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Globalisation

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Globalisation: A Critique of a New Orthodoxy

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> "Globalisation" has become one of the orthodoxies of the 1990s. The word dots financial pages and company reports, is heard in the speeches of virtually all mainstream politicians, from John Redwood to Tony Blair, is common currency in corporation newsletters and shop stewards meetings. Everywhere it is used to mean that the world economy has reached a new stage, which governments and workers alike are virtually powerless to withstand.

This new stage is supposed to have been brought about by a growing internationalisation of production and marketing. Companies, it is said, are much more dependent than ever before on their ability to sell abroad in the face of "global competition". They can only do this successfully insofar as they become

multinational corporations, organising production itself on an international scale, ignoring national borders. They are then able to escape any control by national states or by workers' movements that operate within national boundaries. They are free to move their capital to wherever labour is cheapest, thus thwarting workers' attempts to defend wages and conditions through trade union action.

This consensus is usually articulated by "neo-liberal" proponents of free market capitalism. They insist that the new global order rules out any attempt to regulate the system through Keynesianism or state capitalism, let alone socialism. Any such attempt, they claim, can only result in a backward siege economy, indeed, in a horrific repeat of Cambodia's year zero. But it is not only far reaching change which is ruled out. So are the mildest reforms – a minimum wage of more than about a third of the median, any further reduction of the working week, any attempt to protect jobs against the withering effects of recession. If workers push their demands too hard, then companies will simply pack up their bags and move elsewhere. If governments implement meaningful reforms, then new investment will simply flow to more profitable parts of the world. All that can be done is to elaborate policies which will make any particular group of workers more productive and cost efficient than those elsewhere in the world, or which enable one government to outbid others in guaranteeing profitability.

These claims underpin the explanations provided by mainstream "neo-classical" economists for the increasing gap, in virtually every country, between the incomes of the rich and those of the mass of people. The wealthy, it is claimed, are "rewarded" for having skills which are in short supply, while the workers are paying the price of for having skills which are easily replaced through the world labour market. But the argument about "globalisation" has a wider resonance. It is echoed both by some on the revolutionary left and some of the protectionist far

right. Thus one former editor of this journal, Nigel Harris, wrote more than a decade ago of:

> … a single global labour market, moving towards one price for labour for each skill grade regardless of whether the countries are more or less developed … This implies that groups of workers in different countries compete with each other for employment, offering employers the lowest price at a given level of labour productivity. The power of trade unions to influence this bargain … in the international context hardly exists at all. [1]

More recently James Goldsmith, the billionaire right wing scourge of the Tory party, claimed in an interview in **Tribune**:

> Something created unemployment. It was not high technology, which is the usual excuse. What you have is the mass movement of manufacturing offshore … The system pays the owners of a company to close factories, put everyone out of work and move it offshore. And this is happening across the spectrum. It covers manufacturing and services … Transnational corporations today are few in number, but move at great speed to wherever labour is cheapest. [2]

So powerful has this consensus about "globalisation" become that those who still want to challenge the logic of the world system are often treated as throwbacks to the past. This is a particularly anomalous situation for revolutionary socialists to do be in, since it was not so long ago that we were dismissed out of hand by much of mainstream thought for our stress on the power of international capitalism.

However, there are a few voices outside the revolutionary left who are prepared to say that the king has few clothes. The radical American economist David Gordon challenged the consensus in an important article eight years ago. More recently the academic reformists Paul Hirst and Grahame Thompson, the

influential non-Marxist sociologist Michael Mann, and W. Ruigrok and R. van Tulder have challenged the globalisation thesis frontally. [3] Most of their practical conclusions are very different from ours: Mann, Hirst and Thompson in particular want to find space for old style reformism, marshalling arguments which Hirst, for instance, was already using in a debate with Alex Callinicos 18 years ago. [4] Yet their challenges to the consensus are worth examining seriously, because they do punch holes in some of its major contentions, even if they are absolutely confused as what to put in its place.

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The counter-argument

> The core of their argument is that "globalisation" orthodoxy may start with a few incontestable facts, but some these are not even new. And the orthodoxy proceeds to erect on them an account of the world economy and of the behaviour of firms within it which differs in many important respects from reality. All too often its adherents confuse what "neo-classical" free market economic theory says ought to be the case with what actually happens.

There is nothing new about the international character of capitalism. The search for markets as far across the world as possible and the movement of funds across state boundaries have been a characteristic of capitalism from its origins in the middle ages. [5] The classical political economist Ricardo was insisting as far back as 1821 that the state should not try to protect jobs by interfering with investment because, "If a capital is not allowed to get the greatest net revenue that the use of

machinery will afford here, it will be carried abroad", leading to "serious discouragement to the demand for labour". [6]

By the time of the **Communist Manifesto** in 1848, Marx and Engels could write of the system in terms very similar to those used by people today who regard global competition as a radically new departure:

> The need for a constantly expanding market chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere.
>
> The bourgeoisie has through its exploitation of the world market given a cosmopolitan character to production and consumption in every country. All old established national industries have been destroyed or daily are being destroyed. They are dislodged by new industries ...that no longer work up indigenous raw materials, but raw materials drawn from the remotest zones, industries whose products are consumed not at home, but in every quarter in the globe ... In place of the old local and national seclusion we have intercourse in every direction, universal interdependence of nations.

The growth of the global operations of capitalism in the second half of the 19th century were easily as great as those witnessed in the last three decades. World trade grew by 900 percent by the outbreak of the First World War – with an average growth rate of about 3.4 percent a year between 1870 and 1913. Alongside this there was an enormous growth of international finance, since the financial system was based on the unrestricted flow of gold from country to country. By the 1880s and 1890s about half of the investment from Britain – still the most powerful capitalist country – flowed overseas. [7]

The growth rate in international trade in recent years has only been at about the same pace as a century ago, while governments intervene much more to influence the flow of goods and capital than they did then. Exports may have doubled between 1960 and 1990 until they are around 20 percent of world output. But that still means that 80 percent of output is for markets within the countries where it is produced.

