

## Globalisation

During the 1980s and 1990s the state appeared besieged by challenges both externally and from within its own boundaries. Consequently, a huge literature has developed, proclaiming the state's demise (see Horsman and Marshall, 1995, for an excellent review). But have recent social changes really undermined the state and thereby invalidated political sociology's focus upon it? This question is addressed in Part II of this book. Chapters 4 and 5 explore the challenges to the state presented by the ideology of neo-liberalism and the growth of new social movements. This chapter looks at globalisation.

As with so many concepts of interest to political sociology, Marx was one of the first thinkers to develop a theory of globalisation. In *The Communist Manifesto* Marx and Engels famously observed that capital inevitably expands beyond the boundaries of the state in search of new markets. Does the recent popularity of concepts of globalisation therefore support the Marxist thesis that the forces of capitalism will create a global economy leading eventually to international communism?

The recent history of globalisation does suggest that the concept is closely connected to changes in the world economy. The economic crisis of the 1970s, which saw profits fall dramatically throughout the whole industrialised world, led to an attempt by capitalist companies to expand the international nature of their production processes and trade patterns (see Box 3.1). Viewed in this context, globalisation marks the attempt by capital to move beyond the shackles of largely nationally based systems of production to a more flexible and global regime (Harvey, 1990: Part II). Many theories of globalisation have, then, concurred with Marx and Engels' insight into the globalising effects of capitalism. Overwhelmingly, though, radical theories of globalisation have had at their core the celebration of capitalism, rather than its demise.

Moreover, Amin argues that Marxism's tendency to equate globalisation purely with the advance of the capital mode of production means the theory is 'poorly equipped to face the challenge of globalisation' (Amin, 1996: 226). This is because globalisation is as much a cultural

### Box 3.1 Capitalism in Crisis

The post-war history of capitalism can be divided into two main periods. From 1948 to the early 1970s the advanced industrial countries experienced unprecedented and sustained levels of economic growth. World trade also accelerated rapidly during this period. For example between 1963 and 1968 the annual rate of growth in trade reached a staggering 8.6 per cent. However, by the early 1970s this long boom was at an end and capitalism entered a period of decline and uncertainty. The oil crisis of 1973, which saw the Arab oil producing countries raise their prices fourfold, is often considered pivotal to the decline of capitalism. However, this event only exacerbated more fundamental problems. The long boom had been built upon the Bretton Woods agreement of 1944 that had constructed a stable monetary system of fixed exchange rates centred upon the US dollar. The interdependent nature of this system meant that, once the American economy began to experience problems, the rest of the capitalist world was affected too. The huge expenditure of the USA on the Vietnam war, along with increased international competition, rising wage levels and commodity prices throughout the world led to the decline of the American economy. In 1971 the America trade account fell into deficit for the first time since the nineteenth century. The USA was therefore forced to abandon the Bretton Woods system and shift to floating exchange rates. Other countries soon followed suit. This had the effect of destabilising the world economy and led to a large drop in the profitability of the major industrial countries. Between 1960 and 1981 the net profit rate in the USA fell from 22 per cent to 10 per cent, in France from 18 per cent to 1 per cent and in Japan from 44 per cent to 13 per cent. Consequently, in the 1980s and 1990s capitalist corporations have sought to maximise their share of uncertain global markets by seeking to take advantage of a more deregulated world financial system by moving capital from country to country in search of cheaper wage costs, weak unions and low tax rates.

Sources: Dicken (1998: 24–6); Armstrong et al. (1984)

phenomenon as it is an economic one. Individuals as well as corporations are becoming conscious of, and influenced by, a world beyond their immediate locality (Giddens, 1990: 64). The guiding thread of globalisation seems to lie in the acknowledgement 'that a proper understanding of the complexities of social life can no longer be

extracted from an analytical focus on "society", especially where that is seen as equivalent to the quintessentially modern form of the nation-state' (Axford, 1995: 25).

Axford is of course correct to stress the limitations of a state-centred approach which ignores the external constraints upon states and the cultural and economic ties that connect diverse civil societies. Nonetheless, the central argument of this chapter suggests that globalisation has not been as damaging to the power of the state as is often claimed. In fact, many developments associated with globalisation can only be understood in terms of the relationship between the state and institutions of civil society. The evidence surveyed in this chapter will show that states still remain the focal point for cultural and economic activity and that the institutions of civil society, such as multinational companies, rely upon the political frameworks which states provide.

