

The Political Economy of Globalization (By Ngaire Woods)

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Introduction

In the 1990s 'globalization' has become a particularly fashionable way to analyze changes in the international economy and in world politics. Advances in technology and modern communications are said to have unleashed new contacts and intercourse among peoples, social movements, transnational corporations, and governments. The result is a set of processes which have affected national and international politics in an extraordinary way. The chapters of this volume debate the nature and implications of this transformation.

The term 'political economy' is used advisedly for it has been used to describe a number of different things in political science and international relations: from the application of rational individualism to the study of politics, to debates over policy with an economic dimension.⁽¹⁾ In this volume, the term is used to describe the changing relationship between political systems (both national and international) and economic forces.⁽²⁾ In other words, the volume is concerned with how policy-makers are being affected by economic forces, as well as how they themselves affect these forces. Following in the classical tradition of political economy, the chapters also address the moral debates about globalization, starting with the question 'cui bono?' (in whose interest? or who benefits?), and touching upon the possible ramifications for opportunity and inequality among a wide range of actors in a globalizing world.⁽³⁾

In order to understand what is new about globalization, we need carefully to distinguish two aspects of change: a quantitative dimension and a qualitative one. Quantitatively, globalization refers to an increase in trade, capital movements, investments and people across borders. Some refer to these new forces as 'transnationalism' and 'interdependence'. Yet as many sceptics point out, there is little that is new here. Transnationalism and interdependence were buzzwords not only twenty years ago,⁽⁴⁾ but even eighty years ago, not to mention in the nineteenth century. Norman Angell, for example, wrote in 1912 of the impact of 'rapid post, the instantaneous dissemination of financial and commercial information by means of telegraphy, and generally the incredible progress of rapidity in communication'. For Angell, the result was 'a financial interdependence of the capitals of the world, so complex that disturbance in New York involves financial and commercial disturbance in London, and, if sufficiently grave, compels financiers of London to co-operate with those of New York to put an end to the crisis, not as a matter of altruism, but as a matter of commercial self-protection'.⁽⁵⁾

Although trade, capital and the movement of peoples are all assumed to have increased exponentially since early this century, this assumption is misleading. For 17 countries for which there are data, transfers in goods, capital or people have not increased dramatically. In 1913 exports as a share of GDP from these countries accounted for 12.9% of GDP as opposed to 14.5% in 1993. Similarly, capital transfers as a share of industrial country GDP are still smaller than in the 1890s. Furthermore, whilst in earlier eras of globalization there was a large movement of people around the world, today immigration is far more restricted. [\(6\)](#)

So what is new about globalization at the end of the twentieth century? The answer lies in qualitative changes in international politics. In other words, changes in the way people and groups think and identify themselves, and changes in the way states, firms, and other actors perceive and pursue their interests. These changes are highlighted in successive chapters of this book where they are also linked to economic trends and specific political phenomena.

This chapter serves to define the core elements of globalization and critically to assess key presumptions made about its impact. For example, it is widely argued that globalization is eroding state sovereignty. Yet this chapter suggests that the impact of globalization differs not just according to the sector of the economy being examined (as this book overall demonstrates) but also according to the character of each state. Strong states have not only influenced the nature and pace of globalization but, equally, have controlled their own integration into the world economy. Their sovereignty may well be qualitatively changing, but it is surely not being eroded. Weak states, by contrast, risk being further weakened by globalization. At the same time, however, globalization is opening up new kinds of governance (such as regional institutions) and adding new actors to the process (such as non-governmental organizations, and transnational arbiters and regulators). These developments, which are described in detail in the chapters of this book (outlined in section four below), may well be opening up new opportunities as well as challenges to even the weakest states in the system.

1. Core elements of `globalization'

Globalization, as used throughout this volume, comprises three inter-connected elements: the expansion of markets; challenges to the state and institutions; and the rise of new social and political movements. These do not represent alternative definitions or competing theories. Rather they reflect different aspects of globalization which are worth elaborating.

1.1 The expansion of markets

A first core aspect of globalization is the transformation of global economic activity. Technological change and government deregulation have permitted the establishment of transnational networks in production, trade and finance. Some have gone so far as to call this the new `borderless world'.⁽⁷⁾

The new `production' network describes firms and multinational enterprises (MNEs) who use advanced means of communication, and new, flexible techniques of production so as to spread their activities across the globe.

