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INTRODUCTION: QUESTIONING 'GLOBALIZATION'

CHAPTER OUTLINE

What in the world is going on?

The end of the world?

Confusion and uncertainty

Conflicting perspectives on 'globalization'

'Hyper-globalists' to the right and to the left

'Sceptical internationalists'

Grounding 'globalization': geography really does matter

What in the world is going on?

The end of the world?

On 15 September 2008, the fourth largest US investment bank, Lehman Brothers, collapsed. It was an unprecedented event in the midst of what was developing into the biggest global economic crisis since the late 1920s. Although the sudden demise of Lehman was only one of many casualties in the financial system in 2008, its collapse was highly symbolic. Lehman was one of those institutions that epitomized the neo-liberal, free market ideology (sometimes known as the 'Washington Consensus') that had dominated the global economy for the past half century. This was the ideology of free and efficient markets: that the market knew best and all hindrances to its efficient operation were undesirable. But in 2008, all this was suddenly thrown into question. As one financial institution after another foundered, as governments took on the role of fire-fighters, and as several banks became in effect nationalized, the entire market-driven capitalist system seemed to be falling apart.

Question: does the economic turmoil that began in 2008 herald 'the end of globalization'? Well, it all depends on what we mean by 'globalization'. It helps if we

distinguish between two broad meanings of globalization.¹ One refers to the actual *structural* changes that are occurring in the way the global economy is organized and integrated. The other meaning refers to the neo-liberal, free-market *ideology* of the 'globalization project'. Of course, the two are not separate. As a result, confusion reigns. It is too early to say whether the free-market ideology has been irrevocably changed by the global financial crisis. Many think it has. Others believe that, once the dust settles, it will be business as usual. That may, or may not, be the case. But globalization, as we shall see, has never been the simple all-embracing phenomenon promulgated by the free-market ideologists. We need to take a much more critical and analytical view of what is actually going on over the longer term; to move beyond the rhetoric, to seek the reality. That is one of the primary purposes of this book.

Confusion and uncertainty

Globalization is a concept (though not a term) whose roots go back at least to the nineteenth century, notably in the ideas of Karl Marx. But it has only been in the last 30 years or so that globalization has entered the popular imagination in a really big way. Now it seems to be everywhere. A Google search reveals millions of entries. Hardly a day goes by without its being invoked by politicians, by academics, by business and trade union leaders, by journalists, by commentators on radio and TV, by consumer and environmental groups, as well as by 'ordinary' individuals. Unfortunately, it has become not only one of the most used, but also one of the most *misused* and one of the most *confused*, terms around today. As Susan Strange argued, it is, too often,

a term ... used by a lot of woolly thinkers who lump together all sorts of superficially converging trends ... and call it globalization without trying to distinguish what is important from what is trivial, either in causes or in consequences.²

The current explosion of interest in globalization reflects a pervasive feeling that something fundamental is happening in the world; that there are lots of 'big issues' that are somehow interconnected under the broad umbrella term 'globalization'. In the words of one contemporary commentator,

We live in an era in which everything has changed and most things are still changing. The ice has melted on the familiar landscape of the second half of the 20th century. Power in all its forms is shifting rapidly and unpredictably. You might even say that we are at the beginning of history.³

Such feelings of uncertainty are intensified by an increased awareness that what is happening in one part of the world is deeply – and often very immediately – affected by events happening in other parts of the world. A crisis in an obscure financial market (the US subprime housing market) spreads almost instantaneously

to far distant places. Part of this is simply the result of the revolution in electronic communications that has transformed the speed with which information spreads. Nowadays, we hear about events on the other side of the world virtually as they happen – in 'real time'. But part of it is also to do with the fact that many of the things we use in our daily lives are derived from an increasingly complex geography of production, distribution and consumption, whose scale has become, if not totally global, at least vastly more extensive, and whose choreography has become increasingly intricate. Many products, indeed, have such a complex geography – with parts being made in different countries and then assembled somewhere else – that labels of origin no longer have meaning.

To the individual citizen the most obvious indicators of change are those which impinge most directly on her/his daily activities: making a living, acquiring the necessities of life, providing for their children to sustain their future. In the industrialized countries, there is fear – very much intensified by the current financial crisis – that the dual (and connected) forces of technological change and global shifts in the location of economic activities are adversely transforming employment prospects. The current waves of concern about the outsourcing and offshoring of jobs in the IT service industries (notably, though not exclusively, to India), or the more general fear that manufacturing jobs are being sucked into a newly emergent China or into other emerging economies, suddenly growing at breakneck speed, are only the most recent examples of such fears. At the same time, the spectres of global climate change and energy uncertainties raise even bigger questions over the future.

