

## Editorial

# Globalization: A Historical Perspective

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The term globalization has been accepted very quickly. Until the 1990's virtually unknown, the word is now on everybody's lips. The phenomenon of globalization however is much older than the concept. It started at the end of the 15th century with the beginnings of European expansion and was dramatically increased by the industrialization of the world since the late 18th century. Over the last 30 years or so it has accelerated so much that one can speak of a new stage of globalization.

'Globalization' is neither a very elegant word nor a very clear concept, but seldom in the history of mankind has a new term been accepted so quickly, and on such a global scale. Until the 1990s the word was virtually unknown, now it is on everybody's lips. A recent search on Google delivered 29,200,000 hits for 'globalisation' and another 108,000,000 for the American form of 'globalization'. About 700 scholarly publications appear every year that have the word in its title.<sup>1</sup> Because the word is so new, one might believe that the phenomenon it refers to is also a new one, but that is not the case. Globalization did not begin with the emergence of China and India as the new economic powerhouses of the world, nor with the IT revolution, or the emergence of the multinationals. It did not even begin with the process of Americanization of the world after the Second World War or the age of European imperialism in the late 19th century. Globalization began in 1492 when three tiny ships set sail from a small port in southern Spain. Their commander was intent on finding a sea route to the Indies. What he actually did was to 'discover' – as we still say – the Americas. This was probably the single most important event in modern history. It led to the creation of what is now called 'the Western world', that is the continuation of European civilization across the Atlantic, not on the small scale of the European sub-continent, but on that of an immense continent. Five years later another flotilla set

sail from the Iberian peninsula. In 1497 Vasco da Gama rounded the Cape of Good Hope and arrived in Asia. Nobody would say that Vasco da Gama ‘discovered’ Asia as it had of course been known to Europeans from ancient times. From a European point of view the voyage of Vasco da Gama was less important than that of Columbus. It made no ‘discovery’ and it did not lead to the creation of a New World. There would not be a new Europe overseas in Asia. But that voyage was important all the same both in European and in Asian history because it opened up the period of Western dominance over Asia or, as the famous Indian historian K. M. Panikkar has put it, the ‘Vasco da Gama epoch’ of Asian history.<sup>2</sup> These events took place about 500 years ago and there have been many changes since then. In many respects the world is now very different from what it was then. But the most striking difference is no doubt that concerning the ‘wealth and poverty of nations,’ to quote the title of David Landes’ well-known book.<sup>3</sup> In those early days the biggest difference in wealth between one part of the world and another was a ratio less than 1 to 2, probably something like 1 to 1.5. Today, of course, the distribution of wealth is far more unequal. The difference between poor and rich countries is in the order of 1 to 30 and more. This is the result of the two most important developments of modern history: globalization, which began with the expansion of Europe, and industrialization, which originated in the Industrial Revolution of the 18th century.

### **Globalization: A very brief history**

#### *The expansion of Europe*

For all practical purposes European expansion began in the 1490s with the voyages of Columbus and Vasco da Gama. This meant that, in the words of Fernand Braudel, Europe faced an ‘extremely grave choice’: either to play the American card and develop this immense continent – that was the difficult and long-term option – or to play the Asian card and exploit the riches of Asia, which was the easier, short-term option.<sup>4</sup> Europe decided to practice both forms of expansion but it did this with some division of labor. The Spaniards devoted themselves to America and created an immense empire. The Portuguese, who were weaker in resources, especially demographically speaking – the whole country then counted less than a million inhabitants – took the other option, not the creation of a new world overseas like a New Spain or New England, but the exploitation of existing trade and wealth. Theirs was an empire of trade, forts and factories, more oriented towards Asia than towards the Americas.

The Iberian hour was brief, however. The great world historical event of the ‘long 16th century’ (1450–1650) was the transfer of Europe’s centre of gravity from the South, the Mediterranean world, to the eastern shores of the Atlantic. For a short while the Dutch Republic took over the banner of world hegemony.