In trade, globalization refers to the fact that the quantity and speed of goods and services traded across the globe has increased, and so too the geographical spread of participants, the strength and depth of institutions which facilitate trade, and the impact of trade on domestic economic arrangements.

Finally, in finance, globalization has been facilitated by new financial instruments which permit a wider range of services to be bought and sold across the world economy. Overall financial globalization is characterised by an increasing speed, quantity, geographical spread, and impact of international finance - the creation of what can rightly be called a global financial system. One consequence, as argued in chapter four, is that national currencies - for so long thought of as a corner-stone of sovereignty - have become deterritorialized leaving governments to compete in a global marketplace of currencies for control and useage of their currency.

It is important to recall that technology alone has not driven this expansion in global markets. Rather technological advances, hand-in-hand with governments' policies have produced the effects noted above. For example, the increased globalization of finance which occurred in the 1970s was made possible by state decisions to grant more freedom to market operators and to abolish postwar capital controls. Equally importantly, at this time states chose to refrain from imposing more effective capital controls.⁽⁸⁾

1.2 The transformation of politics

A second element of globalization is political. At the extreme, some argue that a new `global politics' is emerging which, like the `borderless world economy', is characterized by a global political order in which states' political boundaries become much less important.⁽⁹⁾ In the old system, sovereign states

interacted with each other according to rules which they - as states - agreed upon. In the new interconnected global political order, political power and political activity are said to extend across the boundaries of nation-states.⁽¹⁰⁾ Without accepting the 'global politics' version of political change, several changes can be noted in political power and authority which have occurred not just as a result of technological advances in communications, but also as governments and other actors have altered their perceptions of their interests and their legitimate realm of authority.

In the first place, 'global issues' have emerged which require states to coordinate policy-making at levels above the nation-state. These issues include human rights, environmental degradation, and nuclear safety. Furthermore, the same technologies and policies which make new kinds of economic activity possible also facilitate the spread of transnational crime, weapons, drugs and illegal immigrants. All of these issues are such that no one state can effectively regulate on its own. And likewise, economic globalization adds another range of regulatory issues. For this reason, the globalization of politics describes a shift in the locus of decision-making up to either the regional or the international level. At the regional level, the past decade has seen a flourishing of regional arrangements, in trade for example, virtually every country in the world is now part of some regional trade arrangement. So too, at the international level, increasing 'institutionalization' has taken place, with an increase not just in the number of institutions, but also in the depth and breadth of issues they are being required to address. These shifts in decision-making do not necessarily imply an erosion of existing state power and authority. Rather, what has changed is the way (and the fora) in which states use their power and authority - with states now choosing to participate in regimes in which they make decisions in coordination or cooperation with other states.

Accompanying the increase in regional and international decision-making, is a change in the way governments interact. Modern communications systems mean that national (or even sub-national) decision-makers can interact horizontally with officials in other countries. Where previously international linkages were made either at the top or through diplomatic channels, officials may now communicate directly across borders with one another, across an ever-wider range of issues.⁽¹¹⁾ This is likely both to strengthen and to reflect strong regional ties - as in the European case.

It is not only governments that are interacting horizontally. A multitude of non-state actors are interacting in a similar way, including multinational enterprises, non-governmental organizations, and sub-national groups such as trade unions or indigenous minorities. The increasing linkages among these groups have strengthened their international presence, making these non-state actors another aspect of globalized politics (see below).

Finally, it has been suggested by many, that globalization is inducing not just a shift in decision-making upwards towards regional and international fora, but at the same time a shift downwards to sub-national

fora. In other words, globalization is inducing not just an increase in supranational decision-making, but at the same time a decentralization of decision-making within countries. The example I have invoked elsewhere is that of Europe where sub-national regions have gradually increased their status within the institutions of the European Union.⁽¹²⁾ In the context of the EU, recognizing sub-national regions has been an important part of democratic representation and accountability. Similarly, the World Bank and other multilateral development banks have pursued more accountable and participatory programs in the developing world, through a more decentralized approach, encouraging local levels of governance.

