

# IS 101

Week 3: Economic Globalization

Israel

## Revealed: Microsoft deepened ties with Israeli military to provide tech support during Gaza war

Harry Davies and Yuval Abraham in Jerusalem

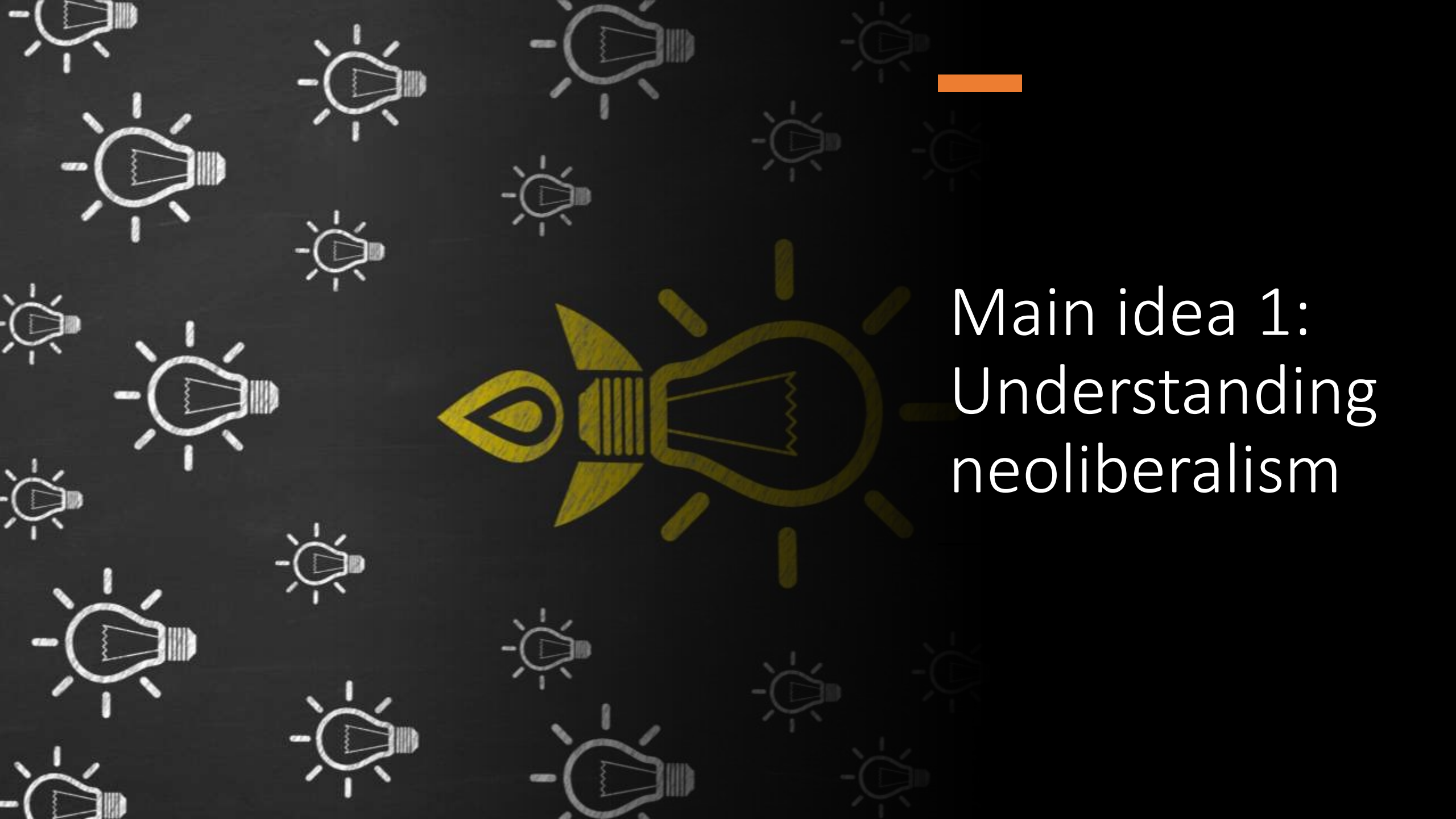
Thu 23 Jan 2025 11.00 GMT

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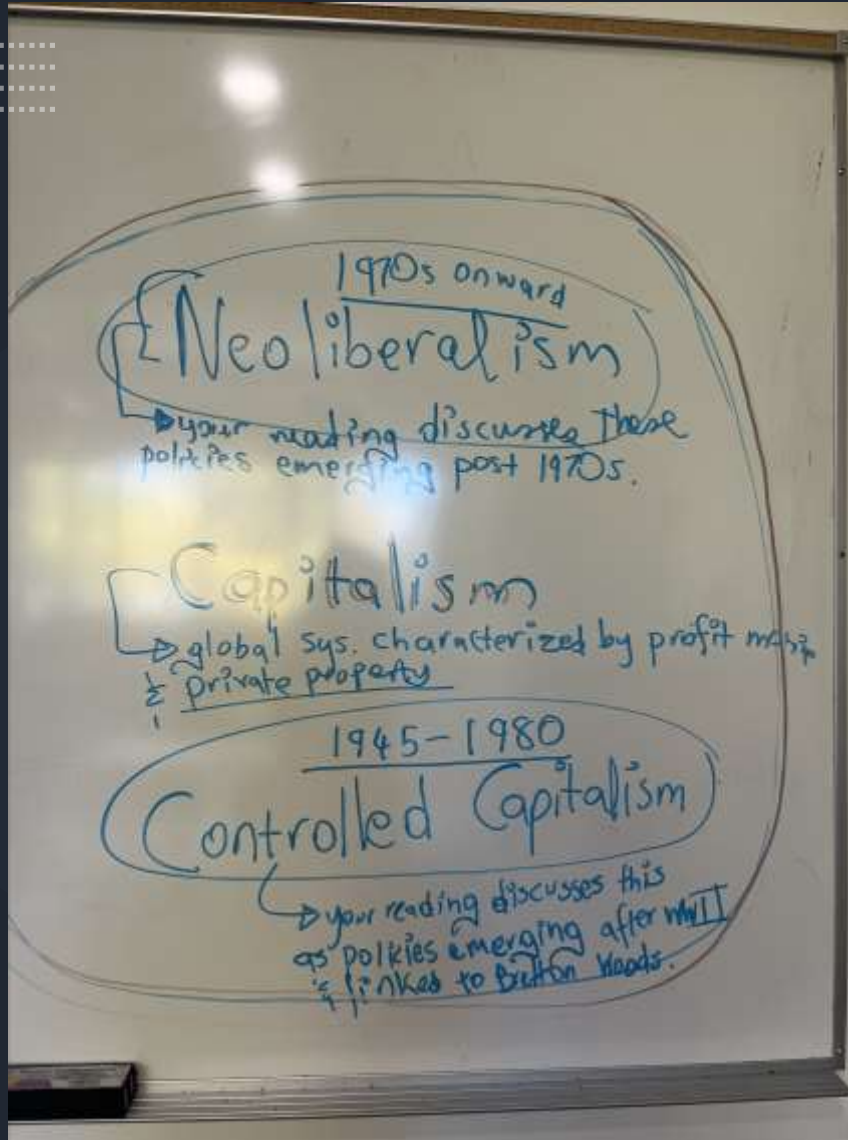
- **Think about how neoliberal policies would affect you if you were**
  - (a) A worker who works in services, who comes from a working class family and lives a moderate, but comfortable life.
  - (b) Someone who manufactures copper wire and is interested in expanding their business. They have familial wealth and their business is also doing quite well so far in its initial phases.
  - (c) Someone who manufactures small cars. They have come up with some innovations, but cannot compete with larger car companies.
  - (d) An undergraduate with a full scholarship who wants to graduate and work in tech.

This will help you understand the question posted in the discussion forum




Main idea 1:  
Understanding  
neoliberalism





Add on: I drew this slide on the board in my tutorial group for this session in 2022. It may help in conceptualizing the relationship between capitalism, controlled capitalism and neoliberalism.

Guide to the rest of the slides: Slide 25 has the box from your reading that contains the policies of neoliberalism from the 1970s onward. Slide 26-27 have excerpts from your reading that explain financial flows and why they were high risk leading to the Global Financial Crisis of 2007. Slide 28 and 29 contain excerpts from the recommended reading that explain anti-globalization movements. If you look at the parts that I have made **bold** on slide 28 you will see the characteristics that make this moment of economic globalization different from before. *Do not worry about slide 29 for now. We will cover this when we cover political globalization.*



What are  
“neoliberal  
policies”? We will  
watch a video  
that covers the  
main points listed  
below.

