A CENTURY OF CHANGES IN THE NATURE AND IN THE STRUCTURE OF THE WORLD ECONOMIC SYSTEM

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Abstract
A century of changes in the world economy (1914-2014) should in fact be understood as a sequence of epochal innovations leading to a new quality of civilization. The world economic system, formed under the integrating influence of the international trade, international monetary system, international investments, international enterprises and international migrations, has changed its nature and structure during the discussed period. The changes in the nature of the world economic system are manifested by the fact that the industrial character of the world economy has taken on the features of the post-industrial economy based on the dominating role of the services sectors and knowledge. The welfare policy, as developed in the discussed century, has become the flagship of the post-industrial economies. The structural changes are manifested in the new global division of labor characterized by a greater diversification and internationalization of production. The above mentioned changes result from numerous transformations taking place in the developed countries and in the economies of the developing countries.

Keywords: World economic system, changes in the nature of world economic system changes in the structure of the world economic system

Introduction
The outbreak of World War I and in fact, as claimed by some, the beginning of the 20th century, gave the foundations (reinforced by, and after, World War II) for a new chain of epochal innovations resulting from the industrial revolution (the role of which was formulated by the Nobel Prize winner Simon Kuznets). Those innovative changes were related to the use of electrical power, widespread use (in the land, water and air transport) of vehicles powered by petroleum-based fuels, development of transportation of goods via transmission pipelines, mechanization of production, the use of nuclear energy, as well as the computer and digital communications
revolution, the emergence of the world market together with its entities, i.e. transnational corporations determining the power, elasticity and dynamics of this market, the emergence of new forms of diplomacy, such as conferences, leading to multilateral agreements, the “eruption” of the governmental and non-governmental international organisations, and finally the creation of the era of new international monetary systems (reducing and in the end eliminating the role of gold as the basis of the financial transactions worldwide).

At the beginning of that century, there emerged new methods of management based on the non-private form of ownership (brought by the Russian Revolution which, per se, proved to be ”anti-innovations”). Product property rights and technological innovations emanating from the arms race between the two systems, the efforts made by those system to gain the support of the Third World countries and also their competition for the natural resources of those countries deserve to be named “the epochal changes”.

**The World Economic System**

The system of global economy is the effect of the “forced” international cooperation (with all the benefits it brings) of economic entities, such as international companies and enterprises, as well as regions, states and integration groupings realising economic processes and forming a relatively lasting and stable (within a specific development cycle) system of international networks of economic relations manifested in the international institutional and legal solutions.11

The major factors integrating the world economy into one system are:

- international trade,
- international monetary system,
- international investment and enterprises,
- international migration,
- global communications infrastructure.

The system of the world economy was being shaped throughout the whole analysed century consequently transforming itself into the global economy and the following distinctive features best express the process:12

- global market,
- corporatism,
- science and technology civilisation,

11 Współczesna Gospodarka Światowa [Contemporary World Economy], edited by Anna Barbara Kisiel-Lowczyc, University of Gdansk Publishing House, Gdansk 1997, p. 9-20
new role of the state.

Globalisation of markets means the amalgamation of different, initially independent, markets in particular countries into “supranational” world markets. A significant role of an “obstetrician” and “carrier” of globalisation was played (and is still played) by international institutions and also by transnational corporations. The presence of both types of international economic relations entities manifested itself in their more and more intense activity after World War II; in the case of international organisations - in the liberalisation processes while in the matter of transnational corporations – in the more and more rapidly increasing flows of direct international investments.

The world entered into the era of knowledge. According to Friedrich A. von Hayek 13 “the civilisation of knowledge begins when an individual in the pursuit of his ends can make use of more knowledge than he has himself acquired and when he can transcend the boundaries of his ignorance by profiting from knowledge he himself does not possess”. The world entered into the era of science and technology civilisation dominated by the knowledge-based products and technologies, in particular the IT technologies 14, as a result of which not only the production (provision) of goods but also the management processes and logistics were transformed. The Third Industrial Revolution that took place in the last quarter of the 20th century brought also new means of communication (transport and telecommunication) which enabled mass, quick and efficient long-distance transportation of goods, capital, people and information which in the effect led to a drastic reduction of the costs of such operations. 15

Finally, globalisation manifested itself in its influence on the state policy, including the new important tasks that it assigned to a state, and those task are: 16

• fighting against inequalities between the states, nations and social groups (as such inequalities are rather amplified than reduced by globalisation);
• setting-up the actions for the state and its economy to be executed in a long-term perspective, leaving the short-term actions for the market;

