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Defining and Understanding Economic Globalisation

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Abstract

This article challenges the idea that globalisation is a clearcut, inevitable and irreversible process that leads inextricably to particular policy choices, a diminished role for the state and declining political efficacy. Globalisation constitutes more than a material effect; it is also an ideological construction used to define new limitations on political possibilities - a political construction that has been used, paradoxically, to weaken the role of politics and the idea of political choice. Although globalisation is increasingly used to frame the present, it is more often used as an explanation, rather than as something that needs to be explained. When it is explained, globalisation is often defined by terms that themselves need explaining. Common descriptions such as integration, interdependence, global awareness, liberalisation and convergence identify aspects of globalisation, but individually fail to capture the contradictions and differential effects of a multifarious and uncertain process. Such definitions need to be considered together and supplemented with an analysis of the concept's importance as a persuasive construction used with political intent.

Introduction

If every era has a defining concept then ours is surely globalisation. Globalisation is seen to capture the spirit of the age - a new stage in the history of humankind involving an epochal shift from the national to the global. In the view of writers diverse as Reich (1992), Ohmae (1995), Strange (1996), Cerny (1996), Greider (1997), Rodrik (1997), Bryant and Rafferty (1999) and Friedman (1999) the past no longer provides meaningful cues for the future as we confront the demise of the nation-state, geography, work, history, certainty and much else.¹ Globalisation provides grist to the mill for academic entrepreneurs who argue that we are either at the edge of the abyss or at the beginning of a new dawn. For another disparate set of writers including Hirst and Thompson (1996), Krugman (1994), Mann (1995), Wade (1996), Henderson (1998), Veseth (1998) and Waltz (1999), the idea of economic globalisation is an overblown, inaccurate portrayal of the contemporary

world political economy. But as Hirst and Thompson (1996, 3) point out '[i]t is one thing to be sceptical about the concept of globalization, it is another to explain the widespread development and reception of the term since the 1970s'. Given its dominance as a description of the contemporary world, no work in the social sciences can avoid an interrogation of the concept of globalisation.

Although globalisation is increasingly used to frame the present, it is more often used as an explanation, rather than as something that needs to be explained. When it is explained, definitions are broad, ranging from claims about the development of a global consciousness to more limited definitions of increased capital mobility across borders. Robertson (1992, 8), for example, argues that: '[g]lobalization as a concept refers both to the compression of the world and the intensification of consciousness of the world as a whole', whilst Samuel Brittan (cited in Cerny 1995, 617) asserts that it 'refers to a world in which, after allowing for exchange rate and default risk, there is a single rate of interest'. Generally, however, globalisation is defined by terms that themselves need explaining. Common descriptions such as integration, interdependence, global awareness, liberalisation and convergence identify aspects of globalisation, but individually fail to capture the contradictions and differential effects of a multifarious and uncertain process.

For many politicians, bureaucrats and policy analysts, globalisation has straightforward and inevitable implications for policy.² Constructions of global imperatives have been used to provide a spur and justification for economic liberal policy changes and the gradual retrenchment of the redistributive functions of the state. Developments in the world political economy have necessitated, it has been argued, the reshaping of societal expectations about the role of the state and the need for continuous political, economic and cultural adjustment. Such assertions suggest that an understanding of globalisation requires a consideration of the important but generally neglected dimension of globalisation as a tool of political persuasion. Globalisation constitutes more than a material effect; it is also an ideological construction used to define new limitations on political possibilities - a political construction that has been used, paradoxically, to weaken the role of politics and the idea of political choice. This article aims to challenge the idea that globalisation is a clearcut, inevitable and irreversible process that leads inextricably to

particular policy choices, a diminished role for the state and declining political efficacy. It begins by considering the usefulness and shortcomings of key explanatory terms for globalisation - integration, interdependence, global awareness, liberalisation and convergence - and concludes by analysing the concept's importance as a persuasive construction used with political intent.

Globalisation as Integration

A focus on the increased openness of national economies and the tendency towards the development of global markets often leads to the term 'integration' being used to conceptualise globalisation. Integration implies the joining or bringing together of what was once separate. According to Keohane and Milner (1996, 10), the increase in cross-border economic transactions 'can be expected to increase integration between domestic and international markets, where integration is defined in terms of the convergence of prices of goods, services, and capital in those markets'. The notion is that growth in financial, investment and trade flows, at a rate greater than that of world production, is leading to an integrated world economy where national borders are increasingly meaningless. The process of integration is spurred by a combination of government actions, improvements in transportation and information technologies, and the continuing capitalistic search for profits.

UNCTAD (1994, 118) argues that there are two types of integration. Shallow integration encompasses 'the spread of market linkages through greater trade and factor flows'; whereas, deep integration involves international production which 'goes beyond arm's length market exchanges by internalising cross-border exchanges related to productive assets located in different countries under the common governance of TNCs'. In this formulation, it is the movement towards a global structure of production that indicates the intensity of current integration. Just as significant, at least in regards to the making of economic policy, is the comprehensive integration of international financial markets, especially foreign exchange markets.

In terms of shallow integration, there has been substantial growth since World War II. World trade grew at an annual rate of 7.2 per cent between 1950 and 1973, faster than world output which grew at 4.7 per cent. Despite this sustained expansion, it took until 1970 for world

trade, as a percentage of world output, to reach the levels of 1913 (UNCTAD 1994, 127; Krugman 1994, 208). World trade grew at 3.9 per cent between 1973 and 1990, faster than output at 2.8 per cent (Kitson and Michie 1995, 7). Between 1990 and 1998, the volume of world merchandise exports grew at an annual average rate of 6.5 per cent, whilst world merchandise production grew at only 2 per cent. Growth in world services expanded by 7 per cent between 1990 and 1998, but the rate of growth slowed in the latter part of the decade (World Trade Organisation, 1999, 10).

