
Back to Basics: A Post Crisis View of Globalization

Retour à l'essentiel : une vision de la mondialisation après la crise

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Back to Basics: A Post Crisis View of Globalization

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*States respond to globalization
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Three decades ago the great globalization narrative entered the popular mind as an overdeterministic belief that it was principally an economic phenomenon. A more realistic view is that globalization had overlapping multiple dimensions. Its trajectory began with the globalization of finance and capital, and then extended its arc to globalize markets and went on to establish trade blocs for deep integration. The next chapter focused on new information technologies and radically reduced communication and transportation costs that would create spectacular new opportunities for the world's telecommunication giant industries. As globalization became more invasive it changed local consumption patterns and national cultures. Highly organized and aggressively resourced global brands such as Starbucks, McDonald's and retail clothing giants established a huge presence in markets around the world and transformed consumer habits.

The globalization idea also captured something more fundamental, namely, global regulatory practices with its ideals of legal ordering. The legal rules prioritized free trade governance at the apex of a world order organized for commercial mercantilist need. In its invasiveness, unidirectionality and success in rejigging the public agenda, neoliberal norms reached deep behind the walls of state sovereignty and turned public policy on its head with its stated goals to deregulate labour markets, give finance full rein, chop social security spending and privatize state assets.

It is the latest phase of the globalization narrative which is most unexpected and jarring for financial markets. In its earlier iterations something profound was absent; it had few non-market actors at the table and hardly present in the grand narrative. As an ideology its focus was mainly state-centered and market-driven. For people who were going about their lives globalization was presented to them as a potent mixture of fate and destiny. The signature

concept was the belief in TINA – “there is no alternative” – to global marketization. But Fukuyama's recanting of his “end of history” hypothesis pushed the needle back towards the public end of the spectrum. Perhaps more importantly his attack on neo-conservatism's values and policies coincided with the reappearance of the Bush-Blair illegal invasion of Iraq and the mass activism of anti-globalizers and anti-war movement. Democratic politics had not ended in the least; they were successfully learning to mobilize and push back globally.

Globalization and the Public Domain

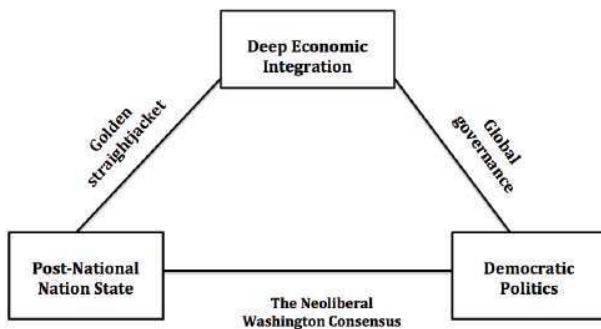
It is critical and necessary to understand that at its core the globalization grand narrative has been for the last three decades a paradoxical phenomenon, both contradictory and liberating for broad publics. It has given publics the tools and a new vocabulary to question the norms and practices of the status quo. It has triggered a resurgence of identity and cross-cultural politics that over time has blunted the left-right binary of electoral politics and political cultures across the globe. The breakdown of the once immutable left/right ideological axis has created new political space for both the left and right. All these crosscurrents and shifts in voting patterns have made electoral politics highly unpredictable. For many of the under thirty generation mass activism rather than political change at election time is the preferred route. More importantly, it has taught an invaluable lesson that in every society the public conversation and agenda can be changed through mass activism from the bottom up.

The incipient concept of the public domain has a long contradictory genealogy as examined in my book, *The Market or the Public Domain?* (2001). In the 18th and 19th century it was synonymous with public order and the watchman state. In the late 19th century it was about incipient welfare rights. By

the mid twentieth century its signature was full employment, development for emerging economies, the building of the welfare state and later citizen rights.

For the past decade the public domain constitutes a fourth fundamental marker of modern society that enables society to organize itself through values and social goals that are inescapably public. The public domain can be defined as that large, irregular space having flexible borders, expanding and contracting, driven as much by need as the price mechanism of the market. At its core two qualities stand out: first the universal provision of public goods enables states to reduce inequality and social exclusion in an increasingly volatile global economy and secondly "things public" gives states a strategic counterweight to minimize the perverse effects of markets.

Figure 1. Globalization's Unsolvable Trilemma



Adapted from Dani Rodrik, (2011). *The Globalization Paradox*. (New York City, Norton & Company, Inc).

How is it possible to get our collective heads around the highly visible presence of so much divergence to the "golden straitjacket of globalization" in Thomas Friedman's evocative words and its binary partner, the public sphere?

Three Competing Models of Capitalism

Markets like society need direction and orientation. The material changes associated with economic globalization, particularly the processes of liberalization, deregulation and integration of the global economy in the domain of production and finance, have destabilized the social bond as millions of jobs have disappeared in the 2008 crisis and have not been recovered. Only the most extreme views of globalization believe that state sovereignty can be written off; however there are still many questions that need addressing by national governments. Increasingly national government is the anchor of the global order (see figure 1). The reason is not

difficult to fathom. Firstly, democratic politics now has so many unpredictable non-scripted off-side actors challenging the failed policies that led to the 2008 global meltdown.

Secondly, the most important new factor is that states respond to globalization pressures in such different ways that there is no single rationality evident despite the power of markets to decenter governments everywhere. All markets are comprised of nonnegotiable goods such as social justice, trust, authority and democratic values; there are also mixed goods partially negotiable on the open market and partly provided by the state including education, health, transportation, protection of the environment, and culture as a strategic resource; then there are negotiable goods that the individual purchases from wages or income and can be transferred from one owner to another. In the US model compared to other market economies, there are very few nonnegotiable goods compared to the EU, India, China and Brazil. In the US model number one place is given to market goods and private transactions between consumers.