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• efficient and rational distribution of the state competencies „upwards” (to the international and supranational institutions), and „downwards” (to the local, self-governmental administration and civic organisation);
• increasing economic freedom for economic entities and people;
• developing the rules for the process of reinforcement of the so-called “negotiation activity” (aiming to strengthen the position of the state and the place of the national entities in the global arena);

In the context of the emerging new role of a nation-state, more and more often there arises a need for coordination of economic processes worldwide. The state-centric model of the world, i.e. the existing international order built upon adequate distribution of power and strength of the strongest states – the model developed for over 350 years (since the Westphalia Peace) – becomes a barrier for the development in the context of the criterion of the global existential rationality. During the last 100 years Great Britain was replaced by the United States in the role of the world leading superpower (the hegemon), however, the hitherto historical experience of the turn of the millennia proves that in the sphere of economy the concept of global governance is becoming an alternative for the world consisting of sovereign countries led by a hegemon /leader/. Global governance means the governance through the activities of the non-state entities being particularly significant from the point of view of the functioning of the world economy in the spheres of:
- world financial system,
- world system of trade in goods and services,
- world system of free movement of persons.

There is no doubt that the nature of the contemporary world economic system was shaped by:
- the Great Depression of 1929-1933, which led to the departure from the classical model of “Laissez-faire” capitalism and provided the foundations for the Keynesian economic /state interventionism/;
- the financial crisis of 2008+, manifesting itself in the crisis of public confidence and the crisis of liquidity in the banking systems of the developed countries which affected the world financial market, made it clear that the world financial system needed stabilisation on a global scale.

Both of those crises cumulated into facts. First, in 1999 on the initiative of the G7 countries the Financial Stability Forum (FSF) was

established, and then in 2009 a new institutional form - Financial Stability Board (FSB) was created as a successor of FSF on the initiative of G20 group (the group of the world’s wealthiest countries initially represented by the ministers of finances). FSB currently exercises supervision over the Systematically Important Financial Institutions.

**Changes in the nature of the world economic system**

According to Philip Sadler – the head of the famous British School of Management – the changes taking place in the world of developed economies consist in:¹⁹

- the emergence of a global economy,
- the progressing, together with globalisation, shift in the world economic power from North America in the direction of the Pacific Rim,
- growing domination of the service sector – both as a factor stimulating the increase in the Gross Domestic Product and as the basic area of employment,
- a growing tendency towards surpluses and overproduction in agriculture and manufacturing industry,
- an increasing significance of knowledge and „talent” as the only resources there is never too much of,
- development of new and efficient, not very costly, information processing technologies,
- changes in the social values, and in particular, the decline of work ethics,
- changes in the structure and functions of social institutions, particularly in the family structure and functioning,
- changes in the social structures (class, occupation and age structures),
- changes in lifestyle.

In the discussed century the world changed the civilization characteristics of the global economic system. Using the terminology of an American sociologist Daniel Bell, the industrial character, born in the times of industrial revolution, assumed the features of the post-industrial system shifting its focus from the production of goods to the provision of services. According to Philip Sadler²⁰ it all resulted in an entirely new approach to the issue of management, and the above mentioned change was the effect of:

- immeasurable and unpredictable essence of services,
- simultaneity of provision and consumption of services,
- enormous significance of mutual interactions in service provision,

• inviting clients (beneficiaries) to actively participate in the process of service provision,
• specific role of the new technologies applied,
• enormous share of female employment in the service sector.

The flagship of the post-industrial economies, in particular of the western civilisation, was the welfare state policy which developed at those time. In literature G. Esping-Andersen 21 distinguishes three models of a welfare state:
  o liberal - realised in the Anglo-Saxon countries, where the scale of public social programs is rather limited and such programs ensure only a moderate compensation for the income lost;
  o conservative/corporatist - prevailing in the Continental Europe, realised mainly through the workers’ social insurance institutions. Here, the welfare benefits differ depending on the job position and, when compared to the income, their level is relatively high;
  o social democratic - realised in the Scandinavian states and in the Netherlands, where welfare benefits are available for all citizens who are guaranteed high and equal level of security.

A paradigm combining the features of the liberal and social democratic models there function the welfare state models adopted by Great Britain, Australia and New Zealand.

Both the theory and the reality of the Soviet Russia and of the economies of “real socialism” interwove the Marxist non-market economy paradigm into the paradigm of market economy create by A. Smith. The non-market economy paradigm almost died away only in the 1990s 22.

Even though the most effective, market economy went through various stages. At first, until the years of the Great Crisis of 1929-1932, there functioned the free-market economy paradigm (in fact the Smith’s paradigm). The above mentioned crisis shook the foundations of the free-market economy and the Keynesian economics - with a paradigm of regulated market - was born. Its representatives recommended that the market mechanism should be supported by the state. Thanks to Milton Friedman in the 1960s the paradigm of the free market returned and in fact became the dominating one, however, the regulated market paradigm still has numerous followers.