1.3 The emergence of new social and political movements

Globalization affects more than markets and states. It is altering the lives of people across the globe and affecting their culture and values. New communications systems mean that media, music, books, international ideas, and values can all disseminated in a global and virtually instantaneous manner. This is producing what some describe as a 'global culture'. Such a description, however, ignores the way in which globalization is simultaneously producing very different kinds of reactions and cultures. For example, whilst Western values and ideas (along with food chains) have spread into Russia and the Middle East, in both these regions of the world there has also been a strong reassertion of 'counter' national or religious identity - with strong nationalism in Russia and a dramatic rise in political islam in the Middle East. These 'reactions' and 'rebellions' against Westernization are in turn assisted by the new technologies which make communication and networking across borders possible - such as the transnational networks built up around political islam.⁽¹³⁾

Common to both the westernization and reactions against it are groups and movements organizing themselves using new technology and new ways of connecting across borders. As argued in chapter seven, one of the ramifications of this is the emergence of what could be described as a 'global civil society'. More modestly, what is new are social movements that can emerge with much less regard for territory. Territorial location, territorial distance and territorial borders have lost their determining influence. Modern technology means that people can connect in a space unbounded by territory in the sense that distance can be covered in effectively no time and territorial frontiers present no particular impediment. As a result, transnationally organized groups can identify in a new way, forming around a premise of supraterritorial solidarity instead of within national bounds whether it be around class, gender, religious faith, or profession.⁽¹⁴⁾

Common to all elements of globalization is the sense that activities previously undertaken within national boundaries can be undertaken globally or regionally - to some extent 'deterritorialized'. This is equally true of: firms' research and development; the useage of national currencies; some global political issues; and social movements. The central question this raises is: upon whom do these changes impact?

2. The impact of globalization

The impact of globalization is the source of endless debate. In particular, debates revolve around competing interpretations of the impact of globalization on investment, capital flows, jobs, profits, and welfare. One major assumption is that globalization reduces the capacity of states to promote welfare objectives within their own boundaries. This is addressed more fully in chapter five but it is worth examining here the way this argument has been constructed.

The technological advances driving globalization, it is often argued, enable multinational enterprises to behave in a more efficiency-maximising way. This means they can respond faster and more radically to changes in wage and tax costs. In turn, this compels governments to deregulate in their competition for investment - a competition described by some as a 'race to the bottom' as governments dismantle regulatory structures which keep wages and taxes high.⁽¹⁵⁾ Some say that this deregulation results primarily in greater 'allocative efficiency', less government, lower costs, higher profits and greater job opportunities. Others point to the accompanying disadvantages of lower wages, declining welfare standards, and increasing inequality. Yet all of these arguments about the implications of globalization are misleading.

In the first place, there is little evidence that governments in fact seek multinational enterprises (MNEs) and foreign investment by deregulating so as to lower wages and lower taxes on capital.⁽¹⁶⁾ In the second place, in a globalizing world MNEs are not attracted by lower wages and lower taxes.⁽¹⁷⁾ Rather their own competitiveness and the attractiveness of investment locations depend much more on the requirements of knowledge-intensive production. In summary, the initial premises of the view of that globalization will result in a dismantling of the state as we know it are factually unsubstantiated even if intuitively attractive.

Clearly then, the impact of globalization needs to be analysed paying careful attention to the facts as well as to potential explanatory theories - as the chapters of this volume attempt to do. In this context, it is worth noting some of the broad groupings of winners and losers from globalization in industry, in the workforce, in societies, and in international society.

In industry, firms which do not enjoy the kinds of organizational advantages described in chapter two, are likely to lose out to competitors who do. Furthermore, firms who previously relied on government

investment (e.g. where governments wished to spread economic growth more evenly across a country, or to protect jobs through subsidizing 'national producers') are likely to lose out over time, for whilst not all government intervention is being reduced by globalization, this kind of investment certainly is.

