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Evaluating Trends in Globalization and Neoliberalism

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As we approach the new millennium, there is a remarkable consensus in international economic circles that liberalization and globalization are not only the order of the day but also the wave of the future; that these derive from inexorable technological forces connected with the information and communication technology revolution presently sweeping the globe (Ajit Singh, 1997).

This article provides a description of various ways of viewing globalization, along with neoliberalism and liberalization, and empirically examines theories of globalization as they apply to the United States, Mexico and Canada.

Introduction

Scholars, journalists and other pundits have been trumpeting the view that the international political economy of the post-Cold War period has been qualitatively transformed. In general, new actors, new processes, new forms of interaction across national boundaries have presaged an era in which every significant human activity, economic, political, cultural, is changing in unrecognizable ways. The term usually used to describe this seachange in human affairs is "globalization". Economically, globalization refers not only to the integration and unification of product and capital markets, but also the cross-border production activities of transnational corporations. When Singh writes of "liberalization", he is referring to the free movement of goods and services as well as investment and capital flows over time between countries. While globalization, and its parallel liberalization, is a process largely driven by economic exchanges of various sorts, it is facilitated by policies and programs actually adopted by most countries around the world. These policies are often called "neoliberal". Consequently, globalization and liberalization and neoliberalism go hand in hand.
This paper briefly describes some of the variety of perspectives on globalization, elaborates on the neoliberal agenda, and presents some preliminary data on aspects of the globalization and liberalization process and the impacts of neoliberal policies on industrial capitalist and developing countries.

**Perspectives on Globalization**

In a prior paper (Cormier and Targ, 1999), the authors develop a typology to facilitate comparing the growing body of literature on globalization. Four schools, or groupings, of such literature were discussed based upon fundamental assumptions that authors make about (1) the relative importance of the historical inevitability of the process of globalization versus the role of human agency and decision-making input into the determination of the process, (2) whether globalization means that the traditional state-centric model of international economic and political life is being superseded by new global actors, and (3) whether the historic process—however it is defined—represents human progress or degradation. Also, we referred to a body of literature reflecting globalization skeptics who are interested in the further exploration of changes in economic and political life at the dawn of the new century but who also regard the concept of globalization as an ideological one, serving class ends. This paper is part of an extended examination of the changes that are indeed occurring, and the ideological character by which the changes are framed in the literature.

The globalization celebrants (Lubbers, 1996) argue that the pace and magnitude of global economic and political change has quantitatively increased, giving rise to a new salience for nongovernmental, largely economic actors. The changes are largely driven by the inexorable logic of technology and capitalist expansion on a worldwide basis. The most fundamental elements of globalization are increased trade, growing mutual dependency, global production processes, and a worldwide market. The long-term processes of globalization—as the economic spills over into the cultural and political—will be a net gain for humankind.

The globalization determinists (Spero, 1996; Cardoso, 1996) emphasize the mobility of capital around the globe, particularly finance capital,
technological advances in computer technology, and the inevitability
that nations face of competing in the global economy. Because of the
transformation of the global economy, states have to accommodate
global markets or risk marginalizing their societies in the years ahead.
Cardoso, former distinguished theorist of dependency, specifically
argues that the world is experiencing an expansion of transborder
financial flows, the globalization of production, and the expansion of
world trade. Now, presumably as opposed to the days of economic
subordination resulting from dependency, developing countries must
compete for the foreign investors that can stimulate growth in host
countries. While transnational corporate behavior in host countries
needed to be tamed in the 1960s and 1970s, now everything must be
done to encourage the participation of those TNCs to complement the
insufficient rate of domestic savings for investment. Basically, the
process of globalization is proceeding and nation-states, particularly
in poorer countries, must realistically adapt to the changes that are
occurring (presumably this means accepting the neoliberal policy
agenda).

