

2

The Political Economy of Globalization

UMA KOTHARI, MARTIN MINOGUE
AND JOCELYN DEJONG

On a political map, the boundaries between countries are as clear as ever. But on a competitive map, a map showing the real flows of financial and industrial activity, those borders have largely disappeared (Ohmae, 1990, p. 18).

Capitalism is, and will remain, a national phenomenon (Rodrik, quoted in Mittelman, 2000).

The debate on globalization fits well with the approach of this book, which is that development debates have been framed by a series of theoretical disputes that have had the effect, intentionally or otherwise, of obscuring the essential continuity of the long modernization project of the 'short twentieth century' (Hobsbawm, 1994a). It has been suggested that development itself was a myth, constructed by Western states in the post-1945 period to disguise the continuation of exploitative economic relations with former colonies, and resting on the premise that these structures of economic control and modernization would contain and promote political modernization in the form of Western liberal democracy (see Crush, 1995). Ironically the preferred means was national, centralized, state-led economic planning, the primary instrument also of the socialist model, which offered to new states an alternative model of political economy. Until the 1980s this global beauty contest was the most influential factor in shaping relations between Western and non-Western countries, development aid and strategies being largely employed as a Cold War weapon. The collapse of the socialist states in the former Soviet Union and Eastern and Central Europe not only appears to have resolved this contest, but to have led to the presumption that there are now no obstacles, or

overarching alternatives, to the world-wide extension of the modernization project, a presumption that finds its principal expression in the globalization debate.

This chapter is divided into two main sections. The first, rather than attempting to provide a comprehensive picture of globalization or offer a definitive definition of the term, introduces the different ways in which the processes of globalization have been understood and analyzed. The second section focuses more specifically on the political economy of globalization and its implications for development. These two sections are clearly linked as any conclusions or generalizations about the existing relationships among national economies in the international system will be shaped by the particular perspective adopted on globalization itself. It is also clear that both economic and political relationships have to be analyzed, since the position taken on, for example, economic issues will determine views about the political relations of states in the international system, and even about the meanings we should now attach to 'the state' and 'international relations'.

What is Globalization?

Globalization is a highly contested concept in terms of its meaning, form and implications, with more fundamental questions being raised about the extent to which globalization is actually taking place and, if it is occurring, the nature of its genealogy. The term has also been used to describe and explain a range of contemporary cultural, economic and political phenomena, resulting in the concept becoming almost meaningless through overuse. Consequently the literature on globalization is large and diffuse.

Although there is much evidence to suggest that the context of development is now dramatically different because we are living and working in the context of globalization (McMichael, 1996; Hoogvelt, 1997; McGrew, 2000a), there are some who believe that globalization is in fact a myth, or at least exaggerated in terms of its intensity and impact (see Wade, 1996; Weiss, 1998; Hirst and Thompson, 1999). Furthermore, for those who believe that it is happening there is confusion about the causes and effects of globalization. Is globalization the driving force of cultural, economic and political changes, or is the mutual reinforcement of these processes producing globalization? Furthermore if it does exist, what are its origins? When did globaliza-

tion start and how does it differ from previous periods of global interconnectedness? How can the processes of global change be managed in order to benefit the poor? We begin with an exploration of the forces that are presumed to be driving globalization, and then examine the different perspectives on its positive and negative implications for development.

Is globalization myth or reality? The question here is the extent to which globalization has created a context that is significantly different from earlier historical periods. Is the current interconnectedness substantially different, for example, from what Hobsbawm (1994b) described as the 'Age of Empire', when the spread of colonial economic and political power created elaborate networks of trade, thereby bringing together different peoples and cultures in unprecedented ways? As will be discussed later, Hirst and Thompson (1992) argue that the Gold Standard era from the late nineteenth century to 1913 equalled if not surpassed the current period of economic openness and integration. It has also been suggested that the impact of the telegram in the nineteenth century was as intense as the current globalization of communications (Held *et al.*, 1999).

While the processes of globalization therefore have significant antecedents, and there is acknowledgement that the earlier stages of economic, political, and cultural interconnectedness – through, for example, colonialism – provided vital precursors for the current era, these previous periods were arguably very different from the current one. Held (2000) argues that what distinguishes the current period is the speed, intensity and penetration of global forces. Today there is much more interaction throughout the world and over a shorter time-frame, thus the impact of what happens in one region is now felt much more strongly in far distant ones. Will Hutton, in *The State We're In*, says that '[w]hether in trade, finance or the speed and scope of communication, the degree of interpenetration of financial markets and cultures is unprecedented' (Hutton, quoted in Hirst and Thompson, 1999).

