Globalization: reality and design

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The neoliberal years and globalisation are historical events that coincide in time and logic. Globalization was the name that the intellectual establishment found for the transformations that capitalism had undergone since the 1980s. It lasted for about 40 years, corresponding to what progressive intellectuals call neoliberalism and financialization. It ended around 2021, along with the Neoliberal Years. Globalization was objectively the growth of international trade and productive integration of the world economy, accompanied by closer international contacts between peoples worldwide for cultural, commercial and tourist purposes. Its causes were, on the one hand, the fall in transport costs and the increase in the speed of communications, and, on the other, the result of a process of commercial and financial opening, the increase in foreign trade, the further increase in global capital flows, multinational corporations integrating production through global production chains, the increase in international tourism, and in international social and intellectual exchanges of all kinds.

Thus, globalisation was not only an economic process, but also a historical, social, and cultural process that, by bringing all sectors of modern society into direct contact, undermined the foundations of each national society. Saskia Sassen, who has long studied globalisation, sees globalisation as "a huge variety of micro-processes that begin to denationalize what has been constructed as national" but "enable or enable the construction of new kinds of dynamics and institutions on a global scale; at other times they continue to inhabit the realm of what is still largely national."[i]

Beyond a historical reality, globalisation was a project – an imperial project of the United States that the rest of the Global North joined. The project was to liberalize the markets of all countries, to make all of them wonderful "liberal democracies" with the US as a model. Or, more realistically, neutralize all national development projects and avoid competition from low-wage countries. I will discuss these two forms of globalisation in this chapter.

Globalization as a reality

Globalization is a necessary and irreversible economic phenomenon derived from technical progress. But within the framework of neoliberalism, the Global North has turned globalisation into a project. For the left, globalisation is just the form of capitalism that capitalism has taken since the 1970s. To understand globalisation, we need to distinguish between reality and ideology. Among its many critics, Kostas Vergopoulos (2002), for example, argues that globalisation as a historical phenomenon should be seriously discussed, but the neoliberal policies adopted in its name are ways of increasing the privileges of one part of society to the detriment of others. Governments should have multiplied agencies and policies to protect citizens from the nouveau riche, but instead they have adopted reforms that only deepen the privileges of a few.

Globalization *does not* mean the end of the nation state. This was an idea that soon found its way to neoliberal ideologues. We would now live in a beautiful world, where a single, benevolent hegemon ensured peace and progress for all; The time of the nation-state and economic nationalism was over. The world would move towards a borderless society, where growth would depend on foreign direct investment by multinational corporations, which in turn would depend on the ability of developing countries to attract them through neoliberal reforms. Something that was soon proven false. Even at the height of globalisation and neoliberalism, the nation-state remained the central source of political power. Capitalism is not only an economic system where corporations compete for profit and expansion, but also a system of nation-states. Capitalism and the state-nation are twin brothers. We cannot speak of a "global society"; The greatest and most powerful form of society that humans have created is the nation-state– a society that shares a common history and destiny and relies on a state and territory to achieve its political goals. Nation states are large and surprisingly integrated national societies, where conflict and cooperation, class struggle and class compromise are the everyday experience.

That competition between nation states is an essential feature of contemporary capitalism is obvious. A distinguished professor at Harvard Business School, Michael F. Porter, realized this and authored a conclusive book on the subject, *The Competitive Advantage of Nations.* As a professor of business strategy and not an economist, the fact that nations are constantly competing is for him taken for granted. What he argues is that international competitive advantage is based only on a few nations and, in each nation-state, on a few industries. Not only are major corporations often located in the same nation, but they are often found in the same city or region within the nation. For Porter, the law of comparative advantage is an old paradigm. "The globalisation of industries and the internationalization of companies leaves us with a paradox. It is tempting to conclude that the country has lost its role in the international success of its companies. Companies, at first glance, seem to have transcended countries. However, what I learned in this study contradicts that conclusion."[ii]

Why does globalisation occur? Many pose this question as if we need reasons other than the fact that transport costs and the costs and duration of communications have fallen dramatically. David Harvey (1989) speaks of the compulsion to accumulate capital; Michael Mann (2013), on the drive for power; Leslie Sklair (2000), On Capitalist Forces; Jan A. Scholte, Structural Forces; Manuel Castells (1996), on the impulse for the construction of a network society. The logic of capitalism is the logic of the accumulation of capital and profit not only in the internal market, but also through the export of goods and services, as well as capital.