International trade did grow much faster in the 1950s and 1960s than in the second half of the 19th century – by about 9.9 percent a year until 1973 – but this has not been true more recently. And the share of imports and exports in total output for the three major parts of the advanced world – the US, Japan and the European Union – has remained more or less constant for last 15 years. [8] In fact the exception in terms of the history of capitalism has not been the expansion of international trade, but rather the fact that it stagnated and even fell for more than 30 years after 1914. That is: if international trade in 1913 equalled 100; then in 1920-1925 it fell to 82; by 1931-35 it had only risen to 93; and only in 1948 did it rise to 103, just above the 1913 level.

The fall in foreign trade in these years was accompanied by two breakdowns in the old international monetary system based on gold – with the outbreak of war in 1914 and then again during the great slump of the early 1930s. A new international monetary system based upon the dollar as well as gold, and relying on governments to try and fix their exchange rates, the "Bretton Woods" system, came into being at the end of the Second World War. Since it too broke down in the early 1970s, currencies have been free to "float" in value in relation to each other, but governments (as central banks) have exerted enormous influence by intervening to buy or sell currencies. The result is that currency levels are very much dependent upon negotiations between governments (or central banks), rather than pure market forces. As Mann notes:

> Domestic saving and investment still correlate about 75 percent among OECD countries, indicating that foreign capital is not all that internationally mobile ... And the differences in real interest rates between countries are about the same as they were a century ago. Indeed, it is doubtful whether, in many respects, capital is more transnational than it was before 1914, except in the special case of the European Union. [9]

> More significant than the growth in trade has been the growth in foreign direct investment, which grew four times as fast as trade in the mid-1980s and has been growing twice as fast as trade since. [10] Much of the apparent credibility of the "globalisation" orthodoxy arises from this phenomenon. It enables the orthodoxy to paint a picture of capital flowing evenly across the face of the earth, ceaselessly shifting from one spot to another in search of lower labour wages and higher profits, with a tendency towards the sprinkling of production facilities uniformly across all five continents.

In fact, however, the real picture of the location of capital is very different to this. Almost all the major multinationals tend to invest more in one country than any other. Of the Fortune 100 largest firms, 40 do half or more of their sales in foreign markets, but only 18 maintain the majority of their assets abroad and only 19 at least half their workforce. [11] What is more, the minority of multinationals which have internationalised in this way are usually those based in the smaller European countries – Switzerland, Holland, Sweden – and the "internationalisation" usually takes the form of investing in industrial regions very close to their own (Dutch capital looking to Britain and Germany, Swiss capital to neighbouring areas of Germany and France, and so on). What is involved is often a "regionalisation" rather than an internationalisation of capital.

The largest multinationals do not invest evenly across the globe. Most trade and investment is between advanced countries. So in the early 1990s half of cumulative UK foreign direct investment was in the US, 27 percent in Western Europe. For total world overseas investment, three quarters was concentrated in North America, Western Europe or Japan. The ten most important developing countries accounted for a mere 16.5 percent (so much for the story that firms are moving all their money to Singapore or Taiwan), while the rest of the world receives only 8.5 percent. In other words, far from there being a homogenous "global" arena for investment, nearly two thirds of the world is virtually written off the map as far as direct investment is concerned. As Stopford and Strange have pointed out:

> As firms harness the power of new technology to create systems of activity linked directly across borders, so they increasingly concentrate on those territories offering the greatest potential for recovering their investment. Moreover, in a growing number of key sectors, the basis of competition is shifting to emphasising product quality, not just costs. Attractive sites for new investment are increasingly those supplying skilled workers and efficient infrastructures ... [12]

What is more, the bulk of investment from firms in one country is concentrated in that and adjacent countries, as the following table for the major multinationals in 1992-1993 shows:

Percentage of Business for Multinationals in Home Country [13]

	manf'g sales	*service sales*	*manf'g assets*	*service assets*
US	64	75	70	74
Japan	75	77	97	92

Germany	48	65	n/a	n/a
France	45	69	55	50
UK	36	61	39	61

The assets of US multinational corporations are mainly concentrated at home, and of Japanese ones overwhelmingly so. In the case of the European powers, the picture is not so very different if the main locations of "overseas" assets is taken into account – it is overwhelmingly within the other European states. So 31 percent of French manufacturing and 35 percent of French service assets are in other European countries – giving cumulative figures of 86 and 85 percent of assets which are in what might be called France's "home" region. Figures are not available for the distribution of the assets of German and Italian companies, but the surveys of their behaviour suggest they tend to follow the same "regional" approach as the French. [14]

For Europe, this picture is confirmed by a 1990 inquiry "among top managers of 200 large European firms". It showed they "planned in the next five years to perform 93 percent of their entire production within Europe, to buy 80 percent of their inputs from European sources and to sell 83 percent of the output to European clients". [15] As Hirst and Thompson explain:

> The extreme concentration of assets in the home country for Japan and the US is apparent ... The multinational corporations still rely upon their "home base" as the centre of all their economic activities, despite all the speculation about globalisation. [16]

The picture is slightly less clear cut in the case of the European multinationals, because many have begun

> investing in neighbouring European countries, but if the European Union is treated as a “home region”, degrees of concentration comparable to those in the US and Japan are found. British multinationals are an exception, in that over 20 percent of their assets are in the US, a similar figure to that for continental Europe. Both figures are, however, much higher than for assets located in the whole of the rest of the world combined (including the much hyped Asian “tigers”).

This picture suggests we might be faced not with global integration but with regional integration within each of the North American, Japanese and European parts of the advanced industrial world. If that were so, the in-word “globalisation” would have to be replaced by the word “regionalisation”. [17]

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The multinationals

> Globalisation “common sense” stresses the relentless rise of multinationals which it depicts as roaming the world, seeking the cheapest place for investment in each stage in production processes.

It is a claim which rings true to many people because it starts from real developments in a number of important industries. And it is not a claim that can be refuted simply by pointing to the figures for trade and investment given above – a mistake made by Hirst and Thompson. The fact that levels of foreign trade and foreign investment were higher in 1914 than today does not in itself prove that nothing has changed with regard to the organisation of production. The same billion pounds of total

investment might represent investment in 100 factories competing with each other, or it might represent investment in a group of factories each carrying through different parts of a single productive process.

