

II.D. GLOBALIZATION AND GOVERNANCE

Summary

In this section we situate our evaluation of scenarios within the real world context of global economic growth and integration---“globalization”. After a review of definitions and interpretations we ask if globalization is more likely to support or to undercut our ability to achieve the goals expressed in quantitative Scenario 3. We conclude that there appear to be practicable institutions and policies that could allow a growing, globalizing, market economy to be managed in a way that keeps financial, trade and investment fluctuations within an acceptable range, and that could successfully address environmental concerns. There also appear to be institutions and policies that could enable developing countries whose growth rates are below those of high-income countries to grow faster, although the magnitude of the political and social commitment needed to achieve this needs to be acknowledged. The most problematic suspected cause of increased inequality—skill-biased technological change—may or may not be reinforced by globalization per se. If tendencies that encourage inequality are mild, there appear to be institutions and policies that can constrain these under conditions of globalization. If such tendencies are great they will pose a major challenge to our chances for realizing Scenario 3.

The existence of practicable institutional and policy blueprints is a necessary but not sufficient condition for Scenario 3 to be credible under conditions of globalization. The advocated governance regime—broadly, “social-democratic internationalism”—presumes the existence of nation-states, structures accountable to nation-states, or other structures that ensure popular legitimacy and accountability. It also presumes a majority socio-political ethos that affirms the solidaristic economic, ecological and equity values expressed in Scenario 3. If globalization seriously undermines structures of accountability or individual commitment to a common future, then the practicability of Scenario 3 is further challenged. Authors differ widely in their assessments of the extent to which globalization can be expected to undermine structures

of accountability and commitments to a common future. If Scenario 3 is to be credible it must at a minimum be strongly affirmed by many people sharing a commitment to cooperate towards its realization.

II.D. GLOBALIZATION AND GOVERNANCE

Introduction

In the last section we suggested that it might be difficult to present our ideal quantitative scenario, Scenario 5, as desirable, credible and compelling. The major difficulties concern the degree of social consensus necessary to reduce output growth rates to zero by 2050 in the high-income countries, and in other countries by 2150, and to bring the 80:20 ratios from their current levels to a stable level of 2.5.

As a possible alternative we revisited Scenario 3. Here output growth slows in the high-income countries to the low rate of 0.5% a year by 2050, and in all countries to the same rate by 2150, but we do not require that it slow to zero. Further, we seek only that the 80:20 ratio in the high-income countries does not increase beyond its current level of 6.5, and that as the developing countries approach the per capita incomes of the high-income countries their 80:20 ratios decline and stabilize at that same level.

Our discussion to this point has taken place at some remove from any real world context, and if Scenario 3, or any scenario, is to be credible and compelling it can only be so within the context of the real world. The world system is currently in the midst of an extended period of global economic growth and integration, with uncertain implications for our economic, political and social future. How does this state of affairs—“globalization”—bear upon prospects for Scenario 3? If we have reason to believe that globalization would support the achievement of Scenario 3, then we should be supportive of globalization, all else being equal. If we have reason to believe that globalization would make Scenario 3 more difficult to achieve, then we are faced with new challenges if we wish to present Scenario 3 as credible and compelling.

This Section begins by clarifying our use of the term “globalization” and assessing the extent to which the changes that it is meant to describe are or are not in fact taking place. We then review possible governing institutions and policies that could allow us to achieve the several elements of Scenario 3. Then we assess the possibility that globalization might affect political,

social, cultural and other structures and values in ways that could affect our ability to develop the institutions and implement the policies that would be needed in order for Scenario 3 to be realized.

II.D.1. DEFINITIONS AND INTERPRETATION

II.D.1.a. DEFINITIONS

Box IID-1 lists definitions of globalization. For this exercise we use Rodrik's definition: globalization is "the international integration of markets for goods, services, and capital, and the secondary impacts, positive and negative, that this has on economic, political and social life in societies."

Many people use "globalization" to describe a more multifaceted, multicausal process of global transformation, and would consider Rodrik's definition as descriptive of one particular facet of this, i.e., "economic" globalization. Waters distinguishes economic, political and cultural globalization, and describes sixteen aspects of these, as shown in **IID-2**. Holm and Sorenson illustrate "narrow" and "comprehensive" ways in which globalization can be understood, as shown in **IID-3**.