Peter Gowan soon realized that there was a basic contradiction in globalisation. If globalisation is a historical phenomenon that discards the nation-state, the political-territorial society endowed with sovereignty, how will political power be exercised? The "solution" found by the international techno-bureaucrats was the concept of "global governance" – a supposed compromise between imperialism and developmentalism.[iii] Governance is literally the process of governing, but in the historical framework in which the concept emerged, it meant the alternative to government or hierarchy. Instead of each government governing its own state, there would be a diffuse institution that governs – some more powerful countries, institutions and people would share power in an informal way and never clearly defined.

To understand globalism and globalisation, Dani Rodrik's concept of the "trilemma of the world economy" is helpful. Rodrik is not an advocate of trade liberalization, but an early and capable critic. Its trilemma involves three policies: hyperglobalisation, democracy, and national self-determination. A country cannot follow all three courses simultaneously. If democracy is an obligation, a country has to choose between globalisation and national autonomy. Developmental economists like me advocate limits to globalisation in the name of national autonomy and growth. Instead, Rodrik also sees globalisation as off the table and suggests "global governance" as a way out. We have already seen that global government is not a realistic proposition. Only the imperial powers are interested in discarding the nation-state, but *of others*, not their own nation-state.

The idea of global governance reached its peak in the Clinton administration (1993-2001). It was the global utopia not only of the international bureaucrats at the United Nations and other international institutions, but also of the world order dreamed up by the neoliberal capitalism of the rentiers. It was one of the foundations of the hegemonic global order, where the U.S. in its moment of full hegemony (the 1990s) managed to reduce developing countries to the condition of informal colonies, transferring to them its “superior culture" – neoliberal ideology.

At the end of the 20th century, when capitalism became totally dominant and nation-states covered the whole earth, neoliberalism wanted or sought to get rid of nations. As Marcel Gauchet (2017, p. 215) has noted, the second half of the 20th century was the time of "de-imperialization and the diffusion of the nation-state form", a time in which there is "an ongoing unification of the planet", with the formation of an increasing number of nation-states. Thus, de-imperialization cannot be limited to the end of modern colonialism. It includes the growing resistance of people, particularly in Asia, to domination of the Global North by other means. After the collapse of the Soviet Union, the American utopia of a world in which a single hegemon, using its soft power, would guarantee social order, peace, and liberal democracy gained some plausibility for a few years. The era of the American "benevolent hegemon" would have finally become a reality; The Empire didn't need hard power to assert itself. The ideal of a liberal democracy, which the U.S. would represent, would be enough to persuade the rest of the world. Globalizers have turned globalisation and liberal democracy into the "hallmarks" of the Panglossian vision of the best of all possible worlds, where the only real nation would be the dominant one.

In summary, as a historical phase of capitalist development, globalisation responded to the reduction of transport and communication costs and represented an economic step forward, as it contributed to increased competition and a better allocation of the factors of production. As David Kotz noted in 2000, "large corporations that once operated in relatively controlled oligopolistic domestic markets now face competition from other large corporations headquartered abroad, both domestically and abroad. In the U.S., the rate of import penetration into domestic manufacturing markets was only 2% in 1950; rose to 16% in 1993."[iv]

Globalization as a project

Globalization, which began after World War II with the rise of multinational industrial corporations, in 1980 was turned into a project when the U.S. waved the flags of trade liberalization and privatization, the World Bank was turned into an agency tasked with pressuring countries to liberalize and privatize, and the World Trade Organization was created not only to regulate international trade, but also to reduce the political space of countries. Thus, the U.S., the World Bank, and the WTO began pressuring countries to change their political regime from developmental to liberal.

Outside of its "manifest destiny," the U.S. has made it its mission to export "liberal democracy" to the rest of the world. Globalization was a successful imperial project in that it prematurely deindustrialized most of the developing world, particularly Latin America, and thus neutralized its ability to export manufactured goods. But it failed in the countries of East, Southeast and South Asia, which rejected or limited neoliberal reforms.