In fact there have been certain changes in production over the last century which the raw figures for investment do not show. Until the 1880s most industries consisted of a multiplicity of small producing units. This began to change at the end of the century with the concentration of production within each major country into trusts and combines which set out to conquer world markets from rivals abroad. But there was little international integration of manufacturing production, and the early multinationals tended either to be based on extracting raw materials from the Third World for manufacture in the West (Unilever or the oil companies, for example), or on the ownership of foreign subsidiaries which were involved in completely local production (Ford, for example).

This remained the picture right through until the late 1960s, with a handful of nationally based (even if sometimes foreign owned) firms, often closely tied to the state, dominating each major industrial sector inside each country. But then new patterns of production began to emerge. There was a restructuring of industry in ways that could cut across national boundaries and which tended to be associated with the rise of a new wave of European multinationals. The restructuring of industries after the recessions of the mid-1970s and early 1980s was to a large extent restructuring on an international rather than a merely national scale.

But recognising these as major developments, inaugurating a new phase in the history of capitalism, just as the national concentration of capital did at the beginning of the century, is not the same thing as accepting the globalisation orthodoxy. Ruigrok and van Tulder, although writing in a style that is academic in the extreme, have merit over Hirst and Thompson because they see that major changes have been taking place, but

insist that they do not lead to the conclusions of the globalisation orthodoxy.

They point out that the rationalisation of production to cope with increased international competition does not mean that all, or even most, multinationals have established integrated production processes right across the world – what we might call "global assembly lines". [18] Different multinationals respond in very different ways to the pressures for restructuring. The setting up of global assembly lines is simply one particular response, and not the most common. And many attempts to achieve it have come unstuck. Ford and General Motors did seem to be moving in this direction in the late 1970s when they first talked about the "world car". But the concept did not come to fruition, and both corporations continued with production lines in Europe turning out very different cars, using very different components, to the production lines in North America.

Gordon, writing eight years ago, pointed out that figures for the US multinationals do not back up claims that, in general, they relied increasingly on components manufactured by their plants elsewhere in the world:

> In 1966, intra-firm trade comprising imports from majority-owned foreign affiliates of US transnational corporations to their US parent equalled 16.8 percent of total US imports. By 1982, the ratio had barely increased, rising to only 17.1 percent.
>
> In 1966, more dramatically, the proportion of total US manufacturing imports accounted for by the involvement of transnational corporations in one form or another was 75 percent. By 1977 that percentage had declined to 58. By 1983 it had further declined to 46.3 percent.
>
> Similarly, among US imports governed by tariff provisions controlling parts assembly abroad, the proportion of total import value represented by value-added abroad equalled 51.7 percent in 1966 and 50.9 percent in 1979, suggesting no increase in the

proportion of value-added derived from overseas sites. [19]

He points out, "Even in the Third World, US multinationals' manufacturing investment is still aimed primarily at production for sale internally, not for export ..." [20] Electronics was one industry which seemed, more than any other, to exemplify the global assembly line approach in the 1970s and early 1980s, with chips and other components produced in some Third World countries, assembly taking place in others and final sale in advanced countries – but at least one study suggests there was a reversal of this trend in the mid-1980s:

> As chip integration becomes greater, the relative amount of assembly work to be done becomes smaller ... These changes reduce the significance of labour costs and hence the attractiveness of Third World locations relative to the economies of co-locating sub-automated assemblies and wafer fabrication in developed countries. Although Third World plants do not seem to be being abandoned, it does appear that advanced country locations are more favoured for new assembly plants ... Many of the features of the geography of semiconductor production do not fit the popular radical stereotypes of locational strategies of multinationals and the changing international division of labour. [21]

In fact, most multinationals still rely less on the global assembly line approach than they do on the old one of concentrating their investments within a particular advanced industrial country and its neighbours, and then relying on the sheer scale of investment, research and development and production there to provide an advantage over all competitors, whether nationally based or multinationals. It was in this way, for instance, that Boeing came to dominate the world market for civil

> aircraft, that the Japanese motor companies clocked up their enormous exports (it was not until the 1990s that Toyota and Nissan began serious overseas investment), and the South Korean shipbuilding industry came to carve out a huge chunk of the world market. Gordon pointed out, "Since the mid-1960s, the greatest Newly Industrialising Country [NIC] gains have come in heavily capital-intensive industries such as steel, shipbuilding, chemicals and most recently automobiles. The key to these great advances have been massive state investment in capital and dramatic growth in labour productivity". [22]

Of increasing importance is a third approach. It breaks with the predominantly national basis of production without, however, turning to the "global assembly line" stereotype. It involves a previously nationally based company seeking to overcome foreign opposition to its success in exporting by establishing locally based plants. These may start off as "screwdriver plants", devoted simply to assembling components imported from the multinational's home country. But there is then a tendency for them to turn to local firms to provide these components. The firms effectively become satellites of the multinational within the local country, and they fight for its interests against other local or regional competitors. The pattern in this case is not, according to Ruigrok and van Tulder, "globalisation" as it is normally understood, but glocalisation.

Such a strategy has the great advantage for the firm concerned that its impact on the local market can be substantially greater than the investment it makes, since it in effect mobilises the capital of its local suppliers for its own competitive goals. Its own capital outlays can be much lower than under the "global assembly line" approach. It also enables the firm to cut down

enormously on the cost of supplying its local factories with parts – which is why, under the name “outsourcing”, it is being adopted by Ford and General Motors in both the US and Europe. [23] As the managing director of Samsung’s Scottish subsidiary explains:

> Samsung’s European investments start life with an average of 30 percent equity funding from the Korean parent. The rest is locally funded ... Samsung has ambitious targets for making its European operations self-sufficient.
>
> It takes 40 to 50 days to move products from Korea. The response of the supply chain is critical to our success. The supply chain is also the biggest single element of our cost. [24]

This partly explains the fact that wages are not the main feature determining where Samsung invests. Its average hourly wage costs vary from about $3 in Malaysia, $10 in Korea and Scotland and $13 in Barcelona to $27 in Berlin. [25] Such a “Toyotaist” or “glocalisation” approach by a multinational leads to quite different behaviour to that assumed by the globalisation consensus with its belief in the onward march of global assembly lines.

