

Post 1989: Globalization one, two, three

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Abstract

This article examines the evolution of globalization across the three decades, that coincide with ASERI's institutional history, highlighting the distinct techno-economic forces that shaped each phase and their cumulative socio-political effects. The first phase, "Globalization One," was propelled by advances in information and communication technologies and by a widespread belief in the superiority of market-led economic governance. While trade expansion generated notable efficiency gains and contributed to the global reduction of extreme poverty, it also produced significant asymmetries within and across countries, intensified by the rise of global value chains and commodity dependence. "Globalization Two" marked a structural shift driven by financial deregulation and the rapid expansion of purely speculative international capital flows. The resulting financialization of the world economy redistributed income toward profits and rents, deepened inequality, and exposed national economies to recurrent instability. "Globalization Three" is defined by technological discontinuity, the erosion of multilateralism, the return of economic nationalism, and a geopolitical environment increasingly shaped by power politics. The article argues that the most promising responses to current global challenges may emerge not from dominant actors but from peripheral dynamics, where resilience, reconstruction, and innovative forms of cooperation "from below" can foster a renewed, inclusive vision of global interdependence.

Abstract (Italiano)

Il contributo analizza l'evoluzione della globalizzazione nelle tre decadi, che coincidono con la storia di ASERI, mettendo in luce i distinti motori techno-economici che hanno caratterizzato ciascuna fase e i loro effetti cumulativi sul piano socio-politico. La prima fase, la "Globalizzazione Uno", fu trainata dal progresso delle tecnologie dell'informazione e della comunicazione e da un diffuso consenso sulla superiorità dei meccanismi di mercato. L'espansione degli scambi generò consistenti guadagni di efficienza e contribuì alla riduzione della povertà estrema, ma produsse anche marcate asimmetrie interne ed esterne ai Paesi, intensificate dall'ascesa delle

catene globali del valore e dalla crescente dipendenza dalle commodities. La “Globalizzazione Due” segnò una trasformazione strutturale dovuta alla deregolamentazione finanziaria e alla rapida crescita di flussi di capitale a carattere speculativo. La conseguente finanziarizzazione dell’economia mondiale redistribuì reddito verso profitti e rendite, approfondì le disuguaglianze ed espose i sistemi economici a nuove forme di instabilità. La “Globalizzazione Tre” è segnata dalla discontinuità tecnologica, dal declino del multilateralismo, dal ritorno del nazionalismo economico, e da una crescente centralità dei giochi di potere. Il contributo sostiene che risposte innovative alle sfide attuali possano emergere soprattutto dalle dinamiche periferiche, dove resilienza e ricostruzione favoriscono forme di cooperazione “dal basso” capaci di rinnovare la convivenza globale.

Keywords: *Globalization, financialization, global value chains, inequality, crisis of multilateralism, economic power politics*

The first three decades of ASERI overlap, almost exactly, with three quite distinctive decades of globalization. The word “globalization” entered the common language in the mid Nineties, describing a new, fascinating phenomenon the world economy. Indeed, globalization was a transversal, complex and evolving phenomenon not entirely new in nature (cf. Baldwin, “three waves”), but qualitatively different from the past. In this short paper, I intend to share what I perceive to be the main driving features of the post 1989 economic dimensions of globalization, and their impact on the wider socio-political environment. We can identify specific techno-economic drivers for each of the three decades, whose effects compounded over time and shaped both the evolving features of globalization and the perduring challenges we face today.

Globalization One: Was it a “New thing” in International Trade?

The deep driver of Globalization One was technological change, namely progress in information and communication technologies deeply transformed societies, including business practices. At that time, speaking of globalization was perceived as being about

experiencing a “smaller” world, the “death of distance”, a “flat world”. Closely intertwined with this material driver, there was a powerful non-material driver of Globalization One that was at least as important: optimistic consensus about the superiority of markets as economic institutions. The prevalent vision at that time was that the end of the Cold War had marked the clear victory of “markets” over “states” in terms of economic efficiency; in parallel, the idea that “markets knew better” developed into a policy attitude based on assuming that markets could be trusted to exercise a beneficial role in monitoring governments’ economic decisions, including macroeconomic policies.