- related to unrestrained free market global capitalism.
- free market capitalism promotes human flourishing while government interference limits these things.
- shrinking the size of government so that it is the market, and not the government, that decides policies
- term popularized by Ronald Reagan, Margaret Thatcher and Milton Friedman.

NEOLIBERALISM

## Why is it seen as beneficial?

- the idea is that it is a system that will produce the best benefits for individuals because it promotes the greatest amount of freedom.
- It will also encourage transnational collaboration because it has the potential to even the playing field (because success under neoliberal policies does not, theoretically, depend on what you look like, where you were born or what your religious or cultural background is).
- interference with free market systems promotes waste and inefficiency (for instance a protected government job would encourage workers to become less efficient because they know that job protection makes it difficult to fire them).





## What do critics of neoliberalism say?

- Neoliberalism exacerbates inequalities.
- Government policies support the vulnerable.
- Neoliberalism fails to deal with structural forms of violence (like racism and discrimination). These things are actually built into the market.



The rest of this lecture will now mainly cover the reading by Manfred Steger.

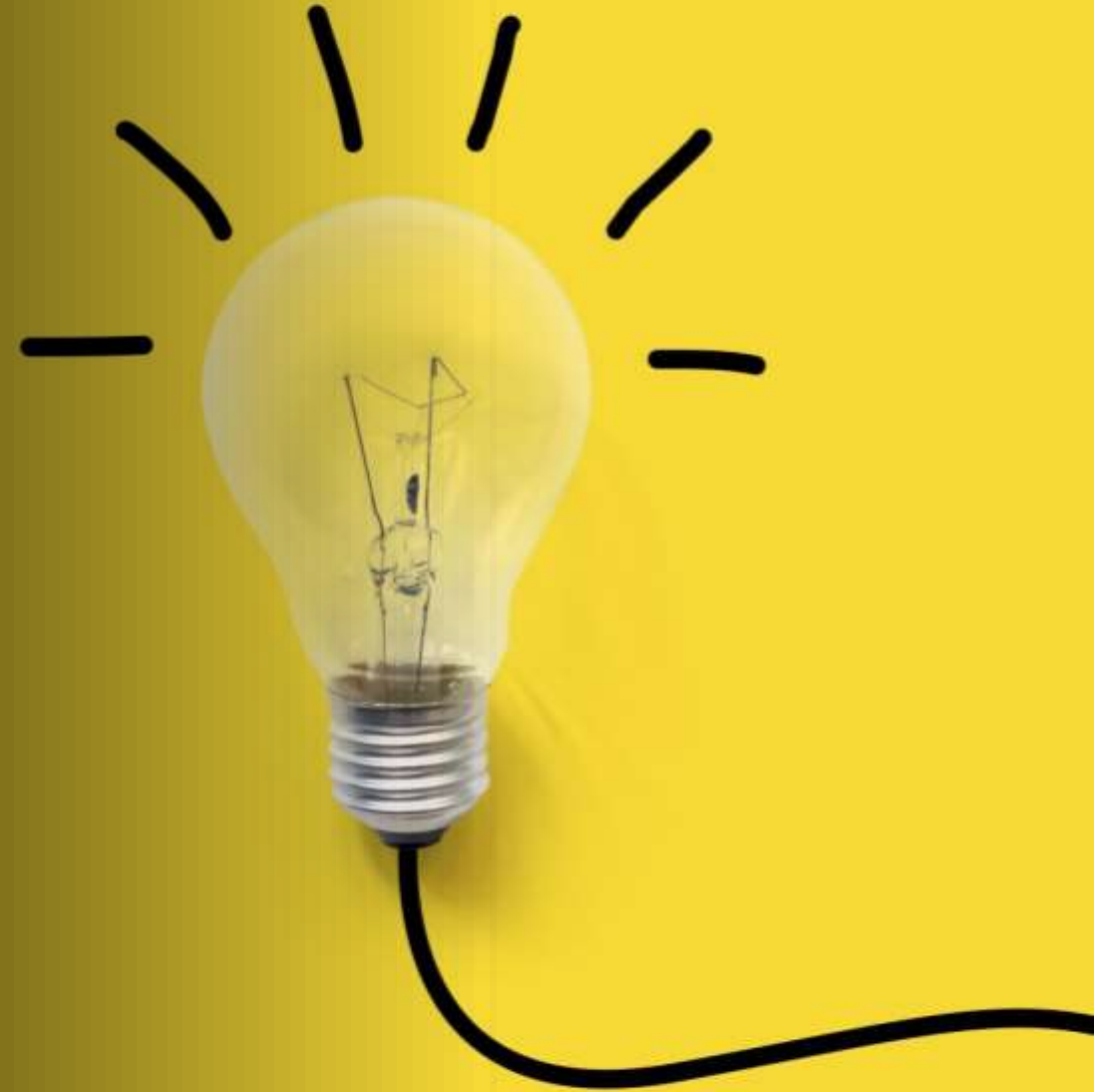
Neoliberalism is a set of economic policies. As the lecture proceeds try and connect what we just discussed (about neoliberalism) to what we will be talking about from here on out.