First, a multinational adopting such an approach is likely be less keen to move any individual investment, since it serves to tie the additional capital of local suppliers to it, than will be a firm for whom any particular investment is just one small fragment of a worldwide production chain. Secondly, while a multinational adopting a “global assembly line” approach will oppose attempts at protectionism by individual governments or groups of governments, since these can upset its global calculations, “Toyotaist” multinationals can, as “local” producers, be indifferent to the protectionist measures of the state in which they have subsidiaries – and even, on occasions, welcome such measures as a way of warding off competition from

multinationals based elsewhere. So, for example, Japanese and Korean companies invest in Britain out of fear of the European Union introducing protectionist measures which restrict their exports. But once established here, they can come to feel they will positively gain from such measures, since these will not hit them as "local producers" but will hit other foreign competitors.

The globalisation orthodoxy fails to differentiate between these quite different ways in which multinationals can react to increased competition because it assumes that the advance of innovation on a world scale always requires the integration of production on a world scale. But this is by no means always true.

Firms in particular countries cannot afford to be cut off from the advances to be obtained from the level of research and development which is available only to a handful of big spenders worldwide. One of the reasons for the eventual failure of the attempts to develop nationally self-contained industries in the old Eastern bloc and in many developing countries was that without access to many new technologies developed in the US and Japan (especially in spheres like microelectronics and computing), their costs of production rose far above the world average. But global assembly lines are not a necessary precondition for the utilisation of all new technologies. Often all that is needed is that a nationally or regionally based industry is linked to a global centre of innovation, while continuing to concentrate production locally. A multinational may have to spend such enormous sums on research and development that it can only recoup them if it produces in as many parts of the world as possible. But that does not mean that it has to establish an integrated worldwide production process. It can cover its outlays just as well if it introduces its new technologies simultaneously into operations that take place in other respects independently of each other in different parts of the world. [26]

There are even cases where firms which used to operate on the "global assembly line" pattern have shifted to this other approach. A case in point is in oil. For decades this was

dominated by the infamous Seven Sisters, multinationals which set out directly to own every stage in the production process, from pumping oil out of the ground to pumping petrol into cars. In the last quarter century they have been forced to change their approach in some ways, under the impact of demands for the takeover of oilfields and establishment of refineries by governments in the oil producing countries and by the rise of state sponsored companies like Elf in France and AGIP in Italy. But this does not mean the old Seven Sisters have suffered. They have been able to use their ability to mobilise resources and technology globally to ensure that even when they do not directly own oilfields or refineries they exercise control over their operations and get a nice slice of the profits.

Globalisation theorists fail to recognise such developments. Yet they often try to bolster their own case by references to investments like those of Japanese motor companies in Britain which are precisely along these lines. And they often refer to the "flexible production" characteristic, for instance, of part of the Italian knitwear industry, and "just in time" production methods as typical of globalisation, although, as Mann has quite correctly noted, both imply localised or regional, rather than global, production. [27]

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Multinationals and the movement of capital

A central tenet of the "globalisation" common sense is that multinationals can move their capital whenever they want, so thwarting attempts of governments to control them or of workers to improve wages and conditions. What is involved in this claim is a central confusion between different sorts of capital. It is very easy for firms

> which trade internationally to move money internationally. But moving money is not same thing as moving productive capital.

Productive capital is made up of factories and machinery, mines, docks, offices and so on. These take years to build up and cannot be simply picked up and carted away. Sometimes a firm can move machinery and equipment. But this is usually an arduous process and, before it can be operated elsewhere, the firm has to recruit or train a sufficiently skilled workforce. In the interim, not only does the investment in the old buildings have to be written off, there is no return on the investment in the machinery either.

What is more, few productive processes are ever completely self-contained. They depend on inputs from outside and links to distribution networks. So, if a firm sets up a car plant, it has to ensure there are secure sources of nuts and bolts, steel of the right quality, a labour force with the right level of training, reliable electricity and water supplies, a trustworthy financial system, friendly bankers, and a road and rail network capable of shifting its finished products. It has to persuade other people – other firms or governments – to provide these things, and the process of assembling them can take months or even years of bargaining, involving trial and error as well as forward planning. Multinationals do not just throw these assets away and hope to find them thousands of miles away because labour is slightly cheaper or governments are slightly more co-operative. Such moves take time and effort and involve writing off existing “sunk costs”. Productive capital simply cannot be footloose.

In practice most capitalist enterprises operate not simply on market calculations, but also on the long term relations they establish with other enterprises that sell to them and buy from them. Otherwise they would live in continual fear that any change in market conditions would cause their suppliers to sell elsewhere and those who transport and retail their goods

suddenly to lose interest in them. They seek to "lock in" these other firms by a combination of financial incentives, business favours and personal contact.

Ruigrok and van Tulder emphasise this point by insisting that production does not take place in individual firms, but in "industrial complexes", which have grown up over years and which are not easily dismantled piecemeal: "Neither individual firms nor states but industrial complexes constitute the centre of gravity of the international restructuring race". [28]

Of course, firms do shift the location of their plants, and future investments do not always occur in the same places as past investments. Restructuring does often involve shutting old plants and opening new ones. But decisions to do such things are never taken lightly and always incur some costs. For this reason, when restructuring firms usually prefer the road of "gradualism" – of moving piecemeal from old plant to new, keeping intact old supply and distribution networks, minimising the dislocation to the "complex" around them.

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Job losses and the movement of capital

The claim that the movement of capital to less developed countries in search of lower labour costs has been the main cause of rising unemployment in the advanced countries is hardly borne out by the facts. Of course there have been some such job losses. But the publicity given to particular cases – like that of British Airways moving some of its computing to India – should not lead anyone to believe this is the main explanation for high unemployment levels. After all, even in the British

Airways, the total number of jobs lost since privatisation has been 17,000; the number of computer operators taken on by British Airways in India is 130. [29] Something else is behind the loss of the other 16,870 jobs.

