

# Which statement do you agree with most?

- Globalization is generally positive: it increases efficiency, global growth, and therefore global welfare



- Globalization is generally negative: it destroys indigenous communities and increases global inequality

# From Western Embedded Liberalism to Global Neo-Liberalism

A Historical and Theoretical Overview



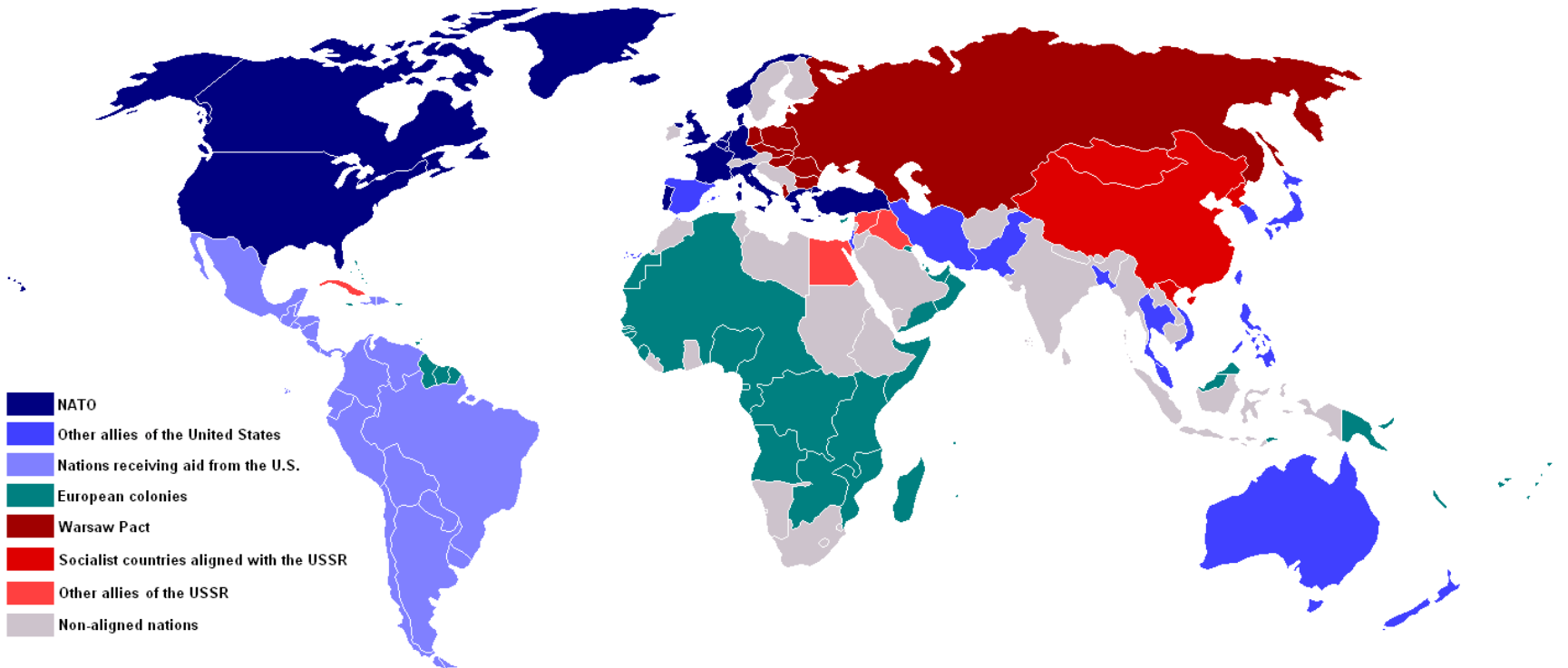
# Today's Menu

- I. Review: Three schools of theory, Three Worlds
  - A. Deadly Clash between Liberalism and Socialism
  - B. The Global “North” after WW II: Theories of Embedded Liberalism and the Welfare State
  - C. The Global South after WW II: Economic Liberal, state-led liberal, Dependency theories of development
    - C. The Communist World: theories of Equality and Community
- II. The Role of the Cold War 1945-1971
  - A. The Global North: 1) U.S Provides hegemonic stability: liberalism embedded in institutions
  - B. The Global South: Dependency Theory bolsters Nationalism ,
  - C. The Communist world: isolation from the Market
  - D. The Battle for Hearts and Minds
- III. The Decline of American Hegemony after 1971
  - A. Hegemony causes decline!
  - B. Role of the Cold War in America's Decline
  - C. Abandoning Gold
- IV. The Rise of Neo-Liberalism and the world Economy without a Hegemon (1970s)
  - A. Shrinking of the Welfare state in the “North”
  - B. New Roles for International Institutions
  - C. Failure of Socialism –Second and Third Worlds
  - D. Growing Privatization
- V. Rise of Globalization (1980s-Present)

