Contemporary Economic Globalisation:
Global Economy, Triadization or Stratification?

Balazs Ujvari
2011 Fall semester
Introduction

Globalization is an idea whose time has come. From obscure origins in French and American writings in the 1960s, the concept of globalization finds expression today in all the world’s major languages. Yet, it lacks precise definition.¹

Beyond a general acknowledgement of a real or perceived intensification of global interconnectedness, there is substantial disagreement as to how globalization is best conceptualized, how one should think about its causal dynamics, and how one should characterize its structural consequences, if any. A vibrant debate on these issues has developed in which it is possible to distinguish three broad schools of thought, which I will refer to as the globalists, the sceptics, and the transformationalists. In essence each of these schools may be said to represent a distinctive account of globalization – an attempt to understand and explain this phenomena.

This paper exclusively focuses on the economic aspect of globalisation aiming to explore which wave of globalisation theory provides the most realistic portray of the contemporary economic system of the planet. In doing so, I shall first set the two most distinct approaches, classified under the globalist and skeptic account, of economic globalization against one another: *global economy* and *triadization*. The comparison shall be carried out in both qualitative and quantitative manner. The focus then will be shifted to the third waver, transformationalist approach of the economic globalisation, more specifically the account of third wave represented by Held et al. I shall attempt to differentiate clearly the position of this set of scholars on the world economic system, from those of favouring the *global economy* and *triadization* approach. Accordingly the analysis shall draw on all the three fundamental theories of globalisation, through one specific account of each, nevertheless I shall centre upon and hold a brief for the transformationalist view.

The central question which animates the entire study is:
Which of the above mentioned accounts characterizes most reasonably the contemporary world economy?

¹ MODELSKI, Goerge: *Multinational Corporations and World Order*, International studies quarterly 16:4, 1972
The analysis departs from the following hypothesis that is sought to bolster up the view taken by Held et al.:

- The contemporary economic system is globalized but differentiated, lacking singularity and convergence.

1. Global Economy

Understanding the concept of global economy, having been ‘spread’ by hyper globalist school of thought, may be fostered by defining the economic order from which it has evolved.

A world economy, – suggests Manuel Castells – that is an economy in which capital accumulation proceeds throughout the world, has existed in the West at least since the sixteenth century. The historically new reality of global economy is distinct from world economy. A global economy is something different: it is an economy with the capacity to work as a unit in real time on planetary scale. It is only in the late twentieth century that the world economy was able to become truly global on the basis of infrastructure provided by information and communication technologies. It is argued, that national economies are much less and decreasingly significant, or even no more existent due to the role of capital mobility, multinational corporations, and economic interdependence. As a result, Martell observes, many corporations – famously exemplified by Coca-Cola and McDonalds – are considered multinational rather than national in their ownership, having internationally distributed production facilities, workforces, and consumers. This has led to the fact that global economy is seen to have opened up, integrated and included more parts of the world. In this ‘borderless economy’, the distinction between domestic activity and global economic activity, as the range of products in any superstore will confirm, is becoming increasingly difficult. Accordingly, the global economy is seen as globally inclusive, although the level of integration may differ – admit the globalists – when comparing the global economy as a single entity to the most dominant national economies, the tendencies unequivocally shows signs of enhancing integration within and across regions.

2. Alternative theories

Having briefly reviewed the concept of *global economy*, used to describe the current economic processes by the first wave of globalisation theory, I shall shift my focus to the sceptical approach of the contemporary world economy.

Rather than truly global economy the skeptics take the view that, judged in historical terms, the present world economy remains far from closely integrated. Markets even for strategic industries and major firms are still far away from being fully integrated, capital flows are restricted by currency and banking regulations; the mobility of labour is undermined by immigration controls and people’s xenophobia. Moreover, even multinational corporations remain predominantly the captives of national or regional markets, contrary to their popular portrayal as ‘foot-lose capital’.

Furthermore, asserts Castells, evidence shows that government regulation and policies affect the international boundaries and structure of the global economy. There is not and there will not be in the foreseeable future, a fully integrated, open world market for labour, technology, goods, and services, as long as nation states exist, and as long as governments are there to foster the interests of their citizens and of firms in the territories under their jurisdiction, in the global competition. Additionally, market penetration is not reciprocal. While the American and, to lesser extent, European economies are relatively open markets (for trade and foreign direct investment), the Japanese economy, as well as the Chinese, Korean, Taiwanese, Indian, or Russian economies, remain highly protected. This may lead to the implication that the degree of economic and financial integration is limited even among the OECD (e.g. comparing USA and Japan) countries, which unambiguously account for the most interconnected economies.