The current period has also witnessed the emergence of new international actors and institutions such as the UN, the World Bank, the IMF, transnational corporations and the growth of other inter-governmental organizations (see Held *et al.*, 1999). These are global in composition and have global reach through the development and promotion of policies. New global actors such as the World Trade Organization and regional blocs such as the European Union are similarly exerting increasing influence on national policy making.

Furthermore new abilities and inclinations for civil society to organize and forge links across national borders present opportunities for influencing national politics in unprecedented ways.

But if we agree that the current period is distinctly different, then when did it begin? This continues to be an area of debate in which there is no consensus on which world events were most influential in forging the present globalization era. Was it the abandonment of the gold standard that brought in an era of fluctuating exchange rates, or the growing interdependence of countries as a result of the oil crises of the 1970s and the subsequent debt crisis of the 1980s? Or was it more generally the increasing openness of economies and the liberalization of capital markets following the adoption of monetarism in the UK and the US, and the pervasiveness of the structural adjustment programmes of the 1980s?

There is general agreement that there are several, mutually reinforcing processes of globalization; however there is disagreement about whether these are causes of globalization or the outcome of the extension and intensification of global processes. These driving forces include technological innovations, economic and political shifts and cultural changes. Clearly one of the most potent driving forces has been the speed and spread of communications and the increasing ease and decreasing cost of travel (UNDP, 1999). Economic transformation has included rapid and colossal growth in financial flows following the deregulation of capital markets around the world, much of it speculative and with the potential to destabilize national economies, as the East Asian crisis so poignantly illustrated. The latter trend has reinforced the growing transnationalisation of production that was precipitated by the shift to post-Fordist production and the proliferation and dominance of transnational corporations.

Political shifts are evident in the decline in state intervention and the emphasis on deregulation, privatization and liberalization, and are therefore closely connected to economic changes. These political forms of globalization have led to a reconsideration of the appropriate role of the nation-state and, as we shall see, the specific role that the state should play in the promotion of development.

There is widespread consensus across different perspectives that globalization is reducing the scope and power of the nation-state to direct national development strategies, or at least fundamentally to transform the parameters within which states make decisions and policy choices. While nation-states continue to be significant, their power is increasingly sandwiched between powerful pressures from

above and below, creating a complex system of 'multilayered governance' (McGrew, 2000a). As Held *et al.* (1999, p. 28) note, this has implications for the transformation of power relations:

In fact, the stretching of power relations means that the sites of power and the exercise of power become increasingly distant from the subjects and locales which experience their consequences. ... Political and economic elites in the world's major metropolitan areas are much more tightly integrated into, and have much greater control over, global networks than do the subsistence farmers of Burundi.

The question then becomes, what political mechanisms exist to demand the accountability of global actors, and in whose interests is this new global infrastructure working? The WTO in many ways symbolizes these trends and the mutual reinforcement of economic and political shifts. Unlike its precursor, the General Agreement on Trade and Tariffs (GATT), it has unprecedented power to demand changes in national legislation in the interests of free trade. Questions therefore remain about the potential for democratic regulation of its actions. As Sell (2000) clearly illustrates, multinational corporations' increasing dominance and their transnational lobbying shapes, to varying degrees of success, the ultimate direction of WTO measures.

Cultural changes are closely linked to technological, political and economic shifts and have led to unprecedented interaction between cultures and societies across the globe (see Cochrane, 1995; Massey and Jess, 1995; Waters, 1995; Tomlinson, 1996; Robins, 1997; Lechner and Boli, 2000; Mackay, 2000). There has also been a rise in global social movements, and increasing awareness of global issues and problems is uniting concerned people beyond national boundaries on issues such as the environment, conflict and war, and migration. All this means that there has been an increase in the speed, intensity and quantity of flows of information, capital, goods and, to a lesser extent, people around the globe.

However, at the same time it is clear that the various aspects of globalization are proceeding at different paces and thus have a differential impact on individuals and groups. The fastest developments, for example, have been in the sphere of financial flows, and perhaps the slowest have been in the free movement of labour. This latter point raises questions about the uneven distribution of the benefits of globalization. While neoclassical economists have

espoused the benefits of opening international borders to permit the freer movement of capital, trade, services and technology, increasing restrictions have been placed on the movement of people (Weiner, 1990). Weiner (*ibid.*, p. 160) suggests that there are 'two diametrically opposed world trends. One is for greater openness of international borders. ... The other is for greater restrictiveness.'