We use Rodrik's definition as a convenient entry into a complex discussion. Clearly, what he calls "secondary impacts" are the cause of much of the controversy over globalization. Further, these secondary impacts may themselves encourage or discourage further economic integration, and have other, independent causes, and may have impacts upon one another as well.

In this exercise the terms "globalization," "economic globalization" and "global economic integration" are treated roughly as synonyms, and are variously used for convenience or emphasis.¹

¹ The term "globalization" is also used colloquially to denote the spread of an activity or condition throughout the world, e.g., "the globalization of soccer" or "the globalization of Mormonism."

BOX IID-1. DEFINITIONS OF GLOBALIZATION

1. largely economic and political-economic

Dani Rodrik (1997)

Globalization is “the international integration of markets for goods, services and capital,” and the secondary impacts, positive and negative, that this has on economic, political and social life in societies.

James Mittelman (1997)

Globalization is “a multifaceted process of economic integration in which industries produce common cultural goods and technologies for consumers throughout the world. Closely related is a political restructuring away from a Westphalian system driven by superpowers toward a decentered and more pluralistic post-Westphalian framework opening space for diverse regional, national and local formations.” (p 1)

Robert O. Keohane (1995)

Globalization is “the intensification of transnational as well as interstate relations.” (p 165)

R. J. Barry Jones (1995)

The term *globalization* is closely related to integration, interdependence and convergence but is typically used to convey the sense of a larger set of related phenomena of major import:

* Persons involved in business and commerce commonly use the term to describe “the standardization of production technologies and capabilities, world-wide, and the increasing exposure of all states to a common set of practical problems and competitive economic pressures.”

*Persons operating within a political-economy framework use the term to “mark the general progress of the internationalization of finance, production and economic transactions, to a level that now threatens the traditional functioning of the nation-state, the capacities of governments for effective action and, ultimately, the potency of the democratic polity.”

* for Marxians “globalization” marks the hegemony of transnational capitalism and the institutional primacy of the transnational corporation.

Philip G. Cerny (1995)

Globalization is the spreading across borders and economic sectors of a set of economic and political structures and processes deriving from the increasing structural differentiation of goods and assets that “1) are frequently (although not always) more transnational and multinational in scale (i.e., are in significant ways more inclusive) than the state; 2) potentially have a greater impact on outcomes in critical issue-areas than does the state...; and 3) may permit actors to be decisionally autonomous of the state.” (p 596)

Mihaly Simai (1994)

“Globalization could be defined as the entirety of such universal processes as technological transformation, increasing interdependence caused by mass communications, trade and capital flows; and the homogenization and standardization of production and consumption patterns.” (p 371)

(con't.)

Box IID-1 Definitions of Globalization (continued)

2. largely sociological

James N. Rosenau (1997)

Globalizing processes “consist of all those forces that spread readily across national boundaries... (and) impel individuals, groups, societies, governments, institutions and transnational organizations towards engaging in similar forms of behavior or participating in more encompassing and coherent processes, organizations, or systems.” The objects and activities that spread across boundaries include goods and services, people, ideas and information, money, normative orientations, and behavioral patterns and practices. These spread through two-way interactions, one-way telecommunications, emulation, and institutional isomorphism. (p 81)

Jan Aart Scholte (1996)

“Globalization refers to the emergence and spread of a supraterritorial dimension of social relations.” Examples include the proliferation and growth of transnational corporations (global companies), popular associations (global civil society), and regulatory agencies (global regimes); global climate change, worldwide epidemics and the decline of biodiversity; whole-world production lines and articles of global consumption; the expansion of world-wide standards (from common scales of measurements to universal human rights); non-territorial networks of collective solidarity; and a growing consciousness of the world as a single place. (p 46)

Malcolm Waters (1995)

Globalization is “a social process in which the constraints of geography on social and cultural arrangements recede and in which people become increasingly aware that they are receding.”(p 3)

Holm and Sorenson (1995)

