

## True globalization: The paradigm shift

Raluca Oprescu<sup>1</sup>

<sup>1</sup> Academy of Economic Studies, Bucharest

**Abstract.** The humanity is at crossroads as the real global era is about to start. Globalization has been defined in many ways but very few included the common sense meaning of it. The paper aims to analyze the status quo of the economic systems and models, to reveal the defining characteristics of the dominant models and to highlight several ways of understanding the true sense of globalization. The comparative analysis of the economic models and systems provides a compelling framework for observing how the pre-global era in which we currently live, is distinctive to the global one. Globalization is the process through which societies accept the similarities between people and overlook their discrepancies. The phenomena is mostly perceived and understood today as being based on the adversity principle, which suggests that the systems have a top-down structure. In this study, it is scrutinized the multidimensional system, with an emphasis on the economic one. However, in order to fully perceive the essence of the suggested paradigm shift additional elements are introduced to complete the image. The system concept implies the order notion as the elements function through links and they communicate based on certain rules. Systems have a particular structure, an interconnectivity of the parts that determines the ways in which it acts and reacts to external shocks. Systems are the integrated layout of the component entities. The paper seeks answers to the following questions: does the world need a paradigm shift and is it truly necessary? What are the rational arguments for such a turn? The analysis is decomposed on four distinct layers: the system, the process, the model and the structure.

**Keywords:** comparative economic systems, paradigm, globalization, economic modes.

### 1. Introduction

The world crisis was the sign that it is the end of multiple overlapping cycles. The cycle of the first modernity based on vertical integration development patterns is slowly closing. The last Kondratieff cycle was extended due to the emergence of the entrepreneurial or casino economy that was fostered by the extensive use of fictitious tools. The major dilemma of the present time is whether the world will accept a paradigm shift or it will reject it. A new paradigm would spread throughout economies, societies and politics and it would capture the reconstruction and the reshaping of the systems. The awareness of the pre-global system failure can bring a new global order.

Paradigms are ways to envision the world that subsume concepts, values and practices shared by communities. In the scientific meaning, a paradigm introduces and justifies a set of assumptions and basic principles that further constitute the fundamentals. Based on the principles, a framework of the system can be built. Through an analogy with Kuhn's paradigm shifts, for the social sciences the term describes experiences and values that affect how individuals perceive reality and respond to it. The social meaning of paradigm shifts, as described by Handa (1986) entails a significant change in the way societies are organized. Paradigm shifts transcend the boundaries of economics, politics, geography or culture.

Globalization is about society, about humanity beyond any other facet of it. The processes that rule the society seem to escape the paradigmatic matrix of the science because the systems are far from equilibrium and because the economic forces don't take action on their own anymore, they often fuse with the political, national and cultural ones. It is obvious that some of the system entities are trying to reposition themselves. What happens with the whole globalization process today confirms the validity of Karl Popper's philosophy, which claims that a theory is solid only if it can be falsified. What scientists need to do is to identify exactly

---

<sup>1</sup> Tel.: + 40721213197; fax: +40344147604.  
E-mail address: raluk.or.raluca@gmail.com.

what falsifies the globalization theory in order to understand the real meaning of it. The comparative analysis of the economic models and systems provides a compelling framework for observing how the pre-global era is distinctive to the global one. The global systems and models are not an expansion of the international, world or super-state systems. They are simply a new category that does not share the same core with the previous ones. The current systems are in transition, they are undergoing a process of transformation and shifting from the nation-based systems to the global systems.

The pre-global economic systems are hierarchy-based, while the global ones have the advantage of a network design. The past systems were sustained by vertical dependencies between the spare parts, while the global systems are configured on horizontal dependencies. Globalization is perceived as a stage of integration of the world economy only by those still trapped in the old paradigm, where the state is the main actor of the global market and its sovereignty is a matrix for territorial, ethnical or cultural identity. Globalization is an expression of the economic liberalism but not in the deviant forms of it. The essence of globalization is in fact linked to perceiving the social facet of the economy. Globalization is the process through which the world economy becomes functional and through which the society becomes able to create solid decision structures that will enable tackling the global problems.