The pattern of investment by the multinationals certainly does not provide a picture of massive investment in cheap labour countries at the expense of jobs in the advanced countries. Quite the opposite, as noted above – the bulk of direct foreign investment by multinationals is in the advanced industrial countries. This is for the simple reason that the multinationals have found these the most profitable countries to invest in:

> In the mid-1970s the average rate of return for US corporations on their direct foreign investments in manufacturing in developing countries was somewhat higher than the corresponding rate of return in developed countries; by 1985, the manufacturing rate of return on US foreign direct investment in the less developed countries had declined to only two thirds of its level in developed countries. [30]

What is more, the developing countries which have witnessed the biggest surges of investment have not, in general, been those with the lowest wages. So while most of the poorest continent, Africa, stagnates and experiences an outflow of capital, growth has continued at a relatively rapid rate in countries like South Korea which have relatively high wages (only a little lower on average than those in Britain). There has been a substantial movement of relatively low skill industries, like cheap textiles and footwear, clothing and basic household goods (the sort of things sold in "everything for £1" shops), to the low wage economies of India and especially China. But production of higher grade textiles and footwear, white goods (fridges, cookers etc), motors, aircraft, machine tools, and

> so on remains concentrated within the advanced countries, while there has even been a certain tendency of electronics to move back to the advanced countries.

Overall imports to advanced OECD countries from non-OECD countries grew from about 1 percent to about 2 percent of Gross Domestic Product between 1982 and 1992. But these figures cannot explain unemployment levels ranging from 6 percent to 20 percent right across the advanced OECD countries. At most a few hundred thousand of the tens of millions of jobs destroyed over the last two decades can be ascribed directly to manufactured imports replacing domestically produced products.

There is other evidence which proves the same point. Unemployment in the last two decades has not just hit jobs in industries subject to competition from imports. The demand for unskilled labour, in particular, has fallen in almost all industries. Among those most severely hit are those where import penetration is necessarily small or non-existent – construction, newspaper printing, dock work, the civil service, post and telecoms, refuse disposal, and a host of others. Loss of jobs in these industries can only be due to firms seeking to raise profits by cost cutting and new technology on the one hand and recurrent recessions on the other.

This was borne out by two studies of job loss in the US in the late 1970s and early 1980s. One looked at changes in manufacturing employment between 1972 and 1980. It found that the stagnation of the economy was responsible for a decline of 1.5 percent in manufacturing employment, while change in foreign trade caused a 2.1 percent growth of manufacturing jobs. The other study claimed that 20 percent of job loss between 1973 and 1980 was directly due to imports, but 64 percent to lack of demand in the US economy. [31]

The economist Adrian Wood of Sussex University claims that Third World exports are responsible for a substantial portion of

unemployment in the advanced countries, claiming they have led to "a fall of 20 percent in demand for unskilled labour across the developed world". [32] But even he does not try to put the blame directly on imports replacing jobs. Instead he claims they reduce jobs indirectly, prompting firms to move to new labour saving technology so as to remain profitable and competitive. In other words, it is rationalisation that is mainly destroying jobs, not imports from, or the movement of capital to, low wage economies.

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Multinationals and states

The globalisation argument assumes that capital is increasingly dispensing with the services of a national state. Hirst and Thompson, and Ruigrok and van Tulder challenge this contention by providing a mass of evidence about the continuing dependence on each multinational on a "national base" and on the operations of the state within that national base:

i. First, as we have seen, the majority of multinationals continue to concentrate most of their production within one state, or at least within one state and its close neighbours.

ii. Even the investment which does flow towards "cheap labour" locations outside the advanced countries is not completely independent of the operations of the home state. Hirst and

Thompson point out that multinationals from each of the major states tend to concentrate their Third World and NIC investment and sales in particular regions of the world where that state exercises influence. So German capital flows to Eastern Europe; French to Central, Western and Northern Africa; the US to certain countries in Latin American; Japan to the Pacific, and so on. "The direction of foreign direct investment relationships is between one or other of the ... powers and its clustered 'client' states, rather than between these client states themselves." Ruigrok and van Tulder note that at least ten "leading core firms" have modelled their internationalisation strategy "partly on the geo-political patterns of colonial rule (Royal Dutch/Shell, BP, Unilever, Elf-Aquitaine, Alcatel-Alsthom, Total, ICI, BAe, Petrofina, BTR)".

iii. Even where production takes place internationally, research and development are concentrated in the home base. So even the most internationalised firms, those from Holland, Sweden and Switzerland, "still conduct most of their R&D at home" – two thirds for Swiss firms, 75 percent for 20 leading Swedish multinationals. Patel and Pavitt found in studies of globalisation of technology, based on looking at patent applications, that "in most cases the

technological activities of large firms are concentrated in their home country". [33]

iv. The state continues to played a key role in establishing and maintaining many key firms:

> At least 20 companies in the 1993 Fortune 100 would not have survived at all as independent companies if they had not been saved by their respective governments in the last decade and a half. Among the most important cases have been the British, French and Italian steel firms in the early 1980s, Chrysler in the early 1980s, and McDonnel Douglas, VW's seat subsidiary.

As recently as 1993 the Swedish government came to the support of the Skandinaviska Enskilda Banken (the Wallenberg consortium's family bank) and the Handelsbanken, Sweden's two major banks with large holdings in Swedish production companies such as Volvo, Electrolux, Ericsson, Asea, Stora, and SKF. The Wallenberg consortium alone accounts for 40 percent of the Stockholm stock exchange. [34]

Similiarly, it was the South Korean state which saved Daewoo from going bust in 1987. On top of this, all the key telecoms firms depend for major contracts on governments – and bargaining between

governments and international consortia – as of course do defence industry firms. "All formerly or currently leading US computers, semiconductors and electronic makers in 1993 Fortune 100 have benefitted enormously from preferential defence contracts". [35]

v. Last, but not least, 23 of the Fortune 100 in 1993 were "directly engaged in the oil industry" [36] – an industry which is notoriously dependent on the military hegemony exercised by the US to ward off threats to its operations in the Middle East.

