TAKING GLOBALISATION SERIOUSLY

Hugo Radice

I. INTRODUCTION

More than thirty years ago, the expansion of US corporations abroad through foreign direct investment was already giving rise to a substantial literature on the origins, behaviour and consequences of what were then usually called multinational corporations (e.g. Kindleberger 1970, Vernon 1971). The conventional social sciences responded quickly to these new developments. In international economics, a new sub-discipline arose on the economics of MNCs; in business and management studies, the new field was labelled ‘international business’; while international relations and politics specialists created the field of ‘international political economy’, centered on the international politics of the evolving world economy. At the same time, the reemergence of a more vigorous left from the deep-freeze of the Cold War was generating a body of radical scholarship, especially in the social sciences, which looked at the new phenomenon of MNCs in the framework of revitalised theories of accumulation and imperialism (e.g. Magdoff 1969, Murray 1972, Radice 1975).

Thus, while the term ‘globalisation’ scarcely existed ten years ago and has enjoyed a meteoric rise as a focus for debate both in academia and in the world at large (Waters 1995, p. 2), its central social institutions and processes — MNCs (now usually renamed TNCs), cross-border flows of foreign investments, technologies and tastes, governmental and intergovernmental policies towards these flows — have in fact been under intensive study for a long time. Indeed, many of the current debates around globalisation, not least its effects upon the nation-state, are clearly prefigured in the 1960s and 1970s (e.g. Servan-Schreiber 1968, Tugendhat 1971, Levinson 1971 in addition to those already cited). Some of the fiercest of these debates, for
example about the real extent and significance of globalisation, were in fact being conducted with equal ferocity and on almost exactly the same lines more than twenty years previously.

So what has changed? Why has a hitherto rather distant and esoteric subject suddenly become such a hot intellectual property? The simple answer might be that Foreign Direct Investment (FDI) and other measurable activities have become much more important, and have therefore attracted more attention. But two other factors are also important. First, these activities have intrinsically posed important challenges to established orders, both in the 'real world' of politics and business, and in the theories of the social sciences, and hence those of us who argued for their significance faced a lot of scepticism and resistance. This sort of process is understood well enough in the sociology of knowledge, and it persists to this day.

Secondly, and more importantly, the practices of international business helped to undermine the ability of governments to manage their economies along the established post-war Keynesian lines, and thus contributed to creating the economic crises and the crises of economic policy of the 1970s and 1980s. Indeed, the leaders of international business and international finance have almost without exception lauded and sustained the abandonment of welfare-state Keynesianism in favour of what we now call 'neoliberalism'. Since 1970, we have seen the shift from Keynesianism to monetarism; the breakdown of Bretton Woods; the Reagan/Thatcher assault on labour, the welfare state, and public ownership; and more recently the apparent resurgence of 'flexible', 'Anglo-Saxon' capitalism as against 'Eurosclerosis' and East Asian 'cronyism'. All these may be experienced, from a national perspective within each country, as victories of right over left, market over state, capital over labour; but it is the practices of international business, the core economics and politics of globalisation, that have transmitted, reproduced and refined these shifts.

A decade of debate around the idea of globalisation is at last giving rise to a promising response which can challenge the swaggering triumph of neoliberalism. This essay reviews the debates within the framework of conventional international political economy, in which the central issue is the relationship between the global economy and the nation-state; suggests a critique of this framework, based on a less state-centred analysis of global capitalism; and, finally, briefly points to the political conclusions that flow from this critique.
II. THE GLOBALISATION DEBATE IN INTERNATIONAL POLITICAL ECONOMY

What is globalisation? Most commonly, it is defined as a process through which an increasing proportion of economic, social and cultural transactions take place directly or indirectly between parties in different countries; the term is then synonymous with 'internationalisation'. This sort of definition, used for example by Hirst and Thompson (1996), presupposes an 'original condition', a starting-point for the process, in which the world is made up of distinct and self-sufficient national economies, each under the jurisdiction of an independent nation-state. It leads to the hypotheses that if globalisation proceeds 'far enough' it must lead to the replacement of an 'inter-national' world economy by a single integrated global economy; and that the globalisation process confronts, threatens or undermines the nation-state.

This way of looking at globalisation raises a number of methodological issues. First, the implicit 'national' starting-point makes no long-term historical sense, since 'international' transactions have been crucial to economic and political dynamics in many parts of the world since centuries before the development of industrial capitalism. Secondly, attempts to measure globalisation in the above sense founder on the choice of measures, the availability of data and the time period considered. Such measures are also heavily dependent on the chances of political history and geography, so that international transactions are inevitably more significant for nations that are small, resource-poor, or subject to colonial or other forms of external domination. Thirdly, although a review of these measures quickly reveals enormous quantitative and qualitative differences in the way different nations are internationally integrated, and of course huge inequalities of condition as well, the model of globalisation in itself abstracts from these differences and inequalities. Fourthly, as a starting-point for analysing the dynamics of the world economy today, this approach falsely counterposes the global to the national, and thus paves the way to seeing the central political issue as one of 'globalisation versus the (national) state'.

Nonetheless, a lot of the debates about the extent and significance of globalisation take place within this framework. In particular, contributors such as Gordon (1988), Hirst and Thompson (1996), Ruigrok and van Tulder (1995), Wade (1996), Zysman (1996) and Weiss (1998) have argued that globalisation has been greatly exaggerated. Eight main conclusions arise from this sceptical literature. Taking these points in turn, but remaining within the same framework of analysis:
1. The extent of globalisation
If we accept as meaningful measures such as trade/GDP or FDI/GDP, and accept the available data, then globalisation may not have occurred between the 1890s and the 1990s, but it has occurred between the 1940s and the 1990s. The historical data suggest that since around 1970, the global character of capitalism (measured in these ways) has been substantively restored, after 40 years in which the industrial core — and to some extent other zones — was fragmented into more autonomous national economies. With regard to the core elements of trade, finance and direct investment, this is the conclusion reached in a thorough review of the empirical evidence by Perraton et al (1997) which will not be repeated here. It suggests that globalisation, as a process of change through time, is very much a reality in recent times.