## **2. The aphorism of globalization**

### **2.1. Current layout and status of the systems**

The analysis focuses on the economic systems, processes, models and structure. These are considered dynamic and flexible (with the possibility to adjust) overlapping their meaning is unnecessary. The major challenge in the analysis of the economic systems and models is that there are shades of subjectivity due to the inclusion of man (*homo oeconomicus*) in them. Economic models have a diminished coverage compared to the systems in terms of consequences and significance. Economic models may refer to the regulator's vision of how the economic functions are or should be managed. Models are attached to systems and functions can be perceived either through the functions the economy (economic models based on capital, on production, consumption, casino), through a prevalent ideological meaning (regulated market economy, social market economy, etc.) or various mixed categories (models of emerging economies, natural economy, open economy, captive economy). Economic models are generally regarded as models of development (Dinu, 2010). Economic models are pillars on which globalization is sustained and shaped.

Today, worldwide we can observe three models of economy and society. The analytical criteria based on which they can be distinguished include the patterns of economic growth, the degree of social cohesion and the political freedom. These are by excellence models of economic and social development: the American, the European and the Asian one. The models are just as lively as the reality they represent. The comparative analysis of the models entails explaining what are their fundamental discrepancies and what are their common grounds. The analytic exercise will reveal the strong link between the performances of the models, the type of civilization sustained by them and the consistency of the mentalities.

The American model organically includes the economic growth and the political system but it excludes the social cohesion. This model allocates the responsibility for managing the subsistence tools and resources at the local level, which is often independent. The state minimizes the effort for the prevention of personal failure. This model is structured following the self-risk logic of individuals and it resonates with the idea of success, of battle and winning. On the other hand, the Asian model includes the economic growth and the social cohesion, but somehow it excludes the political freedom. This model places China in the heart of the regional Asian economy. Although Japan and South Korea have their particularities, it can be observed a high propensity towards interventionism or mono-partidism (Rossner, 2004). This is a clear example of classical non-liberalism where the emerging markets do not reflect the values of individualism. The European model blends all those three criteria and embodies notions that seem opposed such as yield and equity. The jigsaw puzzle structure of the model proved to be valid and functional. The model includes the concept of risk but it does not turn the sacrifice into habit.

If openness is another criteria added to the analysis, even more things can be revealed. The American model is totally open, both the entries and the exit are free. The European model is semi-open because the

exits are free but the entries are conditioned, while the Asian model is still partially autarchic, where both the entry and exit are being controlled. Judging by these criteria, it can be assessed theoretically, what could be the potential spread of the actual globalization within these economic models. One major issue in the literature today is that the American model became a guideline for globalization and the processes associated with it are often confused with the pattern of the model itself (Stiglitz, 2010). This fact is happening because of the amazing capacity to function as an open, permissive and proactive system. Because the European model is still consolidating itself it has a limited global impact compared to the American one. The Asian model surprises in terms of the speed of the high performance but it continues to be perceived as a regional experiment, hard to be replicated in another part of the world, therefore it has its limitations as a global model. Nevertheless, it can be observed that these three models combine the factors in different ways and have different approaches towards the strategies for using them. Some claim that in fact there are only two systems: the Occidental and the Asian one (Dahrendorf, 1988). However, separating the European from the American model it isn't necessary due to the characteristics that tend to be homogeneous. Even though there is some proof that common patterns do exist, there are plenty of reasons for which not to analyze them together. Treating them both as the Occidental Model is valid especially from the academic perspective but is not realistic. On the other hand, Fukuyama (1992) claimed that the only model to be considered is the American one, as an expression of the triumph of liberalism through globalization. This vision is exaggerated today.

The current systems and economic models are in transition as they are on the path to reconfiguration. Although formally they are still perceived through the old paradigm, they tend to find a new structure on which to develop. The real global systems that are arising go far beyond the states. In the pre-global systems the states are permanently rivals, fighting for resources and supremacy of any kind. Regional economic phenomena became more frequent lately, proving that somehow there is a need for new approaches. National economic systems, regardless of their origins have proved unstable, vulnerable and unable to represent the cornerstones of the future.