A third view, reflected in a popularized literature (Barber, 1996),
reflects a globalization pessimist position. Writers, such as Barber, accept
the analyses and predictions of the determinists above but see the
logic of globalization as antithetical to democracy, cultural authenticity,
and human needs. For him, and his followers, the spread of
production, trade, and a mass consumption driven by global
capitalism is breaking down all the traditional, economic, political
and cultural roots that have marked off societies from each other.
Globalization is replacing tradition with standardization of cultures
and consciousness and is reshaping what the world’s citizens define
as their basic needs. Metaphorically, the vanguard for social change
around the world is symbolized by the golden arches of McDonald’s.

**Defining Globalization**

Most of those who write about globalization, however they stand
on its implications, its future, and its desirability, share a common
understanding of what it is. To advance the effort to study claims
about the process of globalization a general definition which probably
would be accepted by those referred to above is offered here.
Globalization is a process of increasingly dense interactions between nations and peoples such that new transnational institutions, primarily economic ones, and norms, values, perceptions and cultures replace traditional local, regional, and national patterns of control. Most statements on globalization include the following assumptions:

1. Interactions across national boundaries are clearly far greater than at any prior period in recorded history.
2. The key institutions driving the process include transnational corporations, international financial institutions, non-governmental economic actors such as the International Monetary Fund, the World Bank, the World Trade Organization, and regional variants of these global bodies. While TNCs and international banks are not new, what is new is the size, global penetration, resources, and impacts derived from their activities.
3. The global transformation of economic life is creating a parallel transformation of cultural life which, in turn, reinforces the economic changes that are occurring.
4. The process of globalization is inevitable. Nations and peoples can try to resist the changes, but at their own peril.
5. The driving force behind globalization is technology. Time and space, the historical determinants of difference and group sovereignty have been transcended.
6. State power has been superseded, and a skeletal form of a new global society—economy, politics and culture— is in the making.

Qualifying the Globalization Thesis

A number of scholars have begun to question some of the elements of the globalization theory expressed above. They do not disagree with the assumption that economic, political, and cultural changes are occurring. But, they suggest, a more careful examination of the precise nature and historical context of those changes need to be examined. Also, some commentators suggest that the rigorous analysis of what is really occurring can have consequences for political actors on the world stage as they develop a response to the changes (workers, peasants, indigenous peoples, women, for example).

At least four major issues have been raised by commentators on globalization. First, the idea of globalization is not new (Waters, 1995). One need only refer to the Communist Manifesto (Marx and Engels, 1997), now 150 years old, to find a clear statement about capitalism and globalization. Marx and Engels argue that capitalism was always a
global economic system, that capital accumulation requires expanding in size, in geographic scope, in political control, and in trade.

Second, some writers (Petras, 1996; Tabb, 1997) argue that the density of economic, political, and cultural interactions between nations and peoples has varied over time. In fact, the density of trade may have been greater in the late nineteenth century than over a similar time span in the late twentieth century. For reasons of business cycles, changing economic fortunes of hegemonic states, redistributions of political power or other causes, what looks to some like the inexorable logic of globalization is just a particular condition of late twentieth century economic development.

Third, some writers (Cox, 1992) see the economic changes that globalization theorists regard as inevitable and driven by technology resulting, in fact, from significant shifts in political power at the international and national levels. For example, the discourse on globalization, for the most part, has emerged since the collapse of the cold war international system. It is the demise of the socialist bloc that has occasioned the possibility of what is called globalization. (This argument will be made when we discuss neoliberalism as well). In parallel ways, the decline of left ward political forces in many nations and the weakening of labor movements have occasioned the integration of the international economy. Presumably, from this point of view, changed fortunes of political forces opposed to globalization might lead to a reversal of what some theorists claim is historically inevitable.

Finally, writers, such as Ellen Meiksins Wood (1997), suggest that claims about the demise of the salience of the nation-state is premature. While most nation-states now are obliged to embrace the neoliberal agenda and hence to give force to the globalization trends, it is clear that state structures do endorse and carry out policies that support globalization. States may be doing some different things, but they are not losing their salience. In fact, given popular resistance to some of the changes globalization views applaud, states are called upon to enforce the new at the expense of the old. No clearer examination exists than the policy agenda of President Cardoso of Brazil.
The Neoliberal Tradition

Neoliberalism can be defined as a set of policies, or a program of action, or an agenda of interconnected policies that are recommended by certain nation-states, international organizations and ruling classes, that are adopted by most states in the international system. The neoliberal policy agenda was increasingly endorsed, promoted, and forced upon the world of nation-states since the late 1970s, and that policy agenda stimulated the globalization process as it is understood by the globalization theorists described above.