Marketing (sometimes rather aggressive) creating the demand, dynamically developing at the turn of the 20th and 21st century, was a child of

the Keynesian paradigm clearly departing from J. B. Say’s law of markets ("supply creates its own demand").

A significant change in the nature of the world economic system is, at least theoretically, a transformation of the scholars’ (and managers’) mentality concerning their perception of work as such. The category of “workforce”, inherited after the industrial revolution, was changed (even though initially it served exclusively as a supplementation of the primary factors of production – the work and the capital) into the category of “human capital” – the main carrier of the capability to create value added, the category commonly defined by the skills and health of the owners of such capital. Next to the material capital, whose significance in supporting the human capital and in boosting the manufacturing processes was exposed by the above mentioned industrial revolution, the discussed century and especially its second part accentuated the significance of the “social capital”. This category was introduced into the sociological literature by Pierre Bourdieu and popularised by James S. Coleman. According to J.S. Coleman the existence of the social capital, comprising not only specific interpersonal relations but also values, norms and work ethos manifested by such relations, makes it easier to solve the social-economic problems, regulate the principles governing the functioning of the local communities and develop entrepreneurship. Robert D. Putman is convinced about the „productivity” of the social capital as it enables „reaching the goals which could not be reached if it [the social capital] was not there”.

Changes in the structure of the world economic system

The history of the beginning of the century 1914-2014 grows out of the system which Adam Krzyzanowski considers to be the global order characterised by:

- domination of the ideologies of Laissez-faire and liberal democracy;
- domination of Europe acting as the world leader; the domination in which the basic role was played by the system of colonialism;
- the role of the „world power” - supported by the ideology of the Pax Britannica – played by Great Britain;
- particularly dynamic power of capitalism development, represented by fundamental transformations in technology, economy and society, supported by the first industrial revolution.

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The creation (on the initiative of Great Britain) of the international monetary system - the so called “Gold Standard”, which at the moment of its decline in 1914 was accepted by 41 countries, was an emphatic expression of the above presented characteristics.

The first thirty years (1914 – 1945) brought the following forerunners of the new world order:

- theory and ideology of Keynesianism in the sense of a concept spreading over the world economy;
- initial steps to create an ideology and implement the idea of a welfare state;
- the concepts of a new system of international organisations serving as *sui generis* substitute of the world government;
- in the USA crystallisation of intellectual and political elites able to define in a convincing way the role of this country as a leading pluralist superpower – the role which was finally accepted by the western countries.

In the system of the world economy, i.e. is in the conditions described by E. Halizak as “geo-economics”, a competitive country is the country which undertakes actions favourable for the development of entrepreneurship, competitiveness, more intensive accumulation of capital as well as for innovations and effective functioning of the market mechanisms and therefore for the increase in productivity and general profitability of economic activities. Globalisation provides stimuli for new possibilities but also opens door for new threats. The economies, which in the conditions of liberalisation of capital turnover, know-how and the flow of highly qualified workers will attract international investments and new technologies have a chance to reach an exceptionally high growth rate.

The new global division of labour is characterised by a broader diversification and greater internationalisation of production, particularly in the manufacturing industry. Such broader diversification is typical mainly for Asia and in particular for the East Asian countries while greater internationalisation of production is typical for the changes taking place in the manufacturing processes of the Post-Fordist era (introduction of elasticity and development of the global production networks).

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Until the times of World War II the geographic division of labour into the centre and peripherals, as exposed in Immanuel Wallerstein’s analyses, dominated the world economy. The countries of the centre, at that time the newly industrialised countries of the West such as Great Britain and the West European states, and later also the USA, dominated the world production and specialised in manufacturing of industrial goods. The peripheral countries, that is the non-industrialised countries acted as suppliers of the raw materials and food products and constituted the sales market for the Western industrial products.

After World War II there emerged a new system of the world economy based on the economic dominance of the United States of America which was characterised by a clear division into the East (the economy of the real socialism, which based on the doctrine was led by the Union of the Soviet Socialist Republics) and the West (the capitalist economies with the USA acting as the hegemon). Between those two blocks there existed the so called the “Third World” – the world of the poor countries with underdeveloped economies, mainly - which became a characteristic feature of that period - the countries recently liberated from the colonial dependency.

The end of the 20th century brought major changes such as the emergence of a new category of “countries under transformation” (the process lasting till the present day), the countries transforming its structures from the command economy into the market structures.

