The Tropes of Globalization

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1. INTRODUCTION

Due to certain changes in the economy and society that have taken place in the last couple of decades, we meet the concept of globalization as a factor of relevance and thematic influence in scientific discourse, political debates, and even daily life. The phenomenon called globalization; or rather tendencies at work behind it have become a permanent point of reference – just like “information-based society”. These “popular” buzzwords, however, have been overused to some extent in the past few years. According to József Veress’ opinion, both promoters and critics of “globalization” use this word to describe a conglomeration of phenomena that is not simply false but it is the very source of comprehension failures.1 Globalization itself has no universal, “legitimate” definition accepted across the board, and certain authors have not yet managed to reach consensus on even a minimum of standard issues2.

Nevertheless, a few tropes of globalization can be identified and mapped relatively easily. In this essay, the author is intended enumerate these and give a brief description of each of them. Thus, it is worth mentioning that the following tropes will be analyzed:

establishment and traits of the network state; peculiarities of relations between transnational capitalist corporations and nation states; question of the “borderless world”; and adoption of demands of the neoliberal economic political worldview as a state ideology.

2. THE MOST IMPORTANT TRAITS OF THE NETWORK STATE

It was Manuel Castells who coined the term “network state” and first analyzed its most important attributes; he did his research on the crisis of the classic nation state as a process spurred on by the rise of the information society, and the changes leading to and triggered by the emergence of “postnational” network state.³ His thesis is that following the obsolescence of the Westphalian paradigm, the nation state is no longer the sole source of authority. And on top of this, nation states have the unsavory task of legitimizing “governing processes” above each nation. By our time, nation states are rivalled by, among others, corporate, communication, and criminal networks, international organizations, supranational military corporations, non-governmental organizations, religions, and even certain social movements.⁴ This enumeration – while not being exhaustive – can be set in parallel to Malcolm Bull’s “list”, who gave the following answer when asked to list the rivals on nation states: civilizations, intergovernmental relations, NGO-s, churches, international organizations, academic networks, drug cartels, and al-Kaida, as well.⁵

The main attribute of nation states is that within the framework on global capitalism, while they can be expected to survive for a long time, they will be degraded to the level of nexus points for other,

⁴ Ibid. 417.
wider power structures. They meet other players in the “global arena” very often and this situation often forces them to yield, as these new players are often successful in demolishing the reputation of the state. “Nation states can retain their decision-making capabilities but, since they have become part of network of powers and counter-powers, they are dependent on a wider context of authority and influence. (...) We need to conceptualize the new power structure, beyond the framework of the powerless nation state, as an ability to supervise global instrumental networks based on specific identity or, from the point of view of global networks, an ability to suppress any identity in order to accomplish supranational instrumental goals.”

Thus, nation states can be said to have been “trapped” in networks and they cannot free themselves from this trap without a compromise. Without a doubt, the traditional, Bodinian sovereignty of nation states is becoming more and more malleable; and in parallel to this the state is forced to revise its concept of authority that has been predominant for centuries. Wolfgang Sachs is ultimately right in stating that the Westphalian system, the construct of area-limited sovereign nation state has to be completely deconstructed within the process of globalization. In 21st century conditions the world and within it each nation state is becoming both the subject and object of feedback loops and interdependence – isolation, small “refuges of sovereignty” has ceased to be the guiding principle of international relations.

7 BODIN, JEAN: Az államról [About the State], 1987, Gondolat Kiadó, Budapest, 115-122.
9 GÁLLÓ, BÉLA: A globalizáció „világrendje”. Nemzetközi politikai viszonyok az ezredfordulón [The “World Order” of Globalization. International Political Relations at the turn of the Millennium], in CSÁKI,
The state cannot ignore the triumph of information-based production, spurred on by the lightning-speed advancement in communication and other technologies, the financial worldwide web has gained tremendous influence, and its online interface literally blurs borders and circumspects nation states. Thus, this network is capable of directing global financial processes independently of national borders and state authorities, which makes the financial transaction mechanism, instead of the real economy, the "lord" above international economic matters.

In conclusion we can state that Castells does not deny public state authority, only dissolves it in the concept of the network state, as in his view the only truly sustainable form of political management (government) is the network state, that is, a conglomerate entity containing nation states, international organizations, cooperations of nation states, regional and local governing bodies, and non-governmental organizations. This entity is authorized to discuss, manage and solve global, national, and local issues. So, nation states are still players in the global arena, it is just that they are no longer "sovereign subjects" or main forces – instead, they have been transformed into formidable but no longer all – powerful strategic players.


