus on measuring and monitoring corporate social responsibility around the world.

In a global economy, to solve international marketing ethics problems, self regulation by companies and industries is important, but that additional background institutions with having authority to direct globalization is very important. Under these circumstances international sanctions can be applied for ethical violations.

DeGeorge(2000:50) asserts that " for purposes of international business, there are certain basic claims and norms that are necessary for business, and these throw some light on claims to universality in ethics". For example, the Universal Declaration of Human Rights is an important norm which has been ratified by almost every country and lays down basic principles that should always be adhered to irrespective of the culture in which one is doing business. For instance, Article 23 of this declaration states that :

- Everyone has the right to work, to free choice of employment, to just and favorable conditions of work, and to protection against employment.
- Everyone without any discrimination, has the right to equal pay for equal work.
- Everyone who works has the right to just and favorable remuneration ensuring for himself and his family and existence worthy of human dignity and supplemented, if necessary, by other means of social protection.
- Everyone has the right to form and to join trade unions for the protection of his interests (www.un.org/Overview/rights.html).

There are many articles like article 23, they can be accepted as building blocks of universal ethical norms and rules. In addition to such international organizations as UN, IMF, World Bank, World Trade Organization, the International Chamber of Commerce; "International Court of Justice for Business and Commerce" should be established to solve international marketing ethics problems legally. Then ethical will become legal. If we want to do business honest and fair in international marketing area, we can find many universal ethical rules and regulations to obey. Cultural differences should not result in violations of universal ethics. If UN is reorganized as a more powerful institution, it can enforce global business agents to conform to the universal ethics norms.

Today, it is generally believed that, the U.S. of America as a superpower has been taking advantage of official political power of UN and related institutions, such as IMF, WTO, and World Bank in order to realize his political and economic benefits to sustain global domination. These institutions could not function effectively and freely to their predefined objectives. A reorganization and reform is necessary to empower UN and other international institutions to meet the common needs of all humanity, instead of only U.S.

and other developed countries. Otherwise, instead of peace and stabilization, chaos and terror could dominate the whole world. Adapted to the contemporary world conditions, well-organized, reformed, empowered and equitable working UN and related institutions could really contribute to the global peace, security and, social and economic wealth of nations. All nations could obey the rules and regulations of independent global institutions in regulating and reorganizing world trade and global economy.

Under these conditions, to solve international marketing ethics problems: international institutions should manage, regulate, and police the global marketplace, and to promote the establishment of multinational treaties to govern the global business system.

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A good idea gone bad in the service of cultural globalization: measuring the impact of publications in the psychological disciplines

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Bibliometrics deals with the analysis of bibliographic information and is said to come close to an “objective” measure of research activity. Highly accessible and easy to use, it is increasingly called upon in the academic community to measure the impact of scientific journals and/or quantify the development of the research output of universities, research units, groups of researchers and individual researchers themselves – as a means of evaluating these groups and individuals and allocating the funding and other means that they deserve.

Bibliometrics could be defined as the use of mathematical and, in particular, statistical methods to analyze sets of bibliographic references in order to arrive at a quantitative assessment of scientific output. While a content analysis of this output is conceivable (e.g. in the field of information science), bibliometrics, first and foremost, makes it possible to carry out a quantitative assessment of publications and their dynamics over time based on characteristics such as the number of articles published and the number of times an article has been cited. First used in the field of library science by documentalists and librarians, where it provided useful data on the sociology of scientific publishing, during the second half of the 20th century, bibliometrics suddenly (Rostaing, 1996) evolved into a set of measures used to *evaluate* scientific output. Its relevance has henceforth been found in the process of comparison that it facilitates: it allows for a quick ranking of publications without it being necessary to read their content. What is measured is not the intrinsic scientific value of these documents (i.e. their content and the added value they bring to a field of research), but rather the statistical trends of factors such as citations or the algebraic formulae associated with them. In other words, bibliometrics does not take into account the actual content of publications, as this is supposed to have been evaluated *upstream* through a peer review process determining whether the article should be accepted or refused for publication. Given that bibliometric evaluation takes place *downstream* from the peer review process, it could be seen as a complement to it, in accordance with the philosophy of science and epistemology. Unfortunately, as will be seen, it may in fact contravene this philosophy and epistemology, being based on indicators that are foreign to them.

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As an evaluation tool, the first phase of bibliometrics focused on *scientific output*. This involved counting up the number of scientific documents (articles, books, reports) produced by a given research source (S) (country, laboratory, researchers, journals, etc.). At that time, research institutions and researchers were evaluated according to the *number* of documents published. However, under the influence of Garfield and the Institute for Scientific Information (ISI; see in particular Garfield, 1972), bibliometrics took on quite a different form, shifting its focus to the *impact* of scientific publications. Thus, the goal became assessing the impact of scientific work by measuring the number of times the work in question had been cited, which is assumed to reflect its consumption by peers. Thus, indicators of visibility or notoriety emerged based on the principle of consumption (i.e. consumption of documents by researchers) which could imply, when impact and scientific significance are considered to be one and the same, that scientific and commercial logics are isomorphic. The famous IF (Impact Factor: Garfield, 1972, 1987; Hansson, 1995; Trayhurn, 2002) and the Hirsch index or h-index (Hirsch, 2005, 2007; Baldock, Ma & Orton, 2009) are typical of this type of bibliometrics[†] and, obviously, the types of bias to which they have given rise (Bhatia & Gandhi, 2003; Lehmann, Jackson & Lautrup, 2006). It is this type of bibliometrics, citation analysis, which is being imposed as the sole source of reference in the scientific community.

Quantifying scientific output is not the same as focusing on the impact of scientific publications and the respective effect of each focus is also very different. When country rankings based on scientific output (i.e. number of scientific documents produced) are compared to those based on citation impact (i.e. number of citations per document), it can be observed that the two rankings differ considerably (see, <http://www.scimagojr.com/countryrank.php>). Thus, all research fields (i.e. all subject areas and all subject categories) combined, China is in fourth place in terms of the number of documents produced but finds itself behind countries such as Belgium, Canada, Germany, France or Italy when it comes to the number of citations per document, even though the latter countries in fact produce markedly fewer documents.[‡] The same trend exists when the number of citable documents is used as the measure of output. Indeed, based on this criterion, China is in second place. Thus, there is a significant gap between scientific output and citation impact. A quick scan of Table 1, which includes just eight countries, shows that this gap is too highly significant to be interpreted effectively in terms of scientific quality alone, unless one accepts the idea that only Westerners, and perhaps the Japanese, put out quality research. Thus, whereas China produced 1,217,169 documents, with each of its documents being cited a mere 4.61 times, the Netherlands showed an output of only 346,852 documents, with each of its documents being cited, on average, 16.88 times. These examples attest to the gap between the production and consumption of documents, a gap which mainly works to the advantage of Western countries, in particular English-speaking countries. It goes without saying that the

[†] These days, with just a few clicks, it is possible to access online databases which will calculate the impact of a journal, an article or a researcher using indexes based on the number of publications and citations (e.g. impact factor, h-index).

[‡] When field of research is considered, however, these differences are more or less pronounced and can even be reversed.

relationship observed here between scientific output and citation impact for all research fields combined will vary for each individual research field.

	Number of Documents Produced	Number of Citations per Document [§]
United Kingdom	1,242,464	14.78
Japan	1,220,415	10.12
China	1,217,169	4.61
Canada	628,843	14.84
Russian Federation	405,278	4.42
India	391,687	5.77
Netherlands	346,852	16.88
New Zealand	80,095	12.27

Table 1. Scientific output and citation impact of eight countries, all research fields (i.e. all subject areas and all subject categories) combined (Source: SCImago, Journal & Country Rank)

The aim of this chapter is not to contest the principle of citation analysis. Indeed, the impact of scientific publications appears to be a good basis for understanding how scientific work is communicated and avoiding the trap of self-publication or scattered publications. *A priori*, the idea that the impact of a scientific source of documents (S) on a target (T) can be estimated by the number of citations of S in T seems relevant. But this implies correctly defining S, which is not so difficult (e.g. a scientific journal, a group of researchers, a researcher, etc.), but also T, which is not so easy (e.g. all researchers from a particular country or group of countries, researchers from around the world in a given discipline, English-speaking researchers from around the world in a given discipline, etc.). As will be seen, based on the example of the Impact Factor (IF) in the psychological disciplines, the lack of clarity with regard to the definition of the targets concerned (T) can lead to bias. Thus, what is criticized here is not the principle of citation analysis itself, but rather the way it is carried out, which is conducive to bias and creates a situation whereby it no longer measures what it is supposed to measure, or at least what evaluators or research administrators maintain that it measures. Indeed, rather than measuring the impact of publications on international research, citation analysis is actually a measure of S's participation in the process of ideological globalization (or domination).

In the psychological disciplines, what does the IF measure? The impact of practices

Let us examine the generally accepted idea that an important bibliometric measure of scientific impact should measure the impact of a source (S) (an article, a researcher, etc) on

[§] The number of citations per document appeared more representative of impact since it lessens the influence of articles that are cited very often and whose impact may represent an epiphenomenon.

international research, with T being defined as researchers from around the world in a given discipline or group of disciplines. This is in fact how those involved in research policy evaluation present the IF, to which they often refer. On this basis, they rank journals, laboratories and – at least implicitly – researchers, maintaining that they are taking into account the impact of these sources on the process of international research. Unfortunately, the IF does not measure what it is supposed to measure, that is, the impact of a source (S) on international research. As will be seen, the target in question (T) does not correspond to the concept of “international research.” In our opinion, the problem does not lie in the basic tenet of citation analysis itself, but rather in (1) the empirical way that the databases used to calculate this influence are set up and (2) the weight given in the final score to the appraisal and review practices of groups of researchers that are not defined on the basis of scientific criteria. Let us take up an analysis by Beauvois and Pansu (2008) which refers to the psychological disciplines but which could be applied more broadly to other disciplines in which ideological choices are essential – in particular, other disciplines in the humanities and social sciences (history, sociology) but also geography (Milhaud, 2005). This analysis essentially shows that some basic principles regarding the “purest” possible evaluative measure of S’s impact on T are not in fact fulfilled. Let us review five such principles which can be said to be essential and the reasons why they are not fulfilled.

(1) *As an evaluation tool, an impact measure should not influence the choice of research themes.* This principle is far from being fulfilled. A researcher’s choice of research theme should (a) *a priori* be independent from dominant trends and fads and (b) be based on heuristic theoretical hypotheses and methodological feasibility. This is less and less the case, however, as it is very much in the interest of researchers, who are anxious to be evaluated positively, to choose themes which are highly valued (or trendy) in order to increase their chances of being cited. Why explore new issues in articles that will not be cited? In this way, competition creates an impetus for researchers to make sure their work fits into one of the major themes that are currently popular and which, within their discipline, are likely to lead to citations. Thus, the impact measure as it is applied today (IF or h-index) condemns young researchers, and even not-so-young ones, to avoid taking risks and to make a name for themselves through the path of performance framed by conformity to theoretical and conceptual trends (see also, Aalbers, 2004).

(2) *As an evaluation tool, an impact measure should not, in and of itself, act as an obstacle to the publication of articles which are relevant from a theoretical and methodological standpoint.* This principle is also far from being fulfilled. In the present context, it is very much in the interest of the editor of a journal to ensure that the journal he/she manages will receive an excellent IF in the hope that, consequently, the articles that it accepts for publication will be cited. Under these conditions, the editor has no choice but to make editorial decisions accordingly. It would never be suggested by a philosopher of science that the consumption factor (or IF) of an article represents the major criterion of its contribution to science. There are many other criteria which need to be taken into account in deciding whether to publish an article. Indeed, this is why the review process involving peers who are generally considered to be competent in their fields remains indispensable. Nevertheless, at the rate things are going, might we soon expect the evaluation grid given these experts to include a question regarding the probability that the article under review will be cited? That would sound the death knell for the epistemological justification of the peer review process.

(3) *As an evaluation tool, an impact measure should provide two journals of equal scientific quality the same chances of being indexed in a given database.* Once again, this principle is not fulfilled. We will not comment extensively here on the supremacy of English as the language of publication, since this is obviously the case and clearly creates a bias, albeit one that is seen by the ISI as being perfectly “natural” (Vauclair & Piolat, 2004). We will, however, refrain from naming it explicitly as a definitive rule. This fact inevitably favors English language journals and contributes to keeping the IF of journals written in other languages low. And yet, this language-based criterion has nothing to do with scientific quality. Moreover, there is at least one other selection criterion used in deciding which journals to index which also has nothing to do with scientific quality, that is, a journal’s *publication frequency*. Indeed, rather than functioning as a measure of quality, this criterion – which was supported by Garfield himself (Garfield, 1990) and continues to be listed as an essential criterion on the Thomson-Science web site (Thomson Reuters since 2008) – in fact relates to *power* considerations (i.e. potential size of readership, financial power). Only journals with a relatively solid financial base, large readership and strong portfolio of authors have the ability to publish regular issues. From this perspective, as regards the psychological disciplines, the American Psychological Association, simply by virtue of the *power* it holds, has an advantage over other national psychology associations which publish scientific journals.

(4) *As an evaluation tool, an impact measure should provide two articles of equal theoretical and methodological relevance, which are published in indexed journals and thus offer the required guarantees of quality, the same chances of being read, regardless of which of these journals they appear in.* This principle is also not fulfilled. The reason is simple: in deciding which articles to read, most American researchers, who make up the largest reference population, choose among a select few journals, very often those published in the United States as well as perhaps one or two English language journals covering themes that are close to those dealt with in American journals. The same article appearing in *Cognition*, or *l’Année Psychologique*, both indexed journals, would likely be eagerly read by these researchers in the case of the first journal and completely ignored in the case of the second, even if the article, in both cases, was referenced in *Current Contents* (or PsychINFO). Even when they are written in English, articles appearing in non-American journals (e.g. French journals) are hardly cited by the vast majority of researchers in the United States. Some researchers have been quoted as saying, quite frankly: “everything of interest in my field is published in three or four American journals.”

(5) *As an evaluation tool, an impact measure should provide two articles of equal theoretical and methodological relevance the same chances of being cited by the researchers who have read them.* Again, this principle is not fulfilled. Let us take the example of a Filipino psychology researcher who, after conducting a pertinent research project to explore a concept put forward by one of his/her Filipino colleagues, decides to send an article to a journal with a “prestigious” reputation (one that has a high IF and, most certainly, is either American or published in English). This researcher would probably receive responses from several reviewers very likely suggesting one or two concepts which are “better known to readers and just as relevant” accompanied by ten or so references to be cited in the revised manuscript (it is a sure bet that these references would not be taken from a Filipino journal!).

This is common practice, at least in the psychology disciplines. In order to publish his/her paper in this "prestigious" journal, the researcher would very likely be encouraged to abandon the concept put forward by his/her Filipino colleague which led to the research in the first place, and replace it by that proposed by the expert reviewers. The researcher may even end up not citing his/her colleague at all, or other work by Filipino scholars that this colleague inspired. It is even possible that following such a revision, the manuscript will be refused by the journal, in which case the researcher may decide to submit it again to a less prestigious journal with the new references, thus failing, once again, to cite the sources that initially led to his/her research. This type of practice, whereby researchers must submit unconditionally to the demands of expert reviewers, widens *the gap between what is actually read and worked on and what is cited*, a gap which seriously distorts the logic of the IF.

Thus, these five principles regarding the validity of a measure of scientific impact, which seem so logical, are not fulfilled by usual practices or, *a fortiori*, by the IF. The conclusion that appears to impose itself is this: the IF *is not* a valid measure, or even an approximate measure, of the scientific impact of a journal, team of researchers or individual researcher on *international* research. What does it measure then, assuming that it does indeed measure something?

In the psychological disciplines, what does the IF measure? An intellectual network, essentially representing an American point of view, sets the tone and decides what is "in."

The previous section leads to a very direct answer to this question, that is, it suggests that an impact measure such as the IF activates, and thus guarantees, the activity of a group of researchers which appears to be "dominant." Currently, this group is geographically situated in the United States, and is sustained by "private" and powerful associations there, as is the case in most disciplines in the humanities and social sciences. It is in fact a geographer, Millhaud (2005), who used the term *intellectual network* to describe this group. Certainly, the exact boundaries of this American network are debatable given that it is far from representing the numerical majority in all psychological disciplines. It would also be possible to digress here and ask whether researchers from other countries (e.g. Europe, Japan) who are determined to integrate into this group are in fact pioneers, disciples, new partisans, opportunists, or even collaborators. However, as regards the question of what the IF measures, the answer seems obvious: *it primarily and directly measures a researcher's integration into this group or intellectual network*. This is the only conclusion that can be drawn from the observed non-fulfillment of the principles reviewed above.

It would be tempting to suggest that this group represents the cream of the crop among researchers in the psychological disciplines. Accordingly, the IF could be seen to represent, somewhat indirectly, a mark of scientific quality conferred by integration into this prestigious group of scholars who conduct the very best quality research. This, however, at least in the psychological disciplines, represents an act of faith. It would nice if it were true. We even believed it ourselves for a time. But we now have at least two reasons to suggest that, in our disciplines at least, scientific quality hardly features in this equation at all.

The first reason relates to the serious distortion of research activity noted above, caused by an impact measure based on an index of consumption. Popular trends have gradually

replaced heuristic considerations in guiding scientific practices. Research follows fads, and, rather than basing their work on decisive theoretical critique or crucial experimentation (*as should be the case*), scholars are following these trends or, a practice which is not much more mature from a scientific standpoint, are simply putting forward a few clichés taken from the body of public theories. Theories and experimental paradigms that proved to be rich from the 1960s through to the 1990s have thus been dropped without us really knowing why or being able to explain the *scientific* reasons to young researchers embarking upon careers in our fields. One sometimes hears it expressed in small research circles in countries off the beaten track that these paradigms and theories “no longer interest the Americans” and that it is therefore better to drop them. The need to be up to date takes precedence over that of adding new knowledge to the already accepted body of scientific knowledge, which again represents a major distortion of research activity.** Yet that is not all. Let us consider the second reason referred to above.

In the psychological disciplines, what does the IF measure?
In the service of cultural globalization

Variations of these trends in the dominant psychology remain limited to the possibilities offered by the individualistic, liberal culture which predominates in the United States and its satellite countries (Beauvois, 2005). This observation alone would be sufficient to contest the universality of the dominant psychology. However, this challenge has also been supported since the 1970s by the growing popularity of the *indigenous psychologies* movement (see Allwood & Berry, 2006). In its early days, this movement was particularly strong in the Philippines under the leadership of the late Virgilio Enriquez (see Pe-Pua & Protacio-Marcelino, 2000). From the outset, the indigenous psychologies movement was associated with the *geopolitical* protest against the American cultural influence and the fight for recognition of the value of dominated cultures. Several Asian psychologists saw the importation of Western (and particularly American) psychology as a form of cultural imperialism which they believed to perpetuate the colonization of the mind.†† This movement rapidly spread to Southeast Asia, and then, via Hong Kong and Taiwan, to China, and later to Africa and South America. It is based on the following two propositions:

(1) American psychology and its European satellite contain postulates borrowed from American culture, in particular, American liberal individualism. These postulates are disseminated around the world under the cloak of “psychological science” which, therefore, despite its claims of universality, is unfit to grasp the psychological realities that exist in heterogeneous cultures. It could even be said that the dominant psychology is really only an *American indigenous psychology*.

** Psychologists have good theoretical reasons to suggest that this type of conformity to popular trends, while it may facilitate conformity-based performance, actually impedes innovation (Zajonc, 1965). Moreover, as has been shown by the work of social psychologists, the path from accepting pressure to conforming to it, and then to rationalizing practices and subsequently naturalizing them, can be all too short.

†† As recently as 2006, San Juan expressed the goal of “decolonizing” indigenous psychology in the Philippines (Sokolohiyang Filipino).

(2) The cultures of the countries that are invited to import the dominant psychology most certainly have propositions of their own likely to provide postulates for their respective psychologies – which are surely just as “scientific” as Western psychology and more meaningful when it comes to dealing with local problems. Thus, indigenous psychology is defined as the study of human behavior and mental processes within a cultural context that relies on values, concepts, belief systems, methodologies, and other resources indigenous to the specific ethnic or cultural group under investigation (Ho, 1998, p. 94). The indigenous psychologies movement should not be confused with intercultural psychology which, using Western categories, often seeks to identify, in the cultures examined, variations of a process defined in the dominant culture.##

The intellectual network whose importance was discussed above thus appears to be the bearer of a Western (and especially American) indigenous psychology, which is typically *individualistic* and *liberal*. Through this indigenous psychology, a dominant and broader cultural model is conveyed to Western countries and other countries around the world. Indeed, it is this cultural model which provides – for example to social psychology, the most socially committed of the psychological disciplines^{§§} – its active and intransgressible postulates, taken as basic truths. For example, again in the field of social psychology, the literature is largely focused on the individual level of analysis, often concentrating on motivational interpretations, implicitly assuming that the individual level is more authentic, meaningful and “true” than the collective level. Several “important” research fields in this discipline would lose their *raison d’être* were this purely ideological assumption to be refuted. Again, this process does not appear to be limited to the psychological disciplines, having been denounced in the field of geography as well (Berg & Kearns, 1998).

The intellectual network referred to above does not therefore simply represent an “excellent and particularly brilliant” group of pure and true researchers working in a universal realm to build a science. This group has its own cultural and ideological perspective. Moreover, researchers around the world who wish to achieve a high IF must first, in order to integrate into this network, accept and internalize this perspective. Citation analysis, and all the scientific practices that it prescribes, participates in the process whereby this perspective is increasingly becoming the sole source of reference. It thus acts as a mechanism for exporting around the world the liberal and individualistic cultural model that permeates Western psychology. This process could be seen as a new form of crusade. Consequently, beyond integration into this network, what IF indirectly measures is not scientific quality, as is so earnestly claimed, but rather one’s position in this geopolitical process of cultural globalization.

