Preface

This book is about the 'politics' of globalisation. In the aftermath of the fall of the Berlin Wall, Friedman (1999) offered a vision of the opportunities of a new globalisation:

> 'It was born when the Wall fell in 1989. It's no surprise that the world's youngest economy – the global economy – is still finding its bearings . . . Many world markets are only recently freed, governed for the first time by the emotions of the people rather than the fists of the state. From where we sit, none of this diminishes the promise offered a decade ago by the demise of the walled-off world . . . The spread of free markets and democracy around the world is permitting more people everywhere to turn their aspirations into achievements. And technology, properly harnessed and liberally distributed, has the power to erase not just geo-graphical borders but also human ones'. (Friedman, 1999, pp. xiii–xiv)

Understood in this way, the concept of globalisation seemed to offer the hope that free markets, technology and democracy would lead to a re-distribution of power founded on free markets, individuals and competition. Globalisation was implicitly connected with ideas of meritocracy and opportunity. The promise was that globalisation would create 'real markets' of consumer sovereignty and individual choice and where multinational corporations, business lobbyists, the financial community, governments and political elites would be eclipsed by great transparency, accountability and democracy. The new globalised world was supposed to shift power and influence to the individual.

The emphasis of this book is to make connections between economic globalisation and the politics of citizenship and democracy. Globalisation involves political priorities and political choices. Michael Moore (2003), when secretary general of the WTO, argued that globalisation and the market economy provided the framework for personal freedom, democracy and equal opportunity and represented the bulwark against protected, powerful and privileged forces. The rules of free trade and open markets provided the best means for increased global democracy. Moore (2003) criticised the anti-globalisers for seeking to undermine the potential of globalisation for underestimating the peaceful years associated with more free trade of the post-war decades.

Globalisation is at present defined as something which is inevitable, an exogenous event that is happening to the world and where the role of government is primarily to ensure that their policy frameworks correspond to the needs of the external challenges and opportunities. The concept of political choice implies deliberate policy decisions. To be critical of present forms of globalisation is not necessarily to be against globalisation, but rather to be against present forms of globalisation. Present forms of globalisation do not necessarily benefit developing countries. The attempt to enforce a specific definition of globalisation a 'one-fits-all' policy, as constructed by the IMF, the World Bank and the WTO, has been criticised for harming the economic development of countries that should have been allowed to 'evolve' towards economic integration at their own pace, recognising their own needs. Political choice indicates that things can be changed and there are alternatives to the free market liberal views that dominate present thinking. Intervention, regulation, awareness of poverty, commitments to social justice and a better re-distribution of income could be part of the agenda of globalisation.

Globalisation is neither inevitable nor inescapable. Governments are not the prisoners of globalisation. The major increases in capital flows in financial markets, decisions on world trade and deregulation of labour markets represent deliberate policy decisions. Markets are social constructs, fashioned, shaped and defined in the policy process. There is no such thing as a market for labour, but there are histories, rules and regulations that define labour markets:

> 'neo-conservatives argue that corporate-led globalisation is inevitable and the most we can therefore hope to do is make the process just a little bit kinder and gentler. Such crude economic determinism is neither politically acceptable nor intellectually tenable . . . Globalisation, unlike gravity or the pull of the tides, need not be with us forever. Rather, it is a set of policies shaped by corporate lobbyists and enacted by politicians. It is, therefore, possible to replace it with a different end-goal for the world economy, and to design a different set of trade rules in order to achieve that goal'.(Lucas, *The Guardian*, 20 May 2003)

Lee (2003) has divided the economic history of the last 60 years as belonging either to the Bretton Woods era, which he dates as lasting between 1950 and 1972, and the era of the Washington Consensus, which began in 1973, when the then President Richard Nixon abandoned the policy of fixed exchange rates. The Bretton Woods period, according to Lee, was associated with commitments to full employment, managed currencies and capital controls. By contrast, the period of the Washington Consensus has been associated with slower economic growth, more frequent recessions and high levels of unemployment:

> 'Most of the Bretton Woods era was characterised by recessions which averaged 1.1 years. A total of 94.4 per cent of these recessions were only 1 year in length. In overall terms, only 5.6 per cent of the Bretton Woods era was spent in recession. The post-Bretton Woods era (1973–2000) has witnessed recessions averaging 1.5 years . . . While 60 per cent of these recessions were 1 year in length, no fewer than

> 32.5 per cent were 2 years in length and the remainder 3 years or longer'. (Lee, 2003, p. 287)

