

Controversies of Globalisation

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Globalisation is the latest stage in the permanent process of social change that started as industrialisation and modernisation in Europe but now is spreading globally. The paper analyzes different globalisation theories and how the recent wave of globalisation (in the last 30 years) is related to historical events that caused change in economy, ideology and technology.

Globalisation is defined as the process of converting separate national economies into an integrated world economy; in the social sphere as intensifying social relations on distance and in the political sphere as a loss of power and authority of nation-states. Starting with that definition the main part of the paper is devoted to analysing economic, social and political indicators, and the consequences of globalisation. As a term and ongoing process globalisation becomes widely recognised, and people with usually very different ideological views begin to form a new "strange" alliance against globalisation.

Key words: GLOBALISATION, SOCIAL CHANGE, AND SOCIAL MOVEMENTS.

Globalisation as a process

Globalisation is the latest stage in the permanent process of social change. The term itself started to be used extensively 20 to 25 years ago to explain a recent wave of change in the economy, in technology, and in society (meaning change in institutions, norms, values and culture). Most authors agree that globalisation is nothing new. It is an old process which began 100 or more years ago (Hirsh, Thompson, 1999); in fact, from the time when social change swept Europe in the late 18 century.

From the time capitalism and industrialisation became the main social forces that shape societies, one of the main characteristics of modern time is the *exponential speed of social change*. Traditional societies, including feudal societies, were characterised by a very slow process of change, where generations lived in basically unchanged conditions. The speed of change is becoming faster and faster, and today we can expect major changes to happen, not only from one generation to the next, but also within a generation. This speed of change has profound consequences on the individual's life. In traditional society, for example, an occupation was transferred from one generation to the next within the family, as today we can expect that the individual would change several occupations during his/her career.

If we look back at the social sciences and try to analyse how scholars have described that process, we can see that in different periods, different concepts were used in characterising the processes of social change. Industrialisation, modernisations, post-industrialism and post-modernism were, or still are, the main catchwords, as globalisation is today. We cannot exclude that the use of concepts in social sciences is also succumbing to the trends of fashion (social scientists as humans are not less susceptible to fashion than other more "ordinary" people). The use of new concepts largely reflects the *transparency of the dominant forces and processes* that are shaping society.

Industrialisation was the first concept used by social scientists to describe the wide transformation of society during which manufacturing and industrial activity became primary forms of social production. This change was so deep that the term industrial revolution was

used to describe not only the transfer from agricultured into industrial production, but also the structural changes that were much wider. The consequences were the tremendous increase in productivity, and a wide area of changes in occupational structures, work organisation, occupational skills, consumption patterns and culture in general.

The concept of **modernisation** is used to describe this broader spectrum of changes in which society becomes more complex, urbanised and differentiated, and in which production and social organisation is increasingly based on science. In the social sciences, the concept of modernisation was especially used to describe the process through which the “third world countries”, the “laggards” in the industrialisation process, became industrialised and modernised (Inkeles, Smith, 1974). Here we immediately see the elements of globalisation present in the process of industrialisation from the beginning. The fact that we had the process of gradual industrial-modernisation of the “non-modern” countries from the beginning of the industrialisation process (which started in England and than spread gradually around the world) indicated that industrialisation and modernisation were “global processes” from the start.

The concept of **post-industrial society** was initially developed by Daniel Bell in the sixties. The term indicated that the most developed societies, after industrialisation and modernisation, were moving into the next stage of development. This next stage is characterised by the change in basic production structure from industry to the tertiary sector. The main empirical indicator used by Bell for the transition from one stage to another is the employment structure. When the employment in the “services” sector outnumbered employment in industry, the country is entering the “post-industrial” stage. In such a system, knowledge is replacing capital, innovation is replacing tradition and ideas are replacing manual work as the main source of power and growth. Again, although it was implicit that post-industrialisation is universal (global) in its development, this was not emphasised in the analytical scheme. The main concern was with the internal changes occurring within most developed societies, with new technologies, new industries, new occupational structures, information technologies, changes in organisational powers etc.

We can conclude that in the processes of industrialisation and modernisation the globalisation tendencies were inherently present. Conceptually, we cannot equate industrialisation and modernisation with the modern globalisation concept. The reason for this is that the industrialisation and modernisation can develop in the isolated social system, for example in one nation-state or in some part of the world, globalisation is a process of industrialisation and modernisation, which must not be consider in isolation, but as a global phenomenon.

Theories of globalisation

There are many theories and definitions of globalisation stressing different forces or consequences of globalisation. Spencer (1820–1903) and Saint-Simon (1760–1825) argued that economic forces through the action of competitive behavior will eventually equalise unit costs of production around the world.

Karl Marx (1818–1883) in his analysis also predicted that “globalisation” (of course at the time he did not use the word) would result as the consequences of the inherent forces (profit driven motivation) moving capitalist production. The capital is pushed by its inherent logic to expansion into the “non-capitalist” economies and societies in order to arrest the tendency of falling profits because of the rise of the “organic composition of capital”. It is, in other words, forced to move into the spheres where the organic compositions of capital are lower and consequently the rates of profits are higher. This also allows the higher profit rates in the centre, keeping the “reserve army of labour” and exploits the natural resources around

the world to “the wheels of” the endless economic expansion. On this basic assumption, **the theory of “imperialism”** was born which is an early Marxist version of globalisation. The culmination of this theory (not in theoretical sophistication but in its popular appeal) was Lenin’s “Imperialism as the highest stage of capitalism”, where he claimed to prove the interconnection of monopolisation tendencies, international capital expansion and military conflicts that would take control over the world. The colonial policy of the capitalists’ states and the capitalist “mode of production” would engulf the whole world. Isn’t that one definition of globalisation? We can argue that the processes of industrialisation and modernisation inherently pushed toward globalisation. The concept of globalisation was not spelt out, but the processes and its analysis were nevertheless present. Among the first “globalisation” theories was probably that of the Marxist theory of imperialism; so Buharin and Lenin, among others could be called the first “globalisation” theorists.