My focus in this chapter will be upon the supposed cultural and economic aspects of global change, while the political dimensions of globalisation will be analysed more fully in Chapter 10, which discusses the extent to which governance is becoming globalised. In the first section of this chapter, the central tenets of cultural and economic globalisation are outlined. In particular, what I shall call the radical globalisation thesis will be summarised. After an examination of the main criticisms of this thesis, the chapter will conclude with an assessment of the concept of globalisation.

### Theories of Globalisation

Moderate accounts of globalisation acknowledge that 'nation-states continue to be key players in the contemporary global economy' (Dicken, 1998: 7). Radical versions of the thesis, however, stress the decline of the state as an autonomous decision-making body. Such radical theories include writers who embrace globalisation, and who argue that it is multinational companies (MNCs) and not states that are the most effective providers of economic prosperity (O'Brien 1992; Ohmae, 1995). They also come from staunch critics of globalisation who nonetheless accept that globalisation has led to dramatic social change (Korten, 1995; Sklair, 1995). The radical globalisation perspective stresses the following factors:

1. The development and wide availability of low-cost telecommunications technology such as fibre-optic cables, fax machines, digital transmission and satellites, which has meant that the populations of states are increasingly becoming subjected to a

'global culture' that is beyond the power of individual governments to control.

2. The rise of MNCs which now have the resources to rival many states, but unlike states are not rooted in geography and are easily able to relocate their plants according to shifting demand and the availability of local advantages such as cheap wage costs, low business taxes and weak trade unions.
3. The increasingly global nature of trade, which has rendered states unable to develop effective economic policies. States increasingly have to respond to factors beyond their control such as imperatives of MNCs and the fluctuations of the world's financial markets. Overall, it is claimed that world markets and MNCs are more powerful forces in international affairs than states and that these new forces of globalisation cannot be effectively governed.

Such alleged trends have become almost hegemonic in their influence on management theorists, business leaders and neo-liberal politicians during the 1990s. Two key figures from the business world who have contributed to the radical globalisation thesis are the Japanese business guru, Kenichi Ohmae, and the President of The People-Centred Development Forum, David Korten. In 1995 both writers produced key texts, which set out in stark terms the huge impact globalisation is supposedly having upon the power of the state. As examples of the radical globalisation thesis, written in jargon-free prose, they are hard to beat and therefore merit some close attention in this chapter. Despite their very different conclusions concerning the desirability of global change, both writers broadly agree on the main areas of social life where globalisation has impacted, and their books provide a useful framework through which we can explore the evidence that supports, or contradicts, the globalisation thesis.

Ohmae (1995: 2-5) defines global change in terms of what he calls the four 'T's': investment, industry, information technology and individual consumers. He argues that investment via financial markets has grown rapidly in recent years, as technology has greatly increased the opportunity for speculators to bypass national government controls. Opportunities for investment are provided by globalised corporations, which unlike the old geographically bound firms are able to move shiftily into newly developing markets such as India and China. Large successful companies attract individuals' investments via large pension funds, which target well-known, global companies whose reputation is a guarantee of a good return.

Not only have innovations in information technology increased the

mobility of capital, but also they have made expert labour in engineering, medicine or design more widely available across states' borders via sophisticated computer interfacing with customers thousands of miles away. These developments are supported by a growing consumer awareness of the variety of lifestyles and products open to them on the world markets. Thus calls for national loyalty in customer patterns are increasingly falling on deaf ears, as consumers seek the best deal for their money, from whatever source is most competitive and convenient.

The central thesis of Ohmae's book is that the leaders of states have failed to accept that the forces outlined above are beyond the control of governments (Ohmae, 1995: 7). The key to these developments is the rapid expansion of the global economy. For Ohmae, this is to be welcomed because it brings with it increased prosperity and opportunity across and within national cultures. The globalising forces identified by Ohmae cannot (he argues) be resisted by narrow-minded political leaders for long. Political barriers will increasingly be prone to leaks as global flows of information ensure that people will become more aware of a shared global consumer culture, defined as 'Californiaization' by Ohmae (1995: 15). Individuals have already begun to assert their consumer sovereignty above their bonds to national sovereignty. As Ohmae writes, 'the well-informed citizens of a global marketplace will not wait passively until nation-states or cultural prophets deliver tangible improvements in lifestyle . . . They want their own means of direct access to what has become a genuinely global economy' (Ohmae, 1995: 16).

