

## **The Influence of the Internet on globalization process**

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### **Abstract**

We are being influenced by the rush of economic and social forces. Internet is perhaps the most visible aspect of globalization and in many ways its driving force. The process of globalization can be understood as the global reach of communications technology and capital movements. The globalization of financial markets means that the movement of exchange rates, interest rates, and stock prices in various countries are intimately interconnected. From the social point of view, globalization is changing the nature of global social relations. The aim of this article is to demonstrate (in a few examples), how does Internet affect the process of globalization?

**Keywords:** globalization, Internet, economics, sociology

### **1. Introduction**

There has been a great deal of discussion in recent years about globalization. Evidence of globalization is seen in our daily lives. We are being influenced by the rush of economic and social forces. Internet is perhaps the most visible aspect of globalization and in many ways its driving force. Globalization tends to be most perceptible and observable in almost every facet of life mainly due to the emergence of internet technology. The internet technology is globally integrates the people of the world.

The aim of this article is to demonstrate (in a few examples), how does Internet affect the process of globalization?

## 2. Globalization and Internet

### 2.1. *History of Globalization process and a few contemporary definitions*

Based on T. Friedman book, “The Lexus and the Olive Tree”, three eras of globalization can be delimited. The first era (called era Globalization 1.0) lasted from 1492 - when Columbus set sail, opening trade between the Old World and the New World - until around 1800. It shrank the world from a size large to a size medium.

The second era - Globalization 2.0, lasted from 1800 to 2000, interrupted by the Great Depression and World Wars I and II. This era shrank the world from a size medium to a size small. In Globalization 2.0, the key agent of change, the dynamic force driving global integration, was multinational companies. These multinationals went global for markets and labor, spearheaded by the expansion of the Industrial Revolution. In the first half of this era, global integration was powered by falling transportation costs, thanks to the steam engine and the railroad, and in the second half by falling telecommunication costs- thanks to the diffusion of the telegraph, telephones, the PC, satellites, fiber-optic cable, and the early version of the World Wide Web. The dynamic forces behind this era of globalization were breakthroughs in hardware - from steamships and railroads in the beginning to telephones and mainframe computers toward the end<sup>1</sup>.

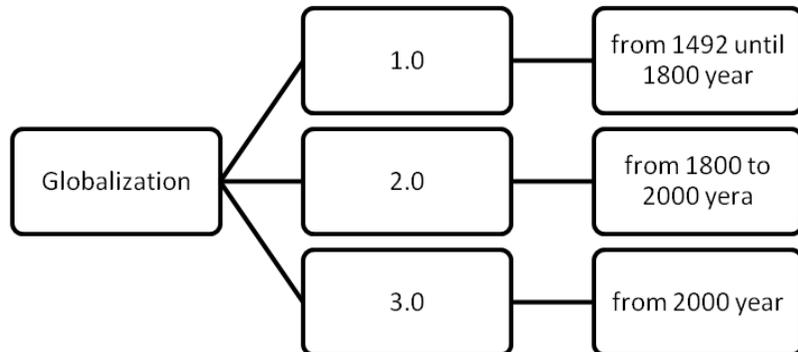
Around the year 2000, a new era started - Globalization 3.0. Globalization 3.0 is shrinking the world from a size small to a tiny size. And while the dynamic force in Globalization 1.0 was countries globalizing and the dynamic force in Globalization 2.0 was companies globalizing, the dynamic force in Globalization 3.0. And the lever that is enabling individuals and groups to go global so easily and so seamlessly is not horsepower, and not hardware, but software- all sorts of new applications-in conjunction with the creation of a global fiber-optic network<sup>2</sup>.

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<sup>1</sup> Friedman T. L., *The World Is Flat A Brief History Of The Twenty-First Century*, Publisher: Douglas & McIntyre, New York, 2005, p. 9-10.

<sup>2</sup> Friedman T. L., *The World Is Flat A Brief History Of The Twenty-First Century*, Publisher: Douglas & McIntyre, New York, 2005, p. 10.

**Figure 1. Three stages of globalization**



**Source:** Prepared on the basis of Friedman T. L., *The world is flat. A brief history of the twenty-first century*, Publisher: Douglas & McIntyre, New York, 2005, p. 9-10.

In opinion of J. D. Sachs, by the early twentieth century, Europe largely dominated the world. European empires controlled essentially all of Africa and large parts of Asia, and loomed large in financing and organizing Latin America's trade as well. From his point of view, this was the first age of globalization - an era of global trade, an era of global communications over telegraph lines, an era of mass production and industrialization (in short, what would seem to be an era of inevitable progress). And it was globalization under European domination, but World War I ended this era<sup>1</sup>.

