

And after globalisation?

Joan Tugores

Vic: Eumo Editorial

Al dia #4

EumoEditorial / **Universitat de Vic**



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170 pages

ISBN: 978-84-9766-267-3

RRP: €10

Globalisation is all around us, and is no longer only a question for specialists in economics or business. Normal citizens note its effects in their everyday lives (how they live, and where, and what work they do...), and this generates expectations but also perplexities and tensions.

International economic relations have grown enormously and this has changed the rules of the game: the specialisation of countries, the territorial distribution of work, the demands on companies and on the public administrations, the requirements placed on the education system, the demographic and environmental repercussions... Large sectors of public opinion distrust the indicators of prosperity in this new scenario. What effects will these changes have on our economy? And on our culture? Are the democratic gains and the increased welfare achieved during the 20th century in danger?

These are some of the questions raised by **Joan Tugores**, Professor in Economics at the University of Barcelona, in **And after globalisation?**

Publication details

Latest edition: 2008

Copies sold: 1000

Eumo Editorial – C. Perot de Rocaguinarda, 17 – 08500 Vic – Catalonia - Spain

Foreign Rights: Gemma Redortra gemma.redortra@eumoeditorial.com

Phone 34 93 889 28 18 – www.eumoeditorial.com

Introduction

[...]

Some years ago, in order to explain the meaning of *internationalisation*, I suggested to my students that they undertake a simple experiment at home: I asked them to check how many of the articles they used in their everyday lives had reached them via international trade, from the television, music system, the latest CD... to their clothes, furniture and even the drinks they consumed when they went 'out on the town'. In general, they were surprised to discover that the percentage was much higher than they had imagined. Even more so when they thought about how much smaller the resulting proportion would have been if the experiment had been done by their parents or grandparents when they were the same age. The figures were modified slightly when the students incorporated services into their simple calculations, from the educational or health systems to the repairing of cars or computers, but many of them already had e-mail accounts with Yahoo, Gmail or Hotmail. Nowadays, with globalisation well under way, this very elementary experiment would be more complicated to carry out. Not just because the percentage of imported articles has increased, nor because much of our leisure consumption, some classifications would include this under the heading of 'culture', includes music, videos or films downloaded from Internet websites located somewhere in cyberspace. No, the calculation would be more complicated because nowadays it is becoming more and more difficult to identify the 'nationality' of a good. Any car on our roads will probably contain components produced in several dozen countries. The same is true with the computer I am using at the moment, or those that many of you will have at home and at work, not to mention the Airbus or Boeing you flew in when you last travelled by air. Or take the modest Barbie doll - a minute example of an article with limited value whose production involves a large number of countries which make up the so-called 'value added chain', working in different 'stages of production'. Productive activities have spread around the whole world in response to technological changes and those affecting transport and communications, all of which make it easier and offer incentives to 'multinationalise' business activity. Of course it is also true that the changes made by many countries in their economic strategies have facilitated this process, with the incorporation into the global economy of dozens of countries, thousands of multinationalised or transnationalised companies and millions of people who are now demanding a more important role in what is known as the 'international division of labour'. And this is once again a clear example of the fact that changes in velocity and profundity are central to globalisation.

A simple stroll through any shopping centre in our towns or cities offers evidence for many of these new realities. And that without taking into account the television adverts or the websites we or, even more so our children, explore. A visit to an industrial estate also serves to make plain the presence of multinational companies... or to awaken our sense of loss for those that were there before but have 'relocated'. But some of our local companies also now have an international presence, and promote business strategies and public policies, containing elements of cooperation, in order to improve our global positioning. Going beyond strictly financial or business aspects, the music listened to by young people (and not so young people) all over the world is becoming more and more similar. The lists of hits, films, TV series, clothing labels, sports accessories, fashions, etc., are becoming more and more global, in the same way that certain webs have become worldwide points of reference, from Google to Youtube, or televisions like MTV or Disney Channel. Are we moving towards a *duty free* world, a paradigm of homogeneity with the same global brands everywhere, and the quaint addition of '*typical local souvenirs*'? And what impact does this process have in terms of the values implicitly or subliminally transmitted? This raises the 'cultural' (or 'acultural') dimension of globalisation, with the important debates

this involves regarding respect and the room for manoeuvre that remains for national cultures and identities.

All this affects many social and political dynamics: the type of values; the type of training we demand from the educational system and the way it interacts with the world of work; the roles and relative power of the different social groups, from unskilled workers to the new elites and global superstars, not forgetting the middle classes, traditional bastions of economic and political stability. Political systems also have difficulty in reacting, both on a global scale (to deal with questions like the redistribution of economic, financial and political power) and on an internal level: the concepts of *right* and *left* often seem blurred when it comes to debating relocation and immigration, or when discussion centres on whether more globalisation is desirable and what elements should be accepted and what should be modulated or even rejected (the arguments of trade unions with regard to relocation and those of national entrepreneurs with regard to foreign takeovers are on occasions very similar). So, can the debate about globalisation, as is sometimes suggested, be reduced to the choice between the 'inertia of resistance' and 'flexible adaptation'? If only it were that simple! These are complex problems, amongst other reasons, because they oblige us to rethink both the questions and the answers in a scenario that has been profoundly altered. Market forces seem to emerge stronger, in the sense that the effectiveness of national norms, regulations and distributive policies is much reduced, since they can be avoided or got around by 'changes of jurisdiction or location'. However, at the same time, national political power also reasserts itself to block certain investment or commercial strategies when these affect 'strategic interests', whose definition often seems to have more to do with powerful lobbies than with true national priorities that affect the general good.