Having observed that Western subjects tend to explain their actions and what happens to them in terms of so-called “internal” causes (personality traits, intentions, previous behavior; cf. Dubois, 2003; Dubois & Beauvois, 2008; Pansu, 2006; Pansu, Dubois & Dompnier, 2008), intercultural psychology seeks to discover whether or not a given culture diverges from this Western tendency by providing “external” explanations (the importance of a situation, the power of others, etc.), considered to be the “opposite” of internal ones.

§§ It can even be suggested, without fear of being contradicted, that the attempts at social disengagement often observed in this discipline are in fact the expression of these individualistic and liberal tendencies.

A less biased measure. For a truly internationalist approach

As repeatedly stated above, we do not contest the principle of citation analysis as such, but rather its implementation which is essentially empirical, guided solely by a few journal selection criteria (e.g. publication frequency, language) within the realm of the consumption of scientific articles, as seen from the viewpoint of the United States. This realm is described as “international” simply out of linguistic laziness (or because it is confused with the political and economic power of the dominant country). We consider a group of supposedly without *a priori* researchers who communicate among themselves, if possible in English, and claim that they are the international scientific community. It is this empiricism in constructing the concepts – whereby the international scientific community is defined through the eyes of the citation analyst, who therefore does not have to construct it – which explains the types of bias identified earlier. Only an *a priori approach*, deliberately designed to measure the impact of publications on a new concept of international research, a concept which thus needs to be *constructed*, will make it possible to avoid this bias. We will illustrate this approach within the psychological disciplines.

We will start our discussion with the work of a think tank put together by the European Science Foundation a few years ago, undoubtedly to come up with the famous ERIH (European Reference Index for the Humanities), but whose work, to our knowledge, was interrupted by European officials as soon as this think tank pointed out that the existing databases were insufficient. The initial idea was that, since research in the psychological disciplines is carried out in many countries around the world, it would be necessary *a priori* to take this research into account in developing a truly international database. It was an excellent idea! It involved accepting *a priori* the inclusion of documents coming out of various countries appearing in journals published in any country in which psychology research is carried out, regardless of whether this research explores subjects that differ from those explored in the West, uses different tools or is based on different underlying values, and even whether the results obtained may seem *strange* to Western eyes. These journals *must*, on principle and even for ethical reasons, be included in the database. The proceedings of the 28th International Congress of Psychology in Beijing, organized and edited by Qichen Jing, offer a few rich examples of such intercultural “strangeness.” Here is one such example: in the West, where individualism reigns, the teleology of child development is seen as leading towards independence and autonomy. Hence the “stages of development” studied in the West. Professor Chi, on the other hand, describes child development from the perspective of a child growing up in China who is immersed in Confucianism rather than liberal individualism, with the child’s development leading towards harmony with others, this being the final stage of development.^{***} Let us hope that the standardization we are denouncing here will never eliminate such differences! Otherwise, it could be said that the tools of domination (rather than science) had done their job. Is it possible to envision a bibliometric tool that could curb this standardization? We propose the basis of a tool that rests on three requirements:

- Meeting scientific quality criteria.
- Constructing a truly international database using an *a priori* approach.
- Fostering the development of research that is itself truly international.

^{***} Could Professor Chi publish in an American journal such as *Child Development*? Would he even want to?

Journals. We accept the following postulate by Jeannin (2005): “we suppose that every community is competent when it comes to evaluating the scientific quality of journals in which members of the community publish.” (our trans.) In the main countries in which scientific journals are published, for each discipline or sub-discipline, a survey should make it possible to find a few journals which are recognized as “high quality” journals by the community of peers in this country. It should also be ensured that these journals meet the following basic criteria which could be said to be “universal”:

- *A peer review process* which involves recognized experts from several countries (a committee could judge the quality and the international character of the peer review process)
- *A national editorial board* made up of researchers recognized in their own countries for their work.
- *An international editorial/advisory board* which truly represents several countries.
- Articles in English or accompanied by sufficiently informative summaries in English (for example 1000 or 2500 words in length, like the short reports or research reports in *Psychological Science*). We thus accept English as the “language of scientific communication.”
- *The desire* to be included in an international database and the *commitment* to meet the requirements related to the guarantees of scientific quality.

It goes without saying that online journals that meet these criteria must also be considered.

Books by authors that make a tangible contribution in terms of theoretical and/or empirical knowledge^{††} would be governed by the same criteria. These play a greater role in the humanities and social sciences than in the so-called “hard” sciences (40% of citations, according to Hicks, 1999). These books could be integrated into the database of a given discipline or sub-discipline as long as the *collections* in which they appear meet the minimum quality criteria listed above – in particular, a peer evaluation process and a large book acquisition committee. If these conditions are met, the collections could be evaluated on the same terms as journals and thus be included in an international database.

Chapters in collective books that make a tangible contribution in terms of theoretical and/or empirical knowledge^{†††} would also be governed by the same criteria. Like books, these chapters could also be integrated into the database of a given discipline or sub-discipline as long as the *collections* and their guest editors meet the minimum quality criteria listed above – in particular, the intransgressible criterion of peer evaluation. Chapters published in a language other than English should, like journal articles, be accompanied by a sufficiently informative summary in English.

The database could be comprised of two levels. The first would include indexed journals, collections and books.^{§§§} It would include, by sub-discipline, the best journals, collections

^{††} Excluded from this category are overviews with a pedagogical aim or intended for the general public, which considerably lessens the number of books to be considered.

^{†††} The preceding footnote concerning books also applies to book chapters.

^{§§§} The second level (listing journals (and collections) that are only cited) would include all the sources cited by the former but not integrated into the database.

and books published in the United States (given the huge number of researchers there), the best journals, collections and books coming from groups of countries or confederations (in particular, journals and collections from Europe, Asia and South America, given the large number of researchers working in these regions as well) and at least one, or perhaps two or three of the best journals, collections and books coming from other individual countries.

However, which countries should be included? This choice is obviously essential in order to create a truly international database. Again within the psychological disciplines, three criteria can be retained:

- The first is the *reputation criterion*, which would lead us to consider countries in which visible research is known to take place in the psychological disciplines: the United States, Canada, the countries of "Old Europe," Russia, China, India, Brazil, South Africa, the Philippines, etc. This first criterion, we hope, would involve putting together an international panel of experts, which would not be necessary in the case of the next two criteria, which are already available.
- The second is the *national research criterion*, which would lead us to retain the countries ranked among the top 20 for scientific research, all disciplines combined. The most suitable measure of scientific output would probably be the number of citable documents.
- The third is the *specialty research criterion*, which would lead us to retain the countries ranked among the top 20 for the discipline (in our case, psychology).

There could be variations on these three criteria. Nevertheless, the use of citation impact factors for evaluative purposes, based on a truly international database such as this one, should raise fewer objections and be more conducive to new international publication practices. In terms of evaluation, the h-index and its variants seem to be the simplest choice (h articles or books cited at least h times****). It would also be possible, if desired, to establish an $h_{(\text{international})}$ -index, taking into account only citations found in journals outside of the country in which the article was published, regardless of the nationality of these journals, of course.

Obviously, the above points serve as a basis for discussion and would require a more thorough and detailed examination.

The value of science

One of the basic values of descriptive science (which is oriented towards establishing deterministic or functional relationships) is universality. A scientific law should be universal. In the psychological disciplines, this value is far from being established. Certainly, it is not impossible that some psycholinguistic or psychophysical laws may be considered to be universal, but there is no way of proving this, except by accumulating identical data from around the world, barring the appearance of an exception which would bring everything

**** "A scientist has index h if h of his/her N_p papers have at least h citations each, and the other ($N_p - h$) papers have fewer than h citations each" where N_p is the number of papers published over n years (Hirsch, 2005, p. 1)

back to square one. Since Lewin, even psychologists know that the exception does not confirm the rule, but rather invalidates it.

Internationalism indisputably appears to be a less attractive value than that of universality, although it can sometimes give the impression of coming close to the latter. This is why the idea of international research is so often put forward. However, once again, there is a need to develop tools to evaluate researchers and research that will lead the latter to move towards a true internationalism rather than simply disseminating cultural clichés from one part of the world.

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Globalization and firm's quality orientation: a review of total quality management practices in manufacturing sector

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Introduction

Most of the developed Countries have progressed during the past couple of decades through internationalization of their products and services. Pakistan like other developing economies is also trying hard to exploit business opportunities in international markets and has succeeded as far as textile and sport ware are concerned. Pakistani Sports Industry, though always relying on high quality products, lacked a formal quality management programme till 1990's. It was during this decade that most of sports industries adopted a formal quality management programme in the shape of ISO-9000.

The Johanson and Vahlne model sees internationalization as a process in which the enterprise gradually increases its international involvement. This process evolves in interplay between the development of knowledge about foreign markets and operations on one hand and an increasing commitment of resources to foreign markets on the other but the question arises how? What makes a product sell? What are the prime requisites for internationalization?

The factors determining sale success and successful internationalization process are many and varied. They include market conditions (Dale, 1996), the nature of the product, the image created by advertising, the socio-cultural background of customers (Martinez and Rodriguez; 1997), credit facilities and many more. One major factor that appears in all conditions is "Product Quality" as perceived by the customer. It can be argued that powerful media campaigns can create demand for anything. This may be possible as far as the initial launch of the product or the first sale is concerned. However repeat and sustained sales can be achieved only on the basis of good quality at a reasonable price. A business concern could fail despite producing good quality products, but with poor quality no enterprise can sustain itself for long particularly when it comes to globalization.

Quality – as broadly applies to products, process, people, and environment – and its control has become increasingly important in today's competitive global market place. Consumers whether it is local or global, expect quality in the products they buy and exert great pressure on producers to maintain high standard of quality. Likewise producers rely more on international distribution networks and realize that if they are not competitive in all aspects of quality, they would find it very difficult to survive even what the question to compete. With the emergence of New World Trade Order and initiation of 21st Century, there has been dramatic change in trends, practices and outlook of the business environment in all around the world. Standards play an increasingly important role in the development of the "global village". Market globalization has fostered an important and positive move toward the internationalization of standards. Countries that have introduced and adopted standardized policies have gained an advantage over countries that have been slower to adoption process.

ISO standards are organized in such a way as to guarantee the involvement of all parties involved. A distinctive feature of quality assurance is that it transfers verification of requisites from the product to the system that produces the product. ISO-9000 series provides the basis for the third party certification of a company's quality system by establishing the standard that must be met. Under these, standards control exists for every aspect of production process. Achieving ISO-900 registration requires third party assessment and periodic audit of the quality system to confirm that the system meets and adheres to ISO-9000 standard and this ISO registration increases the acceptance of the products globally. There are established empirical evidence to justify linkage between a firm's quality orientation and business performance. A better quality orientation enables firm to reduce costs, improve customer loyalty, and to attract new customers; which influence overall performance of the firm in a positive manner. When it comes to the question of sustaining the performance improvement on continuous basis quality orientation reflects its positive contribution in the form increased return on investment (ROI), profits, sales volume, market share and sales growth (Jackson 1998).

While being in international markets, these advantages are being eroded by the considerable downward pressure on prices, by difficulties in logistic planning and control, and by inadequate information system especially when it comes to developing countries like Pakistan, where economic dependence is mainly on exports, quality management practices become even more critical for competitive positioning of firms in international market. If organizations will not choose to develop better quality orientation and adopt quality oriented management practices, they won't be able to position themselves in international markets. Despite of its critical importance, there is lack of consensus among most of the firm in manufacturing sector about standards and means to develop quality orientation or there is lack of sufficient knowledge (Hayat et al 2009). Findings of these studies suggest that determinants of quality orientation of the firms are not relevant in generic sense to all organizations and quality management is long term process which relies on relative achievement through continuous improvement. Total Quality Management practices help in exploiting opportunities for developing economic conditions of a country and also helps in reaching global markets (Riyad Eid; 2009, Mora Mong et al; 2008)

Lipovatz et al (1999) [ibid, Berry (1998), Tummala (1998), Tang (1998), Tsiotras and Gotzamani (1998)], state that now-a-days for a company to receive ISO-9000 approval is not only a fashion or trend but also a general requirement toward what is needed to run a good business. At the beginning, many companies perceived the certification as a tool for improving their market position. As the number of certificates continuously increases, the certification tends to become rather a prerequisite for company's survival than a competitive advantage. Although different opinions are often expressed, many researchers consider the existence of quality assurance standard (QAS) to be an essential first step towards the adoption of total Quality Management, which aims at the continuous improvement of business performance with principal focus on the customer's satisfaction and the gain of a competitive advantage (Awan, 2002). Total quality Management and ISO-9000 has a strong relationship with each other. Both are used to improve the quality of the product and service. The concepts of quality management have been widely accepted and adopted since the Second World War (Lee et al 1999). Since the publication of ISO-9000 series of standards in 1987, they are used by many companies and organizations as an important milestone to mark their quality journey. In particular, many buyers and merchandisers in the national and international markets use ISO-9000 certification as a primary criterion in their selection of suppliers. ISO-9000 quality management system is the most widely recognized quality model for the purpose of certification. The route to TQM is definitely not an easy one, however many organizations striving to attain TQM have chosen ISO-9000 certification as a stepping stone to achieving this goal (Quazi et al 1977).

In summary, the crucial importance of developing quality orientation for smooth and sustainable transition to international market, the lack of theory and research in developing context indicates need for a conceptual framework of quality orientation within the context of developing economy like Pakistan. This will give a roadmap to other organizations in developing countries to develop a quality orientation that can facilitate a sustainable growth and expansion towards international markets. In this study an attempt has been made to define how quality orientation of the firm can be defined within the context of a developing economy by analyzing the quality management practices of manufacturing sector in Pakistan.

The main thirst of this study is to identify determinants of quality orientation for manufacturing industry of Pakistan and to understand how different organizations are addressing these issues. Major areas of interest in this study would be to explore and analyze literature in order to develop better understanding of market specific and quality specific factors and the way these factors complement each other for providing the firm a sustainable foundation for international expansion.

Secondly, this study identify of key practices of TQM in selected manufacturing industries like Textile, Sports, Electronics, Automobiles and others to develop conceptual framework for firm's quality orientation. Proposed framework of firm's quality orientation comprises of three tiers, each tier contains a set of factor with respect to their level of importance for developing effective quality orientation. Jackson, M. I (1998) proposed similar set of factors for firm's quality orientation by using exploratory research method, there is a substantial gap since then in further development and validation of quality orientation factors and empirical evidence for quality orientation construct is missing. This study attempts to fill

this gap by empirically validating the significance of each factor that can be used for describing the construct of firm's quality orientation. This study uses comprehensive criticality index (CC index) based on the importance of the criticality of these factors and to classify these indices in descending order in three tiers. The relationship among these three tiers of critical quality orientation factors and business performance is investigated. In order to study the variation in relationship between quality orientation factors and firm's performance among four types of industries, following differentiating factors are used: manufacturing style, management practices and working. The results of this study will be useful for managers of individual industry and they may think for the adaptation of these practices, for successful transition to the international market. Rest of the paper is organized as follows. Section 2 gives the literature review and an overview of previous studies. Section 3 presents the process of data collection and research methodology. This will be followed by statistical procedures, the results and conclusions.

Literature Review

Internationalization and quality management are inextricably intertwined. And quality management is considered to be the prime requisite for internationalization (Abdi et al 2008). The term globalization and internationalization are to be seen as distinct but linked concepts (Gnanam, A. 2008). In the wake of globalizing economy, individual countries are left with no option but to facilitate outward movement of the international operations of a firm that is referred as process of 'internationalization' (Welch and Luostarinen, 1993; Andersen, O., 1993). This engagement involves the process of adapting the firm's operations to cope with the strategy, structure and resources of international environments

Whenever a firm engages itself in international business activity, it needs to position its offerings on competitive standards of quality. However, achievement of competitive standards of quality with particular reference to international market is not a simple management strategy, rather an evolutionary process of organizational development. Dale (1994) identified four stages of this progression of quality namely: inspection, quality control, quality assurance and total quality management. First two stages i.e. quality inspection and quality control provide the organization opportunity to gradually start quality improvement process from detection of variation from standards. Quality standards at this stage of quality improvement program of the firm can be considered as set of standard operating procedures (SOPs) which provide basis for conformance to the specifications of quality standards. Geneva based international standards organization (ISO) introduced ISO-9000 series in 1987, which provide guidelines about requirements and suggest appropriate assessment procedures for the improvement of management system of the firm at par with the internationally acceptable set of standards for manufacturing and service industries (Alexander, 1995). It is maintained by ISO, the International Organization for Standardization and is administered by accreditation and certification bodies. The rules are updated, as the requirements motivate changes over time. It is reshaping the core value of business practices. Firms that have introduced standardization policies have gained an advantage over the firms that have been slower to move. A "product", in ISO vocabulary, can mean a physical object, services, or software. "Quality" is an important accreditation to achieve. The route to TQM is definitely not an easy one, however many organizations

successfully implemented TQM, opted for ISO-9000 certification as stepping stone for the achievement of this goal (Quazi et al 1997; Baidoun, 2004; Terziovski and Power, 2007).

Internationalization is also conceived as gradual process which has the long term orientation. The Johanson and Vahlne model sees internationalization as a process in which the enterprise gradually increases its international involvement. This process evolves in interplay between the development of knowledge about foreign markets and operations on one hand and an increasing commitment of resources to foreign markets on the other. The best developed interpretation of the internationalization of smaller firms is presented by Johanson and Wiedersheim - Paul (1975) and Johanson and Vahlne (1977). In their internationalization model, the process approximates a learning curve on a number of patterns can be discerned. The sequences of "Stages" also indicate increased commitment of resources to the market as a result of greater knowledge and experience. Secondly, that firm initially focuses on neighboring countries and subsequently enters new markets with successively greater Psychic distance in terms of cultural, economic and political differences and also of geographical proximity.

Various stages of an organization's pattern of development associated with growth generally and its ability to learn and adapt to new situations, thus changing its character are, of course, important determinants in respect of the internationalization process. Siropolis proposes a simple four staged linear pattern of growth in terms of the generic development of a business: "Pre-birth", "Acceptance" (Infancy), "breakthrough" (growing up) and maturity that's adulthood stage (Siropolis 1994). Such a model is useful in considering the manner in which equivalent stages of "internationalization" progress and the implications that are associated with each phase. For organizations in early stages of internationalization, the early phases of "infancy" and growing up" are critical learning periods, as in the development of a child, where key occurrences can shape personality and affect subsequent progression. These are also some important periods during the phase of internationalization of the business. The embryonic "Pre-birth" phase must not be ignored in respect to its influence upon subsequent stages in the evolutionary process. It is at this phase of internationalization that the management and organizational learning needs foundation is to be laid. Quality improvement is also the gradual process companies in short run go for ISO 9000 which pave their way for the adoption of total quality management in the long run. Many small firms have competitive product or services but do not exports they have increasingly became the main target of government export simulation programs. Realization of maximum benefits of TQM practices essentially require complete knowledge of critical quality factors which are now days considered to be the Competitive strategies that are designed to extend a value gap, and make it difficult for the competitors to imitate. In a number of studies researchers praise openly TQM, others have also come up with the criticism by taking cost and implementation obstacles as base. Quality is the key to competitive advantage in today's business environment. As more organizations opt for Total Quality Management (TQM), the choices open to those wanting to set up a quality system are becoming increasingly varied.

Johanson and Wiedersheim-Paul (1975)		Bilkey and Tesar (1977)		Cavusgil (1980)		Czinkota (1982)	
		Stage 1 Management is not interested in exporting		Stage 1 Domestic marketing the firm sells only to the home market		Stage 1 The completely uninterested firm	
Stage 1 No regular export activities		Stage 2 Management is willing to fill unsolicited orders, but makes no effort to explore the feasibility of active exporting		Stage 2 Pre-export stage: the Firm searches for information and evaluates the feasibility of undertaking exporting		Stage 2 The partially interested firm	
Stage 2 Export via overseas agents		Stage 3 Management actively explores feasibility of active exporting		Stage 3 Experimental involvement the firm starts exporting on a limited basis to some psychologically close countries		Stage 3 The exploring firm	
		Stage 4 The firm exports on an experimental basis to some psychologically close country		Stage 4 Active involvement: Exporting to more new countries - direct exporting - increase in export volume.		Stage 4 The experimental Exporter	
Stage-3 Establishment of an overseas sales subsidiary		Stage 5 The firm is an Experienced exporter		Stage 5 Committed involvement management constantly makes choices in allocating limited resources between domestic and foreign markets		Stage 5 The experienced Small exporter	
		Stage -6 Management explores the feasibility of exporting to other more psychologically distant country			Stage-6 The experienced large exporter		
Stage-4 Overseas Production Manufacturing							

Fig. 1. Summary of Four Export Development/ Internationalization "Stage" Models
(Source: Research Developments in International Marketing: A European Perspective, Ford and Leonidu, 1991)

Prior to mid 1970's international business activity was considered to be the prerogative of large corporations and global markets were regarded as the domain of multinational

enterprises (MNE's). Most Governments relied extensively on large indigenous or foreign-owned business to provide the engine for economic development and trade growth. Smaller firms received scant attention from policy-makers and researchers alike. It was widely assumed that due to backward technologies, inadequate management and inferior organization – they would play an increasingly residual role in advancement of economies. These perceptions began to change in the 1970's. Worldwide recession in the aftermath of the 1973-74 "Oil Crises" led to sluggish demand in saturated domestic markets and to a slump in world trade. Intense global competitions emanating from Japan and the newly industrialized natives aggravated the balance of trade deficits of many advanced economies and provoked severe foreign – debt problems among lesser developed countries. Then since mid-1970's, small firm internationalization has become an important research topic, not only within small open economies – notably, Scandinavian nations, which due to small – firm bases and limited domestic markets, have been in the vanguard of such enquiry. (Johanson and Wiedersheim – Paul, 1975), but also in sizeable economies where the export activities of small firms are not as critical, yet still offer significant incremental contributions to foreign trade (Bilkey and Tesar 1977, Joynt, 1982). Moreover, issues relating to small firm exporting and internationalization have generated considerable policy maker interest worldwide, not just in terms of the potential macro-economic benefits to be derived from the trade growth, but also because – in an increasingly global market place export operations often offer individual firms an attractive alternative strategy for survival and growth (Wiedersheim-Paul et al 1978, Reid 1981, Kaynak and Kothari 1984). Thus as many smaller firms have competitive product or services offerings but do not export they have – increasingly – become the main targets of government export stimulation programmes.