Pre-global systems were based on microeconomic premises, which were translated to the macro level in a flawed manner. Resource allocation in the context of new global systems will be achieved by other principles. In the pre-global yield-oriented systems exclusion is a defining principle. Exacerbated competition has structural consequences especially if it is seen as an extension of adversity, which is widely observed in the American system (Brzezinski, 2004). In the past two decades, cracks began to surface and induced profound questions about the past status and the present. For instance, the American system has received numerous signals that problems are occurring but they were ignored on purpose. Signs that the national markets actually were not free but severely manipulated by various actors have appeared a few decades ago but slowly escalated due to the dot com bubble burst, the expansion of the hedge funds beyond safe limits or the introduction and extensive use of derivatives. The strong industrialization of certain economies created unprecedented global effects. Then, the powerful spread of electronics and virtual world especially in the financial sectors altered the system structure itself. There is another aspect worth mentioning, that the American economic model actually has no scientific foundation and should not be surprising that it generates behaviour derived from an irrational system (Stiglitz, 2006).

## **2.2. The flaws of the old paradigm**

The obsession of welfare in the corporate capitalism model of economy is striking. The prevalent emphasis on corporations led to an exclusive association between wealth and their local presence. One natural question that arises is: don't all the participants in the global economy have the same fundamental right to welfare? The system is highly monetized as the quantitative approach is widely encouraged (as many financial resources as possible, as high efficiency as it can). The struggle for money and wealth is given in any circumstances by anyone. Exploitation, abuse of power and subjugation appear almost normal due to the strong roots of this quantitative philosophy of the system (Harvery, 2001). It is clear that pre-global economic systems have functioned on the basis of hierarchical relations. The expansion of the global capitalism and the liberalization of inputs have fostered network relationships to a subtle extent. Although trade liberalization seemed at first to be a real threat to the American hegemony, in fact no notable change

has occurred (Hudson, 2005). Even if China, Japan and the European Union have tried to challenge this status, an actual disruption hasn't occurred. Interdependencies were used only when the alloy was removed from the equation of how different actors. In fact, the phenomena could be categorized as rather a one-sided dependence, on certain levels and in elitist circles. The concentration of economic power in the hands of one or several actors has determined a concentration of wealth within them, making a clear separation from the world in absolute and relative differences. The situation became really dangerous because the equal sign was placed between the notions of power and wealth.

Pre-global systems revolve around the idea that wealth actually creates power. Basically, hierarchy appears immediately in these circumstances. Power is the ability to impose its own will over another and usually it is coercive or punitive. Power in the economic sense, is perceived as the ability to control processes and phenomena and directing the actions of other economic actors. This ability to set and impose the rules of the game is achieved mostly through an accumulation of economic, military and social power. Analysing briefly the power relations by the terms of international relations theories, one can conclude that domination is the rule and far less the legitimacy. The deliberate will of nations to achieve common goals hardly came in this form. Most often, different countries have dominated other countries so that first ones should always take into account other actions (Chomsky, 2003). Surprisingly or not, this archaic form of domination is still present, despite the increased interdependence among nation-states actors.

Pre-global systems have evolved into a phase characterized by over-consumption, low savings and giant risks forwarded as much as possible into the future. Corporate governance systems shaped "casino economies" that supported and incited irrational behaviour. The assumptions on which homo oeconomicus was introduced as the main actor in the economy are obviously invalid in the present. Prevalent emphasis on corporations, their domination and subjugation led to a serious error through which welfare is associated with them. Systems were heavily monetized as a profits became a target. Stiglitz (2006) and Krugman (2009) admit that American transnational corporations have actually become a national symbol overseas. Excessive influence and intervention of the states led eventually to the failure of pre-global systems. Creating economic, political and military mammoths does not seem to be natural and beneficial on the long term. Hyper-powers do not have a place in the new systems that are projected for the future. Laissez-faire systems seem to be somewhat opposed to the rational system. The inconsistencies of these systems are notable everywhere in the world. In essence, government intervention is rejected on the surface but it is accepted whenever the system is near collapse (e.g. corrections based on the philosophy "too big to fail"). The European and the American systems are based on the efficient market hypothesis. Unfortunately, experiences have proved that this theory is flawed.

### **2.3. A new horizon: world Vs. global economy**

While redesigning the systems is a crucial project for the future, in order to succeed this process has to be consistent and in full harmony with the humanity and its traits. Awakening the senses, overcoming a state of spiritual, social, economic and cultural decadence are necessary for the progress of humans. Vices such as excessive artificiality and virtualization should be abandoned. Abundance is also dangerous, especially when combined with other elements.