This also indicates the deep ideological division, which characterise the approach of social sciences in analysing social processes on the world scale. On one hand the modernisation theories was analysing the underdeveloped societies and concentrated on the “obstacles” which prevent these societies from “catching up” with the developed world. On the other hand the theories of imperialism are deeply suspicious of the industrialisation and modernisation processes and sees the globalisation as inherently exploitative.

In its modern version, the **“dependency” theory** states that capitalist development “skews” the economic structures of the world in such way that the peripheral economies become dependent in their development up on the already developed economies. This dependency means that development is optimised in the function of the developed “central” (Western) economies and not attuned to the need of the “periphery”. The consequences of such dependent development are the displacement of existing political-economic structures, but not in the “neutral” terms of fostering development, as viewed by classical modernisation theories. The displacement of the traditional economy served the needs of the dominant countries. The old political structure is replaced with a new political elite dependent on foreign support. This new elite is also dependent on Westernised consumption patterns and on its source of income from the foreign centres.

The **“convergence” theories** were developed as reflection of the fact that the capitalist economies became more and more “planned”. This trend toward planning of the capitalist economies was extrapolated into the future (based on the broad historical generalisations of Max Weber, Karl Mannheim and Joseph Schumpeter and the practical theories of J. M. Keynes) and it envisioned capitalism becoming more and more regulated. One aspect of this line of thinking could be found in the ideas of “managerial capitalism”. Berle and Means (by Gulbraith, 1970) were first drawing attention to the fact that managers are replacing the owners. James Burnham (1941/60) developed the first “convergence” theory in his book under the title of “The Managerial Revolution”. For him in capitalism, as in communism, managers are taking power from the hands of the capital owners in the first case and from the party bureaucracy in the second. The future is in the modern “rationally” organised society where the differences between communism and capitalism will disappear. Max Webers “iron cage” is realised through such managerial revolution. Burnham published his book in 1941 and in essence his thesis underpinned all the modern theories of convergence. In those theories developed in the 1960s technological developments requiring “rational” management may have been more emphasised, but the essence was the same. Perhaps the theory most similar to Burnham’s was that exposed by J. K. Galbraith (1970), who developed the idea of the “technostructure” in his book “The New Industrial State”.

The expectations among convergence theory supporters were even heightened with first economic reforms of the centrally planned communist economies (SSSR 19), in which some elements of the market regulation were introduced. The prevailing theoretical vision was,

consequently, that the capitalist economy would become less and less market driven and more and more “rationally” planned by the new “managerial class”. At the same time, communist economies would abandon rigid central planning and party control for more and more “rational” managerial control. It seems logical to expect that the liberal market economies will become “less” market driven. On the other side, centrally planned economies would become a little bit more market driven; based on the fact that in both cases the identical group would take control, we can expect the “convergence” of the two systems.

Although we can argue that all these theories were implicitly or explicitly predicting globalisation, none of them was correct in describing how that would happen. We will now analyse how globalisation started to prevail, and how it came to dominate the world economy.

The recent discussions of development and change are polarised around globalisation. One-group questions the notion of the existence of the globalised economy, while the other starts with assumption that globalisation already exists. The first take a stand that the world is far from the globalised economy. Hirsh and Thomson (1999) argue that globalisation is largely a myth because the present internationalised economy or trans-national economy is not the same as globalised economy. The contemporary economy is still not wholly open and integrated since most companies are based nationally; capital mobility is not producing a massive shift of investment and employment from advanced to developing countries. Ward (1996) stresses that managerial decisions and innovations are concentrated in home nations, and that further more around 88% of production is for domestic consumption. Trading and investment is mostly circulating between the most developed markets, with “third world” nations left out of the process. Some economies have been successful in “catching up”, like the famous “Asian Tigers” but this could be taken more as an exception than the rule. According to the dependency theory we can always have some economies between “core” and “periphery” which can succeed in finding their niche for development.

On the other hand we can find some arguments that support the existence of globalisation. Trading in foreign exchange per day in 1989 was, on average, 650 billions, but in late the 1990s, daily exchange was 1000 billions according to Holton. He goes on to say, “Capital investments and marketing are increasingly being conducted on a global scale in a range of interconnected and shifting locations according to transnational calculations of optimal profitability.” (Holton, 1998. p. 52.). Finally, Wallerstein claims that the “globalisation represents the triumph of a capitalist world economy tied together by a global division of labour.” (Wallerstein, I. 1984 in Holton, 1998).

In general, different branches of the social sciences stress different elements of globalisation. Economists define globalisation mainly as *openness toward other countries*, that no borders for investment flows, finance and transactions, trade and labour, and fewer regulations for foreign inputs. Silbert and Klodt (1999) defined globalisation “as the process of converting separate national economies into an integrated world economy.” This conversion being achieved by international trade, international movement of factors of production (capital and workers) and international diffusion of technology.

Sociologists focus more on two groups of changes that indicate globalisation. Firstly, there are the structural changes: growing complexity of society, internal differentiation and acceleration of the speed of change. Secondly, there are new types of social relations on distance and the cultural dissemination and unification. Anthony Giddens defined globalisation as “the *intensification of the worldwide social relations*”, which links distant locations in such a way that local happenings are shaped by events occurring many miles away”, or in short “action and distance”. (Leisink, 1999)

Political scientists are focused on three groups of issues. First, how democracy as a political phenomenon is influenced by globalisation as an economic phenomenon. Second, how

dramatic changes in the role of nation-state are impacting on problems of sovereignty and autonomy. Third, the necessity of *world governance* and “how can civil society be constructed in an international arena?” (Barber, 1995).