Quality management Orientation & Internationalization; Case of Sports Industry of Pakistan

We will assess the importance of quality management in the process of internationalization in sports industry of Pakistan. The sports goods industry is one of the largest small-scale manufacturing set up in Sialkot, Pakistan. Sialkot is the soccer ball capital of the world. At its height in the mid-1990s, nearly 80% of the world's soccer balls were stamped with "made in Pakistan" and were, in fact, made in Sialkot. All of the major brands had operations in Sialkot including Nike, Adidas and Puma. Up until that time, the industry functioned as a cottage industry. The sports goods being manufactured for export from Sialkot include Tennis ball & rackets, hockey sticks and balls, polo sticks, cricket bat & balls, foot balls, badminton rackets etc. The industry is one of the major foreign exchange earners for Pakistan and is therefore receiving full Government backing in its development. It is expected that more than 75% of the total production is exported every year. In fact the export demand has acted as the main stimulus for the rapid growth of this industry. At the time of independence, this industry was in an infant age with a nominal export of Rs.0.82 million. The Government took immediate steps to develop this industry by providing loans and subsidies to the manufacturers and arrangement were made to market the manufactured goods. Since then the industry has flourished locally and enjoys good reputation in international markets as well. Export of sports goods increased from \$ 141 million in 1991-92 to \$ 248 million in 1995-96; Showing an average increase of 15% per annum (Awan, 2003).

This increase in exports revenue is attributed to the adoption of formal Quality Programme in the form of ISO-9000. Industry in particular holds a monopolistic position in world trade with almost 70% share. Pakistan Football is played in all international matches and tournaments. International companies like Adidas, Puma, Select, Nike, Mitre and Reebok buy their major share of footballs and football goal keeper gloves from Pakistan. Pakistan Martial Art uniforms and Boxing equipment are considered the best all over the world. Japan, USA and EU, countries are the major buyers. Hockey sticks too are sold like hot cakes.

Pakistan's sports goods industry has progressed with prominence and achieved recognition at the global level. Presently, approximately 250 sports items are manufactured and exported to more than 130 countries of the world. Sialkot being the nucleus of this industry, has achieved an excellent craftsmanship. This is reflected in its sports items with recognition all over the world in spite of having inadequate technology and supply of raw material. Thousands of skilled craftsmen are working in hundreds of big and small factories in the city of Sialkot as well as in the suburban villages of this city. An employment of about 300,000 people directly or indirectly is associated with this sector. The total value of exports of sports goods at the international level is approximately US\$ 25 billion till the year 2006, which comprises more than 10,000 sports items (K. Bukhari, 2006).

This industry has kept pace with all innovation in the manufacturing technology. The hockey industry has a remarkable distinction of being marketed in the world with its own brand names which is by no means a small achievement. India China, Japan, Taiwan and South Korea are competing with Pakistan in international markets by supplying their products at cheaper rates. India & China have an advent of cheap labour and raw material, whereas others have semi automatic mechanized units and are always engaged in introducing cheap sports gears such as metal racket and cricket bats etc. Pakistan sports goods industries have progressed from cottage industry scale to semi-automotive level by modernization and introducing new technologies. The industry should now increase the bulk of its production and enlarge its area of export. The level of internationalization should therefore be enhanced which can only be achieved through producing high quality products consistently and this can only be achieved through adoption of proper Quality control Systems. For the internationalization of products the image of the country also plays an important role to create acceptance of product globally. In the absence of such reinforcing country image the importance of the quality of the products becomes even more important as is the case with Pakistan.

These are so many factors which influence the internationalization of a firm. In their paper in the international marketing Review (1989) titled "Management influences on export performance: A review of the Empirical Literature 1978-87, Nils Erik Aaby et al organized the management influences in three areas namely

1. Firm Characteristics
2. Competences
3. Strategy.

Firm characteristics are sub-divided into three categories, these include variables related to firm size, management export commitment and management attitudes and perceptions on a number of important export related dimensions. Organization size has received varied attention. The most common hypothesis is that the larger companies have size-related

advantages that enable them to more effectively engage in export. Reid (1982) says that size affects export entry into new foreign markets. Cavusgil and Nevin (1981) Christensen et al (1987) and Gronhaug & Lorenzen (1982) find size related differences between exporters and non-exporters. In contrast Cooper and Kleinshmdit (1985) establish a negative relationship between size and export intensity. While McGuinness and little (1981), Czinkota and Johanston (1983) and Diamantopoulos and Inglis (1988) conclude no relationship.

Management commitment and propensity to export has received a unanimous positive relationship (Bello and Barksdale 1986; Cavusgil 1984; Cavusgil et al 1979 Gronhaug and Lorenzen 1982, Kirpalani & Macintosh 1980, Rosson & Ford 1982, and Sullivan and Bauershmidth 1987). Similarly many studies evaluated relationships among management perceptions, attitudes and the propensity to export. Under the heading "Competencies", different variables namely technology, export policy, planning, market knowledge management systems, quality control & communication capability have been grouped together.

Burton and Schlegelmilch (1987) and Christensen et al (1987) found that successful exporters had a stronger quality control function. Departments were better organized and department managers were better qualified than in firms that had abandoned their export programmes. Daniels and Robles (1982) concluded that product quality was a key competency for Peruvian exporters. Joynt (1982) reported that Norwegian exporters perceive their most important competency to be product quality. In contrast, Malek Zadeh and Nahavandi (1985) concluded that research in this area is limited and the results are unclear.

The third variable important in internationalization is "strategy". Market selection, product, product line & processes, prices, promotion and distribution constitute the "strategy" part of the management influences on export performance. Intense global competition has forced many firms to examine their care business processes and to devise plans to respond to an increasingly competitive market place. Underlying responses to global competition has been the recognition of the role of product and process improvement in business strategy, throughout the 1990's firms examined and in many cases, changed their quality focus. Instead of relying on inspecting quality into products, they emphasized improving processes. Total quality management became a major element in corporate strategy. Significant numbers of firms adopted quality programs during the 1990's. Quality improvement is but one way for an organization to improve its competitiveness. Even in the absence of competition, improvements in quality can facilitate an organization's competitiveness; though as witness over the last decade, competition has for many organizations been the driver of quality improvement efforts.

Research methodology

The research reported in this paper is based on case studies of six firms operating in sports industry in Pakistan. In depth interviews were conducted at each firm to find out quality management practices and their impact on the level of internationalization. These firms are characterized as L (Large), M (Medium) and S (Small).

A structured questionnaire is developed by considering observations from literature survey with emphasis on finding out the impact of quality management on the process of internationalization. Sports companies operating in Sialkot (Pakistan) were taken as Population. Cluster sampling technique was applied and under cluster sampling "Random Sampling" method was used. Size of the sample was 100 sports companies, out of which 89, provided useable responses.

Observations

Case Studies

This portion presents an analysis of case study of six firms operating in sports industry. In depth site interview were conducted at each firm to obtain detailed information about the TQM implementation, benefits, difficulties and especially with reference to its impact on the export performance of these firms. These firms include Talon Sports, SAGA Sports and Awan Sports, Anwar Khawaja Industries (AKI), Fox & Associates & A.M. Sports. Categorization of these firms is done as large, medium and small on the basis of turnover. Those having an annual turnover of more than Rs.500 million are categorized as large, above Rs.100 million but less than 500 million as medium and below Rs.100 million as small. Anwar Khawaja Industries has another hall mark that it is a sister concern of Grays of Cambridge, a joint venture of AKI & Grays. No. of Employees beyond 1000 was considered as large, between 100-1000 considered as medium & below 100 was categorized as small.

The structured portion of the interview utilized a questionnaire that was based on a comprehensive review of literature. Also this study presents the results of personal observation, and company publications. The details of these cases have been presented in Abdi, (2005). The general information about these firms are presented in the

Sr.No.	Description	Talon Sports	Saga Sports	Anwar Khawaja	Awan Sports	Fox Associates	A.M. Sports
01.	Size of Company	Large	Large	Medium	Medium	Small	Small
02.	Scope of Business	Exports	Exports	Exports	Exports	Exports	Domestic & Export
03.	Nature of Company	Private Ltd.,	Private Ltd.,	Private Ltd.,	Private Ltd.,	Partnership	Proprietorship
04.	No. of Employees	1265	1200	317	355	77	10
05.	Turnover, Rs. Million	800	1400	371	160	0	05
06.	Experience in Exports (Years)	10	20	Over 20	20	10	Below 10

Table 1. Company Background Information

The cases under study are export oriented, they have implemented TQM and also they are ISO certified except one. They first got ISO registration and based on that implemented TQM. Personal observations and essence of interviews is summarized as under;

Sr. #	Description	Talon Sports (Pvt) Ltd.	Saga Sports (Pvt) Ltd.	Anwar Khawaja	Awan Sports (Pvt) Ltd.,	Fox Associates.	A.M. Sports
01	ISO Certification	Yes	Yes	Yes	Yes	Yes	No
02	Management Commitment to Quality	Yes	Yes	Yes	Yes	Yes	Yes
03	Years in Quality Management	05	13	04	03	04	Nil
04	Suppliers to be ISO certified	Preferred	Preferred	Preferred	Preferred	Preferred	No
05	Customer Pressure for ISO Registration	No	No	Yes	Yes	Yes	Yes
06	%age of Employees Received Quality Training	100%	100%	100%	100%	100%	Nil
07	TQM in Practice	Yes	Yes	Yes	Efforts underway	Yes	No
08	Statistical Techniques used	Yes	Yes	Yes	Yes	Yes	No
09	Reject rate before & after ISO	9% to 4%	10% to 4%	10% to 5%	15% to 5%	15% to 3%	Not Known
10	Impact of quality management on sales	Increased	Increased	Increased	Increased	Increased	Not Known
11	Frequency of exports after quality management	Increased	Increased	Increased	Increased	Increased	Not Known
12	Stage of Internationalization	Experienced large exporter	Experienced large exporter	Experienced large exporter	Experienced small exporter	The experimental exporter	The exploring firm

Table 2. the Quality Management and Internationalization information is summarized.

Strong commitment to quality was observed irrespective of fact that whether a formal quality management system was enforced or not. Nearly 80-90% of firms are ISO certified showing their belief to adopt ISO certification as a starting point. HRD factors are considered to be the crux of efforts for achieving TQM; which is in consonance with literature. Customer satisfaction, product design/quality and management commitment have been identified as the factors in which a firm must excel if it wants to proceed ahead

with Internationalization. All these factors are in fact outcome of TQM; hence we can say that TQM practices enhance process of Internationalization.

All the companies feel that without emphasis on quality and TQM parameters, Internationalization cannot proceed ahead. However marketing efforts and personal contacts are considered to be other important parameter for internationalization. Large companies by virtue of maintaining some sort of systematic operations were not pressurized by the customers to adopt ISO standards. However medium & small companies were to some extent required to adopt ISO standards by outside clients to enhance their credibility and commitment to quality. Increase in exports was experienced by nearly all companies as a result implementation of quality management system. Product design & technology aspects improved, new machines were installed, laboratory results were sought for various incoming raw materials and as a result tighter conformance to customer's given specification was observed, causing increased customer satisfaction. Cost control and control of reject rate improved considerably as a result of quality management practices; causing increased profits. However in case where quality management was not being practices, the progress remained static. The different companies studied were found to be at different stage of internationalization organizations have older age of quality management programmes were found at advanced stage of internationalization.

These case studies confirm the findings regarding implementation of TQM and its impact on Internationalization as reported in literature like increase in exports. There exists a positive relationship between implementation of quality management and the factors indicating progress in the process of Internationalizations, which leads to the finding that quality management leads to enhanced Internationalization.

Statistical Analysis

Data obtained as result of survey show that 92% of respondents consider product quality as a competitive edge factor whereas 77.3% believe that quality of raw material is also a competitive edge factor. 95.3% respondents agree that exporting firms pay more attention to Quality/TQM and 90.6% perceive that firms practicing TQM are more likely to be an exporter. 87.2% think that exporting firms are more likely to seek ISO certification while 97.7% agree that exporting firms are involved in quality management programme in one way or the other. 90.6% say that firms practicing TQM has a positive impact on level of sales, and 89.4% believe that TQM increases level of exports. TQM increases foreign market share is believed by about 92.9% respondents. All in all, in quality related questions, the frequency obtained is around 90% (Abdi, 2005). This high frequency obtained speaks itself of the importance and positive role of quality management in the process of internationalization.

Question No.1 with 15 sub-questions was asked to determine different factors prompting the organizations to enter the international market and their relative importance as far as sports industry in Sialkot (Pakistan) is concerned. A ranking table in the shape of average weighted replies is shown in Table 3. A mean value nearer to 01 indicates higher importance of the factor. The third most important factor is "having unique quality product". This

supports the present study and belief of the researcher. Quality Management makes possible maintaining unique quality and this in fact paves way for internationalization.

S #	Question	N	Mean	Std. Deviation
15	Receipts of orders from abroad	71	1.21	.74
5	Management interest in exports	73	1.32	.64
10	Having unique quality product	71	1.37	.80
11	Having extra growth potential by exports	71	1.41	.62
9	Having exclusive information of foreign markets	72	1.64	.83
12	Possibility of higher sale return from export	73	1.64	.84
6	Starting of exports by competitors	72	1.69	1.04
02	To get large scale production benefits	73	1.85	1.20
03	Having idle capacity and want to utilize it	72	1.94	1.03
08	Having easy access to export finance	72	2.17	1.11
04	Encouragement of External agents	71	2.44	1.42
13	Govt. export related incentives	72	2.47	1.34
07	Intense competition in Domestic Market	71	2.55	1.43
01	High Level of unsold stock	70	2.74	1.50
14	Lack of growth in domestic market share	64	3.05	1.41

Table 3. Average & Ranking: Factors in Internationalization

Question No.2 was asked to assess firm's feeling about different factors as they believe to be their point of competitive advantage in internationalization process. There were 16 different factors which could be their strength or weakness in the process of internationalization. A mean value nearer to 01 represents higher importance of the factor. Results are as below.

S #	Question	N	Mean	Std. Deviation
05	Customer Satisfaction	86	1.29	.59
01	Product quality	87	1.32	.66
03	Customer Service	88	1.45	.73
14	Managerial Commitment	87	1.56	.74
04	Market Information	88	1.60	.92
09	Quality of Marketing	86	1.66	.92
11	Quality of Raw Material	88	1.70	.91
16	Brand recognition	88	1.74	1.12
12	Production Innovation	85	1.76	.95
02	Price	87	1.77	.84
13	Technology adopted	85	1.92	1.04
15	Workforce	87	1.92	.99
10	Financial Strength	86	1.99	.93
08	Foreign Middleman Network	81	2.12	.94
06	Terms of Credit	80	2.40	.79
07	Local Middleman Network	64	2.86	.97

Table 4. Average & Ranking: Competitive Edge Factors.

The four top most variables identified as the competitive edge factors are

1. Customer Satisfaction
2. Product Quality
3. Customer Service
4. Managerial Commitment

All the above four variables can only be achieved through adoption of TQM practices and hence TQM is playing a vital role in internationalization.

Q.No.3. with 2 sub-questions was asked to find out characteristics of firms engaged in international business. The top most characteristic identified is "giving weightage to customer's suggestion and specification in product design & development", which is again a quality management outcome. As per table below, the next ranking shows the hall mark of exporting firms which have emphasis on quality management programmes. The next four ranks are directed towards the importance of quality management programme in internationalization. Again a mean value nearer to 01 represents higher degree of agreement with the statement.

S #	Question	N	Mean	Std. Deviation
21	A firm that starts exporting, gives heavy weightage to customer's suggestions and specifications in new production design and new product development.	85	1.28	.45
7	Exporting firms are more likely to pay attention to quality/TQM.	85	1.32	.60
20	A firm after starting exports gives more attention to customer satisfaction.	85	1.39	.54
10	Exporting firms are more likely to get involved in quality management program.	86	1.47	.55
11	Firms practicing TQM give a consistent increase in exports.	85	1.56	.66
13	Exporting firms pay high attention to the quality of incoming raw material.	85	1.58	.84
08	Firms practicing TQM are more likely to export.	85	1.59	.79
06	Exporting firms have more and a broad base customers	86	1.59	.71
09	Exporting firms are more likely to seek ISO certification	86	1.72	1.12
17	Exporting firms perform better in financial terms	87	1.76	.78
18	Exporting firms give more attention to employee participation in decision making.	87	1.83	.77
14	Exporting firms are more likely to have a small number of defects in production process	85	1.84	.77
12	Exporting firms have more ISO or quality certified suppliers	84	1.94	.97
04	Manufacturing firm will be more likely to be an exporter.	85	1.98	.95
16	Exporting firms are more likely to have a specialized quality personnel to maintain the quality of production	87	2.02	.94
05	Old age firms more likely to be an exporter.	83	2.05	1.03
19	Exporting firms are more likely to give attention to employee training.	87	2.06	.99
15	Exporting firms are more likely to have a very small number of defective final products due to their quality programme	84	2.13	.98
01	New firms with large scale turnover are more likely to be exporter.	86	2.43	1.02
02	New firms exporting their product will be more profitable.	86	2.74	.92
03	New firms with large employment size are more likely to be exporter.	82	2.90	1.06

Table 5. Characteristics of Exporting Firms

To find out the results of quality management, question No.4 with 12 sub-questions was asked and following ranking table was generated based on responses. Again a mean value nearer to 1 depicts higher degree of improvement.

S #	Question	N	Mean	Std. Deviation
08	Customer Satisfaction	84	1.27	.45
04	Level of Exports	85	1.38	.67
02	Level of Sales	86	1.40	.58
01	Cost of Production	85	1.41	.70
03	Time of Production	86	1.42	.64
12	Overall Business Immage	76	1.45	.53
09	Staff Commitment	85	1.52	.50
11	Workers satisfaction	85	1.54	.55
07	Market Share (Exports)	84	1.65	.61
05	Profitability	85	1.89	.62
10	No. of defective products	84	2.08	1.10
06	Market Share (Local)	61	2.41	.72

Table 6. Average & Ranking: Results of Quality Management.

The No.2 and 3 in the rank comes Export level and level of sales and the next one is cost of Production. Internationalization is gradual increase in foreign business. The rise in export level and the level in sales as a consequence of quality management speaks itself for role of quality management in the process of internationalization. Naturally with the increase of quality control, the product becomes more and more acceptable to foreign customers and hence the market improves and consequently the level of sales and level of exports.

Discussion

It has been observed in Data analysis that quality management has emerged as an important factor in the process of internationalization. ISO certification has also been found as an important step in the process of internationalization. Organizations now are converging towards standardization. As Strandsko (1985) described that multinational firms with international activities or multinational operations are continually changing and they are responding to the newly required standards which are being adopted by all kinds of business all over the world, so we can say that these international standards will force the organizations to adopt these standards and thus will help the companies in the international markets. Overall the internationalization process has been conceived as a "gradual process", taking place in incremental stages and over a relatively long period of time. So, it can be related with the fact that the 100% quality is also a gradual process and the companies try to achieve it with the passage of time. The companies in the short term can go for ISO 9000, which will pave the way for the adoption of total quality management in the long run.

As the "stages theory of internationalization" argues that firms proceed in a consistent stepwise fashion, so it can also be said that the firms move into the international markets in a gradual fashion by adopting the internationally required concepts and practices. Quality is the only way by which you can sustain your long term growth and survival. And to ensure

that the company is producing quality products, many companies are getting ISO 9000 certification to ensure their international customers that they are focusing and producing the products of high quality. So, ISO 9000 can be used as a stage, according to stage theory of internationalization, by/for any company to enter into new markets and to compete in the international markets.

As Wind et al (1973) consider internationalization as a process in which companies adopt special orientation and policies as they move along the different successive stages. The final stage of "geocentric" can be related with the fact that companies perceive the whole world as a potential market, thus they have to adopt the internationally required policies and standards if they want to operate and compete successfully in the international markets. As the Uppsala School (1977) primarily consider internationalization from the perspective of increased export dependence in a growing number of markets, it can be related with that the export now a days is dependent upon the adoption of new business practices and new international standards required by the international customers. So, with the growing and emerging new markets, the companies have to depend on these new markets and have to adopt the standards and practices required by these international markets. As Cunnigham and Homse (1982) perceived that exporting occurs in a development stage in which organizations learn the different practices and concepts and accordingly respond to that, so it can be related with that companies have to respond to the external stimuli which induces a change in existing business practices and results in the adoption of newly required practices and standards. It has become imperative for the companies to respond effectively to these stimuli. Companies experience different practices in the international markets, which accumulates organizational learning over time. Therefore, the companies have to adjust and respond to foreign markets by fulfilling their requirements of quality management system.

As the international marketing behavior of firms is related to managerial aspirations and the level of commitment that management is willing to give to the international marketing effort, so similar is the case with motivation and commitment of management to adopt quality management system. Motivation can be proactive and reactive. As the many proactive and reactive factors influence the firms to adopt different practices in order to respond to environmental changes and adjust to them by changing their activities over time, same is case with motivations for pursuing quality management. The proactive motivations for quality management adoption can be profit consideration, managerial urge, desire for continuous growth and to retain market share etc. The reactive motivations for quality management can be competitive pressures, as a international trend and special requirements from international customers. Change agents for quality management can be internal and external. Internal change agents include professional management, new management and other significant internal change, while External change agents can be demand from customers, competition etc.

Therefore, overall we can see that link between internationalization and quality management exists and the companies can gain many benefits in the international market by having quality management system in place. It will not be overemphasized if we say that quality management system in a pre-requisite for internationalization.

Concluding remarks

Results of this study suggest that the success or failure of TQM implementation in manufacturing sector of Pakistan depends mainly on management commitment to quality and top management's visible participation in TQM implementation activities. Findings also indicate that most of the owners and top management executives in this industry, despite of realizing the substantial benefits of using TQM practices, opt for limited use of some specialized quality management techniques like ISO, JIT or six sigma depending on the requirements of their export market. Whilst, analysis reveals that use of quality raw material, efficient processes, and achieving zero defect standard of quality are most critical factors for successful implementation of TQM practices in sports industry.