Historically (Dowd 1993), the conception of “liberalism”, out of which neoliberalism has come, has connoted limited government. At most, government was to provide for national security and domestic peace. It could also serve as a broker among competing interests within the society. Politically, liberalisms’ founders included John Locke and James Madison.

The development of this view of limited government paralleled founding theories of the rise of capitalism. The label “classical liberalism”, is typically associated with the writings of Adam Smith, David Ricardo, and John Stuart Mill. These writers theorized about and did so during the era of the rise of commercial, then industrial capitalism. Their project was to advocate a role for the state that would stimulate capital development.

The bottom line of the classical liberal position was that the role of the state in a modern capitalist society must be limited to providing security for its citizens. State interference in the market should be severely limited. On the other hand, economic development and the physical and mental health and sustenance of the population at large would be provided by the market, that metaphorical coming together of buyers and sellers of commodities and labor. In fact, even though there would be thousands of entrepreneurs competing with each other, the interaction among them in the marketplace would lead to economic (and political) stability. It was said that the virtue of market competition is that it creates its opposite, economic and social harmony. After Smith, others added elements of an emerging theory. For example, David Ricardo introduced ideas about “diminishing returns” and “comparative advantage”.
After the industrial revolution, a new economic paradigm gained predominance, "neoclassical" economics. In this tradition, economics is explained in terms of the value maximizing activity of economic actors. History, politics, cultures are seen as extraneous to the value maximizing behavior of individuals and firms. Further, while neoclassicists have claimed that political intervention in economic processes distorts the natural workings of markets, periods of great depression led some in this tradition to advocate modest state interventionism to overcome political and economic instabilities brought about by the workings of capitalism. Hence, the Keynesian reformulation of the neoclassical model was endorsed by European countries and the United States to overcome the worst effects of the Great Depression of the 1930s. The resultant state policies—welfare state and social democratic—were broadly endorsed by the citizenry of the countries adopting them.

Despite the reforms of capitalism that have shaped some of the landscape of European and Western Hemisphere state policy, Eric Hobsbawm (1994) is correct to suggest that the primary political struggle of the twentieth century has been about two alternative visions about how to organize economic life, capitalist or socialist. On the capitalist side of the struggle were at least two factions; the one that argued for policies that enshrined classical liberalism (limited state, reliance on the market, and free trade) versus those who favored Keynesian adjustments to the traditional capitalist vision (an economically activist state, regulated finance and investment, and regulated trade).

As long as socialism abroad and at home was a threat to the capitalist world order, the Keynesian reformers were influential among policymakers. When the socialist threat weakened, policymakers shifted to the classical liberalism of the first generation of theorists of capitalism. Prime Minister Margaret Thatcher of Great Britain and President Ronald Reagan of the United States launched a renewal of the traditional program. Such a program was supported by leading international organizations such as the International Monetary Fund; the leading capitalist states: the G-7 countries; and the major transnational corporations and international financial institutions. The recently deregulated system of international finance and the explosion
of international debt served as the soil in which liberal economic exchanges grew, the neoliberal policy agenda was embraced by countries, and, out of this, globalization began to occur.

**Neoliberal Policy and Globalization**

The neoliberal policy agenda is designed to rectify the imbalances that existed between "intrusive" governments and the workings of the market. Three policies are central to neoliberalism, particularly as applied to poorer countries and former socialist countries in the 1990s (Green, 1997). First, countries must carry out economic stabilization programs that involve cutting back on government services (from food subsidies, to health care, to education, to housing and transportation). The reduction in government services lead to balanced budgets and a reduction of the money supply. This reduces the rates of inflation, which for many poor countries have been an historic problem. With inflation under control, foreign investment grows because countries with stable currencies are more attractive for such activity.