3. RELATIONSHIP BETWEEN TRANSNATIONAL CORPORATIONS AND THE STATE

Transnational corporations (TNCs) have become seriously powerful entities with actual influence. Simai defines transnationalisation as a process starting from the decision centres of international corporations growing independent of national interests, where transactions within national economies are subordinated to the interests of global corporations, thus, certain areas of national production and service sectors are integrated into global corporate systems.\(^\text{13}\) Due to the huge concentration of production and capital, the global spread and significant presence of TNC-s in peripheral and semi-peripheral states, and the growing role of financial speculation, the economical maneuverability of national governments is obviously decreasing and becoming internationalized. Older economic management systems (and Keynesian solutions in economic policy) are being consciously weakened and even the complete relegation of certain economic policy functions into the hands of international organizations is possible.\(^\text{14}\)

Early precursors of the phenomenon of global capitalism have already been identified in the seminal work of Rudolf Hilferding written during the World War I.; as he defined certain cartels and trusts as power conglomerates which can utilize actual power and authority – even stronger than the state itself.\(^\text{15}\) Karl Kautsky in 1915 also painted the picture of a “Utopian” world where the role of the state is usurped by executive committees of monopoly corporations –


\(^{14}\) FARKAS, PÉTER: Röviden a globalizáció fogalmáról [On the Concept of Globalization in Brief], in CSAKI – FARKAS: op. cit. 16.

\(^{15}\) SZIGETI, PÉTER: Az út maga a cél. Társadalomelméleti tanulmányok [Destination is the Way. Theories of Social Studies], 1995, MTA Politikai Tudományok Intézete, Budapest, 288.
he called this phenomenon “ultraimperialism”. “Ain’t it possible that the current imperialist policy would be replaced by a new, ultraimperialist one; that said, will not the constant internal competition of national financial capital be made obsolete by an internationally incorporated financial capital, which unites to enslave the world? Such a new era of capitalism is at least conceivable.”

Such statements do not even seem so ridiculous nowadays. According to statistical data, the commercial profit of the top 200 transnational companies in the world exceeded the $\frac{1}{4}$ of the total GDP of the world in 1999; the commercial profit of these TNC-s is larger than the GDP of all other countries; also in 1999, it exceeded eighteenfold the entire yearly income of the poorest part of the world’s population, who shall live on 1 dollar a day (this refers to about 1.2 billion people). The 82 American corporations that made it into the top 200 supported the candidates of the 2000 election with 33 billion dollars, which is the same amount as two thirds of Hungary’s GDP. And there is this: the top 200 global corporations realized 3046 billion dollars turnover in 1982, which made up 24% of the world’s entire production (12 600 billion dollars) at that time. By 1992, sales value has reached 5862 billion dollars, which meant 26.8% of the world’s entire production at the time.

TNCs do not consider national interests when they exist and do their businesses. They operate in areas of production, services (especially communication, information, banking and insurance services), and sales – and infiltrating these areas, they actually practice a “global” company policy. Today, the formerly popular aphorism from Charles E. Wilson, “whatever is good for General

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16 KAUTSKY, KARL: Die Neue Zeit, No. 5, April 30, 1915, 144.
Motors is good for America”, 20 cannot be regarded as obvious truth. In the interpretation of Nye and Kenohane, transnational companies react to the absence of global government21 by creating their own “forms of government” (the example mentions airlines and alliances between IT companies established in order to gain advantages on the market). Thus, the most significant standardization processes take place in the private sector.22

States have to aim for establishing and maintaining good relations with transnational corporations – not in the least because these companies have a huge potential for creating jobs –, but there should be a globally effective regulative system as well, which, based on national labour jurisdiction, would supervise and guarantee a framework of rules applicable to the employees of TNCs and, on the other hand, representatives of TNCs acting as employers. A prerequisite of using such a system, of course, is an agreement between the states, transforming the thus constructed code of law into national legal order. In the absence of this, the author would deem a directive necessary issued by the International Labour Organization (ILO) which lays down the minimal guaranteed rules and has full validity regarding all transnational corporations.

4. THE BORDERLESS WORLD

The phenomenon of the so-called “borderless world”23 is inextricably

tied to regionalization and the marginalization of traditional national sovereignty. Kenichi Ohmae in a comment about the obsolescence of the nation state concept actually urged to get rid of this concept altogether and replace it with something else. In his view this would be a category called “regional state”. According to this view, regional states are physical area units that constitute natural economic entities in the borderless global economy, therefore, they are not necessarily defined by national borders. His examples of such regional states are the North of Italy, Baden-Württemberg, Wales and the Silicon Valley. In these cases, population rate is completely irrelevant, the point is what sort of a role the given economic unit plays in the global economy.\(^\text{24}\)

David Held, in his classic about globalization, mentioned a few phenomena that modern states have to face during their daily operation. These include the increasing necessity of accomplishing traditional state tasks through utilizing international cooperation, and the increasing intensity of inter-state integration.\(^\text{25}\)