In sum, there was widespread optimism about Globalization One, basically grounded on the force of comparative advantage in international trade: a smaller world was broadly perceived to be “good” for economic growth; economic growth to be “good” for political stability and even analytically perceived to be conducive to democracy. As to economic policy, the bipartisan consensus in high income countries was that open markets could provide mutual benefits, and that non-intrusive macroeconomic policies could provide for national stability and credibility. Hence, Globalization One seemed to flow relatively smoothly between two riverbanks, commitment to market integration and to broad neo-liberal policies, at least till the 1999 Seattle events that brought the no-global galaxy at the forefront of policy confrontation.

That gains from trade would feed into higher per-capita income was not a dream: absolute poverty in the world strongly receded during Globalization One. But that was half of the story: the “old” story that trade creates efficiency gains (enhanced access to good and services, on average) but also creates local winners and loser. The divide concerns consumers and producers; it concerns social classes, with contrasting interests between workers and capital owners; it concerns industrial dynamics, with economies of scale reinforcing big firms and increasing industrial concentration. The asymmetrical distributional impact of trade is an “old” story and a very robust one. Despite being somehow forgotten in the roaring years of Globalization One, the distributional consequences of trade became quite visible as trade integration expanded; today, it does not take a degree in Economics to realize that cheap imports from low-wage

countries make local workers miserable, and endanger entire sectors within importing countries – with all the political consequences we can observe.

Beside fast-growing trade relations, there was a “new thing” in Globalization One: cheaper communications and data elaboration techniques made it possible to break up, or to un-bundle, the production process into subsequent steps, relocating single steps in different countries so to exploit any opportunity to reduce production costs. Value chains became global; hence, international trade increasingly became “intra-sector” trade in components, with items transferred from one country to another by the same firm, crossing international boundaries and yet remaining within the economic boundaries of the firm’s control. A very large share of Globalization One international trade became “intra-firm” trade, driven by managerial control and not by market competition. In parallel, industrialization of low-income countries underwent a revolution, as Richard Baldwin summarizes:

Before 1985, successful industrialization meant building a domestic supply chain. Today, industrialisers join supply chains and grow rapidly because offshored production brings elements that took Korea and Taiwan decades to develop domestically (Baldwin, 2013)¹.

Which countries are winners and losers within global value chains? This is a tricky question, but the general answer is that winners and losers largely depend on firms’ internal pricing policies regarding components, that can redistribute efficiency gains across countries and concentrate net profits in low-taxation countries. These internal practices unsurprisingly benefit owners, shareholders, and managers, so that workers (especially unskilled workers in high income countries) end up as relative losers.

We need to mention another important feature of international trade integration, not “new” but increasingly significant, that was practically forgotten in trade analysis and trade policy discussions during Globalization One: the expanding trade in renewable and non-renewable commodities – quite different from trade in

¹ We had the pleasure of having R. Baldwin as a lecturer at ASERI in its early years.

manufactures. Commodities are an indispensable indirect input of all manufactured goods: energy, minerals, food, and non-food crops. Once again, trade in commodities provides efficiency gains along with winners and losers: in this case, international and local distributional effects largely depend on relative power and institutional settings, including ownership structures in exporting countries.

To summarize: the initial optimism about trade integration of Globalization One overlooked the possibility of dynamic divergences across countries and expanding inequality within countries. Neglecting discontent about globalization became impossible during the 1999 Seattle events, where thousands of people took the street against the World Trade Organization Ministerial Meeting, that was perceived as the multilateral institution pushing countries towards further globalization, thus threatening labor rights (especially in rich economies), environmental and health protections, ultimately national sovereignty. Some years later, a similar discontent would produce other major political effects, from Brexit to MAGA, and new economic processes such as reshoring, friend-shoring and regionalization of supply chain. The legacies of Globalization One, namely international value chains, commodity dependence, structural inequality within and across nations, however, remain with us.

Globalization Two: “New Things” in Finance?

The globalization of supply chains produced a dramatic increase in Foreign Direct Investments (FDI) and a growing demand for further international financial integration. 1990 was the watershed: deregulation and liberalization of international finance transformed the network of national financial markets into a global market.

FDI initially flowed from and to industrialized countries, then from industrialized to transition countries, then to “emerging” countries, including South-East Asia and China and (a few selected) low-income countries. FDIs were not an entirely new feature of the international economic system; but their increasing role in the global economy reshaped industrialization strategies of low-medium income countries: FDI attractiveness became a must, especially for countries with low domestic capital base but striving to modernize

by joining global value chains and for countries. There was a rush towards FDI deregulation, creation of “special economic zones”, foreign profit de-taxation and so on, with significant gains for first movers.