Second, governments engaging in neoliberal reforms must privatize their publicly owned businesses. This reduces costs of maintenance, entices foreign and domestic investors to purchase enterprises that are or could be profitable, and reduces the presence of the state in the running of the economy. Deregulation also shifts power from the state to the market.

Finally, states are encouraged to reduce barriers to trade and investment (because outside financing can stimulate economic growth) and are urged to expand their export sectors. A vibrant export sector might also increase foreign investment and help the neoliberal regime earn scarce foreign exchange.

In sum, neoliberalism is about downsizing government and economic stabilization, privatization of public enterprises and deregulation of the economy, and the development of an export platform and support for free trade. While these three policies are most familiar to those observing what the industrialized world and the financial community pressure poorer countries to do, it is important to note that these policies parallel the shift in economic policies within industrial capitalist countries as well. The economic reforms of the Thatcher and Reagan periods bear resemblance to the
neoliberal policies outlined above. The so-called "Contract with America" program of the conservative Republicans in 1994 was a blueprint for neoliberalism as well. (Need it be underscored that the economic programs, domestic and foreign, of President Bill Clinton and Prime Minister Tony Blair are neoliberal programs as well).

While the international organizations affiliated with finance capital (the International Monetary Fund, the World Bank, the Inter-American Development Bank), the industrial capitalist states (the G-7 countries) and the United States always sided with the neoliberal vision, the programs that were proposed over the years reflected the realities of political resistance to capitalism. Of course, from the onset of the Cold War until the late 1980s, a socialist bloc had existed that opposed the spread of capitalist reforms around the world.

Also, poorer countries joined together during this period to create the Non-Aligned Movement. This movement of some seventy countries shared a common perception that the international political economy was unfair to them. The NAM called for a "New International Economic Order" to rectify the injustices brought on by an unregulated global capitalism. The NIEO program was multifaceted, but its central premise was that international capitalism needed to be regulated to reduce its negative effects on poor countries and poor people. With the collapse of the socialist bloc between 1989 and 1991, the NAM lost its leverage with the capitalist powers.

Finally, regimes in many countries had engaged in activist, interventionist state policies to stimulate economic growth and provide for the basic welfare of its citizens. In Latin America, states instituted policies called Import-substitution Industrialization. The program was to protect indigenous investors from outside investors and traders and to use the state to stimulate industrialization at home. For a variety of reasons, these policies helped cause enormous international debt and unbalanced budgets. By the early 1980s, countries such as Mexico had to declare that they were bankrupt. To secure further loans from the international community, Mexico had to commit itself to the neoliberal policy agenda. Many other countries in the hemisphere had to follow suit, with disastrous consequences for the majority of Latin Americans. With the collapse of socialism,
the disintegration of the NAM, the failures of ISI, neoliberalism is the only policy option leaders in Latin America are willing (and able) to discuss. Perhaps the most central outcome of the embrace of the neoliberal agenda is the dramatically increased penetration of the countries involved by international capitalism, which finally means globalization.

Examining Globalization and Neoliberal Trends Empirically

Globalization: The United States' Case

While nation-states have conducted economic activities among themselves for centuries, the magnitudes and character of such transactions have changed. The seeds of modern globalization were planted in the age of imperialism in the nineteenth and twentieth centuries, and particularly after the two world wars, the pace of trade and investment grew markedly. Preceding the end of the Cold War, the pace of globalization has only increased since its dissolution. In recent years globalization has been spurred on by trade treaties (the Free Trade Agreement between Canada and the United States, NAFTA, and the reshaping of GATT with the creation of the WTO) and new arrangements involving foreign investments (such as Maastricht and the current negotiation around the Multinational Agreement on Investment). These political and economic arrangements do much more than smooth the way for more trading; they are designed to permit unrestricted penetration of national economies by foreign capital through direct foreign investment and other capital flows.

