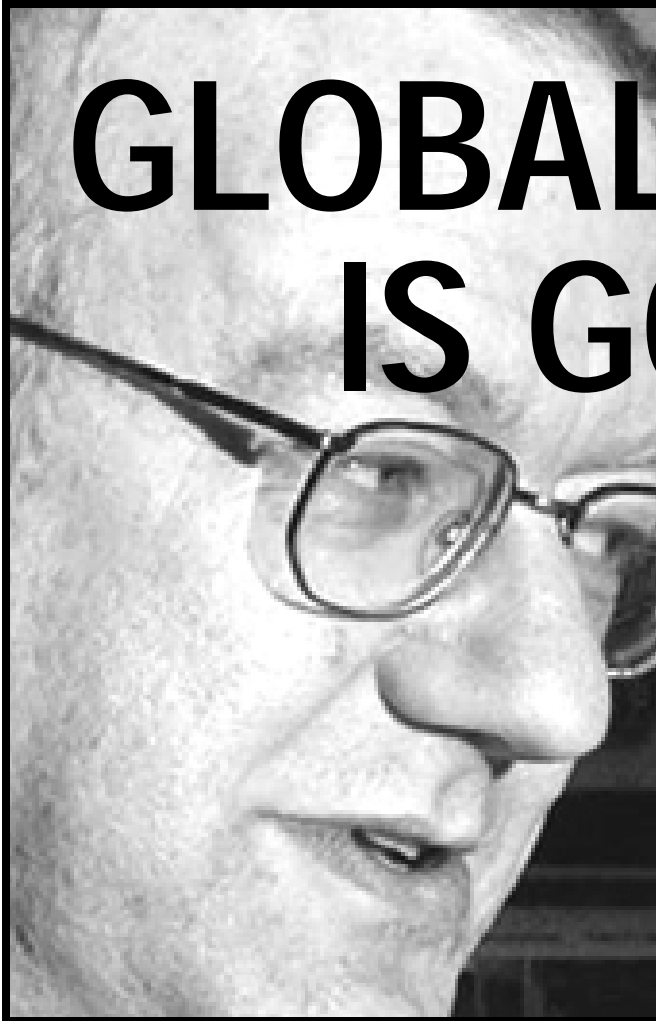


GLOBALISATION IS GOOD!



STEPHEN
DAVIES



What is globalisation? Should we fear it or welcome it? Certainly it is the buzz word of our times. Politicians of all parties constantly use it, it appears regularly in discussion in all of the media, it is even appearing in the popular press. Most notably, we are bombarded with books and articles about the topic, from all points of the ideological compass. Some welcome a brave new world, the majority warn of the dreadful threat posed by “the new global economy”, yet others offer variants on these two themes or, more originally, argue that the entire idea of globalisation is overblown or nothing new.

THE VARIOUS PHENOMENA

What though is globalisation? The term is actually a shorthand for a number of connected yet distinct features of the contemporary scene, most of which have become prominent or visible in the last twenty years, even if their origins are older. Taken together they mean that what we now have is a truly global or world economy and, according to some, an emergent global or world culture. The first author to identify this change was Peter Drucker, who drew attention to its main features as far back as the 1970s in *The Age of Discontinuity*.¹ The

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FOR LIFE, LIBERTY AND PROPERTY

sources of these developments are a mixture of technological innovation, long term government policies in the major Western states, and the underlying logic and development of the capitalist economic system. To fully describe the various phenomena which together make up globalisation would take a book but we can briefly identify the main ones.