As with trade, foreign direct investment (FDI) - deep integration - has significant precedents in the period before World War I.³ As table 1 shows, FDI as a percentage of world output was 9.0 per cent in 1913, a figure not reached again until the mid-1990s.

Table 1 The Role of Foreign Direct Investment in World Economic Activity

Item	(percentages)							
	1913	1960	1975	1980	1985	1991	1995	1997
World FDI stock (as a share of world output)	9.0	4.4	4.5	5.0	6.9	8.5	9.9	11.7
World FDI inflows (as a share of gross fixed capital formation)	..	1.1	1.4	2.0	1.8	3.5	5.2	7.7

Source: UNCTAD, *World Investment Report*, various issues

There is considerable debate about the significance and extent of the globalisation of investment, production and companies. UNCTAD (1994, 133) argues that the full scope of the activities of multinational corporations is not captured by FDI data because it often only records 'the initial entry of a firm into a foreign location; subsequent expansions by foreign affiliates are often not recorded in new FDI flows'. Koechlin (1995, 96, see also Koechlin 1992), however, argues that although FDI is important and has been expanding, its significance has been exaggerated. He concludes: 'firms appear to be quite reluctant to abandon the domestic economy for more favourable investment climates abroad'. Hirst and Thompson (1996, 2) concur and argue that MNCs are still

overwhelmingly nationally based.⁴ They measure the extent of the globalisation of production by analysing company-based data, rather than balance of payments data. The latter traditional method of measuring, they suggest, gives little consideration to the importance of balance of payments flows, relative to the amount of company activity performed domestically. Alternatively, company-based data makes it possible 'to see how much MNC activity is conducted on the home territory as compared with abroad' (Hirst and Thompson 1996, 77). Analysing figures from 1987 and 1992-93 for sales and assets in manufacturing and services industries, they conclude: '[t]he home-oriented nature of MNC activity . . . seems overwhelming. Thus MNCs still rely on their 'home base' as the centre for their economic activities, despite all the speculation about globalization' (Hirst and Thompson 1996, 95, 98). Emmott (1993, 10-13) argues that MNCs have extended investment mainly into their own regions and that management remains dominated by home country employees. Geography, he argues, is still important for MNCs.

Table 2 Global Daily Foreign Exchange Trading

Item	Daily averages in billions of US dollars (percentage of total in brackets)				
	1980	1989	1992	1995	1998
Spot Transactions		350 (59)	400 (49)	520 (44)	600 (40)
Foreign Exchange Swaps and Outright Forwards		240 (41)	420 (51)	670 (56)	900 (60)
Estimated Total Daily Global Turnover	60	590	820	1190	1500

Source: BIS, *Annual Report 1996*, Basle, 1996, p. 96; *Central Bank Survey of Foreign Exchange and Derivative Market Activity 1998*, Basle, 1999, p. 2.

It is in the arena of finance that the term integration has most purchase. The foreign exchange market is the most global of markets and has continually grown in size and importance since the demise of Bretton Woods. In the early 1970s, between \$US10-20 billion a day was traded on the world's foreign exchange markets, increasing to \$US60 billion a day in 1983. As table 2 reveals, only six years later in 1989, daily trade had expanded to \$US590 billion. Currency trading has continued to expand over the 1990s, increasing to \$US820 billion a day by 1992 and

\$US1190 billion by 1995 (Bank for International Settlements 1996, 95). In its April 1998 survey, the Bank for International Settlements (1999, 2) reported that daily turnover had reached \$US1500 billion a day.

Despite the significant globalisation of finance over the past 25 years and the massive increase in speculative flows, it is still necessary, as Wade (1996) argues, to differentiate between different financial markets because there remains a limited number of truly global financial products. Recent moves to integrate security exchanges indicate the considerable distance that equity markets have to travel to be considered integrated. Equity investment remains nationally-focused. More important, perhaps, is the fact that 'regulations, rules and taxation governing finance are still nationally-based and the differences in the cost of capital remain large' (Wade 1996, 75). As Verdier (1998, 2) points out, with widespread assertions that the continuing globalisation of finance is inevitable and irreversible, it is important to remember that '[i]t is not the first time that cross-border capital flows grow out of ordinary proportions. A century ago during the period of the gold standard, the world experienced levels of capital internationalization comparable, if not higher, than current ones. . . . And, of course, internationalization was reversed'.

Some writers argue that growing integration has made the distinction between the internal and external irrelevant. Rosow (1994, 473) argues: '[t]he 'world economy' is as much 'inside' the 'national' economy as 'outside', if this distinction continues to make much sense at all'. But despite the increasing integration of national economies, the distinction between national markets remains important and the integration process, currency markets notwithstanding, is a long way from creating a seamless global market. Apart from the European Union, national markets are still significantly segregated, whether by territorial borders, boundary protections, transportation limitations or cultural preferences and particularities. And even in the EU, cultural and language barriers remain important. The continuing division of the world into separate territories and formally sovereign states, the fear of mass population movements, the strength of conceptions of national identity, culture and democratic legitimacy, and the efforts by states to control and direct trade ensure that the distinction between the internal and the external will remain significant. It is pertinent to note that most economic activity continues to take place wholly within the boundaries of nation states and most of

that which does not is still effectively designated as 'foreign' (Wade 1996, 61).