This paper is part of a long-term project to assess the impacts of the changing character of the global political economy on international and national economic and political development. In the first phase of the project (Cormier and Targ, 1999), globalization was examined through the experience of the United States. The United States was chosen because it is the largest economy and has been a participant in the globalization process from the beginning. It is fully recognized, however, that globalization encompasses much more than the economic activity of the U.S., and while it still may be seen as the economic hegemon, its primacy in global economic life is being reduced.
First, measures of the magnitude of U.S. economic activity on a worldwide basis illustrate the extent to which the United States' economy has become globalized. Volume of trade, the total sum of exports and imports, is posited as one measure of globalization. Here, the United States' real volume of trade has been growing steadily: goods and services, income transactions, and total volume have all been rising since 1965. The real total volume of trade in the U.S. grew from $304,153 million in 1965 to $2,213,134 million in 1997, showing an average annual growth of $51,824 million. The volume in goods and services has grown from $265,750 million in 1965 to $1,775,843 million by 1997, with an average growth of $41,111 million per year. The real volume in income transactions has gone from $38,407 million in 1965 up to $437,292 million in 1997, at an average of $10,713 million per year.

Over this period, goods and services accounted for an average of 83.3% of total volume of trade while income transactions averaged 16.7%. By 1997, goods and services was down to 80.2% and income up to 19.8%. In sum, the volume of trade grew over this 32-year period by more than 725% while its components have also grown; goods and services now make up 80% while income transactions account for the remaining 20%. However, a slight but steady shift from goods and services to income transactions is occurring.

As to the magnitudes of exports and imports, the United States' profile has changed over a 32-year period. While exports have increased at an annual rate of 13.8%, imports have increased more, at a rate of 21.2%. Real imports have exceeded real exports since 1983. Net exports have gone from a positive $44.5 billion in 1965 to a negative (more imports than exports) of $101 billion in 1997.

According to U.S. Department of Commerce data, components of trade include exports and imports of goods, services and what is called total income receipts (TIR), which includes earnings from direct foreign investment and other forms of cash receipts (to the United States) or total income payments (TIP) to other countries. Looking at the components of exports so defined over time, the total share of exports in goods declined from 62% to 58% over the 32-year period. The share of trade in services stayed roughly the same, 21% to 22%. The share of total income receipts rose from 17% to 21%. As to imports (which involve transactions with other countries as monetary recipients), the total
imports in goods rose from 66% to 68%, while that in services declined from 28% to 13%. Most significantly, the share in total income payments more than tripled from 6% to 19%. Further, the transfer of payments from such activities as foreign investment in the United States has become greater than U.S. receipt of income from other countries.

Other measures to assess the salience of trade (exports and imports) to the overall U.S. economy, show a significant increase. The value of U.S. exports as a percent of the GDP has more than doubled over the last 32 years (from 6.4% to 14.3%), and imports as a percentage of GDP have tripled (5% to 15.7%).

As to financial transactions, as opposed to trade in goods and services, total income receipts (TIR) as a share of total exports rose from 17% in 1965 to 21% in 1997. TIR peaked at 27% of exports in the mid-1980s and now account for a fifth of the value of all U.S. exports. TIR includes direct foreign investment (DIR), receipts from other private investments (OPR), and U.S. government receipts (USGR). As its largest share of TIR, the DIR accounted for 74% of the total in 1965, dropped to 26% in 1982, and returned to 45% by 1997. The OPR went from 20% in 1965 to 68% in 1982 to 60% in 1997.

Total income payments have increased from 6.4% of total imports to 19.1%. TIP includes payments to foreigners on their direct investments in the U.S. (DIP), other private payments (OPP), and U.S. government payments (USGP). Returns from foreign investment in the U.S. is about 20% of import income flows (to other countries). OPP surged to 68% in the late 1960s then dropped but recovered to 70% in 1991. It is now about 45% of imports. USGP rose from 22% in 1965 to over 40% in 1972 and has fluctuated at about 35% ever since.

In general, TIP has steadily gained on TIR over the past 32 years. Net investment income, the difference between TIR and TIP, was never large (averaging less than $50 billion since 1965) and finally became negative in 1997. Over time, the "virtual activities" share of TIR and TIP (various forms of financial transactions) have become a growing component of national economies and, in the U.S. case, 20% of U.S. exports and imports were income flows by 1997.