In the last 30 years public goods provided by the US state have declined as health, education and, even, security have been turned over to the private sector for purchase on the open market. So in the American economy negotiable goods are the dominant category of economic transactions. To a surprising degree, for many across the globe the neoconservative American model exists as an ideal type with its prominent features. It has by international standards a very small role for the state as a provider of public goods, supports a pervasive presence of corporations and private philanthropy, promotes mass consumption for the middle class and has institutionalized a large role for lawyers and courts as well as police.

In the US model, wages, private property, housing, the media all are in private hands. The sphere of "things private" has grown larger, pervasive and intrusive. It is everywhere in everyday life; private transactions define the American identity and much of their politics as well. By contrast the public sphere has been dismantled and retrenched during the last three decades. In the Anglo-Saxon model the non-market society is on the defensive and fighting for its life.

In the European Union with its 650 million people the role of the market in the social economy is quite constrained by comparison and operates within highly regulated economies that are less vulnerable to rent-seeking opportunistic behavior. Until the global 2008 crisis in the core economies of Europe, wages were more directly tied to worker productivity

through collective bargaining and fixed pay levels, employer contributions and extensive job security; all had to be negotiated at the industry level rather than tied narrowly to the swings of the business cycle.

In the global South the picture looked very different. It is a paradox of course that the global South had too few and not enough market goods to escape poverty. Across the global South housing, transportation, education and health services are scarce commodities. There is not enough employment and there is too little investment. Much of the infrastructure is inadequate to build a strong, broad path for development and growth.

Subsequently in an economic sense the public sphere is under-developed and badly stunted lacking the resources and institutions needed to anchor it in society. It is easy to see why the under resourced public has permitted markets to reach behind the porous walls of the nation-state and people in their communities. In Tom Friedman's words, "the deal", the "golden handcuffs", the "super-sized markets" retard the emergence of a robust and effective public domain in much of the global South.

Since the late 80s significant parts of the Chinese economy has passed into private hands and for hundreds of millions of Chinese they have lost access to public goods such as health care and public housing that were once largely free and universal for all. Consequently and paradoxically the market for goods and the market for public goods have both each grown in response to very different imperatives, but private transactions now drive the Chinese economy under the leadership of the state and the Communist Party.

At the center of this unique system are a range of national institutions, including state owned enterprises that regulate finance and set monetary policy as well as a dual system of government comprised of government ministries and the parallel hierarchy of the Communist Party. What remains the critical question and test is whether the rule of law will extend to the authority of the Party and government apparatus. The rule of law could be the panacea to the many complex issues facing the Party. It is conceivable that political power will be deeply constitutionalized at some point in the future in order to preserve the role of the Party as the singular authority in society. A powerful group of inner Party elites oppose such fundamental change.

The perception is that the mix of party and state as less than equal co-governance bodies is incompatible with a modern Western concept of the public that is democratic, open and subject to the rule of law. China's unique system of "the public sphere"

and "the Party" is at a historic crossroads. Market socialism is redefining the norms and practices of public policy and presents difficult challenges to the single authority of the Communist Party. What is apparent is that in the Eighth Report of the Party Congress, the government now recognizes that there are fundamental imbalances between the market and the public domain in the regulation and management of the environment and in the explosive growth income inequality and massive rural poverty. It has signaled that public investment in poverty eradication and sustainable environment policies will be top priorities. In the Chinese model the dominant place of public security and the central role of the Party as a one-party state sets it apart from other models of capitalism.

Divergent State Practices Make Possible New Public Spaces

These developments convey two critical things: first, the strategic capacity of social media for millions of ordinary concerned citizens to communicate and bond for mass mobilization ends is today more than a match for the hard power of markets. According to the Pew Institute's 2012 world public opinion survey this massive shift of public opinion is a fundamental change of Braudelian proportion. Secondly the institutional diversity of states is undergoing a dramatic rethink since the 2008 financial crisis. Policy-makers and analysts are banking on their political culture and institutional ability to enhance their problem-solving capacity to minimize the dislocation caused by unregulated global markets.

What is not in doubt is that the future of the public sphere and the non-scripted actors and social movements will follow sharply divergent trajectories across the globe. In the US, the public sphere will continue to shrink and governments will, despite the introduction of Obama care, deliver fewer public goods to Americans and their families. A low tax, low skill, smallish state without a growing revenue base cannot support a highly diverse, robust public system of services, investment in schools, infrastructure, sustainable energy goals and welfare benefits. In the European Union the story is quite different but also rather similar in its response to the global crisis and its pursuit of austerity as the framework policy of the Community.

The Message in the Bottle: New Arenas and Challenges For Public Policy

Today there are many public forms and arenas where the concerns of the many are increasingly on a collision course with the interests of the few. Consequently the question facing broad publics is, can embedded neo-liberalism be sustained unreformed and its negative effects neutralized? Can it be repaired? Or, do states need to go well beyond the powerful imperatives of global integration? Since the global crisis of 2008 the world economy has largely been trapped by hyper-globalization and the smaller space left for democratic decision-making. Governments require new benchmarks and ideas to limit the reach of markets. The provision of collective and social goods, the enrichment of public places and spaces, the enhancement of democratic practice, poverty eradication, all demand more of public authority. If public institutions and the policymaking are to respond, in a balanced and innovative fashion, new policy frameworks and principles will have to be devised.

Daniel Drache latest publication with Le s Jacobs is entitled New Policy Space in Hard Times: Trade and Human Rights, forthcoming Cambridge UP 2014