Globalization is “the intensification of economic, political, social and cultural relations across borders.” (p 6)

Roland Robertson (1992)

“Globalization as a concept refers both to the compression of the world and the intensification of consciousness of the world as a whole...” (p 8)

Anthony Giddens (1990)

“Globalisation can be defined as the intensification of worldwide social relations which link distant locations in such a way that local happenings are shaped by events occurring many miles away and vice-versa.” (p 64)

A.G. McGrew (1992)

“The forging of multiplicity of linkages and interconnections between the states and societies which make up the modern world systems. The process by which events, decisions, and activities in one part of the world can come to have significant consequences for individuals and communities in quite distant parts of the globe.” (p 262)

BOX III-2. WATERS' INVENTORY OF GLOBALIZATION TRENDS

[source: Waters 1995]

<u>DIMENSION</u>	<u>IDEAL-TYPE PATTERN OF GLOBALIZATION</u>	<u>CURRENT STATE OF AFFAIRS</u>
<u>A. ECONOMIC GLOBALIZATION</u>		
Trade	Absolute freedom of exchange between localities. Indeterminate flows of services and symbolic commodities.	Minimum tariff barriers. Substantial non-tariff and cultural barriers. Regional neomercantilism.
Production	Balance of production activity in any locality determined only by physical/geographical advantages.	International social division of labor being displaced by a technical division of labor. Substantial decentralization of production. Dematerialization of commodities.
Investment	Minimal FDI. Displaced by trade and production alliances.	TNC's being displaced by alliance arrangements but considerable FDI remains.
Organizational Ideology	Flexible responsiveness to global markets.	Flexibility paradigm has been orthodox but very substantial sectors of Fordist practice remain.
Financial Market	Decentralized, instantaneous and "stateless."	Globalization largely accomplished.
Labor Market	Free movement of labor. No permanent identification with locality.	Increasingly state regulated. Considerable individual pressure for opportunities for "economic" migration.

(cont'd.)

Box IID-2 Waters' Globalization Inventory (cont.)

<u>DIMENSION</u>	<u>IDEAL-TYPE PATTERN OF GLOBALIZATION</u>	<u>CURRENT STATE OF AFFAIRS</u>
<u>B. POLITICAL GLOBALIZATION</u>		
State sovereignty	Absence of sovereign states. Multiple centers of power at global, local and intermediate levels.	Crisis and attenuation of the state. Evidence of aggregation and decentralization of state powers.
Focus of problem-solving activity	Local issues in the context of the global community.	Increasing focus on local-global nexus but societal community probably still paramount.
International organizations	Powerful; predominant over national organizations.	Multiplying rapidly but relatively powerless.
International relations	Fluid and multicentric.	Superpower system attenuating.
Political culture	Common and planetary transcendence of etatocentric	Advance of liberal democracy/postmaterialism. commitments.
<u>C. CULTURAL GLOBALIZATION</u>		
Sacriscape	De-territorialized religious mosaic	Relativization and fundamentalism.
Ethnoscape	De-territorialized cosmopolitanism and diversity	Emergent infranationalism and supranationalism.
Econoscape	Consumption of simulations and representations	Advanced dematerialization of commodities.
Mediascape	Global distribution of images and information	Deregionalized distribution of images & information
Leisurescape	Universal tourism and the 'end of tourism'.	Declassification of subjects and objects.

BOX IID-3. DIMENSIONS OF GLOBALIZATION

[source: Holm and Sorenson, 1995]

Holm and Sorenson note that the term “globalization” is commonly used to refer to any of four related but different processes, as displayed and described below. The definitions are either more narrowly concerned with economics or more broadly concerned with general social change, and they suggest either that globalization is mostly an expansion of existing sorts of institutions and relationships or a transformative process creating new sorts of institutions and relationships.

Range/Scope of Change

<u>Type/Scope of Process</u>	<u>Quantitative (More of the same)</u>	<u>Qualitative (Epochal shift)</u>
Narrow: Economics	* Intensified interdependence	* Economic globalization
Comprehensive: Social Change	* Increasing interconnectedness	* Globalizing societies

* Intensified interdependence describes a process whereby national economies become increasingly integrated, largely via trade and investment.