It is clear from the above 'that globalization is not a singular condition, a linear process or final end-point of social change' (Held *et al.*, 1997, p. 258), and this point is reinforced in the following discussion on the different ways in which global processes are understood.

Understanding, Interpreting and Analysing Globalization

In the literature, globalization is understood in diverse ways depending on the particular disciplinary emphasis and perspective. For example, the specificities of interpreting global processes depend partly on whether the focus is on the sociology, the economics or the politics of globalization. While these are clearly interconnected, specific disciplinary and ideological perspectives highlight or emphasize particular understandings of processes and relations embedded and articulated by globalization. For example, from a sociology of globalization perspective Robertson (1992) talks about 'world compression', suggesting that the way we live in one part of the world has repercussions for people living in other parts, and that this has implications for the construction or intensification of 'global consciousness'. Giddens (1990) similarly talks about 'time-space distanciation', in which distance or constraints of space are becoming less relevant for social interaction. Massey (1991) suggests that globalization disembeds social processes from localities, relocating them elsewhere, and hence there is a changing sense of place whereby 'place' becomes the site of social interactions and relations regardless of the space people occupy.

When economics is the centre of analysis the discussion focuses more on the globalization of capital, transnational forms of production, the increased integration of economies and the interdependence of trade. The literature on the politics of globalization tends to analyze the changing nature and role of the nation-state and the extent to which it continues to constitute a relevant unit of analysis. Here there is a debate between those who hold the view that the

declining role and reduced autonomy of states means that states have become victims of globalization, and those who suggest that states remain significant actors, affecting political outcomes by perpetuating globalization and conditioning the effects of global developments on their citizens. As Giddens writes, 'in circumstances of accelerating globalization, the nation-state has become too small for the big problems of life, and too big for the small problems of life' (Giddens, quoted in McMichael, 1996, p. 149). Examples of such global problems are environmental damage, international migration and refugees, and transnational crime.

As mentioned above there are many different conceptualizations of globalization. Here we offer two that we feel provide a good framework for understanding and analyzing global processes. Appadurai (1990) suggests that we can comprehend globalization as a series of global, disjunctive flows that create different 'scapes'. He identifies five main flows within globalization:

- Mediascapes: images and narratives globally transmitted through, for example, television, film, news and other forms of media.
- Ideoscapes: the transmission across space of ideas and ideologies via, for example, mediascapes or indeed within academia.
- Ethnoscapes: the movement of people such as migrants, refugees, development workers and business travellers.
- Technoscapes: these refer to the increasing ease and speed of travel, access to information and the technological revolution.
- Financescapes: these incorporate global institutions such as the IMF and transnational corporations, and capital flows through various forms of investment.

Held *et al.* (1999) offer a typology of perspectives on globalization in which there are three distinct positions: *globalists* (who are in turn divided between those who are optimistic and those who are more pessimistic about the potential for and form of change), *global sceptics* and *transformationalists*. For globalists (Ohmae, 1995), globalization is an inevitable development and cannot be resisted by human intervention and certainly not by traditional political institutions such as the nation-state. Amongst the globalists are those who point to the benefits of globalization, arguing that the spread of capitalism and the increased integration of the world economy will bring widespread benefits and prosperity. They believe that globalization offers the potential for living standards to rise with the spread of

new technologies as the latter can, for example, increase productivity levels, alleviate health problems and allow innovation in education (UNDP, 1999). For developing countries this is seen as a positive process, bringing them into line with international trends and providing them with increased access to the 'fruits of progress'.

The global pessimists see globalization as a form of Westernization – or more specifically Americanization, with the extension of US hegemony (see Amin, 1990). They argue that multinational corporations, multilateral institutions and global markets have replaced the colonial empires and thus represent a new form of colonialism and imperialism. In this view globalization is an uneven process, where power and control remain in industrialized capitalist countries and in the hands of global elites. Thus from this perspective globalization has negative consequences for the poor and marginalized, who lack access to new technologies, experience unequal terms of trade in global markets and have limited opportunities to influence global decision making.

