

## Globalization: Myth or Reality?

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Since the 1960s, the world has witnessed an increasing fragmentation of the production process across national boundaries; the emergence of transnational (as opposed to multinational) corporations; the rise of new social movements; and heightened cross-border flows of capital and labor. As a result of these developments, scholars and practitioners have sought to understand what has brought about these changes. Is globalization the culprit, or is it simply a myth? If globalization is a reality, what does it entail and how does it affect the realms of economy, polity, and society? In Paul Hirst and Grahame Thompson's *Globalization in Question: The International Economy and the Possibilities of Governance* (1996); James H. Mittelman's (Ed.) *Globalization: Critical Reflections* (1996); and Malcolm Waters' *Globalization* (1995), the struggle to answer these questions and many others is undertaken.<sup>1</sup>

This article critiques the major points presented by each author in regard to the questions asked above. Each author's views on globalization as it relates to the economy, the state, and culture will be examined. Furthermore, this article will show that while all three works have their drawbacks and shortcomings, it is recommended that each book be read to gain an understanding of the wide range of empirical and theoretical perspectives on globalization. The conclusion will offer suggestions on areas requiring more in-depth inquiry.

### What Is Globalization?

While Mittelman, as well as Hirst and Thompson, discuss globalization primarily in terms of economic processes, Waters sees globalization as driven by social or cultural processes. According to him, globalization is a "social process in which the constraints of geography on social and cultural arrangements recede and in which people become increasingly aware that they are receding" (p. 3). Waters contends that in a truly glob-

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alized world, only one culture would prevail and no central governmental structure would exist. The problem with his definition is twofold. First, by using Weber's ideal-type methodology to explain what a globalized world would look like, Waters sees the global processes already underway as part of a linear evolution, and therefore fails to recognize that these processes might originate from a unique or unprecedented set of historical and other factors.

Second, by defining globalization as a social process, he believes that culture is the driving force behind globalization. He states this explicitly—"material (economic) exchanges localize; political exchanges internationalize; and symbolic (cultural) exchanges globalize" (p. 9). Waters contends that the extent to which the economic and political arenas are globalized depends wholly upon the level to which they are culturalized, that is, to the extent that the exchanges occurring within these realms are symbolic.<sup>2</sup> While it may be true that economic and political interaction can happen outside of formal spatial channels, why do Western cultural ideals, advanced by such global corporations as McDonalds and Coca-Cola, for example, seek to penetrate other societies? Is it simply to display American or European values, or to open new markets and gain more consumers? It is highly unlikely that one of these corporations, or any other global firm for that matter, has expanded its operations to other regions for a purpose that did not involve the quest for new market opportunities or taking advantage of lower labor and production costs. Waters, therefore, fails to recognize that the spread of Western culture is intrinsically tied to the expansion of Western capital.

By contrast, Mittelman and the various authors in his volume believe that globalization is essentially an economically driven process. Mittelman contends that the spatial reorganization of production that began in the 1960s, and the subsequent changes in the international division of labor, have been the key ingredients in spurring globalization. He illustrates this by discussing how the production process for many goods has been broken down into simple units across national boundaries so that one country may produce part of one item while another country produces another part of the same item. In addition, several developing countries (e.g., the East Asian newly industrialized countries [NICs]) have emerged as exporters of manufactured goods instead of raw materials.

More importantly, the key underlying themes of Mittelman's work are that globalization is a contradictory process promoting integration and disintegration, a neoliberal process, and a phase in the history of capitalist development. It is true that globalization can enhance integration through the spread of cultural values across borders, for example, so that societies formerly separated by formal or informal barriers can experience the avail-



ability of previously unavailable consumer goods. At the same time, it also is true that the forces of globalization can foster disintegration by challenging the state's ability to regulate labor or capital flows. Moreover, what is especially refreshing about Mittelman's analysis is that he contends that globalization is neoliberal in that it is an ideology driven by market forces and thereby most beneficial to the primary agents of globalization—corporations and banks.<sup>3</sup>

What lacks adequate explanation in Mittelman's volume, however, is exactly how and why globalization, as a stage in the history of capitalist development, is distinguishable from other stages. If it is distinguishable, more explanation is needed. If it is not distinguishable, why call it globalization? It is mentioned throughout the chapters that globalization is indeed the current manifestation of global capitalism, but insufficient attention is paid to the antecedents of globalization and how capitalist development has led to globalization.