From all of this we can conclude that although we are far from a real global economic system (Hirsh, Thompson 1999; Ward, 1996) there is a clear trend in that direction. Indeed, economy and technology together are pushing us toward more and more globalisation (Holton, 1998).

Causes of globalisation

Although we mentioned that globalisation is not a new process, it has become omnipresent in recent years. We will try to answer the question of what are the sources of this recent (last 30 years) urge of globalisation? There are at least three dominant sources that are influencing that change; **economy**, **ideology** and **technology**.

The **economies** of the industrialised nations were, after the WWI and especially WWII, under the influence of the state politics aiming to balance the relations and reducing the tension between the capital and the workers (Trade Unions). Keynesian Welfare State means that the state is directly acting to correct socially undesirable effects of the free market. At the same time, the state has to secure the environment for economic growth and accumulation. Those two functions become increasingly contradictory. From the 1930s, over the WWII to the 1970s the institutional development of the major developed economies was in the directions of the Keynesianism and welfare statism. Regulation of the economy, increased role of the state (reflected in the increased share of GDP in the hands of the state) characterised the prevailing practices of the most developed economies. Although USA and other developed economies were pushing after WWII for increased openness of the world market, that did not directly influence the internal social arrangements of the welfare state. Of course there were big differences between economies. USA economy being the most open and relatively “deregulated”, compared with Sweden and Germany on the other side of the spectrum. The last had very extensive state regulation, welfare protection and balance between the state, trade unions and the capital. Unprecedented growth in the post WWII period gave rise to hopes that Keynesianism is the final answer to the regulation of capitalist economy.

During the 1970s “Eurosclerosis” was the term increasingly used to describe the situation of the European welfare state slowing down of the growth instead of evolving into an efficient managerialism. The differences between more liberal traditions of US economy on one side and more closed and regulated European economies on the other become more and more obvious.

An additional factor was the successful development of the economies of the four Asian tigers and Japan. Although in all these countries the state played an important role, they succeeded in their development with strong elements of classical capitalism and openness toward the world trade. It became obvious that the successful development of Asian tigers and Japan did not emulate the European Keynesian model.

In the 70s, some European countries faced market stagnation and budget deficit, showing that the European model exhausted its adaptive capacity. The state budget was controlling larger and larger parts of GDP, and the welfare expenditure was “eating” large parts of the budget. The public sector was characterised by low productivity. Economic indicators were showing that countries with more economic flexibility, more openness toward other countries and lower spending on welfare were more efficient. But those indicators alone would not be sufficient to introduce change without strong ideological justification. Where did that ideological input come from and how did it become legitimate?

Thatcherism and Reaganomics emerged as the alternative. Theoretical thinking of people like Hayek and Milton Friedmann reemerged. In the period of the boom of Keynesian economics, these thinkers were regarded as some kind of "relics" of the XIX century liberalism, more adequate for the museum of ideas than as an inspiration for practical policies.

The neo-liberal **ideology** started to prevail on two levels simultaneously. The first level started with Thatcher administration in GB and later under Regan administration in the US. It began with systematic privatisation of the state ownership. State employment started to shrink and was replaced with contractual jobs. Systematic change in regulation and re-regulations or deregulation occurred. Finally welfare or redistributive function of the state started to shrink (Pierson, 1996).

Second, on the global level, the IMF and the World Bank simultaneously began to impose the same type of economic schemes for major reform on the countries that tried to borrow money. They called that "structural adjustment" (Farazmad, 1999). The main point was to impose massive privatisation and decline in public spending, removal of trade barriers and promotions of export orientations, deregulation at labour law and reduction of state intervention in economy. All those regulations in the long run produced the same effect globally, imposing one universal model regardless of the local conditions.

Way did that type of ideological orientation not prevail earlier? Why did that happen right at that time in history?

The one possible reason why neo-liberal ideology started to dominate lies in the global relations between two dominant world powers and their ideologies, communism and capitalism. We should not forget that communism looked like a viable alternative for a very long period from its emergence in Russia in 1917 until the first indicators of obvious decline become visible in late 60s. When the capitalist world was entering the great depression in the 1930s, the USSR was successfully implementing its five-year plans. Being on the victorious side in the WWII and successfully rebuilding the country gave the USSR internal legitimacy and high international credibility. The fact that it becomes world power, the military strength and the control of the Warsaw pact gave it a tremendous boost in international relations. Its model of state sponsored development was attractive for the majority of the third world leaders and after the decolonisation they looked mostly to the USSR as a model to copy. It looked as though they had found the model allowing for the fastest possible transformation of the agricultural countries (which the former colonies mostly were) into the modern industrial ones. USSR successes in the space race added to all this.

But from the sixties onwards, the growth was arrested and the Soviet system was undergoing constant change called economic reforms. Eastern European countries started to diverge in their institutional designs with Hungary and Poland being on the "reformist" side and Bulgaria and Czechoslovakia (after 1968) and Rumania on the more "orthodox". Yugoslavia was a special case with its "market socialism". Why were these reforms undermining the attractiveness of communism and adding to the credibility of the neo-liberal ideology? The point was that communism exhausted the alternative solutions to the capitalist system. The reforms were all designed in a way to "import" a little bit of capitalism. Instead of offering an alternative to capitalism, or even, as envisioned by the "convergence" theorist, to become more similar to capitalism but to add something of its own "originality", the communist countries started to introduce more and more elements of the capitalist institutions. The market was called a "socialist" market, and experimentation with limited private property was abundant. More importantly, these countries became more and more dependent for their technological growth on the Western import of modern technology. It became obvious that the planned system was not able to produce innovation or to allow technological innovations to spread. As a consequence, they started to open for trade with the capitalist economies in order to be able to import new technology. The classical example is Gierek's Poland

and its strategy of “opening up”. One of the results of this “opening up” was the catastrophe of the depth crisis. It was dubious from the beginning that these countries would be able to pay for the new technology with export unacceptable to the Western markets (that was not such a problem for USSR because of its energy and raw material richness). The changed conditions on the world credit market gave a final blow to the credibility of the communist economies.¹

Even if we don't go in the detailed analysis of the development in the sixties and seventies, the ideological consequence of these developments was that communism stopped being an ideologically viable alternative. It did not have anything to offer on the “market of ideas”. Its reforms were more and more “creeping of capitalism from within”.

