

The Effect Of Globalization On National Economies And Business

The Future



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Globalization has an enormous effect on all National Economies, Societies and Business. The modern globalization era has a birth date and a birthplace: the fateful meetings in Bretton Woods, New Hampshire, in July 1944. That was when the world's leading economists, politicians, bankers, and corporate figures gathered to figure out what to do to mitigate the terrible devastation of World War II. They decided that a new centralized global economic system was required to accelerate worldwide economic development. Theoretically there would be no more horrible wars, and people would be well-fed and would enjoy the fruits of the technological and consumer revolutions.

Globalization was designed on the basis of the future creation of a New Global Nation with the main purpose of unifying people, cultures, economies and nations under the vision of worldwide prosperity and wellbeing. This however never happened over the years. Instead, so far, globalization has created a turbulent and unstable global socio-political environment characterized by the creation of huge inequalities between nations and inside nations.

The dominance of multinational companies, the transfer of production lines to developing or emerging countries in most of the cases, in the medium term, exacerbated the economy and social cohesion of what we call poor countries but additionally also caused injury to the middle class and the national economy of their own home countries. In order to prepare the situation they effected laws exclusively for their own benefit, lowering the protective barriers of trade, lowering labor costs and changing environmental and safety regulations.

Globalization and its supportive mechanisms such as global investment banks created big problems in many different countries in the world and lately in Europe. Spain, Italy, Greece, Ecuador and east European countries are some of the cases worth examining for extracting useful results. High unemployment rates, low wages, companies that stop their operation, lower GDPs, high public deficit, elimination of the middle class and small to medium-size companies as well as social instability are some common characteristics of the free market doctrine due to the lack of necessary regulations that would preserve economic and social balance.

On the other had Globalists are claiming that this model is helping poor nations develop their economies as it brings growth capitals, technology and most importantly know-how, it creates jobs, better living conditions and huge opportunities for the future generations. Western business leaders embraced globalization not just because it opens up new markets, introduces new ideas and weeds out unproductive, protected sectors, but also because it allows for lower production costs and therefore bigger profits. It doesn't seem to have occurred to them that if you don't provide Western consumers with jobs, they'll be priced out of the market and the mother economy will wither and die.

Globalist are right to a certain degree, but they are overlooking the results which are already obvious and are pointing out the fact that the way Globalization is operating, it is destroying any possibility for these countries for true growth. It generates incomes but not national wealth. Contrary to its claims, wealth generated by globalization does not trickle down. Rather, the rules lock the wealth at the top, removing from governments and communities the very tools necessary to redistribute wealth, protect domestic industries, workers, social services, the environment, and sustainable livelihoods. There are isolated instances where some improvement has been achieved among Third World countries, over short periods.

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Let's remember what Adam Smith, the classical economist, pointed out in his book *The Wealth Of The Nations*: Manufacturing and extraction are the only two ways to create wealth.

To reclaim national wealth means creating a better future based on a strong economy. When multinational companies start exploiting the natural resources of a nation, claiming that they are helping the local economies, they are in fact not creating wealth but just income for a very specific period of time. When global investment banks make profits from trading stocks and bonds, the trader is actually depleting the economy as in most of the cases he moves the earnings offshore to save and he does not return profits as reinvestments for the needs of the economy. In the early stages it sounds good for people because it creates jobs, enhancing consumerism as goods are cheaper for a short of period of time. But after a few decades when the wealth is over the developing nation is left having nothing. In conclusion, as soon as they have taken what they want from the national economy they leave and the situation becomes worse than it was before. This is just the beginning of what some economists call "Dead World Model Of Economies" or "Zombie Economies". This situation has created a huge inequality, a gap between nations and different parts of the national social structure, something that is feeding world instability.

Globalization can be a successful model only if it shifts its course, starts supporting growth and brings balance to economic and social life, operating in a more contributive and creative way. If it is not already too late. By connecting different national cultures, to achieve economic and social improvement. Global leaders must immediately start working in this direction by applying regulations to balance economic growth with equal opportunities between advanced and developing countries. But the system only works if everyone plays by a common set of rules and standards. Nations won't live happily together if that does not apply. That's what has gone wrong with globalization. Many have just copied from the West and used cheap labor for competitive advantage. Adam Smith's "invisible hand" cannot operate efficiently in a world of wildly different labor standards, attitudes to the rule of law and manipulated currency values. Even Smith, the father of free market thinking, recognized that markets must be policed if they are to function properly.

Additionally, national economies should start building their own production system which will allow their economy to exploit their own wealth sources and collaborate with public or privately held organizations worldwide on the basis of mutual benefit. Nations ought similarly to derive a collective economic benefit by specializing in the things they do best and then trade with others for the rest. Vertical collaborations will help them not only build healthier economies but also to protect natural resources and the environment.

Policy makers in every nation should promote the development of small and medium-sized enterprises which have been the back bone of all successful economies over the years as history has taught us. Small- and medium-sized companies are the growth generators for economies worldwide, the frequent incubators of ideas and inventions. Today the SME'S sector in order to grow needs, access to flexible capital, business development assistance, customized, robust and sustained business training and solutions, including market information, marketing, management and finance, strategic planning and technology to bolster the business skills and knowledge of the entrepreneurs. It needs market linkages to supply chains and to the vast potential business and community development opportunities and investment projects that will ensure the growth and sustainability of SMEs. It needs a friendlier legislative framework created by removing regulatory barriers that are harder for small and mid-

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sized enterprises to overcome than for large enterprises. It needs the support and collaboration of large scale enterprises and global funds not only for the sake of profits but for the sake of international social stability.

This could be the basis for the creation of a well-balanced global economic system that could support entrepreneurship, equality of nations and prosperity at the same time. This could be the great success of a globalized economic and social model before the world starts to shift again to the local economies model in order to create a safer future.