An example of this shortcoming is the chapter by Robert Cox, who attempts to explain some of globalization's historical roots. Cox traces its emergence to the 1970s, when the world economy entered a crisis in which Fordist production methods were under attack, disparities between rich and poor countries were increasing, and ecological concerns were born out of fear of reaching the limits of the Earth's capacity to sustain humanity. All of these events certainly may have contributed to globalizing tendencies, but Cox does not put all the pieces of the puzzle together. He neglects to mention how changes in the international division of labor may have contributed to globalization. Neither does he provide enough detail on the contributions of global capital and global finance to the emergence of globalization, nor does he explain how current globalization trends and his analysis of these trends are distinctive from the trends examined and the analysis offered by Immanuel Wallerstein nearly 25 years ago.<sup>4</sup> This is somewhat surprising, considering Cox's excellent other work in the field of global political economy.<sup>5</sup>

In contrast, Waters recognizes world systems analysis, among other theories, as a precursor to discussions of globalization, and Hirst and Thompson survey the evolution of the international economy in their work. These are important insights, because they provide the historical depth essential to understanding how globalization developed.

In addition to providing analyses of the economic effects and processes of globalization, both Mittelman and Waters acknowledge the significant cultural and political dimensions of globalization. Both volumes include chapters on issues relating to the effects of globalization on other cultures, and how globalization poses certain challenges to the state's regulatory powers. Although Hirst and Thompson discuss recent global eco-

conomic events and their effects on global governance and the nation-state, they do not discuss globalization's cultural implications. Mittelman and Waters' works, therefore, have more breadth in this regard.

Moreover and more importantly, whereas Mittelman and Waters claim that globalization is a reality of the present age, Hirst and Thompson consider it as nothing more than a mere myth. Although recognizing recent changes in the world economy, Hirst and Thompson believe that these changes are not unprecedented; that transnational corporations are rare; that investment and employment are still highly concentrated in the OECD countries; that the world economy is not really global but remains concentrated in Europe, Japan, and North America; and that global markets are controlled and regulated by states and/or other institutions (pp. 2-3). For Hirst and Thompson, the world economy was actually more open or globalized between 1870 and 1914, during the era of the gold standard. Most corporations, they contend, still maintain a national base and thus are multinational, not transnational. They believe that this "globalization myth" emerged from changes in the post-1945 world order (e.g., the collapse of the Bretton Woods system, increased lending to developing countries, the internationalization of financial markets, the continuing deindustrialization of the United States and the United Kingdom, the growth of the NICs, and the shift to post-Fordist methods of production).

Hirst and Thompson's claims may have some validity, but their work contains a major analytical flaw, as they are somewhat politically motivated by the belief, following in the tradition of the Realist School of international relations theory, that the nation-state is still (and always will be?) the prime mover in global political and economic affairs. They state that if globalization exists, then a hegemonic or world power cannot exist at the same time. Since the United States is the sole global power, they argue, it follows that globalization therefore is not a reality. The problem here is that they fail to recognize how the forces of globalization may challenge states without necessarily undermining their autonomy or regulatory powers. Mittelman and his co-authors correctly point out how the state can act as an agent of globalization by promoting the interests of global capital through the creation of economic blocs (e.g., NAFTA).

Another theoretical shortcoming in Hirst and Thompson's thesis is that they, like Waters, utilize Weber's ideal-type methodology to distinguish between current global trends and what they believe a truly globalized world would look like. In a fully globalized world economy, they hold that the activities of national economies would be subordinate to all international transactions. Transnational corporations would be able to run amok as "footloose capital," free of the reins of governments and



other regulatory agencies. Labor would have no mobility and such non-state actors as nongovernmental organizations (NGOs) would have increased power. In an open international economy, like the one of today, they assert that multinational corporations retain a home base, and that nation-states and other governing institutions control the economic transactions occurring within the economy. The problem is that by relegating these two types of economies to the realms of "pure" or "ideal" types, Hirst and Thompson cannot account realistically for the changes that have already taken place, because, according to them, these changes could only occur in an extreme form.

## Globalization and the Economy

The preceding review has exposed themes that require further examination: relationships between globalization and the economy, globalization and the state, and globalization and culture. All three books offer examples of how globalization can affect the world economy. While there are several other issues (e.g., trade, finance, and labor flows) related to globalization of the economy, the two most contentious issues seem to revolve around the extent to which corporations are transnational and to which significant changes have been occurring in the international division of labor.