Ask yourself: what happens as this set of policies spreads, intensifies and stretches across the world?

In a limited analogy: if economic globalization refers to a railway system, neoliberalism can be seen as the cargo the train is carrying.

Main idea 2: what is globalization?

Is there only one way of describing it?



# Definitions

Globalization: the increasing connectedness of the world. This often produces interdependence both in global cultures and in economies. (source: NatGeo).

Economic globalization (according to your reading): [it] refers to the intensification and stretching of economic connections across the globe. **Gigantic flows of capital** mediated **by digital technology** and **standardized means of transportation** have stimulated trade in goods and services

In this next section we are going to use a specific context to try and understand how our readings are linked. The required reading by Steger and the recommended text by Epstein

What does Epstein call for in the analysis of the world?

1. Shifting from *norms* to *normalization* \*think about what the difference between the italicized terms is.
2. A commitment to respecting experiences.
3. Critique of the frames we use to study norms (an example of this is what we did in the first lecture - critiquing the starting point of IR).
4. Thinking critically about how *time* is imagined (as linear and progressive).



# Building understanding of the definitions

What are “standardized modes of transportation”?

Can you think of examples of how this term operates in our world? Let us look at a case study. This case study is from a village in Punjab and shows how the lives of everyday citizens of the state are changed by transport being standardized.