The idea of integration represents a benign view of globalisation that, in many circumstances, may not be warranted. The increase in foreign trade and investment and the general increase in competitive pressures lead to the destruction of industries and the dislocation of large numbers of people through unemployment. It is essential to remember that a nation-state is not an 'homogeneous block of common interests' and when considering the effects of integration, it is vital to consider who is integrated and who is not (Ietto-Gillies 1992, 159). Not all countries, nor all regions within countries, are similarly integrated into the world economy - some areas are hardly involved at all and others are disintegrating. Although in many cases the foreign economic penetration of countries brings investment and technological advances, it also brings changes to traditional ways of life and the breakdown of local communities. Technological substitution and a wider choice for countries in sourcing imports have made precarious the position of regions and countries that are reliant on one or a few major commodities. The increased scope and integration of world financial markets provides access to capital for development, but it also provides access to short-term and highly mobile investment which can lead to unsustainable debt, insolvency, political instability and disintegration. Whilst integration captures an important aspect of globalisation, differential effects and discrepancies in the extent of integration mean that globalisation is not synonymous with integration.

Globalisation as Interdependence

The integration of national economies is often said to increase interdependence between countries. Jones argues that the term 'globalisation' has in many ways simply replaced the term 'interdependence' in descriptions of the international political economy (Jones 1995, 3). The term 'interdependence' was popularised, at least in the discipline of politics, by Keohane and Nye (1977).⁵ In its simplest form, they argued, interdependence implies mutual dependence:

Interdependence in world politics refers to situations characterised by reciprocal effects among countries or among actors in different countries. These effects often result from international transactions -

flows of money, goods, people, and messages across international boundaries. Such transactions have increased dramatically since World War II Yet this interconnectedness is not the same as interdependence. The effects of transactions on interdependence will depend on the constraints, or costs, associated with them. . . . Where there are reciprocal (although not necessarily symmetrical) costly effects of transactions, there is interdependence. Where actions do not have significant costly effects, there is simply interconnectedness. This distinction is vital if we are to understand the *politics* of interdependence (Keohane and Nye 1977, 8-9).

Finance, production and trade linkages between national economies mean that policies and economic conditions in one country increasingly affect conditions and policy responses in other countries and vice versa (Stewart 1984, 28-29). With increased interconnections, financial crises are transmitted around the globe; recessions have impacts on trading partners; macroeconomic and industry policies have consequences beyond national boundaries; environmental degradation cannot be contained within borders, and so on. Relationships between countries also have collateral effects on both other countries and on the structures of the world political economy. This includes important bilateral relationships, such as between the US and Japan, major groupings such as the G7 and the EU, as well as other trade blocs and security pacts.

Interdependence, Keohane and Nye (1977, 12-13) contended, had two aspects - sensitivity and vulnerability. Sensitivity 'involves degrees of responsiveness within a policy framework - how quickly do changes in one country bring costly changes in another, and how great are the costly effects' and vulnerability 'can be defined as an actor's liability to suffer costs imposed by external events even after policies have been altered'. In their work, they criticised the inability of realist conceptions of international politics to understand the increasing challenge to nation states by non-state actors, particularly transnational corporations and financial markets. Increased interdependence was seen to involve a decline in state autonomy, although the costs of this did not necessarily exceed the benefits (Keohane and Nye 1977, 9-10).

The major problem with the term 'interdependence' is the notion that there is a mutuality of dependence among countries. In response, Keohane and Nye (1977, 10-11) acknowledged that interdependence was 'asymmetrical':

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We must also be careful not to define interdependence entirely in terms of situations of *evenly balanced* mutual dependence. It is *asymmetries* in dependence that are most likely to provide sources of influence for actors in their dealings with one another.

Factors such as military power, economic wealth and diversity, political stability, highly educated populations and advanced infrastructure - all increase the options for developed states in their reactions to interdependence. Nation-states have varying levels of dependence and influence, both on other nation-states and on economic actors. To have analytical purchase, therefore, interdependence needs to be considered in terms of relativities of dependence, not only between states, but between states and corporations and between different corporations (Strange 1991).

The negative consequences of interdependence may, if not managed, cause problems for the pace and sustainability of processes of economic integration. Interdependence may lead, according to Thompson (1992, 200), to a 'breakdown in both domestic and international mechanisms of control, with no guarantee of the development of new instruments to maintain political or economic order'. Simply because there is an increased need for global governance does not mean that states will 'exercise prudence' in their international dealings (Dunn 1993, 251). Gilpin (1987, 34) argues that the effects of interdependence will always be asymmetrical which, while making cooperation increasingly necessary, also makes it increasingly difficult to achieve. Problems in developing international governance structures arise because of the mismatch between economic developments and political structures which remain embedded at the level of the nation-state (Gill 1992, 276). In an interdependent world, internal political decisions often have substantial external effects and the fact that policy decisions may damage other countries does not mean that such decisions will not be made.⁶ This will probably remain the case despite the fact that there is a growing awareness of the global consequences of local events and decisions.

Globalisation as Liberalisation

Reductions in trade, investment and financial barriers and the reinforcement of these moves by the development of international governance structures add immeasurably to the technological and

economic forces behind the globalisation process. Over the post-war period, state policy has been vital in spurring the growth of trade and foreign investment. During the 1980s, governments of both the right and left abandoned their suspicions of MNCs and liberalised foreign investment regulations. Foreign investment liberalisation has continued through the 1990s: between 1991 and 1996, of 599 changes to regulations, 95 per cent involved liberalisation. According to UNCTAD (1997, xviii), unilateral liberalisation has been accompanied by over 900 bilateral investment treaties, 'of which 60 per cent have been concluded since 1990'. In 1998, of 145 FDI regulatory changes, 94 per cent involved liberalisation (UNCTAD 1999, 8).