[...]

2.3 Task Trade: changes in the models of specialisation

And in this context, what are the activities or tasks that each society or country might aspire to attract or retain? This is a question of fundamental importance when it comes to the position each territory occupies in the new international division of labour. Particularly since the new global realities and the development of global production networks are bringing about important changes in the 'frontiers' that define and limit the tasks to be performed in each kind of country.

Initially it seemed that the key factor would be the level of skill attached to the tasks or activities. The emerging economies had an abundant supply of labour, in general with low levels of skill, which attracted, through relocation, those segments of the production network that produced least added value. In the advanced economies, and there have been several cases of this in Catalonia, a certain resignation set in regarding the inevitable loss of certain unskilled or low-skilled labour intensive tasks to countries where labour costs are much lower. However, the new realities are quite a lot more complex. On one hand, activities requiring a certain level of skill and training are also beginning to be relocated, in both the industrial and service sectors. The media made quite a lot, for example, of the fact that some North American hospitals were taking advantage of the time and salary differences to send digitalised x-rays to India, where local doctors were contracted to produce the radiodiagnostic reports. We are already used to the idea that certain customer call centres are now located abroad; now the same thing is happening with programmed tasks and particular elements of the document management process. Following the typology drawn up by Autor, Levy and Murnane (2003), to the 'routine manual tasks' which were initially the object of relocations, we might now add, in terms of

their vulnerability, the 'routine cognitive tasks': those tasks whose results can be codified into a file that can then be sent via Internet.

It should be added that these are not simply changes determined by the skills demanded in each country, but also by changes in the skill levels different countries offer. The IMD Report (2007) highlights the role of the increasing 'brain supply', that is, the number of highly qualified and skilled people being produced by several emerging countries, like India, Russia and also China, which may well be altering their capacity to attract tasks or activities requiring a higher level of knowledge.

On the other hand, the Autor, Levy and Murnane (2003) typology insists that certain activities, which may be of low added value, continue to be immune to relocation, such as construction, tourism or private services. This observation, which makes evident that the 'frontier' is not defined by questions of skill alone, can be added to the debate about the 'low added value' model often adopted in Catalonia and Spain. In particular, it may be relevant to the controversy about whether the model of growth which is based on construction + tourism is at the root of the not very satisfactory figures for local productivity. While there have been some modest advances, these are not sufficient to maintain a 'real convergence' with the European Union in terms of productivity. In fact, the official figures from the Bank of Spain indicate that productivity has fallen, not just with respect to the Euro-zone, but also with respect to the EU as a whole. In order to avoid falling into the trap of using facile and unenlightening clichés, let me make clear immediately that in the abovementioned sectors there are segments, certain tourist services for example, which are responding to clearly differentiated demands with innovative offers that have the potential for generating important added value.

In the typology of tasks we are considering, it is important to detect which are less vulnerable to these global changes, while also contributing added value. The studies referred to here suggest these would be: a) tasks involving 'complex communication', with components of personal relationship, social networks and elements of personalised persuasion; b) tasks involving 'expert thought' in terms of high levels of creativity and/or strategic management and a 'vision of the whole and of the future', in the broad sense of the notions of creativity and innovation already described; c) Leamer also argues for those tasks or activities with an idiosyncratic personal component, which could range from services depending on proximity to tasks that require trust to be built up face to face with the client; d) as mentioned above, tasks involving 'the management of complexity', as well as those connected with activities that depend on high institutional quality.

[...]

4.1 What competitiveness means and why it is important

Underlying competitiveness there is the essential notion of economic rationality, the ability to produce goods using the most efficient technology and the optimum combination of the factors of production. Market economies are based on the fact that competition is a powerful means of 'inducing' this efficiency, since improvements in productivity represent the normal way of offering the goods the consumers demand at a reasonable price. When, as a result of the growing ease with which producers around the world can sell their goods in global markets, including, it should again be noted, 'our' internal market, which before its opening up was 'protected' and reserved for domestic producers, the range of competitors increases and competition becomes more important.