Global sceptics such as Hirst and Thompson (1999) agree that changes are taking place at the global level, but they are not convinced that what they refer to as growing internationalization is entirely unprecedented. For example Weiss (1998) suggests that the power of nation-states is underestimated in some discourses of globalization, and that the impact of external economic pressures cannot be predicted without exploring the ways in which the state mediates those effects. Thus in the view of the sceptics globalization has far from undermined the powers of the state, rather it has strengthened the state in several respects.

The third position is occupied by what Held calls the transformationalists (see Giddens, 1990). They occupy a middle ground between the globalists and the sceptics. They agree with the sceptics that the globalists' claims are often exaggerated, but they argue that something fundamental and unprecedented is happening in the world that is bringing about greater interconnectedness and transforming rather than reducing state power. However they make no predictions about the ultimate direction of these diverse and often conflictual trends. Unlike the other two camps, they are optimistic about the capacity of 'transnational civil society' to influence and shape globalization in the interests of social progress.

The following section begins with a clarification and critique of the economic interpretations of globalization, and then examines the politics of globalization.

The Political Economy of Globalization and its Implications for Development

Economic Issues in the Globalization Debate

Wiseman (1998, p. 1) suggests that 'globalization is the most slippery, dangerous and important word of the twentieth century'. Even economists are prone to use it as a relatively meaningless shorthand to refer to all types of international activity, and often seem to assume that the integrity of the concept is unproblematic. As indicated earlier, this is far from the case. It is evident that in the first place we need a clear understanding of what kinds of economic evidence and relationships have to be analyzed in order to test the presumption that the recent economic changes are of a different order and intensity than those experienced in earlier periods, and that we live and work in a global economy that is quite different in principle from the international economic relationships of the recent past. One way to approach this is to construct an 'ideal type' of economic globalization, setting out the conditions that such a model would have to satisfy. Hirst and Thompson (1992) offer such a typology, drawing a distinction between a *world-wide* international economy and a *globalized* international economy (Table 2.1).

Hirst and Thompson (1999) point out that in reality we are likely to find elements of both these models in a complex and messy coexistence, and that the relative relations between dominance and subordination are difficult to clarify and capture. Nonetheless, if we are to make a judgement about whether globalization is a reality or a myth, we need to consider trends in the international economy over defined periods of time, and to examine the extent to which there is an 'orthodoxy' of globalization. Hirst and Thompson (*ibid.*, p. xii) set out this orthodoxy in a recent reformulation of their arguments and suggest that this view of globalization is an expression of what has emerged from analysis of the 'dominant economic discourse for the past decade'. This includes the ways in which distinct national economies have been dissolved into a global economy that is determined by global market forces as a result of the rapid intensification of flows of international trade and investment. The orthodox view sees economic liberalism as having clear benefits and supports the notion that public policy should continue to deregulate trade, investment and capital movements. According to this perspective (1) globalization benefits consumers by increasing the scale and allocative efficiency of markets for both goods and capital, (2) national

TABLE 2.1 *The characteristics of world-wide and globalized international economies*

<i>World-wide international economy</i>	<i>Globalized international economy</i>
<ul style="list-style-type: none"> ● The principal entities are nation-states, which oversee the growing interconnectedness among national economies, and the increased integration of economic actors and nations into market relationships 	<ul style="list-style-type: none"> ● Distinct national economies are subsumed and rearticulated by essentially international processes and transactions
<ul style="list-style-type: none"> ● Trade relations therefore take on the form of national specialization and division of labour; but the importance of trade is progressively replaced by the centrality of investment relations between nations 	<ul style="list-style-type: none"> ● The global economy 'raises ... nationally-based interactions to a new power ... as markets and production become truly global' (Hirst and Thompson, 1992, p. 361)
<ul style="list-style-type: none"> ● Interactions are of the 'billiard ball' type: international events do not directly penetrate domestic economies, but are refracted through national policies and processes 	<ul style="list-style-type: none"> ● International forces become autonomous, and difficult for national regulators to control or resist
<ul style="list-style-type: none"> ● International interactions (e.g. financial markets, trade in manufactures) function as opportunities or constraints for nationally located economic actors and their public regulators 	<ul style="list-style-type: none"> ● Nationally based multinationals are transformed into transnational corporations, a form of 'footloose capital', without specific national identity or location, but operating globally in global markets, and dominating or bypassing both national and international regulators
<ul style="list-style-type: none"> ● Multinational firms operate in an international economy but from a distinct national base 	<ul style="list-style-type: none"> ● The economic bargaining power of labour is weak, and multinational firms often locate or relocate where labour costs are lowest
<ul style="list-style-type: none"> ● Domestically based labour power is relatively strong in responsive national systems 	

Source: Adapted from Hirst and Thompson (1992).

regulation is futile and (3) concern for welfare and labour rights within a national economy will damage international competitiveness and drive out foreign investment. Finally, the orthodox view assumes that developing countries and regions can only benefit from being integrated into this global economy.