The sheer speed of technological advancement is creating a deep change in the mindset of those exposed to it. Ohmae cites the example of Japan, where a new generation of 'Nintendo kids' is becoming resistant to rules handed down by their parents and grandparents whose thinking was shaped by Japan's experience in the Second World War. Life opportunities can, like the interactive computer games that have reshaped their consciousness, be 'explored, rearranged, reprogrammed' (1995: 36).

A decline in stifling national cultures is, argues Ohmae, to be welcomed, as is the weakened abilities of states to trade off economic success for political survival through expensive and dependency creating welfare systems. Because the state has failed to move with the global current of our times, it has become, not the protector, but the 'enemy of the public at large' (1995: 56).

The logic of Ohmae's argument brings him to the conclusion that governments now have a useful role only as facilitators of what he calls *region states*. He defines these as 'natural economic zones', which have

evolved through market forces operating both beyond and within national boundaries. Many of these regions have huge economic capacities; for example the Shutokei region in Japan would alone rate as the third greatest economic power behind the USA and Germany (1995: 80). These region states are economic rather than political units and therefore welcome unconditionally foreign direct investment and foreign ownership. As such, they provide a much greater chance of meeting the changing needs of the people who reside in them than do traditional states. The challenge for states is to develop more flexible federal structures of co-ordination to ensure that these regional states are maintained and fostered (1995: 100).

However, even this limited role is transitional because the rationale for the existence of states is disappearing. For Ohmae, the militaristic logic of states has been shown to be a mask for vested interests; the control of territory is increasingly irrelevant in an economy that values knowledge over natural resources, and political independence is increasingly a sham in the context of a global economy.

While other 'radical globalists' may largely accept the description of the global forces outlined by Ohmae, not all agree with his optimistic appraisal of their effects. Ohmae's neo-liberal position has been contradicted forcibly by David Korten in his excellent book *When Corporations Rule the World*.

In describing the development of what he refers to as the 'full world', Korten stresses the global nature of world problems, accelerated by the very forces Ohmae identifies as positive (Korten, 1995: 28). Thus, Korten notes the disintegrative effects of the ecologically unsustainable quest for continued economic growth, and the extremes of inequality between the world's rich and poor. In the face of these pressures, traditional forms of governance seem incapable of resisting the process of 'economic globalisation that is shifting power away from governments . . . toward a handful of corporations and financial institutions' (1995: 12). Far from being beneficial, as Ohmae argues, these developments are 'a modern form of the imperial phenomenon' whereby the undemocratic and short termist drive for profit, at the expense of people, is the principle force guiding globalisation (Korten, 1995: 28).

For Korten, corporations have ceased to be merely economic entities and have become the 'dominant governance institutions' (Korten, 1995: 54). As such, they are barriers to, rather than champions of, free markets and genuine competition. Korten cites Adam Smith's famous treatise on the benefits of trade, *The Wealth of Nations*, in support of his argument that modern corporations are 'instruments for suppressing the competitive forces of the market' (Korten, 1995: 56). Smith has a much more sophisticated approach to trade than many of his neo-

liberal followers would have us believe. Smith's wariness of the oppressive tendencies of the state was matched by his fear of unfettered corporate power, which if allowed to develop would inevitably distort the laws of supply and demand.

In a fascinating discussion, Korten shows how the political disruptions caused by the American Civil War led to the reduction of democratic constraints on the power of American corporations. In a pivotal judgement in 1886, the Supreme Court decided in favour of the Southern Pacific Railroad in its case against Santa Clara County, and declared that corporations should be treated henceforth as individuals with all the protections of the constitution, rather than as economic units (Korten, 1995: 59). In this historical event, Korten sees the roots of the present dominance of corporations across the globe because from that point on, the 'constitutional intent that all citizens have an equal voice' could no longer be upheld, owing to the huge resources at the disposal of huge private companies. Less than a hundred years after this ruling, American companies have shaped the world economy in an image suited to their needs, and against the interests of the bulk of the world's population.

These firms have become increasingly global in their outlook to the point whereby they have 'grown beyond any national interest' (Korten, 1995: 124). Such corporations have played a central role in undermining indigenous cultures which are barriers to global consumer patterns. In this way advertising jingles, product symbols and corporate sponsored popular music are replacing national identity and community values as the driving force behind human interconnectedness (see Sklair, 1995: 87-97). Korten cites the Chairman of Coca-Cola, who argues that 'people around the world are today connected by brand name consumer products as much as by anything else' (Robert Goizueta, cited in Korten, 1995: 153). This point is illustrated by the sponsorship of street signs in Tanzania by Coca-Cola's biggest rival, Pepsi!