By the end of World War II, the pre-1914 global system had gone to pieces. International trade was moribund. National currencies were not convertible one to another, so even the basic payments mechanisms for international commerce had broken down. Still, standing on the ruins of World War II, the benefits of a global marketplace - with a global division of labor, a peaceful spread of technology, and open international trade - looked long gone, buried under the rubble of two world wars and a great depression<sup>2</sup>.

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<sup>1</sup> Sachs J. D., *End of Poverty. Economic Possibilities for Our Time*, Publisher: The Penguin Press, New York, 2005, p. 43- 44.

<sup>2</sup> Sachs J. D., *End of Poverty. Economic Possibilities for Our Time*, Publisher: The Penguin Press, New York, 2005, p. 46.

## 2.2. *Globalization and social sciences (economics and sociology)*

The process of globalization can be understood as the global reach of communications technology and capital movements<sup>1</sup>. Globalization has several distinct elements – trade, foreign direct investment, short term capital flows, knowledge, movements of labor. At the top of the list is localized - globalization of knowledge, the free flow of ideas that has followed the lowering of communication costs and the closer integration of societies. The transfer of that knowledge, which globalization has facilitated, is likely to prove one of the strongest forces for growth in emerging markets in coming decades. This globalization of knowledge not only entails technical knowledge, but also ideas which transform societies and knowledge that forms the basis not only of the adoption of policies which serve to enhance growth but also of institutions<sup>2</sup>.

The global economy is based on free movement of goods, services, capital, and ideas. The globalization of financial markets means that the movement of exchange rates, interest rates, and stock prices in various countries are intimately interconnected<sup>3</sup>. The globalization of markets means that in many cases we are directly profiting from the economic and social conditions in other parts of the world<sup>4</sup>.

In a narrow sense economic globalization is the expansion of foreign trade and investment<sup>5</sup>. One of components of economic globalization concerns the growing digitization of economic activity, particularly in the leading information industries such as finance and specialized corporate services. The speed of transactions made possible by the new technologies is creating orders of magnitude, for instance in

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<sup>1</sup> Bardhan P., Does Globalization Help, *Scientific American* 2006, Volume 294, p. 84.

<sup>2</sup> Stiglitz J. E., Globalization and growth in emerging markets, *Journal of Policy Modeling* 2004, No. 26, p. 470.

<sup>3</sup> Targowski A. S., The Taxonomy of Information Societies. In: *Global Information Society. Operating Information Systems in a Dynamic Global Business Environment*, ed. Chen Y. Eds., Idea Group Publishing, Hershey, London 2005, p. 18.

<sup>4</sup> Garcia F. J., Globalization and the Theory of International Law, *Boston College Law School Research Paper* 2005, No. 75, p. 5.

<sup>5</sup> Bardhan P., Does Globalization Help, *Scientific American* 2006, Volume 294, p. 84.

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the foreign currency markets, that escape the governing capacities of private and government overseers<sup>1</sup>.

Economical movement for globalization:

- Trading of goods and services, e.g. exports and imports globally across countries with global positioning view;
- Marketing and advertisement including pricing and quality of products and services among countries in the world with consistent and uniform approach that views global customers as a single entry point;
- Capital Investment globally to conduct global business considering unique approach;
- Uniformity and consistency in domestic subsidies, tariff, and customs duty globally;
- Open market sustainable with competition, no protectionism<sup>2</sup>.

From the social point of view, globalization is changing the nature of global social relations, intensifying the obsolescence of the “society of states” model, and demanding a fundamental change in the social theory of international law towards a global society of persons<sup>3</sup>.

Social movement for globalization:

- Labor/people migration inward or outward across countries;
- Technology transfer, branding, diffusion, and. international research & development flow across countries considering open boundaries;
- Cultural adaptation and mobility throughout the world<sup>4</sup>.

Many economic reform programs may be falling into the trap on a global scale: the great contradiction of the capitalism system is that if too much capital is concentrated in one sector, the rest of the system is at risk of collapse. By not giving the majority access to expanded markets, these reforms are leaving a fertile field for class confrontation -

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<sup>1</sup> S. Sassen, *Territory and Territoriality in the Global Economy*, “International Sociology” 2000, Vol. 15, No. 2, s. 375-376.

<sup>2</sup> M. A. Shareef, Y. K. Dwivedi, M. D. Williams, N. Singh, *Proliferation of the Internet Economy: E-Commerce for Global Adoption, Resistance, and Cultural Evolution*, Information Science Reference, Hershey – New York 2009, s. 228.

<sup>3</sup> Garcia F. J., *Globalization and the Theory of International Law*, *Boston College Law School Research Paper* 2005, No. 75, p. 1.