All components were there for the rise of neo-liberal ideology. The stagnation of the European welfare states, the success of the Asian Tigers and Japan, and the gradual loss of the attractiveness of the communist alternative made neo-liberal ideology more appealing and finally became supported among voters in GB and US. Hayek and Friedman were elevated from the fringes of theoretical debates into its centre.

However the stage for the strong push toward globalisation would not be completed without the new **technology**. Information technology: computerisation, digitisation, satellite communications, transportation systems and finally the Internet, made globalisation possible. It opened the flow of information, it introduced tremendous speed in spreading information, increased the efficiency of all sectors of production and made the world smaller. Economically it boosted the production of new material and goods related to information technology and it invented untangle production of information technology (computer programs). Information technology made the globalisation process more visible, it has produced feeling that everything what happens far away concerns us and influences us. Borderless feeling prevails over the classical closeness of nation-state. Trade, capital, finance is floating thought the Internet and the tendencies toward cultural unification as well.

To summarise the forces pushing toward globalisation, we can say that the first was gradual erosion of the communism as an alternative. This culminated in its final demise with the fall of the Berlin Wall. Although we still have China officially as a communist country, we cannot argue that it presents any kind of alternative to the capitalist world. It is a mere “communist shell” in the form of the authoritarian rule of the Party overseeing the transformation of the planned economy into the market economy. Nobody sees any “alternative” in the Chinese model. The only alternative seen in China is the alternative path toward capitalism, with the Communist party maintaining control over society. This will presumably prevent a crash and the accompanying misery characterising the Russian transition. The misery and stagnation characterising Cuba and North Korea speaks for itself, as regards the capability of these types of systems being able to offer a valid alternative to prevailing market economies and internationalisation of the world economies.

Second, the Keynesianism prevailing in the Western economies until early 70's are challenged by the free market ideology. Successive application of the “free market” model of the Asian Tigers, neo-conservatism with economic liberalism in the USA shattered social demo-

¹ Many within USSR (and communist dominated Europe) become aware of the problems. In the late 70's a group of Soviet scientist lead by influential physicist and academy members A. Sacharov published open letter in *LeMond* addressed to the Soviet party leaders. They openly argued that the Soviet economy is losing the battle with the Western economy. It laggas behind in all sectors except in the productions of raw materials. Their main argument was that the omnipresent control and overregulation is strangling economic growth. The future economy will be based on the free and speedy information flows and the system with prevents this is doomed to fail.

Today's grappling of Chines government to control Internet is a repetition of the same story.

cratic alternatives based on the Keynesian model. From Mitterand to Blair the socialist leaders are advocates of the free market no less than "classical" conservatives. We could argue that the free market ideology became the only player on the "ideological field" with no real challenger. The attempts to formulate a "third way" are all based on the assumption of acceptance of the basis market postulates with only new ways of ameliorating its effects. In that sense we can speak about the "end of the ideology", although the more precise description would be the victory of the market economy and democracy as a political system.

Alternatives to the market models are dead for now and the left is accommodating itself to the basic principles of the right. As the market ideology starts to be dominant, or economic liberalism increasingly replaces the Keynesian model in the Western market economies. The former communist countries are trying fast to abandon their communist past and accept the market model as also majority of the "third World" countries abandoned their state controls for the more open liberal models. That can be observed from India to Uganda and from Malaysia to Brazil and Mexico.

New technologies allowed increased speed in communications so that multinational companies can operate on every inch of the globe. The disappearance of the political divisions characterising the post WWII enabled capital to become truly global and circle the world.

We can ask, is globalisation only the triumph of capitalism now encompassing the whole world? Is it a new ideology developing to justify the triumph of one side in the Cold War? Can we expect that as capitalist development provoked the development of the labour movement on the national levels in the nineteenth century, that global capitalism will provoke new anti-globalise movements on a global level in the twenty-first century?

We will briefly address those questions after reviewing consequences of the globalisation process.

Indicators and consequences of globalisation

When we are analyzing processes of social change, it is often very difficult to distinguish what is causing and what are the consequences of that process. In this part of our analysis we would like to find the main indicators of social change, which are often associated with globalisation. Most of those indicators are taken as measurement of globalisation. Our position is that all of those indicators are globalisation itself and are at the same time reinforcing the globalisation process. We will start with the assumption that all the change that we recently call globalisation, in politic and science is undergoing a process that causes different consequences on a regional, nation-state and global trans-national level. Starting with the functionalist assumption that every introduced change has intended and unintended consequences, we would like to find out what are the **economic**, **political** and **social** consequences of the globalisation process.

Economic changes

The **economic growth** in large parts of the world in the last three decades was positive. In spite of the political turmoil following the fall of communism in Eastern Europe and recent Asian economic crises, the GDP growth 1974-1993 was impressive 7.5% for East Asia and 4.8% for South Asia with very meagre 2.0% and with 2.6% for Eastern Europe and former Soviet Union. The same rate of growth was achieved in the Latin America. Left out of this development are sub-Sahara Africa, Northern Africa and Middle East with average growth rate of 1.2%. (*World Bank – The Economist, October 1, 1994*) That should be compared with the 2.9% rate of growth for the developing countries.