This study also guides us towards finding relevant functional domain of management like human resource, marketing, finance and other functional areas for assigning the responsibility to implement quality management practices in their functional domain and making efforts for creating synergy among all functional areas of the business. This way, the firms in the selected industries of manufacturing sector of Pakistan may be able to establish integrated system for successful implementation of TQM practices.

Results of this study conclude that the industries rise to higher stage of internationalization as they grow in size and age of quality management. ISO certification, though not essential for internationalization, serves as a stepping stone in the process. The industry is aware that internationalization cannot be increased unless strong commitment to quality is maintained. Throughout the survey results quality management has been identified as one of top most important factors in internationalization. Quality Management increases level of exports and sales & hence increases level of exports and sales & hence increases business. Exporting firms place quality management very high on their ladder of importance of exporting factors. Quality Management reduces production cost and reject rate.

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Globalization or Americanization: implications for Sub-Saharan Africa

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Abstract

Globalization has become a most used and most confused concept. There are varied interpretations as they are varied proponents. Consequently, the concept “globalization” requires deeper critical reflection to unravel its true essence. The paper aims at understanding the concept. We argue that Globalization is an ongoing process that is yet to be fully unraveled and understood. We posit that the world is currently experiencing Americanization. It is therefore inappropriate to construe the current worldwide economic attempt as already a globalized one. We attempt a distinction between globalization, Americanization and internationalization, and posit that though conceptually distinct, they share in practice, the common aim to homogenize the globe. Furthermore, attempt is made to articulate this homogenization on the culture of sub-Saharan African nations like Nigeria. Finally, we make bold to argue that, globalization is an ill-wind and a threat to national culture – a recipe for cultural disaster. We argue that if we must globalize, it must be taken with “a pinch of salt” as it were or risk the loss of cultural identify of Nations.

Introduction

Globalization has become not just an analytical concept but a contested concept around which has formed political groupings. The concept of “globalization” thus requires deeper critical reflection to unravel its essence.

This paper aims at understanding what globalization really is. We posit that globalization is an ongoing process yet to be accomplished. What the world is currently experiencing, is Americanization. Therefore, it is inappropriate to construe the worldwide economy as already a globalized economy. Furthermore, we make the distinction between globalization, Americanization and internationalization. Although globalization, Americanization and internationalization are conceptually distinct, they both share, in practice, the common aim to homogenize the globe. We shall attempt to articulate the implications of such homogenization on culture in Nigeria and as Africans. In the final analysis our position is

that globalization is a threat to national cultures and identities a recipe for cultural disaster. We must then “globalize” with caution as we stand the risk of losing our identity as a people.

Globalization: Meaning

Globalization has been defined as “the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice-versa” (Giddens, 1990:64). The Awake Journal maintains that “globalization is the term some use to describe the growing worldwide interdependence of people and countries” (Awake May 22, 2002). The increased global integration of people and countries, it is believed, has manifested itself economically, politically, culturally and environmentally because “people living around the globe are linked more deeply, more intensely, more immediately than ever before” (Awake; 2005).

Stanley Fischer, the First Deputy Managing Director of the International Monetary Fund (IMF) at a conference on Globalization held in Cameroon maintained that:

Globalization is multifaceted, with many important dimensions – economic and social, political and environmental, cultural and religious which affects everyone in some way. Its implications range from the trade and investment flows that interest economists to changes that we see in our everyday lives, the ease with which we can talk to people all over the world, the ease and speed with which data can be transmitted around the world, the ease of travel; the ease with which we can see and hear news and cultural events around the world, and most extraordinarily, the internet, which gives us the ability to access the stores of knowledge in virtually all the world’s computers. (Quoted in Nigerian Tribune, Thursday, 25 September, 2003).

Globalization has helped to liberalize national economics by creating a global market place in which all nations must participate directly or indirectly: This undoubtedly led to growing activities and power of international financial investors mainly presented by multi-national corporations (MNC’s). If globalization is seen from the perspective discussed above, it deals closely with financial transactions through the use of information technology. This is why the International Monetary Fund (IMF) defines globalization as:

The growing economic interdependence of countries worldwide through the increased volume and variety of cross border transactions in goods and services and international capital flows, and also through the more rapid and widespread diffusion of technology. (Quoted by Dandago; 2002:91)

Globalization from this perspective is rooted in the concept called “The New Economy” which is a complete change from the traditional business we have known until a few years ago. The New Economy, led by the United States of America aims at profit maximization,

free flow of goods and capital and minimal regulation as the corner stone principles of an efficient and viable economy.

The manifestations of the “New Economy” are rooted in the capitalist economic structure which is premised on the development of markets, the price mechanism, competition, private ownership, the enterprise spirit, free decision-making and a legal framework. Thus globalization has an ideological foundation.

From these definitions, it can be inferred that globalization is the aspiration to integrate all the societies in the world, all the societies on the globe. It was Herbert Marshall McLuhan, a Canadian communications expert and media visionary who in 1964 predicted a “global village” world due to man’s increasing ability to use electronic technology to abolish space and time. Far from being a rhetoric, it is a reality of the moment, whose faces keep changing, and changing with it, the face of the global society. McLuhan may not have realized the speed and the dimensions that the “villagisation” of the world would be effectuated. It is no longer debatable that we live in a unitary world in which time, space and distance have collapsed forever. We now live in a global village, a world electronically wired for immediate communication and, if need be immediate action.

The equipment which are responsible for the shrinking of the world into a global village come in different sizes and forms. Amongst them are: Fax machine, cell phone, computer, international radio and satellite TV stations, electronic mail and the internet – which is described as the worldwide web (www). The web is made up of a network of telephone lines, television cables, communication satellite, computers and video screens at either end that have the qualities of accessibility, mobility, flexibility, speed and cost effectiveness. These equipment may be called technologies of globalization.

Latest advances in technology have made it possible that through the monitor of a computer, one could browse and send electronic-mails (e-mails) to any part of the world, and at the same time monitor and watch TV programmes and reports, play video compact discs, and use internet telephone. K. Kaiser (2001:42) admits the centrality of the internet to globalization. According him;

...the internet is the turbo charger of globalization. By radically facilitating outsourcing, management, regulation, logistics, just-in-time controlling, and business-to-business and business-to-consumer contacts, it has revolutionized in a manner that we could not have imagined until recently, the internationalization of production.

From the foregoing, it can be stated that as a concept, globalization may be defined as a policy and, or a system that favours and, or promotes global interaction, interconnection and interdependence of nations using the latest advances in technology. Globalization is a metaphor for the aspiration and the determination to render an idea or a way of life applicable and functional throughout the world. Every single part of the world must therefore be the same by applying and functioning according to a specific idea or system of ideas.

Contemporary Globalization: Features

Globalization is essentially the universalization of capitalism. The primary mechanisms of globalization are open policies with respect to international trade; removal of obstacles to international capital flow or international market integration; and international spread of knowledge. (Mussa, 2000: 5 - 10). Thus, globalization simply is "openness to trade, factor flows, ideas, and information." (Yusuf, 2003:3).

Peter F. Drucker noted that, contemporary globalization has certain specific features, which define its distinctiveness. First, it is characterized by the dominance of international finance capital, which has the effect of transforming global capitalism into 'casino capitalism' (Mohan and Williams, 1998:482). Contemporary globalization is marked by the emergence, and dominance of an enormous amount of 'virtual' money. Virtual money is not the traditional investment capital. Rather, it is a highly mobile speculative capital, or 'money-dealing capital' that is global in its operations. Its dominance has resulted in the transfer of economic policy decisions from national governments to global, transnational, actors (Drucker, 1997). Second, contemporary globalization involves a gradual transformation of business companies from MNCs to TNCs take the world as one component unit, plan their business in contemplation of the world market, and see themselves as non-national entities for which national boundaries are largely irrelevant. They are, therefore, unlikely to be sensitive to the special needs, or sympathetic to the unique problems of the underdeveloped countries in respect, for instance, of resolving the external debt crisis. Third, today, although multinational corporations (MNCs) and transnational companies (TCNs), the main actors in the globalization process, still invest in manufacturing, they concentrate such investments in sites that have comparative advantage in terms of advancement in the new information and communication technologies. These are the industrialized countries. This has had the effect of boosting investment and trade in the industrialized countries and by-passing the underdeveloped areas, thus resulting in regional difference in degrees of globalization. Fourth, as part and parcel of the process of globalization, the nature of international trade is undergoing a transformation. What now predominates, by way of global trade, is better described as intra-company transfers rather than trade among nations. And the products being traded on are not mainly goods any more; they are primarily services. Consequently, the factors (e.g. variation in exchange rate), which, in the past, usually shaped international trade now have little impact; they have become unavailable as policy instruments for stimulating increase in the volume of export commodities, for instance. Furthermore, the traditional relationship between trade and investment has been reversed. It is traditionally assumed that investment follows trade; but, in the contemporary globalizing world, trade follows investment. To increase trade, one must first expand investment. This has altered the logical sequence of the steps towards regional integration. Fifth, contemporary globalization features a gradual replacement of land, unskilled labour and capital by knowledge, especially technological knowledge, as the chief economic resource. Consequently, knowledge-intensive labour is now treated by MNCs and TCNs as fixed cost which, therefore, merits higher consideration in their investment decisions than lower wages and lower taxes which, in the past, conferred a comparative advantage on the less developed countries. Thus, in comparison with the industrialized countries, African states have less chances of attracting foreign direct investment, especially in the productive sector. Sixth, contemporary globalization is not solely market-driven. On the contrary, it has a

strong political dimension. Globalization today also means 'global governance'. To begin with, globalization today is as much the product of the inexorable march of market forces as the by-product of states consciously and deliberately promoting the internationalization of the strategies of their corporations and, in the process, the internationalization of state capacity. More important, contemporary globalization involves a conscious effort by the governments of the industrialized countries to govern the world, using such multilateral agencies as the World Trade Organization (WTO), the World Economic Forum (WEF), the International Monetary Fund (IMF) and the World Bank, the Organization of Economic Cooperation and Development (OECD), the Group of Eight (G - 8), and the United Nations Security Council.

Globalization as a Problem

It must be emphasized that total and comprehensive openness to market forces can inflict very serious damage on the society and economy of an underdeveloped state. To begin with, it has been pointed out that the introduction of market forces, including the price mechanism, into a society tends to dissolve traditional social relations and institutions, subject the economy to cyclical crisis, and, through the stimulation of narrow specializations, results in external dependencies which increase national vulnerability (Gilpin, 1987:22-23). Moreover, theoretically, every nation can take advantage of global market opportunities to accelerate the rate of its growth, in practice, the spread of economic activities and, therefore, the rate of growth in a market system, tends to be uneven. This is because nations are differently endowed and positioned and may not be able to take equal advantage of the market opportunities. This is why states tend to intervene in order to guide or control market forces to the benefit of their own citizens and companies (*Ibid*). This explains why a market economy, and this applies to the contemporary global economy, is not really politically neutral. The operation of a market economy tends to empower some actors and weaken others; and increasing economic (vertical) integration tends to establish hierarchical power relations among the actors. In response to this phenomenon, states are tempted to take steps to enhance their own economic independence of other states (*Ibid*).

The challenge, which many countries, especially sub-Sahara Africa States, are confronted with, is equivalent to swimming between Scylla and Charibdis. On the one hand, they cannot really opt out of the global market economy, knowing that it primes specialization, a division of labour and competition, which, over all, stimulate economic growth and increase the wealth of market participants. On the other hand, since the gains of participation are unevenly distributed, and the same process that develops the strong and smart also underdevelops the weak neophyte, there is need for caution in integration with the global market (*Ibid*).

Globalization as Americanization of the Globe

"Americanization" of the globe is the worldwide spread and dominance of American influence and culture. Just as US goods flooded world markets in the post-world war II era, US culture is now penetrating every continent through the dramatic growth of mass communications such as music, television, films and the internet, as well as through the

penetration of American corporations into foreign countries. The US is de facto leader of the global system it has created. America is the centre of gravity of the world.

Vicky Baker noted that of the top 100 companies in the United States, almost none-including Microsoft-derive more than 30% of their profits from outside the American continent and only one-Coca-Cola-may be described as a truly global company. Only 10% of Americans have passports (Baker; 2002:62). This suggests that even the process of Americanization is only really starting. Yet it is not debatable that America dominates our life style and thinking, and after September 11, 2001 is more and more dominating world events.

The US dominance is really based on dominance of world financial arrangement as America dominates, controls and manipulates the global financial institutions such as the World Bank, the International Monetary Fund (IMF) and the World Trade Organization (WTO) which determine and regulate global trade. The US dollar has become the standard currency of the world. Coca-Cola and hamburger has become the snack of choice. Whereas in the last century the world witnessed a certain degree of homogenization mainly of the dominant classes in various societies – in Africa, educated Africans mimicking their colonial masters – we have today masses of even the poor preferring the hamburger or meat pie and Coca-cola or Pepsi to their native foods and drinks.

The American (or British) suit and tie or Jeans has become the global dress and the English language or rather, American – English has become the world language. Educated Africans, Chief Executives of business establishments, political leaders and many who can afford it have a computer or lap top on their tables (and cannot be effective without it), which is programmed in American – English. There is undisputed US cultural/lingual domination of the internet, an invention of the American military. It has been noted that 85% of web pages originate in the US and only 15% from other countries and the US controls 75% of the worldwide packaged software market. By its monopoly of technology and the media the world is bombarded by news slanted in America's favour, music and films through international radio and satellite TV stations such as CNN, CBS and US TV shows and movies have become very popular in many countries even though, most are characterized by violence and are anti-intellectual. America has a monopolistic access to the world's natural resources as well as monopoly over weapons of mass destruction. The September 11, 2001 terrorist attacks are widely cited as the impetus for the interventionist foreign policy of President George Bush II which has led to the turning of Iraq into an American base, and perhaps a launching of a new era of direct US rule of the Arab world. America also has troops throughout the world, perhaps also, as occupation forces to control all other countries.

Lastly, if the Nobel Prizes are a good indicator, Americans are the worlds best doctors, physicists, economists and chemists as six US citizens were bestowed the top honour in medicine, physics, chemistry and economics as the Nobel Prize committees announced 2003 winners, continuing a trend of American dominance in the science awards. Since the first Nobel Prizes were awarded in 1901, 277 of the 661 winners – i.e. 42% - have been Americans. Many of the other winners have been researchers at US universities. 35 of the 56 economics winners have been Americans.

Perhaps this can be explained as the results of American investments in their University system as the Noble Prize committees are not expected to take into consideration where people are from in conferring the awards. However the statistics also show that the Americans are not as good at writing or making peace as they are not as well represented among peace and literature prize winners, the most well-known to the public. In 2002 former president of America, Jimmy Carter became the 19th American to win the Nobel Peace Prize. There have been 110 laureates in that category. The worst American track record is in literature, with 11 of 100 winners, including Wole Soyinka in 1986.

There is in our view a legitimate fear that the “Americanization” of the globe will lead, not to positive globalization strictly speaking, but to the establishment of the American World Empire. Thus current debate on global affairs ought to focus on “America and its role in the world”. The real question is as to how the US should wield its unprecedented power.

Americanization, Internationalization and Globalization

So far we have explored two key concepts of our discourse: Globalization and Americanization. We have maintained that the present global trend is one of “Americanization.” Where that will lead us to, remains and uncertain. But we must note that Americanization will not necessarily lead to globalization, at least at the conceptual level.

However, one other idea, which needs to be similarly explored, is the concept of “Internationalization.” Globalization, Americanization and internationalization are related and connected.

“Internationalization” suggests “transcending national limits”, and extending to several nations and their relations between themselves (Kirkpatrick; 1983:658). Our contemporary world consists of nation-states, and if globalization must succeed or be achieved these nation-states must be penetrated, and this can only be done through internationalization. Thus internationalization is the first step in the process. Although Americanization, globalization and internationalization are conceptually distinct, they all share, in practice, the common aim to homogenize the globe.

Internationalization is pursued under the aegis of the United Nations Organization, which has produced many instruments such as the Universal Declaration of Human Rights, whose aspiration and determination to be worldwide is beyond doubt.

The United Nations Organization which has the International Monetary Fund (IMF) and General Agreement on Tariffs and Trade (GATT) as some of its specialized agencies as the chief facilitator of internationalization is in crisis because of its perceived American influence. Former secretary-general of the organization Boutros Boutros Ghali warned that nothing more than drastic reform would allow the organization to start rebuilding trust outside the west. According to him:

Many countries of the third world see a basic discrimination adopted by the United Nation system. The resolutions which are not respected by the Iraqis deserve the bombing of Baghdad. The same resolutions which are not respected by the Israeli's deserve nothing. So the perception in a great part of the third world is that the United Nations, because of the American influence or because of any other reasons, is a system which discriminates against many countries of the world (Scott; 2003:25).

Ghali advises that the UN must find a new way of co-existing with America. Ghali also noted that:

They (America) cannot be the policeman of the world. One because the public opinion will not accept this role, and, second, because they do not have the capacity. You may have war tomorrow between North and South Korea. It is practically impossible even for the superpower to get involved in all the international disputes (Scott; 2003:25).

Denis Holliday, the former UN assistant secretary general echoes Ghali's comments. He maintains that the UN Security Council had been taken over and corrupted by America and the UK. According to him:

The UN has been drawn into being an arm of the US – a division of the state department. Kofi Annan was appointed by the US and that has corrupted the independence of the UN. The UN must move quickly to reform itself and improve the security council. It must be make clear that the US and the UN are not one and the same (Scott 2003:25).

So far I have been arguing basically two claims:

- i. Globalization is an experience in process and not yet an accomplished fact. Therefore it is inappropriate or misleading to construe the worldwide economy as already a globalized economy.
- ii. What the world is currently experiencing is "Americanization" which began with the attempt at internationalization.

Without in any sense offering a prediction as to what will ultimately result from the Americanization of the globe, we should like to maintain that one of the aspects of Americanization is US cultural hegemony. Americanization is a threat to national cultures and identities, a recipe for historical and cultural genocide. If we see culture as an aggregate of the way of life of a people and of their perception of themselves as a people, and language not merely as a means of communication but most importantly as a means through which culture is transmitted, then it is easy for us to appreciate the role of language and culture in the shaping of the distinctive identity of the people concerned. In effect, language and the culture which goes with it have generally been recognized as determining elements of the individuals identity. The need then for us to be culturally relevant in an age of US cultural hegemony cannot be over-emphasized if, in essence, we are really interested in the preservation of our own identity as a people.

Globalization: The Challenge for sub-Saharan States Millennium

In the 21st century, the strategy for national development pushed by the industrialized capitalist countries and multilateral financial institutions, especially for Africa, Asia and Latin America, is the full integration of their economic with the world capitalist economy through extensive and rapid liberalization. Countries are made to believe that there is a new global consensus on this 'best' strategy (South Centre, 1996:3-13). To consolidate their full integration with world capitalism, these underdeveloped countries are urged and/or pressurized to open up their economies to international import and export trade. They must encourage an accelerated inflow of foreign direct investment and generally enhance capital flows across national frontiers. They are made to believe that, in a globalizing world, foreign aid is no longer critical for development; therefore, the role of multilateral institutions should be largely to create global framework that facilitates the unfettered functioning of the global market (*Ibid*).

Given this situation, the diplomatic challenge, which confronts these nations is how to conduct their foreign policies in a manner that reflects the nationalist impulses of their people for self-reliance in the face of an overwhelming international pressure on them to pursue a policy of neo-colonial dependence. The contemporary diplomatic strategic puzzle for them is how to realize the foreign policy objectives enshrined in their national constitutions, in an ideologically united world, which, while globalizing, is committed to consolidating the existing, inequitable, international division of labour. For a country like Nigeria, these constitutionalized foreign policy objectives include: "Promotion of a just economic world order", "Promotion of African integration and support for African unity", "promotion of international co-operation for the consolidation of universal peace and mutual respect among all nations and elimination of discrimination in all its manifestations" and "promotion and protection of the national interest" (Constitution of the Federal Republic of Nigeria, 1999: Section 19). Section 19 is complemented by Section 16 (1), which stipulates, *inter alia*, that "the State shall, within the context of the ideas and objectives for which provisions are made in this constitution", promote "national prosperity and efficient, dynamic and self-reliant economy", as well as "manage and operate the major sectors of the economy". The challenge is enormous.

This must have informed the official position of Nigeria in 1999. President of Nigeria, Olusegun Obasanjo, cautioned against embarking on full and extensive globalization, he advocated strategic, selective insertion of Nigeria into the globalization process. As he put it,

While we must embrace globalization, we realize that we have to be very careful in applying the principle of liberalization. There are already Nigerian industries which are on the threshold of international competition, especially against imports from countries which are adept at dumping (Economic Policy, Vol. 1, 1999:17).

However, a new position was adopted in 2001. As President Obasanjo, argued;

"Nigeria must demonstrate the preparedness to exploit the inherent opportunities offered by the phenomenon of globalization in the area of technology acquisition, trade expansion, manpower development and capital transfer through foreign direct investment. And to do so, Nigeria must embark on full-scale privatization of its economy, and adopt "creative negotiations with the relevant international agencies".

Cultural Relevance Amidst US Cultural Hegemony

We have argued earlier that the process of globalization is natural and inevitable. As it stands today, globalization is so pervasive, no one can shut herself out of the globe. Failure to embrace globalization is a direct invitation to marginalization. So, globalization is a positive development that no country can ignore because we must see ourselves in community with all other people at local, national and global levels. No place can choose to remain an island.

Obviously, the global neighbourhood that the worldwide flow of people, ideas, money and technology has created is good for mankind. It has facilitated the sharing of ideas to solve human problems. Indeed, it is a "brave new world". People and cultures have discovered and can understand one another better. The problem with the globalization of culture, or rather Americanization of culture is that US produced material, disseminated through newly liberalized telecommunications networks, would crowd out locally produced content, and in the process destroy unique national cultures and impose US market norms and values. This state of affairs calls for concern. (Jaja, 2003).