While Hirst and Thompson do not seek to deny the existence of 'a growing and deepening international interconnectedness in trade and investment, an open world economy of interlinked trading nations' (*ibid.*, p. xii), they express a strong antagonism to the orthodox set out above:

This economic liberal view is pernicious: both because it is founded on a largely erroneous series of factual claims, and because it demands policies that result in established entitlements being sacrificed in favour of market-based increases in growth that will prove illusory (*ibid.*, pp. xii–xiii).

How are we to assess the relative merits of the competing positions here? One approach to the problem of considering the economic evidence is provided by Thompson (2000), who puts forward a rigorous analysis of trends in trade and financial flows over the twentieth century. His main concern is to demonstrate that while there has been a clear and substantial expansion of trade and output in general terms, the measurement and comparison of trends over long time periods is highly problematic. Nonetheless trade flows can be used as a proxy measure for interdependency in the world economy, but using the ratio of merchandise trade to GDP at current prices as the most reliable indicator proves only that the openness of trade has remained steady since the First World War.

Capital flows, largely measured by direct foreign investment (DFI), can be used to measure integration in the world economy. DFI only contributed just over 5 per cent of world investment in 1995, and the ratios of total capital flows to GDP seem to indicate a higher degree of globalization in the pre-First World War period than at the present time.

A further element in the case for the existence of globalization is the position of developing economies (or the 'South') and their relations with the developed economies (the 'North'), since part of the presumption of the globalization orthodoxy of positivist globalists is that much of the expansion in international interdependency has been between North and South; that developed economies need to maintain the competitiveness of their economies in the face of the

competitive advantages enjoyed by Southern economies with lower labour costs; and that Southern economies are bound to benefit from these changing relationships.

Perhaps the first step is to ask how the evidence has been treated from different sides of the argument. We begin by setting out the approach of development economists, drawing on Cook and Kirkpatrick (1997), who present recent data on the strengthening of cross-border economic relations, and the increasing integration of the world economy. They suggest that the analysis lends some support to the view that convergence is taking place between developed and developing economies (though they also indicate deleterious or 'divergent' effects).

Cook and Kirkpatrick propose that the vital indicators relate to world-wide direct foreign investment (DFI); to the growth of multinational firms (they do not use the distinction made earlier between multinational and transnational corporations); to the growth of intrafirm trade, a major indicator of the fragmentation and distribution of the various parts of the production process to a variety of global locations; and to financial flows between developed and developing economies. They show that during the period 1986–90, DFI increased by 24 per cent per annum in developed economies and by 17 per cent per annum in developing economies giving rise to some of the earliest formulations of the globalization thesis. Furthermore DFI is substantially greater than domestic investment in both types of economy, and international trade in manufacturing has increased steadily since the 1970s. Multinationals are now estimated to account for at least a third of global output, and intrafirm trade (a major indicator of global production) now accounts for 40 per cent of global trade. They demonstrate that in both trade and foreign investment, services are the fastest growing component, accounting for a quarter of world trade and three fifths of DFI flows, and that the assets of international banks as a share of GDP increased from 6 per cent in 1970 to more than 30 per cent by 1990.

In relation to developing countries, trade and financial liberalizations imposed by the World Bank and the IMF have helped to produce outward-looking development strategies that have increased the integration of these countries into the international economy. But it is multinational cross-border trade that is providing the major impetus for genuine globalization.

According to trade theory these changes should produce gains for all participants. But Cook and Kirkpatrick show that the distribution

of benefits has been very unequal, with an increased disparity between the richest and poorest 20 per cent of the world's population (from 11:1 in 1960 to 17:1 in 1989). There are also clear regional disparities, with the economies of East and South East Asia growing much faster than other regions, and sub-Saharan Africa being at a particular disadvantage. The response of the proponents of liberalization and globalization is to acknowledge the uneven distribution of benefits but to blame the poorly performing countries for their inability to take advantage of the opportunities available. It is argued that where administrative, institutional and organizational structures are weak, the capacity to manage globalization is undermined.