The restructuring of industry to meet increased international competition by no means spells the end of the dependence of firms on states over which they exercise a special influence. Indeed, the very competitiveness of the global economy can increase the reliance of multinationals on governments, as Stopford and Strange have insisted in a study of the relations between the two:

> Growing interdependence now means that the rivalry between states and the rivalry between firms for a secure place in the world economy has become much fiercer, much more intense. As a result, firms have become more involved with governments and governments have come to realise their increased dependence on the scarce resources controlled by firms. [37]

So the "Toyotaist" firms, which build parallel production units in different parts of the world can only hegemonise

> local firms (rather than be subject to pressures from them) if domination in key areas like research and development gives them the upper hand when it comes to bargaining. But this means keeping these activities where they can be tightly controlled, in their "home base" country, with a state that can be relied on to defend their interests in international negotiations over "intellectual copyright".

But it is not only "home" governments which are important to multinationals. Whenever they have made a substantial investment in any country, the policies of its government become an important factor to them – providing them with subsidies, creating an amenable tax regime for them, providing infrastructure links, educating a workforce with necessary skills, and so on. They can lose out substantially if they cannot bend the government to their will, and so they tend to become dependent on it just as it becomes dependent on them. This provides governments with a degree of leverage over multinationals, even if, for political reasons, they often claim otherwise. Again, as Stopford and Strange note:

> Only a few firms can operate in a "borderless" world. Governments, both host and home, continue to play a crucial and, perhaps paradoxically, an increasing role. [38]

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A world of non-national capitals?

> "The nationalities of companies are becoming increasingly irrelevant", claimed Britain's chancellor Kenneth Clark when he was industry minister back in 1988. [39] It is a

> claim which has been repeated by many other proponents of the globalisation thesis. Yet the empirical evidence to back it up is thin indeed. The capitalists of any country today do fly from one part of the world to another negotiating deals, do run front companies in a score of financial capitals and offshore islands, shifting funds from one to another as they commute from one holiday home to another. There is emerging what Stopford and Strange call "a privileged transnational business civilisation" [40], the embryo of a single, world, ruling class.

But the control of any major multinational firm remains firmly anchored in the hands of capitalists from a particular country, as Ruigrok and van Tulder prove by a mass of empirical research. Of 30 US "core" firms, only five had a foreigner on their executive board in 1991, and only 2 percent of board members of big American companies were foreigners. Only two out of 20 big Japanese companies had a foreigner of their board. Of 15 "core" German firms, only four had a foreigner on their management board. [41]

Even share ownership is much more nationally concentrated than is implied by all the talk about "global markets". Ruigrok and van Tulder note that few "core firms have over 10 percent of their shares owned abroad", with most Japanese and Korean firms not even bothering to have their shares listed on foreign stock markets, while most overseas holdings of German shares are in German speaking Switzerland and Austria. [42] Dutch, Swedish and Swiss multinationals have been forced to internationalise their productive activities because of the smallness of their national base economy, but "Many of them remain remarkably nationalistic in many respects ... They do not distinguish themselves by listing on foreign stock exchanges ..." and they "tend to have only a few non-nationals on their top

management boards ... By 1994, only Phillips had a really internationalised top management board”. [43]

If firms do not encourage international share ownership and control, neither is it easy for individual investors in one country to invest profitably in multinationals based elsewhere. As Peter Martin of the **Financial Times** recently noted in an article extolling “the creation of a homogenous global economy”:

> It will always be easier to find out what is happening inside a company based locally than to scrutinise a business with headquarters on the other side of the world ... Currency risk is more difficult still. An investor ... would ... face the potential mismatch between the currency in which his assets were denominated and the currency in which his spending was likely to occur. [44]

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Assessing the argument

The core of the evidence marshalled against the “globalisation” consensus cannot be challenged. The system is international, but it always has been. Firms will seek out the most profitable sites internationally for production, but this does not mean they are “footloose” and able to abandon existing sites at a moment’s notice, nor does it mean that they always go to where labour is cheapest. There is a tendency to restructure production across national boundaries, but this does not prevent multinationals relying on national and regional bases for launching out into the wider world and it by no means always implies the setting up of worldwide production lines. Capitalist states are restricted in their ability to

control the working of the system they support, but this does not mean they are irrelevant to it.

Yet the conclusions Mann, Hirst and Thompson draw are wrong in two inter-related respects.

First, they see the limitations of the globalisation common sense as leaving room for a return to national reformism – or even regional and global reformism. Thus Mann suggests that there is a "Nordic" way of coping with increased global competition through "a high skills, high education, high tech strategy requiring large government expenditures" which would lead to "higher national wealth" [45], while stability is possible internationally through "trilateral arrangements between US, Japanese and dual German-European governmental institutions, sometimes embedded in the wider G7 nations", making it possible for "the centrepiece of Enlightenment modernity, world peace" at last to come "to fruition, at least in one part of the world". [46]

Hirst and Thompson are even more explicit about their continuing belief in the efficacy of piecemeal reform. They believe governments can bring order to the economy through a slight adjustment to the traditional techniques. All that is required, they argue, is for these governments to extend their present "economic summits" into systematic co-operation. If only the "G3" (the US, Japan and "Europe') lay down rules for the money markets and direct investment, the resulting "governance" will begin to bring the system to order. Then other national governments, and within them provincial and urban authorities, will be able to "orchestrate consensus" in which "the different factors of production relate to each other in other than just market terms, ie labour and management and capital providers and firms".

All this is a pipe dream – and a pipe dream which leads to reactionary conclusions. The economic summits show no signs of being able to regulate the world economy, still less to turn it in

a rational direction. They are, in fact, horse trading sessions in which the rival governments push the interests of the rival firms connected to them. They take concerted action when their interests happen to coincide (for instance, when it comes to opening up some other country to their joint exploitation), or when the most powerful of them (the US) succeeds in browbeating the others into accepting its hegemony (dressed up as "a new world order"). More often than not, however, it is not concerted action that results, but a failure to agree – "the new world disorder".