It fought the Spaniards in Europe and chased the Portuguese out of most of Asia. The Dutch East India Company became the great potentate in Asia. But Holland was essentially as vulnerable as Portugal, as became increasingly clear when it was challenged by the British. Towards the end of the 17th century, Britain assumed the mantle of world hegemony, a position it maintained until the end of the 19th century, when its position was challenged by other nations, which began claiming parts of the overseas world.

Although the partition of Africa was the most spectacular episode in this imperialist race, Asia was the more important one. The British consolidated their Indian Empire, making it the most important of their colonies. The French built up their empire in Indochina. The Dutch began their expansion from Java into the outer islands of the great Indonesian archipelago. Unexpected newcomers, such as the United States in the Philippines and Japan in Korea and Taiwan, also entered the imperialist scene in Asia, as did Germany, Italy and Belgium in Africa. Every country great or small, new or old, wanted to play a role in the partition of the world. This was the new element introduced by imperialism.

However, the era of European expansion was not to last for long. After the First World War, President Wilson's concept of self-determination, Comrade Lenin's message of anti-imperialism, and the driving forces of nationalism in Asia and Africa were indications that the days of Empire would soon be over. Thirty years later, Europe had all but withdrawn from Asia. Within the space of two decades the European empires had dissolved, much faster than they had been created.

### *The Industrial Revolution*

The second great world historical development in modern history was the so-called Industrial Revolution, which began in Britain at the beginning of the 18th century. There is – as yet – no theory that offers a satisfactory explanation of this phenomenon. The most widely accepted theory however is one that could be labeled as a convergence theory, that is to say an explanation comprising various independent variables that came together more or less by accident and that cannot be reduced to one *prima causa*. Historians have mentioned in this respect such features as demographic growth, literacy, the scientific and agricultural revolutions, capital formation and low interest rates.

England was the first country to undergo an Industrial Revolution but it was not the only one. Western Europe followed suit and, in countries such as Belgium and Germany, industrialization in the 1870s was so spectacular that some historians have spoken of a 'Second Industrial Revolution'. The same goes for Japan after the Meiji-restoration of 1868 and the United States after the Civil War of 1861–1865, with both countries going through roughly the same experience. France and Holland, important colonial powers, not to mention Spain and Portugal, had this experience much later and to a much lesser degree.

It was the Industrial Revolution that made all the difference for the world economy. It divided the world into developed and underdeveloped countries, into rich and poor. Until the 18th century there was not much of an economic difference between the various parts of the world. There was no rich and privileged North as against a poor South. China and Latin America probably had the highest level of wealth and development. North America was a developing country and Australia was not yet even a penal colony. There were differences but they were marginal because all societies were living under the ceiling of pre-industrial productivity.

Then Prometheus was unbound and the world would never again be as it once was. In the 19th century, Britain not only took over the leading role in European expansion – a traditional periodic shift, as leadership had previously moved from Venice to Antwerp and then to Amsterdam – but it also began to influence and dominate foreign economies. This was something new. Thus, the Industrial Revolution brought about a qualitative difference. From its beginnings as traditional colonialism, comparable to that of the Romans, Arabs, Ottomans, Chinese etc, European colonialism moved on and took on a new character, to become a colonialism *sui generis*.

Globalization, in the form of the integration of world markets, had been taking place from about 1500 on a very limited scale. Before the invention of the steamship, transport facilities were very limited. Around 1600, the combined merchant fleets of all European states only had a tonnage of one or two (at around 1800 of seven or eight) of today's supertankers. After the Industrial Revolution, say from about 1800, global competition for internationally tradable commodities was seen for the first time, and since then it has only increased, as it is still doing today.