The fact that the international positioning of a country is related to its competitive capacity is, then, the first reason for the importance of this concept. The capacity to grow, to generate or retain quality jobs and desirable standards of quality of life, ends up being connected in some way with competitiveness. This importance of the notion of competitiveness, not uncontroversial as we shall see, has led to a progressive widening of

the concept itself: initially referring to comparisons of prices (modulated on an international level by exchange rates between the different currencies) for goods from different countries, it has today become a broader concept. It is now more 'systemic' or 'structural', taking in, according to the definition used by the World Economic Forum (2007) in a widely publicised study, one of a series that periodically evaluates the competitiveness of different countries, the "set of institutions, policies and factors that determine the level of productivity of a country" as a basis for its medium and long-term growth. In a similar line, the World Competitiveness Center of IMD, a Swiss Business School, uses a definition of competitiveness that focuses on "the facts and policies that shape the ability of a nation to create and maintain an environment that sustains more value creation for its enterprises and more prosperity for its people" (IMD, 2007).

In section 4.2 we will comment on some important aspects of the 'via prices' dimension of competitiveness, before then going on to examine the more 'structural' conception.

4.2 The dimension of competitiveness via prices

First of all, when we speak of international competitiveness we are referring simply to the necessity that domestic products have costs and prices that permit them to be sold in the face of global competition. Even if we forget, for a moment, the debates over whether the 'sources' of the competitiveness of their rivals are 'legitimate' (that is, they are not based on child or slave labour, they do not prey on the natural environment, they do not receive illegal or disloyal subsidies from their respective governments, etc.), any discussion on international competitiveness must take into account international exchange rates. When we compare the prices of goods produced in countries with different currencies, for example, a product from the Euro zone and another, very similar, (and therefore an important rival or competitor) from the Dollar area, it is evident that the evolution of the exchange rate has a significant impact. When the value of the Euro rises, then so does the number of complaints from Euro zone exporters (Germans, Catalans, etc.) since an expensive Euro means that their products become more expensive in comparison with those priced in Dollars... or in Chinese Yuan.

[...]

9.5 The future has not yet been written... fortunately

An article published in *La Vanguardia* on Christmas Day 2006, *Cuento de Navidad* (A Christmas Tale), recalled the famous essay, written some 70 years earlier, by John Maynard Keynes: "On the Economic Possibilities of our Grandchildren". In the text, Keynes argued that technological innovations and commercial and investment facilities had made it possible for humanity to finally overcome the long struggle for survival and enter, as a species, into a new phase in which success would be measured in terms of personal fulfilment and welfare. Keynes asked what changes would need to be made, not just in terms of organisational and management tools, but also in attitudes and values, to face up to this new phase of our history. As is all too well known, the Great Depression of the 1930s, the Second World War and the Cold War pushed the optimism of Keynes aside.

So do we now have another opportunity? Technically we can draw on more than enough resources to provide the whole of humanity with the basic conditions of health and education, and we are capable of generating wealth the like of which has never been seen before. Scientific and technological development, and the productive potential that globalisation has opened up, clearly permit us to 'unblock' our historical restrictions and so do away with poverty and misery. But will this possibility prove, once again, to be a mere

'Christmas Tale'? What does it depend on? What are the factors that might yet derail this new chance to realise the Keynesian dream?

Human nature is perhaps one of these factors, marked as it is by patterns of behaviour in which cooperation is less evident than aggression, and by a tendency to polarise positions and interests rather than be constructive. There is also a temptation to return to the 'natural order of things', as described in previous chapters, which is underlain by powerful mechanisms. This, and its corollary, the transfer of the bulk of the potentially important 'dividends of globalisation' to particular groups to the detriment of society as a whole, is also an obvious threat. So too is the lack, or at least the grave weakness, of the ingredients for a truly global system of government to deal with global problems, from the socio-political dimensions that modulate world markets to a certain rationality in the management of our Global Commons, including the natural environment. Yet despite all the difficulties and possibilities glimpsed in previous pages, there is nothing to which we are inexorably condemned, nor is there anything that is predetermined. The citizens of democratic countries could express their preferences for alternatives that are more inclusive, more integrating and, in the medium term, also more efficient — transferring to a global level the 20th century achievements of progress and welfare, rather than simply keeping them for themselves. This could happen if the political mechanisms allowed the truly important questions to be addressed, rather than continuing to disconnect their electorates and their interests and preoccupations from the political process, a process which is all too often 'held captive' by other dynamics. Citizens and social movements could insist on the transfer to international bodies, existing, reformed, reinvented or new, of the mechanisms to equip globalisation with an efficient social and political dimension. In this way, it would be possible to avoid, or overcome, the 'hijacking' of this process by representatives of minority sectors who have a vested interest in ensuring that this socio-political dimension goes no further than the theoretical minimum of 'Law and Order'. The greatness, and the misery, of nations, and of humanity as a whole, is that, particularly in democratic systems, we end up facing the destiny we have chosen and/or that we deserve. This really is an inconvenient truth...

Brief bio-bibliographical note

Joan Tugores obtained his PhD in Economic Sciences at the University of Barcelona. He is Professor of Economics at the same university, of which he was the Rector during the period 2001-2005. He specialises in the International Economy, a subject about which he has published books and articles: of particular note are *Economía internacional: globalización e integración económica* (1993; 6th ed. 2006) and *Economía internacional* (2005). He is a regular contributor to both general and specialist media in Spain, such as *La Vanguardia* (Barcelona) and *Expansión* (Madrid).