Both Held (2000) and Hirst and Thompson (1999) note that the orthodox debate on globalization tends to ignore regional biases in the international economy. The 'triad' (Europe, North America and Japan) account for between two thirds and three quarters of all economic activity, so that '85 per cent of the world's population are almost written out of any economic globalization process' (Thompson, 2000, p. 117). This is a reminder that 'the absence of the developing countries from the global economy is the result of the still very low levels of interaction between the North and the South in terms of ... trade flows (ibid., p. 119). Held also notes that empirical studies conclude that North-South trade and migration account for no more than 10-20 per cent of 'lost' wages and employment in Northern economies, with most of this decline deriving from technological developments *within* Northern economies. This 'undermines the often repeated claim that somehow the living standards of the Northern working class are adversely affected by the forces of trade globalization' (ibid., p. 120).

Held considers that the arguments for economic globalization are highly exaggerated. Hirst and Thompson (1999) are even more sceptical. They rest their view that globalization is 'a myth that exaggerates the degree of helplessness in the face of contemporary economic forces' (ibid., p. 6) on the following propositions:

- The internationalization of the economy is in no way new, and has been proceeding since the mid nineteenth century.
- An open international economy is still fundamentally characterized by exchange between relatively distinct national economies, and factors such as the competitive performance of firms and sectors are substantially determined by processes occurring at the national level.

- Genuine transnational corporations are rare; most international firms trade multinationally but the location of assets, production and sales is predominantly national.
- The overwhelming proportion of flows of trade, investment and finance is concentrated in the triad regions of North America, Europe and Japan.
- The increase in trade, output and capital flows is not producing a significant shift in investment from developed to developing economies.

Hirst and Thompson consider, as does Held, that the debate on globalization is in part an ideological one and requires a political analysis, to which we now turn.

The Politics of Globalization

The thrust of the discussion on the political implications of globalization is captured in a quotation from Mittelman (2000, p. 4): 'globalization is not a single unified phenomenon, but a syndrome of processes and activities [that] ... has become normalized as a dominant set of ideas and a policy framework, while ... also being contested as a false universalism'. This neatly encapsulates the elements of ideology, policy and practice that constitute the essentials of any political anatomy.

The issue of ideology is strongly enunciated by Gray (1998), who is at pains to distinguish long-standing forces of economic and social transformation and modernization from the recent and specific project of neoliberalism to create a single world market.

A global single market is very much a late twentieth century political project ... this political project is far more transient than the globalization of economic and cultural life that began in Europe in the early modern period ... technology-driven modernization of the world's economic life will go ahead regardless of the fate of a world-wide free market (ibid., p. 23).

Gray regards this attempt to create and impose a global free market as unlikely to promote stability or democracy because

it does not meet the needs of a time in which Western institutions and values are no longer authoritative. ... A reform of the world economy is needed that accepts a diversity of cultures, regimes and market economies as a permanent reality (ibid., p. 20).

This resonates with the part of the globalization literature which is convinced that the neoliberal project is, in economic terms, well established. Mittelman (2000) suggests that we are experiencing a new intensity of economic competition, a sort of hypercompetition, in which decisions taken in one part of the world bear directly on decisions made elsewhere. He writes that the 'underlying dynamic is the ascendancy of the structural power of capital to discipline the state' (ibid., p. 235). This process is not resisted, but sustained by what Cerny (1990) calls 'the competition state', whose chief functions are to play an enabling role and prevent market failure. From this perspective, globalization has so reduced the autonomy and regulatory powers of the state that we can no longer refer in any meaningful way to the independence of nation-states, nor to an interstate system of international relations. The former is regarded as having ceded authority and control at a variety of internal and external levels to a plethora of public, private and hybrid institutions (this has been described as a new form of mediaevalism). At the extreme of this argument, nation-states are perceived as having become the 'local authorities' of the global system, unable independently to affect the levels of economic activity or employment within their territories, since these are now determined by the choices of internationally mobile capital (see for example Ohmae, 1990).