If some parts of the world were so successful and others not, it is difficult to find one explanatory factor, globalisation, as “guilty” for relative success of Asia and further deterioration of Sub-Sahara Africa. We can even argue the other way around that globalisation in general has produced a decrease in differences **for those who participated more in the process**. On that basis we can argue that the key explanatory factor of the economic growth was the openness of the economy. So openness is one of the key globalisation indicators. Developing countries with open economies grew by 4.5% a year in the 1970s and 80s, but those with closed economies, grew by only 0.7% a year. The same difference can be seen between open and closed rich countries. Rich open economies grow by 2.3% and closed ones by 0.7% (*Sachs-Warner, The Economist, July 3, 1999*). We can conclude from this that the more the country is included in globalisation process (measured by openness of its economy) the more successful was its economic development.

Foreign directed investments are those in manufacturing sector, factories, utilities, energy, telecommunications companies outside of the country in which the company is located. The data is showing that these investments are constantly growing and that the larger and larger parts of any domestic economy are opened up for such foreign investments and ownership. Between 1982 and 1992, the value of outflows of direct investments from the OECD countries grew from 20 billion U.S. dollars to over 200 billions (Alderson, 1999).

Maybe the most dramatic recent example is telecommunications that are transformed from the state monopolies into the big internationally owned firms. Initial push to this development was created by the technological development, which destroyed the “natural monopoly” of the industry. The reasons for the state running the telecommunication industry disappeared and the competitive market took it over. Combined with the tremendous speed of technological change this becomes one of the fastest growing industries in the modern economy.

The general idea of the dependency theory was that foreign investment would wreck the local economy. But the analysis does not confirm this projection. The general growth and the betterment of social and economic indicators are correlated with the presence of multinational firms. Recently one analysis showed the benefits for labour of the increased presence of foreign firms. There are four facts that indicate such benefits. The first fact is that the foreign firms **paid more** than domestic ones. In US they paid 4% more in 1989 and they paid 6% more in 1996. The second fact is that foreign firms are **creating jobs** faster than are their domestic counterpart. In US foreign firms create 1,4% new jobs compared with domestic 0,8%. Third, foreign firms **spend heavily on research and development** in the country where they invest. Fourth, foreign firms tend to **export more** than domestic one. (*The Economist, January 8th, 2000*) The same holds for developing countries. For example looking at Turkey we can find that foreign firm wages are 124% above the average and their workforce rise by 11.5% per year compared with 0.6% for domestic firms etc. The foreign investments do not harm the economic prosperity of the developing countries. De Soysa and Oneal (1999) found that foreign direct investment stimulates investments from domestic sources. The global long-term trend does not prove any of the “catastrophic scenarios” which could happen to the developing countries quite the contrary.

International trade is higher then ever and is “growing twice as fast as the volume of world output.” (Siebert, Klodt, 1999) Rapid decline in the cost of transport and communication make international trade more affordable. Trade expansion created direct links of the labour markets of developing and developed countries. There are many claims that imports from developing countries are directly responsible for the decline of manufacturing jobs in developed countries. Is that decline in manufacturing jobs solely the result of imports from developing countries or is it related with the “de-industrialisation” process and the rise of new technologies? Deindustrialisation had been predicted by social scientist a long time ago

(eg., Clark, 1940). According to Alderson (1999) deindustrialisation would have happened in OECD countries anyway, even if the imports from developing countries had not occurred.

How much loss in employment we attribute to the technological growth and how much to the import of cheaper goods or export of manufacturing jobs into the developing countries depends on a different measurement. Unemployment is growing in the same segments of the labour force that are affected by deindustrialisation and technological change and at the same time by competition from countries with lower labour costs. (*World Labour Report 1997-98, ILO, 1997*)

On the other side, a high number of new jobs has been created especially for the skilled workers in information technology and knowledge economy. Although we can see that the direct foreign investment is decreasing its demand for unskilled work in developed countries, this is offset by an increase in higher skilled jobs to supply component or services to affiliates abroad. Numerous studies in USA and Britain have confirmed that foreign investment is usually connected with exports back in the home country which will increase in general export of capital goods, marketing and design, as affiliates continue to buy technology and knowledge-intensive components from the home country. The fact that the unemployment in the most open economy of the USA is so low (4.1% nationally) is the result of the globalisation and speaks against the argument that globalisation necessarily increases unemployment in the home country. Economic growth offsets eventual loss of jobs due to globalisation processes and the loss will happen anyway as the result of the technological development. The other side of the coin is that this foreign investment helps to increase employment in the developing countries.

The ideologies in developed countries are preaching about the free market but when it pinches them, they are also starting to cry against the globalisation. It is probably more important for the developed countries to foster structural changes which will allow them to use their comparative advantages. First they need to educate their labour force, close the old industries and try to curb investment into developing countries. That can help employment to rise in developing countries. Anyway, as data are showing, about half of foreign direct investment in developing countries is in mining and services and by definition the jobs created on such way are not directly taking the jobs from the developed job market (*The Economist, October 1st, 1994*)

The unemployment rate in developed countries like US are lower than ever at 4.1% in December 1999. In Europe it is higher and is probably more the result of the rigidity of the labour market (that explains the difference between Europe and USA) than by the globalisation as such. USA has a more open economy, having less labour regulations and less unemployment benefits.

