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Globalisation is not a dirty word

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Global Capitalism -

Its Fall and Rise

in the 20th Century

By Jeffry Frieden

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John Bruton

A common misconception is that globalisation is a new phenomenon. It's not and this book is essential reading for anyone who wants to understand the history of globalisation from 1870 to the present.

There was rapid globalisation from 1870 to 1914. From 1918 to 1950, some countries, inspired by nationalism, like Germany, Italy, Ireland, the Soviet Union and Latin America, reverted to industrialization based on self-sufficiency. Others, often because they had no choice, struggled to keep their markets open to the world. From 1950 onwards, globalisation again became the norm.

The post-1870 globalisation was based on new technologies like railways, refrigeration, and the telegraph, which allowed goods and ideas to cross the world much more quickly than ever before. The post-1950 globalisation is also based on new technologies like cheap air travel, containerisation and informatics.

The 1870-1914 globalisation enjoyed a stable currency regime built around convertibility of all currencies into gold. The more recent globalisation, lacking the anchor of gold, has relied on the rapid convertibility of currencies, which often led to crises.

Prof. Frieden's central point is that globalisation is a political choice. Countries chose to open up their markets in the 1870s because export interests were setting the political agenda. After the First World War, however, nationalist interests wanting to protect themselves in the home market were in the political ascendant. The Second World War helped undermine those nationalist interests and ushered in the second great period of globalisation.

The big difficulty with globalisation is that, while the world as a whole benefits greatly from it, there are some people who lose. Unskilled workers in developed countries are losing in the present phase of globalisation just as artisans in India and small farmers in Europe lost out in the 1870-1914 period.

Left to its own devices, globalisation adds greatly to overall wealth but seems to widen gaps between those who benefit most and those who benefit least. Since 1966, the share of U.S. incomes enjoyed by the top 1pc of earners has risen from 6pc to 12pc of the total.

Comparisons may be odious, but most people make them, so this is a politically difficult outcome to sell. Successful globalisation needs a workable system to redistribute some of the gains to help the losers get back on the ladder of success again.

Jeffrey Frieden has followed the Irish experience of globalisation. For example, The Land War of the 1880s can be explained by the fall in Irish farm incomes because globalisation opened the British market to more efficient producers in the Americas. The stagnation of the Irish economy from the 1930s was the result of self-sufficiency policies of the kind that have held back many Latin American countries up to the present.

Ireland learned from this mistake more quickly than others. In 1956, Gerard Sweetman granted tax free status to export profits as part of a policy of reopening the Irish economy to the world.

Irish educational policy from 1922 to 1966 had provided only for a minimal level of education for the masses, sufficient only for them to live in rural self-sufficiency. That was all changed by Donagh O'Malley's free education scheme in 1966.

This book also explains why Africa fell behind during the 20th century. Incomes per head in some countries fell to only half their level at the time of independence, because the interests of bureaucratic and political elites were put ahead of those of the more efficient sectors of the economy and infrastructure was neglected.

This book puts a historical context on all the present debates about globalisation and shows how politics is the ultimate determinant of economic success.

John Bruton, a former Taoiseach, is EU Ambassador to the United States

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