As an alternative of *global economy*, second-wave globalization literature – depending on its degree of commitment – has held a brief for more delimited processes of the contemporary economic system such as northernization, triadization, regionalization and internationalization which vary in their predicted potential to impede or encourage the *global economy* approach.

---

5 HELD, David and MCGREW, Anthony: 2000, ibid.
7 HELD, David and MCGREW, Anthony: 2000, ibid.
8 CASTELLS, Manuel: 2000, ibid.
Henceforth I shall focus solely on one of these sceptical theories, which constitutes the other substance of this paper: triadization. Therefore, the following chapter proceeds with drawing attention to the triadic international economy approach.

2.1 Triadization

The architecture of the global economy – suggests Castells – features an asymmetrically interdependent world, organized around three major economic regions an increasingly polarized along an axis of opposition between productive, information-rich, affluent areas, and impoverished, economically devalued and socially excluded areas. According to Robert Boyer and Daniel Drache today’s globalization is a truncated globalization: ‘triadization’ is a more correct definition of the current situation. In economic sense, by triadization is meant the fact that the process of economic integration amongst the three most developed regions of the world (Europe, North America and the Asian Pacific) is more diffused, intensive and significant than ‘integration’ between these regions and the less developed countries, or between the less developed themselves. The contemporary perception of triadization – assert Boswell and Chase-Dunn – involves regional economic blocs – such as the European Union, the North American Free Trade Agreement, and the Asia Pacific Economic Cooperation – rather than sovereign countries. All the other areas of the world organize their economies in a multiple dependency relationship around this core, as different countries and regions compete to attract capital, human skills, and technology.

Castells argues, that around each region an economic hinterland has been created, with some countries being gradually incorporated into the global economy, usually through the dominant regions that are their geographic neighbours. North America for Latin America; the European Union for Eastern Europe, Russia, and the South Mediterranean; Japan and the Asian Pacific for the rest of Asia, as well as for Australia, New Zealand and the Middle East. At the same time, Africa seems to be increasingly marginalized in the global economy. According to him, the characteristic of the current economic system can be appropriately described with the following attributes: interdependence, asymmetry, selective inclusiveness, exclusionary...

---

segmentation. Subsequently, the global economy can be compartmentalized into a center, a semiperiphery and a periphery.

According to Samin Armin a country’s position in a globalised world ‘is defined by its capacity to compete in the world market … [where such] competitiveness is a complex product of many economic, political, and social factors’. Amin contends that the centres use the following five monopolies to prevent the peripheries from developing. ‘(i) technological monopoly, (ii) financial control of worldwide financial markets, (iii) monopolies of access to the planet’s natural resources, (iv) media and communication monopolies, (v) monopolies of weapons of mass destruction. These five monopolies ‘define the framework within which the law of globalised value operates’.

Shifting the focus towards quantitative approach, the skeptics have alluded to the following figures and tendencies, as evidences of a triadic, rather than global capitalist world-economy. Out of 4,200 interfirm strategic cooperation agreements that were signed in the world in the period 1980-9, 92 per cent were between enterprises from Japan, Western-Europe and North America. Until the beginning of the 1980s, the developing countries had a role to play, though limited, as countries of origin and destination. During the 1980s, the triad accounted for around four-fifths of all international capital flows. The developing countries share fell from 25 per cent in the 1970s to 19 per cent. In 1988 the three major economic regions – that is the OECD countries together with the four newly industrialized states of Asia – accounted for 72.8 per cent of the world’s manufacturing production, and in 2000 their share amounted to 69.5 per cent, while the population of these three regions in 2000 made up 15.7 per cent of world population. Furthermore, even in 2005 and 2006, the triad countries participated with 50.6 per cent to world trade with goods and with 55.1% to that with services. Concluding the figures, being set as arguments to confute the theory of global economy, it has to be

16 AMIN, Samir: Regionalization in Response to Polarizing Globalisation, Globalism and the New Regionalism, 1999, pp. 54-84
17 BOYER, Roberth and DRACHE, Daniel: ibid.
19 ADRIANA, Giurgiu: The Impact of the Controversies within the Contemporary World Economy onto the Regional Economic Integration and International Trade, 2008.
noticed that – apart from denying its existence – these numbers overall refer to a steady, sometimes growing gap between the triad and the rest of the world.