The schematic representation by Held (2000) suggests that this model is embraced by 'globalists', who are persuaded of the victory of globalizing forces in the global political economy. But that case is rejected by 'sceptics', who believe that the nation-state is actively thriving on the new demands and opportunities created by rapid changes in the international economy, and in principle is much the same type of state as in the past, and still in control. Finally, Held categorizes 'transformationalists' as supporters of continued autonomy for the nation-state, who nonetheless accept that the rapidity and intensity of recent economic and social changes require a considerable adaptation to changed roles, a reconfiguration of state powers. Held also suggests that another new dimension is the emerging constitution of elements of regional and global governance, which holds out the promise of recovery by the old nation states of the political powers lost to globalizing capital. There seems to be some contradiction here with Held's scepticism (referred to above) about the actuality of economic globalization – arguably any political version of globalization depends on the prior establishment of an economic version. However the multiplicity of versions in the literature, and the con-

flicting interpretations of both the data and the historical accounts used to support particular versions, is in danger of making 'confusion worse confounded'.

In this situation 'strong' versions, whether for or against globalization, have a certain appeal, though it may well be that 'third way' versions, while intellectually less coherent, correspond better to the complex realities. Hirst and Thompson (1992, 1999) fall into the former category, for they are strongly committed to the defence of the existing nation-state against what they see as the 'political rhetoric of globalization' (1999, p. 261). The undoubted fact of rapidly changing economic, political and social realities is for them a clarion call to clarify and redefine the position of the nation-state: 'the policies and practices of states in distributing power upwards to the international level and downwards to subnational agencies are the ties that will hold the system of governance together' (ibid., p. 270).

They do not see the logic of those who are equally anxious to reestablish the nation-state and advocate 'localizing the global' or urge that 'democracy must be reterritorialised' (Mittelman, 2000, p. 246), for they do not accept the premise of an ascendant global capitalism with untrammelled powers. Ultimately, they argue, the nation-state will retain a significant centrality because of its relation to territory and population, even if concessions will inevitably be made to new forms of regional and global governance.

A very different 'strong' version is provided by radical left theorists, whose work may reasonably be seen as represented by Hoogvelt (1997). She posits three models of political economy for the analysis of globalization. The *realist* model focuses on the autonomy of the nation-state, interstate competition and the organization of international relations, with an emphasis on concerns such as order, stability, hegemony and the international balance of power (this approach is broadly taken by Hirst and Thompson). The *institutionalist* model is based on liberal values of economic interdependence and cooperation, attachment to the market, support for viable governance institutions, and a plural world order tending towards global governance. The *structuralist* model rejects the other two as masking or enabling the operation of global capitalism, which structures global economic and political relations in terms of a dominant core and a subordinate periphery. The structuralist approach seeks to redefine the international political economy as a stable world order.

Hoogvelt (1997) accepts that comparisons with earlier periods of the twentieth century do not indicate any great changes in cross-

border flows, or any serious reduction in the inequalities between developed and developing parts of the world. But she argues that there has been a major shift in spatial and temporal relations and this has produced a significant deepening of capitalist integration. She contends that there are three key domains to examine:

- *Changes in relations between state and capital* amount to an 'internationalization of the state' and 'emerging institutional forms of "elite interaction" between members of the international business class, state bureaucrats and members of international organizations' (ibid., p. 135). The state is expected to deliver a neoliberal policy agenda, and privatization is cited as an example of how an international agenda is forced on states by multilateral donors.
- *Changes in relations between labour and capital* involve deindustrialization and job reductions in developed economies and the relocation of jobs from the 'core' to the 'periphery'. Meanwhile the advent of the information society is responsible for producing the phenomenon of 'contingent' (or insecure) employment.
- *Changes in core-periphery relations* have been produced by restructured production chains that create forms of global networking, and a 'new social core-periphery hierarchy' (ibid., p. 145), resulting in the creation of advantaged elites and insecure middle groups while entirely excluding some 60 per cent of developing country populations from the benefits of capitalist expansion.

The combination of these trends and the unevenness of the distribution of the benefits of globalization creates and/or reinforces social exclusion amongst individuals and groups in the South as well as the North. Significantly, Hoogvelt detects varied responses to globalization in the principal developing regions, which suggests that however uniform the causes of globalization might be, the effects are mediated by local, national and regional differences.

The Developing State: 'Stepping Stone or Stumbling Block?'

This counterposition, suggested by Melo and Panagariya (1993), is adapted here to consider the pressures on nation states in developing countries, and the likely outcomes. One strand in the discussion must be the substantial efforts of aid donors to extend to governments in developing countries the 'new public management' reforms already applied in several developed systems. Their emphasis is on a reshaping of state boundaries and internal structures that blurs the

distinction between the public and private domains, transfers some functions to the private market, and purports to convert traditional bureaucrats into entrepreneurial managers. But this should not be taken as firm evidence of globalization; the record of effective 'policy transfers' of this type has been patchy and even the 'flagship' of privatization is somewhat becalmed (Minogue, 2001). Moreover these changes can scarcely be compared with the major political, social and economic transformations achieved during much earlier periods of colonization.