* Economic globalization describes a process whereby increasing integration dissolves national economic institutions, and new global institutions carry out most production, marketing and regulation.

* Increasing interconnectedness describes a process whereby not only national economies but national political, social and cultural processes become increasingly interconnected and interdependent, although not necessarily integrated, with one another.

* Globalizing societies describes a process whereby increasing interconnectedness dissolves most national-level institutions and in fact nation-states themselves, and social relations become truly integrated across geographical regions.

II.D.1.b. IS GLOBALIZATION HAPPENING?

Box IID-4 lists significant developments that, taken together, support the case that the world is undergoing a process of systemic economic globalization, and that this is associated, either causally or in parallel, with other impacts on society. Trends over time of important quantitative indices of global economic integration are shown in **IID-5**.

A number of authors argue that the intensity and extent of the trends referred to as globalization are overstated. After a detailed review Wade (1996) concludes that "...using two eyes rather than one we find evidence that the world economy is less internationalized, less integrated than [the globalist] account suggests." **IID-6** lists items that Wade and others use to support this conclusion. Hutton (1994) says:

"Globalization is a term used too loosely, characterizing finance rather than production and trade. There is global management of production by some companies, but what is surprising, given modern technology, is how little production is organized on this basis—and how firmly national most economic variables remain." (p 13)

Globalization enthusiasts respond that even if the skeptics are strictly correct regarding current magnitudes and proportions, they underestimate the pace and depth of the changes underway. On this account, as the synergistic impacts of the recent triumph of market economics and liberal democracy combine with the extraordinary possibilities offered by the new technologies—information, communication, materials, biotech, and more—globalization can only have an increasingly greater impact on our lives.

IID-2 shows Waters' assessment of how far towards "ideal" (i.e., complete) globalization various economic, social and cultural variables have moved. He judges that of his six economic variables, two—financial markets and organizational ideologies—are quite globalized, while labor markets are only minimally globalized.² Of the political variables he believes that globalization is most advanced in the areas of international relations and political culture. Finally, he suggests

² Here the adjective "globalized" means "having reached the condition described in Column 2 of Box IID-2," and "globalization" refers to the process of reaching that condition.

BOX IID-4. EVIDENCE THAT GLOBALIZATION IS HAPPENING

[main sources: Held (1997), Wade (1996)]

Trade

1. At the turn of the century 12-13% of the GDP of industrial nations was traded. Trade declined during the inter-war period but accelerated afterward, and doubled from 1960 (9.5%) to 1990 (20.5%).
2. Global merchandise trade grew at an average of 1.5 times the rate of world GDP, from 1965 to 1990.
3. Many more types of goods, especially service goods, are now traded, thanks to technological innovation.
4. Many more countries than ever before are engaged in active trade (e.g. India and China).
5. In the US in 1960 the biggest firms faced two to five main competitors. Today a large firm may have 10 or more serious competitors. Half of them may be foreign, playing by different rules.

Finance

1. The proportion of foreign exchange turnover to trade grew from \$11/1 to over \$55/1 since 1982.
2. Liberalization in the 1980's and early 1990's has created highly integrated global capital markets.
3. The stock of international bank lending rose in just 10 years from 4% of OECD GDP in 1980 to 44% in 1990. By 1995 world turnover in foreign exchange was *\$1.3 trillion a day*.

Foreign Direct Investment

1. A higher proportion of firms now have operations in many more countries than in 1960.
2. A higher percentage of total value added is produced by firms outside their home country.
3. In the 1980's FDI flows grew at over 20%/yr, 3x faster than trade, and 4x faster than output.
4. Countries in both the North and South have greatly liberalized their rules for FDI.

Multinational Corporations

1. Multinational corporations account for a growing share of output. By 1994 MNC's accounted for 30% of gross global output, 70% of world trade, and 80% of international investment. They controlled 1/3 of the world's private sector productive assets.
2. Most large industrial and financial corporations are now multinationals. In the UK in 1963, 20% of the largest MNC's had subsidiaries in more than 20 countries; by 1970 this had grown to 70%.
3. Companies are exploiting their technological innovations internationally. 45% of US patents granted in 1990 came from outside the US.