Employment security becomes more doubtful for a number of reasons. First more and more jobs are becoming contractual. Contracting out and decreased unionisation of the labour force is result of a deliberate managerial policy to cut labour costs. Trade unions in all OECD countries are losing power. They changed behaviour and tactics in order to copy the turbulence of the global market. They are not opposing relocation of the industry and they are supporting flexibility in organisation and employment conditions. (*World Labour Report 1997-98, ILO, 1997*) As a result, the perception of uncertainty is becoming an everyday feature in individual life. "Many workers, in the North and South feel caught in a race to the bottom and believe that intensified global competition is exerting downward pressure on working conditions and labour standard." (Somavia, 2000)

Parallel with economic growth and development, **the wage gap** between the rich and the poor is widening. This trend is visible on all levels. The gap between OECD countries and the poor developing countries is becoming bigger and bigger. On the national level, increasing inequality and the polarisation of wages and salaries is growing. Many social scientists ex-

plain that trend with sets of reasons that are linked together like a labour force shift, educational level, the new information technology and change in organisational behavior. As society develops the large proportion of labour force shift from traditional lower paid job (agriculture, manufacturing) to a modern, better-paid job (services knowledge economy). In the last few decades, the labour forces shift (as we explained in the deindustrialisation process) from manufacturing to services and knowledge economy. Explanations for the developed countries can be that the demand for the highly skilled labour in the modern knowledge economy is increasingly rising, and parallel with that is the fall in demand for the unskilled labour. If the supply of educated people is not following this shift in demand, the wage gap will result. Those not equipped to compete on the labour market (mostly unskilled) are left out, and those who can participate successfully are better off. Fall of demand for the unskilled workers is the result of the technological development. With more opening and further technological development and creation of knowledge economy, the need for the unskilled will further decline and that will reflect in the wider income gaps. The remedy and the long-term policy goal should be to increase the level of knowledge or alternatively, to close economy off for the competition from the developing countries. The comparative advantage of the developed countries is technology and knowledge rather than muscle and force. The surplus of muscles should be replaced by the increase in knowledge which, is probably the most important long-range goal of public policy for the future.

“Companies which make a lot of use of information technology also tend to employ more educated workers, to invest more in their training, to give line workers more responsibilities and to allow more decentralised management. They used information technology to monitor employees more closely and to give them more freedom to make decisions.” (*The Economist*, May 8th, 1999.) Differences in wages are due to all of these factors within the companies and consequently among the companies. As a flexibility of the market grows the more inequality lies ahead.

How the wage gap is operating in the most developed economy and how even full employment does not mean that the workers are getting a “decent wage” can be shown on one recent example from the Fairfax county in the Washington D.C. metropolitan area. Fairfax is among the richest counties that has the highest median household income in the USA showing that in the same time when unemployment rate in that county is dropping to 1.4% in December 1999, the number of homeless people is growing. (*The Washington Post*, March 14, 2000.) That shows that employment as important indicator of economic grows as it is, would not necessary secure decent living conditions for all.

The economic consequences associated with globalisation seem controversial. Growing income inequalities and widening the wage gap, but at the same time there is dramatic drop in the number of people living in poverty in the developing countries. (A.T. Kearney, 2000) Going back into the history we can observe the same pattern. Taking as example the development in the industrial revolution where in the beginning of industrialisation process the wage gap was also growing and later these differences were equalised. In the same way we can expect that after the initial stage of the revolutionising the process of production that we are witnessing now, the existing gaps will start to decline.

Political changes

The word is becoming obviously one (global) in the sense that crises are spreading from one place to another. Although that is also nothing completely new (we should remember great depression of 1929) but the causes and speed is of the new quality. **Global political and economical cooperation** is visible in the recent “Asian crisis” in 1997. That crisis was felt in Russia, Russian crisis in Latin America and the whole world was tottering. The FED acted as

the world stabiliser and the American growth acted as an engine pulling the rest of the world out of the crisis. The globalisation was really felt on every part of the globe (better to say in every stock market around the world) and concerned world leader, led by Alan Greenspan and James Rubin tried to act in a way to pool economies of the world together.

The speed and availability of the capital contributed to the growth of the open economies but at the same time it contributed to the volatility of the particular economies and the world economy as the whole. Can we have the benefits of the free circulation of the capital without the negative effects and volatility? Different policy makers drew different conclusions. Mahatir (Malaysian MP) was lamenting the world conspiracy and was trying to find the ways out of the crisis by increasing the barriers to speed and capability of capital, to move in and out of the particular market. Others were trying to find solutions in opening their markets even further. Thanks to the American overhaul, both strategies worked and those countries were pulled out of the crisis. But in spite of it the need for the **new “financial architecture”** is discussed more and more. This can be taken as an indicator of the globalisation because the new global rules going beyond the existing ones are needed to cope with the speed and circulation of the global capital.

Political consequences focus on **government of the nation-state**. How do the new global environment and associated forces, which operate in an international context, change the behaviour and role of the government in relation to economy, law and regulations, cooperation, authority and sovereignty? The process of internationalisation and deregulation of capital, market and labour undermine the authority of the nation-state intervention (Pierson, 1996). The trans-national economic forces threaten economic power of the nation-state. The globalisation process decreases the capability of the state to maintain its welfare function. Under international competition, the states that maintain generous welfare policies impose burden on its industry and decrease its competitiveness. The government role is now to make national environment more attractive for business and capital investment. First, most of the governments concentrate on finding their own comparative advantage in the global division of labour and to support the type of development based on that advantage. In order to attract investment, they usually make transparent and internationally compatible rules and regulations, developed local transportation, infrastructure, communications, and appropriately skilled labour force. (Leisink, 1999). From a welfare state with its concentration of power, because that state was owner, employer, regulator and redistributor, government shifts toward a corporate state. The same process that led governments into competition for investment on the global market put them into position to go to reduce the welfare benefits in order to reduce business costs and to attract investment and make domestic production cheaper. Some authors call that the “race to the bottom”.