To call for greater "governance" by these bodies is to push for them to have more power to subjugate the rest of the world to the interests of the most powerful capitalists, and within that, to push for an even greater dominance of US capitalism. The talk of "Europe" as an "economic" power is also in the realm of fantasy. Europe is not one entity, but a squabbling coalition of rival states, whose capitalists confront one another as well as those of the US and Japan. At times this confrontation means alliances to carve up markets, but at other times acrimonious disputes as these alliances break apart and new, rival ones are formed.

There are, of course, powerful interests pressing for a more integrated European capitalism, and with it the beginnings of a cohesive European state. But these interests are not looking to a peaceful, harmonious and humane world presided over by the sort of "governance" that would make people's lives better. Rather they are intent on establishing a Europe in which the untrammelled dominance of capital is protected by the Maastricht criteria and a central bank immune to any sort of elected control.

The second fault in their account concerns their interpretation of the history of the system in the 20th century. As we have seen, Hirst and Thompson's stress on quantitative growth figures for international trade and investment ignores important changes that occurred from one period to another in the qualitative organisation of production. They also make no real attempt to

account for what happened in the period from the First World War through to the beginning of the 1950s in which international trade and investment fell – a period which saw a tendency right across the world for growing integration between capital and the state, or, as Bukharin and Lenin described it, for "state capitalism".

Hirst and Thompson share the same view as most globalisation theorists in their assessment of this period. They see state intervention as government action, under the pressure of public opinion, to ward off slump, using "Keynesian" methods of economic management. But while the globalisation theorists believe there has been a radical change which has taken such power away from states, Hirst and Thompson believe that states still have that power if only they can bring themselves to use it.

Underlying both positions is a misunderstanding about what actually happened during the high tide of state capitalism. Governments right across the world talked of "economic planning", did nationalise certain industries, and did wrest, to a greater or less extent, decisions over investment from individual capitalists. [47] And in the latter part of this period, from the 1940s to the early 1970s, there was both an unprecedented boom and an unprecedented rise in the living standards of workers – what has been called by some writers "the golden age of capitalism".

But the boom and rising living standards were not a result either of Keynesianism or of government intervention under the pressure of public opinion. Governments found themselves quite incapable of boosting the economy when their main motivation for doing so was to deal with the mass unemployment and poverty created by economic slump. Mann quite rightly notes that, long before anyone talked of "globalisation":

> It is doubtful whether reformist politicians had much used their "potential" power to manipulate currency and interest rates to freely spend and redistribute. They did so mostly in the peculiar circumstances of the aftermath of two world wars ... At most other

> times they seem to have been really quite disciplined by capitalist orthodoxies and by the spectre of capital flight and currency fluctuations ... I think ... of the complete collapse of leftist political economy before international capitalist pressures in countries like Britain, Germany or Spain from 1929 onwards. I remain unconvinced that the international capitalist pressures on the nation state are uniquely threatening in the contemporary period. The pressures have always been there. [48]

> And it was not, as Mann suggests, a mere lack of will power on the part of reformist governments that led to such failures. They were, in fact, trapped by the logic of reformism itself, which involved trying to make the system work – and that meant subordinating their policies to the demands of capitalist accumulation. So it was that programmes for intervention governments were only effective in the years between the 1930s and the 1970s when they facilitated accumulation or the drive to military competition. They were ineffective when their prime motivation was to provide reforms in the interests of the mass of the population.

This explains why the rise of state intervention – the trend towards greater or lesser degrees of state capitalism – was inseparable from preparation for war, preparations which in the 1930s were accompanied by attacks rather than improvements in the living standards and working conditions of the mass of people. It was only when war preparations had, as an unintended consequence, turned slump to boom, that living standards and working conditions began to improve in countries like Britain and the US.

The dominant economic orthodoxy of the period turned reality on its head, ascribing the boom to its own “Keynesian” views. But examination of the empirical record for these years shows that government intervention in the advanced countries from the

1940s right through to 1973 was designed to slow down boom rather than to overcome recession. [49]

In less economically advanced parts of the world there was greater leeway for intervention, since local capitalist classes were relatively weak. Groups not necessarily from the established capitalist class could get control of the state and push through a programme of statifying local capital in order to industrialise, transforming themselves into a state capitalist class. This happened in Eastern Europe after 1945, in China, Vietnam and Cuba, and also in countries like Argentina, Egypt, Syria, Iraq and Algeria.

Typically, regimes used the direct power of the state to limit the number of direct ties with foreign capitalists, and to prolong booms by moving physical outputs from "non-priority" to "priority" sections of the economy every time tendencies towards slump began to appear. These regimes talked of planning and usually described themselves as some sort of socialism ("Communism", "Arab socialism", "African socialism", "Islamic socialism", even "royal socialism'). But since the "non-priority" sectors were invariably those which concerned workers' and peasants' living standards, this was certainly not a case of the state intervening to promote the needs of the mass of the population. It was, in fact, one way by which the state subordinated the internal economy to the military or market pressures on it from the rest of the world capitalist system. The "autonomy" of the state consisted in being able to pick and choose exactly how it imposed the dynamic of the world system on the local population, not in being able to turn its back on that dynamic.

There were further important changes in the world system from the mid-1970s onwards. But these changes did not remove from the state some magical power to act as if the rest of the world system did not exist. Rather they shifted the most effective ways for states to foster the accumulation of nationally based

capitalism (whether “state” or “private”) in the face of the pressures from the system as whole.

Reducing the internal economy’s direct links with foreign capital had enabled many states to oversee a high tempo of capital accumulation for a generation or more. But now this became an increasingly costly option because it restricted the possibilities of gaining access to the new technologies which were in the hands of the world’s biggest foreign firms. Whereas it seemed from the early 1930s to the early 1960s that, the further economies had gone in the direction of state capitalism, the greater were their rates of growth, by the 1980s it seemed the other way round. Regimes were under enormous pressure to allow internal capital to link up directly with capitals elsewhere in the world system – borrowing from foreign banks, forming alliances with foreign multinationals in return for access to new technologies, importing a growing range of capital equipment and components, paying for these things with ever greater emphasis on sales in foreign markets.