In the workforce, it is widely thought that workers who rely upon government-set minimum wages or working conditions will lose out since such government policies become anachronistic in a new era of global competition. Yet it is worth noting that in the past two years the British government has introduced a minimum wage, and the French government has legislated to reduce the working week to 35 hours: and these two countries are recipients of the largest flows of inward investment in Europe (see chapter two, Table 2). Of course, similar arguments cannot be made about conditions in developing countries (see below). Furthermore, many workers do lose out - at least in the short-term - from globalization. Even the most optimistic accounts of economic integration and transformation accept that workers who are not mobile, or whose skills are not transferable, may suffer in a globalizing world economy. For example, in industrialized countries the evidence suggests that low-skilled workers are already paying the price.⁽¹⁸⁾

In societies across the world there are many winners and losers from the different elements of globalization and from the combination of economic, political and social effects. Existing evidence suggests that as governments have liberalized policies so as to integrate more fully into the world economy, almost without exception economic inequality has increased.⁽¹⁹⁾ As regards political rights and freedoms, globalization does not have a much better record. Not so long ago it was hoped that new standards of human rights and democracy would spread through networks enhanced by globalization - indeed industrialized countries throughout the late 1980s and early 1990s dreamt of exporting a combination of open-market economics and democracy. Yet the experience of the last decade suggests that political change does not necessarily follow smoothly and conveniently behind economic integration: the expansion of markets does not automatically expand the number of countries embracing democracy. In many developing countries, economic liberalization requires policy choices or priorities which are sometimes at odds with a parallel urge to democratize.⁽²⁰⁾

Globalization has also affected politics among states, creating winners and losers at the international level. In one study, the result is described as a world comprising a 'zone of peace' and a 'zone of turmoil'.⁽²¹⁾ In the wealthy industrialized countries, globalization may well be producing a 'giant pluralist security community',⁽²²⁾ and a cohesive republican order 'centred on economic growth, democratic governance and liberal tolerance'.⁽²³⁾ However, in the zone of turmoil, a different politics is emerging. As weak governments try to deal with increasing economic inequality and political, religious, and tribal backlashes to globalization mentioned above, the result in many cases is a further weakening of the state and democracy, and a heightening of turmoil, and poverty.⁽²⁴⁾

At the international level, globalization provides some smaller states with new opportunities, but also highlights the existing power and advantages of large and powerful states. As chapter eight argues, increasing transnational economic activity requires global rules, regulations, and enforcement at the international level. Furthermore, it creates the need for an enforcer of the rules. For this reason, economic globalization casts a spotlight on the largest and most powerful states in the global economy: most particularly the United States and the role that such a state might play in ensuring international institutions are effective. It is worth adding here that the role of such a powerful state lies not just in enforcing rules but also in generating and forming ostensibly 'universal' ideas and consensus about what the international rules should be. John Williamson and Stephan Haggard argued in 1994 that: 'At least in intellectual terms, we today live in one world rather than three'.⁽²⁵⁾ That 'one' intellectual world (of policy liberalization and democratization) is seen by many not so much as a sign of global convergence but as a sign of US dominance.

Globalization involves economic, political and social processes, all of which play into the emergence of new winners and losers. Increased communications technology, travel and contact present new opportunities for many seeking emancipation or positive change (see chapter six). However, at the same time, a central concern about globalization is that it will exacerbate inequalities so as to render groups within developing countries, and groups of countries themselves, both poorer economically, and politically less able to influence the rules of the game.⁽²⁶⁾ Clearly, the impact of globalization will depend in most cases on the strength and adaptability of the state, not just as a locus of power and authority, but also of representation and democracy.

3. Globalization and the demise of the nation-state?

In political science, the most debated of all the propositions about globalization is that it is eroding the sovereignty and autonomy of the state. Since 'the state' is the core unit of analysis in much political science and most international relations, the question is a crucial one. On the one hand, 'the borderless world economy', 'global politics', and 'global civil society' (as are mentioned in section one above) all describe a world in which the sovereignty of the state and the capacities of any government are being eroded. In reaction to this claim, there exists an equal and opposite literature arguing that, in spite of claims to the contrary, the state lives on and that some elements of globalization even reinforce the role of government.⁽²⁷⁾

In fact, the impact of globalization varies, and one particular determinant is state strength.⁽²⁸⁾ All states are affected by globalization insofar as it alters their possibilities and opportunities. However, a much greater erosion of autonomy is occurring in respect of weak states than strong.

`Strong' states, in this context, have a capacity to influence the rules of the international economy, and/or a capacity to control their own integration into the world economy. The United States and other industrialized countries, for example, have played a crucial role in shaping globalization. These countries' decisions to deregulate and liberalize in various ways instigated the flows of currency, goods, services, and multinational activity across borders which we associate with globalization. In finance, as mentioned above, decisions taken by the United States and European states in the 1960s and early 1970s laid the foundations for the globalization of money and capital flows.