<sup>4</sup> Shareef M. A., Dwivedi Y. K., Williams M. D., Singh N., *Proliferation of the Internet Economy: E-Commerce for Global Adoption, Resistance, and Cultural Evolution*, Publisher: Information Science Reference, Hershey – New York, 2009, p. 228.

a capitalist and free market economy for the privileged few who can concretize their property rights, and relative poverty for a large undercapitalized sector incapable of leveraging its own assets. The problem remains of how we settle the disparities that come with the benefits of capitalism and globalization<sup>1</sup>.

Overview/Globalization and Poverty:

- The expansion of international trade and investment is one of the dominant trends of our time, but policymakers and advocates tend to discuss it without carefully examining the evidence available in social science;

- Because the modern era of globalization has coincided with a sustained reduction in the proportion of people living in extreme poverty, one may conclude that globalization, on the whole, is not making the poor poorer. Equally, however, it cannot take much credit for the decrease in poverty, which in many cases preceded trade liberalization;

- Countries that get the economic basics right—improving infrastructure, ensuring political stability, carrying out land reform, providing social safety nets, addressing market failures such as impeded access to credit—tend to succeed at reducing poverty. Although globalization can help, it is only one factor among many<sup>2</sup>.

### 2.3. Major social changes in the context of globalization

Globalization is a phenomenon that clearly exemplifies the difference between the industrial and the connectivity ages. Many people think of it as just a rapid expansion of cross-border trade and investment. These people would be surprised when learning that the current ratio of international trade to world production is approximately equal to that prevailing 100 years ago. Industrialization prompted an enormous expansion of international trade and capital movements during the nineteenth century that went as far as the current expansion has gone in terms of trade and further in terms of capital flows<sup>3</sup>.

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<sup>1</sup> de Soto H., Missing ingredients of globalization. In *The Future of Globalization. Explorations in light of recent turbulence*, Zedillo E. Eds., Publisher: Routledge, London – New York, 2007, p. 33.

<sup>2</sup> Bardhan P., Does Globalization Help, *Scientific American* 2006, Volume 294, p. 86.

<sup>3</sup> Hinds M., *The Triumph of the Flexible Society. The Connectivity Revolution and Resistance to Change*, Publisher: Praeger, London, 2003, s. 9.

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Here are the seven macro-trends to list:

1. *Development of the population and settlement density of the world.* Every year there are 85 million more people on the earth. In 2050 the United Nations estimates the world population at 9 billion people, more than 50% of them living in large cities. There is no doubt that there are insufficient supplies for 6 billion or more people if they were to be sustained by the early hunting and collecting culture. New technologies and processes are needed to ensure that the natural foundations which are the basis for the existence of mankind shall not be destroyed;

2. *Culture and nature: hazards to the environment at the global level.* Mankind has changed and influenced the environment for the past 40,000 years and has caused thousands of environmental catastrophes. The situation is now different from what it was in the past. For about the past 50 years, people have impacted the global geological, physical and biochemical circles of the earth. Ecological calculations show that we are approaching an absolute limit;

3. *Global markets.* We live in a world of globalized markets. The forerunners are those who can offer better quality merchandise and services at a better price. The question of “where” production takes place is no longer significant. The place and time (where, when) as far as production, commerce and communication are concerned, are less and less important in globalization today;

4. *Knowledge as a main factor.* The “information explosion” is not the key element of our knowledge society. It is more decisive that the so-called “half-life” of applied knowledge is continuously decreasing;

5. *Consumption of resources.* The poor countries consume only a fraction of the resources which the inhabitants of the industrialized countries use. If a lifestyle of the rich people were to become generalized for all people of the world the available resources would be consumed in a relatively short time. The same is true for the distribution of income. The gap between rich and poor people within one country as well as between poor and rich countries is growing. If the postulate for equal opportunity is to be valid for all people, there is no other way than the redistribution by the rich countries;

6. *Development of new functional subcultures with global effects.* A survey of special groups of people in Australia, South-America, Europe and Canada has shown that each individual group

shares more common features, independent of the country or culture, than people from different groups within one country. This indicates that national identity is becoming less important;

7. *Identity of people: cultural dimension of technical change*<sup>1</sup>.