Globalism was the ideology that justified and celebrated the globalisation project. We would now live or should live in borderless societies that ensure the rule of law, are democratic, promote the economic well-being of all, and demand little from national governments; it needed only free markets and "governance" – an enlightened world governance to be exercised by the US in conjunction with the other governments. It was a strategy of imperial domination, a way of discarding economic nationalism or developmentalism in developing countries. As Przeworski signalled

> This strategy seems to be unprecedented in history. All previous attempts at modernization conceived of development as a project linked to national, economic, and political independence. All previous modernizing leaders asserted the importance of national cultures, demanded political institutions consistent with national traditions, and envisioned growth led by national industries and oriented toward local markets. In contrast, the strategy of modernization through internationalization explicitly accepts at least a partial renunciation of national sovereignty in the political, economic, and cultural spheres.[v]

The main ideological instrument was an old one, the law of comparative advantage, which developmentalist governments first rejected in the second half of the 19th century by the late central countries, such as Germany and the United States. And secondly, in the mid-20th century, by middle-income Latin American countries and those in East, Southeast, and South Asia. In both cases, the law of comparative advantage was successful, as the countries developed satisfactorily thereafter. However, in the 1980s, while the Global North was making the neoliberal turn, the Great Debt Crisis weakened Latin American countries, which subjected it to the new truth. The stagnation in the 1980s and the low growth rates that followed were falsely attributed to import tariffs and the industrializing strategy of import substitution, when the real reason was the debt crisis; Deindustrialization received the same explanation, although the real causes were the fall in public savings and chronically overvalued currencies that led to the fall in the rate of public and private investment.

The Global North added that the developmentalist strategy that had been successful in Latin America since the war was nothing more than "protectionism," ignoring that high import tariffs neutralized Dutch disease and thus were behind earlier industrialization. With the victory of the globalisation project, Latin American countries engaged in trade and financial liberalization, privatization, and deregulation and, not surprisingly, experienced low growth rates. In the first decade of the new century there was a recovery, but it was caused by a major commodity boom. Latin America had shifted from being a significant exporter of manufactured goods to an exporter of commodities.

The globalisation project has been successful in Latin America, Africa and some Asian countries. It has failed in relation to the East, Southeast Asia, and South Asia, which have resisted foreign pressure. While elites in Latin America have a hard time identifying with the mixed popular classes, Asian elites have no such problem. More importantly, successful Asian countries are not commodity exporters and therefore do not need to neutralize Dutch disease, which leads to exporting countries that have long-term overvalued currencies.

To industrialize, Latin American countries adopted high tariffs, not because their manufacturing industry was incipient (this is an argument that loses validity with the passage of time), but because tariffs were instruments to neutralize the Dutch disease and were the right way to make their manufacturing projects economically competitive. With trade and financial liberalization, countries have lost control of their exchange rate, it has become overvalued, companies have lost competitiveness and stopped investing. While this was happening in Latin America and its economies, unable to resist the project of globalisation, almost stagnant, East Asia, especially China, Southeast Asia, and India continued to grow.

The U.S. adopted in the 1980s the same strategy that the U.K. had adopted in the 19th century in trying to persuade the U.S. and Germany not to industrialize. His bet was that the U.S. and the other rich countries would gain more from liberalization, because productivity in the Global North would be "intrinsically" higher than in the rest of the world. They were wrong. Trade liberalization has been good for low-wage countries in East Asia, which, unlike Latin America and Africa, have not suffered from the Dutch disease. The project was a failure compared to East Asian countries; successful in Latin America, which deindustrialized prematurely.

The main tool: trade liberalisation

Capitalism is a system of interdependent nation-states, which have never ceased to negotiate with each other, while the most powerful have threatened each other with wars. Before capitalism, wars were a basic form of appropriation of economic surplus along with slavery. During the capitalist revolution, wars made sense, firstly, insofar as they were part of the struggle for the expansion of the territory that each nation-states ought to transform into an internal market; secondly, as a way of conquering colonies and maintaining them, thus controlling foreign markets for their exports and investments. All of this ceased to make sense in the 20th century, when the boundaries of the major nation-states became relatively consensual and formal colonies were losing viability, and this explains why the World War I was seen as an essentially irrational war.

Braudel saw wars for the expansion of national territory as part of the historical process of formation of a "material capitalist civilization", Wallerstein and Arrighi, as an element in the formation of a "capitalist world-system". In this system, the strongest nation-states – the "great powers" – assumed an imperial position, which, however, could not be imposed on the other strong nations, but could be imposed on the peoples who had not made their national and industrial revolution and could be transformed into formal colonies, as happened in Asia and Africa, or informal colonies – the pattern that prevailed in Latin America. David S. Landes – a noted economic historian – observed that when one nation-state is stronger than others, imperialist behaviour is inevitable.