The pictures that Ohmae and Korten paint may be composed in very different ways, and the impact upon the viewer contrasting, but their subject matter is essentially the same. According to the radical globalisation thesis, the state is being replaced as the key actor in the world by corporations which operate in a world economy underpinned by a universalised consumer culture. All of these tenets of the globalisation thesis have been refuted or substantially qualified by writers who dispute that globalisation is as pervasive as Ohmae and Korten claim.

## Criticisms of the Radical Globalisation Thesis

The central problem with the thesis is a lack of a clear definition of what globalisation entails (Hirst and Thompson, 1996: 1–17). Globalisation has obtained a mythical status and appears to encompass a vast number of related, unrelated, or even contradictory processes. Its effects are nonetheless often portrayed as irresistible. Will Hutton (1995b) has pointed to how globalisation has been 'naturalised' by neo-liberal governments, which seek to justify the deregulation of the economy. Such policies can be asserted as the 'only alternative', in an economic climate where it has become impossible to 'buck the market'. Globalisation is in this sense a self-fulfilling prophecy. It demands a set of policies that ironically create the social conditions that are said to result from the inevitable logic of global capital. It can be argued then, that processes of globalisation are promoted more by neo-liberal political ideology than economics. An assessment of the available evidence certainly suggests that the effects of globalisation are far from certain.

### The Development of a Global Culture?

No one could dispute the growing significance of telecommunications and information technology in increasing the ability for companies to spread their messages more widely and quickly. However, important qualifications need to be made to the view that an increasing ability to communicate will necessarily lead to an homogeneous global culture. First, several practical qualifications can be made to the 'global culture' thesis. As Cable has argued, states are beginning to respond to the new technologies with increased regulation:

Access to global media requires equipment – satellite dishes, modems – which can, in varying degrees, be controlled, as the Chinese authorities and others are trying to do. Surveillance techniques are catching up. The US law enforcement agencies are developing a 'tessar' which will help them maintain effective surveillance over computer networks. (Cable, 1996: 133)

It is also wrong to assume that technological advances are necessarily detrimental to the power of states to control their citizens. Increased technology in communications equipment may in some instances increase the ability of the state to control immigration, and monitor its populations through the use of computer databases, identity cards and surveillance cameras. As Giddens (1985) has noted, innovations in

surveillance have historically been crucial to the development of the state and recent developments may well enhance, rather than detract from, states' ability to police their citizens. Additionally, states which are best able to utilise technological advances to enhance their military power are well placed to assert their will in international affairs, as witnessed by the huge variety of technological weaponry used by the USA and its allies in the Second Gulf War. Moreover, Hutton (1995a) has argued that in many areas technological innovation is not increasing in pace. He insists that 'it is possible to view the change that confronts this generation as the least transforming of this century'. This is because many of the technologies we use today, from the telephone to the television, are 'broadly the same as 30 years ago'.

Secondly, Smith has insisted that the deep-rooted identities of nationalism and ethnicity are unlikely to be replaced by a rootless global culture built upon the consumer capitalism of Disneyland, Coca-Cola and Power Rangers:

The fact remains that cultures are historically specific, and so is their imagery. The packaged imagery of the visionary global culture is either trivial and shallow, a matter of mass-commodity advertisements, or it is rooted in existing historical cultures, drawing from them whatever meanings and power it may derive. (Smith, A., 1995: 23)

Notions of a hegemonic global culture are asserted rather than proven. Cultural interchanges are by their nature two way in nature. Thus the spread of Western-style capitalism or European ideological systems across the globe is unlikely to lead to cultural homogeneity (Ahmed and Donnan, 1994: 1–5). This point is supported by Hebdige's work on the alleged Americanisation of British culture since the 1950s. Hebdige (1982) found that American cultural forms in dress and popular music were not adopted passively by British youth, but instead were creatively adapted. This led to new hybrids of popular culture that in turn were influential on American culture. For example the 1960s rock band The Beatles successfully integrated elements of the English music hall tradition and Anglo-Celtic folk ballads into a distinctively British version of Rock n' Roll music. This was then successfully exported back to the USA. Culture, then, can be seen to develop through a process of cross-fertilisation as external cultural forms are mixed with indigenous forms of expression.

