The Global Economy (or Economic Globalization)

Global Economy Antecedents

The antecedents of global economy are a highly debatable and important cultural and political issue. Understanding its roots may help clear the air for a better understanding of what global economy really is or is not. Social change, big or small, either positive or negative, even with ostensibly abrupt revolutions, almost never occurs in a historical vacuum. That certainly seems true for the current state of global economy or economic globalization.

A shorter vision of history may suggest economic globalization to have started in 1944 with the establishment of the so-called Bretton Woods institutions at the Bretton Woods Conference, New Hampshire, USA, by the victorious allied nations toward the end of the Second World War. The World Bank and the International Monetary Fund (IMF) were the first of these institutions. They were followed by the signing of the General Agreement on Trade and Tariffs (GATT) in 1947 by many other countries. GATT led to the formation of the World Trade Organization (WTO) in 1995.

The initial Bretton Woods plan was to help rebuild a war-torn Europe through trade, aid, and a freer transfer of capital and technology, mainly from the United States, the only country that had emerged from the Second World War economically stronger than before. The plan also included helping rebuild war-torn Japan along with helping out the ex-colonies of European hegemonies as a compensation for two hundred years of plunder. And so the global economy, and consequently the more encompassing globalization as we understand it today, is supposed to have been born. Those were indeed landmark developments in the emergence of the modern-day global economy. The World Bank and WTO continue to play dominant although often controversial roles in it as lenders and donors of money to
needy nations across the world; some of them having to repeatedly ask for bailout packages due to the “debt trap,” local mismanagement, or general economic stagnation.

To see Bretton Woods as the beginning of global economy is to see globalization not only as new but as an entirely Western creation. Pointing out its far deeper and cross-cultural roots, Nobel Laureate Amartya Sen suggests that it is neither.1 As indicated in the review of extant globalization literature in the Introduction, the assumption of globalization being an entirely Western creation is also strongly implied in both its positive and negative views in much of the literature. Some Western scholars see it as the West’s gift to the rest of the world, others as its curse. Again Sen says it is neither, for every large-scale social change invariably has some positive and some negative consequences. Such is the case with globalization with its multiple sources and many faces.

Eastern knowledge and technologies from India, China, and Moorish Spain abundantly flowed to the West during the Middle Ages. The Moors, despite their sometimes bloody history, lit the torch that led to the European renaissance and reformation followed by the Industrial Revolution. High technologies of the world in 1000 AD—“paper, the printing press, the crossbow, gun powder, the iron-chain suspension bridge, the kite, the magnetic compass, the wheel barrow, the rotary fan”—had been invented in China one hundred years earlier and traveled from there to elsewhere.2 The Chinese also invented bureaucracy with the Mandarin system of public officials even earlier, thousands of years before Max Weber brought it to the attention of the Western world. The Indians invented the concept of zero, which stands as one of the greatest contributions to the development of mathematics, and consequently, of modern science. Indian contributions to algebra, textile, chemistry, medicine, metallurgy, and astronomy in the ancient and medieval periods are legion.3 The two great civilizations—China and India—shared these inventions and ideas and learned from each other for centuries in the pre–Industrial Revolution age before they reached the rest of the world. Their technological progress stopped in the colonial age and was more or less submerged and forgotten under the impact of rapid advances in Europe. As the following statement from “Globalization: Boon or Bane” sums it up, the roots of global economy through international technology transfer and trade, and consequently of globalization itself, are indeed deeper and more complex than often realized: “For thousands of years before Bretton Woods, before the birth of telecommunications, even before the birth of Christ, individuals, groups, and nations had been interacting with each other in war and peace, as warriors, ambassadors, travelers, and traders. Chinese merchants sold silk and spices in South and Central Asia and Europe and brought with them