

# The Inner Link Between Economic Globalization and the Formation of American Post-industrial Economy<sup>\*</sup>

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Economic globalization has a very important impact on the world economic development. The economic globalization, especially after the 1970s, not only promoted the global industry division of labor, but also changed the economic structure of the world. From the perspective of global industrial division, many countries have entered post-industrial process, the United States is a case in point. However, economic globalization is an abstract conception, which it consists of trade liberalization, capital globalization, and production decentralization. Therefore, trade liberalization, capital globalization, and production decentralization are important factors for the formation of the post-industrial economy in the United States.

*Keywords:* economic globalization, United States, post-industrial economy

As we all know, industrialization has greatly improved people's labor productivity, improved people's living conditions, and made some countries become richer. However, under the influence of economic globalization and global industrial integration, the advanced countries represented by the United States have been experiencing the phenomenon of "Deindustrialization" since the 1970s. At the same time, many countries and regions have also turned from industrial society to post-industrial society.

In fact, long before the advent of post-industrial society, some scholars have made bold predictions about the formation of post-industrial society. Mr. Daniel Bell has pointed out that in a post-industrial society, the tertiary industry is booming and commercial companies will become the economic core of the society. About 55% of gross national product will be generated by commercial companies (Bell, 2001, p. 5). Moreover, most labourer are engaged in services, such as trade, finance, transportation, entertainment, and education, rather than in agricultural and manufacturing production activities.

There are many and complex reasons for the formation of America's post-industrial economy. The United States has a vast territory, and not only the regional economic types are different, but also the factors leading to the formation of deindustrialization and post-industrial economy are somewhat different. However, economic globalization has always been the primary cause of the formation of the American post-industrial economy. Economic globalization makes the global economy become a whole, and every country, region, and city will become a node in the global economic network. Economic globalization not only makes the various regions of the world closely linked together, but also enables them to play their respective functions in the global economic system. Under the influence of economic globalization, after the 1970s, the wave of

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deindustrialization swept most of the United States, and many processing and manufacturing industries either closed down or moved overseas. At the same time, post-industrial industries are increasingly concentrated in America's globally-controlled cities. The research shows that economic globalization has a vital impact on American industrial transformation and the formation of post-industrial economy.

As for what inner link exists between economic globalization and the formation of American post-industrial economy, we should analyze from the concrete manifestation of economic globalization. Economic globalization is a broad and abstract term that consists of many concrete economic actions. Among them, trade liberalization, capital globalization, and decentralization of production are all important manifestations of economic globalization, and they interact with each other to jointly promote global economic development. At the same time, they are also important factors leading to the formation of the post-industrial economy in the United States.

### **The Effects of Trade Liberalization on the Formation of the Post-industrial Economy in the United States**

Trade liberalization not only promotes the emergence of post-industrial economy in the United States, but also has inextricably linked with the globalization of capital and the decentralization of production. In 1944, the Bretton Woods Conference in the United States established a series of international financial institutions and formed a set of systems to promote and manage capital flows. Examples include the World Bank, the International Monetary Fund, and the General Agreement on Tariffs and Trade. Many international financial organizations aim to eliminate tariffs, free flow of capital and goods, rational allocation of resources, global division of production, capital circulation, and trade liberalization. Thus, after the middle of the 20th century, the liberalization of trade facilitated by international financial institutions was unmatched in any other period in history.

Trade liberalization plays a vital role in driving the economic growth of the United States and promoting the formation of its post-industrial economy. Under the influence of trade liberalization, the import and export volume of the United States increased rapidly. In 1960, the total export volume was 19.6 billion dollars, and in 1980, the total export volume was 220.6 billion dollars. Imports totaled \$15 billion in 1960 and \$244.9 billion in 1980 (U.S. Department of Commerce, 1987, p. 789). There is no denying that the rapid growth of US import and export volume has boosted the US economy. In addition, under the influence of trade liberalization, a large number of post-industrial industries, especially producer services, continue to gather in cities with global control functions in the United States and deliver services to all parts of the world. According to Saskia Sassen's research, the agglomeration of producer services in cities can enhance the central control function of cities. At the same time, it is also an important part of the formation of urban post-industrial economy. Therefore, trade liberalization played a crucial role in the formation of the post-industrial economy in the United States. Moreover, trade liberalization also plays a role in promoting the globalization of capital and the decentralization of production.

### **The Effect of Capital Globalization on the Formation of American Post-industrial Economy**

There are two ways to realize the capital globalization, which are foreign direct investment and international credit. According to the United Nations Industrial Development Organization, in recent years,