The question remains, however, whether liberalising decisions are instrumental in creating the global economic forces in the first place or whether they are inevitable and irreversible responses to global economic and technological change. In economic liberal conceptions of globalisation, technological advances and innovative economic actors are not bound by 'artificial' state regulatory boundaries, meaning that restrictive regulations will be ineffectual regardless of the tenacity of policy-makers. Decisions to liberalise are seen as a necessary response to global 'realities'. Such conceptions of globalisation rest on a notion of an economic ascendancy over, and autonomy from, political forces. This is seen to be particularly the case in relation to financial globalisation (Bryant 1987; Crook 1992; see also Ohmae 1995). According to Cerny (1994, 8-9), the 'structure of competition' in financial markets drives innovation, giving financial markets a complexity 'which states and limited intergovernmental regimes cannot match'.⁷

An alternative viewpoint (Underhill 1991; Strange 1986) is that globalisation is primarily the result of political decisions and non-decisions. Rather than being forced to liberalise, states are seen to have promoted globalisation or, at least, allowed its development to go unhindered. Helleiner (1995, 150), whilst not refuting the importance of market and technological developments, believes that 'today's globalised financial order should be seen as being actively "made" by political choices and state decisions'.⁸ Panitch (1994, 63) concurs, arguing that globalisation is 'authored by states and is primarily about reorganising, rather than bypassing, states'. The work of Polanyi is often cited to support arguments about the political construction of free markets

(Helleiner 1993; Underhill 1991; Conley 1996). Polanyi (1957[1944], 139-141) argued:

There was nothing natural about *laissez-faire*, free markets could never come into being merely by allowing things to take their course. Just as cotton manufactures - the leading free trade industry - were created by the help of protected tariffs, export bounties, and indirect wage subsidies, *laissez-faire* itself was enforced by the state. . . . To the typical utilitarian, economic liberalism was a social project which should be put into effect for the greatest happiness of the greatest number; *laissez-faire* was not a method to achieve a thing, it was a thing to be achieved. . . . *Laissez-faire* was planned, planning was not.

Assessments of the costs and benefits of liberalising, maintaining or reinforcing restrictive regulatory structures are political considerations and the recent comprehensive shift towards liberalisation can be seen as part of a wider faith in the efficacy of market forces to solve the economic and political woes of the 1970s and 1980s (for prescription see OECD 1977, for discussion see Maier 1987). Political choices to liberalise boundary controls have been made within a context of assessments about, firstly, the power of economic actors to either bypass restrictive regulations or relocate, secondly, the contribution that liberalisation makes towards increased economic growth and, finally, the ability of policy-makers to shift economic adjustment onto populations and domestic economic actors. Undoubtedly, policy-makers have been motivated by different values, have faced differing domestic political constraints and have made varying assessments of pressures and opportunities.

The importance of politics in creating the conditions that have enabled market developments to occur is obvious, but it is also apparent that these market developments are, in turn, coercing political responses, with technological developments both being spurred by, and providing the means for, continuing globalisation. Contrary to the desire for parsimonious explanation, globalisation is best seen as resulting from the complex interaction of state decision-making (individually and collectively), the microeconomic decisions of economic actors and technological change and innovation. States, however, retain the ability to effect outcomes and to set the framework within which economic and technological developments take place. States continue to have considerably more influence over national economic actors than those

from elsewhere and are still able, despite constraints caused by financial liberalisation, to utilise macroeconomic policy to influence economic conditions (Eisner 1994; 1994-95). State institutions and regulatory structures still matter and continue to shape the impact of global economic processes on domestic economic actors and populations.

Given the uneven process of liberalisation and varying levels of state intervention in different countries, exposure to the world political economy encompasses not only the effects of external market actors, but the actions of other states in setting regulatory structures, supporting economic actors through subsidies, imposing sanctions and so on. The export focus of many countries is often not matched by a corresponding receptivity to imports and an economy may be outwardly focused but heavily regulated by interventionist industry policies. Rather than disappearing, the focus of state intervention has shifted in many countries to export and competition enhancement and attempts to attract foreign investment. In addition, most countries continue to protect politically-sensitive areas of their economies. Disputing the simplicity of the idea that we are moving inexorably towards a more liberal world economy, Gill (1993, 98) argues that 'a more outward-looking, competitive mercantilism has come to characterise the foreign and economic policies of most governments'. Countries are not simply affected by economic forces divorced from political interests and structures. As Hirst and Thompson (1996, 14) point out: 'the term 'international economy' has always been a shorthand for what is actually the product of the complex interaction of economic relations and politics, shaped and reshaped by the struggles of the Great Powers'.

The equation of globalisation with liberalisation or economic liberalism often entails an assumption that liberalisation is a linear, irreversible process - a progression towards an economic liberal utopia with the market always the most appropriate regulatory mechanism. The removal of trade barriers and the liberalisation of finance do not dictate that government spending and social welfare must be cut or that the public sector and industry policies should be wound back. In sum, governments wanting to increase growth still have a variety of policy strategies at their disposal. It is not at all clear that economic liberalism is always the most suitable policy strategy for economic development and for generating a wide dispersion of the benefits of growth. Economic

liberalism can also lead to economic instability, underdevelopment and social polarisation.

The extent to which continuing economic liberalisation will lead to domestic counter-reactions and 'de-liberalisation', will determine the form, pace and sustainability of the globalisation process. The retreat into economic autarky and 'beggar-thy-neighbour' policies in the 1930s provides a pertinent example of the dangers of assuming the globalisation process cannot be halted or even reversed (Polanyi 1957[1944]). Norman Angell (cited in Wade 1996, 60), writing in 1911, argued that the 'forces of modernity' - economic actors rather than states - were increasing economic interdependence to the point where war between the major powers was 'an impossibility'. Economic liberal optimists should be aware of Angell's folly. Krugman (cited in Farnham 1994) is an exception to the optimistic bent of other economic liberals when he warns that '[t]he idea that technological and economic trends are so powerful now that political forces can't derail them is nonsense' (see also Krugman 1994).