“Globalisation is dissolving the essential structure of modern statehood” (Pierson, 1996, p. 192) Governments are pushed into the direction of more and more cooperation and interdependence with other states globally, accepting international laws and regulations in the areas related to human rights and environmental protection. We can argue that cooperation is replacing unilateral exercise of power. Cooperation among nations-states is the growing process in which societies are becoming more dependent on each other because the problems that they have to deal with are more complex and interdependent. Interdependency or using Durkheim terminology “organic solidarity” is inevitable it is moving from the regional and national level to the international and global. As a consequence, states are obviously losing part of their authority and autonomy.

The nation-state is still the mediator between local level and global level and that role is going to be more and more important in the future. Nation-states will still control and impose law and order on its territory but more and more rules and regulations are going to be multilateral. Global institutions are going to intervene in state affairs more often to impose

global standards. That is going to be a driving force for institutional change in the future. (One of the recent examples is a mandatory sentencing that is in place in NT and WA. The role of Australian federal government was to introduce the change under the pressure from the UN Commission for human rights.)

Social implications

Globalisation produces business alliances across borders, spread the innovations and technology and develops new types of distant social relations. New information technology and cheap transport and communication make all those relations on distance easy and possible. The spread of all types of information around the world makes a world smaller in individual perception and also **raises the human aspirations**. If these new aspirations cannot be fulfilled, we have tensions and frustration as a consequence. It is, for example, very difficult to envision that Chinese can achieve American standards of living without producing serious imbalances of resources and productive capabilities presently existing. With globalisation, aspirations for achieving that standard of living are probably growing much faster than the capabilities of their fulfilment. We can predict that this gap will produce an increased level of tensions and strains.

The globalisation process, combined with the phenomenon of “greying” of the most advanced societies are producing some new interesting phenomena. In the “greying” societies a young working force is in demand. On the other side the globalisation is spreading universal values and the majority wants to imitate the Western standards of living. Generally people are becoming more familiar with the main cultural characteristics of the Western countries. Both trends act as a strong “pull factor” for immigration. **Increased immigration** into developed countries is growing as well because of “push factors” like low economic standards and political insecurity in the developing countries.

The contradiction is that immigration becomes more attractive and culturally more acceptable and easy but at the same time new communication technology can slow down the assimilation processes. The communication with the homeland is becoming more intense than before (from Internet to cheaper air tickets). The immigrants will stand longer with “one leg” in their homeland than in the situation when the immigration meant total disconnection with the homeland. In that way we have a dialectical contradiction – on the one hand, more widespread acceptance of Western values through globalisation process, but on the other more open channels for keeping traditional values even in the places very distant from the homeland. The consequence is **increased heterogeneity**. Immigration under the “new conditions” makes assimilation slower than before.

Building identity is the essential process in personal growing and it is related to groups, organisations, associations and the territory where a person lives. Identity is a social construction and “use building materials from history, from geography, from biology, from productive and reproductive institutions, from collective memory and personal fantasies, from power apparatuses and religious revelations.”(Castells, 1997) While the people are more often belonging to a different groups due to the prolonged schooling, working in different organizations, belonging to different associations, moving to different territory and participating in global trends, they are developing a **multiple identity** (Albrow, 2000). The rise of network society is a new dimension that influences the process of constructing identity. This multiple identity and shift from national-state identity to global identity is the undergoing process and it imposes completely new requirements for government and politics in the future.

Finally, the question of community and social cohesion in a globalised world is often raised as an important issue. How does globalisation affect the community? Does globalisation reinforce a community (*gemeinschaft*) in which most people know each other or are

we going to have society in which most people are strangers to one another (*gesellschaft*). The recent research (Hampton, K., B. Wellman, 2000) findings show that the Internet encourages greater community involvement, and relationships on distance. The new technology, which is the integral part of the globalisation, improves local communication and strengthens local relationships with neighbours and produce community bounds. It strengthens communication on distance and helps maintain social relations among friends and relatives. Hampton and Wellman (2000) name this improve combination of global and local activities as "glocalization". The other important consequences are that Internet can encourage and promote civil involvement on the local level as well as on global.

The community and society is not limited by the state boundaries but it is more and more global. Thanks to information technology more and more people are going to be aware of and participate in events that are happening far away. Consequently they will make judgments about global issues which are prerequisite for global civil society. On the other hand they will also urge the need to protect **regional** specificity and we will find more and more movements in both directions; toward globalisation and at the same time toward regionalisation.

"Left" and "right" together again

The structural change, which is occurring in the world economy, society and technology, divides people in the interpretation and evaluation of the globalisation process. The groups that are gaining or can easily cope with change in general support it. On the other side the groups that are losing and are not capable of dealing with undergoing change are against it.

Are there any social groups that are totally left out of the new "prosperity"? In industrialised countries the welfare recipient that developed welfare dependency are obviously the first group of losers. The unskilled and semi-skilled workers in manufacturing industries exposed to global competition, is the second group that might be left out of prosperity. Trade Unions who used to defend workers rights are gradually losing power. If these groups are permanently left out and are transformed into permanent losers, than we can expect increased social tensions. This is usually the argument and the urge for protection by the "**leftist**" part of the political spectrum.

The other sorts of tensions can come from the changing role of the nation-state and the perceived threat to its autonomy and sovereignty. It can provoke and animate all types of nationalistic feelings, and become the basis of movement creation in a "**rightist**" direction. The forces of traditional nationalism are woken up and are fuelled by the homogenising processes accompanying globalisation. In that way globalisation becomes the ideological enemy advocated by differently oriented groups.

The other forms of resistance come from the people developing high cultural sensitivities against a new global, "McWorld" (Barber, 1996) culture. Those "**cultural advocates**" who, in the name of protecting cultural and "some social values which were once perfectly functional, have been transformed for the worst by the ascendant ethos of individualism and competitiveness." (Somavia, 2000) This is nothing new. Every modernisation creates groups of people who are defending "traditional" values against, "new" values, "imported" values etc. Economic modernization was destroying old forms of social life and imposing a new one. The modern sociology was created exactly from this contradiction. Concepts such as "*gemeinschaft*" and "*gessellschaft*" (Ferdinand Tonnies), "mechanic" and "organic" solidarity (Emile Durkheim) was reflected this contradiction. In the same way the globalisation processes are on the one hand incorporating cultures into the new global one, and destroying the variety of existing forms. The dilemma is if the globalisation means destruction of the old cultures and with it of a variety of existing cultures, then maybe it creates new possibilities of preservation?