In parallel with financial flows driven by FDIs, the actual “new thing” of Globalization Two was the incredibly fast growth of international financial transactions driven by purely financial motivations, such as risk diversification and portfolio management. International finance became less devoted to supporting real investment in productive and infrastructural capital (“intertemporal trade”, namely borrowing from wealth owners and repaying loans in the future, out of real economic growth). The speculative component became predominant: finance was a matter of “betting against the future”. Paul Dembinski was a pioneer in exposing the functioning and the negative implications of the financialization of the world economy (Dembinski, 2009)².

The financial economy from the mid-1980s had overtaken the real economy and expanded so much to become pervasive. All kinds of goods and commodities are transformed into financial assets or securities and sold on global exchanges. Thus, over the last three decades financial assets have become increasingly and silently part of our everyday life... True economic value creation has been confused with financial value creation as expressed by the stock market. Based on the assumption that markets cannot be wrong, all efforts have concentrated on how to increase stock prices, independently of the real value of businesses... devising short-term strategies, financially efficient but economically disastrous (Beretta and Dembinski, 2014).

Financialization was the most striking feature of Globalization Two, with the hyper-development of the particular business of re-packaging existing loans into new financial products in order to sell them to other financial investors, with massive use of derivative contracts. Trading decisions were delegated to “expert systems”, that is high-speed algorithms operating with little or no human intervention: markets were expected to function as efficient mechanisms... so relying on machines was simply obvious. There were “incidents” leading

² Dembinski has also been ASERI lecturers for many years.

to hedge funds collapsing, the most prominent being the collapse in 1998 of Long-Term Capital Management (LTCM), whose board of directors included two scholars that had received the Nobel prize in Economics the year before, for their model of future asset price determination. Incidents were soon forgotten, as this kind of financial business does provide very profitable opportunities of rent extraction, with undefined upper limits. We can speak of “production of finance by means of finance” mimicking Sraffa’s seminal contribution on real production (Sraffa, 1960). No “real” investment is involved, as existing financial contracts (good and bad loans alike) constitute the raw material for producing new contracts. The 2008 global financial crisis, spreading from subprime mortgage markets in the USA to global financial markets in successive waves affecting most countries, including the Euro area in 2011-2012, exposed the intrinsic fragility of a self-referential financial sector. That could and should have been a moment for re-thinking the nature of finance, weather servant or deceiver, and for reforming global rules; but the vested interests of the financial sector and its sheer economic power effectively managed to avoid re-regulation and reform.

The global financial crisis also produced significant efficiency and redistributive consequences at the global and local levels, with winners and losers. No time to elaborate, but financial intermediaries, the same institutions whose aggregate behaviour contributed to the financial crisis, ended up being on the winning side. The inner asymmetric structure of financial transactions provides a clear explanation for financial creditors being the winners. Creditors can technically extend unlimited lines of credit – provided the overall risk of their position is kept under control; debtors facing increasing indebtedness must commit more and more future resources to servicing the debt. Hence, those agents – be they public or private – who need to borrow in order to invest in “real” activities end up losing control over their own future and bearing a debt burden that tends to be heavier for those who wield less power (be it market power, or political power).

The specific legacy of Globalization Two thus added a further layer of global inequality, within and across countries, due to financialization. Aggregate data on income distribution across income groups (wages, profits, rents) over the globalization years up to now

provide evidence of a massive redistribution of income shares: financial rents over profits, profits over wages. According to UNCTAD³, the labour share has trended down across both developed and developing countries since the 1980s, with a corresponding rise in the profit share (UNCTAD, 2024).