Cultural and Communications Trends

1. The spread of a single language - English - for global communication among elites.
2. The increase in the volume of electronic and other communications across country boundaries.
3. The increase in tourism, from 70 million in 1960 to 500 million in 1995 (a 5.6% annual increase).
4. The increase in on-going collaborative work across national boundaries within and among the professions and other specialized sectors, leading to the creation of "epistemic communities".

The Environment

1. As economies expand, the magnitude of transboundary and global common environmental impacts has expanded exponentially. This creates a need for multilateral treaties and institutions.

Security and law enforcement

1. the increased availability and transportability across borders of terrorism, weapons of mass destruction, diseases and drugs.

Governance

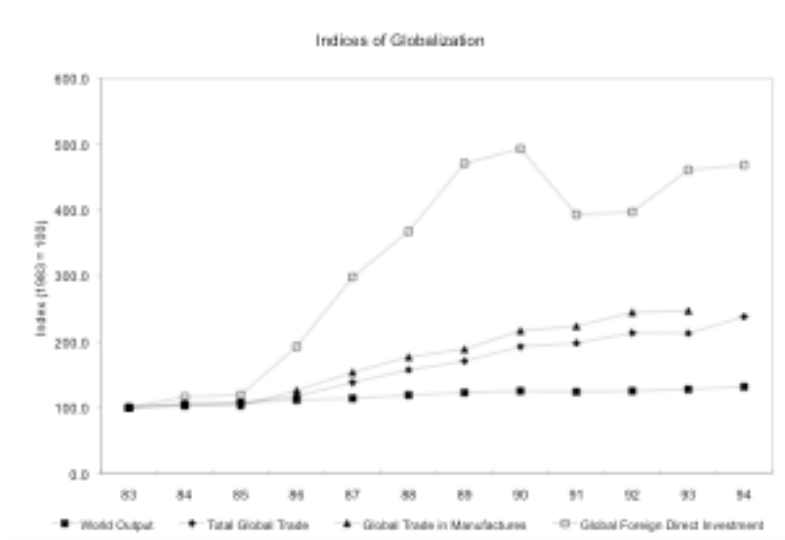
1. The items just listed, and others, have resulted in a major increase in the number and type of intergovernmental and non-governmental organizations and structures. The number of International NGO's increased from 176 in 1909 to 4626 by 1989.

BOX II-D-5. INDICES OF GLOBALIZATION

[source: Grundlach and Nunnenkamp (1996)]

Activity (values normalized to 100 in 1983)

year	83	84	85	86	87	88	89	90	91	92	93	94
World Output	100.0	103.8	107.5	111.3	113.8	118.8	122.5	125.0	123.8	125.0	127.5	131.3
Total Global Trade	100.0	105.8	106.2	117.4	137.8	157.0	170.3	192.3	197.5	213.1	212.5	237.7
Global Manufactures Trade	100.0	102.8	102.8	125.7	153.3	176.6	188.5	216.4	223.5	244.4	246.7	
Global FDI	100.0	116.1	119.0	192.5	298.0	367.4	470.6	493.0	392.9	396.9	460.7	468.1



BOX IID-6. EVIDENCE THAT GLOBALIZATION IS NOT HAPPENING

[major sources: Wade (1996), Huntington (1996)]

Trade

1. The value of trade as a fraction of GDP is still quite small in all but the smallest countries: only 12% for the US, Japan and EU, and much less than 10% in most of Asia and Latin America.
2. The ratio of world trade growth to output growth has actually *decreased* over the past twenty years, from 1.65 in 1965-1980 to 1.34 in 1980-1990.
3. Intrafirm trade as a proportion of total trade has been stable since 1977, at about 33%.
4. The North's (i.e., the OECD's) share of world trade *rose* from 81% in 1970 to 84% 1989.
5. The share of northern imports coming from the non-oil exporting South, excluding the four East Asian NICs, *fell* from 7.1% in 1970 to 6.2% in 1990.
6. Trade by the US with low-wage countries (those where wages are less than one-half the US levels) equals only 3% of its GDP, not much higher than the equivalent figure in 1960.
7. Although exports of manufactures from the South to the North have grown very fast over the past two decades (almost 15%/year), this fast growth started from a very low base, so by 1989 it still only accounted for 16% of world manufactured exports. Future growth of manufactured exports from the South is in question because almost half go to just one market, the US.
8. North-South trade is strongly regionalized, not globalized. Latin America trades with North America; Eastern Europe, Africa and the Middle East trade with Western Europe; East and Southeast Asia have the biggest share of their trade with North America, and secondly with Japan.
9. Although OECD tariffs have declined from 25% in 1950 to about 5% in 1990, their place has been taken by quotas, "voluntary" trade restraints, managed trade and other non-tariff barriers.