Globalisation also creates counter processes like **regionalisation**. While globalisation become more and more obvious in everyday life, people try to protect their regional specificity. They also feel threatened about how that process is going to affect them and about their position in the global world.

Sometimes in paradoxical ways, globalisation provokes or enables regional fusion. The separatist forces in former communist countries were acting in the name of the new integration. When Baltic countries succeeded from the USSR, or Slovenia and Croatia from Yugoslavia, they were doing it in the name of creating preconditions for integration with Europe. (Sekulic, 1998) The similar paradox is that the "devolution" in Britain is made possible, according to many observers, exactly by the increased European integrations. The concept of "Europe of region" is born as a way of new integration by-passing the nation-state as the intermediary between the local and the global.

As the result of these tensions we can expect new ideological configurations. The "*new alliance of left and right*" can be formed. The left can mobilise its classical support among the workers and among those who are losing in this new process of economic change. The right can also mobilise against the loss of "national sovereignty" and "cultural identity". From Pat Buchanan to classical nationalist right in Europe, the danger of a "shift of decision making" to supranational bodies imagined or real, can help to mobilise these strange bedfellows into the struggle against the common enemy.

To this alliance we should also add the new "**post-material oriented**" (Inglehart, 1995) middle classes in the developed world. They are defending "post-materialistic values", "quality of life" against the growth oriented classical capitalism. Through these they can also enter into alliances with traditional left against the capitalist growth. At the same time they are against the main interests of developing countries interested in growth. To use the analogy from Maslow theory, the post-materialistic values are developing only after materialistic aspirations are satisfied. We cannot expect that those who did not satisfy their materialistic values will share the same post-materialistic values. Those driving their car to the meeting of the "Sierra club" and preaching the conservation are not having the same perspective as those using the muscles of their feet as their only means of transportation and whose main preoccupation is day to day survival.

Finally, economic growth and globalisation are bringing the **environmental issue** on the table. On one side globalisation gives us a chance to know more about environmental degradation and destruction all over the world. On the other hand people are more ready to oppose development and economic growth in some regions far away because they do want to protect the environment. Almost everybody agrees that the Amazon forest has to be protected from further devastation but do we have a right to prevent poor people to farm in that area? That is another possible line of conflict that can split support for globalisation.

We can conclude that people will oppose globalisation based on different motifs. Those left out of development will oppose globalisation based on their materialist interest, while the modern Western middle classes developing "post-materialist" interest will join them opposing globalisation because of the post-materialistic values and concerns. They will join forces with resurgent traditional forces of nationalism and state sovereignty. Together they will and are forming a new alliance struggling against economic development based on the new global forces. That shows that globalisation will become the key ideological issue of the future.

Conclusion

Globalisation is a continual process of social change, which occurs at different speeds. The global political constellation and ideological orientations, which prevail in some period of history, support the globalisation process and affect the speed. In the last 30 years, politi-

cal change and ideological orientations, especially combined with tremendous development in information technology, accelerate globalisation and cause it to become more visible than ever before.

Like every social change, globalisation produces a number of controversial consequences. On one hand, positive economic growth combined with constantly growing foreign investments and higher international trade are the main characteristics of the global economy. At the same time this produces a growing inequality and widening of the wage gap in developed societies while on the other hand, in developing countries, there is dramatic drop in the number of people living in poverty.

Who is in charge the nation-states or multinational corporations during all those dramatic changes, is the dominant issue related to the growing speed of globalisation. The role of government of the nation-state changes in relation to the economy, law and regulations, autonomy and sovereignty. The need for global government, global regulations and cooperation is growing and institutional changes of the nation-state as well as at a global level will occur.

Globalisation influences the rise of human aspirations on a personal level, increases immigration and heterogeneity within a society while people develop a multiple identity. What is probably more interesting is that globalisation, because of multiple and very different consequences in every sphere of human life, divides people in their interpretation, evaluation and support for the globalisation process. So groups with very different ideological orientations form some kind of unconscious alliance against globalisation. Hence some kind of social movement against globalisation is in the air. Would this slow down the speed of globalisation and impose new barriers and political obstacles, or would the fast globalisation trend prevail? This is an open question.

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GLOBALIZACIJSKE KONTROVERZE

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Globalizacija je posljednji stadij u stalnom procesu društvene promjene koja je započela industrijalizacijom i modernizacijom u Europi ali se sada globalno širi. Članak analizira različite teorije globalizacije i kako se novi val globalizacije (u posljednjih 30 godina) odnosi prema povijesnim događajima koji su prouzročili promjene u ekonomiji, ideologiji i tehnologiji.

Globalizacija je definirana kao proces pretvranja odvojenih nacionalnih ekonomija u integriranu svjetsku ekonomiju; u području društvene sfere očituje se kao pojačavanje društvenih odnosa na daljinu, a u području javnosti kao gubitak moći i autoriteta država-nacija. Polazeći od te definicije veći dio članka je posvećen analiziranju ekonomskih, društvenih i političkih indikatora, i posljedica globalizacije. Kao termin i kao proces koji traje globalizacija postaje široko prepoznata, a ljudi s uglavnom različitim ideološkim pogledima počinju stvarati novi "čudan" savez protiv globalizacije.

Ključne riječi: GLOBALIZACIJA, DRUŠTVENA PROMJENA, DRUŠTVENI POKRETI.