> Where one group is strong enough to push another around and stands to gain by it, it will do so. Even if the state would abstain from aggression, companies and individuals will not wait for permission. Rather, they will act in their own interest, dragging others along, including the state. This is why imperialism (the domination of one group by another) has always been with us.[vi]

The imperialist countries have always used trade liberalization as the main tool to block industrialization on the periphery of capitalism and the law of comparative advantage as an argument. Imperialism involves exports of goods with higher added value than imported goods (unequal exchange) and capital exports. The stronger the nation-state, the more it will require everyone else to open their economies to trade and investment. In the 19th century, after completing their capitalist revolutions, the new powers reduced most of the countries of Asia and Africa into colonies, while the newly independent countries of Spain and Portugal, the countries of Latin America, became quasi-colonies. This imperialism, which today extends to the rest of the world, is characterized by the *occupation* of local markets by unequal trade, finance, and multinational corporations.[vii] In the Cold War era, the U.S. supported the repression of nationalist political leaders on the periphery of capitalism. As Göran Therborn noted, the left underestimated the bloody violence of the right in General Suharto's Indonesia and General Pinochet's Chile.[viii] When, after the World War II, the wars of independence made formal imperialism too costly, the Global North moved to trade and financial liberalisation – to globalisation. In the 21st century, only in the countries of the Middle East has imperialism continued to be imposed by force. Everywhere, it is today an informal imperialism achieved through ideological hegemony and economic pressure.

After World War II, the time of colonialism was over. On the other hand, developing countries seeking to industrialize set barriers to the import of manufactured goods, while at the same time showing interest in the investments of manufacturing corporations in rich countries. Manufacturing multinationals and globalisation were born together, as global productive integration gained momentum. But the nation-state remained the fundamental territorial political form of society. And a growing number of developing nation states have begun to compete with developed countries.

The developed countries, for their part, sought to impose their economic interests – neutralizing the competitive capacity of the developing countries – and thus transformed globalisation into an imperialist geopolitical project: the project of using neoliberal ideology to open up the markets of developing countries and halt their industrialization. All countries should adopt the same policies: open up, liberalise, deregulate, privatise. A project of domination and deindustrialization that failed in East Asia but succeeded in Latin America.

Liberal economists see developmentalism or economic nationalism as opposed to trade liberalization. They are wrong. Developmentalists are against liberalization on two terms: if the manufacturing industry is nascent and/or if the country is a commodity exporter and uses tariffs to counteract Dutch disease.[ix] In the case of East Asian countries, which do not have the Dutch disease, since their manufacturing industry is no longer infant and trade liberalization has become part of their developmental growth strategy.

Growing inequality in the neoliberal years

The neoliberal years saw a radical increase in economic inequality. In rich countries, from the poor to the lower middle class, pay has increased little or none, while the rich have gotten much richer. If we consider only the richest 1% of the US, in 1930 they controlled 23% of total disposable income; in 1980, as a result of the Golden Age of capitalism, this share fell to 9%; However, in 2017, it returned to 22%.

Rising inequality is an essential feature of rentier-finance capitalism, a social formation where rentier capitalists, financiers, and top corporate executives are the big winners along with a few young techno-bureaucrats turned entrepreneurs who made their fortunes in startups associated with the Information and Technology Revolution. Today, the world is richer than it was in the 1970s, but it is more insecure and more unequal. Due to automation, which has gained new and worrying possibilities with artificial intelligence, the demand for unskilled workers and middle managers has fallen, while the demand for skilled workers and sophisticated managers and consultants has increased. In addition, employment contracts have been made more flexible and more precarious. On the other hand, private corporations have been able to maintain their satisfactory rate of profit despite low demand and falling productivity of capital because they have been successful in achieving monopoly power. Thus, as Alain Lipietz pointed out as early as 2001, "the progressive reduction of the guarantees offered to unemployment has weakened workers and the lower middle class. The result was distributed earnings growth in the form of financial gains and higher salaries for managers and directors."[x] I will return to the issue of inequality in Chapter 19.

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[i] Sassen (2008: 1).

[ii] Porter (1990: 18-19).

[iii] Gowan (1998).

[iv] Kotz (2000, p. 12). The data are referred to by Sutcliffe and Glyn (1999: 116).

[v] Przeworski (1990: 55).

[vi] Landes (1999: 63).

[vii] It should be noted that this cultural dependence has been shown to be much stronger in Latin America than in Asia.

[viii] Therborn (2008).

[ix] On the second condition, see Bresser-Pereira (2023b), in which New Developmentalism adds a second argument to the argument of the infant industry, which classically legitimized import tariffs: the neutralisation of the argument of the Dutch disease.

[x] Lipietz (2001, p. 25).