As mentioned earlier, Hirst and Thompson consider globalization a myth and thus assert that talk of firms being transnational, as opposed to multinational, is exaggerated. To support this claim, they cite how many Japanese firms hesitate to relocate their research and development or high-value-added activities abroad, preferring instead to maintain a local base (p. 12). In a similar vein, Waters contends that these corporations are regionally focused and not really transnational because of the high costs associated with running operations in several countries (p. 79). In contrast to all of these authors, Mittelman assumes these corporations are transnational from the start by referring to them as such. As a result, he and his co-authors make no real distinction between the two types of corporations discussed here. What is particularly odd about this omission is that a whole chapter is devoted to how the most powerful firms tend to centralize their activities in a select group of cities.<sup>6</sup> If this is true, these businesses are not really transnational at all, because they are tied to a specific set of territorial locales. So why are they not specifically referred to as multinational corporations instead of as transnational ones?

Another point in this regard, and one that only Hirst and Thompson's volume neglects to mention, is how neither the state nor the corporation, be it multinational or transnational, has displaced the other. For Mittelman and Waters, both global capital, in the form of transnational

enterprises, and states can co-exist. Mittelman even suggests how the state, in certain instances, can use global capital to its advantage. According to Hirst and Thompson, by contrast, this is a difficult proposition to accept, since they claim that the existence of transnational corporations would signify the end of a state's ability to harness economic activities. And since nation-states, particularly the United States, maintain significant control over economic transactions, transnational corporations cannot be a reality. This issue will be elaborated further in the next section—the relationship between globalization and the state—but first an examination of globalization and the international division of labor must be given.

For Mittelman, changes in the international division of labor have been a significant factor leading to the emergence of globalization. In order to understand these changes, Mittelman believes that one first must understand how the international division of labor has evolved over time. He states that this division has had three manifestations: the classical division of labor during the era of Adam Smith and David Ricardo, whereby inter-state trade was based on laws of comparative advantage; the new international division of labor beginning in the 1960s, whereby the production process was exported abroad to take advantage of cheap labor and in which parts of the developing world went from being exporters of raw materials to exporters of manufactured goods; and the global division of labor, the most recent stage, whereby regional divisions of labor (e.g., the East Asian semiconductor industry) emerge because of innovations and technological developments in specific industries or sectors and whereby macro (e.g., NAFTA) and micro (e.g., growth triangles) economic blocs can emerge as major economic players.

It is important to realize that none of these stages have necessarily surpassed the others. In other words, all three phases can co-exist with each another. For example, as Mittelman correctly points out, the formation of regional economic blocs and divisions of labor has not necessarily diminished the number of economic relationships existing outside these regions. In a similar fashion, Waters discusses the importance of the global fragmentation of the production process and the rise of NICs, but does not really go as far as Mittelman in highlighting more recent developments (e.g., regional divisions of labor).

Surprisingly, Hirst and Thompson do not discuss specifically the international division of labor, although they do mention some related peripheral issues. How can they omit the role that has been played by global production in producing recent economic trends? Whether they think globalization is a myth or not, the international division of labor has existed for centuries now, and it is a fact that many corporations use oper-



ations in several countries to produce a single item.<sup>7</sup> Furthermore, by omitting this fact from their analysis, they neglect the increasing role played by the NICs in the global economy. Certainly their status in the world economy in the last two decades or so has been greatly enhanced by the sheer number of exports they continue to produce. Thus, Hirst and Thompson's argument, that the extent of global production and its impact is exaggerated since the most significant economic activities unfold within the industrialized world, is proven false.

## Globalization and the State

It has been mentioned already that globalization can pose some interesting challenges to the state's autonomy and regulatory powers. These challenges can emanate from increasing migratory, capital, and labor flows; the emergence of transnational corporations; the rise of regional economic blocs; and the reassertion of subnational forces in the form of movements from below. All three works discuss how globalization can affect the role of the state in some detail, but they differ sharply in their interpretations of how the state is affected.

For Mittelman, the emergence of global or transnational capital has placed some strain on state power, but certainly has not necessarily led to its undermining. On the one hand, according to Mittelman and Leo Panitch,<sup>8</sup> the state can act as an agent of globalization. As an example, Panitch illustrates how NAFTA, a trade regime created to guarantee the rights of capital on a regional level, originated under the aegis of the state. In other words, the governing institutions of Canada, Mexico, and the United States made a pact to institutionalize economic transactions further, albeit to benefit their regional economic relationships. Furthermore, this is not a new phenomenon either, given the number of global trade regimes (e.g., GATT and the WTO) that have been created in the twentieth century.