international capital flow is an important feature of economic globalization. Since the mid-1980s, there have been rapid cross-border capital flows and integration of international financial markets (1996, p. 3). From 1990 to 2010, the world's foreign direct investment (FDI) increased from 241 billion US dollars to 1,323 billion US dollars (Forsgren, 2013, p. 6). Research shows that in just 20 years, the world's foreign direct investment has a rapid growth. Among them, the United States holds a large proportion in the global outbound investment. According to the statistics of the Economic Report of the President of the United States, the foreign investment of the United States continued to increase from 1977 to 1982, which was 72.7 billion dollars in 1977; \$76.1 billion dollars in 1978; \$94.5 billion dollars in 1979; in 1980, it was \$106 billion dollars; in 1981, it was \$140.7 billion dollars; in 1983, it was \$147 billion dollars (U.S. Council of Economic Advisers, 1986, p. 371). The agglomeration and dispersion of global capital have an important impact on the formation of American post-industrial economy. American foreign investment not only affects the economies of other countries, but also enhances the influence of the United States on the global economy. As we all know, many post-industrial cities in the United States are world or regional financial centers. For example, international financial institutions such as bank headquarters, stock markets, and insurance company and their agencies are often located in post-industrial cities. As a result, many post-industrial cities in the United States have become places where financial capital is concentrated and dispersed. Of course, the concentration and dispersion of capital is also the bridge between America's post-industrial cities and the rest of the world. Therefore, the globalization of capital makes the cities of the world in a network of mutual influence and interconnection.

Take New York as an example. New York is not only a global financial center, but also a typical representative of post-industrial cities in the United States. The volume of trading on the New York stock exchange continues to dwarf other cities in the world. After the 1970s, the trading volume of the New York Stock Market continued to rise. According to statistics, the turnover of the New York Stock Market in 1980 was 11.562 billion dollars, the turnover of the New York Stock Market in 1985 was 27.774 billion dollars, the turnover of the New York Stock Market in 1990 was 39.946 billion dollars, and the turnover of the New York Stock Market in 1995 was 87.873 billion dollars (U.S. Department of Commerce, 1993, p. 526). The financial industry in New York is highly developed, as can be seen from the stock trading volume. In addition to New York, the financial industry in Los Angeles is also well developed. In 1980, for example, 26 of the world's Top 200 bank branches were located in Los Angeles, up to 43 in 1988 (Jo, 1992, p. 100). Therefore, the agglomeration and dispersion of global capital have an important impact on the formation of American post-industrial economy.

### **The Effect of Production Decentralization on the Formation of American Post-industrial Economy**

At the same time, the dispersion of production has brought the world into the same industrial chain. Transnational corporations play an important role in the process of production decentralization. According to statistics, in the 1960s, there were about 7,000 multinational companies registered globally, and in the 1990s, there were about 37,000, and there were about 170,000 overseas branches (Forsgren, 2013, p. 5). After the 1960s, the number of transnational corporations increased continuously, which further strengthened the international division of labor. Multinational companies can put the global industrial chain inside the company, and each link of the industrial chain becomes a different link in the multinational company. In addition, multinational corporations distribute their various chains around the world through location selection.

Therefore, transnational corporations not only realize the decentralization of production, but also affect the economic development of countries and regions in the industrial chain. Because the transnational corporation covers not only the whole production link, but also makes many regions in the world become a node in the production network of the transnational corporation, the global industrial division of labor is realized under the role of multinational corporations.

In the context of economic globalization, the global economic decision-making ability of post-industrial cities is reflected in their ability to control and compete in the global economy. The headquarters and branches of multinational corporations are constantly gathering in post-industrial cities, which strengthens the control power of post-industrial cities on the global economy. Moreover, in the post industrial cities, the more dispersed the production, the stronger the global control. According to statistics, in the mid-1990s, there were nearly 40,000 multinational companies in the world, and 90% of headquartered in the United States, Asia, and Europe. These multinationals control about 180,000 subsidiaries and \$6 trillion dollars sales in global (Knox, 1997). There is no doubt that the economic centers of the world are basically located in America, Europe, and Asia. And multinational companies tend to cluster in major cities on these continents; they are in sequence, New York followed London, Hong Kong, Paris, Tokyo, Singapore, Beijing, Shanghai, Moscow, and Sydney (Ni, 2012).

As mentioned earlier, transnational corporations have played a vital role in the global decentralization of production. At the same time, the concentration of headquarters and branches of multinational corporations in post-industrial cities in the United States not only promotes the development of post-industrial economy in the United States, but also enhances the influence of the United States on the global economy. Their agglomeration in post-industrial cities facilitates the horizontal and vertical connections between enterprises, facilitates the formation of industrial clusters, and is beneficial to agglomeration of economic benefits. In addition, production decentralization is also an important factor in the formation of global city network. Multinational corporations set up their headquarters and other important departments in post-industrial cities in the United States, and set up their processing, manufacturing, raw material collection, and sales markets in other cities and regions around the world through location selection. Therefore, a production and processing network is formed in the multinational corporation inner. The network also serves as a bridge between America's post-industrial cities and the rest of the world. Obviously, under the role of multinational corporations, production decentralization promotes the formation of global city network, and plays an important role in the emergence of the post-industrial economy in the United States.

### **Conclusion**

To sum up, trade liberalization, capital globalization, and production decentralization are different forms of economic globalization, which are closely related to each other and act on the global economic network system together. Economic globalization puts countries, regions, and cities all over the world in the global economic network system, which makes them become nodes with different functions. Under the influence of economic globalization and deindustrialization, the post-industrial economy of the United States is booming and has an important impact on the global economy. The post-industrial economy of the United States could not have been formed without the universal connection of the global economy with economic globalization, the opening and freedom of trade, the concentration and dispersion of global capital, the division of labor, and the emergence of global industrial chain.

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