2. ‘International’ versus ‘global’
The counterposition of these two models is abstract and artificial. Historically, the paths of ‘national’ economic development in every country over the last several centuries have been created — consciously or unconsciously, by individuals or states — in a global context. World markets in labour, finance and products have created or denied opportunities for structural transformation to national business leaders and other elite groups; world politics, diplomacy and warfare have shaped the capacities and policies of national governments to direct such transformations. National economies are better seen as zones of relatively deeper economic integration within a single, highly-differentiated world economy; and nation-states as interdependent political entities in a complex inter-state system. On the whole, economic and political interdependence appear to have increased since the 1940s, in line with trends in trade, finance and investment, but the ‘system as a whole’ has always been both national and global. This argument cannot be pursued further within a framework that automatically counterposes ‘state’ and ‘market’, and so will be taken up again in section 3 below.

3. Globalisation or regionalisation
There is a further pointless counterposition in the sceptical account, between globalisation and regionalisation. It is scarcely surprising that in the real world of transport and other distance costs — including those arising from cultural differences, protectionism, etc. — businesses will look first to neighbouring countries for markets, labour, capital, or
production sites. Hence higher levels of trade, capital flows, etc., will be found between adjacent territories such as Canada and the USA. In the colonial era, trade and capital flows were less geographically regional simply because the political systems of colonialism were designed to reduce those ‘distance costs’ for the merchants and financiers of the colonial power (and greatly increase them, of course, for those of other powers). Quite why the recent pattern of regionalisation should be considered as anything other than a concrete form of internationalisation is not clear. Interestingly, the Japanese debates on globalisation recognise that intra- and inter-regional trade and investment flows are intimately related (see e.g. Hasegawa and Hook, 1998, part I).

4. A ‘triad’ phenomenon?
It is undoubtedly the case that trade and investment flows are concentrated among the advanced industrial countries; again, this is hardly surprising, since they constitute the largest and richest markets in a world where most economic activity is now based on production for sale at a profit. At one level, this is a conclusion that only counts against the most extreme ‘straw man’ version of globalisation as a homogenising process, yielding equality of economic conditions between all nations. At another level, however, it is significantly misleading, in so far as it implies that globalisation (however exaggerated or mythical overall) is somehow more of a reality in the OECD countries. On the contrary, it is as a result of ever-deeper international integration that what used to be called the Third World has become ever more fragmented and differentiated in the last thirty years. Without, of course, challenging the ‘triad’ for industrial supremacy, the so-called NICs have built substantial industrial capacities and won significant shares of global industrial exports. At the same time, the most impoverished regions of the world are ‘marginalised’ precisely through exclusion from the global economy. Finally, the financial crises that have struck so many non-OECD countries in the last twenty years, and indeed some ‘weaker’ OECD members such as Mexico (1994) and South Korea (1997-8), have their origins and their resolutions in the subordination of national financial systems to world capital and money markets.

5. Embeddedness – ‘holding down the global’
Sceptics argue that the globalisation myth centres on an image of hypermobile capital, or better, vulture capital, circulating high in the
etheeral realm of global money, and descending to feast on the state treasuries and pay-packets of immobile governments and workers. They rightly point out that while this might apply to short-term or explicitly speculative capital movements – holdings of cash or short-dated bonds – the more significant and transformative capital movements involve putting down economic, social and political roots. Direct investments typically lead to the purchase and installation of fixed plant and equipment, the training and retraining of staff whose productivity depends on length of service and mutual loyalty, and the long-term nurturing of essential supporting relations with suppliers, customers and above all national and local governments and officials. Such arguments can draw effectively both on transaction-costs economics, and on the ‘embeddedness’ literature, which usually refers back to Polányi (1944) and lies at the heart of the modern comparative sociology of economic systems.

However, while the sceptics are right to reject a naive ‘vulture capital’ model, they tend to exaggerate the extent to which capital can be ‘held down’. First, many of the investments that have most concerned analysts of globalisation are precisely ones which empirically require little in the way of sunk costs: not only the labour-intensive manufacturing, assembly and service work that forms the ‘new international division of labour’ (Frobel et al 1980, Nash and Fernandez-Kelly 1983), but also some of the most highly-skilled activities in R&D and finance, where human resources are highly mobile. Secondly, when investors do ‘tie up’ capital and thereby put it at risk, they demand ‘incentives’ which have the effect of off-loading that risk onto local taxpayers and workers: in a world where there is intense competition for inward investments, these demands are usually met. Thirdly, ‘embeddedness’ is by no means exclusively a local or national phenomenon. A dense network of international institutions, both private and public, also ‘embed’ businesses operating across borders, while business practices, norms, standards and cultures are increasingly shaped and reproduced at a global level.

6. The powers of national governments
In the ongoing debate in IPE, this is the critical issue. There is little doubt that deeper international economic integration, and especially the globalisation of finance, has reduced significantly the ‘traditional’ post-1945 capacity of national governments to manage ‘their’ economies by means of fiscal and monetary policies, labour and welfare legislation, and a variegated regulatory regime for business
which included extensive public ownership. Thus for Robert Gilpin, by the 1980s, 'the fundamental question initially posed by late nineteenth-century Marxists and subsequently by Keynes regarding the ultimate compatibility of domestic welfare capitalism with a liberal international order once again came to the fore' (Gilpin 1987 p. 389).

However, the sceptics, from Warren (1971) to Gordon (1988) to Weiss (1998), nonetheless argue about the extent and the reversibility of this loss of 'state capacity'.