The image of the borderless world, by the way, has mostly economic connotations. Under the control of global regulative powers that favor the neoliberal model such as the International Monetary Fund (IMF), the World Bank, and the World Trade Organization (WTO), the thought of globalization being necessary has gradually gained wide acceptance. The globalization of markets needed a framework of unified regulations for international commerce. The new players have totally twisted the traditional argument that economic relations relied upon regarding trade and monetary relations between sovereign nation states.\(^\text{26}\)

For the first time after World War II, global international organizations appeared, which not only established general goals for


the states but also developed codes of behavior and guiding mechanisms – in such important areas as finance and world trade.\textsuperscript{27} At first, the slogan of “borderless trade” was mostly propagated by the USA: the ideal of “free trade” was officially embraced by the Clinton administration.\textsuperscript{28} This free trade, i.e. the dissolution of obstacles imposed by the state upon the flow of trade relationships and assets was regarded as a significant step towards a unified worldwide economy. By and large, the ideological basis for this was the “Washington Consensus” which contained the goal of eliminating all barriers from foreign trade.\textsuperscript{29} With the neoliberal-monetarist economic policy gaining momentum and with the intensifying of globalization, states were gradually losing influence over policies of commerce, which phenomenon manifested itself in the quickening of the liberalization process. While during the era of welfare states even the GATT operated as an organization more sensitive towards national interests,\textsuperscript{30} with the demolition of the welfare state and “global free trade” becoming widespread and also the appearance of the WTO, this liberalization process really started to affect national policies of economy and trade, confining them within stifling borders.\textsuperscript{31}

Of course, the borderless world has more than economic factors to contribute to sg. Signs of this are the mechanisms that increase border permeability (like the agreement of the European Council

\begin{itemize}
\item BÍRÓ, GASPAR: \textit{Demokrácia és önrendelkezés a 21. század elején} [Democracy and Self-Determination at the Beginning of the 21st Century], 2003, Rejtjel Kiadó, Budapest, 75.
\item CSEFALVAY: \textit{op. cit.} 106-107.
\item GEORGE, SUSAN: \textit{A WTO. Korlátlan világkereskedelem vagy szolidáris globalizáció?} [The WTO. Untrammed World Trade or Solid Globalization?], 2003, Napvilág Kiadó, Budapest, 9-10.
\end{itemize}
about making it easier for neighbouring regions to cooperate with each other), “open border” agreements (like Schengen), and connections reaching across borders (financial transactions and the worldwide web).\textsuperscript{32} We need to see that this phenomenon is twofaced, as most of the products of state legislations are still area-bound, extraterritorial laws are not very common. Thus, it is futile for the global economy to question the structure of territorially defined political units because its very existence depends upon them.\textsuperscript{33}

5. NEOLIBERALISM AND THE ROLE OF THE STATE IN ECONOMIC POLICY

On the late 1970s emergence and later total dominance of the monetarist (neoconservative/neoliberal) orthodoxy had defeated the “welfare state project” which had been relatively successful for decades, Galbraith clearly stated that the monetarist offensive, both in the USA and in several Western European countries, was aimed against the post-WWII economic policy supported by a relatively wide societal consensus and underpinned by civil legitimacy.\textsuperscript{34} These forces realized the ideology of Friedrich August Hayek and Milton Friedman, with their doctrinaire confidence based on the thesis of “cleansing the market”: according to this principle, flexible prices enable the economy to stabilize itself\textsuperscript{35} and the state has a function only in places where market integration is impossible. Belonging to this circle, one can find the so-called “empirical libertarians”\textsuperscript{36} for whom individual freedom and market mechanisms have absolute

\textsuperscript{32} BÍRÓ: \textit{op. cit.} 76.
\textsuperscript{33} CLARK: \textit{op. cit.} 88.
\textsuperscript{34} FORGÁCS: \textit{op. cit.} 88.
\textsuperscript{36} BARR, NICHOLAS: \textit{A jóléti állam gazdaságta} [Economics of the Welfare State], Akadémiai Kiadó, Budapest, 2009, 92.
value, while – following Hayek’s teachings – striving for social justice is a superfluous and harmful effort. Hayek argues that if we fight for equality that will decrease, or even eliminate freedom. According to his opinion, only the market is able to secure personal freedom and create economic profits. Believing in social justice and thus state intervention in economic policy, he admits, “necessarily a step closer to a totalitarian system.”

Friedman used even more concise language when he stated that “the influence of the state has to be curbed. Its main obligation should be to defend our freedom against both foreign, hostile powers, and our own fellow citizens: to protect law and order, to enforce private contracts, and to strengthen the competitive market.” These theories only differ from the ideal of the “night-watchman state” (which grants the state only negative functions) in that they have allowed the state (as a last resort and in a very limited way) to execute some redistributive measures on certain public properties in order to ameliorate poverty.