1. The production and marketing of goods and services on a truly global scale. It is no longer a case of products being “national”, produced in one part of the world and then sold to others. We now have global products and brands: Coca-Cola and McDonalds are no longer in any meaningful sense American products. The great goal of all corporations now is to make their products “global” and to shed national connotations (although there is an apparent counter trend of playing on traditional conceptions of national characteristics to sell certain products as in, for example, the famous Audi adverts. The whole point of this however is that the product is being sold globally).
2. The appearance of an economic institution which reflects this — the global corporation. This is more recent than many realise. Multinational businesses have existed for a long time but historically they have been essentially national corporations with branches outside the home country. Ford, which still has this form of organisation, is the classic case. Now however we have truly transnational businesses, with no national base. Is Daimler/Chrysler American or German — or neither? Is News International a British company, an American one or an Australian? The answer clearly is that it is none of these but a truly world based business.
3. Perhaps the most talked about phenomenon is the emergence since the late 1960s of a truly global capital and currency market. As far as capital and currency are concerned the world is truly one single market in a way that is still far from true in either manufacturing or services. Here the attempts of governments to control things have truly come to naught.
4. This is in some sense the product of the other very well known phenomenon — the revolution in communications. With the appearance of satellite television, mobile ‘phones, and the internet there is truly now a “global village”. (Marshall McLuhan is one 1960s prophet who now seems not a wild visionary but rather sober and modest).
5. One largely overlooked or misunderstood phenomenon is the way that large cities and their dependent surroundings (metropolitan areas in the American terminology) have emerged as the real units of the new world economy. In a very real sense the world economy is made up not of national economies but about one thousand city economies.²
6. Linked to this is the rapid appearance of a genuine world culture, in the sense of cultural products, languages and images which are consumed, created and understood on a global basis. One aspect of this is the appearance of English as a true global *lingua*

franca but it effects every area of culture — film, music, clothes, architecture, design, games food, and “icons”. One point should be made here. This is not a matter of American culture taking over the rest of the planet. The global culture is currently forming in the U.S. because it is English speaking and the most dynamic and open society in the world, as well as the richest, but its elements come from all over the world, something that will undoubtedly become more apparent in the next decade.

7. Finally, the appearance of a global elite or “overclass” as it is sometimes called. This a mixed blessing, as we shall see. This term can be understood in two ways. The real global elite consists of a small number of people who control the major institutions of the emerging global economy. Much larger is the class of highly mobile knowledge workers (symbolic analysts as Robert Reich calls them) who can increasingly work anywhere on the planet. To an ever greater extent they have more in common with each other than with the majority population of their home country. Their numbers however are growing, particularly in such countries as China and India.

OPTIMISTS AND PESSIMISTS

If we look at the literature about this process of globalisation something becomes very clear. Some of the authors, such as Kenichi Ohmae, are cheerleaders for it but the majority are deeply hostile. This is a hostility which cuts across the traditional division between Right and Left. (Virginia Postrell argues that we need a new division, between dynamists who welcome change, dynamism and diversity, and stasists who fear all of these things).³ So we have a whole series of books with titles such as *The Global Trap*, *False Dawn*, or *One World Ready or Not*, by authors who range ideologically from Pat Buchanan to Noam Chomsky.⁴ All of these works portray globalisation in bloodcurdling terms, as a mortal threat to all that is good, true, and valuable (of course what is good etc varies according to the author although there are important commonalities). Most argue that we can save ourselves from the fearful prospect if we only take the right course of action. There are two partial exceptions to this. Some authors (e.g. John Gray, Ian Angell) argue that globalisation is terrible or will have bad results but also that it is unavoidable: the best we can do is try to limit it (Gray) or act to maximise our personal well being (Angell).⁵ More interesting is the argument made by authors such as Hirst, which I will turn to later, to the effect that globalisation is nothing new and is greatly exaggerated, so we should not fear it or let despondency cloud our judgement as to what is politically feasible.

As mentioned earlier, there are interesting common features between the analyses of authors who in other ways are far apart. Certain themes or arguments recur. Firstly, that globalisation takes away the capacity of national governments to act in many areas and so undermines real or effective national sovereignty. In particular, it is asserted that the result of a global economy, with free movement of capital, will be a rush to the bottom, as

capital goes to where labour is cheapest and regulations such as environmental standards, are lowest. This, the argument goes, will lead to mass unemployment, with poverty for the majority and huge benefits to a small elite. Secondly, that globalisation will erode or destroy settled, traditional ways of life and communities. The counterpart of this, we are told, is the appearance on the one hand of a deracinated and rootless cosmopolitan culture and on the other a depraved and degenerate mass culture. Traditional culture, whether high or popular, will be swept away.

THE OLD DEBATE BETWEEN FREE TRADE AND PROTECTION

So how to respond to this indictment? Why believe, as I do, that the development of the global economy is the best thing possible for all of the world's population and that it is vital that it is not reversed but accelerated? There are two separate responses to the arguments of the critics. Some of their case is simply false, reflecting often elementary errors in economic reasoning. In some areas however we can agree on the facts but differ in the assessment of those facts: what the critics see as disastrous consequences of globalisation are for others beneficial aspects or outcomes.