Broadly, there are three themes in this strand of scepticism. The first is related closely to the empirical arguments already reviewed on the extent of globalisation: for example, Weiss (1998, pp. 190-2) surveys evidence that governments do have the power to sustain differences in fiscal and monetary policies, while Helleiner (1996) argues that financial liberalisation is in fact reversible. A common theme is that policy changes which have been presented as the result of inexorable globalisation have in fact been chosen, more or less freely, by governments, perhaps in response to special domestic interests, and these governments can equally well choose to restore the status quo ante. Secondly, particular varieties of state, or of 'state-societal arrangements' (Hart 1992), may be better equipped to resist the erosion of state capacity, or to refashion it around new zones of autonomy: thus Weiss (1998) cites the 'governed interdependence' between state and business in Japan as permitting the evolution of industrial policy rather than its abandonment. Thirdly, it may be argued that in the context of supranational regionalisation, traditional capacities could be recovered at a regional level, for example in the European Union (e.g. Chorney 1996), although this would require a major advance in the degree of political integration (Hirst & Thompson, 1996, pp. 163-7).

Many other writers, however, from Murray (1971) to Gill and Law (1988) to Drache (1996) continue to insist that there has been a real loss in the policy autonomy of national governments which cannot easily be recovered. Empirically this view rests mainly on two points. Firstly, the changes from broadly Keynesian-welfare-statist policies to broadly neoliberal policies have been so consistent through the past twenty years and all around the world that it is hard to see them as either contingent or the result of independent policy choices by national governments. If there are certain exceptions, or variations, this is scarcely surprising given the enormous and indeed growing inequalities of wealth and power, both private and public, in the world today; in any case, many of the exceptions cited by the sceptics are contested. Secondly, the transformation of the IMF, the World
Bank and the GATT/WTO from benign intergovernmental regulators to the global policemen of the free market represents a deep institutionalisation of this trend; one which is buttressed by the proliferation of other forms of transnational regulation, both regional (NAFTA, EU) and global (OECD, BIS), whose institutions by and large sing to the same tune. Again, the fact that, for example, the OECD has been unable as yet to bring to fruition the Multilateral Agreement on Investment (MAI) merely indicates that in a highly differentiated world capitalism the establishment of uniform norms is bound to be a difficult matter: twenty years ago, even the drafting of the MAI would have been unthinkable.

Within the conventional IPE framework, the debate on the continued existence of state capacities will continue to centre on the accretion of empirical evidence. It certainly remains feasible to press for the restoration of regulatory public powers over private interests, both nationally and transnationally, if only because, as Hirst and Thompson (1996) in particular emphasise, the nation-state remains the primacy locus of political legitimation. However, the real need is to address the question of what it is that 'the state' is trying to do, and why (Panitch 1994).

7. Globalisation, capitalism and the ‘Anglo-Saxon’ model
An apparent implication of globalisation is that it not only is intimately associated with neoliberal policies, but also is leading to the dominance of liberal or ‘Anglo-Saxon’ capitalism, and the gradual erosion or (as in the Soviet case) abrupt disappearance of all alternative economic systems. Proponents of globalisation on the political right and in much of the business press make no secret of their objective: a universal ‘free market’ capitalism in which the state is ‘rolled back’ to the limited functions supposedly sanctioned by Adam Smith. In the 1990s, the ‘Anglo-Saxons’ have been on a roll: they can point to the collapse of the Soviet model, the ‘sclerosis’ of continental Europe and Japan, the renewed dynamism of liberalised Latin America, and most recently the ‘East Asian crisis’, as convincing evidence for their case. This is particularly galling for globalisation sceptics, since many of them have either contributed to or drawn upon literatures which champion alternative models on the basis of their superior performance in earlier decades.

One line of response in the face of globalist triumphalism is to continue to argue, empirically or theoretically, the merits of more organised or ‘trust-based’ forms of capitalism. Thus for Carlin and
Soskice (1997), it is precisely because of its distinctive institutional structures that Germany has been able to weather the unprecedented strains of absorbing the former East Germany; while Berggren and Nomura (1997) argue that despite some changes in Japanese business behaviour in the 1990s, its system too demonstrates remarkable resilience. In more theoretical vein, both Chang (1994) and Lo (1997) convincingly draw on heterodox economics to press the case for forms of state intervention in industry; while in the field of labour studies and human resource management, the debate on skill formation and productivity growth still goes against the neoliberals (Ashton and Green 1996). Secondly, if, as appears to be the case, Anglo-Saxon liberalism is closely associated with regressive tax and welfare policies, and a redistribution of income and wealth from rich to poor, this can be presented as an unacceptable price to be paid. Similar arguments, rooted in the traditional claim about the market’s failure to deal with economic externalities and social costs, are advanced from an environmental standpoint. Thirdly, growing instability in the world economy can be blamed not on too much regulation, but rather on too little. Thus, Wade and Veneroso (1998) attribute responsibility for the East Asian financial crisis on both the deregulation of national financial systems, as in South Korea in the 1990s, and the absence of regulation which generated excessive lending to the region by American and European banks.

On the face of it, the empirical evidence from the 1990s does on balance suggest a strengthening of the Anglo-Saxon model. On the other hand, the fashion for identifying and contrasting competing models of capitalism, which was given a strong fillip by the collapse of the Soviet system, conceals important methodological weaknesses, many of them inherited from the Cold War comparisons of models of ‘industrialism’ or ‘post-industrialism’: notably a tendency to lapse into crude functionalism. In addition, if we examine in more detail some of the key institutional components of the models, there is enormous variability within particular countries, both through time and across sectors, which tends to undermine the emphasis in the comparative literature on the ‘path-dependence’ of national systems. Finally, it is not clear whether superior performance should be attributed to institutional differences, or whether the persistence of particular institutional patterns should be attributed to superior economic dynamism, or to the possession of specific military, political or economic advantages that have no particular institutional shape.
8. Building alternatives to neo-liberal globalisation