'Economic events' do not stop. A number of issues raised in this book reflect a series of events that continue to shape and define the global landscape. The military side of the war in Iraq might be finished, but the future of Iraq is still being formed. Furthermore, the fall out from that War, including the relationships between the United Nations and the USA, between the Eurozone and the USA and between the UK and the EU, are also highly insecure and uncertain. All these factors will have major influences on the future prospects of the global economy. It seems therefore, that after the failure in Cancun of the WTO meeting (September 2003) it is a paradox to be writing about globalisation, when events point towards uni-lateralism, retreat and isolation, especially by some leading US politicians, who seem to be disenchanted by the world of rules which they helped to create in the aftermath of the Second World War. The War in Iraq and the criticisms of the UN by the USA have overspilled into questions about the future of the WTO – the institution set up to provide global governance on trade and economic integration. The recent WTO ruling on US steel tariffs, subsidies on agriculture and tax breaks on US export industries have been described as an unnecessary intervention by the USA. The decision by President Bush to take action against the EU on Genetically Modified Foods, which the US administration described as protectionist, will have a major impact on the WTO. These are the beginnings of a mood disenchantment with global integration, especially on the part of the USA, but also the EU, which also seems to show reluctance in phasing out agricultural subsidies. The refusal by the US government to recognise the Kyoto protocol on the environment and the initiative to create an International Criminal Court are seen as further examples of the global breakdown:

> 'In our present circumstances, those who dream of tearing down the institutions of global governance – imperfect though these institutions may be – would be wise to show a little more care and a lot less indifference to the implications of their demands . . .They are putting at stake a system of international interdependence and decision making through painstaking consensus building that has for the most part stood the test of time'. (Peter Sutherland, 'Reflections of a frustrated global governor', *The Financial Times*, 22 April 2003).

The widely held view is that the sharp fall in stock markets represent the weaknesses in economic fundamentals. The increases in stock market prices in the 1990s represented the over priced new technology sectors. The sharp declines in stock prices experienced in 1929 did not recover until 1960. Since the mid-1990s, many US savers have been persuaded to put their savings and their pensions into the stock market. The people who were due to retire within the next year have had to postpone their retirement:

> 'between 1996 and 2001 there was a rise of $1653 billion in corporate tangible assets, dwarfed by a rise in financial assets of $3603 billion. Almost $3000 billion of this increase is accounted for by 'goodwill' accrued in the deal making binge of the late 90s. For the most part, as the merger of AOL and Time Warner exemplified, the 'goodwill' has proved worthless and symptomatic of the long term trend in which organic growth of businesses was replaced by mergers and takeovers'. (Elliott, 'Bubble blowers run out of puff', *The Guardian*, 13 March 2003)

The concern for many economists is no longer the problem of inflation. The worry now is the problem of deflation – a world of falling prices and falling consumer demand, especially within the advanced economies. During the month of April 2003, the US Production Price Index for a series of consumer goods fell by 1.9 per cent. It was the sharpest fall in prices since 1949. The fear in the USA is that inflation is now too low. During 2002, a number of Eurozone countries experienced their lowest levels of growth in the post-war years. The economy in Germany grew by 0.4 per cent, Italy by 0.4 percent and France by 1.2 per cent. German unemployment continues to be stuck at around 5 million – an unemployment rate of 11.1 per cent. Despite a number of attempts by the governments of Japan to reflate the economy through lower interests rates, higher levels of public expenditure and lower taxation, the Japanese economy has continued to under-perform, with the economy only growing at around 1.4 per cent per annum during the last decade. This is in contrast to the previous two decades, when the Japanese economy was growing at an average of 4.5 per cent per annum. Equally, interest rates in the USA are at their lowest level, at 1.25 per cent. Falling stock prices can explain most of the decline in consumer optimism, as consumers looking at their savings portfolios feel they are less safe. There is increased uncertainty. However, in the context of contemporary globalisation failing consumer demand in the USA, Japan and Europe are also likely to influence the economies of India, Pakistan and China, since all these countries are increasingly geared to exporting cheaper consumer products to the industrialised West.

The tax reduction package of approximately US$550 billion over the next 10 years as outlined by President Bush in January 2003, was justified as being the necessary stimulus to the US economy. Meanwhile, critics of the package have pointed to worries about increases to the US budget deficits, which have been estimated to rise to between 1.5 and 3 per cent of GDP. These critics have also pointed out that over half the package will go to the top 0.01 per cent of income-earners who are likely to receive tax windfalls of US$98 000, compared with ordinary households, who are estimated to receive US$420 a year. The new millionaires are likely to save their tax windfalls, when what is needed is to direct a tax reduction to low income groups and to states that are likely to spend these reductions (Krugman, 2002).