At the same time globalization imposes limits even on strong states. A key example is the way international capital markets can exact a swift and devastating punishment on any government running a deficit. Yet the extent to which markets punish other kinds of policies undertaken by strong states is often overstated. For example, maintaining the welfare state is not an offence globalized markets punish. On the contrary, the globalization of markets has been undertaken mostly by governments who have simultaneously increased their welfare states. The logic is that a government opening up to world trade has needed to `buffer' its citizens from the dislocations and vulnerabilities of world markets in order to avert political protests and reactions against the global economy, such as that which occurred in the 1930s.[\(29\)](#)

`Strong' states are also those which can control - to some degree - the nature and speed of their integration into the world economy. For example, some states have managed to slow down or to control the speed and terms on which they have integrated in world capital markets. Often these states are also ferocious guardians of their independence in foreign policy, human rights and security issues, as well as their own domestic political arrangements. Such relatively `strong' states include not just industrialized countries such as France but also a wide variety of developing countries from the likes of Brazil to Malaysia, China, Iraq, and Iran. What is striking about these `strong' states is that each has propounded a powerful national ideology and rationale for rejecting what some call `anglo-american capitalism'. In other words, they come ready-armed to the world economy with ideas of their own to stave off what Robert Wade has called `coercive liberalism'.[\(30\)](#) In all of these cases, globalization is having a powerful effect, as is evidenced by the restructuring of national and private industries in France, the past decade of economic liberalization in Brazil, and in a radically different way, through international coercive interventions in Iraq. Yet at the same time, each of these countries either uses or at least seriously contemplates using capital controls. So too, each retains high protective barriers in important sectors of the economy. Their capacity to do this depends upon a matrix of factors which includes their size, resources, geostrategic advantages, and economic strength, and equally their national ideology and the domestic power of the state - be it coercive or consensual.

By contrast, weak states suffer from a lack of choice in their international economic relations. They have little or no influence in the creation and enforcement of rules in the system and they have exercised little

control over their own integration into the world economy. Rather, in the aftermath of the debt crisis of the 1980s, many weak states opened up their economies, liberalized and deregulated, more as a result of the 'coercive liberalization' mentioned above, than of democratic policy choice. In the 1990s, as Dani Rodrik has described, this continues with 'forced harmonization', whereby, for instance, in the case of trade negotiations on intellectual property, developing countries were coerced into an agreement which transfers 'billions of dollars' worth of monopoly profits from poor countries to rich countries under the guise of protecting the property rights of inventors'.⁽³¹⁾

Weak states have been further weakened by an inability to deal with the political and social turmoil and rebellion resulting from globalization. Often economic liberalization and deregulation have been accompanied by a reduction in the role of the state - in both the economy and society, in the developing world (whilst in industrialized countries over the past two decades of globalization, a solid core of governmental activity has remained untouched - and untouchable such as the National Health Service in the United Kingdom). In developing countries where governments were often weak to begin with, 'rolling back the state' in order to enhance global competitiveness has left a vacuum of political authority. This has been clearly demonstrated around the Southern and Eastern Mediterranean where after state subsidies and basic services were cut back during the 1980s, Islamic groups and other non-state actors quickly stepped in to substitute for the government: providing health care, soup kitchens, education and other social services. The substitution, however, had deeper implications for the state since many non-state actors did not just provide social goods, rather they mounted a direct challenge to the authority and legitimacy of the state.

In summary, the impact of globalization on the sovereignty and autonomy of states has varied according to state strength. It also varies across issue area, as the chapters described below demonstrate.

4. The political economy of globalization

The remaining chapters of this book survey the implications of globalization in seven different spheres of activity in the international political economy: multinational enterprises and investment; international trade and regionalism; global finance and money; national decision-making; actors' modes of thinking; global civil society, and international institutions. In each case the implications of globalization for specific actors and processes are analysed.