In order to be able to compare the triadic and the global economy approach in quantitative manner, I shall explore the globalist response to the sceptic figures used by first wavers to bolster up their argument.

3. The globalist response

Although the global economy as a single entity may not be as highly integrated as the most robust national economies, the trends, sounds the counterargument, point unambiguously towards intensifying integration within and across regions. This is exemplified by the operation of global financial markets, which has produced a convergence in interest rates among the financial markets. It is claimed that by the late 1990s almost 50 per cent of total world manufacturing jobs were located in developing economies, while over 60 per cent of developing country exports to the industrialized world were manufactured goods, a twelvefold increase in less than four decades. The deindustrializing OECD economies can be directly related to the outsourcing of manufacturing production by multinationals – that overall accounts for 20 per cent of world production and 70 per cent of world trade – to the newly industrializing and transition economies of Asia, Latin America and Eastern Europe. It is argued, that NICs now account for a significant proportion of global exports and, through integration into transnational production networks, have become extensions of, as well as competitors of, businesses in metropolitan economies. This tendency appears to have been underpinned through the latest analyses of financial markets conducted by the World Bank. It is pointed out that the fundamental conditions that support capital flows to developing countries have been strong these years. FDI inflows to developing countries, for instance, increased by 24 per cent in 2010. Income generated by FDI projects in these countries rose by 26 per cent in 2010, in comparison with its level in 2009. Multinationals invested 30 per cent of this income back into developing country operations in 2010, accounting for 35 per cent of FDI inflows. On the other hand, it is also stated that the number of people living on less than 1 dollar a day has fallen by 200 million over the past 20 years, after rising steadily for 200

---

20 Brazil, China, India, Malaysia, Mexico, Philippines, South Africa, Thailand, Turkey
21 HELD, David and MCGREW, Anthony: ibid.
years, while the proportion of people worldwide living in absolute poverty has dropped steadily in recent decade, from 29% in 1990 to a record low of 23% in 1998.  

4. The differentiated global economy

As the previous chapters have pointed out, both ways of characterizing the contemporary economic system can be disputed alike in qualitative and quantitative manner. Both the hyperglobaists and the second wavers – more specifically those of holding the view of triadization – appear to be capable to come up with counterarguments and figures to defend the most extended and generalized (global economy) and the narrowest (triad) approach of the world economy. This paper, in turn, does not wish to favour or opt for any of these variants, rather to provide a description of the architecture of the current economic system, drawing on the third wave of globalisation theory, the transformalist position. Due to the extreme diversity within the group of third wavers, I shall base my arguments upon the branch of transformalism represented by Held et al. as well as the arguments of Manuel Castells. In consideration of the hypothesis of the paper, I shall keep using the terms of global economy and triadization, as points of navigation in the process of characterization.

In doing so, I first need to justify why I have brought into discussion a first and a second waver approach. My first argument is that the transformalist view, in general, is seen to have evolved from the contradiction being between globalist and skeptic, resulting in a third theory that, depending on the particular set of theorists, is either closer to globalist or skeptic wave in leaning. Since I have already outlined a very common globalist and skeptic interpretation of the world economy, I only need to highlight the differences hereafter. Secondly, the definition that Held et al attach to the terms of global economy and triadization differs from those introduced in the previous chapters. This paper, however, aims to come to a conclusion on the contemporary economic order through clearly making out the third wave’s case against the other two. The argument to be made here is that the appropriate characterization of the world economy is somewhere halfway between the above written variants, but more global in tone.

---

Held et al. argue that technological and political changes since World War II have led to an unprecedented growth in the intensity of economic interdependence between countries. Globalisation involves profound transformative change and is a central driving force behind changes shaping the world. There are not clear distinctions between the domestic and the international in terms of economic processes. Economies are becoming de-territorialized, global and transnational. This change can be exemplified by among others the mobility of capital across national boundaries, the role of multinational corporations and interdependence between different nations’ economies. Furthermore, the states – Held et al. say – have become more active and their power is not necessarily diminished but is being reconstituted. Territorial boundaries are still important but they are not the primary markers of the modern life. That is, economic activities are locally rooted but become territorially disembedded or re-territorialized in new forms of localization and nationalization. Castells and Ruggie argue in the same way, stressing that the recasting of patterns of global stratification is linked with the growing deterritorialization of economic activity as production and finance increasingly acquire a global and transnational dimension. National economies, they suggest, are being reorganized by processes of economic globalization such that economic space no longer coincides with national territorial borders. In this globalizing economy, systems of transnational production, exchange and finance wave together ever more tightly the fortunes of communities and households of different continents.