Whatever the long-term prospects for the Anglo-Saxon model of capitalism, the current political dominance of neo-liberalism is only too apparent. But the sceptics argue that this can be challenged by mobilising those interests that have suffered from this dominance, essentially around the reconstruction of a regulatory, interventionist state. If globalisation, deregulation, privatisation, etc., directly benefit particular groups of capitalists or bureaucrats, then this can be reversed in the political arena by offering an alternative that is more attractive. Generally, the sceptics seek to update social democracy: what they offer is not a simple return to the postwar recipe of state intervention, welfarism, etc. – nowadays routinely caricatured even by supposed progressives as ‘tax-and-spend’ policies – but a ‘modernised’ social democracy which accepts the basic economic and political structures of capitalism, but seeks to ameliorate the outcome for the disadvantaged. The main political goal to which this capacity is to be directed is the traditional social democratic one of improving living standards, defined now in ways that take on board the concerns of ‘new social movements’. Crucially, the state can and should focus on improving human resources: on increasing workforce skills, the stock of productive knowledge, and the efficiency of both private and public management. In the context of more competitive world markets and the grudgingly-admitted greater openness to trade and capital movements, these improvements in human resources are viewed as the necessary foundation of international competitiveness (Reich 1992). The apparent failure of public ownership, central planning and other ‘old’ forms of state intervention makes imperative the adoption of a new form of ‘mixed economy’, in which the proven incentive systems of the private sector are harnessed to the altruistic goals established by the political process.

The sceptics remain convinced, as already noted, that the state has the capacity to tame the forces of globalisation. A measured reregulation of global trade and finance can be achieved by a mix of national, regional and global initiatives: these can be constructed by convincing financiers and markets that these measures will safeguard the benefits of liberalisation, and reduce the risk of costly major crises (see e.g. Hirst and Thompson 1996, ch. 9; Wade and Veneroso 1998). Furthermore, a recasting of industrial, education and employment policies by a ‘developmental’ (Amsden 1989, Wade 1990) or ‘catalytic’ (Weiss 1998) state can allow a country to respond effectively to the challenge of global markets and avoid being caught in a low-skill, low-
wage, low-investment vicious circle. Since for the sceptics transnational corporations remain bound to their country of origin, they can be harnessed as the flagships of national regeneration.

Reviewing the actual pattern of events over the past thirty years, it is very hard to see much evidence for the feasibility of this political strategy. Initiatives to deregulate global trade and finance, from the ‘New International Economic Order’ of the 1970s to the Tobin tax, have made no headway whatsoever. Within Europe, the Maastricht Treaty has enshrined the monetarist, free-market core of the EU; despite the existence of a ‘social chapter’ in the treaty, there is a clear trend towards levelling-down of welfare, and the ‘flexible’ labour markets championed as much by ‘New Labour’ in Britain as by the bosses in Germany, France and Italy (Radice 1999). Equally telling is the case of Eastern Europe. Here, Amsden’s attempt (Amsden et al, 1994) to apply the lessons of South Korea to the restoration of capitalism in the region failed totally to connect with political realities: far from the market ‘meeting its match’ as she predicted, a pragmatically-moderated neoliberal programme has been remarkably successful in ensuring economic and political stability, in large measure due to the pervasive role of Western capital (Radice 1998b). As for East Asia, it is far too soon to judge how well the benchmark exemplars of state activism, South Korea and Japan, will weather the storm. Can the South Korean débacle be blamed on the liberalisation and opening of its financial sector, and on the weakening of the state’s powers of economic direction, in the last ten years? Or did these developments simply indicate that the state-business arrangements were now ‘catalysing’ the breakneck expansion of South Korean capital abroad, rather than the development of the national economy?

In the end, however, the globalisation debate yields such unsatisfying political conclusions because its conceptual apparatus is so impoverished. The sceptics *assume* the degree of state autonomy that is necessary for their political prescriptions to have credibility. Clearly, if the state is (a) powerful, and (b) dominated by the democratic will, then globalisation and its discontents can be readily thrown aside in favour of a more acceptable agenda of national economic and social progress; what is more, there is then no need to contemplate the messy and thus far unproductive strategy of building an international movement. However, there are strong arguments against this Panglossian position.
As I have already indicated, the root problem with the sceptical critique of globalisation is its view of the state, and in particular the autonomy of the state. Although this is a view shared across a number of intellectual traditions in the social sciences, it has been articulated most explicitly in modern international political economy. The 1985 collection of essays edited by Peter Evans, Dietrich Rueschemeyer and Theda Skocpol under the title *Bringing the State Back In* (Evans et al. 1985) epitomises this view. The editors aimed to go beyond what they saw as overgeneralised neo-Marxist and neo-Weberian views, on state autonomy and on state strength respectively, through detailed case studies which could reveal the more significant structures and processes at work within states and between states and social groups. Although they frequently stressed the open-ended nature of these explorations, the ultimate aim was to develop ‘state-centered explanations’ (op.cit, p. 7) which would in turn help to develop effective state policies: for example, Rueschemeyer and Evans (ch. 2) explicitly tried to identify the conditions for ‘effective state intervention’ (p. 44 and passim) in economic and industrial development.

Cammack (1989,1990) has argued strongly that this volume was part of a project designed to break with the Marxist or neo-Marxist approach to the state in the Third World, which in turn had developed in the 1960s and 1970s out of the theories of imperialism and under-development. Marxist debates on the state in the 1970s had moved beyond the limitations of traditional structuralist and instrumental views, and explored a wide range of cases and issues using more flexible concepts, for example that of ‘relative autonomy’, that could handle the contingent and variable aspects of capitalist state institutions and practices. One result of this was a considerable overlap in research agendas and debates between neo-Marxists and more orthodox social scientists in many fields. In the ‘final analysis’, however, all varieties of Marxism see the state through the prism of the class nature of capitalism. While those who adopted the neo-Marxist approach and sought to change the state from within quickly found themselves marginalised or ejected, most mainstream social scientists found it easier to distance themselves from a class approach.

The collapse of the Soviet Union and its satellite states in Eastern Europe made this task much easier. In the short term, this was readily accepted as prima facie evidence of the failure of Marxism, which had remained the official ideology of the Soviet bloc: the attempts, by
Western anti-Stalinist Marxists and by East European ‘third way’ advocates alike, to establish a bridgehead for democratic socialism were quickly routed by the triumphant march eastwards of the ‘free market’. The most that socialists could hope for, apparently, was to work for an amelioration of capitalism, without even the long-term perspective of revolutionary transformation that earlier generations of reformists, from Bernstein to Crosland, had explicitly retained.