The collapse of the soviet block and of the Soviet Union itself had immense implications for the world economy which politically became almost a single-system economy (except for China, Vietnam and also Orthodox Cuba and North Korea). As it has already been mentioned, there emerged a group of countries undergoing systemic transformations (comprising the statistically separated countries of small but growing significance). In Russia itself a collapse in agriculture and industry resulted in the country’s clearly decreasing position on the world arena, which is being attempted to be changed by the imperial, aggressive strategy of the present Russia. It all has reinforced and is constantly reinforcing the image of the United States as the world power both in the economic and political dimension.

In fact, it needs to be emphasised that the world opened to China with its policy “one state – two systems”. China consequently carries out the process of reforms not slowing down its tempo of economic growth (China’s latest decisions aim at the improvement of the quality of life). Another successfully developing country, boldly deregulating is economy, is the huge India\textsuperscript{32}, classified in the group of the emerging markets. Other “Asian Tigers”, namely the Philippines, Hong Kong, Indonesia, South Korea, Malaysia, Singapore, Thailand, Taiwan and Vietnam also had their spectacular successes in that field.

The Latin American countries were not doing so well in this respect though. Their economies undergoing market liberalisation and privatization proved rather weak when it came to facing the threats resulting from the opening of the product and capital market\textsuperscript{33}.

The last decades of the analysed century brought significant changes in the structure of world production which resulted from the transformations taking place both in the developed and in the developing countries. The developed countries became service economies but, according to the data provided by UNIDO, their share in the creation of valued added in the world manufacturing industry is still dominant\textsuperscript{34}. Even though a historical turn of “moving” the industry to the developing countries (which results in the increase of their share in the creation of value added to the manufacturing industry) is constantly taking place, and additionally, despite the fact that the new geographic division of labour in the former peripherals of the world economy resulted in the creation of new industrial centres, the former Third World countries still constitute quite a challenge.

In this context a fundamental change of the paradigm needs to be noticed, the change strongly emphasised by the Millennium Declaration which consists in a transition from the “development assistance” to the “development cooperation”. At the millennium summit it was agreed that the development cooperation should be built on the foundations of a sovereign equality of states, common interests and shared responsibility between the governments and inter-governmental institutions. Among the eight Millennium Development Goals the task of creation of the Global Partnership for Development was clearly defined.


\textsuperscript{34} A. Aleksy-Szucsich, Miedzynarodowe struktury… [International Structures …], quote, ed., p. 64.
To prevent the negative consequences of the globalisation process and to effectively control it, particular states reinforce their regional ties, among others, by initiating the integration processes. Regionalisation is a process of pursuing their own interests by the international relations entities through the interaction and cooperation with other subjects located in the close geographic neighbourhood.

After World War II we dealt with two waves of regionalisation. The first one in the 1960s and the first half of the 1970s, and the second one which started in the 1980s and continues till the present day. Those two waves have been clearly manifested at that time in an apparent increase in the number of trade agreements and in the number of the inter-governmental international organisations of the regional nature. Although the first wave of regionalism was oriented inwards and was often quite protectionist in its nature, the second wave relies mainly on the openness, on the integration into the world economy, which obviously does not contradict the preferential character of connections within a given region. A very specific form of regionalisation are the processes of economic integration, i.e. according to B. Balassa the processes encompassing adequate changes in the economic structure of particular groups of countries aiming to create a homogenous economic structure and a uniform economic organism based on such structure.

In the interwar period (1919-1939) Europe’s share in the world trade reached approximately 50% (excluding USSR), however the United States of America were ranked first in this sphere. International trade was one of the major forces driving the development of the global economy after World War II but it was the USA which exerted the greatest influence on it. In the years 1956-1970, i.e. in the times of a rapid expansion of international exchange (over 10% of the annual growth rate of the global turnover), the role of the Western Europe in this field of economy is constantly growing while the significance of the United States is slowly declining. The years 1974-1975 and the beginnings of the 1980s are the times of the decreasing dynamics of the world trade, the declining position of the USA and ranking the Federal Republic of Germany first in the domain of world export. The United States returned on the leader’s position in the international trade

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37 B. Balassa, Przyczynka do teorii integracji gospodarczej [Contribution to the Theory of Economic Integration] [in:] Z problemów integracji gospodarczej [The Problems of Economic Integration], Warsaw 1986, p. 78.
turnover in the years 1989-2000 when an increase of the role of the international exchange in the world economy was observed.

At the beginning of the 21st century these are the European Union and the United States of America which are the leading powers of international trade of material goods while the circulation of services is dominated by the European Union.

The European Union is characterised by a rather stable international trade balance while the US since 1971 has been noting a structural deficit in that sphere. With their accumulation of foreign exchange reserves China, Japan and Russia pride themselves on a positive trade balance.

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