Chapter two examines major changes in foreign direct investment. The 1990s witnessed a spectacular increase in investment to Asia (South, East and Southeast Asia), as well as to Central and Eastern Europe, modest increases to Japan and the EU, and relatively smaller gains to all other areas of the

world. So what explains these changes? In part, they are due to country, sectoral and firm-specific factors. However, they also reflect a transformation in the activities of firms who can now spread their activities across the globe. Globalization means that the most successful multinational enterprises (MNEs) are those with strong 'core competencies', i.e. they are good at management, organizing production, gaining access to markets, and research and development (R&D). MNEs in a globalizing world economy have also changed what they are looking for when they invest abroad. In the 1970s they sought natural resources, low-cost labour, and access to markets that attracted foreign direct investment. In the 1990s, MNEs are looking for skilled or semi-skilled labour, good physical infrastructure, government policies which are market-friendly, minimal distance-related transactions costs, and (in some sectors and countries) for 'clustering' which creates benefits such as a specialized pool of labour - as evidenced in export-processing zones. The result is that foreign direct investment flows have changed and, contrary to the view so popular in the 1980s, across-the-board liberalization and deregulation will not suffice to attract MNEs.

Chapter three examines the impact of globalization on political relations in the global trading system. Up until the 1980s, the international trade negotiations and rules were dominated by the industrialized countries who evolved a pattern of liberalization and protectionism which worked greatly to their advantage. That regime now faces a host of new members as developing countries have liberalized and nations which once confined to the 'Soviet bloc' have entered the world economy. Furthermore, trade is no longer what it used to be. For example, the transnational activities of firms (as described above) mean that many goods and services no longer cross from a firm in one country to a firm in another, rather they are transferred within multinational enterprises operating in different countries. These changes in the membership and nature of world trade have led many to expect to see a strengthening in multilateralism - i.e. a strengthening of the institutions of management and coordination of trade at the international level. Yet this is not necessarily the case. Rather, a third and possibly more powerful change is reconfiguring international trade relations. The emergence of powerful regional trade blocs may well prove an obstacle to the development of strong international institutions, in spite of the relatively recently created World Trade Organization (WTO). It is also possible, however, that regions cast in an open and politically inclusive way may reinforce multilateralism and lead to a more equitable political framework for managing world trade.

Chapter four examines globalization in finance and in particular the relationship between states and national currencies. For decades national currencies have been one of the hallmarks of state sovereignty - with governments jealously maintaining the value and guarding control over their own currencies, at least in part for reasons of national pride. Yet as financial markets have become more closely integrated into a global financial system, so the relationship between a national government and a national currency has been transformed. In the global financial system, currencies have become substitutable. As a result governments now compete to see that their currency is used in a maximal number of transactions and places. At the same time, governments have lost the control they once had over both the useage and the value of their currency. The 1997 financial crises in East Asia highlighted the kinds of constraints governments now face. In East Asia, no affected government was able to maintain confidence in the value of their currency as financial crisis spread across the region. This forced governments of the region

to examine alternatives such as currency boards, monetary union, and capital controls as ways to manage national currencies in a system which otherwise splits the state from its national currency.

Chapter five counter-balances the argument about the loss of monetary sovereignty by demonstrating that globalization poses fewer constraints on economic policy - at least in industrialized countries (OECD) - than is commonly thought. In the first place, the theory that globalization takes choices away from governments, forcing them to dismantle the welfare state is shown to be a weak one. Certainly a large welfare state implies extra costs to business. However, it is wrong to assume that the business sector in industrialized countries can force governments to change national arrangements such as the welfare state, which are popular among citizens. Furthermore, even in the event of a crisis or where macroeconomic performance deteriorates significantly such that governments face an incentive to act, there are other substantial obstacles to institutional reform. This theoretical argument is strongly supported by the evidence of government policies in OECD countries. Globalization has not resulted in OECD governments 'throwing open' all barriers and borders. Rather many countries have opened to trade but far less to capital markets. More specifically, there is no evidence that a policy 'race to the bottom' has occurred whereby globalization has forced the dismantling of welfare states. Finally, the evidence does show a deterioration in macroeconomic performance in OECD countries over past two decades but this can be explained in terms of factors other than globalization.

Chapter six presents the essence of globalization as a basic change in the way major institutional actors think and operate across the globe. This is evidenced not just by firms and the way in which they have developed networks of global production locations and investment strategies that spread corporate risk and tax liability on a global scale, and by international investors who have become global, but equally by other actors. The growth of global activities of non-governmental organizations, for example, and the new depth of activity of inter-state organizations reveal new ways in which international actors conceive of their identity and *raison d'etre*. Similarly, governments and states today have redrawn the areas in which they claim sovereignty, as well as the grounds on which they justify intervention. All of this illustrates a change in modes of thinking and operation which have mixed effects on international relations. The effect of inequality among states and other actors, for example, is difficult to generalize. Globalization can be shown to exacerbate certain inequalities but there is equal evidence that it offers new opportunities to challenge or to overcome them. Finally, the depth of globalization - its impact not just on modes of operation but also on thinking - means that, even though some aspects of the process could be slowed, it would be a gargantuan task to attempt to reverse it.

