

Globalization: A strategy For the Restoring profitability of the North

Deemed as the international integration of national economies marked by free trade, foreign direct investments that initiated capital and technology flows and migration of people across boundaries, globalization whose dynamics are pre-established through the World Trade Organization, can also be viewed especially in the perspective of third world countries, as a channel by which multinational corporations mostly coming the North to restore and improve their profitability, following a history of immense stagnation evidenced by a declining growth rate. It must be noted that in the 1970s and 80's, the momentum for capitalistic economies had been reduced by 60 percent (Thurow). For instance, the rate of profit among private companies in the US dropped by 40.9 percent in 1965. (Brenner) According the Brenner, stagnation or depression can be attributed to the decline in profit as the cost of production especially (raw materials, and/or labor costs) increases faster than market demands. When the accumulation of profit languishes, the maintenance and stability of non competitive capitalistic companies becomes difficult because they cannot invest on technology to lower production costs, engage in research and development to innovate new products and establish new factories to meet increases in demand. This phenomenon naturally occurred to capitalist economies (Cherry). Faced with such crisis profitability and despite contrary to capitalistic principles, government intervened through state policies promoting anti-inflation, progressive taxation for wealth redistribution, industry deregulation, initiation of corporate mergers, among others. The phenomenon called globalization through the World Trade Organization institutionalized this "crisis profitability management tactic" as it calls for free trade that extended the lowering of taxes and labor in other countries

dubbed to make economic forces conducive for global market expansion for multinational corporations.

Keynesian Theory. Named after the father of modern economics, John Maynard Keynes, the Keynesian theory highlighted the interdependence of consumers and importance of consumer spending in stimulating and maintaining economic productivity. Consequently, depressions occur because of a "liquidity trap" in which people hoard their money despite government intervention to expand money supply. (Coddington) Weak or sluggish consumer spending in turn results from the loss of confidence in the economy due to natural calamities, pessimism or perceived stock market crash and the widening gap between the rich and the poor in which the poor is unable to afford what the rich (capitalists) produces in surplus. In which case, government should initiate spending. On the stark side of it, the Keynesian paradigm that proposed consumer spending and expanding money supply to produce sufficient aggregate demand resulting to greater productivity established the US centered global trading system in which all countries rely on exporting to the Western market i.e. US because of the supremacy of the dollar currency. Exporting third world countries needed dollars for importation of essential commodities such as oil. This on the other hand resulted to huge trade and currency imbalances that especially afflict third world countries, who are unable to generate adequate exports to match their required dollar spending.

Pax Americana. "American Peace" pertains to a period of relative peace enjoyed by the world under the US economic and military hegemony. Essential to this time of peace is

the central role of the US government in foreign diplomacy. The US Foreign Policy is typical of any foreign policy which is principally based on protecting its own interests abroad and containing foreign influences in its governance and sovereignty. But because no single nation in world's history has ever possess as much power, influence, and control as the United States does today, American Foreign policy may be regarded as imperialistic. (Hevener N.K., 1981) Its active involvement in pressing the adoption of democracy entailed military action against its enemies, its implementation of free enterprise is coercive because it commits sanctions e.g. trade embargo, withholding of financial assistance from WB against those who resist it and at present, its promotion of security for entire world against terrorism involved preemptive strike and invasion against terrorists, which they solitarily identified even without the sanction or consent of the United Nations. Incidentally for nations to thrive to this new world order, an adoption of Pax Americana through strategic alliance with the United States is a categorical imperative as manifested in new industrialized nations like Japan and Germany, who both have massive American military presence in their respective countries. Today, Pax Americana translates to the expansion of American hegemony throughout the world guised under benevolent global hegemony by imposing WTO principles that reshape the world economy into a capitalistic venture that entailed the subordination of nation-states to the requirements of economic freedom for the masters of the economy. (Bourdieu, P., 1998).