Foreign Direct Investment

1. To the extent that investment capital has left one northern country it has been reinvested in large part in another northern country and secondarily in a southern economy within the same region.
2. In the 1980's, outgoing FDI in the North was only between 5 and 15 percent of net domestic business investment, and incoming FDI was between less than 1% (Japan) and 14% (US).
3. 75% of inward FDI flows worldwide in the 1980's have been *to* the US and EU.
4. Of the FDI flowing to the South, the great bulk is to only 6 countries--the four East Asian tigers, plus Mexico and Brazil.
5. FDI is regionalized in the same pattern as is trade.

Finance Capital

1. The number of financial products sold in highly integrated world markets is quite limited: currencies, government bonds and commodity, currency and interest futures.
2. Stock markets are far from being fully integrated, because few companies have a sufficiently global reputation for trading in their stock to be active outside the home market.
3. Financial regulations, tax systems, accounting practices, and corporate ownership rules are all mainly national (although efforts to harmonize are underway: within the EU, and globally regarding, e.g. capital adequacy requirements).
4. Domestic savings and investment rates remain highly correlated among the OECD countries. In a fully integrated market the correlation would be zero.
5. Differences in the price of borrowed funds between different national markets remain substantial (although it is true that the cost of capital is far more similar among nations than are other economic variables such as wages and years of schooling.)

[cont.]

BOX IID-6. [cont.]

Multinational Corporations

1. Most MNC's have *not* become stateless, footloose, global entities.
2. Most MNC's hold most of their assets and employees in their home country. For example, General Motors in 1989 had 70% of its employees and 70% of its assets in the US.
3. The large majority of shares of stock are held by individuals and legal entities in the home nation.
4. Top management and governance rest in home country hands. In 1991 only 2% of the Board members of big American companies were foreigners.
5. R&D remains a home country operation. In the US, MNC's did 90% of R&D in US in 1980's.
6. Technological innovation can cut two ways. Cheaper and better communications and travel can make operations in foreign countries more practicable and thus encourage globalization of production and marketing, but new design, processing, materials and fabrication technologies can remove the comparative advantages that a foreign operation might have and encourage "re-localization."
7. 497 of the world's 500 largest industrial corporations have their central offices in just five countries: USA, Japan, UK, Germany and France.

Culture and Communications

1. Ethnic groups are using inexpensive, accessible media to maintain their identity within dominant cultures and resist assimilation.
2. The percent of people in the world who speak English, either as a native or second language, *declined* from 9.8% in 1958 to 7.6% in 1992.

that all five of the variables listed as “cultural” are well on their way towards complete globalization.

II.B.1.c. INTERPRETATIONS OF GLOBALIZATION

Even when they agree on definitions, authors differ concerning the extent to which they believe globalization is actually happening, what impacts it might be having, what sectors or populations are likely to benefit or lose as a result, what might be done to encourage or discourage any of these developments, and how any or all of these developments are normatively interpreted.

Arguing from the techno-libertarian right, Ohmae (1995) says that economic globalization is occurring at a breakneck pace, that it is dissolving the power, autonomy and sovereignty of the nation-state, and that these are good things and should be encouraged, because they will result in more efficient allocations of resources and greater prosperity and personal freedom for all.