Chapter seven addresses the rise of global civil society, defining it as civic activity which has one or more of the following characteristics: it addresses transworld issues (such as climate change or AIDs); it involves transborder communication (such as electronic media and computer networks); it has a global organization (whether centralized or via a network); and it works on the premise of supraterritorial solidarity (such as along lines of race, sexual orientation or a cosmopolitan conception of citizenship). Clearly globalization has made all the above activities easier and more universal, and as a result global

civil society has expanded rapidly over the past couple of decades. The impact on politics has been to create multilayered political loyalties as well as to broaden the scope of democratic practice by adding new channels of popular participation, consultation, debate and representation. Yet the effects are not all necessarily positive. The same globalized media used by laudable international groups may also be used by the unlaudable - be that transnational crime, racism or intolerant fundamentalists. And even where groups have worthy aims, they may well pursue misguided policies - miscalculating client needs or misreading public sentiments and thus producing negative consequences. Perhaps more seriously, global civil society suffers from problems of representation and accountability. Unlike governments, non-governmental organizations can not claim to have been elected nor to be subject to formal public scrutiny. Nevertheless, global civil society represents an important way in which citizens all over the globe can legitimately seek to influence policies taken at an international or global level.

Chapter eight addresses international institutions and how states are attempting at an international level to manage globalization. The critical challenge is whether international institutions can be used better to coordinate and regulate a new more intrusive and 'domestic' set of issues than was previously the case. Multilateral institutions are now being asked to bulldoze into domestic politics, so as to implement international codes concerning issues ranging from human rights to the regulation of intellectual property. To be effective, they need to get compliance not just from governments but from citizens. Yet they will not achieve deep compliance while they rely on short-term incentives to governments and the coercion of powerful states. Yet the prospect of international organizations using a more participatory and egalitarian style of governance is unlikely. Ongoing inter-state competition for power and influence, the inability of powerful states to give up their own special privileges within international organizations, and organized vested interests within countries, together present a formidable obstacle to change.

Conclusion

Overall the chapters of this book present a measured scepticism, based on both theory and evidence, about simple optimistic or pessimistic accounts of globalization. Globalization is not simply an encroachment of markets into the sovereignty of states. States, markets and other actors are involved in a process which is shaping the nature and pace of globalization. While some forms of state sovereignty are eroded (such as in respect of formal monetary policy), new arenas of power and competition are opened up. These include regional organizations, international agencies, and competition among currencies. At the same time, globalization is changing not just what states, firms and people do, it is also changing how they see themselves, and what they want. It is not leading to global convergence: in the case of multinational enterprises firms are making more nuanced and complex calculations about how to organize and where to produce. In the case of peoples, some groups and societies are integrating more closely into a Western-defined world, others are defining and promulgating alternative identities and values. In the political realm, while states, firms and other actors lose autonomy in some areas, they are gaining influence in others. Yet the gains and losses are unequally divided among strong and weak states. Internationally, globalization may well facilitate yet more political and economic power to be amassed

by those states which shaped globalization in the first place - reinforcing their power to regulate its ongoing impact.

Endnotes

1. Cf other uses of the term 'political economy' such as to describe the application of rational individualism to the study of politics, or to describe debates over policy with an economic dimension. For a useful, concise overview see Peter A. Gourevitch, 'Political Economy' in Joel Krieger (ed), *The Oxford Companion to Politics of the World* (Oxford; Oxford University Press, 1993) 715-719.
2. For a useful, concise overview see Peter A. Gourevitch, 'Political Economy' in Joel Krieger (ed), *The Oxford Companion to Politics of the World* (Oxford; Oxford University Press, 1993) 715-719.
3. For a study focused specifically on the effects of globalization on inequality see Andrew Hurrell and Ngaire Woods (eds), *Globalization, Inequality, and World Politics* (Oxford; Oxford University Press, 1999).
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