Support for liberalisation and international institution-building will be heavily influenced by the political proclivities of policy-makers in the economically powerful countries - a change of policy direction in one or several of these powers would, at least, impede economic globalisation. US hostility to international economic institutions would profoundly damage their effectiveness and credibility. An intensification of international competition, especially in the context of renewed or prolonged recession or financial crisis, could lead to a reinvigoration of protectionist and economic nationalist sentiments. The continuing power of politics to shape economic developments should not be underestimated. Currently, vast efforts are being made at the international level by state policy-makers, international organisations, and groupings of business actors to develop international governance structures. With few exceptions, international negotiations have involved attempts to entrench liberalisation and facilitate further globalisation. Although trade negotiations receive the most notice in the public arena, substantial international agreements have been reached, and negotiations continue in the more arcane area of international banking and securities markets and in foreign investment (Kapstein 1994; Underhill 1995). Recent efforts by the OECD to develop a multilateral agreement on investment have faltered due to a widespread popular

backlash and the attempt by states to codify multiple exemptions (Brenchley 1998, 16; Bagwell 1998, 25; Barker 1998, 4).

The development of larger integrated markets does not mean that they have to be progressively liberalised to continue functioning. The world economy needs to be politically 'managed' and the rules and regulations governing international economic relationships do not necessarily have to be economically liberal.

Globalisation as Convergence

The gradual shift towards economic liberalisation since World War II, especially since the late 1970s, has contributed to the revitalisation of the idea of convergence in the social sciences. According to Berger (1996), ideas about convergence have shifted from interpretations of the determining nature of technological developments and modernisation to the effect of globalisation, liberalisation and international competition. The theory of modernisation posited that there was a particular path to becoming a modern capitalist economy and technological determinists argued that the search for economic success and military sustainability led countries to 'progress along a common trajectory of technological possibilities' (Berger 1996, 3). The new thesis of convergence, Berger (1996, 1) argues, revolves around the idea that 'competition, imitation, diffusion of best practice, trade and capital mobility naturally operate to produce convergence across nations in the structures of production and in the relations among economy, society and state'. It is towards economic liberalism that countries must increasingly converge and current differences, it is argued, will be progressively eroded as markets become more global.

Assessments of whether a process of convergence is occurring are related to the level of analysis one employs and to the question: 'convergence of what?' Over the long-term and at a broad political level, globalisation can be said to involve the convergence towards the nation-state form and, since the collapse of communism, towards the development of democratic institutions and market economies (McGrew 1992, 5). But as Boyer (1996, 21-32) points out, there is considerable divergence in the institutions of 'democracy' throughout the world and uncertainty about whether democratic developments are irreversible.

Strange (1995, 310) argues that differences between countries are inconsequential when compared to the forces propelling convergence:

'The differences recorded by the comparativists in law, politics and sociology pale into relative insignificance beside the common external forces of structural change in the world economy and world society'. However, substantial institutional variations and differences in state capacities remain between ostensibly similar countries (Weiss 1997). Industrial, labour and consumer laws, industrial and labor support networks, welfare systems, public provision of services, regulation of economic activity, all differentiate the way globalisation affects various groups within nation-states (Gourevitch 1996). There are also notable differences between countries in political and economic values and cultures. What is considered to be successful adaptation to technological and economic change will be both approached and measured differently by different cultures. As Hurrell and Woods (1995, 455) maintain:

Actors across the globe interpret their choices and constraints in very different ways and these understandings are embedded in very different kinds of domestic institutions and social structures. As a result, the impact of globalisation is nowhere equal and the simple notion of homogenisation conceals a more complex and ambiguous set of processes.

In relation to outcomes, assertions of convergence are particularly unfounded. Although some previously less developed countries have improved their living standards, many others have seen their already low living standards deteriorate. The gap between rich and poor nations remains immense. There is no guarantee that recent gains made by Asian countries will be sustained or accelerated and the Asian financial/economic crisis illustrates the folly of projections of indefinite high levels of economic growth. Assessments (OECD 1997; World Bank 1997) that Asia would catch up to the advanced capitalist countries early in the twenty-first century, based on growth figures over a relatively short period of time, failed to take into account the possibilities of stagnation and reversals of fortune. Continuing discrepancies in economic outcomes illustrate a general trend of the globalisation process: its unevenness and the virtual exclusion of large sections of the globe. Globalisation cannot be defined as a unifying process because many countries and regions are affected only marginally and often only negatively. It is necessary to note that '80 per cent of the population of the world has never even used a telephone, let alone sent an email

message' (Denny 1999, 14). As table 3 shows, the differences between high and low income countries in relation to access to modern technologies are extreme.

The idea of convergence is strengthened by the propensity of social scientists to homogenise distinct periods of time and events. It could be argued that across the developed countries after World War II there was a significant process of convergence towards the development of a 'Keynesian, or social democratic, welfare state' and 'Fordist' systems of mass production and consumption.⁹ But, at another level of analysis, there remained considerable differences in institutional arrangements, economic aims and political values in the developed capitalist world. According to Müller (1994, 32), Daniel Bell's 'end of ideology' thesis, although capturing the gradual generation of a broad social democratic consensus, 'overemphasised the actual degree of consensus between the major political families'. Outside the developed capitalist countries, this 'Keynesian' period also included a non-capitalist, socialist bloc and a generally marginalised third world.

Table 3: Access to Technology

	per 1000 people				
	Radios	Televisions	Mobile Phones	Personal Computers	Internet Hosts
Low Income Countries	206	138	8	6.2	0.031
High Income Countries	1286	662	265	311.2	60.755

Source: World Bank, *World Development Indicators 2000*, Washington, 2000, p. 302.