But the problems of the industrialized countries pale into insignificance when set against those of the poorest countries in what used to be called the 'Third World'. Although there are indeed losers in the developed and affluent countries, their magnitude is totally dwarfed by the poverty and deprivation of much of Africa and of many parts of South Asia and of Latin America. The development gap continues to widen, the disparity between rich and poor continues to grow. It is, of course, totally naïve to explain all such problems in terms of a single causal mechanism called 'globalization':

Establishing a link between globalization and inequality is fraught with difficulty, not only because of how globalization is defined and how inequality is measured, but also because the entanglements between globalization forces and 'domestic' trends are not that easy to separate out.⁴

Despite, or perhaps because of, its 'woolliness', globalization generates heated and polarized argument across the entire political and ideological spectrum. Most dramatic of all, since the turn of the millennium, has been the proliferation of global protest movements: the explosion of street demonstrations at major international political meetings, notably of the WTO, the G8 and, most recently, the G20. These have involved a remarkable *mélange* of pressure groups, ranging from long-established civil society organizations (CSOs) to totally new groups with either very

specific, or very general, foci for their protest, together with anarchist and revolutionary elements with a broad anti-capitalist agenda.

But beyond these 'organized' movements, there is growing evidence in world-wide opinion polls of wide divergences of opinion on whether globalization is good or bad, whether it is proceeding too quickly or proceeding too slowly. A poll of 34,500 people in 34 countries, commissioned by the BBC World Service in 2008, concluded that

in 22 out of 34 countries around the world, the weight of opinion is that 'economic globalization, including trade and investment' is growing too quickly ... Related to this unease is an even stronger view that the benefits and burdens of 'the economic developments of the last few years' have not been shared fairly ... In developed countries, those who have this view of unfairness are more likely to say that globalization is growing too quickly ... In contrast, in some developing countries, those who perceive such unfairness are more likely to say globalization is proceeding too slowly.⁵

There is, in fact, a highly differentiated geography of the awareness of, and attitudes towards, globalization.⁶

Conflicting perspectives on 'globalization'

The primary focus of this book is the global *economy*. There are, of course, other forms of globalization – political, cultural and social – and these are often difficult to separate. Indeed, the 'economy' itself is not some kind of isolated entity. Not only is it deeply embedded in social, cultural and political processes and institutions but also these are, themselves, often substantially imbued with economic values. Not surprisingly, therefore, this is a highly contested topic. In this section, we identify two of the major positions within the 'globalization' debate.⁷

'Hyper-globalists' to the right and to the left

Probably the largest body of opinion – and one that spans the entire politico-ideological spectrum – consists of what might be called the *hyper-globalists*, who argue that we live in a borderless world in which the 'national' is no longer relevant. In such a world, globalization is the new economic (as well as political and cultural) order. It is a world where nation-states are no longer significant actors or meaningful economic units and in which consumer tastes and cultures are homogenized and satisfied through the provision of standardized global products created by global corporations with no allegiance to place or community. Thus, the 'global' is claimed to be the *natural* order, an inevitable state of affairs, in which time-space has been compressed, the 'end of geography' has arrived and everywhere is becoming the

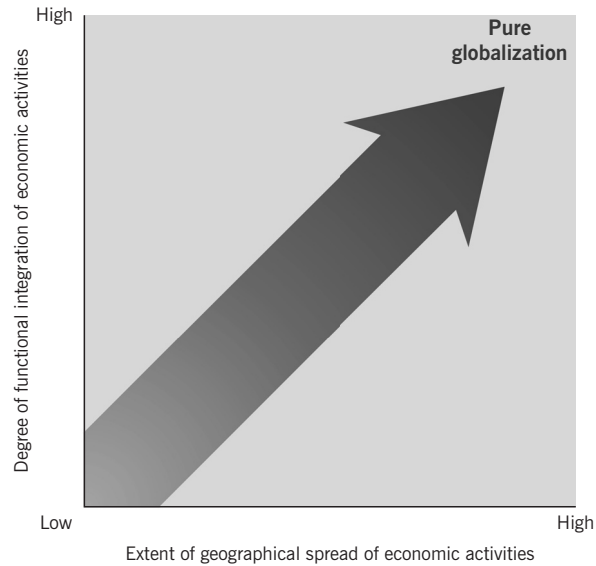


Figure 1.1 Globalization as inevitable trajectory: the hyper-globalist view

same. In Friedman's terms, 'the world is flat'.⁸ Such a hyper-globalist view is shown in Figure 1.1 as an inexorable process of increasing geographical spread and increasing functional integration between economic activities.