> 'Millionaires would receive approximately $139 billion in tax cuts through 2013. This is essentially the same amount of tax cuts that would be received by the entire bottom 89 per cent of households combined. In 2003, there will be 184,000 millionaires comprising 0.1 per cent of households. Millionaires would receive average tax cuts of about $93,500 this year, far in excess of those received by other groups. The middle fifth of households would receive tax cuts averaging $217 in 2003'. (Shapiro, 2003)

This debate also reflects a debate that is taking place at the global level. In a world population of 6 billion, it is estimated that over half of that total are living in extreme poverty, trying to live on less than US$2/day. At present, under the EU Common Agriculture Policy – cows in Europe receive a subsidy of the equivalence of US$2/day (UNDP, 2001). It is estimated that the subsidy to agriculture within the OECD totals some US$320 billion. The UN has asked the industrial countries to donate the equivalent of 1 day's subsidy to agriculture – an estimated US$10 billion – to the world HIV/AIDS programme. The USA at present donates 0.15 per cent of their GDP to overseas aid. It made a commitment to the UN to donate, along with other countries, 0.7 per cent of GDP to overseas development. Despite recent increases, the UK is now donating 0.35 per cent of GDP to overseas aid, against the commitment of 0.7 per cent.

One common theme to emerge since the early 1980s, has been the increase in income inequalities. With hindsight, it would seem that the period between 1950 and 1970 could be described as a Golden Age, while the period since the 1980s has been described as a return to the Gilded Age of the years in between the two World Wars (Krugman, 2002):

> 'For the America I grew up in – the America of the 1950s and 1960s – was a middle-class society, both in reality and in feel. The vast income and wealth inequalities of the Gilded Age had disappeared . . .Yes, of course, some wealthy businessmen and heirs to large fortunes lived far better than the average American. But, they weren't rich the way the robber barons who built mansions had been rich . . . The days when plutocrats were a force to be reckoned with in American society, economically or politically, seemed long past'. (Krugman, 2002, p. 1)

The twin commitments to full employment and expenditures on public provision contributed to the reductions of income inequalities. Those in work experienced secured employment and rising wages while expenditures on health, education, pensions and social security provided access to improved education and health services. The Golden Age also helped to bring prosperity to the world economy. Countries in Africa and South East Asia became part of that increased prosperity.

By contrast, economic and social policies, since the early 1980s, have put some of those achievements into reverse. In the context of rising inflation and unemployment, economic and political arguments shifted towards arguments towards 'less government'. The ascending paradigms of monetarism and supply side economics have replaced Keynesian economic and social policies. The new monetarist paradigm emphasised the need to reduce taxation and government spending, in order to reduce inflation and increase employment. In the global context, the policy prescriptions adopted by the IMF and World Bank also put an emphasis on their agenda of 'less government'. Governments seeking help from the IMF since the mid-1980s have had to subscribe to the policy prescriptions of reducing their social spending and reducing taxation. They had to show a commitment to privatisation and liberalisation of public sector utilities and financial markets. Mexico, Brazil, Argentina, Thailand and Indonesia came to the IMF with different economic problems and social contexts and yet met with common policy prescriptions, defined by the Washington Consensus (Stiglitz, 2002a):

> 'The IMFs policies, in part based on the outworn presumption that markets, by themselves, lead to efficient outcomes, failed to allow for desirable government interventions in the market, measures which can guide economic growth and make everyone better off . . . My research on information made me particularly attentive to the consequences of the lack of information. I was glad to see the emphasis during the global financial crisis in 1997–98 of the importance of transparency, but saddened by the hypocrisy that the institutions, the IMF and the US Treasury, which emphasized it in East Asia were among the least transparent that I had encountered in public life'. (Stiglitz, 2002a, p. xii)

In the global context, this combination of policies of tax reductions, reductions in social spending, privatisation and liberalisation has contributed to increases in income inequalities. While in 1950, the top 1 per cent of income earners had 15 times more income than the bottom 10 per cent, this had increased to 48 times in 2000. While average wages have increased by around 10 per cent in the last 30 years, the average compensation for the top 100 CEOs went from US$1.3 million – 39 times the pay of an average worker – to US$37.5 million – more than 1000 times the pay of the ordinary workers (Krugman, 2002). In the UK, as in the USA, the Gini coefficient has increased from 0.25 in 1979, to 0.35 in 2002 (IFS, 2003). Income inequalities in Britain, which had accelerated during the Thatcher years of 1979 to 1992, have again increased during the years of the Blair Government. Income inequalities in 2000 have returned to those of pre-First World War. The New Deal in between the two World Wars in the USA and the commitments to Beveridge and full employment in Britain after the Second World War, have been put into reverse (Krugman, 2002). Atkinson (2002) has shown that since 1984, the differences between market incomes and disposable incomes increased in the UK after the Thatcher Government shifted taxation towards VAT and reduced expenditure on social provision. The author's comparative studies of the USA, the EU and developing countries, have shown that while market income inequalities have increased, expenditure on social policies have continued to be the best mechanism by which to re-distribute income.