However, the neoliberal triumph has been short-lived. The demise of the Soviet model led first to expressions of the need for an alternative bogeyman with which to scare the citizens of the ‘free world’: radical Islam, eco-terrorism, drugs, economic migration, all variants on the theme of ‘the barbarian at the gates’. But it was soon apparent that capitalism itself retained all its historical capacity to wreak destruction upon humanity, whether in its birth-pangs in the rubble of communism, in the industrialisation of China, in the persistence of mass unemployment in Western Europe, or in the financial crises that engulfed Britain in 1992, Mexico in 1994 and now East Asia in 1997-8.

From this standpoint, what is abundantly clear is that globalisation is intrinsically a capitalist process. In the context of globalisation, it makes no sense to analyse the state in abstraction from capitalism, because the concrete conditions and events that confront states at present arise from economic and social processes organised along capitalist lines. This is not to say that all, or indeed any, such events can be reduced to the inevitable outcome of some sort of mechanical unfolding of history. But in the face of widespread and repeated phenomena such as high levels of cyclical and structural unemployment; financial crises caused by over-lending and inadequate regulation; the subordination of education and culture to commercial forces; the dismantling of public systems of social security in favour of private pension rackets; the ever-widening gap between rich and poor; bitter struggles over trade union rights; environmental threats arising from uncontrolled commercial exploitation of nature; — need I go on? Can any of these be adequately understood as the outcome of ‘autonomous’ state actions and processes? Of course not; which is why in practice the theorists of ‘stateness’ have to bring in through the back door the factors that they dismiss at the front door as smacking of ‘economic determinism’ or ‘class reductionism’. This is brought out very clearly in a recent essay by Peter Evans (1997), which is subtitled ‘reflections on stateness in an era of globalisation’.

Twelve years after Bringing the State Back In, Evans reviews the
challenge that globalisation in its neoliberal form poses to the state, but he continues to claim from the East Asian cases ‘...the possibility of a positive connection between high stateness ... and success in a globalising economy’ (Evans 1997, p. 70). Like other sceptics, Evans emphasises the ideological dimension of globalisation, which is carried through into formal injunctions to individual states through Anglo-American dominance in the intergovernmental organisations of the IMF, WTO, etc. However, an ‘economically stateless world’ cannot provide the stability and order that transnational investors require, and the complexities and risks of global finance impress this need ever more firmly upon them: ‘While globalisation does make it harder for states to exercise economic initiative, it also increases both the potential returns from effective state action and the costs of incompetence’ (p. 74). In addition, the ‘new institutional economics’ of the information age means that attacks on the state as ‘rent-seeking’ are blunted by the increased economic importance of public goods, whose availability depends on public enforcement of property rights and/or on public provision. Even a revived role for ‘civil society’, Evans argues, does not mean a correspondingly reduced role for the state, because of evidence for ‘state-society synergy’: civic associations require a capable and involved state if they are to act effectively in society. Thus, for both ‘external’ and ‘internal’ reasons, a ‘return of the pendulum’ back towards ‘stateness’ seems likely.

But what is the content of this stateness? This is where capitalism suddenly enters as a concept, slipping in through the back door, for as a result of the economic dominance of transnational business, it seems to Evans that the state can only be restored to a positive role if that role is restricted to ‘...activities essential for sustaining the profitability of transnational markets’ (p. 85). The welfare state remains diminished, and indeed delivering services and security to business ‘means devoting more resources to the repression of the more desperate and reckless among the excluded, both domestic and international’ (p. 86). In other words, the state is being restructured around a specifically capitalist project of ‘development’, in which private profits are promoted at the expense of poor people and poor countries. Evans concludes by finding some hope that social interests other than business elites just might create ‘state-society synergies’ with ‘beleaguered state managers and politicians disenchanted with leaner, meaner stateness’ (p. 86); indeed he finds this ‘no less implausible than the alliances that were actually forged between labour organisations and the state during the early decades of the twentieth century’.
Thus the trajectory of Evans’ work leads back from an abstract emphasis on the developmental role of the state, to an acknowledgement that the actual thrust of state activities is determined at present by the power of the business elite, in other words the capitalist class; and that a real alternative to the dominance of neoliberalism depends on the political mobilisation of ‘citizens and communities’. What remains, however, is the need to link this more systematically to an analysis of whether and how the economics of capitalism have changed.

If we start from the capitalist nature of globalisation, the first task is to characterize briefly the main features of global capitalism today, abstracting from its divisions into nations. Precisely because of the global integration of production, markets and finance, the common dynamic of this system is more pervasive, and certain important features can therefore be seen to apply everywhere. Central to this common dynamic has been a shift of economic and political power towards capitalists across much of the world. In the developed capitalist countries, the century or so up to the 1970s saw significant gains for workers, in the context of persistent national rivalries, world wars and the secession of the Soviet bloc from world capitalism. The latter decades of this period also saw an end to formal colonialism and the beginnings of a genuinely global and potentially democratic political order. Since 1970, global integration has incorporated the former Second and Third Worlds firmly back into the capitalist fold, not merely by forcing open national markets and directing local production to the world market through debt peonage, liberalisation and privatisation, but also by incorporating local business and bureaucratic elites into the political, social and cultural world of the emerging global capitalist class. Above all, the greater mobility and penetrative capacity of capital has forged powerful weapons for rolling back the gains of workers in all countries. Pursuing this in more detail, I suggest eight features, the first four being ‘microeconomic’ features, while the remainder emerge at some more aggregate level:

1. Decline in labour’s market power
Changes in technology and in patterns of demand have seriously affected the market power of labour. The concept of technological unemployment remains an ideological one, designed to scare workers into concessions: in the long run, accumulation in capitalist economies is based on employing labour, not on employing ‘technology’. However, in advanced industrial societies, employment and
production have shifted towards non-material 'service' activities, some of which are knowledge- and skill-intensive, and away from manual manufacturing tasks. The shift in demand has been magnified by the threat of job flight for manual workers in particular. The reality or threat of mass unemployment has enabled employers to weaken the organisations of labour either directly, or through legislative changes. None of this is gainsaid by the experience of certain countries such as South Korea or South Africa where at times industrial expansion has enabled significant increases in union membership and real wages. At the same time, the role of wages in normal cyclical rhythms of accumulation continues: thus in the U.S.A. at present, although the expansion has been unprecedentedly long, labour shortages are now (June 1998) starting to hit profits.