Although many states have opened up their economies, descriptions of the current period as economic or neo-liberal fail to capture the continuing differences between types of capitalism. During the Cold War, the existence of two distinct systems made differences between capitalist countries appear less significant in comparison to the comprehensive differences between capitalism and socialism. As international economic negotiations have begun to involve investment, competition and other issues hitherto considered the domain of domestic policy, differences in regulatory structures have become more noticeable and controversial. The divergence in domestic institutional

factors was ignored in the post-war trade regime with point of entry barriers becoming the sole focus. With these barriers having been largely eliminated, 'the impact of domestic economic policies and institutional arrangements on international economic transactions has soared in salience' (Ruggie 1994, 509).

Although there are many variations in capitalist 'models', distinctions are often made between an Anglo-American 'economic liberal' form of capitalism, an Asian 'corporatist' model and a European 'social-capitalist' model (Albert 1994; Hutton 1995, Berger and Dore 1996). Globalisation is seen to render these differences contentious for two major, contradictory, reasons. As outlined above, economic forces are often seen to push states to either converge around a common set of economic liberal policy norms or risk being marginalised. States, accordingly, will adopt economic liberalism because it produces superior results and/or because it is unavoidable. National institutions will become more similar and distinctive forms of national capitalism will disappear via 'natural' market developments. At the same time, it is often argued that the European and Asian forms of capitalism provide an unfair advantage due to their subversion of legitimate market processes through illegitimate state intervention (Berger 1996, 2). But if globalisation or market forces coerce states into adopting economic liberalism for reasons of superiority or unavoidability then the notion of unfairness is irrelevant: states adopt alternatives to economic liberalism at their peril. Realistically, policy-makers are aware of the opportunities provided by other countries' open markets whilst restricting access to their own.

Evans (1997, 70-72) argues that assertions that the state is eclipsed by globalisation need to be explained 'in terms of the ideological face of the current global order'.¹⁰ The effect of economic liberalism as a global ideology, Evans contends, 'goes well beyond the constraints imposed by any structural logic of the international economy'. Globalisation as convergence will continue to require considerable political effort to enforce, both at the international and domestic levels.

Globalisation as Global Awareness

Major contributors to ideas about convergence - continual improvements in transport, communications and information technologies - have also contributed greatly to increases in global

awareness. One of the best descriptions of the globalisation process is Harvey's (1989) idea of 'time-space compression'. Along similar lines, Giddens (1994, 4) defines globalisation as 'action at a distance' and he relates its intensification to 'the emergence of means of instantaneous global communication and mass transportation'. It is now much easier, quicker and cheaper to get to and communicate with places that were once inaccessible. As the possibilities of remoteness or avoidance of global effects diminish, perceptive boundaries are unavoidably widened. Strange (1995, 293) argues that 'the most important factor in all aspects of globalization is perceptive. Those affected perceive themselves to be living and working in a world-wide context, instead of in a local, national one'. This may be greatest at an elite level, but such people play pivotal roles in the direction of national political economies, making decisions that influence the lives of many others. Whilst global awareness has increased throughout the world as transportation and information and communications technologies have grown in sophistication, access to these technologies and the ability to generate advantages from global knowledge are highly skewed towards the developed world. Even within the developed world, access to the technologies of globalisation is unequal.

Increases in global cultural flows have, according to Spybey (1996, xi), led to a world dominated by Western ideals and cultures: 'through such influence, virtually the whole world has acquired aspirations to standards of living and lifestyles that have roots in Western culture'. These aspirations and the growth of global consumerism are an important aspect of contemporary globalisation and in this sense cultural globalisation reinforces the development of global markets. Economic aspirations have led previously non-capitalist countries to seek foreign sources of income through trade and investment, leading to further cultural interaction and global awareness. This does not mean, however, that a process of homogenisation is occurring: in the main, particular cultures have been and will continue to be influenced rather than replaced. Furthermore, cultural interaction is not a one-way process: western cultures have also been changed by increased interaction with other cultures. Such phenomena are, of course, not recent developments. The era of European colonialism increased the level of global awareness among both Europeans and those that were colonised.

Increased global awareness does not necessarily contribute to an increase in global understanding or unity.¹¹ As McGrew (1992, 23) argues: 'globalisation stimulates forces of opposition which may just as readily lead to an increasingly fragmented world, since greater mutual awareness and interconnections between different societies may simply sow the seeds of conflict and tension'. Knowledge about different cultures and others' standards of living may provoke hatred and envy, just as easily as it may inspire acceptance and emulation. Global communications - especially the Internet - provide possibilities for the dissemination of hate as well as friendship. Immigration undoubtedly aids knowledge and experience of other cultures, but its consequences are also ambiguous. Whilst multiculturalism is celebrated by those who see it as stimulating and enriching cultural interaction, it is condemned by others who see it as cultural dilution and miscegenation. Throughout the world, significant reactions against immigration and multiculturalism are on the rise. High unemployment and social deprivation have led to 'scapegoating' and violence in the developed and developing world alike. Whilst tourism and business travel have increased markedly, the permanent movement of people is one aspect of globalisation that is still rigidly regulated by national and international law.

Although highly skilled labour and business people have an increased ability to move, this is not the case for the low-skilled and the poor. These differences, Hirst and Thompson (1996, 31) argue, have important consequences for the world's poor:

At least in the period of mass migration there was the option to uproot the whole family and move in the quest for better conditions, something that now seems to be rapidly closing off for present-day equivalent sections of the world's population. They have little option but to remain in poverty and stick it out. The equivalent of the 'empty lands' available to European and other settlers in the USA and Canada, South America, Southern Africa, and Australia and New Zealand just do not exist today, with a concomitant loss of 'freedom' for the world's poor.