Therefore, in conformance with ideas about globalization and concentrating on the United States as a central economic actor, the data suggests that the volume of U.S. trade has risen over the last 32
years as substantially as has its share of GDP. Further, imports have risen to dominate exports in the calculus of net economic exchange. While U.S. exports of goods have declined somewhat as a part of total trade, services have risen slightly, and income transactions have become more significant. Among income transactions, categories of earnings that could be seen as financial speculation have grown to exceed the amount accounted for as direct foreign investment. Meanwhile, the percentage of foreign earnings in the U.S. from income payments, speculative and profits on foreign investments, has tripled over the last several years. The magnitude of the U.S. involvement in the global economy has increased dramatically, and a large share of the involvement includes foreign traders and investors penetrating the U.S. economy.

Assessing Impacts of Globalization and Neoliberalism

Obviously, the data above only provides a small part of what is necessary to examine globalization in its entirety. Here, we presented data on the growing connections between the United States and the world, and the changing characteristics of those connections. What is clear, and in keeping with aspects of thinking about globalization and neoliberalism, is that the magnitude of relationships of the U.S. to the world has grown enormously, and that this growth is both from the U.S. outward and from the global economy to the U.S. (However, growing elements of that interaction involve intra-form trade; that is, transnationals trading with themselves across borders). And, of great significance, growing portions of economic transactions involve financial speculation.

This part of the paper assumes that trends found in relation to the U.S. case reflect the general increases in global economic interaction over the last 30 years. Also, this paper accepts as given that liberalization and the embrace of neoliberal policies also have been occurring increasingly over much of this period. With these assumptions, the remainder of the paper summarizes literature and data on the impacts of globalization and neoliberal policies in both industrial capitalist and developing countries.

We start by examining selected aspects of the consequences of the new order and see who benefits from them and who does not. First,
we look at the advanced economies which we can say have operated under liberalized trade conditions and with unrestricted financial flows for over twenty years. The experiences of these countries provide insight into the general performance results of globalization.

In the developed countries of Europe, Japan, and North America, macroeconomic conditions from 1973 to date are at levels substantially below those of the period following World War II up through 1973. Singh (1997) documents the pronounced drop, over half in some countries, in economic growth rates from 1973-93 in the U.S., Japan, Germany, Great Britain, the G7 countries, the fifteen countries of the European Union, and the OECD countries. He also provides data on the growth of real GDP per person for the same countries and time periods. He observes that the data “show that the long-term rate of growth of output and of productivity in industrial countries since 1980 has been approximately half of that achieved by these countries during the illiberal and regulated 1960s.” An important point here is that the drop in critical macroeconomic factors has occurred in almost all of these advanced countries.

Along with the declines in output and productivity just mentioned, European countries and, to a lesser extent, Japan, have encountered a persistent and serious unemployment problem since the late 1970s. Japan has become mired in a long-term recession. The U.S. does not see the same level of unemployment but, under more flexible labor market practices, it experiences greater contingent employment and substantially lower real earnings. Scott (1999) documents recent developments regarding the widespread loss of quality jobs in manufacturing and other export-oriented sectors in the U.S.

Singh (1997) contends that the observed poor performance of the advanced economies is “directly linked to the intrinsic features of the new market-supremacist liberal economic order.” He describes what has become the paradox of globalization for the developed countries: faster growth may not follow from liberalization and globalization, but it is nevertheless required to sustain this new liberal economic order. What the eventual outcome of these trends will be, in light of the global financial crisis, remains to be seen.

Second, we examine the impact of the globalization process on developing economies. A salient feature of today’s global economy is
the growth of income inequality. According to Lipow (1996), the global rich are, more than ever, pulling even further apart from the poor. Using UN data, he shows that in 1960 the richest 20% of people in the world had a total income 30 times greater than the poorest 20%; by 1991, this ratio had doubled. Over these 30 years of global "development", the richest 20% saw their share of total world income climb from 70% to 85% while the share of income of the poorest 20% dropped from 2.3% to 1.4%. The growth of inequality is mainly between the developed and developing countries, with an overwhelming portion of the rich in the former. However, the process of polarization is occurring both within nations as well as between rich and poor nations. As an example, Census Bureau data shows that the degree of income inequality in the U.S. has grown from 11% in 1970 to 27.9% in 1990, almost a three-fold increase.