2. Reassertion of control over labour
There have been substantial changes in capitalist management, which has developed and refined both carrots and sticks, from the shopfloor to the boardroom, aimed at increasing the productivity and intensity of labour. Much – far too much – has been made of the idea of a new 'post-Fordist' era, of smaller-scale, flexible production systems in which workers have to be reskilled and reempowered in return for providing sophisticated, high-quality products: this bears as much relation to the realities of workplace domination and control as the ideology of the free market does to the real world of monopoly and caveat emptor. In substance, the changes in recent decades centre on the reassertion of management control over labour through a refined mix of the strategies of 'direct control' and 'responsible autonomy' (Friedman 1977). Nonetheless, despite the apparent sophistication of production and management systems, they still depend as always on the compliance of workers.

3. Corporate finance and control
The global tide of privatisation has opened up vast new markets for private capitalists, as well as handing over to them control over vital physical assets: not only in the transport, telecommunications and energy sectors, but in heavy industry, finance, tourism and increasingly now in health, education and social services. This has been accompanied by a dramatic extension of the corporate form of capitalist ownership and finance, in particular the shift from narrow ownership coupled with bank finance towards equity finance. This shift is partly a response to the increased competitiveness and volatility of markets,
since wider equity finance allows the ‘insider’ interests (including core banks) to offload risk onto outsiders. However, when taken in conjunction with well-orchestrated panics over public pension provision, it also mobilises at low cost the lifetime savings of workers, helping to tie the latter in to the practice and ideology of capitalist ownership.\textsuperscript{17}

4. Capitalist competition reasserted
In the post-1945 ‘golden age’, both conventional industrial economics and the heterodox traditions of institutionalism, Keynesianism and neo-Marxism argued, albeit with different terminologies, that competitive capitalism based on entrepreneurial small business had been progressively replaced by monopoly structures and practices. Scale economies and the high cost of innovation required market dominance, supernormal profits and price leadership, relegating the individual entrepreneur to marginal sectors or a strictly subordinate and dependent role. The last thirty years have provided ample grounds for restoring the classical view (of Smith, Marx or later Schumpeter) that competition is not about market equilibrium and prices, but about the search for sources of market power and profit. The giant corporations of today are not stagnant managerial bureaucracies, but dynamic and flexible profit-seekers – and transnational expansion has been a central concrete form of this competitive accumulation.

5. The economic role of the state
Although the neoliberal assault on the state has done little in most countries to reduce its absolute weight in the economy, as conventionally measured by ratios of public expenditure to national income, it has generated fundamental changes in the way the public sector is financed and managed. The key monetarist ideas, that ‘bloated’ public finances were inflationary and ‘crowded out’ private investment, reflected the growing realisation in capitalist circles that there was, otherwise, no logical limit to the enlargement of the public sector: ultimately, Keynesianism and the welfare/warfare state might turn out to be proto-socialist, rather than just a modified form of capitalism.\textsuperscript{18} The enforcement of monetarist targets for public spending and debt, whether through the judgements of currency and financial markets or at the behest of lenders, has halted the ratchet-like trend of expansion in the public sector, with well-known consequences. Equally important is the shift in power within states towards finance ministries,
central banks and cabinet offices, with spending departments obliged to realise 'efficiency gains', that is cuts, on a permanent year-by-year basis (Cox 1992). This has fed down through service providers in the form of financial and bureaucratic controls, applied in a way that strikingly resembles Soviet-style central planning, with all its familiar outcomes: a fixation on a limited range of quantitative targets at the expense of quality or content, the substitution of individual for collective incentives, relentless cost-cutting, demoralisation, corruption and waste.

6. States and markets in global capitalism
As already discussed in section II, this restructured economic role of the state has been generalised and enforced both through financial markets, and through inter-governmental bodies and processes. However, it also results from the process of economic integration itself. Competition for world markets ensures that, as long as states continue to exercise territorial jurisdiction in economic matters, they will continue to try to respond to the needs of 'their' national business sectors: hence the promotion of 'neo-mercantilist' policies, typically by industrial ministries (supported by the defense sector on security grounds). On the other hand, the more that accumulation by the national business sector is itself internationalised — through exporting, outward investment, technology imports, or whatever — the more it will need to relate also, directly or indirectly, to other states, and the more different states will need actively to manage resulting common interests and conflicting goals alike. This reality, of a multiplicity of competing states and capitals, is mostly analysed through bargaining models (e.g. Stopford and Strange 1991), but such an approach may conceal the extent to which states are so politically penetrated and dominated by business that they cannot be seen as having independent objectives to be pursued by bargaining. Indeed, it is precisely in conforming to the agenda of business — transmitted through markets as well as political processes — that states have 'restructured' away from their Keynesian and welfarist goals. In the post-colonial underdeveloped countries and in the restored capitalisms in Eastern Europe, new comprador bourgeoisies emerge, as internationalisation forces national capitalists to link up (in a subordinate position) with powerful transnational interests: as McMichael (1996) argues, 'globalisation' has replaced 'modernisation' as the dominant ideology of development.
7. Transnational politics and regional groupings
Post-war Keynesian-welfare and postcolonial states, focused on national economic management and development, formed a transnational political order in which – in contrast to the interwar period – a range of multilateral intergovernmental organisations were developed with the purpose of structuring and regulating inter-state relations. This inter-state system in principle provided an economic and security environment which supported national capital accumulation: in particular, through the Bretton Woods institutions, adjustment mechanisms which could help all countries to avoid a return to the trade wars and depression of the interwar years. Despite apparent principles of equality among states, the system's installation and maintenance depended crucially on US hegemony. The mushrooming of global trade, investment and finance from the 1960s placed extra demands on this inter-state system at exactly the time when that hegemony was being challenged in the economic sphere by Western Europe and Japan. For some twenty-five years, calls for a fundamental redesign of the IGO structure have been resisted in favour of ad hoc changes of their agenda, supplemented by an updated form of traditional 'great power' diplomacy, of which the G5/7/8 'economic summits' are the most visible part. The existence and importance of these transnational political structures bears out the view of globalisation sceptics that the state has not withered away; on the other hand, repeated forecasts that trade and currency tensions would lead to the breakdown of inter-state cooperation and a return to interwar-style protectionism have proved wide of the mark. Regional groupings represent an attempt to create more durable and legitimate transnational political structures. Far from indicating an alternative to 'universal' global integration, they rest on exactly the same economic foundations: the greater intensity of economic integration between neighbouring countries generates greater pressure to find collective solutions.