On the other hand, state autonomy is being questioned when subnational movements, such as peasant rebellions in Africa,<sup>9</sup> operate outside the outstretched arms of the state to challenge the thrust of globalization. Neither Waters nor Hirst and Thompson discuss resistance to globalization or to the state. For Hirst and Thompson, the state is not being challenged by the forces of globalization because globalization is only a myth. As mentioned earlier, they hold firm to the idea that the nation-state is the most powerful and important actor in global political and economic affairs. However, they do admit that governing the global economy may extend to institutions (e.g., regional blocs or global trade pacts) beyond the nation-state; however, these institutions have been created by nation-states. This point is very similar to the one made by Panitch.

For Waters, the state is in decline—but not necessarily from globalization. Waters believes that the state has been in decline since the 1970s due to problems associated with the decay of the welfare state and the rise of global issues (e.g., the environment and human rights) transcending state boundaries. While it is true that these two developments have meant that the state has to redefine itself, it is hardly true that the state is definitively in decline, even in an age where many scholars feel globalization will prove to be the state's biggest challenger yet. Evidence of the state's continuous power was given in the example above of how global trade organizations, such as NAFTA and the WTO, were created by states.

In addition to the points made above, one other point should be made regarding the relationship between states and transnational capital<sup>10</sup>: states and global corporations can rely on and benefit from each other. The transnational corporation depends upon the state to provide the necessary operating environment in which it can operate successfully. The state can provide physical and human infrastructure, enact policies to stimulate or regulate industrial activity, establish export-processing zones, and limit the degree of foreign ownership of domestic enterprises. On the other hand, the state needs the transnational corporation because its advanced technology and financial strength provide the stimulus for employment and growth, which are essential ingredients needed by states to maintain their legitimacy.

## Globalization and Culture

Hirst and Thompson do not discuss the cultural implications of globalization whatsoever, and as a result, it is one of the biggest shortcomings of their work. By contrast, both Mittelman and Waters provide some illustrations, although somewhat limited, of how globalization can produce profound cultural effects. For Mittelman, the analysis of culture centers more upon the forms of cultural or social resistance to globalization rather than how Western culture is globalized. This is a significant weakness, for globalization, although it may be economically driven, entails an expansion of Western cultural ideals. Mittelman briefly mentions how these ideals can be spread easily through global media channels, for example, but provides no in-depth analysis. Instead, his volume includes chapters on the South African labor movement, African peasants' resistance activities, the Chiapas revolt, and Islamic resurgence efforts. These chapters are excellent in terms of explaining how the potentially deleterious effects of globalization can be mitigated by forms of "revolution from below," but his book would have been enhanced greatly by providing a chapter on how Western culture is transmitted to other regions of the world, what types of cultural



ideals are being transferred, and what effect this transfer is having on indigenous populations.

According to Waters, as stated previously, globalization is mostly a cultural or social phenomenon. He avers that the realm of culture is thus more likely to be globalized than the economic or political realms, but he does not make the explicit connection between the spread of Western culture and the spread of capitalism. This is problematic, for these two forces are historically intertwined. Furthermore, like Mittelman, Waters also fails to provide any in-depth analysis. Although he describes how signs of a global culture can be transferred easily across countries through mass media and advances in technology, he does not provide a specific description of these signs. Instead, he states that

human society is globalizing to the extent that human relationships and institutions can be converted from experience to information, to the extent it is arranged in space around the consumption of simulacra rather than the production of material objects, to the extent that value-commitments are badges of identity, to the extent that politics is the pursuit of lifestyle, and to the extent that organizational constraints and political surveillance are displaced in favor of reflexive self-examination. (p.156)

This rather abstract illustration of how globalization affects culture requires more explanation, which Waters does not provide. Nevertheless, as discussed earlier, this illustration is based upon his claim that the extent of globalization depends wholly upon the extent to which interactions occurring within the areas of economics, politics, and culture are based upon symbols. These symbols, in turn, refer to preferences, values, and relationships existing outside spatial boundaries. While human preferences and values are independent of territorial space, human agency nevertheless can be constrained by more informal structures or boundaries (e.g., fluctuations in global markets), which can affect the range of choices available to consumers. Unfortunately, Waters really does not explain the limits of agency in this regard.

## Conclusions and Future Directions

As discussed throughout this review, the global economy has been undergoing significant transformations that are the subject of highly contested empirical and theoretical debates. These transformations include the globalization of production, the emergence of transnational corpora-

tions, the rise of new social movements, and increased cross-border flows of capital and labor. The reviewed works have sought to address these changes and their causes. In doing so, each author's account of globalization's relationship with the economy, the state, and culture have been scrutinized.