Thirdly, Hall (1995: 200) argues that the present era is characterised, not by cultural uniformity, but by the resurgence of ethnic identities. Hall cites the rise of racism in Western Europe, the growth of neo-

fascism in Russia, the influence of Islamic fundamentalism throughout the Middle East and Africa, and the jingoist nature of anti-Europeanism in Britain, as examples of these developments. Communication across the globe may, in some quarters, increase and accent difference, rather than create a global market of passive 'Americanised' consumers.

Cable contends that technological advances can aid the promotion of sub-national or ethnic identities. For example in the USA the various mediums of privately owned television programmes, VHF vernacular radio and cheap videos and CDs have helped minority groups maintain their identity. As Cable (1996: 133) argues, 'the medium may integrate people globally, but the message may promote political and social fragmentation'. The growth of fundamentalism, religious cults and ethnic nationalism can in part be explained in terms of a rejection of Western capitalistic values that are seen as hollow and corrosive, in favour of more deeply held belief systems which are forcibly reasserted at the national or sub-national level. Beyer, for example, concludes his study of the relationship between globalisation and religion by arguing that 'a great many people in global society, perhaps the majority, will continue as almost exclusive adherents and practitioners of the traditional systematic forms, a fact that the abiding vitality of conservative religion only seems to underscore' (Beyer, 1994: 226).

### A Global Economy?

Few commentators would argue with Lanjouw (1995: 4) when he writes that 'an ever increasing proportion of world output is being traded internationally'. As Hirst and Thompson (1996) note, however, the distinction between internationalisation and globalisation is an important one because the latter implies not just increased trade across the globe but also that the world economy has moved beyond the capacity for states to govern. In reality, the international economy has for decades operated in the context of the states system, and therefore 'self regulating economies independent of politics are a myth' (Anderson, 1995: 79). Hirst and Thompson agree that 'the world trading system has hitherto never just been an "economy", a distinct system governed by its own laws. On the contrary, the term "international economy" has been shorthand for the complex interaction of economic relations and political processes' (Hirst and Thompson, 1995: 418). Furthermore, an increase in the volume of world trade, or in the growth of foreign investment, does not necessarily mean that we are witnessing globalisation. In fact, many of the trends that are cited as evidence in support of globalisation illustrate just how concentrated the world's economic activity is.

One of the key measurements of globalisation is the amount of foreign direct investment (FDI) in the world system. As Kozul-Wright (1995: 157) suggests, the stock of FDI in the world economy actually peaked in 1914. Although in the 1990s the potential exists for many industries to be more global in the future, the patterns of these developments are complex and therefore we cannot easily generalise about the world economy as a whole. FDI is also dominated by a few powerful economies. As Hirst and Thompson observe, in the early 1990s, 70 per cent of FDI was by the top five economies of the world (1996: 196).

Hutton has argued that recent developments suggest that 'multinationals are deglobalising their production and pulling back into their home regions' (Hutton, 1995a). Indeed, much export and import activity is intra-firm in nature. For example, in 1993, 45 per cent of the USA's import value and 32 per cent of its exports could be accounted for by intra-firm trade (Eurostat, 1995: 7-9). The concentration of economic activity by relatively few MNCs, located in a small number of states, cannot be classed as persuasive evidence of globalisation.

The exaggerated claims for global markets ignore the fact that most international trade is still between the industrialised nations and a few favoured newly industrialising countries such as South Korea and Taiwan. Much of the apparent global economic activity can be explained in terms of the evasion by MNCs of high costs incurred by national regulation or taxation. For example although total FDI levels grew considerably between 1991 and 1993 this could largely be accounted by inward investment by Chinese enterprises taking money out of their own country and bringing it straight back in, thereby securing the favourable treatment afforded to 'foreign investment' (Hutton, 1995b).

In reality, the development of the 'free market' associated with globalisation has marginalised many economies in terms of trade. Inequality between the developed and 'developing' nations is wider than ever. For example 14 per cent of the world's population accounted for 70 per cent of world trade in 1992 (Hirst and Thompson, 1995: 425). Between 1980 and 1994 the percentage of the world's exports going to Africa actually fell from 3.1 per cent to 1.5 per cent. During the same period Latin America's share of world exports decreased from 6.1 per cent to 5.2 per cent (United Nations, 1996c: 318). These figures hardly provide evidence of a trend towards globalisation.