Capital may be increasingly free to move but permanent labour movements are more restricted than ever before. In general, immigration restrictions are increasing and, as a percentage of world population, immigration has not reached in recent times the levels of the period after 1815 which was the 'greatest era for recorded voluntary mass migration' (Hirst and Thompson 1996, 22-26). After World War I,

migration slowed substantially, increasing again after WW II. Strict immigration controls indicate two important contradictory aspects of globalisation: firstly, the ability of states to restrict processes of globalisation when they perceive them to be against their interests and secondly, (and contrarily), the ability of actors, in this case illegal immigrants, to subvert the will of states. Global awareness of the wealth of some areas of the world is a major force of attraction. At the same time, awareness of the poverty of other regions is a major force for restriction. Restrictions on the movement of people is an important counter-trend to the general thrust of economic globalisation and one of its most important descriptors - liberalisation.

Globalisation as Persuasion

The world is out there, but descriptions of the world are not
(Rorty cited in McCloskey 1994, 200).

Although it is evident from the above discussion that there are a variety of ways to define and understand globalisation, it is also evident that many policy-makers, economic elites and analysts believe that globalisation is an inevitable and irreversible process that compels states to embrace economic liberal policies. Political rhetoric and policy decisions throughout the developed world in recent years have worked to lower expectations about what is politically possible in a globalising world economy.¹² Globalisation has become a persuasive construction used by political and economic elites to convince populations that certain regulatory structures and redistributive mechanisms are no longer sustainable. As Australian Prime Minister, John Howard (in Gordon and Henderson 1997, 2) has implored:

It's no good being frightened of change. Globalisation is with us and will be with us forever and people who imagine that somehow or other we can hold back the tide of globalisation don't understand the modern world as we come to the end of the 20th century.

Politics, in this view, must succumb to economics, meaning that the only possible response of the state is to increase the scope of the market to determine the future destinies of countries and individuals. Electorates must be disabused of the view that there are alternative ways of dealing with the constraints and pressures generated by participation in the

world political economy. According to Hirst and Thompson (1996, 6), an acceptance of such arguments about the inevitability, irreversibility and ubiquity of economic globalisation stifles the political imagination:

Globalization' is a myth suitable for a world without illusions, but it is also one that robs us of hope. . . . One can only call the political impact of 'globalization' the pathology of over-diminished expectations.

Repeated so often by powerful political and economic actors, arguments about global imperatives have become established 'truths', providing a narrow basis for policy decisions. This ideological dimension of globalisation means that we need to look beyond the measurement of globalisation to understand its importance. As Cerny (1995, 620) notes:

Perhaps its most crucial feature is that it constitutes a discourse - and increasingly a hegemonic discourse The spread of the discourse itself alters the a priori ideas and perceptions which people have of the empirical phenomena which they encounter; in so doing, it engenders strategies and tactics which in turn may restructure the game itself.

Authoritative constructions and knowledges and comprehensive efforts to persuade have important impacts in and of themselves. Dominant interpretations can act in a self-fulfilling way as policy decisions based on such interpretations transform economies and policy structures. Perceptions of the world and actions based on them are fundamental to the shaping of social, political and economic 'realities'. The extent to which arguments about global imperatives are accepted will undoubtedly influence perceptions about the efficacy of political action. In other words, the economic liberal discourse of globalisation has a crucial effect on the development of globalisation. As Robertson (1992, 61) puts it: 'conceptions of the world system, including symbolic responses to and interpretations of globalization, are themselves important features in determining the trajectories of that very process'.

The attempt to widen the field of meaning does not here involve an attempt to construct an alternative account of 'what globalisation really means' (see for example Mittelman 1996). Nor is it an attempt to assert a clear distinction between the 'rhetoric' and 'reality' of globalisation, ascribing rhetoric (in its pejorative sense) to opposing viewpoints and reality to one's own (Billig 1989).¹³ Rather, as Rose (1990, 3) stresses, we need to be aware of 'the fundamental role that knowledges play in

rendering aspects of existence thinkable and calculable, and amenable to deliberated and planful initiatives'.¹⁴ Interpretation is fundamental to all analyses and decisions, whether they support liberalisation, increases in intervention or something else. Policy-makers and analysts construct 'knowledges' of political economic developments, which then provide reference points for policy decisions and non-decisions. Invoking global imperatives may for some policy-makers be an attempt to persuade populations of what they see as the reality of globalisation and does not necessarily involve a cynical manoeuvre to fool the public. But the construction of globalisation as a policy imperative constitutes more than just a theory that attempts to make sense of global 'realities' (Youngs 1996). It is also a claim with political intent. Particular constructions or knowledges of globalisation are used for the political purpose of educating populations about overarching constraints that aim to marginalise alternative views that could be used to justify different policy directions and goals.

Arguments about global imperatives and realities exhibit a level of certainty that belies the complexities, contradictions and unevenness of globalisation. Interpretations of the meaning of globalisation and its effects are substantially dependent on the position of those affected, but dominant interpretations by powerful political and economic actors generally override alternative interpretations that may be more accurate for actors in different circumstances. Support for globalisation and economic liberalism has been an elite-led project with large sections of populations expressing intense reservations (Sklair, 1997; Lasch 1995; Reich 1992). Changing state strategies to deal with the pressures of globalisation have had many negative distributional consequences. Workers in declining industries and regions and those who have been negatively affected by increases in labour 'flexibility' have been generally much less supportive of economic liberalism because its manifestation for them has been increasing unemployment, 'casualisation', declining public services, social dislocation and poverty. Considerable differences in policy preferences exist between business and labour, between different industries (especially between national and international business and between industrial and financial capital), between different regions, sections of labour, and so on (Fagan and Webber 1994). Increased openness to trade and investment has accelerated the rate of

economic change and hence of dislocation and uncertainty for sections of society.