**Tenants being rounded up by police.**

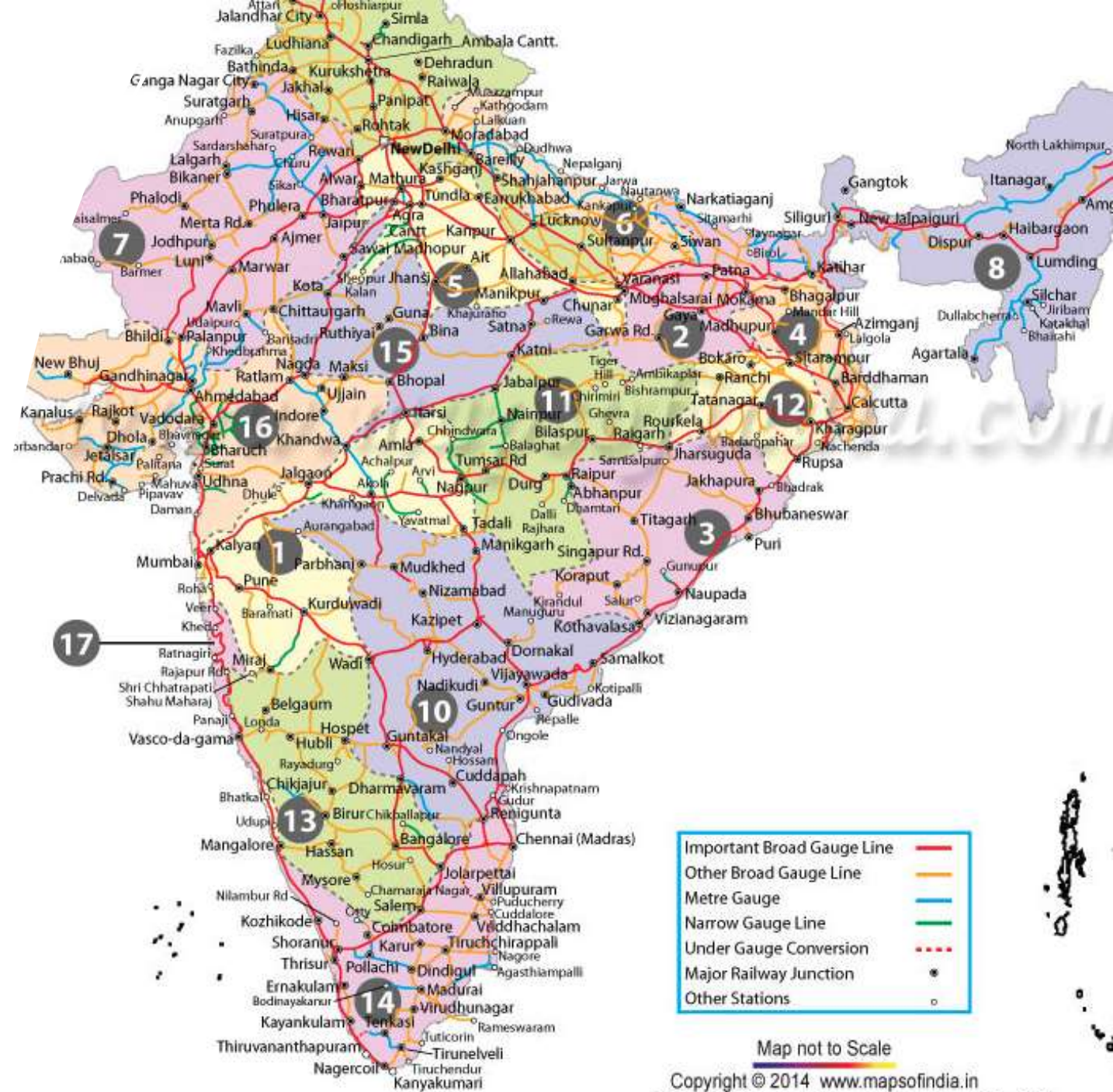


Caption: Police rounded up all the ejected tenants who were camping in the park outside Mochi Gate, Lahore, on Thursday morning. Here the peasants are boarding the police buses.

Source: Pakistan Times July 13<sup>th</sup> 1956, 1.

What railway network would people have used? How is a national railway network also globalized and then standardized?

Answer: through  
prices, imports and  
laws (both  
international and  
local)



# Lego game

- 

Angola (2 groups): Portugese

Make a model of a mode of transportation that is useful in transporting oil to other countries in the world.

What about public transport? What will that look like?

India (2 groups): British

Make a model of a mode of transportation that is useful in transporting people and agricultural goods to war affected areas in India.

What about soldiers internationally?

What about public transport?



Main idea 3: Globalization  
took place on top of  
structures colonialism left  
behind



What does colonialism have to do with it? In formerly colonized countries, institutions like railways were built to serve colonial interests. So local priorities were not as important. (Source: The Economic Times)

### **Colonial commerce, disadvantage Bharat**

The Crown's Britain-first approach to railways ensured that the priorities of the Indians took a backseat. The emergence of a railway network opened India to the global market, leading to an increase in the export of raw materials and foodstuffs, including commodities like grain, oilseeds, pulses, cotton, tea, and jute. However, India's artisans famed for their expertise in indigenous arts & crafts for centuries, gradually disappeared as cheap manufactured articles flooded in.



Photograph of the British Empire: The loop, Agony Point, Darjeeling Railway

Let us now return to the definition in order to explain its other sections

Economic globalization (according to your reading):

[it] refers to the intensification and *stretching of economic connections across the globe*. **Gigantic flows of capital mediated by digital technology and standardized means of transportation** have stimulated trade in goods and services

# Definitions (set 2)

What is “capitalism”?

It is a system characterized by private property.

The system is built so as to encourage the motive to make profit.

Often there is also a degree of:

open competition

The market determines prices (including the price of labour)

Individual interests are protected (can you think of an example of laws that do this?)

Limited role of government.

See [here](#) for an accessible discussion on capitalism.

The Bretton Woods system established what your reading calls “the golden age of controlled capitalism” (1945-1980)

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Based on the definition we just discussed, “controlled capitalism” should be easy enough to understand – controls on the defining characteristics of capitalism were established.