In many regions of the world the supposed benefits of globalisation are difficult to detect. In 1995 the annual rate of growth of Gross Domestic Product (GDP) in Latin America fell by 0.9 per cent, while in

Africa it stood still at 0 per cent (United Nations, 1996c: 7). Although South-East Asia showed high rates of growth in the early 1990s, by the end of 1997 many countries in the region were forced to devalue their currencies against a background of falling growth rates and a collapse in confidence in their underlying economic strength (*Financial Times*, 1998). In Central and Eastern Europe during the 1990s, the position was dire. In Romania, levels of GDP in 1995 stood at 86.5 per cent of what they had been in 1989. In Bulgaria and Albania the economic situation was even worse (United Nations, 1996c: 24).

Importantly, political considerations have also been central to the economic marginalisation of many Third World countries. With the ending of the Cold War, during which the USSR and the USA fought the conflict through proxies in the developing world, the strategic dimension that ensured some economic support to the allies of the superpowers disappeared. Financial aid from the developed world going to low income countries has actually fallen in recent years, as funds have been used to cut public spending by developed countries eager to compete in the new 'global economy' (United Nations, 1996c: 73). At a meeting of the G8 (the world's seven strongest economies plus Russia) in May 1998 the debt crisis, which cripples many underdeveloped economies, was on the agenda for discussion. Little firm action was taken, however, even to relieve the problem. Such neglect has led to extreme 'global imbalances' and 'unsustainable levels of indebtedness' (Kirdar, 1992: 3). The United Nations Conference on Trade and Development (United Nations, 1996c: 27–32) concluded that many Third World countries have 'been unable to benefit from, and meaningfully participate in, the globalisation process'. These inequalities suggest that economic globalisation might be more accurately described as economic polarisation.

Even amongst the industrialised nations, patterns of investment and trade differ greatly. Countries such as Britain and Japan are less dependent upon trade now than they were eighty years ago (Cable, 1996: 135), and, as Kozul-Wright (1995: 157) contends, Germany and Japan have not been significant 'host' countries for external investment, suggesting great variation between states based on different political strategies towards economic change (Weiss, 1998).

The extent to which globalisation of the economy is genuinely occurring varies not only between states, but also between industrial sectors. In those sectors which are bound up with national identity, there is strong resistance to the opening up of markets. Examples of this include industries like cinema and agriculture where the shift to free trade in a global setting may be seen as a threat to the social fabric of the nation (Lanjouw, 1995: 16–17). Such resistance to global change has

had a large impact upon the shape of the European Union, which spends much of its income on the Common Agriculture Policy (CAP) largely to protect inefficient, but politically significant, farmers in France and Germany. This policy has been highly controversial within and outside the Union. There is much agreement amongst economists that not only does the CAP distort the world market in food it greatly hinders development of successful agricultural sectors in the developing world (Leonard, 1994: 120–8).

As well as the growth in world trade and increased FDI, supporters of the globalisation thesis argue that the world economic system has witnessed 'increasingly volatile globalised financial markets in which speculative financial movements are a major source of instability and disruption' (Korten, 1995: 196). Certainly the levels of speculation on the world's currency markets are staggering; in 1996 around \$1.3 trillion a day was being traded. This is over ten times the amount necessary to support the volume of world trade (OECD, 1996: 2). However, Hirst and Thompson (1996: 197) insist that the openness of the money and capital markets is not new. In this respect, 'the international economy was hardly less integrated before 1914 than it is today'. They point to the development of international submarine telegraph cables from the late nineteenth century, which facilitated fast currency exchanges, and conclude that new technologies have not transformed the economy to the extent the radical globalisation thesis suggests. As Cable (1995) notes, the openness of the financial system is largely due to political decisions by neo-liberal governments, such as the deregulation of markets and privatisation. Importantly, therefore, Hirst and Thompson argue that the international markets could be regulated much more efficiently if the political will amongst the top economic powers existed (Hirst and Thompson, 1996: 197–201).

#### MNCs as the Dominant International Actors?

The third element of the radical globalisation thesis centres upon the role of MNCs as the principal vehicles of global economic change and the chief rivals to states. On closer inspection, many of the powers attributed to these companies are shown to be mythical or exaggerated.

There certainly is substantial evidence to suggest that the largest of the world's corporations are increasing their economic strength and therefore, in some instances, their political influence. In 1993 it was estimated that multinationals controlled 70 per cent of the world's trade. The combined sales of the top 350 companies accounted for almost one third of the total Gross National Product (GNP) of the industrialised countries (*New Internationalist*, 1993: 19).