Bretton Woods Agreement. Convened in order to address unstable currency exchange rates and restrictive trade policies after word war II, the Bretton Woods Agreement

establish the International Monetary Fund (IMF) and the World Bank (known as International Bank for Reconstruction and Development) which is designed to prevent currency competition and instigate free trade and finance post war recovery and reconstruction programs of aggrieved countries respectively.(Walker) The Bretton Woods system introduced the system of adjusting exchange rates with the U.S. dollar. The IMF and World Bank proved to be used instead as a penalizing instrument to debtor countries by its imposition of structural adjustments or loan conditions that practically cleave economies of third world countries to adopt free market liberalization that will ultimately serve the needs of multinational companies mostly coming from the north. These adjustments include reduction of government spending on social welfare for the payment of the loan, import liberalization through the removal of tariffs and other restrictions, state enterprise privatization, deregulation of local industries, currency devaluation and eradication of labor protection mechanisms. (Jilberto) These structural adjustments basically open the debtor country to foreign competition and create the ambiance for multinational companies to pursue their expansion. Indeed the propensity to enhance the profitability of the multinational companies had been successfully laid out by the IMF and WB in lieu of the World Trade Organization formerly known as the General Agreements on Tariffs and Trade and in the form of globalization.

Reagan and Thatcher. Following a myopic and one-sided economic evolution theory that dispensed other classical nation economics theories, US president Ronald Reagan and British Prime Minister Margaret Thatcher preached the inevitability of globalization in their socio economic policies. Globalization is a world phenomenon that needs to be

accepted. There is no other alternative to it. This neoliberal thinking reduces people as commodities that functions as tools in the socio economic forces. The inevitability of globalization is imparted to people to an extent that it acculturated people and naturally perpetuated itself. Culture played a crucial role on how capitalism has become ingrained in society. The mass culture or popular culture, the culture industry, which created and disseminated goods through the mass media i.e. television, controlled and manipulated the people. (Adorno and Horkheimer) Basically, the opportune pleasures generated by the consumption of popular culture engender submissiveness and contentment of people in spite of their despondency or glum economic conditions. The mass production of goods is actually pseudo- individualization, in which the standardization of cultural goods also homogenizes the ideological perspectives and inclinations of the people. Thus, culture played a crucial role in reinforcing or fortifying capitalism by creating a consciousness among the people that is meekly compliant to the very components and processes that operates and perpetuates the capitalistic system. That acculturation occurs in the global arena with the rapid pour of western goods in third world countries. Today, gobalization have reached afar and have penetrated and influenced every aspect of our modern life.

Effects of globalization in the South. Globalization is viewed as modern imperialism because it is accompanied by strong political nuances. The supposedly interdependence among nations actually resulted to political control and dependence because state decisions about the national economy has direct impact to the local citizens. Economic development through globalization means national development within the borders of

U.S.A and U.K. (Kalyan). National development within the context of globalization requires playing within the economic parameters and structures i.e. GATT and WTO set by Northern powers to wit, the US and its closest ally, Great Britain. By creating the necessary environment for the private industries to prosper and expand globally namely, industrial liberalization, low labor cost, low taxes and the eradication of local protectionism, countries from the South become extensions of the prosperity of the North albeit they are reduced to mere cheap sources of labor and market expansions. The bulk of the profits ultimately go back to the motherland of the multinationals.

Moreover, the adoption of WTO by nations from the South resulted to the malevolence to its countrymen. The promotion of capitalism and market competition commoditized everything including rights and culture. It created the greedy principle of “what’s in it for me” thereby corrupting the social and moral basis for culture and rights. On the other hand, the reduction of protectionism and government intervention stretch out to the curtailment of social welfare and education among others that further deteriorates the economic future of the host countries from the south.

Conclusion

Globalization is a guise of capitalism. And capitalism is a guise of western imperialism. The principles of globalization that would lay the foundation of the economic and political interdependence among nations instead led to subordination of host countries of the South to Northern powers. It also resulted to the economic dependence of the South

for their sustained economic growth through capital investment and technology transfer from the North. When the market is saturated and growth is stagnated, there is no other recourse for multinational companies to expand overseas in order to restore their profitability. Globalization under the auspices of the world trade organization prepared the way for these multinational companies from the North to perpetuate their greed in the world. From then on, globalization brought us back to where we once left. It's a jungle out there and it's survival of the fittest.

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