From the 1970s this system was replaced with neoliberalism.

Watch the video to understand the legacy of Bretton Woods on our present day – particularly with respect to institutions. \*Can you guess what is missing from the discussion so far?







Main thing that is missing in the discussion? Can you think of what the hidden story is here that we have not touched on?

Power inequality. The Bretton Woods system agreements were also possible because of the concentration of wealth and power in the hands of a few countries.

Your reading discusses the main neoliberal policies that were implemented after the 1970s. Some countries actually did benefit from free trade. Yet 730 million people in the world today are still living in extreme poverty. Can we blame these measures?

### **Box 5. Concrete neoliberal measures**

1. Privatization of public enterprises.
2. Deregulation of the economy.
3. Liberalization of trade and industry.
4. Massive tax cuts.
5. 'Monetarist' measures to keep inflation in check, even at the risk of increasing unemployment.
6. Strict control on organized labour.
7. The reduction of public expenditures, particularly social spending.
8. The downsizing of government.
9. The expansion of international markets.
10. The removal of controls on global financial flows.

These policies have also impacted financial flows – referred to as the “liberalization of financial flows”

Its key components include the deregulation of interest rates,  
the removal of credit controls,  
the privatization of government-owned banks and financial institutions,  
and the explosive growth of investment banking.

Globalization of financial trading allows for increased mobility among different segments of the financial industry, with fewer restrictions and greater investment opportunities.

From your reading (p. 47) the issue with such as system is high risk

Most of the financial growth came from increases in lending in the property sector, often in the form of *high-risk hedge funds* and other purely money-dealing currency and securities markets, which seek profits from future production. In other words, investors were betting on commodities or currency rates that did not yet exist.



# Neoliberalism with government controls – what can we learn from Nokia's recovery?

Yet, when Nokia's growth rate slowed in the late 2000s in the wake of the GFC—10,000 employees were let go in 2012 and some Finnish factories shut down—company executives successfully pressured the Finnish government to reduce its corporate tax rates. Many Finnish citizens complained that such influence wielded by relatively few Nokia managers translated into tax concessions that adversely affected the country's generous and egalitarian welfare system. After further economic setbacks that translated into more layoffs, Nokia sold its mobile phone business to Microsoft in 2014. However, the tax concessions it had received from the Finnish government bought the company the time it needed to design and implement a new business plan focused on network equipment and innovative wireless technology. The success of this strategy was reflected in Nokia's subsequent US\$20 billion acquisition of the French telecommunications company Alcatel-Lucent and its return to the mobile and smartphone market in 2017. By 2018, its workforce had rebounded to over 103,000 employees across 130 countries and the company reported revenue of US\$26 billion.

From your secondary reading: What is “anti-globalism”? The interview begins with discussing globalization’s beginning point. *Scholars disagree on this starting point*

19<sup>th</sup> or 20<sup>th</sup> century beginning when, in Canada for instance, immigration rose?

**TARA ZAHRA:** Right. So this period is thought of as the first great wave of globalization, and I think there were several factors that catalyzed it. **One being simply technology**, that it got a lot cheaper, faster, and safer to get across the Atlantic Ocean. And actually, one of the things that’s fascinating—I’m not sure about the statistic for Canada—but in the U.S. context, 30 to 40 percent of the migrants who came actually went home again or made multiple round trips. So there was just a **huge amount of mobility**, and a lot of that was linked to **labour market opportunities** that were available and that people knew about, which leads to a **second technological factor, which is improvements in communication**.

When, according to her, does anti-globalism begin? Does anti-globalism look the same across the world?

ANSWER: 1919 onward....

- **SEAN SPEER:** Drawing on the Canadian experience, one finds growing evidence of political radicalism during the period that you just unpacked. We have, for instance, the Winnipeg general strike in 1919, which, up until then, mass strikes and such labour actions hadn't been part of the Canadian political economy experience. We also have credible communist movements, including the election of a communist member of parliament in the period between the two wars. Let's talk a bit about ideas. Tara, what's the causal relationship here? Is the rise of anti-globalization and political turmoil that you document a manifestation of intellectual developments, or are these intellectual developments themselves a response to these broader political economy trends?
- **TARA ZAHRA:** I think there's a little bit of both. I mean, it's a really good question. I really wanted to write a book that focused on mass politics, which is in the title.