Such is the significance of MNCs to the radical globalisation thesis that some theorists have advocated the use of the term transnational to describe many modern corporations. This is because multinationals are still firmly rooted in their home country and are 'deeply integrated into the individual local economies in which they operate' (Korten, 1995: 125). Transnational corporations, in contrast, are companies which are 'geocentric' in their outlook (Albrow, 1996: 121). These companies are concerned with increased profitability, regardless of national interest, the location of their plants, or the origins of their workforce. However, there is reason to remain sceptical about the true transnational character of the majority of these companies.

The first point of criticism is that corporations are not rootless economic actors, but are still firmly entrenched in and dependent upon states. Most of the assets of even the largest MNCs are contained in their home country. For example Ford has 80 per cent and Pepsi-Cola and McDonald's over 50 per cent of their fixed assets located in the USA (Hutton, 1995a). In the crucial area of technological research, American companies conduct only 9 per cent of this in foreign countries (Cable, 1995: 31).

In many cases, the culture of MNCs is also very firmly rooted in the home state. The management personnel of these companies have their cultural origins in states, and globalisation has not eroded national sentiments. The desire for home control of the management of corporations means that very few have 'attained a really global dimension' because 'the economies of scale or location are often balanced by the loss of co-ordination' (Eurostat, 1995: 5).

It is the national context which provides the wider setting for the development of corporate cultures. MNCs are unlikely, by themselves, to be able to generate such strong allegiances as states. Local cultural factors also retain a strong resistance to convergence towards globalised models of management practice (Hofstede, 1981). Moreover, Hirst and Thompson note how states provide companies with important support mechanisms, such as 'networks of relations with central and local governments, with trade associations, with organised labour, with specifically national financial institutions orientated towards local companies, and with national systems of skills formation and labour motivation' (Hirst and Thompson, 1995: 426).

MNCs by themselves are unable to provide the necessary stability and regulation necessary for continued economic growth, and are still very much reliant upon states to manage global change. The particular institutional framework, the political culture and the dominant ideology of a state at given time will help to shape the form and success of this political management. In the relationship between

MNCs and the state, it is the latter which still tends to hold sway. As Berridge contends:

It is one thing to concede that multinationals have influence with the state, even, on occasions, great influence; it is quite another to accept that they exercise uninterrupted control over even micro-states and small states, let alone middle or major powers. Only slight of hand has allowed this impression, and it is no more than that, to become established. (Berridge, 1992: 49)

### An Assessment of the Globalisation Debate

The evidence examined in this chapter suggests that the claims of the radical globalisation thesis need to be qualified in the following ways.

1. A global culture, in the sense of a homogeneous set of essentially Western values accepted universally across and within states, has not emerged in recent years, and is unlikely to develop in the foreseeable future. Ethnic, religious, and local belief systems still exercise a tremendous pull on individuals and communities across the globe.

It is true to say that many people throughout the world are becoming increasingly exposed to other cultures, and technological advances have largely been responsible for this (Ahmed and Donnan, 1994: 4). This may well result, however, in greater cultural diversity rather than less. Old traditions may themselves become reworked and globalised as they compete with other visions of how the good life can be best obtained. Religion, for example, may gain a 'recontextualized salience', that involves a movement 'away from the particular culture with which that tradition identified itself in the past', so that 'religion within the global system can be antisystematic and prosystematic at the same time: it can further globalisation in opposing its effects' (Beyer, 1994: 3, 10, 100).

A good example of the complex ways in which the local and global interact is the Salman Rushdie case (Beyer, 1994: 1-4; Ahmed and Donnan, 1994: 1). Rushdie's alleged attack (in his novel *The Satanic Verses*) upon the Islamic faith placed in opposition his Westernised defence of 'universal' values such as free speech and the globalising tendencies of Islam, which like any world religion strives to universalise its perspective. The global telecommunication network allowed this value conflict to spread rapidly around the globe so that demonstra-

tions against Rushdie's book in cities in England sparked an immediate reaction thousands of miles away in Bombay and Islamabad.

2. The world economy is best described as internationalised, rather than globalised, since its main actors and benefactors are heavily concentrated. The term globalised economy also implies that economic actors have a level of independence from states that does not exist. However, the fluctuations of the international financial markets are an increasing source of political and economic instability.