# Review:

- Embedded Liberalism: A First World Phenomenon
  - Economic Growth and the Welfare State
- The Second (Communist) World: Isolated from the First World International Economy
- The Third World: A pawn in the ideological struggle between the First and Second worlds
- The Fall of Embedded Liberalism and the Rise of neo-liberalism
  - Definition of neo-liberalism
  - Impact of Neo-liberal policies
  - Interpretations

# I. Review: Three Schools of Theory and Three Worlds



I. Review: Three schools of theory, Three Worlds  
A. Deadly Clash between Liberalism and Socialism



I. Review: Three schools of theory, Three Worlds

A. Deadly Clash between Liberalism and Socialism

## **B. The Global “North” after WW II: Theories of Embedded Liberalism and the Welfare State**

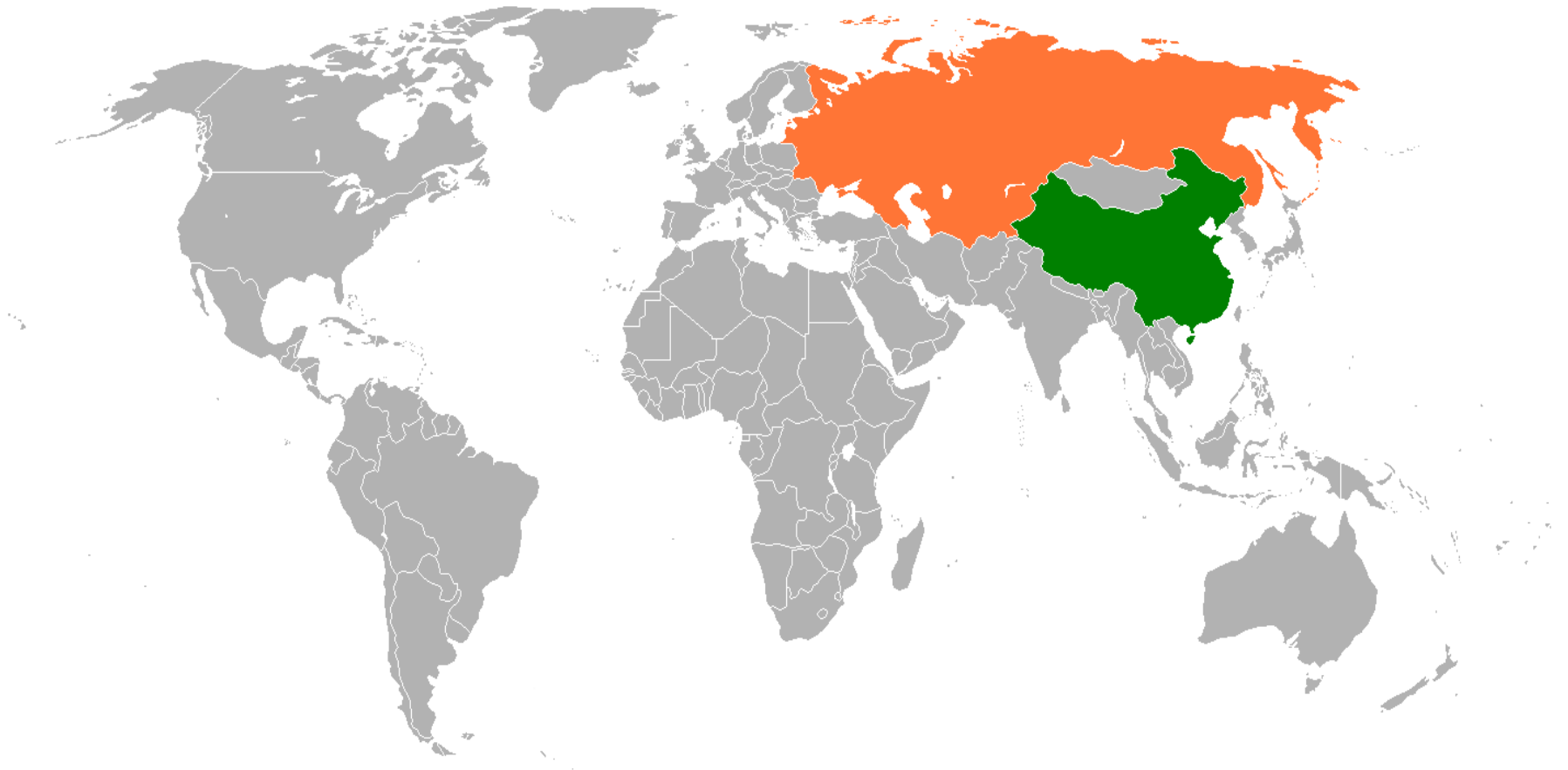
- **Rapid Economic Growth in the Global North.....A Triumph for embedded liberalism and the welfare state**
- The Cold War between Capitalism and Communism was raging... Fear that markets would fail again if left to themselves
  - Feeding fear that Communists in pursuit of equality would take over
  - And creating a need for the welfare state...
  - And international governing institutions: IMF, World Bank, GATT
- The reality of American Hegemony: The golden age of embedded liberalism
- The First World recovered from war and developed quickly...
- American Hegemony propped up the embedded liberal system:  
**HOW?**