Russell (1997) presents data to indicate a stark decline in income among the bottom 90% of the Mexican population between 1984 and 1994. While the poorest had an absolute decline in income of 23.2%, the richest 10% gained 20.8%. "Once the market is allowed to operate without impediments, the strongest actors are able to increase their competitive advantages and accruing higher rates of income." Russell added that the Mexican economy did not experience sufficient growth to overcome the growing income inequality. Consequently, the rising tide did not lift all boats—the poor have gotten poorer and the rich richer.

Lipow (1996) further shows that as of 1995 investment trends continue to favor the developed nations. The bulk (70%) of foreign investment occurred within the advanced countries of Europe, Japan and North America. By 1995, only ten countries from the southern hemisphere accounted for over 70% of the remaining investment—China, Singapore, Mexico, Malaysia, Brazil, Hong Kong, Argentina, Thailand, Egypt, and Taiwan. However, this has been drastically altered by the East Asian financial crisis of 1997. Finally, the distribution of profits follows the pattern of direct investment, with most profit going to the developed nations and very little going into developing economies. It is important to note that these patterns of investment are shifting (as indicated in the discussion of globalization and the U.S. above) so that the amount of U.S. direct foreign investment is
now less than foreign direct investment in the U.S., and the rate of return to U.S. foreign investment is less than that of foreign investments in the U.S. Nevertheless, it appears that the main sources of competing investments are the other developed nations, with only a relatively small amount of investment originating in the developing countries.

As to trade, Table 1 presents data on U.S. trade in goods and services with the major economies in Latin America. They accounted for $90.822 billion of U.S. exports and $108.783 billion of its imports. This amounted to 15.7% and 14.6% of total U.S. exports and imports, respectively. Both in absolute and relative terms, this level of trade is significant. A large portion of this trade is due to intra-corporate transfers, the buying and selling of goods and services between divisions of transnational corporations located outside the U.S. and in parent operations in the U.S. Chart 1 shows the U.S. balance of trade with all of South America from 1968 through 1996.

Finally, a discussion of globalization and neoliberalism would not be complete without reference to Third World debt. Table 2 indicates the debt incurred by major Latin American economies between 1980 and 1996. Over the sixteen-year period, the debt burden in these countries has climbed to as high as 315% (Columbia). The impact of this burden is best observed by considering the share of the gross national product (GNP) represented by the debt in 1996. The smallest share of GNP is 26% for Brazil, while Venezuela suffers under a 51% load. Such excessive debt burden constitutes a major constraint on the real development of these economies. The price of inclusion in the globalization process has been very high.

In conclusion, the overall result of globalization, liberalization, and neoliberal policies continues to favor the advanced countries. Lipow (1996) shows that as globalization expanded, the net transfer from poor countries to richer countries in 1994 totaled $130 billion. Interest payments on Third World debt accounted for $125 billion of this total, an estimated $64 billion was in profit on investments by transnational corporations, while $59 billion flowed back to the poorer nations. Production and distribution patterns are changing steadily as investors seek the greatest return on their capital. Until recently, consequences of this new-found ability of the transnationals to move capital at the press of a computer key has been declining wages, growing
unemployment, and destabilized economies plaguing the developing nations (Greider, 1997). It is safe to conclude that the process of globalization and the neoliberal policy agenda have mainly benefited the owners of transnational corporations and of global capital but has done little for workers and their families, in both developed and developing nations.

**Concluding Comments on Globalization and Neoliberalism**

We began with a portrait of the theoretical terrain and debates about the currently fashionable idea, "globalization". Different approaches raise interesting and significant empirical questions about how much of the global political economy has qualitatively changed and how much continues to reflect the historical workings of the capitalist system.

The resolution of many of the key issues surrounding globalization go well beyond the research reported above. However, using the case of the United States and its interactions with the world, several changes were noted that might bear upon the broader issue of globalization.