Arguing from the movement-activist left, Jerry Mander and David Korten (1996) of the International Forum on Globalization (IFG) agree that economic globalization is indeed proceeding rapidly and that it is indeed dissolving the power, autonomy and sovereignty of the nation-state, but believe that as a result economic inequality will increase, the environment will be destroyed, and corporations will rule the world. The IFG calls on unionists, environmentalists and others to organize to stop globalization before it’s too late.

Arguing from the social-democratic left, Hirst and Thompson (1996) maintain that economic globalization is neither as rapid nor as pervasive a phenomena as popular accounts suggest, that the ability of nation-states to act in support of social and economic justice remains strong (although requiring higher degrees of international cooperation) and that progressives should resist the disempowering narrative of globalization and continue to pressure the nation-state for redress.

Arguing from the neo-liberal center, *The Economist* (1997) suggests that economic globalization is proceeding at just the right pace and can be expected to continue, and that the capabilities and competence of nation-states remains strong. The fact that nation-states have not acted more vigorously to curtail globalization is taken as a sign that it is judged by the peoples of the world to be, on balance, a good thing.

Arguing from the social-democratic center, Reich (1991) says that globalization has already transformed the structure of the world economy such that nation-states can no longer adopt policies that constrain corporations, but that nation-states can and should tax wealthy *individuals* to support programs to arrest the growth of economic inequality caused by globalization. If this is not done growing social tensions will lead to an anti-globalization backlash, which would be a bad thing because globalization supports the economic growth that is necessary if poverty is to be overcome.

Arguing from the nationalist right, Buchanan (1997) charges that globalization is the work of a cosmopolitan elite that “wants to move America into a New World Order where the World Court decides quarrels between nations, the WTO writes rules for trade...the IMF and World Bank order wealth transfers from continent to continent... the Law of the Sea Treaty tells us what we may or may not do on the high seas... and the United Nations decides where U.S. military forces may or may not intervene.”

Arguing from the post-modern left, Rosenau (1997) says that economic, social and cultural globalization is indeed rapidly underway, is rendering the nation-state increasingly powerless, and that this is a good thing because it helps subvert the dominant racist and sexist order and opens new loci of contestation and social construction.

Box IID-7 shows a typology of normative socio-political stances with respect to globalization. **IID-8** and **IID-9** list reasons people give for supporting and opposing globalization. **IID-10** summarizes Rodrik’s recent critique of globalization.

BOX IID-7. NORMATIVE STANCES TOWARDS GLOBALIZATION

Many people who believe that globalization is happening, and that it has the potential to impact the existing role of the nation-state, and who articulate normative judgments about these matters, fall into one of the five categories below:

I. *Globo-enthusiasts*

a. *Globo-libertarians* believe that globalization is a strong net positive, and that attempts to constrain the growth of global market can only lead to inefficiency and lost benefits.

b. *Globo-communitarians* believe that globalization is, on balance, a net benefit, but argue that global markets need to be regulated to prevent instability or gross inequity from derailing the process.

II. *Globo-skeptics*

a. *Internationalist social democrats* share many views with globo-communitarians, but while the latter presume the desirability of globalization and seek to smooth over some rough edges, internationalist social democrats presume the priority of social solidarity, and are willing to support globalization so long as it does not endanger this core commitment.

b. *Anti-globalists* believe that globalization will be a net loss rather than a net gain, and call for a less economically integrated world:

i) *left-green anti-globalists* believe a globalized world will be run by transnational capitalists, and will be inequitable and ecologically unsustainable.

ii) *nationalist anti-globalists* believe a globalized world will be run by transnational cosmopolitans who want to impose their statist values on free peoples.

III. *Globo-realists*

a. *nationalist globo-realists* want to secure the benefits that integration and trade can give their people without sacrificing national sovereignty, autonomy and power.

BOX IID-8. REASONS GIVEN FOR SUPPORTING GLOBALIZATION

1. Globalization allows factors to be employed in ways that maximize efficiency and allows consumers to make consumption decisions that maximize satisfaction. Together these generate optimal rates of economic growth.
2. The liberalization and integration of market economies offers the only realistic chance that the poor nations of the earth will ever have to attain the levels of material well-being that have been achieved by the industrial North.
2. Greater integration of market economies builds relations of interdependence that minimize the likelihood of military conflict.
3. The market economies promoted by globalization foster desirable social, cultural and political values, such as liberal democracy, individual initiative, and respect for civil and human rights.
4. Free market globalization is helping support an explosion of technological innovation that will revolutionize and transform the nature of human life on earth.
5. Globalization is a continuation of basic expansionary and accumulative drives that are inherent in human nature and have been underway for millennia. Opposition is misguided; rather we should affirm these drives and shape them towards positive ends.