I. Review: Three schools of theory, Three Worlds

A. Deadly Clash between Liberalism and Socialism

B. The Global “North” after WW II: Theories of Embedded Liberalism and the Welfare State

**C. The Socialist World.....Economic Nationalism: Isolation from the Capitalist World Economy**





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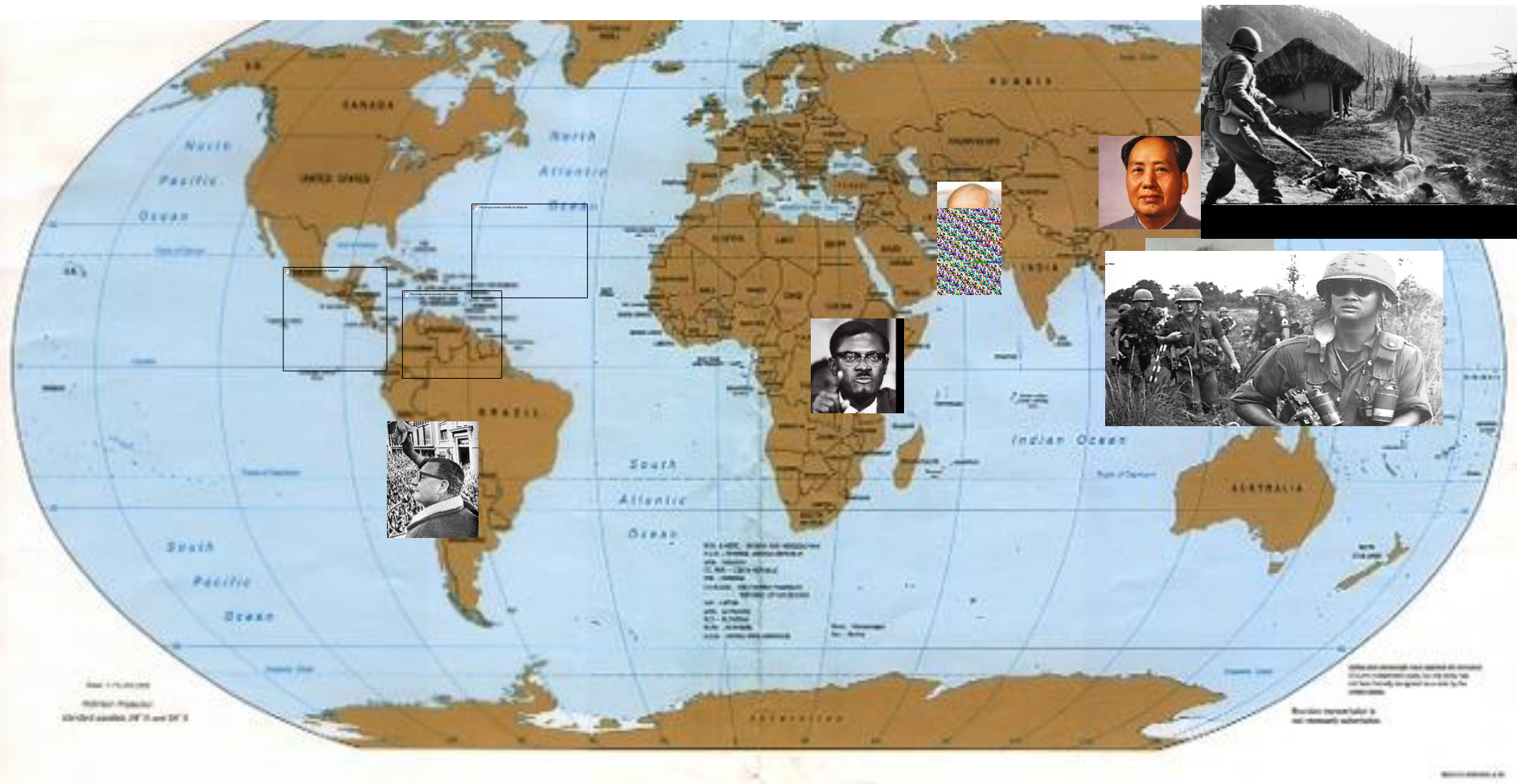
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## E. Freedom vs. Equality and Community: The Battle for Hearts and Minds