### **Globalization: A brief historiographical overview**

#### *The modern world system*

The Industrial Revolution occupies an important place in the historiography of the development of what Immanuel Wallerstein has called 'the modern world system'.<sup>5</sup> Wallerstein, however, argues that the origins of the world economy of today go back much further, namely to the end of the 15th century. There he finds the beginnings of a world system that developed fully in the 16th and 17th centuries and had already matured before the onset of the Industrial Revolution. The 'systemic turning point' he locates in the resolution of the crisis of feudalism, which occurred approximately between 1450 and 1550. By the period 1550–1650, all the basic mechanisms of the capitalist world system were in place. According to this view, the Industrial Revolution of about 1760 to 1830 is no longer considered as a major turning point in the history of the capitalist world economy.

The world system, according to Wallerstein, is characterized by an international economic order and an international division of labor. It consists of a core, a semi-periphery and a periphery, the location of which changes over time

(regions can ascend to the core or descend to the periphery). Modern history is in fact the history of the continuing integration into this world system of ever more parts of the world.

Wallerstein's work was well received by social scientists but rather more critically by historians who, in particular, criticized the great weight given to international trade in the model. Some argued that pre-industrial economies were not able to produce such a significant surplus as to make an important international trade possible. Even in trading nations par excellence, such as Great Britain and the Dutch Republic, trading for export represented a very small percentage of the GNP (and export to the periphery only a small percentage of total foreign trade). Generally speaking, the effects of European expansion on overseas regions were not very important. In Asia, the impact of overseas trade was only regional. Both in India (textiles) and Indonesia (cash crops) it was only some regions that were affected by the European demand for goods. As far as Africa is concerned, the trade in products was very limited. Much more important was the Atlantic slave trade. In the Americas and the Caribbean, the impact of European expansion was most dramatic, not so much because of trade but because of the demographic decline of the original population.

An interesting point of Wallerstein's theory is his questioning of the very concept of an Industrial Revolution and thus of the distinction between pre-industrial and industrial colonialism. This distinction has been a central argument in the classical theory of imperialism, a theory that has dominated the historiography of late-19th and 20th-century European expansion and globalization.

### *Imperialism*

Although the word imperialism has been in existence since the 1860s, imperialism as a historical concept only began with the publication of J. A. Hobson's *Imperialism: A Study* in 1902.<sup>6</sup> In order to explain imperialism Hobson argued that, as a consequence of the capitalist system, the British economy suffered from under-consumption. This meant that surplus capital could not be profitably invested in Britain itself. Therefore, in his famous words, the capitalists were 'seeking foreign markets and foreign investments to take the goods and capital they cannot sell or use at home.'<sup>6</sup> Thus, the theory of capitalist imperialism was born.

Hobson's theory was soon adopted, adapted, and made more sophisticated by Marxist thinkers, especially Germans such as Karl Hilferding and Rosa Luxemburg. In doing this, these authors also changed Hobson's argument. Whereas to Hobson the flight of capital was a typical but not a necessary consequence of capitalism, for the Marxists imperialism became an inevitable phenomenon. The most famous formula is to be found with Lenin who, in 1916, called imperialism 'the highest stage of capitalism.' Although the differences between Hobson and

Lenin are evident, it soon became commonplace to refer to this theory as the 'Hobson–Lenin thesis'. In fact, this became a standard explanation of European imperialism during the 1920s and 1930s.

It was only in the 1960s that general discussion on imperialism reopened. Clearly, decolonization as well as the rise of the American economic empire had much to do with this. In 1961, the British historians J. Gallagher and R. Robinson published the book that was to be the single most influential re-examination of British imperialism: *Africa and the Victorians. The Official Mind of Imperialism*.<sup>7</sup> The year before, Henri Brunschwig had published *Mythes et réalités de l'impérialisme colonial français, 1871–1914*, an essay that set the tone for all later studies on French imperialism.<sup>8</sup> New interpretations of Belgian, German, Italian, Portuguese, and, eventually, Dutch imperialism followed. Thus, we might speak of a historiographical revolution.