In the first case, much of the argument between critics and proponents of globalisation is simply a reprise of the old debate between free trade and protection. It is in many ways scandalous that this should be so: there is no principle in the whole of the social sciences the truth of which has been so overwhelmingly proved as the principle of comparative advantage. This is often seen as being relevant only to international trade: in fact international trade is only a special case of the more general principle, that people will gain and the total amount of wealth will be greater if everyone specialises in what they are best at (as long as it is something other people want). The whole argument about international trade actually obscures the point because international trade does not really exist. Countries such as England and Portugal do not trade with each other: it is individuals and/or companies located in the two countries which trade. The greater the degree of economic specialisation and exchange the more productive and efficient the allocation of productive resources (land, labour and capital) will be. The important thing to realise is that *everyone* gains from this, even though the gains may not be evenly shared. The frequently made point that globalisation will result in high cost labour in developed countries being replaced by low cost labour elsewhere also misses several points. It is contradicted by the evidence: most capital investment is within or between high wage economies. Wages are low in many parts of the world for a good reason: the labour in these places is relatively less productive. (This can have a number of causes of which lack of capital is only one). What is actually happening is that *some kinds* of work are moving from one part of the world to another, mainly manufacturing work. This is only a problem if one believes the foolish notion that manufacturing jobs are "proper" work in a way that other work is not. A dollar is a dollar, no matter what kind of work one

does to earn it. The movement of certain kinds of production is unsurprising — it simply means that the balance of comparative advantage has changed as it inevitably will and has many times before. Nor is it true that environmental standards will be undermined — not in any meaningful sense of measureable environmental quality (stupid environmental regulations may be undermined but that is a different story). All the available evidence is that the more "developed" and market oriented economies become, the better the quality of the environment. It is primitive and state controlled economies which cause the real environmental catastrophes. The idea that we will end up with a homogenised world is also untrue. There will be a global culture, enabling more people than ever before to communicate and exchange all sorts of goods (not simply physical ones) but this does not mean uniformity. Comparative advantage also works in the area of culture, as each specific culture will bring its own specific advantage or niche. In fact it will pay to be different and distinctive. Insofar as we have a world economy rather than a set of (interconnected) national economies the result will be more wealth, a cleaner environment, more choice and variety. What is wrong with that?

INCREASING THE POWER OF INDIVIDUALS AT THE EXPENSE OF GOVERNMENTS

With the other category of complaints the appropriate response for anyone who values freedom and individual autonomy over collectivism is to reply: "yes, and a good thing too!" It is true that globalisation undermines the capacity of states to "manage" their economies, to raise taxes, or to have an extensive welfare state and system of income transfers.⁶ For me this is one of the most powerful arguments in its favour. One central feature of globalisation is the way it has increased the power and effective choice of individuals at the expense of governments, not least in the area of communications, where vicious bastards like the rulers of China and Burma are constrained by their inability to contain the flow of knowledge. It is also undoubtedly true that globalisation will undermine the classical nation state, by simultaneously undermining traditional nationalism while promoting separatism and the break up of large states. Bearing in mind the damage that large territorial states have caused and the malign effects of the most widespread form of collectivism, nationalism, this is again all on the benefit side. A truly global economy would indeed, as Cobden predicted, remove the capacity of most states to make war — this is one of the reasons why many state elites reacted against free trade after 1870.

THE FIRST GLOBALISATION AND THE REACTION AGAINST IT

However, not all of the arguments can be dismissed so easily. The most telling are made by Hirst and Thompson in their book *Globalisation in Question*.⁷ This work makes three interconnected points. Firstly that today's global economy is not unprecedented, indeed by a number of measures the world economy is actually less global now than it was in the period before 1914. We do not