8. The new imperialism
From around 1870, formal colonial empires and informal hegemonic powers formed an imperialist system, in which less developed and militarily weaker regions were politically and economically subordinated to one or other of the competing imperial powers. Formal political independence did not of itself change anything in countries locked into a traditional primary-producer role in the international division of labour, and in any case informal spheres of influence came to be exercised through bodies such as the British Commonwealth, the
Alliance for Progress in the Americas, and regional US-led security bodies like NATO. In the 1960s and 1970s, neo-Marxist and dependency writings broadly captured the continuance of imperialism, based on economic and political subordination, and generating still-increasing gaps in living standards between developed and underdeveloped regions. More or less radical policies of national development in those decades often challenged directly the power of foreign capital through nationalisations, forms of economic planning, and discriminatory monetary, fiscal and trade policy instruments, but with little success. In the 1970s, the growth of global capital markets appeared to offer a ‘non-political’ substitute for official aid flows, but did nothing in itself to change the chronic tendency towards balance of payments crises in LDCs.

The shift towards so-called export-oriented industrialisation accelerated as the problem of external debt spread to engulf most of the non-oil-producing Third World: in the 1980s, this provided the right circumstances for a major economic, political and ideological offensive aimed at ‘opening up’ the markets and resources of the Third World again to foreign capital. As the annual reports of the UNCTAD’s Division on Transnational Corporations and Investment have charted (e.g. UNCTAD 1996), there have been almost universal moves to liberalise controls on trade and FDI, including controls on foreign ownership of banks and other financial institutions, and of minerals, energy, transport and communications companies. It is these foreign investments that form the core of the new imperialism. As Sunkel (1973) argued long ago, once these investments become central to development strategy, they serve to tie local capitalists, managers, politicians and bureaucrats to the economic interests of parent TNCs and other foreign investors. This is supported by the extensive role of the IMF and the World Bank in designing and enforcing ‘structural adjustment’ policies; the regular participation of the elites in transnational political forums both official (IMF, etc.) and unofficial (e.g. the annual Davos conferences); by the continued education of these elites in the leading business and other graduate schools of the USA and Western Europe; and by routine corruption and kleptocracy, as notoriously in Indonesia.

IV. CONCLUSION: RESPONDING TO GLOBALISATION

What conclusions, then, does the ‘globalisation debate’ lead to when recast in this light? First, in the last thirty years or so national
economies have become significantly more internationally integrated, and as a result national governments have lost much of the autonomy that they enjoyed in economic policy-making. This has restored the salience of world market forces in shaping economic outcomes, and encouraged a halting and *ad hoc* multiplication of intergovernmental institutions and processes. Secondly, the vast majority of the largest privately-owned firms, in all sectors and countries of origin, operate transnational networks of production, and in turn generate lower-level networks of trade and production that engage a significant proportion of formal-sector workers everywhere. Thirdly, notwithstanding the continued differences in national legal and regulatory systems, a growing proportion of workers find themselves entering labour markets that are *de facto* global. Fourthly, nation-states are an integral part of the process: they have accommodated and even accelerated this global integration with policy changes that have shifted the balance of economic and political power towards employers and owners, and away from the majority of workers and their dependents.

For a century, despite a lot of lip-service to internationalism, socialist and progressive movements of all kinds have functioned primarily at the national level and below: this has been true as much of trade unions and other organisations of 'civil society' as of political parties. Given the resulting legacy of institutions, practices and political cultures, and the gains in economic justice and political democracy realised through national struggles during that century, it is hardly surprising that the immediate reaction to the perceived threat of globalisation is framed at the national level. Accustomed as most of us are to the formal structures and processes of electoral democracy, we seek to bring the issue on the agenda of our organisations, and we look to national government to orchestrate a response. We look for single-issue alliances to build support for such responses, for example linking trade unions, environmental groups, and consumer organisations in challenging excessively pro-business measures of privatisation and deregulation.

The problem is that, when we get to the national level, we find that the state has become increasingly structured around an agenda that intrinsically excludes or subordinates our concerns. On the national terrain, for example, a weakened labour movement may, as in the UK, find itself excluded, as tripartite structures are abandoned as part of a general assault on labour. On global trade and investment issues, crucial debates and decisions have moved to little-known and relatively inaccessible intergovernmental bureaucracies, allowing 'our'
governments to say that their hands are tied: indeed, in heavily-indebted countries these unelected bureaucracies take over key governmental policy functions.