Adjusting the concepts of national culture or national state to the new global systems is also expected to happen. Globalization requires a new organization of the economies and beyond. Eventually, the "global village" of Marshall McLuhan suggests that true global systems (towards we are heading) are those in which there is a deep understanding of the human nature. Moreover, some supporters of the Club of Rome (for example Francesco Stipo, 2007) highlight the idea of a global confederation and a redefinition of the state power at this time. Globalization was definitely a natural, evolutionary and inevitable step forward. Unfortunately, the economic models and systems were not flexible enough for auto-adjustments that were necessary to preserve their viability. The world economy is basically a vision based on national economies. The global economy is neither state nor super-state based as it develops a distinctive structure.

Poor understanding and perception of globalization has fuelled a constant question: how could poor countries have become poorer in this era of prosperity disguised in a suit of misleading globalization? The phenomena of globalization (economic liberalization and integration) have proved to be somehow

contradictory and to ultimately threaten the world economic order. The formal authority of state borders is more fictional than real. Liberalism taken to the extreme leads to anarchy. On the other hand, excessive integration could lead to a form of totalitarianism. The transition from the pre-global to the global era is ongoing. Difficulties arise due to the fact that most signals of this transformation were deliberately ignored. The systems today are struggling to function based on the old structure as globalization seems problematic. Global systems do not destroy state sovereignty and culture nor instil economic or personal insecurity, but humanity perceives this way the sparked tension between the old and the new foundations. Globalism is the attitude that entails placing the interests of the world above those of singular nations. Globalism is contrasted with individualism, localism, populism or internationalism. The American crisis was easily spread internationally, fact that indicates severe weaknesses in the foundation of the old systems that cannot and should not be transferred into the future. The suggested paradigm shift aims for setting the guidelines for a new global economy based on cooperative markets and horizontal links. The goal of the redesign is for the systems to capture the best of human nature, to render the idea of cohesion and interdependence. Globalization is the expression of a system with the highest degree of connectivity between its components. This is a system where the parts act as a whole and the adversity principle does not work. It's a new order of the world, a multidimensional system based on networks, flows and correlations.

Although the enthusiasm for a new paradigm does not seem to be notable, overcoming this limbo phase (in the sense described by Dante) is likely to succeed. The challenges of the future are a hard reason for which to tilt the balance towards change. While the world's population is continuously growing and people consume more than they produce, human security on long run is questionable. Eventually, the physical resource's depletion may continue with that of the human resource through exploitation or mental subjugation. The system configuration should ensure human security and in any case should not threaten it. The major danger is that lessons from the present and past seem as still not learned. Refusing to accept failure and the reluctance to give up on certain ambitions and interest will undoubtedly endanger the future.

### 3. Acknowledgements

I would like to give special thanks to Professor Dinu Marin, the Dean of the Economics Faculty of the Academy of Economic Studies in Bucharest for his support throughout the research conducted previous to writing this article. The field of comparative economic systems is very challenging and he has guided my steps and determined me to commit to this journey.

### 4. References

- [1] Z. Brzezinski. *The Choice: Global Domination or Global Leadership*. Basic Books, 2004.
- [2] N. Chomsky. *Hegemony or Survival: American's Quest for Global Dominance*. Metropolitan Books, 2003.
- [3] R. G. Dahrendorf. *The modern social conflict*. University of California, 1988.
- [4] M. Dinu. *Dictionary Economy: Epistemic perspectives*. Ed. Economică, 2010.
- [5] F. Fukuyama. *The End of History and the Last Man*. Free Press, 1992.
- [6] M. L. Handa. *Peace Paradigm: Transcending Liberal and Marxian Paradigms*. University of Toronto, 1986.
- [7] D. Harvey. *The enigma of Capital and the crisis of capitalism*. Profile Books, 2001.
- [8] M. Hudson. *Global Fracture: The New International Economic Order*. Pluto Press, 2<sup>nd</sup> edition, 2005.
- [9] P. Krugman. *The return of Depression Economics and the Crisis of 2008*. W.W. Norton, 2<sup>nd</sup> edition, 2009.
- [10] B. Rossner, M. Rossner. *Comparative economics in a transforming world economy*, MIT Press, 2<sup>nd</sup> edition, 2004.
- [11] J. E. Stiglitz. *Making Globalization Work*. Penguin Books, 2006.
- [12] J. E. Stiglitz. *Freefall: America, Free Markets, and the Sinking of the World Economy*. W. W Norton, 2010.
- [13] F. Stipo. *World Federalist Manifesto. Guide to Political Globalization*. Stipo, 2007.