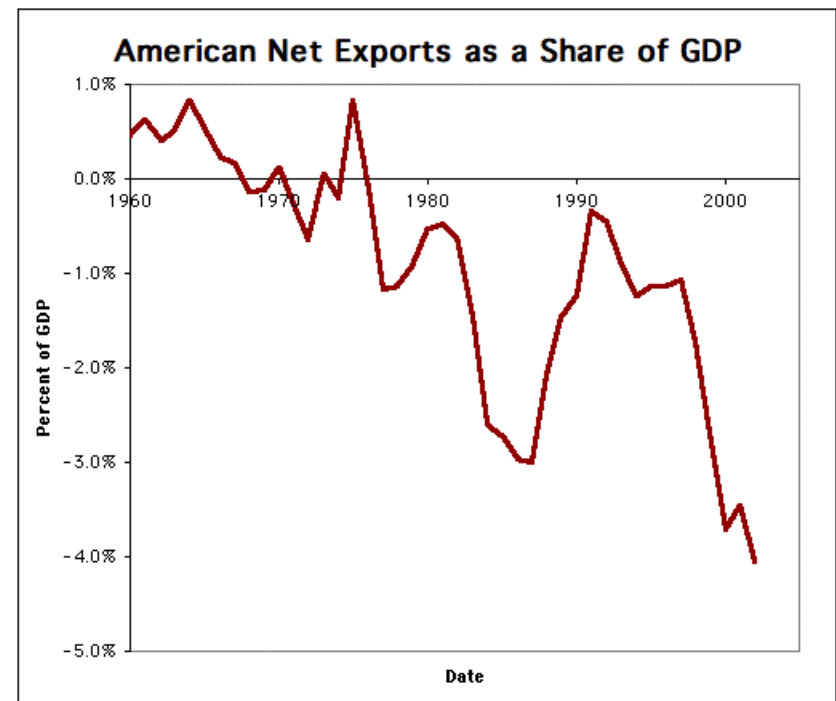


### III. The Decline of American Hegemony after 1971

#### A. Hypothesis 1: Hegemonic stability causes decline!

- The U.S. “sacrifices” its economy to “keep the “free world free”

Per Capita Income		
	1950	1973
Western Europe	\$3,700	\$11,534
U.S. and Canada	\$5,257	\$9,288
Japan	\$1,926	\$11,439



### III. The Decline of American Hegemony after 1971

#### A. Hypothesis 1: Hegemonic stability causes decline!

#### B. Hypothesis 2: Role of the Cold War in America's Economic Decline

### Deadly conflict between Capitalism and Communism, Deficit spending: Vietnam war



#### Vietnam War

The United States entered the war to prevent a communist takeover of South Vietnam as part of their wider strategy of [containment](#) as [Military advisors](#) arrived beginning in 1950. Then came the massive escalation of the Vietnam war in the 1960s.

How was the war in Vietnam to be financed when there was a war on poverty at home?