This hyper-globalist view of the world is a myth. It does not – and is unlikely ever to – exist. Nevertheless, its rhetoric retains a powerful influence on politicians, business leaders and many other interest groups. It is a world-view shared by many on both the political right and the political left. Where they differ is in their evaluation of the situation and in their policy positions.

- To the neo-liberals on the right – the *pro*-globalizers – globalization is an ideological project, one that, it is asserted, will bring the greatest benefit for the greatest number. Simply let free markets (whether in trade or finance) rule and all will be well. The 'rising tide' of globalization will 'lift all boats'; human material well-being will be enhanced. Although the neo-liberal pro-globalizers recognize that such a state of perfection hasn't yet been achieved, the major problem, in their view, is that there is too little, rather than too much, globalization.⁹ Globalization is the *solution* to the world's economic problems and inequalities. This, then, is the global manifestation of the 'Washington Consensus' referred to earlier: the ideology of free and efficient markets regardless of national boundaries.
- To the hyper-globalizers of the left – the *anti*-globalizers – globalization is the *problem*, not the solution.¹⁰ The very operation of those market forces claimed to be beneficent by the right are regarded as the crux of the problem: they are

a malign and destructive force. Free markets, it is argued, inevitably create inequalities. By extension, the globalization of markets increases the scale and extent of such inequalities. Unregulated markets inevitably lead to a reduction in well-being for all but a small minority in the world, as well as creating massive environmental problems. Markets, therefore, *must* be regulated in the wider interest. To some anti-globalists, in fact, the only logical solution is a complete rejection of globalization processes and a return to the 'local'.

'Sceptical internationalists'

Although the notion of a globalized economic world has become widely accepted, some adopt a more *sceptical* position, arguing that the 'newness' of the current situation has been grossly exaggerated. The world economy, it is claimed, was actually more open and more integrated in the half century prior to the First World War (1870–1913) than it is today.¹¹ The empirical evidence used to justify this position is *quantitative* and *aggregative*, based on national states as statistical units. Such data reveal a world in which trade, investment and, especially, population migration flowed in increasingly large volumes between countries. Indeed, such levels of international trade and investment were not reached again (after the world depression of the 1930s and the Second World War) until the later decades of the twentieth century. Indeed, international population migration has not returned to those earlier levels, at least in terms of the proportion of the world population involved in cross-border movement. On the basis of such quantitative evidence Hirst and Thompson assert that 'we do not have a fully globalized economy, we do have an international economy'.¹²

Grounding 'globalization': geography really does matter

Such national-level quantitative data need to be taken seriously. But they are only part of the story. They do not tell us what kinds of *qualitative* changes have been occurring in the global economy. Most important have been the transformations in the *where* and the *how* of the material production, distribution and consumption of goods and services (including, in particular, finance). Old geographies of production, distribution and consumption are continuously being disrupted; new geographies of production, distribution and consumption are continuously being created. There has been a huge transformation in the *nature* and the *degree* of interconnection in the world economy and, especially, in the *speed* with which such connectivity occurs, involving both a *stretching* and an *intensification* of economic relationships. Without doubt, the world economy is a qualitatively different place from that of only 60 or 70 years ago, although it is not so much more open as *increasingly interconnected in rather different ways*.

International economic integration before 1914 – and even until only about four or five decades ago – was essentially *shallow integration*, manifested largely through arm's-length trade in goods and services between independent firms and through international movements of portfolio capital and relatively simple direct investment. Today, we live in a world in which *deep integration*, organized primarily within and between geographically extensive and complex *global production networks*, and through a variety of mechanisms, is increasingly the norm.

Such qualitative changes are simply not captured in aggregative trade and investment data of the kind used by the sceptics. For example, in the case of international trade, what matters are not so much changes in volume – although these are certainly important – as changes in *composition*. There has been a huge increase in both *intra-industry* and *intra-firm* trade, both of which are clear indicators of more functionally fragmented and geographically dispersed production processes.¹³ Above all, there have been dramatic changes in the operation of financial markets, with money moving electronically round the world at unprecedented speeds, generating enormous repercussions for national and local economies.