The books mentioned did away with the traditional, simple explanation of imperialism in terms of economic needs, but they did not provide an analysis of the economic results of imperialism. In order to tackle this immense question it was not only necessary to solve a great number of theoretical and methodological problems, but also to collect and analyze an enormous amount of data. The invention of the computer has made this possible. Two American historians, L. Davis and R. Huttenback, very appropriately connected with the California Institute of Technology, collected a huge amount of data about British imperialism and analyzed this with very sophisticated methods. Their book *Mammon and the Pursuit of Empire*, which came out in 1986, attempted to offer the definite answer to the old and famous question: did the Empire pay?<sup>9</sup> Their answer, somewhat disappointingly, was: No! After 1880, the initially high rates of profits on colonial investments fell below comparable returns from other overseas destinations or even Britain itself. Thus, Hobson and Lenin were wrong about the relation between surplus capital and the urge of overseas expansion. The dependent colonies were not major recipients of City capital.

This, of course, was not the whole answer and two British historians, P. J. Cain and A.G. Hopkins, continued the research on the subject. In their two-volume *British Imperialism* (1993) they underlined the important role of the service sector in general and of the City of London in particular.<sup>10</sup> These operations were run by 'gentlemen capitalists', as they call them, who had the same background and interests as the political elite and thus were able to influence them.

In France, under the influence of Brunschwig's arguments, even Marxist authors have accepted his vision that the economic aspects of French imperialism were negligible. In an attempt to rescue the Marxist interpretation they have argued that French imperialism was to be found elsewhere – in Russia, the Ottoman Empire, and so on. This dialectical exercise resulted in the conclusion that French colonialism was not imperialist, and French imperialism not colonial.

### The end of history (Though not of historiography)

European colonialism and global domination reached their zenith between the two world wars when most of Asia and virtually all of Africa were ruled by European nations. After the end of the Second World War, the world changed dramatically. The European era was over. Decolonization put an end to the European colonial empires. The United States became the world's superpower. 'The American Century', to quote the title of an article by the editor/publisher Henry Luce, began.<sup>11</sup> Luce published his famous article in one of his journals, *Life*, on 17 February 1941. He argued that America had to play a major role in the war that was going on, and which he considered as a war for freedom and democracy. America now was a world power and it had to act accordingly, that is to say, it had to become a global player.

During the Second World War, America accepted the role Luce had wanted it to play and, after 1945, the US became the world's Number One superpower. The American economy alone produced more goods and services than all the rest of the world together. The dollar took over from sterling as the world's reserve currency. The American fleet ruled the waves as once the British navy had done and the president of the US was the only statesman to have the atomic bomb at his disposal. As a matter of fact, America used that weapon twice, in August 1945. As Tocqueville had predicted, Russia was the other superpower but, although a great military power, economically speaking the Soviet Union was very vulnerable, as became clear with the revolutions of 1989–1990.<sup>12</sup> After that America remained the world's only superpower.

Henry Luce's prediction that the coming age would fulfill history and that tensions and wars would become obsolete, was faintly echoed by Francis Fukuyama when, in 1989, he coined the expression 'The End of History'.<sup>13</sup> In his famous article with that catching but rather misleading title, Fukuyama did not argue that after the end of the Cold War nothing of historical importance would happen anymore. He used the term in a Hegelian way to indicate that the struggle of competing ideologies had come to an end because a consensus had been reached that the world order should be based on capitalist production and democratic political systems.

Maybe this explains how, at the same moment that Fukuyama proposed his thesis of the end of history, the word 'globalization' started the great advance that has led to its stardom today. Politicians and businessmen use it as an argument for reforms, revisions and reductions. Economists and social scientists have also discovered the subject, and so did historians, as is clear from the fact that in 2007 a new journal was launched entitled *Journal of Global History*. A lot of work has to be done by historians because the world did not turn global overnight. As I have argued in this article, globalization is the result of a process that has been going on for at least five centuries.<sup>14</sup>

It is, however, undeniable that the acceleration of the process that has taken place during the last 30 years or so is of an order that has never been seen before.

As Marxists would put it: a quantitative difference has turned into a qualitative difference. As a result of this, the world economic order has changed dramatically and no doubt more dramatic changes are still to come.

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