The achievement of economic growth is seen as an outcome in which all members of a national community have an interest. At one level, this appeals to commonsense - growth entails an expansion of the national 'cake'. But, at another level, the pursuit of growth through economic liberal policies has led to changing fortunes for particular groups and to increases in inequality. A shift has taken place from the positive sum notion that increased equality and distribution is beneficial for domestic demand and hence for economic growth, to an economic liberal argument that redistribution burdens the nation-state in global competition or leads to economically damaging financial reactions. Arguments about the national interest are often used to marginalise assertions about the uneven effects of economic liberal globalisation and to portray those who oppose policy changes as vested interests, selfishly damaging possibilities for higher rates of economic growth. The negative effects of policy change may be seen as unfortunate but unavoidable if it is believed that globalisation leads to policy imperatives for governments.

Despite the considerable efforts to persuade and marginalise opponents of economic liberal globalisation, the differences in the effects of globalisation provide the continuing possibility that interpretative certainties will eventually come unstuck. The failure to acknowledge or the readiness to ignore the negative effects of economic globalisation and economic liberal policy responses may yet stoke the fires of resistance and possibly reaction. Into the future, there can be no guarantee that assertions about declining state capacities to redistribute, to protect and to compensate will be believed; that diminished state responsibility for policy outcomes will be accepted; or that oppositional political forces and potential alternative governments will continue to refrain from articulating viable alternatives to globalisation and liberalisation. Because efforts to change the structure of the world political economy are difficult if not impossible for a small country to achieve, unless they coincide with the interests of a major power, some sort of domestic adjustment is always necessary. But economic liberalism is not the only form of adjustment available to states and societies, even in a globalising world political economy. A globalisation strategy that eschews the polarisation of economic liberalism and creates

more widely distributed benefits is still possible. Just as the concept of globalisation is contested and multifaceted so are the choices available to citizens and governments.

Policy structures shape how the burden of economic adjustment is to be spread. The development of these structures is a political process shaped by the decisions of policy-makers given licence by domestic political, particularly electoral, processes. Reactions to external pressures can vary and costs can be distributed in various ways, but a belief that little can or should be done to ameliorate inequalities is likely to be a self-fulfilling prophecy. Global economic determinism downgrades the importance of the collective preferences of a country's citizens and their political representatives and constitutes an attempt to absolve domestic actors from culpability for the negative repercussions of political decisions. This does not mean that the political process determines outcomes in the 'last instance', but it does mean that the state and the wider political process are not rendered powerless by globalisation. Blaming particular socio-economic results on global developments and forces beyond the control of the nation state is a contestable claim that is refuted by differing policy structures and outcomes throughout the countries of the world.

Conclusion

The terms integration, interdependence, global awareness, liberalisation and convergence all describe fundamental aspects of globalisation. Considered together and with an explication of contradictions and complexities, they provide the basis for a more wide-ranging and fluid definition of globalisation that avoids (global) economic determinism. Despite the pervasiveness of economic liberal views, especially among political and economic elites, this article has argued that there are no straightforward, uncontested, singular or universal explanations of economic globalisation. Instead, globalisation encompasses aspects of integration as well as disintegration; pressures and actions towards liberalisation as well as mercantilistic competition between states; convergence as well as the accentuation of differences; interdependencies as well as dependencies and inequalities; the blurring of internal and external distinctions economically as well as their continuing salience politically; global consciousness and awareness as well as ignorance, hostility and indifference; and, finally, comprehensive

constraint as well as persuasive opportunity. Whilst economic globalisation describes the intensification of the effects of the world political economy on nation-states and the policy-making process, it also constitutes an increasingly dominant construction that has underpinned rhetoric about the limits of politics and about inevitable and irreversible economic liberal policy responses.

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Notes

- 1 See also O'Brien (1992), Rifkin (1995), Fukuyama (1992), Kelly (1992).
- 2 See for example Catley (1996). For a determinist account of public policy in Australia and the 'imperatives' of globalisation during the 1980s, see Kelly (1992). From a different perspective, but equally scornful of 'social democratic' or 'national' policy responses to globalisation, see Bryan and Rafferty (1999). For a sceptical account see Castles (1996). For a more substantial list of policy-maker pronouncements on globalisation see Conley (1999).
- 3 'For foreign investment in Australia, a direct investment relationship is deemed to exist between a resident enterprise and a foreign individual or enterprise having an equity interest in that resident enterprise of at least 10 per cent' (Australian Bureau of Statistics 1994, 43).
- 4 A distinction is often made in the literature between transnational corporations (TNCs) and multinational corporations (MNCs), with the former generally purported to describe the fact that firms have become global and hence disconnected from particular 'home' country bases. The latter, on the other hand, is purported to signal the continuing connections between firms and countries. See for discussion Hirst and Thompson (1996, 11-12).
- 5 Work by the economist Richard Cooper (1980 [1968]) was also important in bringing the word into the political economy lexicon.
- 6 Undoubtedly, the domestic policies of larger wealthy countries have greater external effects than those of small countries and larger countries can also insulate themselves more effectively. The US, in particular, is also able to pressure other countries to adjust internal policies in the 'interests of the world economy'.
- 7 See also Strange (1996; 1998)
- 8 See also Bienefeld (1994).
- 9 See the contributions in Marglin and Schor (1991). See also Jessop (1994) and Ruggie (1982).
- 10 See also Krugman (1995) and Clark (1996, 452-454).
- 11 Robertson (1992) uses the term 'unicity' in an attempt to distinguish the development of globalisation from conceptions of global unity.
- 12 For a comprehensive discussion see Conley (1999).
- 13 As in the subtitle of a recent work on globalisation: *Globalisation and Interdependence in the International Political Economy: Rhetoric and Reality* (Jones 1996).
- 14 See also Miller and Rose (1990).