In these circumstances we have two choices, if a straightforward reactive resistance along customary lines fails (which is clearly not always the case). First, we can accept the limitations of national politics and seek to identify new and effective policy aims and instruments. This is what is offered, in very different ways, by the reconstituted social-democratic parties of the left, and the conservative-nationalist parties of the right. For the latter, globalisation has cruelly undermined their vision of a nation united against its enemies, because big business insists on being free to operate on a world stage. The revival of conservative-nationalism in Europe and elsewhere is built on a populist response to this, and traditional big-business parties alternate between resistance and concessions as they seek to limit the appeal of the renewed far right. But social-democratic parties, including the ex-communist parties of Eastern Europe, have recovered electorally after the long onslaught of neoliberalism, essentially by accommodating to it. As well as accepting fiscal and monetary constraints and rejecting protectionism, they now offer a ‘new New Deal’ that enshrines the world market as the ultimate arbiter over what is and is not produced, and incorporates the political ideology of individualism into everyday life at work and at home. Amid all the talk of joint private/public ventures, of new ways of regulating the private sector and of ‘supplementing’ public welfare provision, in the end this amounts to a political sea-change, in which the fundamental interests of business — a cheap and appropriately-trained workforce, gullible consumers and ‘responsive’ regulators — form a protected core in the political agenda, while everything else depends on ‘what we can afford’. Above all, ‘we’ have to accept the real world by pursuing the common national goal of world market competitiveness, through improving the productivity of labour: the main consequence of this being an inexorable pressure to ‘level down’ wages and conditions, whatever is said about the virtues of ‘reskilling’, ‘increasing value added’ and so on.

Alternatively, we can seek to develop a transnational collective response. This is still often enough rejected as a desirable but hopelessly unrealistic aim. Yet if we believe that effective social movements arise when the activities of participants create shared circumstances and immediate interests, as well as beliefs, then deeper global integration is precisely creating the basis for transnational social movements. This is certainly the case for labour movements today.
Quite apart from the more spectacular demonstrations of solidarity, such as over the Renault-Vilvoorde closure, and in support of dockers in Liverpool and Australia, to an increasing extent routine collective bargaining is undertaken in a global context. The threat of transfer of jobs to overseas affiliates hangs over local and national negotiators in all the more mobile industries, while public sector workers are told that the world’s financial markets will not tolerate the increase in public spending that would result from higher pay increases. Most recently, the campaign against the OECD’s Multilateral Agreement on Investment has brought together international NGOs concerned with environmental protection and poverty, trade unionists seeking to maintain labour standards, and protection-minded national business sectors. Although it can be argued that the crucial factor in temporarily halting the MAI was the unwillingness of President Clinton to risk splitting the bizarre coalition of interests that make up the Democratic Party in a mid-term election year, the campaign began with, and is being continued by, a grass-roots transnational alliance rooted in shared interests.

None of this is to deny that the development of alternatives to present-day global capitalism requires an enormous political effort at the local and national levels. If capital is to be tamed, let alone supplanted as the main organising concept in our political economy, we obviously have to craft alternative forms of economic and social organisation in each state as well as across states (Albo 1997, Panitch 1996). But a transnational dimension to this work is both necessary and feasible.

NOTES

1 Indirectly in cases where an intranational transaction is induced by or contingent upon an international transaction.

2 Similar arguments were advanced some years ago, for example by Moran (1974) in his concept of the ‘obsolescing bargain’: fixed investments (in this case in the copper industry) would give host governments the leverage needed to strike a better deal with investors.

3 Thus Business Central Europe, June 1998, blames the low level of FDI in Estonia on its lack of government incentives (p. 10), and praises the announcement of “long-awaited” new incentives in the Czech Republic (p. 25).

4 On the internationalisation of state structures see Picciotto 1991.

5 This point is taken up again in the next section.

6 For example, contrast the rosy view of Germany’s current prospects in Weiss (1998, ch. 5) with that of Streeck (1997) as well as the essay by Mahnkopf in this Register.
Interestingly, Rodrik argued in a recent study, published by the prestigious and mainstream Institute for International Economics in Washington, that globalisation had 'gone too far', and could not be guaranteed to give rise to unequivocal welfare benefits either within or between nations (Rodrik 1997).

Except of course when global or regional 'powers' choose to override this principle and 'intervene'.

This proposition is developed more fully in general terms in Radice (1998a), and in the case of Europe in Radice (1999).

For example, Japan's industrial finance was largely stock-market-based before World War II, while the USA's was significantly bank-based prior to the Great Depression.

For example, both Japan and Germany were banned from military research after the Axis defeat. This may be more important in explaining their subsequent industrial dynamism than certain institutional features of their 'innovation systems' which only emerged later on.

For an extreme example, see Wade and Veneroso's reference to 'anecdotal evidence' that the bribery of key officials by Japanese and Western financial institutions played a part in South Korean financial deregulation (1998 p. 9).

For Helleiner (1996), the governments that chose to liberalise can now choose to rein in global finance — although it may take a 'major global financial crisis' (p. 206) to bring them to make this 'choice'.

To quote the title of a British neo-Marxist study of state institutions and policies (London-Edinburgh Weekend Return Group 1980).

It seems hard to recall now that in the mid-1970s the so-called Cold War blazed hotly across large parts of sub-Saharan Africa as Washington and London propped up the tottering regime of apartheid in a desperate and finally successful attempt to stave off communism in the region.

On the dramatic growth of stock market flotations in Europe, see Business Week (1998).

Needless to say, the active functions of ownership — trading and voting stock — are appropriated by the investment intermediaries; although where the prospect of profit is minimal, worker buy-outs (ESOPs in the US) are permitted.

The clearest example of this realisation came in Sweden (see e.g. Wilks 1996).

As suggested by Evans (1997).

In Britain the struggle remains within the Conservative Party.

See Herod 1995, Breitenfellner 1997 and Ramsay 1997 for recent assessments of the present state of international trade unionism.

Thus unionised workers in the City, Britain's financial centre, are routinely threatened with the loss of business to other European financial sectors.

REFERENCES


Murray, R. (1972), 'Underdevelopment, international firms and the international division of labour', in Society for International Development, Towards a New World Economy, Rotterdam: Rotterdam UP.


Rueschemeyer, D. and Evans, P.B. (1985), 'The state and economic transformation:
towards an analysis of the conditions underlying effective intervention', ch. 2 in Evans et al. (1985).


Wilks, S. (1996), 'Class compromise and the international economy: the rise and fall of Swedish social democracy', *Capital and Class* 58, pp. 89-111.