BOX IID-9. REASONS GIVEN FOR OPPOSING GLOBALIZATION

1. Globalization generates economic inequality within and among nations. Especially vulnerable are the working classes of the developed world and the poorest sectors of the developing world. Meanwhile a techno-capitalist elite accumulates unprecedented wealth.
2. Globalization disempowers the nation-state. In order to remain competitive, countries are forced to discontinue long-standing public sector programs that support the general welfare. Further, globalization prevents countries from adopting policies that might cushion or compensate for the impacts of globalization itself. Finally, globalization channels the minimal remaining resources of the nation-state into providing services that support the interests of global capital.
3. Globalization greatly enhances the political power of multinational corporations, who use this power in ways that advance the interests of their wealthy owners and managers.
4. The world economy is globalizing without creating those institutions of economic governance necessary to ensure its own stability. The risk exists that a small perturbation could trigger a global economic collapse.
5. Globalization undercuts the ability of nations to provide desired levels of domestic environmental protection. Simultaneously it generates new transboundary environmental problems and exacerbates present ones. The multilateral institutions proposed to deal with global environmental concerns are undemocratic and cannot stand up to the interests of global capital.
6. By simultaneously generating greater income inequality and undercutting the ability of nation-states to respond in ways that compensate for this, globalization puts the social cohesion of nations at risk.
7. By encouraging a greater sense of separation, distrust, and resentment, globalization could destroy the normative foundations that support democratic institutions of governance.
8. Globalization propagates a materialist, consumerist and individualist set of values that sustains high levels of personal and societal tension and conflict.
9. Globalization compels developing countries to accept Western capitalist economic, political and social institutions and values.

BOX IID-10. RODRIK'S ANALYSIS

Since the early 1970's the Institute for International Economics has played a major role in arguing for the desirability of increased international trade and economic integration. In 1997 the Institute published *Has Globalization Gone Too Far?* a critique of globalization by the economist Dani Rodrik. Roderik concluded that:

1. Liberalized global trade “accentuates the asymmetry between groups that can cross international borders (either directly or indirectly, say through outsourcing) and those that cannot” (p 4). As a result:
 - a) workers pay a larger share of the cost of improvements in work conditions and benefits;
 - b) workers incur greater instability in earnings and hours worked; and
 - c) the bargaining power of workers erodes.
2. “Globalization engenders conflicts within and between nations over domestic norms and the social institutions that embody them.” (p 5) Under traditional multilateral trade policies, differences in national norms, practices and institutions are treated just like differences in factor endowments or other determinants of comparative advantage. Thus, increased trade can create conflicts regarding workplace practices, legal rules, social safety nets, labor standards, environmental policy, competition policy, corruption, and other areas.
3. Because globalization also makes it difficult for nation-states to provide traditional forms of social protection, “the cumulative consequence of the tensions mentioned above will be the solidifying of a new set of class divisions—between those who prosper in the globalized economy and those who do not, between those who share its values and those who would rather not, and between those who can diversity away its risks and those who cannot.” (p 6)
4. “Hence globalization delivers a double blow to social cohesion—first by exacerbating conflict over fundamental beliefs regarding social organization and second by weakening the forces that would normally militate for the resolution of these conflicts through national debate and deliberation.” (p 70)

Rodrik makes clear that he offers these criticisms in order to encourage reforms that will allow globalization, which he otherwise supports, to continue. His suggested package of reforms is discussed in section II.D.3 below.

A full evaluation of the merits of these claims and counter-claims is beyond the scope of this short overview. For the time being we can usefully proceed by posing the following question: if continued economic globalization might in fact generate the sorts of consequences listed in IID-8 and IID-9, in what ways might our ability to achieve Scenario 3 be affected?