Moreover, large firms and financial institutions have increased their ability to extract rents, favouring the richest individuals. Exploring how rents are created in the contemporary world of financial globalization is no easy task (Mazzucato et al., 2023: 510), but that the categories of “rentier” clearly go well beyond the land, real estate and financial owners of the old times. First, financial deregulation prompted higher private debt, by firms and households, as an obvious source of income for new forms of financial rentiers. As shareholder value maximisation became the dominant form of corporate governance, the strong emphasis on the short-term value of the companies’ share price, above and beyond long-term investments, encouraged parts of the non-financial corporate sector to focus on pushing up share prices through activities of merger and acquisition of existing firms and other forms of financial restructuring. This is a way to increase shareholders’ and managerial rents, irrespective of actual profitability and – unfortunately – often associated to reducing employment and wages to reduce costs. As these operations are usually financed by issuing debt, they reinforce the position of financial intermediaries and create additional rents. Financial intermediaries also significantly increased their share of loans to typical “rentier” sectors, such as real estate, and actively engaged in land and commodity markets speculations, eroding the financial space for supporting productive firms, capital investment, employment and wages. This distributional pattern favouring rents over profits and profits over wages does not bode well for the future, unfortunately. There is an enduring value in Adam Smith’s powerful intuition that human labour is at the core of the nature and the causes of the wealth of nations.

In sum, Globalization Two is marked by financialization, a structural change in economic organization which is very effective in

³ Cf. in particular figure I-15, with Italy as a prominent example of a country where those with lower income bear the brunt of the decline in the labour share.

creating non-directly productive wealth. Financialization was associated to declining real wages and accelerating inequality, especially in high income economies, and may have contributed to slower aggregate real growth. All these phenomena became obvious causes of discontent, making economic and political systems increasingly exposed to instability. Financialization also affected public debt dynamics across the world: pre-financial crisis national debts have mushroomed over the years, well before the pandemic that provided a further, powerful push toward the excessive burden of sovereign debt for many medium and low-income countries. Even though two thirds of global public debt is owed by high income economies, the debt of developing economies has grown much faster in the last decade, due to the much higher interest rates they pay on their debt. Once again, asymmetric power structures allow creditors to extract higher rents, while low-income countries face debt distress: in order not to default on debt, they end up defaulting on development. UNCTAD estimates that 3.3 billion people currently live in countries that spend more on debt-service than on education and health.

The legacy of Globalization Two, especially in the western world, is the concentration of wealth and power leading to economic and political dynamics driven by the interests of a “rentier” class. The tendency is towards a relative prevalence of extractive over inclusive institutions, to use the influential expressions devised by Acemoglu and Robinson (2012). Extractive institutions, throughout history, have typically led to the decadence, up to implosion and failure, of socio-political systems. Currently, extractive institutions largely influence global interdependence, across economic sectors, regions, and countries: much more than nations are at risk of failing.

Globalization Three: a Reckoning of Power

During Globalization One, up to the early 2000, global dynamics were broadly characterized by open markets and a shared respect for multilateral rules (not really, maybe, but at least in terms of lip service), including inter-state collaboration delegating tasks and providing some autonomy to independent agencies in many fields: trade, corruption and illegal transactions, health, environment.

Europe prospered in that kind of world: by establishing the single market, it became a key player in the World Trade Organization; it created independent competition and – most relevant – monetary policy authorities; it demonstrated that negotiated common rules could foster integration while keeping some balance between winners and losers. Once admired, sometimes feared (think of the “Fortress Europe” argument), and often imitated, the European model has lost glamour, along with other multilateral institutions. With Globalization Three, this world where global collaboration was at least praised, if not realized, has ended and many of its features have disappeared.

“Slowbalization”, re-shoring, friend-shoring are expressions that started popping up in the XXI century, especially after the global financial crisis and the Great Recession, when countries and firms began to be wary of open markets, often developing nationalistic and protectionist narratives, strategies and policies. Over the years, states recovered, or at least reclaimed, their independence from multilateral or regional policymaking. Brexit, MAGA (“Make America Great Again”) and other expressions of nationalism in high income countries are the unsurprising consequences of diffuse discontent with the legacies of Globalization One and Two. Even the Covid experience, a clear global shock that called for (and in some respects achieved) international collaboration, contributed to post-pandemic policy protectionist attitudes, realized through the launch of far-reaching strategies for promoting national industries, *in primis*, the – mis-named – Inflation Reduction Act of 2022 in the USA), to direct the economy need to address the green transition and the digital transition.

In fact, Globalization Three is also marked by a significant technological discontinuity. Cheaper computing power transformed working habits and communication (social media); the convergence of media and machines became the tool mediating material agency in the world (Tosoni, 2025). Artificial Intelligence, encompassing a panoply of scientific development and applications, achieved impressive results with accelerating pace. Market power concentration reached historical heights: size and power matter more and more in international affairs. Achieving absolute advantage, for example by exploiting economies of scale, has always been part of trade

relations: higher productivity spurs the self-reinforcing mechanism that Myrdal (1954) labelled “circular causation”: lower costs, lower prices, sales expansion and erosion of competitors’ position, up to market dominance. Once again, absolute advantage provides the opportunity for extractive behaviours: extracting profits, rents and all sorts of data, the new raw material of our times. As sheer size matters in achieving economies of scale, we witness a new global role for large “emerging” countries, from China to India and beyond.