The world economy has undoubtedly grown in volume and intensity. Particularly significant has been the vast increase in currency flows via the world's stock markets. This has to some extent reduced states' autonomy in the management of their economies. However, the notion of a global economy significantly underestimates the concentration of trade and investment in a few powerful states and MNCs. The benefits of the growing international economy have not been global, as they virtually exclude large regions of the world. Neither does the term globalisation capture the interdependent relationship between states and firms. For these reasons, Hirst and Thompson (1996) persuasively argue that the present economic climate is probably best described as internationalised rather than globalised. Moreover, patterns of trade illustrate the polarisation of the world economy. Regions such as Sub-Saharan Africa are all but excluded from the benefits of trade.

However, critics of globalisation often underestimate the impact of new technologies on the world economy and the difficulties associated with regulating its effects. Indeed this is where Hirst and Thompson's critique of globalisation is at its weakest. They argue that the development of submarine telegraph cables in the mid-nineteenth century ensured that financial markets in the pre-1914 period were 'not fundamentally different from the satellite-linked and computer-controlled markets of today' (Hirst and Thompson, 1996: 197). This greatly underestimates the quantity, quality and speed of information which computer technology has given to financial traders. Successful traders have to make use of available technology if they are to be successful. In contrast, in the pre-1914 period some stock exchanges made little use of technological advancements, such as the telephone and telegraph. In 1913, an American stockbroker, Van Antwerp, observed that on the London stock exchange telegraph machines were 'limited in number, almost nobody looks at them, and many really enterprising houses do not install them at all' (Morgan and Thomas, 1969: 163). Van Antwerp also remarked upon the hundreds of letters and telegrams from in-

vestors that lay unopened on brokers' desks. This would be unthinkable today, where computer technology allows fortunes to be made and lost in seconds by dealers speculating on often momentary fluctuations in currency values.

3. Large companies, operating beyond the boundaries of their home state, are still overwhelmingly multinational rather than transnational, relying as they do upon the political and legal frameworks provided by states. However, the 'global reach' of many companies is likely to increase with further advances in communications technology and through the influence of globalisation as an almost hegemonic ideology in business and management circles.

The evidence would suggest that states committed to market economies do have to consider carefully the needs and interests of MNCs. Although to some extent this has always been the case, most commentators would agree that states now operate in a new context where MNCs increasingly, directly or indirectly, influence government policy (Anderson, 1995: 82). As Hirst and Thompson (1996) have argued, however, there is nothing inevitable about this. Most states retain enormous economic, military and communicative power particularly when acting together in regional bodies such as the European Union. Moreover, many of the freedoms and frameworks necessary for successful operations by MNCs are guaranteed or supplied directly by states. The opportunity therefore does exist for further political regulation if states wish to redefine their relationships with the economic organisations of civil society.

## Conclusion

The radical globalisation thesis introduced in this chapter suggests a growing interdependence between cultures and economies, and a subsequent weakening of the power of the state. If this thesis were accepted uncritically, grave damage would be done to our argument that an analysis of the state is pivotal to political sociology. However, a very different picture of globalisation emerges from the evidence explored in this chapter.

Globalisation is in fact a product of the interactions between the state and the institutions of civil society, such as multinational companies. Individuals and associations within civil society are still dependent upon the state's unique ability to centralise and concentrate military, economic and communicative power. Greater awareness of other cul-

tures has often intensified rather than minimised clashes between belief systems, and increased not reduced calls for statehood. Economic corporations depend upon states to provide infrastructure and legal support and economic management is still shaped by political culture and ideology. In short, states still provide the framework for cultural and economic activity.

Globalisation, in the form asserted by writers such as Ohmae, is an ideological assertion rather than a description of inevitable economic and cultural processes. In this sense, the radical globalisation thesis shares a crude economism with some versions of Marxism. Such economism ignores the important question of governance that is raised by globalisation: how can states, acting individually and collectively, regulate the associations of civil society more effectively?

In Chapter 10, I will argue that the concept of globalisation best describes, not the triumph of capitalism, but a set of global risks. Defined in this way, globalisation is changing the context in which states govern and is creating the opportunity, if states are willing to seize it, for the creation of alternative forms of governance. Global risks highlight the need for a global system of governance to regulate the environmental damage and material inequalities caused largely by the economic liberalisation championed by many exponents of globalisation. However, since the 1980s, the influential ideology of neo-liberalism has advocated the promotion rather than regulation of economic 'globalisation'. Neo-liberalism is therefore the next challenge to the state that we shall explore.



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