United States' volume of trade has significantly increased over 30 years. The balance of exports to imports has changed. The relative importance of exports of goods and services to income transfers has declined. The relative importance of income transfers to other countries as a proportion of earnings from imports into the U.S. has significantly increased. Of greatest interest, the share of income transfers to the U.S. and out of the U.S. that can be conceived of as financial speculation have risen dramatically. So in examining the economic ties of the U.S. to the world, the volume of trade is up, imports are up, income transfers as a share of U.S. earnings overseas and foreign earnings in the U.S. are up, and the role of financial speculation is up. These findings give modest support to some, but not all, of the claims made by globalization theorists. To recognize the skeptics, however, we must remember that trade, investment, speculation, capital accumulation, and the drive for profits are not new; but the features of each element may be changing.

Finally, this paper linked the discussion of globalization and liberalization (as Singh called it) to the neoliberal policy agenda and its impacts. Looking at various economic trends that, it was assumed,
paralleled the global adoption of neoliberal policies, suggested that impacts of the policies had had adverse effects on economic development. The literature and data reviewed suggest that globalization and neoliberal policies have hindered development and increased inequality in both industrial capitalist and developing countries. If future research reconfirms the findings reported here, it will be necessary to conclude that the mix of globalizing trends and neoliberal policies must be changed or, as writers like Greider (1997) predict, we will be condemned to global economic and political crises in the future.

Table 1
U.S. Trade with Major Economies in Latin America, 1996

<table>
<thead>
<tr>
<th></th>
<th>Exports</th>
<th>Share %*</th>
<th>Imports</th>
<th>Share %**</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>56,792</td>
<td>9.8</td>
<td>74,297</td>
<td>9.9</td>
<td>-17,505</td>
</tr>
<tr>
<td>Argentina</td>
<td>4,517</td>
<td>0.8</td>
<td>2,279</td>
<td>0.3</td>
<td>2,238</td>
</tr>
<tr>
<td>Brazil</td>
<td>12,718</td>
<td>2.2</td>
<td>8,773</td>
<td>1.2</td>
<td>3,945</td>
</tr>
<tr>
<td>Chile</td>
<td>4,140</td>
<td>0.7</td>
<td>2,262</td>
<td>0.3</td>
<td>1,878</td>
</tr>
<tr>
<td>Colombia</td>
<td>4,714</td>
<td>0.8</td>
<td>4,424</td>
<td>0.6</td>
<td>290</td>
</tr>
<tr>
<td>Dom. Rep.</td>
<td>3,191</td>
<td>0.6</td>
<td>3,575</td>
<td>0.5</td>
<td>-384</td>
</tr>
<tr>
<td>Venezuela</td>
<td>4,750</td>
<td>0.8</td>
<td>13,173</td>
<td>1.8</td>
<td>-8,423</td>
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<tr>
<td></td>
<td>90,822</td>
<td>15.7</td>
<td>108,783</td>
<td>14.6</td>
<td>-17,961</td>
</tr>
</tbody>
</table>

* Share of Total U.S. exports
** Share of Total U.S. imports

Table 2
External Debt of Major Economies in Latin America

<table>
<thead>
<tr>
<th>Country</th>
<th>Total debt (Millions of Dollars, U.S.)</th>
<th>Change (%)</th>
<th>Share of GNP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1980</td>
<td>1996</td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td>57,378</td>
<td>157,125</td>
<td>173.8</td>
</tr>
<tr>
<td>Argentina</td>
<td>27,157</td>
<td>93,841</td>
<td>245.5</td>
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<tr>
<td>Brazil</td>
<td>71,520</td>
<td>179,047</td>
<td>150.3</td>
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<tr>
<td>Chile</td>
<td>12,081</td>
<td>27,411</td>
<td>126.9</td>
</tr>
<tr>
<td>Colombia</td>
<td>6,941</td>
<td>28,859</td>
<td>315.8</td>
</tr>
<tr>
<td>Dom. Rep.</td>
<td>2,002</td>
<td>4,310</td>
<td>115.3</td>
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<tr>
<td>Venezuela</td>
<td>29,344</td>
<td>35,344</td>
<td>20.4</td>
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</table>