These statements were then taken to the extreme by the so-called New Right, which urged an obviously market-friendly, “anti-statist” policy. After the paradigm shift conducted by Margaret Thatcher (1979) and Ronald Reagan (1980), these demands also received governmental patronage from the dawn of the 1980s. It was at this time that an ideology became dominant that, within the framework of neoliberal policies of economy and development, proclaimed the primacy of market processes, drastic reduction of socioeconomic state intervention, and integration into an

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38 Ibid. 68.
41 BARR: *op. cit.* 95.
international economy.\(^{42}\)

The objectives of the Washington consensus (between the IMF, the World Bank and the American Department of Finance)\(^ {43}\) served as a theoretical basis for these processes (besides Hayek and Friedman). These prefer fiscal discipline, tighter budgets, reduction of tax benefits, financial liberalization, export-friendly currency exchange rates, demolition of obstacles in the way of international trade, easy entry of foreign operational capital, privatization, and total economic deregulation.\(^ {44}\)

Due to this directive or policy of “structural correction” enforced by global regulative powers - mainly the IMF and the World Bank -, nearly the whole planet has become a laboratory for the neoliberal “experiment” – after the collapse of the bipolar world order, even in the post-socialist areas, as well. “Everywhere, it has promoted the policy of liberalization, deregulation and privatization and the central role of market spontaneity as opposed to national regulation, and thus it has contributed greatly to the global economic openness of national economies, and also the widening and deepening of mutual interdependencies.”\(^ {45}\) Thus, the neoliberal consensus means that they generally reject the Keynesian undertakings and want to achieve “rendering the state empty by putting more and more of its functions into private hands.”\(^ {46}\)

Notwithstanding the abovementioned “mainstream” view, it is worth admitting that even within the neoliberal dogmas’ sphere of influence, not everyone considers state intervention in the same way. Besides the very popular interpretative canon of the “retreating/suppressed state”, another way of argumentation appeared which talks about the redesigning of state tasks and competences. Governments do not conform to the doctrine of the

\(^{42}\) Scheiring, Gábor – Boda, Zsolt: Lehet más a fejlődés [Development Can Be Different], in Scheiring – Boda: op. cit. 10.

\(^{43}\) Stiglitz: op. cit. 34.

\(^{44}\) Szigeti: op. cit. 133-134.

\(^{45}\) Szentes: op. cit. 70.

smaller state, even though they do this in order to establish a business-friendly atmosphere and to attract foreign working capital. Wacquant convincingly argues that the institutional structure which enables the market to dominate is, after all, determined by the state. According to this insight, neoliberalism is not an economic project but a political one, which does not mean the deconstruction (or “dying off”) of the state but its reorganization. Although, neoliberalism does reject collectivist economic policies (such as Keynesian and Socialist practices) but also argues in favor of the “night watchman state”. “Neoliberalism wants to reform and remodel the state, so that it will actively support and facilitate the ongoing political project of installing the markets.”

In addition to all this, in the scientific literature of recent years new concepts appeared which reject neoliberalism. The background to this was that people realized: “the Washington consensus is not a collection of global, politically and emotionally neutral laws, but a conglomerate of selfish interests clad in the appearance of scientific validity, which has crippled the nation’s economy, increased poverty, and created an enormous burden of debts”. One stripe of this criticism called Governing the Markets, is led by Robert Hunter Wade and is based on the notion that, taking the Southeast Asian model as an example, the outlines of a state can be drawn which firmly stays within the framework of capitalism and serves the purpose of long-term growth but still actively participates in economic life. Wade says that the existence of state-coordinated industrial policy and programs can contribute to the economic growth of developing countries, or even can be a necessity for them. The author also briefly has to mention another notion developed from Wade’s research results: the example of the Developmental State and the Neo-keynesian economic paradigm, which are answers and challenges to monetarism.

47 WACQUANT: op. cit. 20.
48 RÓNA, PéTER: Előszó [Prologue], in SCHEIRING – BODA: op. cit. 8.
6. CONCLUSION

The tropes of globalization most often concern the marginalization of traditional nation state sovereignty. The author is quite certain about think that opposing neoliberal statements which have been treated as unquestionable dogmas for decades, there are new theories gaining ground which predict a new kind of role for the state. Based on these, a worldview can be constructed which unites the forces of the market, civil society, and the state, under the auspices of democratic pluralism and within the framework of a regulated market, by placing civil society first, state second, and market institutions third in an order of priority. Since the state can be even a catalyst of growth in the future if it concentrates its efforts on efficiency, keeps in mind the criteria of good government, gives priority to the values of democracy, constitutionality, and human rights, and retains its socially legitimized license to correct the failures of the market.

LIST OF REFERENCES

Books, chapters in a book, articles

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