We have argued that globalization per se is not undesirable. That being the case African nations must be ready to compete on the platform of international standards. Since the use of information technology is the engine that propels globalization, nations must embrace the new syndrome. But in regard to language and culture we must devise a strategy of cultural protectionism even as we globalize. It is here that the promotion of our culture can bail us out. If we are happy to be the people that we are, then we should be proud of our culture and promote and project such on the global scene employing the internet. On the internet our culture, our programmes, our creations must be strongly presented if we must avoid economic and cultural marginalization and genocide.

It is a sad commentary that in many of our homes, the mother tongue is not in use and is not even understood by the children (Jaja, 1996). Children of tender ages are intentionally sent to expensive nursery schools where the language of instruction is exclusively foreign. The reason advanced often for this development is the belief that such children stand a better chance of benefiting from the gains of globalization in the areas of science and technology through the use of foreign and world languages such as English and French. Much as this may have its advantages, we should not forget that this approach will lead to our children becoming complete strangers to their cultural heritage.

In our view, globalization must help to show that people are different; and Africans must insist on mutual recognition and parity. As we globalize we must develop a framework for cultural equality. We must recognize though that cultures are not static and weak, cultures are dynamic, and so foreign elements can be adapted and incorporated into indigenous cultures. But again, we must be critical of what we receive. We can adapt, incorporate, but still resist cultural hegemony and cultural domination. Whether America or the nations of the west like it or not, we must ensure a multi-cultural world in the face of globalization. (Jaja, 2008).

Conclusion

In conclusion, let us restate that globalization is an aspiration, a race which has only just started. As we Africans line up at the starting blocks we must insist on and ensure a multi-cultural world which sustains our identity. We in Africa, should not think that globalization is a train heading towards a set destination that may – or may not – stop at the station to pick us up. Rather let's think of globalization as a delicious cocktail into which every country and continent can add a vital ingredient. Africans have the opportunity to influence the flavour and texture and even the colour of the cocktail. The world will continue to taste it – and it will go on being topped up, its flavour changing according to who is mixing it. Let's recognize that the cocktail need not only consist of Brandy, bourbon, gin, champagne, vodka and whiskey. Let's make sure it also contains our indigenous *burukutu*, *ogogoro* and *palmwine*.

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Globalization and economic growth in Sub Sahara Africa

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Introduction

Globalization is not only one of the most important concepts of economic development but also its effects are one of the most hotly debated and contested. Intriligator (2003) describes it as representing one of the most influential forces in determining the future of the planet. Though globalization is not a new phenomenon, its dynamics have changed dramatically in the last thirty years. Akinboye (2007) portrays it as one of the most dominant forces in the present day world economy. Zhuang & Koo (2007) have noted that no nation can exist in isolation in today's world. With unprecedented global interdependence, increased international trade, foreign direct investment inflows and internet linking all countries and regions of the world, we literally live in global village.

In this paper, we define globalization as the increasing integration of economies around the world through trade and financial flows. The term also refers to the movement of people (labor) and knowledge, technology, and services across international borders. Empirically, globalization translates into greater mobility of the factors of production (capital and labor) and greater world integration through increased trade, foreign direct investment (FDI), and enforcement of intellectual property rights [IPR] (Milanovic, 2005; Wade, 2001). With respect to IPR, Maskus (2000) asserts that the protection of IPR has moved from an arcane area of legal analysis to the forefront of global economic policymaking. It is not surprising therefore that Hayes (2003) claimed that in the 21st century IPR provides a powerful engine for economic development of nations.

In light of the benefits and/or dramatic changes that have occurred in the global economy, many studies have been conducted to examine the impact of globalization on economic growth. However, the results of the studies have been ambiguous. While Ndikumana & Verick (2008), Sylwester (2005) and Lumbila (2005) show that FDI and trade have significant positive effect on economic growth, others give evidence to the contrary (Dutt, 1997; Hermes & Lensink, 2003). Romer (2006), for instance, has argued that trade only provides an opportunity and not a guarantee that there will be economic growth. Thorbecke & Nissanke (2008) claimed that the ambiguous results could be attributed to the significant regional specific differences in initial conditions. Accordingly, this study contributes to the literature by examining the impact of globalization (Trade, FDI, IPR, and financial depth) on economic growth in the context of Sub Saharan African (SSA) countries for the period 1970-2008. These indicators, however, measure only economic globalization and their effects are usually not the same across countries. Consequently, we also use a comprehensive measure

of globalization, the index by Dreher (2006) to examine the effects of globalization. The Dreher (2006) index of globalization uses the principal component method to combine several variables from the economic, political, and social sectors.

The study will employ three main estimation techniques, including Ordinary Least Squares (OLS), fixed Effects (FE), Random Effects (RE) and Seemingly Unrelated Regressions (SUR). This study is important because understanding the linkage between globalization and economic growth may be the key to uncovering channels through which integration into the world could stimulate economic performance. It will also help to identify the policy levers that may be activated not only to maximize the trend toward globalization but even more importantly how countries and especially SSA (the poorest region in the world) might maximize the benefits and reduce the costs associated with globalization, which is an inevitable process.

In the sections that follow we present a background of trend of globalization among SSA countries in terms trade and FDI. A review of the literature is given and the research methodology is described. The results of the study are then discussed and the policy implications and concluding remarks offered.

Globalization in the context of Sub Sahara Africa

The growth in the influx of FDI is remarkable. For example, while the total world FDI inflows stood at \$59 billion in 1982, it grew dramatically to \$648 billion in 2004 and reached its peak of \$1,833 billion in 2007 (UNCTAD, 2008). In Africa, FDI inflows amounted to \$36 billion in 2006, which was 20% higher than the previous record of \$30 billion in 2005, and twice the 2004 value of \$18 billion, and rose to a historic value of \$53 billion in 2007 (UNCTAD, 2008) (See Figure 1). The surge was in a large part related to investments in extractive industries though it rose in various service sectors too. Despite the global financial crisis, developing and transition economies attracted record FDI flows in 2008 (\$88 billion). It is important to note that Africa recorded the greatest increase in inward FDI (27%) in 2008 resulting in an increase of FDI stock in the region to \$511 billion.

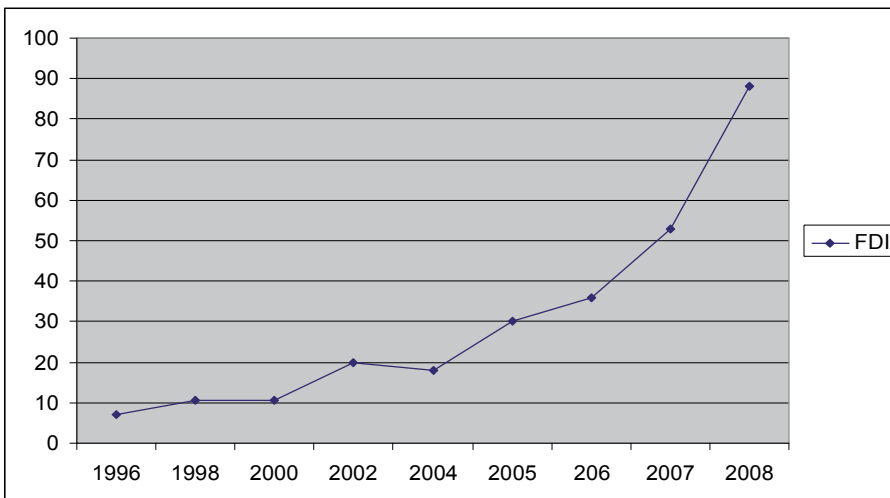


Fig. 1. FDI inflows (1996-2008) to Africa

Similarly, trade volumes have increased considerably over the period, however, world trade growth slowed in both 2007 and 2008 but in some developed countries like the US and Japan import volume growth turned negative (World Trade Report, 2009). The report noted trade expansion was more resilient in developing and transition economies. The total exports volume of African countries which stood at \$85 billion in 1982 nearly doubled to 150 billion in 2000 and by 2008 this figure had risen to over \$570 billion (Figure 2).

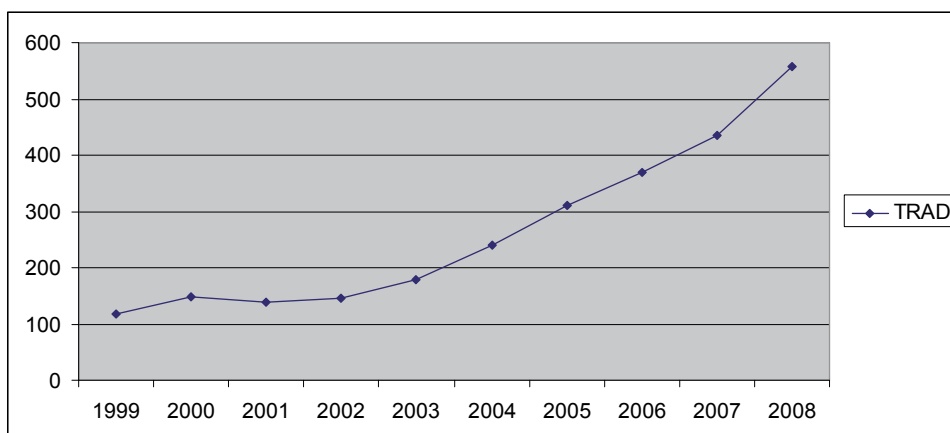


Fig. 2. Export Volume of African Countries (1999-2008)

Literature Review

The analysis of the relationship between globalization and macroeconomic performance represents a main interest of the growing empirical literature due to the intense debate between policymakers and academicians about the impact of financial liberalization, trade openness and the influx of FDI on economic growth. The neoclassical growth theory suggests that integration into the world economy is associated with improvement in economic performance. For example, Kumar & Pradhan (2002) claim that apart from technology and capital, FDI flows as a bundle of resources in terms of organizational and managerial skills, marketing know-how, and market access through the marketing network of multinational enterprises. FDI's effect on economic growth is thus based on its contribution to capital accumulation and total factor productivity improvements. This is attributed to the technology transfers, introduction of new processes in the domestic market, employee training, international production networks and access to market provided by FDI.

General economic theory also points to the fact that financial globalization, for example, can induce a more efficient allocation of resources, provide possibilities for risk diversification, strengthen macroeconomic policies and consequently promote economic development (Stoianov, 2007). Ajayi (2006) has noted that the global mobility of capital may limit the ability of governments to pursue bad policies. Brasoveanu, Dragota, Delia & Semenscu (2008) assert that financial development can affect growth in three main ways, including increasing the marginal productivity of capital, reducing resources absorbed by financial intermediaries, and raising the private savings rate. These ideas are consistent with the view that financial intermediation promotes growth because it allows a higher rate of return to be earned on capital, and growth in turn provides a means to implement costly financial measures.

Nissanke & Stein (2003) have also argued that financial liberalization allows funds to flow from low marginal product of capital-rich countries to high marginal product of capital-poor countries as the capital market works to equalize risk adjustment. Like Nissanke & Stein (2003), Acharya et al. (2009) in a study of Indian states found that finance leads to growth. The presumption here is that as the efficiency of the global resource increases developing countries emerge as winners. Others contend that globalization enables peace and prosperity and thereby increase in economic activities that reinforce peace in a virtuous cycle (Friedman, 1997; Bhagwati, 2004). Similarly, trade allows local opportunity costs of resources to be reflected more accurately and decontrolling interest rates also raises rates and thereby encourages savings and the adoption of appropriate technology (Mengisteab, 2010). The capitalist economic theory holds that a completely liberalized global market is the most efficient way to foster growth because each country specializes in what it has a comparative advantage in. Finally, proponents of globalization claim that countries which are highly engaged in globalization process are likely to experience not only higher economic growth, but also greater affluence, more democracy, and increasingly peaceful conditions (Vadlamannati, 2009).

In contrast to the optimism of the globalization advocates, skeptics contend that high levels of globalization have adverse effects on the domestic economy leading to economic and social inequalities through the negative effects on economic growth (Rao, Tamazian, & Vadlamannati, 2008). In support of this view, Norberg & Cheru (2006) argue that the adverse effects of liberalization have been severe in many African countries. Citing UNDP report (2002), they argued that 22 countries in SSA had lower per capita incomes in 2000 than they did in the period between 1975 and 1985. From this perspective, Norberg & Cheru (2006) claim that the Washington Consensus was simply wrong in its belief that dismantling trade barriers and reducing or removing government interference was a panacea for poor countries. Rather, they suggested that effective state institutions are a prerequisite for a well functioning market. Further, they claim that those who have gained most from globalization are not those that opened up completely as happened to Latin America in the 1990s, but rather the Asian economies that only partially liberalized their economies. In other words, success was possible because the Asian governments had the freedom to control basic economic policy. This argument is consistent with Robinson's (2007) assertion that trade and financial openness are by themselves not enough to promote economic growth, and may occasionally backfire in the absence of a wider range of complementary institutional and governance reforms.

The skeptics also argue that lifting protectionist policies, for example, could lead to loss of revenue and the destruction of potentially competitive local infant industry by cheap imports. Deregulation of capital mobility may also destabilize monetary systems, as has occurred in many developing countries (Mengisteab, 2010). Saibu, Bowale & Akinlo (2009) showed that changes in the financial structure or the overall financial systems have a negative effect on economic growth in Nigeria.

When even benefits are present, Vadlamannati (2009) & Rincon (2007) suggest that it is possible for the costs to exceed the benefits through the concentration of capital flows in certain countries, misallocation of resources, loss of macroeconomic stability (inflation pressures, real exchange rate appreciation, external imbalances) contagion and risk of sharp reversal of capital flows. In addition, where there is positive effect of financial globalization, other authors claim that it is for middle -income countries and only a marginal effect for poor countries. For example, Zhuang & Koo (2007) examined the impact of globalization on economic growth and reported that

globalization has a significant positive effect on economic growth for all countries. The study however revealed that China and India benefited most followed by the developed countries while the other developing countries in the study sample benefited the least. Depending on which ideological perspective one views globalization, it could either be described as a force for advancing the world or as a serious danger to the world.

Data and Methodology

We examine the impact of globalization on economic growth for a panel of 29 SSA countries over the period 1970-2008. The empirical analysis is based on a panel data set consisting of eight separate periods; 1970-1974, 1975-1979, 1980-1984, 1985-1989, 1990-1994, 1995-1999, 2000-2004, and 2005-2008. List of countries for the study and the average globalization index for the period are presented in Table 1.

Countries	GINDI
BNI	27.52037
BFA	31.72251
BWA	46.10198
CMR	32.71946
CAF	26.07846
TCD	25.62756
ZAR	22.42445
COG	36.94743
CIV	37.08081
GAM	44.71403
GHA	37.94424
KENYA	34.84971
MDG	24.92307
LMLI	30.99829
MOZ	32.2141
MRT	35.26482
MUS	43.0924
MWI	36.05408
NER	28.34859
NGA	40.09411
RWA	22.20786
SEN	37.76603
SLE	27.50133
SFA	45.32973
SUD	28.98513
TAZ	25.7389
TOG	39.34447
UGA	28.40523
ZMB	41.95664
ZBW	34.39642

Table 1. Dreher's Globalization Index for countries in study (Average 1970-2008)

The variables used and empirical analysis for the study is based on prior growth determinants literature (Zhuang & Koo, 2007; Dreher, 2006; Griens, Kraft, & Meierriens, 2009; Odhaimbo, 2008; Falvey et al., 2006) and is specified as follows:

$$LY = \beta_0 + \beta_1 LOPEN_{it} + \beta_2 LDC_{it} + \beta_3 LFDI_{it} + \beta_4 LIPR_{it} + \beta_6 LGOV_{it} + \mu_i + \varepsilon_{it}$$

where Y is the level of output per capita for a country i in year t; β_0 is the constant term; β_i are the coefficients to be estimated; and the L indicates the log transformation; the degree of openness of the economy (OPEN) is measured as the share of trade (exports plus imports) in GDP; DC is domestic credit provided by the banks, which is used as a measure of financial liberalization; FDI is the foreign direct investment variable; IPR is the intellectual property right protection and GOV is government consumption. μ_i represents the country-specific effect which is assumed to be time invariant, and ε_{it} is the classical disturbance error component. The fixed effects specification allows us to control for unobserved country heterogeneity and the associated omitted variable bias, which seriously afflicts cross-country regressions (Basu & Guariglia, 2004; Prasad et al., 2006). We also employed ordinary least squares (OLS) and seemingly unrelated regression (SUR) to examine the robustness of our estimates. The SUR estimation allows for different error variances in each of the four equations and for correlation of these errors across equations (Makki & Somwaru, 2004).

The strength of intellectual property protection is measured by the Ginarte – Park index of patent rights, which is based on five categories of patent laws: (1) extent of coverage, (2) membership in international patent agreements, (3) provisions for loss of protection, (4) enforcement mechanism, and (5) duration of protection. Each of these categories (per country, per time period) is scored a value ranging from 0 to 1, and the unweighted sum of these five values constitutes the overall value of the patent rights index. The index therefore ranges from 0 to 5, with higher numbers indicating stronger protection (Park, 2008). Data on OPEN, FDI, DC, and GOV were obtained from the World development Indicators (2009). Further, we also use a comprehensive index of the globalization (The KOF Index), which is represented as GIND and the model is specified as follows:

$$LY = \beta_0 + \beta_1 GIND_{it} + \beta_4 LIPR_{it} + \beta_6 LGOV_{it} + \mu_i + \varepsilon_{it}$$

A key econometric issue addressed in the paper is the fact the independent variables and for that matter, the globalization variables might be endogenously determined. To overcome this problem, we used the initial values of the independent variables as against the end of period values for the dependent variable. The assumption is that there is a lag effect or that it takes time for the independent variables to have an effect on the dependent variable. The L refers to the log transformation of the variables.

Results and Discussion

The regression results are reported in Tables 2 and 3 which show that the different estimation techniques generally give similar results. Most of the variables are positive and significantly correlated with economic growth except the financial liberalization and the government consumption variables. The FDI variable is positively signed meaning that on average FDI contributed to economic growth of the group of countries studied (Columns 1-

6). It is important to note though that Adams (2009) reported a negative effect of FDI on economic growth for a sample of 42 SSA countries for the period 1990 and 2003. The study, however, indicated that while the contemporaneous effect was negative, the lag effect was positive, which is consistent with the findings of this study which employed a panel regression methodology.

	OLS 1	OLS 2	SUR 3	SUR 4	FE 5	FE 6
OPEN	0.266* (0.154)	0.506*** (0.123)	0.463*** (0.157)	0.470*** (0.160)	0.524*** (0.129)	0.532*** (0.135)
DC	0.122 (0.103)	0.117 (0.079)	0.127 (0.101)	0.117 (0.079)	0.158 (0.078)	0.153* (0.085)
IPR	0.810*** (0.296)	0.878** (0.249)	0.726** (0.298)	0.805** (0.321)	0.995*** (0.337)	1.120*** (0.364)
GOV		0.132 (0.171)		0.152 (0.235)		0.013 (0.177)
FDI	0.120*** (0.042)	0.117*** (0.079)	0.118*** (0.042)	0.119** (0.033)	0.111*** (0.036)	0.113*** (0.036)
Constant	3.244*** (.545)	2.82*** (1.850)	2.95*** (0.532)	2.95*** (0.864)	2.89*** (0.36)	2.76*** (0.69)
DW	1.98	2.07	1.97	2.05	2.16	2.22
N	172	165	172	165	172	165
R ² adjusted	.24	.24	.23	.24	.28	.33

Table 2. Determinants of Growth

t-statistics in parentheses: *Significant at the 10% level. **significant at the 5% level. ***Significant at the 1% level

Further, any differences could also be attributed to the period of study. This study examines a longer period and considers a more recent data, which shows dramatic inflows of FDI to the region in the last few years. Thus, it is possible that FDI might have exceeded the threshold needed to have a positive impact on economic growth through both augmentation of domestic investment and efficiency effects. Further, Zhang (2001) finds that FDI tends to promote economic growth when the host country adopts liberalized trade policies and maintain macroeconomic stability as is the case of many African countries. As far back as 1992, Firebaugh did not agree with the assertion that capital is capital and argued against the view that FDI is bad for growth and suggested that it would be more appropriate to say that FDI is not as good as domestic capital. The validity of this assertion should be the focus of future research.

Similarly, the trade openness variable is positive and significantly signed in all the model specifications. The trade openness results support the findings other studies that report that integration into the world economy promotes growth (Dollar and Kraay, 2002; Sarel, 1997). It is important to note though that other studies have a either a negligible or negative effect of trade on economic growth (Romer, 2006; Zaghera et al., 2006). This is not surprising because

as Lindauer and Pritchett (2002) have noted the relationship between economic growth and outward orientation changes dramatically over time. More importantly, trade openness can be good sometimes and bad at other times. An interesting point to note, however, is the considerable increase in trade volume for the region as a whole over the period. While world trade growth slowed in both 2007 and 2008 and some developed countries like the US and Japan showed negative growth in import volume growth, it was more resilient in most African and transition economies (World Trade Report, 2009). The more robust growth in trade in most developing countries especially since the beginning of the new century is attributed to the rising commodity prices due primarily to the greater presence of financial investors in the markets for primary commodities.

The IPR variable is also positive and significantly correlated with economic growth (Columns 1-6) though it is significant when we used Globalization index (Columns 7-12). This result is consistent with Chu & Peng's (2009) finding that increase in patent protection in either the north or south leads to an increase in welfare; promoting economic growth by stimulating R and D and reducing income inequality by raising the returns on assets. A similar argument is made by Lai and Qiu (2003) and Grossman & Lai (2004) that global welfare is always higher under an enhanced IPR protection. Thompson & Rushing (1999), however, showed that strengthening patent protection has a positive effect only in countries that have a GDP per capita above \$4000.00 meaning that strengthening patent protection should benefit only developed countries. The supposed negative effect is based on the fact that the enforcement of IPRs shifts financial benefits to those who have knowledge and inventive power, and to decrease the costs of access to those without (which indeed is the situation for most SSA countries).