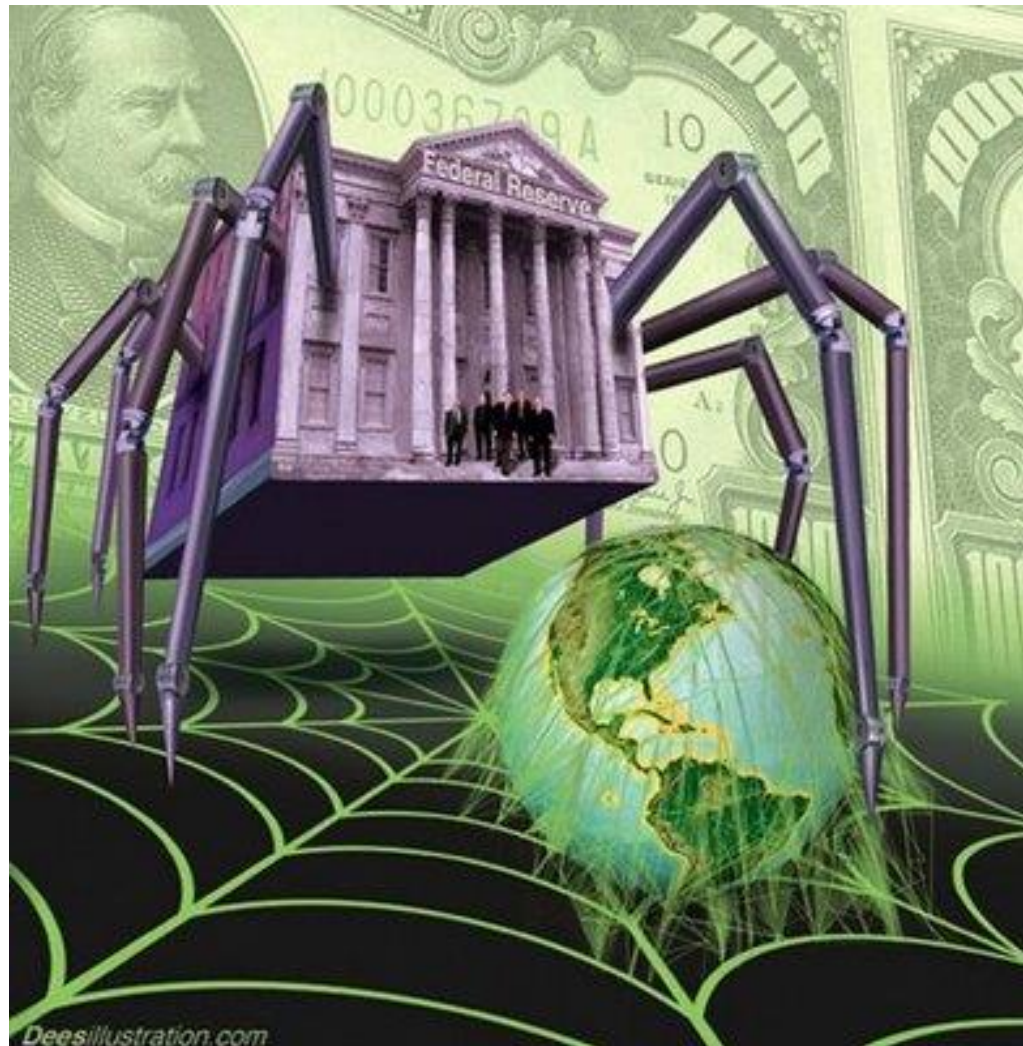
# Too many dollars



# Exporting Inflation



# Declining Confidence in the Dollar



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**C. The Result: America's Parthners Abandon the Dollar for Gold**





### III. The Decline of American Hegemony after 1971

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C. The Result: America's Partners Abandon the Dollar for Gold

#### **D. So the U.S. Closes the Gold Window**

- Dollar is Devalued
- U.S. Turns to Economic Nationalism: "Buy American! New Tariffs!"
- And blames the "speculators" and U.S. Trade Partners



# IV. The World Economy without a Hegemon

## A. The Rise of Neo-Liberal Ideology

### A. A New Ideology.....From Embedded Liberalism to Neo-liberalism

- A set of political economy principles within the Freedom school of thought
- Neo-Liberalism = Economic Liberalism
  - deregulation, privatization, and withdrawal of the state from many areas of social provision.”
  - strong private property rights, free markets, and free trade.
- A general definition: Not necessarily the specific policies pursued by Reagan and Thatcher
- Historical evolution of the Term: To distinguish neo-liberalism from political liberalism
- Brought the U.S. to where it is now