The shift in income inequalities is towards a very specific 0.01 per cent of earners.

> 'Most of the gains in the share of the top 10 per cent of taxpayers over the past 30 years were actually to the top 1 per cent rather than the next 9 per cent. In 1998 the top 1 per cent started at $230,000. In turn 60 per cent of the gains of the top 1 per cent went to the top 0.1 per cent those with incomes of more than $790,000. And almost half these gains went to a mere 13,000 taxpayers, the top 0,01 per cent who had an income of at least $3.6 million and an average income of $17 million'. (Krugman, 2002, p. 3)

This 0.01 per cent of the population is described as the new plutocracy – the new elites that are able to make major financial contributions to politicians and political parties, provide for the financing of professional lobbyists and academic think tanks that promote their interests in the making of public policy decisions:

> 'Not to put too fine a point on it: as the rich get richer, they can buy a lot of things besides goods and services. Money buys political influence, used cleverly, it also buys intellectual influence . . . economic policy caters to the interests of the elite, while public services for the population at large – above all, public education – are starved of resources' (Krugman, 2002, p. 11)

The concerns of this book are three-fold. First, there is the issue of defining and explaining the nature of contemporary globalisation and the questions of how and who is defining and shaping contemporary globalisation. Increasingly, globalisation has become conflated with markets' liberal prescriptions about governments and social policies. Globalisation has become connected with market liberal views on labour markets, flexibility, wages and rewards (Beck, 2000c). In the global context, the focus becomes the new individual, the individual as a consumer and as a seller of ideas. In the new global economy, there is no role for collective resistances or for collective social provision. It is a globalisation that advocates an anti politics:

> 'My core argument is that by the 1990s society has become more depoliticised, more lacking in the spirit of civic engagement and public obligation, than at any time in recent history with the vast majority of the population increasingly alienated from the political system that is commonly viewed as corrupt, authoritarian . . .

> This deterioration has occurred ironically and ominously, at a time when deepening social problems will surely require extensive and creative political intervention'. (Boggs, 2000, p. vii)

Politics is becoming increasingly connected with corrupted public spaces. The safety is to retreat into the private. It seems paradoxical that as economies become globalised at the same time, political decisions become more removed and more remote. The politics of globalisation encourages retreat. The pointing out of injustices or the arguments that life can be different is dismissed:

> 'You can read my chapters up to here and get damned depressed: the big boys, the bullies, the brutal always seem to win. When your daddy was a president and your brother, the governor of Florida, counts the ballots, you don't have to win an election to become president. They don't call the 'privileged' class for nothing. Corporate cash beats democracy every time. So it seems. But not always. It may seems like a battle of bears versus bunnies but sometimes we little critters stand on our hind legs, fight it out and win'. (Palast, 2002, p. 182)

This leads to the second point, which is the need to re-visit democracy and citizenship. Globalisation is at present shaping a democracy, which is minimalist and thin (Barber, 2000). Democracy is limited to elections and voting. Choosing a government every 4 years is deemed as democracy. Politicians, lobbyists, policy advocates and business interests occupy the public space. The idea of government of the people is relegated to the quiet audience sitting in the political auditorium. However, democracy is more than the 'is' of elections (Sartori, 1987). It is also the 'ought' of optimism and hope. Democracy reinforces the idea of political equality, accountability and transparency (Beetham, 1999). Globalisation can be made to be democratic in the sense that decisions are made to be transparent and accountable.

Finally, globalisation is at present defining and shaping a consumer view of citizenship. Our citizenship is satisfied in terms of material well being; the ability to buy and wear designer-labelled clothes is a way of creating a sense of belonging. However, citizenship is also connected with ideas of political rights, with ideas of vigilance, of being awkward, of seeking dialogue for change. Citizenship is also about belonging and membership of a political community. Belonging means access to public services, such as education and health. However, belonging also means an awareness of the other – the stranger, the migrant and the asylum seeker. Citizenship is therefore about a universal language of human rights and also an equal commitment to the idea of the right to be different.

Globalisation is at present being shaped and defined within the specific discourse of market liberalism. Implicitly, it is a discourse that encourages views about the limits of government and the retreat from the public space.

Resistances and protests are described as illegitimate or of belonging to some bygone age. Accordingly, the new globalisation is about the knowledge economy, where the power has shifted from the organisation to the individual. It is the individual with ideas who now has power, because ideas are used to sell products as concepts. In this brave new world, there is no need for trade unions, or collective struggles. However, the new globalisation is accompanied with increased income inequalities. The discourse of market liberalism and the policies of liberalisation and privatisation have contributed to the shaping of a new economic elite – a new plutocracy that buys influence into the political and intellectual process, which undermines the democratic process.