The organization of the global-universal society is needed because such a society must regulate deficiencies in the global capitalistic system. Since global markets reduce everything to commodities, we can have a market economy but we cannot have a market society. Globalization increases the demands on the state to provide social nets while reducing its ability to do so. This creates the seeds of social conflict. Global open society is governed by the rule of law: respect for human rights, respect for diversity, respect for minorities and minority opinions, division of power; and a market economy in the electronic environment. Of course, the e-global-universal society is organized around information and by networks and around common-complementary values of universal-complementary civilization. This society requires many alliances (including virtual) that will establish a code for international patterns of expected behavior. Such alliances will apply information, computerized networks to disseminate and enforce these standards. This global society should be open and communicated, which means that it will be effective if it works as an e-global-universal society. This means that it should be based on democratic principles and global justice for all inhabitants and their natural surroundings<sup>2</sup>.

#### 2.4. *Globalization and Internet*

In the 1960's and 70's, telecommunications began to play a significant role in production, public service, and in management. In the 1980's, information became an accepted production factor, together with labor and capital. In the 1990's, the effect of globalization, the increasing significance of information in production processes, rapid changes in technology, and increases in demand have proved the importance of ICT for competition and economic growth. In recent years, it has been accepted that ICT are significant inputs to economic

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<sup>1</sup> Bischoff H-J., Introduction. In *Risk in Modern Society*, Bischoff H-J. Eds., Publisher: Springer Science -Business Media B.V., Mannheim, 2008, p. 5-7.

<sup>2</sup> Targowski A., *Information Technology and Societal Development*, Publisher: Information Science Reference, Hershey – New York, 2009, p. 326.

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growth. Moreover, the efficiency of ICT in the development of international competitive power, health and education, and the power of ICT in creating new job possibilities have been assumed as a significant component determining the socio-economical structure of countries and as a way of decreasing poverty in developing and underdeveloped countries<sup>1</sup>.

The Internet's impact on inequality will extend beyond national boundaries to the world economy where the question of access to the latest technologies will shape globalization's greatest challenge, the growing gaps in income and living standards between rich and poor nations. The rich countries have a vested interest in extending easy internet access across the globe, not least because of network externalities from increased use and benefits accruing from a freer flow of information in the tackling of global problems, such as environmental protection or epidemics. Their e-businesses will surely want to have the option of reaching millions of newly middle-class consumers in the emerging market economies of Latin America, Africa and Asia. The Internet can also serve as useful communication and organization tool for democratic movements' intent on improving the governance of their societies, just as it will surely boost grass-roots initiatives for political reform and corporate accountability in advanced capitalist societies. Most promising is the prospect of new telecommunication technologies, based on satellites, fiber optics and cable, giving poor countries instant internet-delivery capacity for a reasonable price and so offering them the chance to skip or shorten several stages in their industrialization process<sup>2</sup>.

Analyzing the future of Internet development in the context of globalization, the following features may be feasible by 2020:

- Wireless Internet available worldwide to middle and upper classes, including developing countries and rural areas;
- Wearable computers expanded to control medical devices, appliances, and entertainment systems;

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<sup>1</sup> Çilan, Ç. A., Bolat, B. A., Coşkun, E., Analyzing digital divide within and between member and candidate countries of European Union, *Government Information Quarterly* 2009, Volume 26, p. 98.

<sup>2</sup> Guttman R., *Cybercash. The Coming Era of Electronic Money*, Publisher: Palgrave Macmillan, Hampshire-New York, 2003, p. 219.

- Massive databases (hopefully with robust security) holding personal information such as history and log of information viewed or processed, as well as such items as medical records and genomic information;
- Small and inexpensive devices storing massive data such as voice, video, and Web pages;
- Increasingly improved search capabilities to locate not only text phrases but semantic phrases, pictures, and video through both meta representations and exemplars (without which the data storage would be useless);
- RFID tags to track commercial goods, consumer buying patterns, and even individual movement for security and targeted advertising;
- Biometrics (e.g., fingerprints, iris scans) widely required for travel, for security access to computers and locations, and, perhaps, for commerce;
- Small ubiquitous cameras and widespread sensor networks with increasingly small size and unobtrusiveness;
- Hands-free machine interfaces and input devices (e.g., light scanned directly to the retina)<sup>1</sup>.

#### 4. Conclusions

The impact of Internet on globalization has diversified aspects. The positive impact of Internet on globalization includes the modernization and improvement in the business sector on a WWW. Businesses improve their global competitiveness and productivity with more efficient electronic transaction processing and instant access to information. The market is now more competitive with consumers having greater choices.

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<sup>1</sup> Silberglitt R., Antón P. S., Howell D. R., Wong A., Gassman N., Jackson B. A., Landree E., Pflieger S. L., Newton E. M., Wu F., *The Global Technology Revolution 2020, In-Depth Analyses. Bio/Nano/Materials/Information Trends, Drivers, Barriers, and Social Implications*, Publisher: Rand National Security Research Division, Santa Monica – Arlington – Pittsburgh, 2006, p. 14.

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