# IV. The World Economy without a Hegemon

## A. Rise of Neo-liberal Ideology

## B. Shrinking of the Welfare State



## IV. The World Economy without a Hegemon

### A. Rise of Neo-liberal Ideology

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### **C Failure of Socialism and Dependency Theory**

- National independence movements led by socialists had been extinguished.
- ISI failed in Latin America
- Global recession: inability to expand exports
- Rise of Third World Debt
- Net resource transfer from South to North
- Third World Economic crisis
- Income gap between First and Third World doubled in the 1980s.

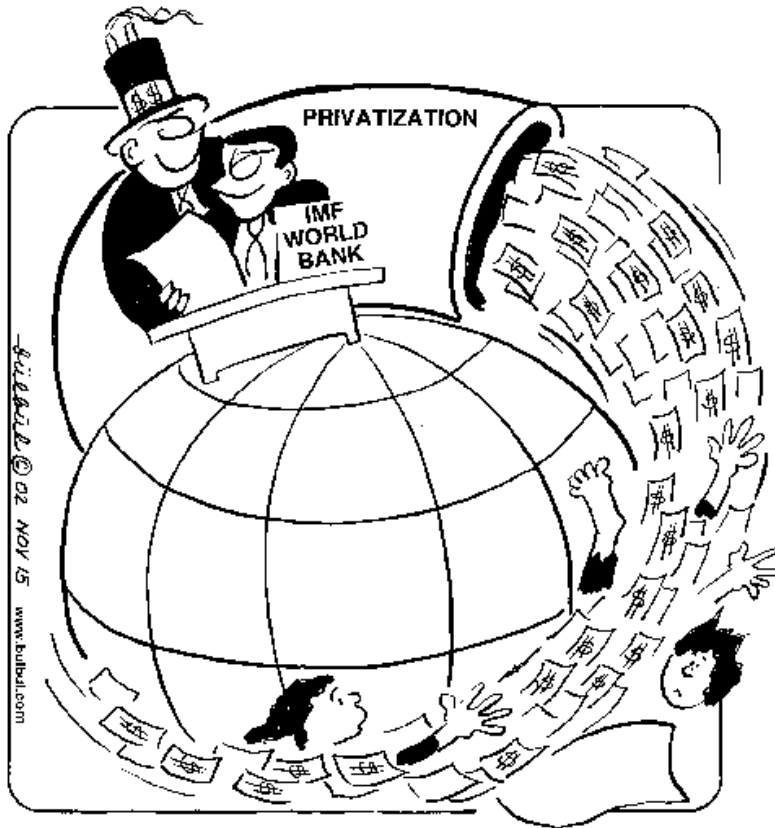
## IV. The World Economy without a Hegemon

### A. Rise of Neo-liberal Ideology

### B. Shrinking of the Welfare State

### C. Failure of Socialism and Dependency Theory

### D. New Role for International Institutions: spread neo-liberalism to developing countries



- Third world debt threatened to destabilize the international financial system.
- **New role for IMF and World Bank** : guarantee private loans
- In return for structural adjustment (SAP)
- The Washington Consensus:
  - Stabilize, privatize, liberalize
- Contributing to.....
  - freedom of finance capital and multinational corporations to roam the earth

# GATT becomes the WTO

- **Goodbye embedded liberalism:** increasing liberalization of trade
  - No child labor protections
  - No environmental protections
  - No health and safety protections
  - Private actors: banks, multinational corporations
- **Hello Privatization:** banks, multinational corporations (not NGOs) sit on advisory panels, permitted freer global access leading to growing sales



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- IV. The World Economy without a Hegemon
  - A. Rise of Neo-liberal Ideology
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  - C. Decline of Socialism and Dependency Theory
  - D. New Role for International Institutions
  - E. growth of unregulated global finance**

- ***International movements of money – both volume and speed***
- cross-border bank lending has grown about 10% annually.
- daily foreign exchange trades now exceed by a wide margin the combined reserves of all central banks.