A second dimension is the use by major aid donors of mechanisms of political conditionality to underwrite the imposition on developing countries of Western pluralist systems of democracy. This entails a process of homogenization by incorporating the claim of universalism of human rights (Stokke, 1995a; and see also Chapter 7 of this volume). This claim is not only disputed by social theorists, but also by political leaders in developing and transitional economies who seek to counterpose local political and cultural values to the globalizing tendencies of Western culture. While this has largely taken the form of a debate on 'Asian values' it is a theme that also resonates in Africa, the Middle East and the new states that have emerged from the detritus of the collapsed Soviet Union. It takes sharpest definition in marketizing socialist economies such as China and Vietnam, which wish to belong to the international capitalist economy but are determined to resist the political aspects of the package. Such societies are undoubtedly experiencing rapid and substantial change, and it has been suggested that closer attention is required to the new forms of regionalism being employed as a defence mechanism by states in the developing world as they adapt to globalizing pressures. We would agree with the assertion by Richards and Kirkpatrick (1999, p. 687) that 'there is a growing sense that posing the debate in terms of "global" versus "national" is yielding an impoverished understanding of important transformative processes'.

Globalization and its Implications for Development

The above discussion shows clearly that whatever the perspective taken in the globalization debate, the key issue is the extent to which global processes impact positively or negatively on developing countries, and more specifically on the poor and marginalized within these societies. Again there are different perspectives on the implications of

globalization for Third World countries: 'In a relatively short career, the concept of globalization has accumulated a remarkable string of both positive and negative connotations without having achieved a particularly clear denotation' (Tomlinson, 1996, p. 22).

As we have seen, some are of the view that economic openness will stimulate growth and the resulting economic affluence will be accompanied by the gradual erosion of North-South differences and the 'end of the Third World'. Others argue, however, that rapid capital flows and trade liberalization lead to financial crisis and destabilization, and that Third World countries are the 'losers' of globalization as they continue to be exploited but in new ways by multinational capital. The benefits of globalization are highly unequally distributed, and with the possibility that the state will have less control over social policies it is likely that the poorer sections of the population will be further impoverished. There is also the concern that as globalization threatens local cultures and societies there is often a strong cultural and social backlash, which can be detrimental to people's freedom and quality of life.

Whatever the perspective, however, when we begin to explore the potentialities of globalization for poverty alleviation most agree that, if indeed globalization is taking place, the central challenge for development is how it can be managed in such a way that the benefits are more equally distributed. The recent UK White Paper on International Development, *Eliminating World Poverty: Making Globalization Work for the Poor* (DFID, 2000a) makes clear that globalization is creating unprecedented new opportunities and risks, and that these require further analysis in order to present an agenda for managing the process of globalization so that it works in the interests of the poor and, more specifically, creates the necessary conditions for faster progress towards the international development targets.

3

Feminist and Postcolonial Challenges to Development

UMA KOTHARI

According to some theorists, development studies had reached an impasse by the mid 1980s (see Schuurman, 1993, 2000; Booth, 1994). This impasse emerged partly because the dominant discourses, intellectual traditions and development practices were subjected to critique. The crisis in development was broadly conceived in two ways. First, it was argued that the exacerbation of poverty and inequality during the 1980s – labelled by some as the 'lost decade' – revealed a profound failure in development planning. Second, the ways in which orthodox development knowledge and practice had been shaped by a Western and masculinist bias were identified by postcolonial and feminist scholars as a process that claimed universality but instead derived from particular interests and understandings. The 1990s then saw both a proliferation of critiques of development that questioned the belief in modernization and the quest for progress that had underpinned so much development theory and practice since the 1950s, and numerous articles offering alternative visions and approaches (see Korten, 1990; Rahman, 1993; Escobar, 1995; Carmen, 1996).

Amongst other approaches, postcolonialism and feminism have challenged conventional meanings and ideas of development and questioned the process by which development knowledge was produced and gained legitimacy. These challenges, levelled at the masculinist and Western conceptions articulated within orthodox development, are the focus of this chapter, which begins by demonstrating how mainstream development theory and practice has perpetuated a Eurocentric and male bias.

The following section highlights the attempts that have been made to confront the Eurocentrism in development discourse and to