The combination of national policies shifting toward protectionism and support of national industries, with the increasing economic and social power wielded by a small number of businesses concentrated in the two largest economies, USA and China, transformed the economic dimension of Globalization Three into an explicit, unashamed game of power where even formal respect for international rules is abandoned. Economic interactions among countries are influenced by the deployment, or threat of deployment, of national economic power in order to protect or to advance national interests; the outcome is a sort of a global brinkmanship game involving big players, with smaller players forced on the sidelines.

The military dimension of Globalization Three is even more worrisome. The number of conflicts has doubled in the last five years, with a disproportionate cost on civilians: currently, more than 300 million people need humanitarian aid and protection. In a world of power, the “unarmed” authority of the United Nations is ignored and despised, even directly attacked. We face evidence of a renewed arms race, including investments in nuclear weapons. This line of action is naturally coherent with nationalistic industrial policies, supporting domestic production at the expense of public funding for both domestic and external endeavors, such as humanitarian and development collaboration.

Addressing the Challenges of Globalization, beyond Games of Power

Heeding “the cry of the earth and the cry of the poor” (Pope Francis, *Laudato si’*, 2015: §49) calls for mending and rebuilding: who has this restorative power, amid geopolitical tensions, widening

inequalities and rising poverty? What is the silent “law of motion” of global affairs, that can make a decent coexistence among peoples possible, in our beautiful and fragile planet?

I am very sceptical about the possibility that market power and/or political strength can effectively address the challenges of current state of globalization. Big players’ decisions can produce enormous impacts on the world, especially on the negative side (it is much easier to destroy than to mend and rebuild). Yet, the power of the powerful has limits. Limits from above: no one can overturn the fact that “everything is connected”, and no one can cope with interconnectedness alone: pandemics, water and air pollution spread irrespective of national borders; extreme climate events, including floods and wildfires, can cause havoc in rich and pariah countries alike. And limits from below, since powerful coercion is an asymmetric force: commonsense teaches that you can pull the string, not push it. The kind of political and economic innovation we need to address the current challenges of globalization seems to me a string that cannot be pushed.

I am convinced that today we need to pay more attention to what happens in the many different peripheries of power games, to discern the weak signals of possible innovative dynamics. Think of trade: while discussions concerning the brinkmanship game of tariff wars between US and the rest of the world is making headlines, contemporary South-South trade and investment dynamics tend to command little attention. But its value has expanded tenfold over the last three decades (UNCTAD, 2024a) and that’s where we are heading, as population dynamics clearly show.

Realistically, the periphery is where the lives of most members of the human family unfold. Peripheral countries need multilateralism for survival, and collaborate with each other in the United Nations – especially in Geneva. The most recent example is the 16th UN Conference on Trade and Development, concluded with the 170 participating countries unanimously approving the “Geneva Consensus” (UNCTAD, 2024b). Life is resilient: survival requires rebuilding, reconnecting and restoring; and the search for survival is the powerful force that keeps history going. People build and most often rebuild after crisis, problems, wherever and however they can. This is not easy, and surely not cheap. Nevertheless, the hidden daily

heroism of community leaders, mothers, fathers and friends makes the difference: no pretension to change the world – and still transforming it from within. The power of life, the “power of the powerless” (Havel, 1978) is a reliable driving force towards new, hopefully better, possibilities. Each generation is called to understand, but also to transcend, the games of power of its time – building on our shared humanity with a different rationale: in view of building, not of “winning”.

Interdependence is here to stay (and to deepen); Westphalian multilateralism is part of our history, but not necessarily of our future. Our generation has the positive task of exploring innovative forms of multilateralism “from below” and restoring existing institutions: an imperfect, always reformable path to uphold human dignity. Our generation can be “a voice for the voiceless, advocating for a world where peace prevails over conflict, justice triumphs over inequality, rule of law supersedes power” (Gallagher, 2025).

Resilient multilateralism, beyond power games: let’s call it Globalization Four.

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