The crucial diagnostic characteristic of a 'global economy', therefore, is *the qualitative transformation of economic relationships across geographical space* and not their mere quantitative geographical spread. This involves 'not a single, unified phenomenon, but a *syndrome* of processes and activities'.¹⁴ There is not a single 'driver' of such transformative processes – certainly not the technological determinism so central in much of the popular globalization literature. In other words,

globalization is a ... supercomplex series of multicentric, multiscalar, multi-temporal, multiform and multicausal processes.¹⁵

Globalizing processes are reflected in, and influenced by, multiple geographies, rather than a single global geography: the 'local and the global intermesh, running into one another in all manner of ways'.¹⁶ Although there are undoubtedly *globalizing* forces at work, we do not have a fully *globalized* world. In fact, as Figure 1.2 shows, several tendencies can be identified, reflecting different combinations of geographical spread and functional integration or interconnection rather than the unidirectional trajectory shown in Figure 1.1:

- *localizing* processes: geographically concentrated economic activities with varying degrees of functional integration
- *internationalizing* processes: simple geographical spread of economic activities across national boundaries with low levels of functional integration
- *globalizing* processes: both extensive geographical spread and also a high degree of functional integration
- *regionalizing* processes: the operation of 'globalizing' processes at a more geographically limited (but supranational) scale, ranging from the highly integrated and expanding European Union to much smaller regional economic agreements.

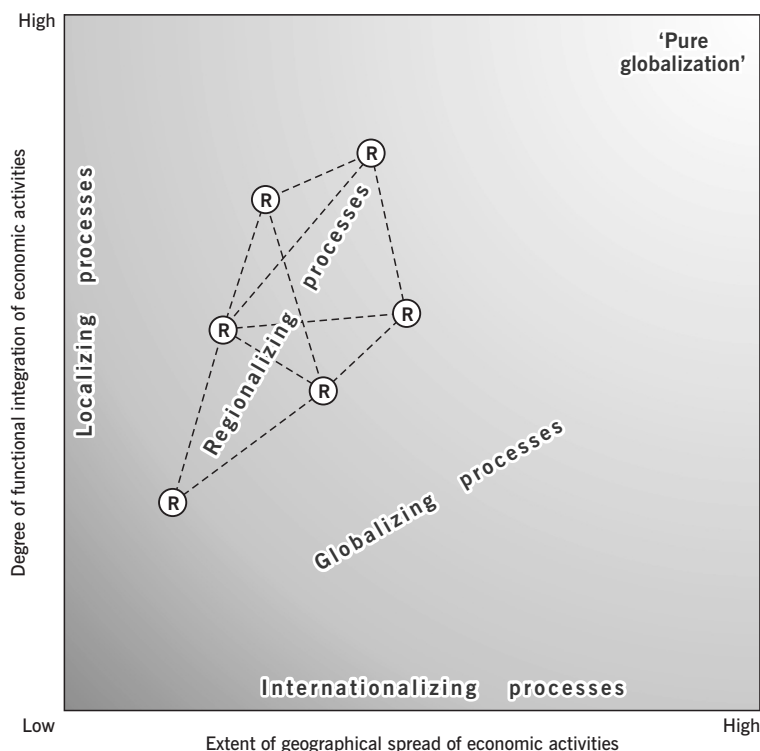


Figure 1.2 Processes and scales of global economic transformation

Globalization, therefore, is not an inevitable end-state but, rather, a complex, indeterminate set of *processes* operating very unevenly in both time and space. As a result of these processes, the nature and the degree of interconnection between different parts of the world is continuously in flux. A major task, therefore, is to challenge some of the more egregious *globalization myths*:

- The world is *not* flat (*contra* Friedman).
- The world is *not* borderless (*contra* Ohmae).
- Global corporations do *not* rule the world (*contra* Korten).
- Globalization is *not* always good (*contra* the neo-liberal hyper-globalizers).
- Globalization is *not* always bad (*contra* the anti-globalizers).

In questioning globalization, therefore, we need to get real: to develop a firmly grounded understanding of both the processes involved and their impacts on people's lives. Of course, there will always be differences of diagnosis, prognosis and recommended treatment. But at least these should be based on sound conceptual and empirical analysis. This book represents an attempt to do this.

NOTES

- 1 Chase-Dunn et al. (2000).
- 2 Strange (1995: 293).
- 3 Stephens (2005). The reference to the 'beginning of history' seems to be a deliberate contrast to Fukuyama's (1992) prediction of the 'end of history' following the collapse of the Soviet system.
- 4 Amin (2004: 218).
- 5 BBC World Service (2008).
- 6 ILO (2004b: 12–23).
- 7 Held and McGrew (2007: Chapter 1) provide a useful discussion of some of the major strands in the globalization debates. See also Cameron and Palan (2004).
- 8 Friedman (2005).
- 9 For an example of this position, see Friedman (1999; 2005). More nuanced writers within this general framework include Bhagwati (2004) and Wolf (2004).
- 10 See, for example, Greider (1997).
- 11 Hirst and Thompson (1992), Hirst et al. (2009).
- 12 Hirst and Thompson (1992: 394).
- 13 See Feenstra (1998), Gereffi (2005).
- 14 Mittelman (2000: 4).
- 15 Jessop (2002: 113–14).
- 16 Thrift (1990: 181).