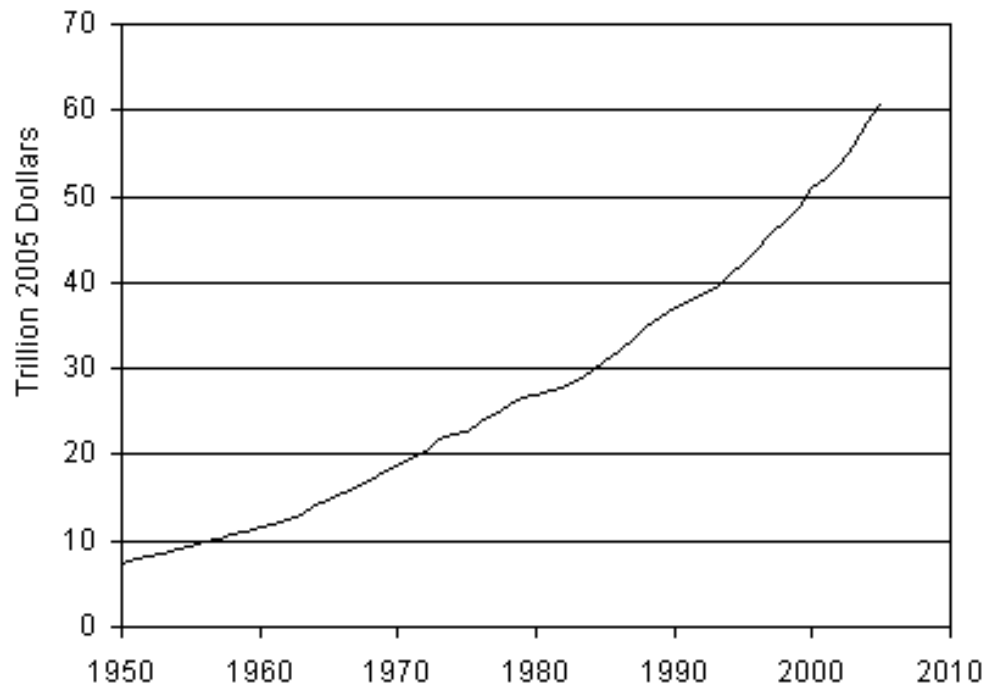
## F. Critique from the Political Liberals and the Economic Nationalists

- Critique from Political Liberalism
  - The rich get richer, the poor get poorer
  - A “race to the bottom”
  - “non-commercial values” cannot play a part in trade rules
  - Property rights preferred to health and human lives: “right to profit” over “right to life”
  - IMF and WTO undermine democracy The “Golden Straightjacket”
  - Impact on U.S. Society
- Economic Nationalist Critique
  - Organizations undermine state sovereignty and make private actors more powerful than states



# G. And an economic Liberal rebuttal: Global Growth without a hegemon and with neo-liberalism!

Gross World Product, 1950-2005



Source: IMF, Worldwatch

# V. The Consequence of Neo-liberalism: Globalization



# V. The Consequence of Neo-liberalism: Globalization

## A. What is Globalization?

- networks of interdependence Economic networks
  - Trade
  - Capital flows
  - Labor migration
- Communication and transportation networks
  - Networks linking soldiers, criminals, terrorists
  - Advocacy networks
  - Religious organizations
  - Social networks

# **Globalization is about mobility and speed to stretch beyond political boundaries**


- Technologies of mobility
- Ideas of mobility
- Capitalism
  - Requires efficiency for economic competition
  - Efficiency requires mobility
  - Efficiency requires speed
  - Speed and efficiency require new technology

# V. The Consequence of Neo-liberalism: Globalization


## A. What is Globalization?

### B. The Underlying Causes

Neo liberal ideology in centers of power and politics + fall of communism + rise of Asian Tigers and China (emerging markets)



Factor mobility—growing global commodification of land, labor, and capital



Rising competition



Be efficient or die!



Develop technologies of efficiency + pressure governments to lower wages, taxes, regulation

## V. The Consequence of Neo-liberalism: Globalization

A. What is Globalization?

B. The Underlying Causes

**C. The Long-term Effects**

Convergence of policies around the world  
“Washington Consensus”—often imposed by the powerful

More efficiency

More productivity, more specialization, more trade

global economic growth  
• But global income inequality..

**Convergence of cultures—global liberal culture**

• Homogenizing effects of mass consumerism

# Global (liberal) culture? Is it a problem?