On the other hand, it is possible that the use of more recent data may account for the differences in results. Further, a negative relationship does not necessarily mean that IPRs are not good for the region, but that it needs a more effective institutional environment to operate efficiently, which many of the countries have been able to do in the past decade (Adams, 2009). As noted by Braga & Fink (2000), developing countries could achieve substantial gains from IPR reforms by establishing an effective institutional infrastructure for knowledge acquisition and development of innovative capabilities in the new global economy.

The financial liberalization variable is, however, not significantly correlated with economic growth. The result could be related to the fact most countries in SSA have only marginally liberalized the financial system. Thus, the level of financial depth has not reached the necessary threshold to have an effect on economic growth. This is supported by UNCTAD's report (2009) that indicated that developing countries and particularly African countries were able to weather the recent financial crisis because their financial systems were less closely integrated to the global economy. On the other hand, Mengisteab (2010) claimed that the positive impact of financial liberalization has not been realized in developing countries because the poor countries may be more vulnerable due to their specialization in production, to the non-diversified sources of income, weak institutions and the generally unstable macroeconomic policies. The results should be viewed with some caution because the measure used is not comprehensive enough to capture fully the level of financial depth. It is important to note that we used the fixed estimation when we used the individual components because the Hausman test was significant

The results when the Dreher Globalization index was used are presented in Table 3. The overall globalization index is also significant and positive at the 1% level in all the regression models (Columns 7-12). This finding is consistent with the findings of Dreher (2006), Vadlamannati (2009) and Rao and Vadlamannati (2009). The random estimation is used rather than the fixed effects, because the Hausman test was not significant. The globalization indicators,

	OLS 7	OLS 8	SUR 9	SUR 10	RE 11	RE 12
GIND	2.19*** (0.161)	0.506*** (0.123)	2.196*** (0.157)	2.221*** (0.419)	2.28*** (0.169)	2.30*** (0.204)
IPR		0.193 (0.219)		0.279 (0.401)		0.208 (0.210)
GOV		0.042 (0.141)		0.049 (0.227)		0.036 (0.134)
Constant	-1.45*** (.558)	-1.76*** (0.670)	-1.45***	-1.61*** (1.30)	-1.73*** (0.58)	-1.78*** (0.638)
DW	1.98	1.98	1.97	2.00	2.03	2.02
N	234	208	234	208	234	208
R ² adjusted	.44	.44	.23	.44	.43	.33

Table 3. Globalization and Economic Growth (Using the Dreher Index)

***Significant at the 1% level

however, explain about 44% of the variance in economic growth of SSA countries. When the individual components are used, the total variance explained by the four variables is less than 30%. This might suggest that the Dreher measure of globalization is a better indicator of global integration and also that country specific conditions (including quality and quantity of human capital, the institutional framework, and the quality of governance, as well as internal dynamics of institutional and socio-political conditions could be more important determinants of economic growth. Thus, globalization's effect on the economy is critically dependent on how governments in the region are able to manage the process.

The government consumption variable is generally positively correlated with economic growth; however, it was not significant in any of the models. This might explain the fact that the size of government spending is not as critical as what government spends on. Thus, it cannot be said *a priori* whether government size affects the economic growth negatively or positively. There is the need for more country specific studies to determine what has been the effect of government spending on economic growth in the different countries in SSA. Good fiscal policy is not necessarily about spending less, but about spending more wisely, for example, public investment in education and health that is more important than ever for the economic success of a nation. Even more important is the idea that government intervention and hence government social spending has become more critical in the era of globalization in dealing with its adverse effects.

Policy Implications and Conclusions

The study examined the impact of globalization on economic growth using four main estimation techniques including OLS, FE, RE and SUR for the period 1970-2008. The results of the study suggest that on average the influx of FDI, opening up of markets and the strengthening of IPR have contributed to the economic growth of the countries in the study sample. However, financial development does not seem to have contributed to economic growth. The size of government is not significantly related to economic growth. These findings have four main implications for SSA countries.

First, the dramatic influx of FDI into the region seems to have an impact on the economies of the region. This suggests that much more effort needs to be concentrated on attracting more FDI to the region as the drive for FDI has become very competitive. The UNCTAD report (2009), for example, notes that most developing countries have been proactive in developing FDI friendly policies. For all regions of the world, the number of changes more favorable to FDI exceeded those that were less favorable in the past year. They accounted for 75 per cent of the 16 measures adopted in Africa, 79 per cent of the 28 measures adopted in South, East and South-East Asia and Oceania, 80 per cent of the 15 measures adopted in the Commonwealth of Independent States (CIS), and 91 per cent of the 22 measures in the developed countries. This means that though Africa is the region with the highest return on investment, they did the least in their efforts to attract FDI. The Asian countries not only did the most in promoting policies to attract FDI, but it was also the region that did the most in attracting FDI that had linkages or generated externalities to the other sectors of the economy. Therefore, it is not surprising that FDI has been more productive in Asia than in other regions of the developing world by actively implementing policies that discriminate in favor of foreign investment that have positive effects on total investment. The focus then should not be on just attracting FDI but more importantly FDI that would help to enhance the entrepreneurial capacity and innovation of the citizenry and stimulate domestic investment to promote growth. Accordingly, the process of global integration needs to go hand in hand with better and broader regulation and supervision.

Second, though African countries have made major progress in liberalizing trade over the past several years, intraregional trade is still less than 15%. Promoting intraregional trade will contribute not only to trade liberalization within the region but also to a considerable reduction and simplification of the region's external tariff structure. Given the nearly 20 overlapping regional blocs in Africa, rationalization of their structure would be desirable. In light of the small size of many African economies, the impulse to regional integration is extremely important - but regional integration will help increase long-term growth only where it is truly trade increasing and not an attempt to erect new protectionist blocs. Progress on trade liberalization in Africa should be matched by the opening of advanced country markets to the exports of African producers (Fischer, 2001; Aryeetey et al., 2004; Nanyar, 2006). In particular, the advanced economies should lower the effective protection on goods of interest to sub-Saharan African countries.

Third, is the need for diversification into higher valued activities. After decades of gaining independence, the high primary commodity-dependence remains one of most conspicuous characteristics of the trade pattern of countries in Africa with the rest of the world. The failure of these economies to diversify and undergo structural transformation, and hence, to benefit from the technology-driven, highly dynamic aspects of on-going globalization has entailed a high cost to the region not only in terms of low economic growth but also in

persistent poverty (Norberg & Cheru, 2006). The largest increase, for example, in FDI is in new oil exploration and mining activities, where spillovers are minimal because the technology employed is capital rather than labor intensive (UNCTAD, 2008). One important policy objective to reduce the barriers to FDI effectiveness is to build a diversified economy through investment in human capital and infrastructure and productive capacity. Clearly then, the challenge for Africa is how to attract FDI in more dynamic products and sectors with high income elasticity of demand. The argument here is not to neglect the agricultural sector or its overt exploitation because agriculture is the only potential engine of growth at an early development stage.

Finally, the weak institutions and poor macroeconomic environment suggest that premature opening of the domestic economy towards international markets will not allow for maximum benefits. As is the case for most Asian economies, the liberalization process has been gradual for learning effects to take place and then they can open more to maximize the benefits while minimizing the negative or adverse effects of globalization. As Stiglitz (2006) and Fischer (2001) have all noted that globalization has both benefits and costs, and the therefore developing countries need to develop the policy space and pace to maximize its effects. A key issue is the need for effective regulatory framework; however, since regulatory reforms cannot be implemented overnight, SSA countries should proceed with caution and avoid big-bang processes of global integration. Maneschi (2006) claims that moderating the pace liberalization allows for gradual reallocation of labor away from import –competing and toward more competitive sectors. Bergh (2007) and Stiglitz (2006) assert that by investing in education, research and strong social safety nets, governments can curb rising inequality and create more productive economies with higher living standards for all.

The results and implications provided above offer directions for future research. First, the many different results given by different studies over different periods suggest the way forward in research is for many more country specific studies to account for variations in the social, economic and political factors and how they impinge on the growth rate of an economy. Second, is the need for more rigorous studies on the finance-growth relationship for SSA countries; specifically, examine any nonlinearities or threshold effects of financial deepening on economic growth. Finally, more studies need to be done to ascertain the fact that globalization has been a major factor contributing to poverty and income inequality in developing countries.

In concluding, we would like to state that a one size fits all strategy of globalization might not be optimal for all countries especially those at the very low level of development. In other words, there is no choice between the market and government because neither markets nor governments are, or can ever be perfect. The state and the market are complements rather than substitutes. More importantly, the relationship between the state and the market cannot be defined once-and-for-all in any dogmatic manner but must change over time in an adaptive manner as circumstances change (Nayyar, 2006). So that in the end, though market access and therefore globalization matters, even more important is the fact policy and especially good policy matters. As Fischer has noted if the process is inevitable, the question then is not whether to globalize or not but rather how best to take advantage of the opportunities that globalization brings while minimizing its negative or adverse effects.

Additionally, while the opportunities for growth provided by global integration could be substantial they are not guaranteed. The key issue then is how to subjugate the external

processes to internal development process to ensure the gains from globalization. This is where we argue for strong or effective states to take advantage of efficient markets. The way forward is for policy makers and academics to move from ideology to pragmatism, with the developed economies and international organizations helping in the process.

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Globalisation, China's recent miracle growth and its limits

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Abstract

China has stunted the world with its two-digit or near-two-digit growth in the recent decades. This has been unprecedented in the past 200 years of the country's history, Mao's era of 1949 to 1976 included. In the process, China has overtaken Germany as the third largest economy in aggregates in 2008. Now, China has surpassed Japan and become the second largest economy in the world. The Chinese economy has been transformed from a poor and closed economy to an open one with a medium income on the world average. China's current economic structure in terms of employment pattern and urbanisation has been radically altered, too.

Much of China's new growth has been generated by foreign trade. From 1978 to 2000, the total value of China's foreign trade increased explosively, (110 times, from RMB ¥35.5 billion to RMB ¥3,927.3 billion, current prices), faster than any other parameter of the economy.

However, the question of sustainability looms large as China moves on. The growth of the economy has been based on heavy inputs of cheap labour, cheap materials and easily available foreign capital. So far, the Chinese industrial wage has been about one-tenth of the US level. In 2004, with over US\$ 60 billion of foreign capital invested, China surpassed the United States and became the largest FDI recipient in the world. Any change in the relative prices among the three factors may slow China's growth down.

Moreover, China has adopted a supply-driven model to sell its manufactures worldwide. These have made China highly depended on the world market for inputs (capital and materials) and output sales: it exports about 40 percent of its GDP and about 70 percent of the economy is linked to exports. As much as 90 percent of China's exports are manufactures. Unless the outside demand for China-made goods maintained at the same speed as China's exports, the market may no clear itself. Then China faces the problem of over-production, not to mention the environmental implications of an input-intensive model that China operates.

Last but not the least, there is an issue of political stability in relation to the ongoing problem of social inequality and official corruption. It is not unheard of that inequality and corruption slow down economic growth. 'China exceptionalism' may not last for too long.

A. Introduction

A dark horse in recent global economic performance, China's fast growth and development in the past three decades has astonished the world not only because China's voluntary re-opening for external trade and foreign investment but also due to the fact China's key internal socio-economic conditions, especially legal protection of property rights, were not considered ideal for growth and development by Western standards. China went on anyway.

What have made China so successful are not entirely internal factors. This chapter argues that globalisation has been a crucial factor, including the demonstration factor for the forerunners of the Asian Tigers, the intake of foreign capital, technology, the sales of value-added goods and services back to the world market. The term that China is the workshop of the world says it all.

It is worth noting that economic openness was not new in China. As recent as the 1930s, China was an integrated part of the world economy. Fast growth was achieved in some sectors then.

In comparison, China's growth failure during Mao's rule (1949–1976) occurred when China embarked isolationism (called 'self-reliance') for ideological reasons. It was clearly a strategic mistake at the highest level.

B. To define China's miracle growth

In academia, the term 'miracle' began to be associated with fast growth in East Asia only in the 1990s when their total success in modernisation was sealed.¹ Japan and Asian Tigers were examples of such a growth. China's fast growth in the recent decades has alerted economists and government officials world-wide. After 2000, China was pulled on to the bandwagon.²

Conventional wisdom often refers a miracle growth to a near-two-digit growth in a country's total GDP. It implies industrialisation and a certain degree of sustainability, often achieved under the state interference. However, the term has not been well defined for China. Firstly, attempts have been made, on and off, in China to industrialise since 1860 when the Westernisation Movement (*yangwu yongdong*) began, and certain pockets of China achieved seemingly impressive results (such as Shanghai and Manchuria by the 1930s or

¹ E.g. World Bank (ed.), *The East Asian Miracle: Economic Growth and Public Policy* (Oxford: Oxford University Press, 1993); Izumi Ohno, *Beyond the East Asian Miracle: An Asian View* (New York: UN, 1996); R. R. Nelson and Howard Pack, *The Asian Miracle and Modern Growth Theory* (Washington, DC: World Bank, Development Research Group, 1998); F. G. Adams and Shinichi Ichimura, *East Asian Development: Will the East Asian Growth Miracle Survive?* (Westport, Conn.: Praeger, 1999); Joseph Stiglitz and Shahid Yusuf, *Rethinking the East Asian Miracle* (Oxford: World Bank and Oxford University Press, 2001); M. G. Quibria, *Growth and Poverty: Lessons from the East Asian Miracle Revisited* (Tokyo: ADB Institute, 2002); H. A. Khan, *Interpreting East Asian Growth and Innovation: the Future of Miracles* (Basingstoke: Palgrave Macmillan, 2004); Ha-Joon Chang, *The East Asian Development Experience: the Miracle, the Crisis and the Future* (Penang, Malaysia: Third World Network, 2006).

² Justin Lin, Fang Cai and Zhou Li, *The China Miracle: Development Strategy and Economic Reform* (Hong Kong: Chinese University Press, 2003); Yanrui Wu, *China's Economic Growth: A Miracle with Chinese Characteristics* (London: Routledge Curzon, 2004). Also, Ross Garnaut and Yiping Huang (eds.) *Growth without Miracles: Readings on the Chinese Economy in the Era of Reform* (Oxford: Oxford University Press, 2000).

40s). Secondly, from 1949 to 1976, alleged fast growth was delivered under Mao's rule. Sometimes, these results did not look too different from Japan or the Asian Tigers. But why did no one associate China with a miracle growth?

To take Shanghai as one example, in 1931 the city surpassed Manchuria as the largest recipient of foreign capital investment in China (in million silver *yuan*):³

	1914	1931
Shanghai	291.0 (100)	1,112.2 (380)
Manchuria	361.6 (100)	880.0 (240)
Other regions	957.7 (100)	1,250.3 (130)

At the end of the 1930s, Shanghai allegedly housed 40 percent of China's modern industrial capital and 48 percent of China's financial capital, 76 percent of China's modern capital formation.⁴ It also boasted of having 46 percent of China's modern industrial workers,⁵ and 50 percent of China's modern industrial output.⁶

However, all these figures look impressive only in isolation. The modern sector the economy claimed less than 10 percent of China's total output in value in the 1930s.⁷ It did not increase much in the early 1950s (as of 1952, in RMB ¥billion):⁸

Total GDP	Traditional sector	Modern sector
67.9 (100%)	62.8 (93%)	5.0 (7%)

In this context, Shanghai's share in China's GDP was about 2–5 percent (based on 3–10 percent GDP for the modern industry and Shanghai's share in the modern sector).⁹

Our second evidence comes from Shanghai's employment pattern. The city's factory workers amounted to only 223,000 in the 1930s (and half a million in the 1950s).¹⁰ Of them, 76 percent were employed in the textile sector (as in 1933).¹¹ The majority of them were women and children who were almost certainly illiterate. The sector had a total capital asset

³ C. F. Remer, *Foreign Investments in China* (New York: Macmillan, 1933), p. 73.

⁴ Hong Jiaguan, *Ershi Shijide Shanghai Jinrong (Shanghai's Finance in the Twentieth Century)* (Shanghai: Shanghai People's Press, 2004), p. 211.

⁵ Sun Yutang, *Zhongguo Jindai Gongyeshi Ziliao (Materials on Early Modern Industries in China)* (Beijing: Science Press, 1957), p. 1202.

⁶ Huntley Dupre, 'Review of Robert W. Barnett's *Economic Shanghai: Hostage to Politics, 1937–1941*' *Journal of Farm Economics*, 24/4 (1942): 919.

⁷ Tim Wright, *The Chinese Economy in the Early Twentieth Century* (New York: St Martin's Press, 1992), p. 116; Mao came up with 10 percent; see Mao Zedong, 'Democratic Dictatorship', in Mao Zedong, *Mao Zedong Xuanji (Selected Works of Mao)* (Beijing: People's Press, 1961), vol. 4, p. 1484. N. R. Lardy only accepted three percent; see N. R. Lardy, *Agriculture in China's Modern Economic Development* (Cambridge: Cambridge University Press, 1983), p. 7.

⁸ National Bureau of Statistics, *Zhongguo Tongji Ninajian, 2002 (China's Statistical Year Book, 2002)* (Beijing: China Statistics Press, 2002), p. 51.

⁹ Derived from $Q/(1-Q) \cdot (1-P)/P$; where Q = Shanghai's GDP share, and P = Shanghai's population share.

¹⁰ Anon., *Mao Zedong Sixiang Wansui (Long Live Mao Zedong's Thought)* (Beijing: Peking University, August 1969, SOAS Library Copy), p. 335; Xu Xuejun, *Shanghai Jindai Shehui Jingji Fazhan Gaikuang, 1882–1931 (A Survey of Shanghai's Socio-economic Development in Early Modern Times, 1882–1931)* (Shanghai: Shanghai Social Science Press, 1985), p. 275.

¹¹ Chen Xiaoqing, Li Jifeng and Zhu Lexian, *Kangzhan Shiwu Nian (Fifteen Years of Counter-Japanese Invasion)* (Nanning: Guangxi Normal University Press, 2008), p. 73.

of only about 70 million silver *yuan*.¹² It mainly produced low-tech 'wage goods'.¹³ In terms of labour productivity, Shanghai's modern workers produced 2.2–5.5 times of China's national average which is not overwhelmingly high. It is thus misleading to see Shanghai as China's national growth and development.

To take the 'Nanjing Decade' of 1927/8 to 1937 as another example, the Decade undoubtedly marked a pro-business era. Chiang's government raised money by selling government bonds, worth 1.1 billion silver *yuan* in 1933.¹⁴ They offered investors some hope for returns. It was also a period of vigorous GDP growth up to 9 percent a year,¹⁵ not too far behind Japan. Moreover, the Nanjing government had ambitious long-term and medium term targets for agricultural and industrial outputs, modern tertiary education, and infrastructure. For example, graduates of technical degree courses were set at 2.7 million; rice; 756 million *shi*; wheat, 882 million *shi*; steel output, 28.5 million tons; coal, 515.9 million tons; cement, 70.7 million tons; and highways, 1.5 million kilometres.¹⁶

But there are a few problems. Firstly, the Nanjing Decade growth lasted for just a decade and hence unsustainable while Japan's uninterrupted growth was at least half a century old since the beginning of the Meiji Era (1868–1912).¹⁷ Secondly, evidence indicates that the growth actually started during the 1910s: China's 15 sample industrial items had year-by-year unbroken growth in value from 1912 to 1936,¹⁸ and 16 main agricultural products held their yield records unbroken until 1957.¹⁹ So, not all growth belonged to the Nanjing Decade. Moreover, there was no structural transition in the economy: the agricultural sector still employed the majority workforce and produced the lion's share of China's total GDP.²⁰ The last example is the growth under Mao's rule. According to the official growth rates, Mao's China was not too far behind the 'Asian Tigers' (annual GDP % growth for the Tigers but 'social total output value' for China):²¹

¹² *Ibid.*, p. 73.

¹³ Xu, *Shanghai's Socio-economic Development*, p. 275.

¹⁴ Ye Shuming, *Daguode Mishì (China, A Power that Got Lost)* (Xi-an: Shanxi Normal University Press, 2007), p. 288.

¹⁵ J. K. Chang, *Industrial Development in Pre-Communist China, A Quantitative Analysis* (Edinburgh: University of Edinburgh Press, 1969), p. 71; T. G. Rawski, *Economic Growth in Prewar China* (Berkeley: University of California Press, 1989), p. 274.

¹⁶ Chiang Kai-shek, *China's Destiny and Chinese Economic Theory*, translated by Philip Jaffe (1943, English Edition, New York: Roy Publishers, 1947), pp. 174–8.

¹⁷ Rawski, *Economic Growth*, p. 280, cf. p. 330; also Liu Wei, 'Dui Jindai Zhongguo Hongguan Jingji Yunxingde Shizheng Fenxi (1927–1936)' (Quantitative Analysis of China's Macro-economy, 1927–1936), *Zhongguo Jingjishi Yanjiu (Research in Chinese Economic History)* no. 3 (2004): 81–9; Kazushi Ohkawa and Henry Rosovsky, *Japanese Economic Growth* (Stanford: Stanford University Press), p. 25.

¹⁸ Chang, *Industrial Development*, pp. 60–1.

¹⁹ D. H. Perkins, *Agricultural Development in China, 1368–1968* (Edinburgh: Edinburgh University Press, 1969), pp. 266–89.

²⁰ D. H. Perkins (ed.), *China's Modern Economy in Historical Perspective* (Stanford: Stanford University Press, 1975), p. 117.

²¹ Vera Simone and A. T. Feraru, *The Asian Pacific: Political and Economic Development in a Global Context* (White Plains [N.Y.]: Longman Publishers, 1995), p. 181; also see World Bank, *World Development Indicators, 2000* (Washington D.C.: The World Bank Group, 2002) (On line: http://publications.worldbank.org/economics/catalog/product?item_id=631625); National Bureau of Statistics, *Zhongguo Tongji Nianjian, 1987 (China's Statistical Year Book, 1987)* (Beijing: China's Statistics Press, 1987), pp. 36, 38.