have a true, effective, world monetary system, labour is far less mobile than it was then, and capital investment (as opposed to flows) is still less transnational than it was in the 1890s. Secondly that the claims made by some of the apologists of globalisation, such as Ohmae, are exaggerated. Most corporations are still firmly nation based and large areas of economic life are national or even local because of insuperable difficulties in selling many kinds of product over anything other than a short distance. Thirdly, that the power of the state is still great and greater than allowed by either cheerleaders such as William Rees-Mogg or pessimistic social democrats. The fact that the supposedly greater globalisation before 1914 did not prevent the creation of welfare states or large expansion of governments is adduced in support of this. A lot of this is well taken — for example some of the claims made are undoubtedly overstated and national governments do retain enormous power. Two points can be made in response however. Firstly, the structure of the argument leaves something to be desired. Essentially it is “If the globalisation thesis is true then traditional social democracy is impossible. This is too horrible to contemplate. Therefore, let us show that the globalisation thesis is overstated/false.” There is a strong element of the wish being father to the thought here. Secondly, the historical analysis given can point to a very different conclusion. The world economy that had emerged by the later nineteenth century was undoubtedly more global in several ways than the one we have now. Much of the intellectual and political history of the 1880-1950 period is best seen as a reaction against this “first globalisation”. The results of course were catastrophic — two world wars, the Great Depression and untold human suffering at the hands of despots. In some ways we have only now got back to where we were in about 1895 or so. This, and the history of the first half of this century, should be not an encouragement for the policies of interventionism but a terrible warning of where they can lead. The conclusions to draw are rather that we should seek to recreate a stable world monetary system and should seek to restore the free movement of labour and resist the shameful attempts of politicians to get votes by restricting this. Above all we must resist the arguments of economic nationalism.

THE EMERGENCE OF A GLOBAL RULING CLASS

There is however one other problem which leaves libertarians in a difficult position. At the recent WTO meeting in Seattle we saw two sets of enemies of true globalisation: the ones who got the publicity, outside, and the others, much more dangerous, inside. The most serious threat we face in many ways is the emergence of a global ruling class, a corporate elite. The aim of this class is a kind of *faux* globalisation, a world economy which is rigged and organised in their interest and against the interest of potential competitors, meaning in many cases the world's current poor. Central to this is the construction of a system of world control and regulation, executed via such organisations as the WTO, World Bank, and IMF. Not surprisingly this project is dominated by the

most powerful ruling class in the world today, the “power elite” of the United States. A key tactic is regulated trade which looks like free trade but in fact is nothing of the sort. (As Chomsky rightly points out most of the corporate elite would not recognise real free trade or markets if they hit them in the face.) Opposition to this “New World Order” comes from three disparate sources: old conservatives of the Pat Buchanan type shading into the newer populist right, classical liberals/libertarians, and some radical leftists, often libertarian socialists or anarchists. The problem for libertarians is how far they should make tactical alliances with the other two tendencies. (My own view is that this can and should be done over specific issues e.g. the war in Kosovo but that anything more is very dangerous and probably will not work.)

A FREE WORLD ORDER

It is clear though what all believers in liberty must do. We must defend true globalisation against both its wrong-headed critics and its false friends. This means once again fighting the good fight for free trade versus protection. (Time to dig out Henry George — *Free Trade or Protection* is still the best book on this subject.) As said earlier we must be intransigent and “extreme” in our opposition to economic nationalism and nativism. Last but not least we must expose the machinations of our would be rulers. The case must be made for not a New World Order but a Free World Order.⁸

NOTES

1. Peter Drucker, *The Age of Discontinuity*, Harpers, New York, 1969.
2. Kenichi Ohmae, *The End of the Nation State*, Harper/Collins, London, 1995; Jane Jacobs, *Cities and the Wealth of Nations*, Random House, New York, 1985.
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4. Hans-Peter Martin, *The Global Trap: Globalisation and the Assault on Prosperity and Democracy*, Penguin, Harmondsworth, Middlesex, 1997; William Greider, *One World, Ready or Not: The Manic Logic of Global Capitalism*, Simon and Schuster, New York, 1996; John Gray, *False Dawn: The Delusions of Global Capitalism*, Granta, London, 1998; Patrick J. Buchanan, *The Great Betrayal: How American Sovereignty and Social Justice are Being Sacrificed to the Gods of the Global Economy*, Little, Brown, New York, 1998; Noam Chomsky and Robert W. McChesney, *Profit Over People: Neoliberalism and Global Order*, Seven Stories Press, Chicago, 1998.
5. Gray, *op cit*; Ian Angell, *The New Barbarian Manifesto: How to Survive the Information Age*, Kogan Page, London, 2000.
6. Kenichi Ohmae, *The Borderless World*, Harper/Collins, London, 1994; James Dale Davidson and William Rees-Mogg, *The Sovereign Individual*, Macmillan, London, 1997.
7. Paul Hirst and Graham Thompson, *Globalisation in Question*, Polity Press, Cambridge, 1996.
8. This is the term used in one of the best libertarian sites of the World Wide Web. See www.buildfreedom.com