There is a single global system – say Held et al. – that nearly all societies are part of but there is no single world society. Therefore, economically speaking, global economy can exist without a single economy. I see this to be bolstered up by Castells’s new pattern of international division of labour that is said to characterize the global economy. It is constructed around four different positions in the global economy: the producers of high value, based on informational labour; the producers of high volume, based on lower-cost of labour; the producers of raw materials, based on natural endowments; and the redundant producers, reduced to devalued labour. These different positions do not coincide with countries, they are organized in networks and flows using the technological infrastructure of the global (informational) economy. Yet the newest international division of labour does not take place between countries but between economic agents placed in the four positions. In this

24 MARTELL, Luke: ibid.,  
sense all countries are penetrated by the four positions, including marginalized economies which have a small segment of their directional functions connected to the high-value producers network, at least to ensure the transfer of whatever capital of information is still accumulated in their country. Nevertheless, this is an equivalent of neither global integration nor convergence, sounded by hyperglobalist accounts, which do not exist as they imply too much singularity and presume homogeneity respectively.

On the contrary, for the transformationalists, globalisation is associated with new patterns of global stratification, in which some states, societies and communities are becoming increasingly enmeshed in the global order while others are becoming increasingly marginalized. It follows that the globalization, say Held et al., is not universalization because globalization is not experienced to the same extent by all people. It is argued that the core-semiperiphery-periphery, North-South, triad and the rest, and first world – third world classifications do not describe the ‘system’ sufficiently. Within this visible architecture there are dynamic processes of competition and change that infuse a variable geometry into the global system of economic processes. In place of these models, there is a new one showing a middle group of developing countries in Latin America and Asia that have grown significantly and become more integrated into the global economy, thus lifting themselves out of periphery, but others, such as some African countries have become more debilitated and left out in the periphery. Therefore a bipolar model is replaced by a more complex stratification with greater involvement of some as well as expulsion and polarization between the top and the bottom. Globalization here has an uneven effect, some becoming more integrated into it and others more excluded from it.

Concluding remarks

The hypothesis seems to have been confirmed. The paper has argued that both the skeptic and the globalist accounts appear to be able to underpin their approach towards the contemporary phase of economic globalisation, at conceptual as well as quantitative level via various theories and figures. My concern has been to demonstrate that both – global economy and triadization – approaches imply some acceptable ‘observations’, however none of those, in their entireties, offer a fully appropriate explanation of the architecture of the system.

The conclusion to be drawn from the analysis is that the system can be described most reasonably through approximating these exaggerated and extreme points of view by portraying a more complex picture of globalization. Therefore I am of the view that the most realistic characterization of the economic globalisation of the 21st century is provided by that particular interpretation of the transformationalist position which Held et al. set out. The global economic system does exist, albeit it does not entail the existence of global convergence on economic factors. Economic globalization brings about a more complex stratification, superseding classical models, with greater inclusion of some as well as exclusion and greater polarization between the upside and the underside.

Drawing on H.P. Martin and H. Schumann’s conclusion on the question under discussion, the current era can concisely be featured with the following laconism: ‘to eat or to be eaten’.32

Changes, however, may occur as the world cannot be reduced to fixed global and nonglobal types. The position in the global economy does not depend on the characteristics of the country, rather on the characteristics of its labour and its insertion into the global economy. The variable geometry struggles with historically produced architecture of the world economic order, including creative chaos that characterizes the new economy.33

32 MARTIN Hans-Peter and SCHUMANN Harald: The global trap: globalization and the assault on prosperity and democracy, 1997

33 CASTELLS, Manuel: 2000, ibid.
References


ADRIANA, Giurgiu (2008): The Impact of the Controversies within the Contemporary World Economy onto the Regional Economic Integration and International Trade, University of Oradea. 


WORLDBANK (2011): Global Economic Prospects