	South Korea	Taiwan	Hong Kong	Singapore	China
1960-9	8.4	9.2	10.0	8.8	-
1966-70	-	-	-	-	9.3
1970-9	7.4	9.7	9.2	8.3	-
1971-5	-	-	-	-	7.3

In addition, industrial hardware, especially heavy industry, grew at an unprecedented speed with lavish investment (% of all investment in value):²²

	Heavy industry (I)	Light industry (II)	I/II
1953-7	36.2	6.4	5.7
1958-62	54.0	6.4	8.4
1963-5	45.9	3.9	11.8
1966-70	51.1	4.4	11.6
1971-5	49.6	5.8	8.6
Average	47.4	5.8	8.2

Many scholars often draw a quick conclusion that Mao's China was industrialising fast. But the reality was quite different. The Maoist heavy industry growth was poorly planned and executed. The whole process was marred by 'false reports on costs and profits', and 'reckless spending once money was allotted by the state.'²³ China's industrial sector produced mountains of capital goods, part of which simply became the deadweight to the economy, commonly known as 'to produce for inventories' (*wei cangku shengchan*).²⁴ In 1971, China's total steel inventory amounted to 52 percent of China home output and imported quantities put together.²⁵ Thus, the real industrialisation was hampered. Externally, China practically stopped trading: its share of world trade dropped from 1.5 percent in 1953 to only 0.6 percent in 1977.²⁶ Such a meagre share was associated with the Soviet Bloc, not the West. To mark the attitude of the Maoist decision-makers, China's tariff level was well above the 50 percent mark (as in the early 1980s).²⁷

In addition, China's modern industrial workforce never exceeded 60 million or 7 percent of China's total population under Mao's rule. More strikingly, the increase in the industrial workforce was lower than China's population growth.²⁸

²² National Bureau of Statistics, *Zhongguo Jingji Nianjian, 1992* (*China Statistical Year Book, 1992*) (Beijing: China Statistics Press, 1992), pp. 149, 158.

²³ Yu Guangyuan (ed.), *China's Socialist Modernization* (Beijing: Foreign Language Press, 1984), pp. 471-2.

²⁴ Zong Fengming, *Zhao Ziyang Ruanjinzhongde Tanhua* (*Conversations with Zhao Ziyang under House Arrest*) (Hong Kong: Open Press, 2007), p. 243.

²⁵ Zhang Hua and Su Caiqing (eds), *Huizhou Wedge, Zhongguo Simian Wedge Benxi Yu Fans* (*Recollection of the Decade of Cultural Revolution, Analyses and Soul-Researching*) (Beijing: Chinese Communist Party History Press, 2000), vol. 1, p. 446.

²⁶ Nicolas Lardy, *China in the World Economy* (Washington: Institute for International Economics, 1994), p. 2.

²⁷ Nicholas Lardy, *Integrating China into the Global Economy* (Washington, DC: Brookings Institution, 2002), p.34.

²⁸ Data for the industrial workforce is based National Bureau of Statistics, *Zhongguo Laodong Tongji Nianjian 1998* (*China's Labour Statistical Year Book, 1998*) (Beijing: China's Statistics Press, 1998), p. 81. Data for China's population figures are based on National Bureau of Statistics, *Zhongguo Tongji Nianjian 1986* (*China's Statistical Year Book, 1986*) (Beijing: China's Statistics Press, 1986), p. 91.

In 1958, in the thick of the Great Leap Forward, 20 million new workers were recruited from rural China. But by 1965 not only were all of them sent back to their villages, an extra two million of urban youngsters joined in under a national scheme of de-urbanisation.²⁹ In 1970–2 when the number of workers employed by state-run factories exceeded for the first time 50 million with a total annual wage bill of RMB ¥30 billion (¥50 *yuan* per capita per month), it presented to the Maoist government too huge an inflationary pressure to handle.³⁰ It is not too hard to understand that the reason why from 1968 to 1978 the state policy to systematically ruralise 16 million urban students as a response to the lack of demand for modern industrial workers. These teenagers were expected to make a living in the rural sector indefinitely. Evidently, 70 percent of them actually did become self-supporting farmers.³¹ Even after all these efforts, in 1977 the urban sector still had 15 million young people waiting for jobs.³²

Consequently, China's urban residents were most optimistically 18 percent of China's total population (as in 1978).³³ This is only 0.3 percent a year from 1949 and again slower than China's population growth.³⁴ As a matter of fact, from 1960 to 1978 China's urbanisation rate dropped by 1.8 percent.³⁵

In the end, over 70 percent of Mao's workforce was still employed by the primary (mainly agricultural) sector,³⁶ very similar to the level in 1946 when 75 percent of China's workforce was employed that way (see Table 1).

	1952	1957	1962	1965	1970	1975
Primary sector*	83.5	81.2	82.1	81.6	80.8	77.2
Secondary sector*	7.4	9.0	8.0	8.4	10.2	13.5
Tertiary sector*	9.1	9.8	9.9	10.0	9.0	9.3

Table 1. China's Employment Structures (% in Total), 1952–75

Source: National Bureau of Statistics, *Zhongguo Laodong Tongji Nianjian 2004 (China's Labour Primary sector Statistical Year Book, 2004)* (Beijing: China's Statistics Press, 2004), p. 7.

Note: * The three sectors are proxies for agriculture, industry and services.

²⁹ Zhang and Su, *Decade of Cultural Revolution*, vol. 2, p. 889.

³⁰ Zhang and Su, *Decade of Cultural Revolution*, vol. 1, p. 430.

³¹ Liu Xiaomeng, *Zhongguo Zhiqing Shi (A History of 'Educated Youngsters' in China)* (Beijing: Contemporary China Publishing House, 2008), pp. 178–9.

³² Yu, *China's Socialist Modernization*, p. 584.

³³ Elisabeth Croll, *The Family Rice Bowl, Food and the Domestic Economy in China* (Geneva: UNRISD, 1983), p. 111; National Bureau of Statistics, *Zhongguo Tongji Ninajian, 2003 (China's Statistical Year Book, 2003)* (Beijing: China Statistics Press, 2003), p. 97.

³⁴ Based on Ta-chung Liu and Kung-chia Yeh, *The Economy of the Chinese Mainland: National Income and Economic Development, 1933–1959* (Princeton: Princeton University Press, 1965), p. 212; Zhong Dajun, *Guomin Daiyu Bupingdeng Shenshi (Assessment of Unequal Entitlement amongst Citizens)* (Beijing: China's Workers' Press, 2002), pp. 224, 242.

³⁵ Li Qiang, *Shehui Fenceng Yu Pinfu Chabie (Social Stratification and Income Inequality)* (Xiamen: Lujiang Press, 2000), p. 69.

³⁶ See Ling Zhijun, *Lishi Buzi Paihuai (History, No More Hesitation)* (Beijing: People's Press, 1997), p. 102; National Bureau of Statistics, *Statistical Year Book, 2003*, p. 34.

But this was not all. What has been largely untold is that among the employed urban workforce a proportion was redundant, described as

[Under Mao] China practised a policy of over-employment of low-pay workers called 'three jobs to be shared by five workers' in order to reduce unemployment. ... A great many enterprises allowed workers to idle and efficiency to decline. ... China simply cannot modernise if this problem continues.³⁷

The problem here is that countries with over 70 percent of the population engaged in agriculture were historically pre-industrial, exemplified by Meiji Japan in 1872 (at 72 percent) and Tsarist Russia in 1914 (at 75 percent) and colonial India in 1901 (at 65 percent).³⁸ It is therefore very difficult to justify the claim that Mao greatly increased the degree of China's industrialisation. Inside the agricultural sector, growth stagnated (see Table 2).

	Current price	Index (I)	1952 price*	Index (II)
1952	41.7	100	41.7	100
1977	80.7	194	29.0	70
Gross annual growth		2.7%		-1.4%
Net annual growth†		0.7%		-3.4%

Table 2. Agricultural Gross Output in Value (in RMB ¥ Billion), 1952–77

Source: Based on National Bureau of Statistics, *1985 Zhongguo Nianjian (China's Statistic Year Book, 1985)* (Beijing: Economy Press, 1986), p. 239.

Note: * Conversion is based on the average inflation rate of 2.0 percent a year for the period of 1950 to 1978; see Li Jingwen, 'Zhongguo Jingji Tizhi Zhuanxing Guochengzhongde Hongguan Tiaokong' (Macro Control over the Process of Switching China's Economic System), *Xinhua Wenzhai (Xinhua Compilation)*, 4 (1997): 49–51. † Net growth by discounting population growth at a rate of 2.0 percent per year from 1949 to 1977.

Consequently, food supply became a problem. It began in North China in the 1950s and spread to South China at the end of Mao's rule (see Table 3).

	South China	North China	China's total
1956–60	1,950.5	-472.0*	1,478.5
1961–5	669.5	-2,013.5	-1,344.0
1966–70	942.0	-796.5	145.5
1971–5	952.5	-1,159.0	-206.5
1976–8	-22.8	-1,106.4	-1,129.2

Table 3. China's Food Availability Seen from Food Exports (in 10,000 tons)

³⁷Xue Muqiao, *Xue Muqiao Huiyilu (Memoir of Xue Muqiao)* (Tianjin: Tianjin People's Press, 1996), p. 479.

³⁸Ryoshin Minami, *The Economic Development of Japan: A Quantitative Study* (London: Macmillan, 1986), p. 24; S. G. Wheatcroft, R. W. Davies and J. M. Cooper, 'Soviet Industrialization Reconsidered: Some Preliminary Conclusions about Economic Development between 1926 and 1941', *Economic History Review* 39/2 (1986): 273; Priyatosh Maitra, *Indian Economic Development: Population Growth and Technical Change* (New Delhi: Ashish, 1991), pp. 101, 132; Penelope Francks, *Japanese Economic Development, Theory and Practice* (London: Routledge, 1992), p. 29; R. W. Davies, Mark Harrison and S. G. Wheatcroft, *The Economic Transformation of the Soviet Union, 1913–1945* (Cambridge: Cambridge University Press, 1994), p. 112; P. R. Gregory, *Before Command: An Economic History of Russia from Emancipation to the First Five-Year Plan* (Princeton: Princeton University Press, 1994), pp. 21, 42.

Source: Based on Contemporary Agricultural History Study Group, Rural Economy Institute, Ministry of Agriculture (ed.), *Dangdai Zhongguo Nongye Biange Yu Fazhan Yanjiu (A Study of Agricultural Reforms and Development in Contemporary China)* (Beijing: China's Agriculture Press, 1998), p. 251.

Note: * Negative value means food imports due to food deficits.

In addition, the Maoist economy had five cycles. Negative growth was not uncommon. The economy dropped as much as over 40 percent (1958–62). Clearly, the Maoist economy was unsustainable to say the very least, not to mention the Great Leap Famine in 1959 to 1961 when 30 million people died (% growth of the previous year):³⁹

Cycle I (5 years)	1950	19.0
	1955	5.3
Cycle II (2 years)	1956	11.9
	1957	2.9
Cycle III (4 years)	1961	-18.4
	1962	-7.2
Cycle IV (5 years)	1963	8.2
	1967	-0.5
Cycle V (7 years)	1969	12.4
	1976	-1.8

In this context, in February 1978 at the Fifth People's Congress by Mao's successor Hua Guofeng (1921–2008) openly condemned the Cultural Revolution:

*We lost 100 billion yuan in industrial GDP, 28 million tons of steel, 40 billion yuan fiscal revenue. Our entire economy was on the brink of collapse.*⁴⁰

It becomes clear that to qualify a miracle growth the economy not only needs a fast increase in GDP but also a rapid structural change in its employment structure so that fewer and fewer people are employed by the agricultural sector. This only occurred after 1978.

China's growth misfortune changed with Deng Xiaoping's reforms after 1978. If one takes 1978 as a turning point, the three decades prior to 1978 was a period of nominal fast growth which was followed by three decades of genuine fast growth. Deng's reforms in agriculture, industry and services were carried out with a combination of policy changes and institutional re-adjustments in order to revive producers' incentives and to unleash the power of the market economy. These reforms formed the antithesis to Maoism. The result was a miracle growth.

Firstly, China's growth was accompanied by a market which by and large cleared itself most of the time until 2008. It means the wasteful practice of Maoism was a thing of the past.

³⁹ Data for 1950 to 1963, based on National Bureau of Statistics, *Zhongguo Tongji Nianjian, 1983 (China's Statistic Year Book, 1983)* (Beijing: Economy Press, 1983), pp. 13–14, 22–3. Data for 1967 to 1976, based on National Bureau of Statistics, *Statistical Year Book, 2002*, p. 51.

⁴⁰ Hua Guofeng, 'Tuanjie Qilai, Wei Jianshe Shehuizhuyide Xiandaihua Qianguo Er Fendou' (United to Build a Socialist Modern Power), *Renmin Ribao (People's Daily)*, 27 February, 1978, p. 1.

This was achieved with a year-by-year growth rate which was not too different from the nominal growth rate under Mao:⁴¹

	'Social total output value'	National income	GDP
Maoist era: 1952–77	7.3	6.2	6.4
Dengist era: 1979–2000	–	9.3	9.4

Deng Xiaoping's growth target of 'a GDP at 1,000 American Dollars per head' announced in 1980 was well accomplished.⁴²

Coupled with China's explosive GDP growth was the most rapid expansion in non-agricultural employment and urbanisation in China's long history. In the 1990s, rural industrial workers left in large numbers to cities. This led to most visible change of city-bound migration that was persistently restricted during the Maoist era. There were both a 'pull factor' and a 'push factor' to make rural people so willing to leave land: (1) higher incomes in cities, and (2) a lack of private ownership over land in the farming sector. Post-Mao China became a textbook case for Arthur Lewis' dualism.⁴³ According to the 2000 national census, conservatively 88 million of rural people had moved to cities, accounting for a quarter of the rural workforce of the time.⁴⁴ The real figure was likely 40 percent higher.⁴⁵ China's landscape of urbanisation changed. In 2000, China's urban population doubled its 1978 level and China's urbanisation rate reached for the first time 36 percent.⁴⁶ A decade later, the rate increased to 46 percent (as in 2008).⁴⁷ The annual growth rate was 3.2 percent, over 10 times faster than Mao's record.

However, if we take a long-term view with China's growth index from the 1830s, the post-1978 growth stands out as truly extra-ordinary with a sudden jump from 1982 to 2000 (constant price):⁴⁸

⁴¹ National Bureau of Statistics, *Zhongguo Tongji Nianjian, 1987* (China's Statistical Year Book, 1987) (Beijing: China's Statistics Press, 1987), pp. 36, 38; National Bureau of Statistics, *Zhongguo Tongji Nianjian, 1989* (China's Statistical Year Book, 1989) (Beijing: China's Statistics Press, 1989), pp. 29, 31; National Bureau of Statistics, *Statistical Year Book, 2002*, p. 51. For the World Bank data, see World Bank, *World Development Report 2000/2001* (New York: Oxford University Press, 2001), p. 294.

⁴² Li Li-an and Zheng Keyang (eds), *Deng Xiaoping Yu Gaige Kaifang Shisi Nian* (Deng Xiaoping and Fourteen Years of Reforms and Opening Up) (Beijing: Beijing Normal University Press, 1993), p. 14.

⁴³ A. W. Lewis, 'Economic Development with Unlimited Supplies of Labour', *Manchester School* 22/2 (1954): 139–91.

⁴⁴ Lu Xueyi, *Dangdai Zhongguo Shehui Jiecen Yanjiu Baogao* (Survey of Social Strata in Contemporary China) (Beijing: Social Sciences Academic Press, 2002), p. 180; National Bureau of Statistics, *Statistical Year Book, 2003*, pp. 99, 123.

⁴⁵ Li Yi, *The Structure and Evolution of Chinese Social Stratification* (Lanham [Maryland]: University Press of America, 2005), p. 219.

⁴⁶ National Bureau of Statistics, *China's Statistical Year Book, 2003*, p. 97.

⁴⁷ On line: http://news.xinhuanet.com/english/2009-06/15/content_11547831.htm

⁴⁸ Dates used are determined by the available data in the neighbourhood of important historical turning points. Minimum estimate for the 1830s as 3,598 million taels of silver. Estimate for 1750, at 1,713 million taels of silver is based on Albert Feuerwerker, 'The State and the Economy in Late Imperial China', *Theory and Society* 13/3 (1984): 297–326, p. 300. Estimate for 1880 at 3,500 million taels is based on Liu Foding Wang Yuru and Zhao Jin, *Zhongguo Jindai Jingji Fazhan Shi* (A History of Economic Development in Early Modern China) (Beijing: Tertiary Education Press, 1999), p. 66. Estimates for 1914 and 1936 are based on the indices of Liu Foding and Wang Yuru, *Zhongguo Jindaide Shichang Fayu Yu Jingji Zengzhang* (Market Development and

	GDP index	GDP/head index ⁴⁹
1830	100	100
1887	93	98
1914	121	132
1936	167	139
1952	167 ⁵⁰	116
1962	282 ⁵¹	167
1972	620	286
1977	788	331
1982	1,304	511
1992	6,555	2,230
2000	21,690	6,800

Moreover, those remain in the rural regions did no longer live on farming exclusively. According to the nation-wide rural survey in 1988, the income share from non-farming activities reached 58 percent of China's rural household income.⁵² In another account, the number of full-time farmers dropped by about 50 percent in 2000,⁵³ while the share of income from farming dropped to about a third in the same time.⁵⁴ Less than three percent of the rural households exclusively lived on farming; 30 percent of the rural households no longer farmed at all.⁵⁵

What so remarkable is that such rapid growth in industrial workforce and urbanisation has been generated mainly domestically. It is true that from 1979 to 2000 the foreign direct investment used in China accumulated to US\$ 346.6 billion, equivalent to 32 percent of China's total GDP in 2000.⁵⁶ But foreign firms created only a small workforce. By 2000,

Economic Growth in Early Modern China) (Beijing: Tertiary Education Press, 1996), p. 44. GDP data for 1952 to 2000 are based on National Bureau of Statistics, *Statistical Year Book, 2002*, p. 51.

⁴⁹ Dates used are determined by the available data in the neighbourhood of important historical turning points. For data for 1766 to 1887, see Kent Deng, "Unveiling China's True Population Statistics for the Pre-Modern Era with Official Census Data", *Population Review* 43/2 (2004), Appendix 2. Data for 1928 to 1946, see Cao Shuji, *Zhongguo Renkoshi (A Demographic History of China)* (Shanghai: Fudan University Press, 2001), vol. 6, pp. 257, 266, 274. Data for 1952, 1962, 1972 and 1977 are based on National Bureau of Statistics, *Zhongguo Tongji Nianjian, 1987 (China's Statistical Year Book, 1986)* (Beijing: China's Statistics Press, 1986), p. 91.

⁵⁰ Mao's government claimed that China's economy fully recovered in 1952 back to the 1936 level; see Dong Zhikai, *1949-1952 Nian Zhongguo Jingji Fenxi (Analysis of China's Economy, 1949-1952)* (Beijing: China's Social Sciences Press, 1996), pp. 365-70. Liu and Yeh used 1933 as the benchmark year for 1952 and viewed a growth in 1952. This is not contradicting the 1936-1952 comparison; see Liu and Yeh, *Economy of the Chinese Mainland*, p. 67.

⁵¹ Note: The GDP figures for 1962, 1972 and 1977 are only in their face value with no discount to reflect the damages caused by the Maoist political purges and mismanagement of the economy.

⁵² Yu Dechang, *Nonghu Jingji Xingwei Ji Laodong Shijian Liyong Tiaocha Ziliaoji (Survey Data for Rural Households' Economic Behaviour and Labour Input Patterns)* (Beijing: China's Statistical Press, 1992), p. 331.

⁵³ National Bureau of Statistics, *Statistical Year Book, 2003*, p. 124; Lu, *Survey of Social Strata*, p. 22.

⁵⁴ National Bureau of Statistics, *Zhongguo Shichang Tongji Nianjian, 2001 (China's Market Statistical Year Book, 2001)* (Beijing: China's Statistics Press, 2001), p. 29.

⁵⁵ Yu, *Survey Data*, pp. 325-6.

⁵⁶ Ministry of Finance, *Zhongguo Caizheng Nianjian (China's Financial Year Book, 2004)* (Beijing: China's Financial Magazine Press, 2004), p. 418.

foreign companies (including those of Hong Kong and Macao) hired only 6.4 million workers (vis-à-vis 24.1 million hired by the rest of the private sector).⁵⁷

Now, after three decades of reforms, coastal China has changed beyond recognition. China's world ranking jumped from obscurity to prominence in terms of foreign trade volume, FID intake, total GDP and so forth. So much as the notion of G2, or 'ChinAmerica', has been on the lips of journalists and politicians around the world.

C. China's growth limits

However, China's relatively smooth take-off after 1978 did not come without problems. These problems are structural, environmental and social. They set growth limits for China in the near future.

First of all, much of China's growth success has come from trade. From 1978 to 1990, China's average annual growth rate in trade was over 15 percent, much faster than China's GDP growth.⁵⁸ Such a growth strategy was copied from post-war Japan and the Asian Tigers. These economies were considerably smaller than China at the time they moved towards industrialisation. The implication was that these countries would not shift the global supply curve outwards by a large margin before achieving their goal of industrialisation. In other words, these countries would not change the general equilibrium in the world economy even with their high export propensity. In fact, the Japanese economy has not been as export-oriented as one might think. Currently, Japan exports less than 15 percent of its GDP.

China's reforms have undoubtedly created a large and open economy. Conservatively, the country exports 40 percent of its GDP and even a great percentage of its GDP depends on overseas sales. It simply means that China's production has been geared towards the global market. This was preferable in the beginning when the outside world generated strong and steady demand for cheap goods made in China, commonly known as the 'demand shock' or a 'demand-driven model'. With outside demand, the value of China's total GDP simply would not have been fully realised.

The size of the potentially unrealised value is not trivial. If we take China's current US\$ 2 trillion foreign reserves as the country's net exported GDP value and hence China's net total added value, roughly China created new value worth US\$ 67 billion (or US\$ 52 per head) a year on average over the last 30 years. And, this amount had to be sold overseas.