While none of the analyses are flawless, it is recommended that all three be read in order to gauge the breadth of theoretical and empirical perspectives offered on the topic of globalization. Waters' book provides a solid sociological analysis of globalization and covers the most important themes. Mittelman's volume also provides excellent coverage of the issues, one that features a much more critical perspective and that originates from the field of global political economy. Hirst and Thompson's book is within the same field as Mittelman's, but from an entirely opposing perspective—realism.

Although it may prove to be overly difficult and time-consuming, future discourse on globalization needs to place more emphasis upon collecting statistics and compiling hard data. Both the works of Mittelman and Waters, although illuminating, tend to be too abstract and theoretical. In order to comprehend the implications of globalization at a real-world level, one also needs specific data points that can provide a tangible measuring of globalizing tendencies. Moreover, future studies need to make more of an effort to incorporate how the transnational diffusion of ideas affects globalization. This diffusion refers to the relationship between ideas and institutions.

According to Cox,<sup>11</sup> international organizations express the universal norms of a world hegemony by legitimizing the ideology of the current world order. These organizations (e.g., international financial institutions, trade regimes, and corporations) act as a mechanism in which the dominant social classes of particular nations are interconnected, and transnational social, economic, and political linkages are established. This mechanism is important in relation to the state, for example, because these linkages, formed by shared ideas, can influence the configuration of domestic social forces and governing institutions. These, in turn, may condition a state's response to globalization as well as how it is affected by globalization. In Mittelman's book, the chapters by Cox and Gill explain the relationship between ideas and institutions to some degree, but not in enough detail.

Finally, further research must be conducted to highlight the importance of global finance in an era of globalization. In both Mittelman's and Waters' volumes, the spread of financial markets is hailed as one of the more globalized facets of the contemporary world economy. Nevertheless, this issue should have garnered more attention, maybe in a single chapter,



in Waters' and Hirst and Thompson's analyses, since the emergence of global finance means that money and credit can be transferred across the globe in an instant without a regulatory system to monitor financial exchanges. In the absence of such a system, what does this mean for the role of the state and for the health of the global economy, especially in light of the recent financial crises in East Asia? Of the three books reviewed, only the article by Sassen (in Mittelman's book) addresses this issue.

## Endnotes

1. The full citations for these sources are as follows: Paul Hirst and Grahame Thompson. *Globalization in Question: The International Economy and the Possibilities of Governance* (Cambridge: Polity Press, 1996); James H. Mittelman (ed.), *Globalization: Critical Reflections* (Boulder, CO: Lynne Rienner Publishers, 1996); and Malcolm Waters. *Globalization* (London: Routledge, 1995).

2. By symbolic exchanges, Waters is referring to a wide array of relationships that are not tied to spatial referents. An example of a symbolic interaction in the economic realm is electronic commerce, whereby financial transactions can be made outside the boundaries of the state.

3. For in-depth discussions of globalization as a neoliberal ideology, see the chapter by Robert W. Cox, "A Perspective on Globalization" and the chapter by Stephen Gill, "Globalization, Democratization, and the Politics of Indifference" in Mittelman's *Globalization*.

4. In his seminal work, *The Modern World-System I: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century* (New York: Harcourt Brace Jovanich, 1974), Wallerstein examines the development and expansion of the capitalist world-economy over the past 500 years.

5. For example, see *Production, Power, and World Order: Social Forces in the Making of History* (New York: Columbia University Press, 1987).

6. See Saskia Sassen's chapter, "The Spatial Organization of Information Industries: Implications for the Role of the State" in Mittelman's *Globalization*.

7. Parts of the Ford Escort, for example, are produced in several countries. For more information on this specific example or on the global production process in general, see Gary Gereffi and Miguel Korzeniewicz's excellent work, *Commodity Chains and Global Capitalism* (Westport, CT: Praeger, 1994).

8. See Panitch's chapter, "Rethinking the Role of the State" in Mittelman's *Globalization*.

9. See Fantu Cheru's chapter, "New Social Movements: Democratic Struggles and Human Rights in Africa" in *ibid.*

10. For more information on this relationship, see Christos Pitelis, "Beyond the Nation-State? The Transnational Firm and the Nation-State," *Capital and Class*, no. 43 (1991): 43: 65-82.

11. See Cox's chapter, "Gramsci, Hegemony and International Relations: An Essay in Method" in *Gramsci, Historical Materialism and International Relations*, edited by Stephen Gill (New York: Cambridge, 1993).