But it will be naïve to assume that such a demand-driven model will last for ever for a large economy. As China has become rapidly industrialised, it has shifted its Production Possibility Frontier. This is presented in Figure 1 where the original Point *a* stands for Maoist economy which operates inside the original Production Possibility Frontier (Curve I),⁵⁹ considering the commonly agreed wastes and damages associated with Maoism. The new frontier is set up (Curve II) to allow China to catch up with the Western productivity with much higher output. This has been completely rational in relation to China's domestic growth performance.

⁵⁷ National Bureau of Statistics, *Statistical Year Book, 2003*, pp. 126–7.

⁵⁸ Nicolas Lardy, *Foreign Trade and Economic Reform in China, 1978–1990* (Cambridge: Cambridge University Press), p. 11.

⁵⁹ For detail, see Victor Nee and Su Sijin, 'Institutional Change and Economic Growth in China', *The Journal of Asian Studies*. 49/1 (February 1990): 3–25.

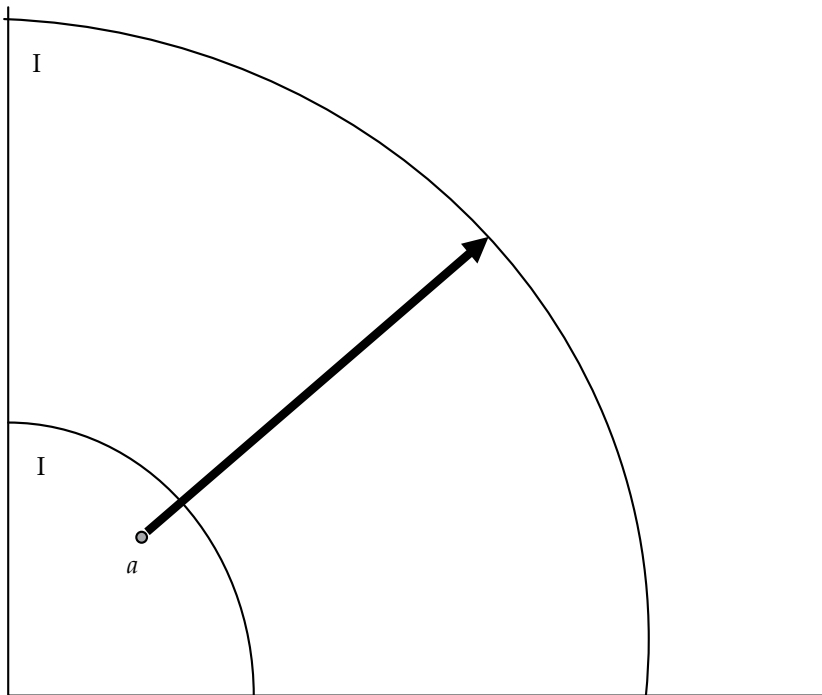


Fig. 1. China's Shifting Domestic Production Possibility Frontier

However, as China keeps progressing that way, it inevitably shifts the global supply curve outwards and hence changes the original demand-driven model to a 'supply-driven model'. This is shown in Figure 2 where we hold the global aggregate demand curve (D) constant. China's ever-growing export may shift the global aggregate supply curve from S_1 to S_2 and hence upsets the global general equilibrium. Although the aggregate goods traded increase from q to q' , wages and profits of Chinese producers will suffer and the growth will slow down (a drop from p to p'). Anecdotally, since the 1990s there have been constant complaints about malevolent and throat-cutting competition and vanishing profit margins in China's exporting firms. This is simply because the capacity of any market is limited at any given time. The global market is no exception. Imperially, such a supply-driven model is not sustainable in the long run.

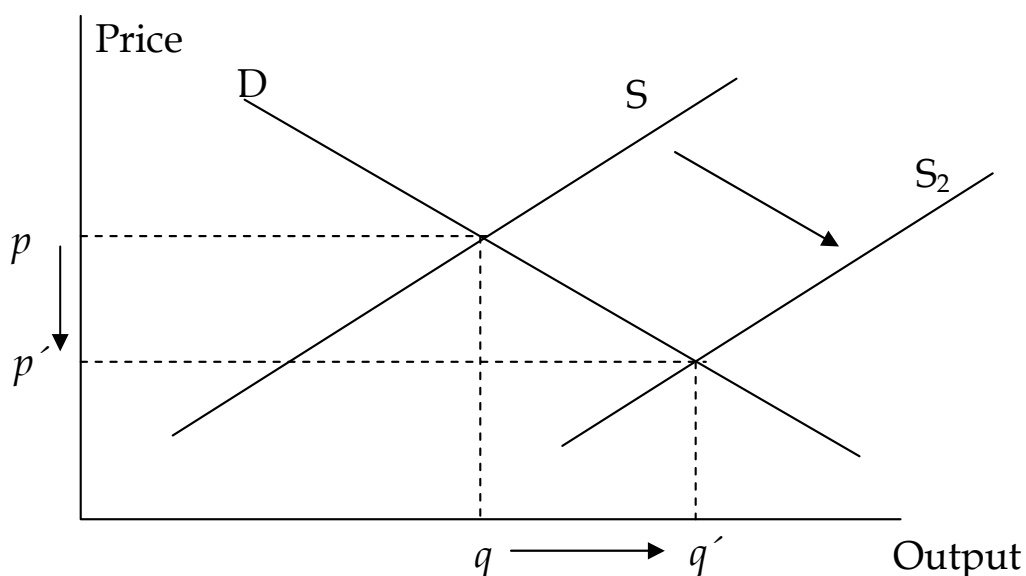


Fig. 2. China's Shifting Global Supply Curve

We can make the model more dynamic with technological improvement and price elasticity. The result may well be similar. In the following diagram (Figure 3), the supply curve shifts from $S-S_1$ to $S-S_2$ with technological improvement while the demand curve shifts spontaneously from $D-D_1$ to $D-D_2$ with price elasticity when cheaper goods are available. Even so, the enlarged quantity with lowered price per unit of goods may eat into the profit of the supplier unless new technology kicks in. The shaded area represents a loss of the total revenue for the producer. As a result, a great many firms go broke and unemployment increases. This has been the case in coastal China since the 2008 global credit crunch.

Currently, China is responsible for about only 15 percent of the global GDP and 7 percent of the global trade. It may not yet face the supply-driven challenge as a whole. However, certain signs suggest that such a challenge looms large for China. A good example was the sudden drop of China's export by a third since the last quarter of 2008. Although it is a shift in the global aggregate demand since the 2008 credit crunch, conceptually, it produces the same impact. In other words, the current global financial crisis is a dress rehearsal for China's future should the economy stick to the 'large-and-open' structure with high dependence on export. There is the real possibility that eventually the world market may not clear itself after China, the New Big Boy, joined in.

Conceptually, China's accumulative US\$ 2 trillion foreign reserves show the same problem of a chronic lack of domestic purchasing power among the ordinary citizens. Similarly, China's current stimulus package worth RMB ¥4 trillion clearly shows the domestic consumption gap vis-à-vis China's output capacity. To a great extent, China domestic market has already been at the mercy of the afore-mentioned supply-driven model.

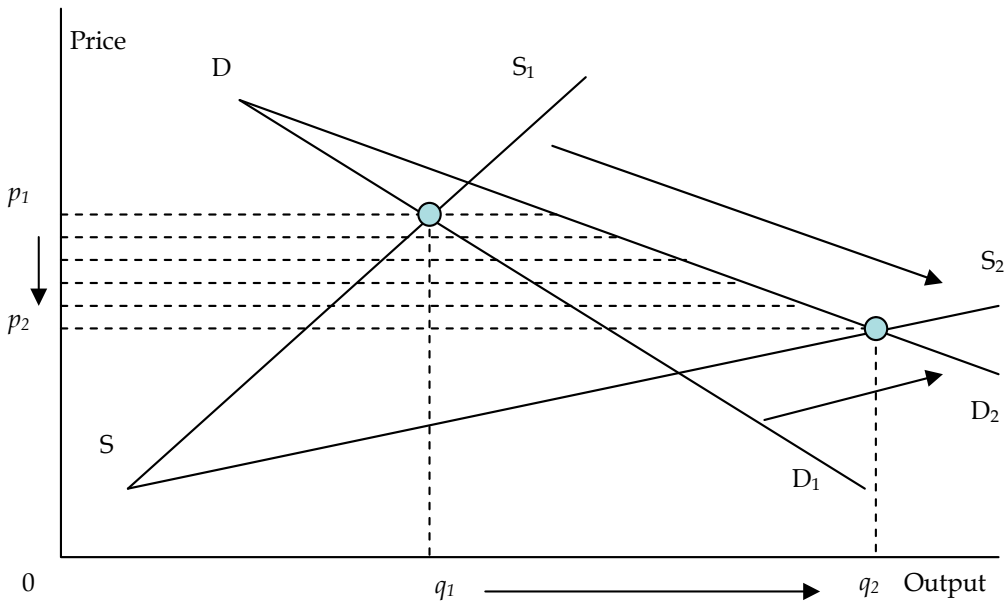


Fig. 3. Shifting Global Supply Curve with Technological Improvement and Price Elasticity

To put it bluntly, the key to China's problem is its export-oriented industrialisation necessarily requires China to over-produce goods and services beyond its own consumption capacity. The solution for China is not to produce more but to radically change the current distribution and re-distribution pattern among the less privileged social strata perhaps *à la* an EU model of secured citizens' entitlement and social security.

The second factor which sets growth limits for China has to be the environment including production inputs of materials and pollutant emissions. Admitted, China is not yet a leader in modern technology. On the other hand, it will be unrealistic to assume the West will altruistically pass on to China the state-of-art technology. As a result, China's miracle growth in the past three decades has been based disproportionately on relatively backward but cheap technology by the Western standards. China's ultra-cheap labour, which costs one-tenth of that in Europe and the United States as we speak,⁶⁰ is comfortably overcompensates the deficiency of the relatively cheap technology that is currently in use in China. The Soviet type of energy-wasting infrastructure inherited from Mao's time played a part. It is not so surprising that in 2006 to produce US\$ 1 worth GDP China needed three times more energy than the global average,⁶¹ which has determined China's excessive appetite for global resources. China's relative lax in environmental restrictions has been a promoter of such a practice, too. To support such a wasteful system of production has already made China one of the largest importers of resources (minerals and raw materials such as iron ore, copper, oil, wheat, and cotton) while the economy has not yet fully industrialised.

⁶⁰ Clyde Prestowitz, *Three Billion New Capitalists: the Great Shift of Wealth and Power to the East* (New York: Basic Books, 2003), p. 76. In nominal terms, in 2005 the wage level of China was about five percent of that of the United States and Japan, six percent of South Korea and 42 percent of Mexico; see International Labour Office, *Yearbook of Labour Statistics* (Geneva: International Labour Organisation, 2006), pp. 763–838.

⁶¹ Based on information on line: <http://www.weforum.org/pdf/summitreports/eastasia2006/security.htm>

The externalities of China's high input growth pattern have been unprecedented pollution in air, water, soil and noise together with deforestation, soil erosion, encroaching desert, acid rains and dust storms to increasingly threaten Chinese quality of life as well as the gain from each unit of GDP produced. Notoriously, of the ten most polluted cities in the world six are Chinese. China's current status is the Number One polluter of greenhouse gases in the world. This was done after China passed numerous laws to protect the environment: Law of Environmental Protection, Forestry Law, and Law on Water Pollution Control and so forth. The effectiveness of these laws has yet to be tested.⁶² China is now regarded as a country in a deep environmental crisis which has inevitably discounted China's GDP achievements.⁶³

The current dilemma that China faces is how to maintain fast growth and still in compliance with China's global environmental responsibility; or how to become industrialised without becoming at the same time a global liability. With China's current GDP fetish and China's inherent energy-intensive production model, a clash with environmental protection is predictable. The current financial crisis has already provided trade protectionism a new lease of life. China's environmental track record will almost certainly be used against China's exports which will in turn slow down China's growth. The question is not 'if' but 'when'.

In a broader sense, the environmental problem also includes materials that China needs to import to fuel its growth, such as minerals, timber, oil and, increasingly, food. These materials are all related in one way or another to environmental issues. Even if they were environmental damage-free, the fact that China has shifted the global demand for them means higher prices for China's imports. Such prices will to a great extent cancel out China's advantage with cheap labour in global trade. The impact will be the same: to slow China's growth down.

The last factor is social. The very reason for China to become so export dependent has been China's limited domestic demand. This is one of the legacies of Maoism. It is commonly known that under Mao's rule about a quarter of China's annual GDP was scooped away for capital investment hand in hand with very strict sumptuary control over ordinary people's basic consumption by comprehensive draconian rationing.⁶⁴ As a result, 'ordinary citizens possess little more than basic furniture, clothing, bedding and cooking utensils.'⁶⁵ In the 1960s to 70s, China's national Engel's coefficient stayed at 0.7, meaning that 70 percent of income was spent on food.⁶⁶ This was worse than the record for the 1920s and 30s when Engel's coefficient in China's six northern provinces was lower than 0.6,⁶⁷ comparable with Britain, Japan and India at that time.⁶⁸ It was officially recognised that by 1978 about half of China's population lived under the official poverty line.⁶⁹

⁶² E. C. Economy, *The River Runs Black: the Environmental Challenge to China's Future* (Ithaca: Cornell University Press, 2004).

⁶³ Vaclav Smil, *China's Environmental Crisis, an Inquiry into the Limits of National Development* (New York: M. E. Sharp, 1993).

⁶⁴ Ministry of Finance, *Zhongguo Caizheng Nianjian (China's Financial Year Book, 1997)* (Beijing: China's Finance Magazine Press, 1997), p. 479; National Bureau of Statistics, *Statistical Year Book, 2002*, p. 51.

⁶⁵ He Qinglian, *Women Rengzai Yangwang Xingkong (We Are Still Praying)* (Guilin: Lijiang Press, 2001), p. 8.

⁶⁶ He Bochuan, '2000 Nian Zhongguo Mubiao Xitongde 20 Ge Cuiruodian' (Twenty Weak Points in China's Targets for the Year 2000), *Xinhua Wenzhai (Xinhua Compilation)*, 5 (1994): 8.

⁶⁷ Bureau of Social Affairs of Shanghai, *The Cost of Living Index Numbers of Laborers, Great Shanghai, January 1926 - December 1931* (Shanghai: Bureau of Social Affairs of Shanghai, 1932), p. 18; Li et al., *Social Surveys*, vol. 1, pp. 25, 26, 358; vol. 2, pp. 2, pp. 758, 827, 1225.

⁶⁸ Li Wenhui, Xia Mingfang and Huang Xingtao (eds), *Minguo Shiqi Shehui Diaocha Congbian, Chengshi Laogong Shenghuojuan (Selected Social Surveys of the Republican Period, Volume on Urban Workers)* (Fuzhou:

After the reforms, Mao's anti-consumption approach was abandoned and ordinary Chinese consumption increased. In 1990, food ration ended for the first time after four decades.⁷⁰ People's consumption increased 400 percent from 1980 to 2000 (352 percent for the rural sector).⁷¹ Ordinary people's material life was also increasingly modernised: household consumption of electricity increased near 10-fold from 1983 to 2000.⁷² By 2000, only three percent of China's population still remained under the official poverty line.⁷³ In this regard, Deng Xiaoping's reforms did a good job in eradicating absolute poverty.

But relative poverty has not only continued but also highly visible and escalated. China domestic consumption growth continuously falls behind China's GDP growth and export expansion by a considerable margin. In 2003, the Ministry of Labour and Social Security began to experiment on the minimum wage. But China's current wage rate, which affects 20 to 45 percent of all workers, is not enough to make both ends meet in most regions. Of China's 31 provincial units, only 2 have the low living costs with which the minimum wage allows workers to make a living (as in 2006).⁷⁴ It means that workers need a second wage to survive.

The inadequate wages for the working class now coincide with China's dangerously high Gini coefficient at about 0.5 from a low base level of 0.3 when the reforms began.⁷⁵ This is clearly unacceptable. On top of that, the income gap between China's coast and interior, between the urban and rural sectors, and between managers and workers, has been steadily widened. Public resentment is already common. Unless China reverses this trend, social unrest will increase to jeopardise social stability on which growth heavily depends.

This problem is further complicated by the entrenched interest group that is closely associated with the sectors under state political and economic monopoly, and by the widespread disease of official rent-seeking and corruption which can be traced back from the dual-track pricing system when the reforms began. It has been estimated that from 1978 to 2000 a total of RMB ¥15,037 billion were embezzled, equivalent to China's GDP of 1998 and 1999 put together.⁷⁶ The annual total corruption revenue amounted to ¥650–800 billion (as in the 1990s) with the following breakdown: ¥400 billion illegally collected as fees and dues; ¥200–300 billion extracted from state-private sectoral arbitrage; and ¥50–100 billion embezzled from state-owned enterprises.⁷⁷ There was also annual money laundry of ¥200

Fujian Education Press, 2005), vol. 1, pp. 273, 359. For Meiji Japan's Engel's coefficient together with widespread poverty, see also S. B. Hanley, *Everyday things in Premodern Japan* (Berkeley: University of California Press, 1997), p. 171 and *passim*.

⁶⁹ Based on Chen Zongsheng, *Shouru Chabie Pinkun Ji Shiye (Income Differentiation, Poverty and Unemployment)* (Tianjin: Nankai University Press, 2000), pp. 132–3.

⁷⁰ Ma Licheng, *Jiaofeng Sanshi Nian (Thirty Years of Confrontation)* (Nanjing: Jiangsu People's Press, 2008), p. 171.

⁷¹ National Bureau of Statistics, *Statistical Year Book, 2003*, p. 72.

⁷² *Ibid.*, p. 273.

⁷³ Based on the rural percentage; see Li Qiang, *Shehui Fenceng Yu Pinfu Chabie (Social Stratification and Income Inequality)* (Xiamen: Lujian Press, 2000), p. 345.

⁷⁴ Based on National Bureau of Statistics, *Zhongguo Jingji Nianjian, 2007 (China Economic Year Book, 2007)* (Beijing: China Statistics Press, 2007), various pages.

⁷⁵ Zhang Daoge, 'Bufen Xianfude Gaige Xiaoying' (Effect of 'Allowing a Few to Become Rich First'), *Xinhua Wenzhai (Xinhua Compilation)*, 4 (1994): 41.

⁷⁶ Zong Fengming, Zhao Ziyang Ruanjinzhongde Tanhua (Conversations with Zhao Ziyang under House Arrest) (Hong Kong: Open Press, 2007), p. 225; National Bureau of Statistics, *Statistical Year Book, 2002*, p. 51.

⁷⁷ He Zengke, *Fanfu Xinlu (New Path to Combat Corruption)* (Beijing: Beijing: Central Translation Services Press, 2002), pp. 37, 109–10, 161, 232.

billion.⁷⁸ Disturbingly, from 1978 to 2000, the number of corruption cases increased 22 percent a year, many times faster than China's GDP growth; and China was ranked one of the top 20 most corrupt countries in the world in 1999.⁷⁹

Chinese officials have been deeply engaged with corruption. From 1978 to 1998, 2.4 million communist party members were found guilty of corruption of various types and over 400,000 were sentenced. It is worth noting that over 70 percent cases were related to state-owned enterprises. Alarming, official corruption has become increasingly organised. In 2000, an Amoy-based network involved several hundred party officials. In 2001 a Shenyang-based network also involved 16 local party bosses and one hundred lesser officials. In 2002, a Tangshan-based network of embezzlers was made of 40 local party bosses.⁸⁰ An increasing number of corrupt officials have escaped overseas to avoid justice. By 2004, 4,000 officials took refuge in other countries with an aggregate of US\$ 50 billion booties.⁸¹ Many enterprises have been wrecked by official corruption. So, disability may come from the bottom as well as the top of society.

C. Final remarks

China's post-1978 growth was unprecedented in Chinese history. It has already produced a range of remarkable results in the economy. Today, its impact can be felt all over the world. China may have finally passed the point of no return in its pursuit of industrialisation and modernisation.

On the other hand, China has increasingly become a victim of its own success. The large-and-open model to produce for exports will inevitably hit a ceiling which is determined not by how much China can produce but how much the global market can absorb. The supply-driven model cannot be sustainable in the longer run.

Internally, the combination of China's ultra-cheap labour with relatively cheap technology has certainly delivered some results. But it is by no means an efficient mode of production over the long run. The mounting environmental costs may eventually remove the value-adding capacity of China's cheap labour. Then the engine of China's miracle growth may stall.

The most serious threat is the social factor. Historically, unless the general public benefitted in tangible ways from the growth that they contributed to, the producers' incentives to produce more and better and investors' incentives to invest more and wider would stop at certain point and hence slowed down the growth.

In this regard, China's future growth may not be as certain and rosy as one might imagine unless systematic efforts are made to address those issues that set growth limits for China in the next few decades to come. This will be the colossal challenge to China's decision-makers and economic operators. In other words, globalisation functions only as one factor in a matrix of factors that dictate China's future. Further growth in China will depend increasingly more heavily on the country's internal conditions.

⁷⁸ Ma Ling and Li Ming, *Wen Jiabao Xinzhuang (New Biography of Wen Jiabao)*, 8th Edition (Hong Kong: Mingpao Press, 2003), p. 198.

⁷⁹ He, *Combat Corruption*, pp. 2, 50.

⁸⁰ Ma and Li, *Wen Jiabao*, p. 200.

⁸¹ See He, *Combat Corruption*, pp. 1-2, 113; see Li Youjun and Liu Xiaolin, 'Zhongguo Zhuji Tanguan Waitao' (China Stops Corrupt Officials from Escaping), *Renmin Ribao (People's Daily)*, 10th September, 2004, p. 7.

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This is a collective volume on present-day globalisation with nine chapters from authors of several academic disciplines. It covers wide aspects, ranging from the nature, impact, challenges and implications of globalisation to responses from a country or community when facing globalisation today or tomorrow. Policy suggestions are also made. This book will hence help the reader to understand the currently debated issues.

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