This happened just as the world economy as a whole entered into a new period of crises from 1974 onwards. Governments which had paid lip service to Keynesian techniques without needing to use them during the long boom now had to confront recession and found that these techniques did not work.

States found they could not protect national capitalist accumulation from world crisis just at the time when world crisis itself was back with a vengeance. This was devastating for the most thoroughgoing state capitalisms, those usually labelled as “socialist” in the Eastern bloc and parts of the Third World. [50] It was just as devastating for reformists who believed that social democratic politics based on Keynesian prescriptions were the way forward in the advanced Western states. In Britain the Labour government had abandoned such prescriptions by summer 1976. In France Mitterrand followed six years later. The popularity of “globalisation” notions was born as experience refuted the belief that reform of the system carried through from

above could stop crises afflicting a national economy. But, instead of recognising that this belief had always been mistaken, "globalisation" theories see it as a new feature.

In fact, what we confront today is not some immense new power in the hands of international capital, but a power which goes back at least as far as Ricardo. It is the power to tell those who try to reform any part of the world system that they must abide by the laws created by its dynamic of competitive accumulation. The only successes reformism can claim have been in periods like the late 1940s, the 1950s and the early 1960s when even countries with avowedly pro-capitalist parties in government, like West Germany, Italy or the US, provided reforms that benefited workers. By contrast, whenever the system has gone through long periods of crisis, reformist governments have been impotent, and their ministers have tried to excuse themselves by pointing to "international" forces beyond their control. Thus Ramsay MacDonald told Labour's conference in 1930 there was little his government could do:

> So my friends, we are not on trial. It is the system under which we live. It has broken down, not only in this little island; it has broken down in Europe, in Asia, in America; it has broken down everywhere as it was bound to break down. [51]

> The argument of the "Austro-Marxist" and former German finance minister Rudolf Hilferding was virtually identical: "The basic problem is that we are unable to tell the people in a concrete manner how we will eliminate the crisis, what immediately successful means we would employ ..." [52] "Too much", he contended, "was out of the hands of German social democracy, out of the hands of anybody: the economic crisis was international." [53]

MacDonald and Hilferding did not use the "g" word, but their basic excuse for abandoning promises to improve the conditions of the mass of workers was essentially the same as that used by

reformist politicians today – that the power of the international system is too great for government action to make any difference.

There is a simple answer to such arguments, whether in their 1930s form or in their 1990s form. Reformist governments cannot cope with the crisis because they accept the constraints of the system. They are willing to leave the major means of production in existing hands, and insofar as they attempt to limit the power of capital (exchange controls, regulation of investment, public expenditure programmes) they do so from the top down, through existing state machines – machines built on the assumption of collaboration with capital, not opposition to it, and dominated at the top by those who identify with the interests of capital. In the reformist perspective, there is no place for the direct action of workers from below. Yet it is precisely such action which, if co-ordinated right across the economy, can prevent actions by capital (movements of capital abroad, closure of factories, hoarding of necessities) designed to sabotage attempts to improve the condition of the mass of the people – and can then go further, to put the means of production to work in ways designed to satisfy need, not the drive for profit.

Of course this then leads us back to the problem of revolution in one country. A single country, however large, does not have within it the means to establish the society of plenty which is the precondition for socialism. Such means have been established by capitalism on a world scale, and any country which is cut off indefinitely from the rest of the world, far from being able to supersede capitalism, will in the long run succumb to its pressures. But that does not mean in the short run it cannot manoeuvre to maintain itself while pushing through economic changes to the advantage of the great majority of its people (redistribution of wealth from the rich to the masses, redirection of waste production towards people's needs, putting into use means of production which are left idle under capitalism because

they are not sufficiently profitable, etc) and using its resources to encourage similar change in other countries.

How successful it is will depend on a variety of contingent factors – how large it is, how much it depends for its immediate survival on resources outside its boundaries, the degree to which the great powers opposed to the changes it has pushed through are divided among themselves, above all, the degree to which it is able to promote revolutionary ferment in other countries.

The important point here, however, is that the changes in capitalism that conventionally go under the name "globalisation" do not make such an attempt at a revolutionary breakthrough qualitatively more difficult. For instance, the question of dependence on resources outside the state border was a central issue during the revolutionary wave at the end of the First World War. Bolshevik Russia suffered enormously through being cut off from the coal mines of German occupied Ukraine and the oil of British occupied Baku; Germany was suffering from an acute shortage of food at the beginning of 1919; even a revolution in the most advanced European capitalism at the time, Britain, would have faced the problem of the dependence of the national economy on trade. For reformists these were all arguments, then, as now, for accepting the parameters laid down by capitalism; for revolutionaries they were arguments for having a perspective of seizing power and then spreading the revolution.

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The global economy and the power of workers

It is not only reformist governments which are powerless, according to the "globalisation" consensus. Workers too, it is said, have much less ability to stand up to the dictates of

> capital than in the past. This is an argument against any attempt by a workers' government to break with the system. But it is also an argument about the futility of workers fighting even for the most minimal of reforms within the existing system – whether welfare reforms or improvements in wages or working conditions from the employer. Any attempt by workers seriously to impose their demands on capital will simply lead to it ignoring them and, if necessary, decamping elsewhere in the system.

But, as we saw earlier, industrial capital is not footloose. It can, of course, move in the long run, but only if it is prepared to pay a high price. What is more, the very international integration on which the globalisation consensus places such a stress increases the bargaining power of particular groups of workers. In the genuine global assembly line, a group of workers producing a single component in virtually any country could, in principle, bring a whole world industry to a halt. In fact, as we have seen, the global assembly line is quite rare. But concentration on a "regional" basis is increasingly common – and so too is the experience of a quite small group of workers bringing a whole multinational to a halt. This happened in 1988 when Ford workers in Britain struck and brought the whole of Ford Europe to halt within three or four days. It happened again more recently when a relatively small group of workers at one component plant halted all of General Motors' North American operations.

Workers have suffered many defeats over the last two decades. But very few of them have been because capital has simply been able to pack up its bags and move elsewhere. Usually they have been because firms have been able to keep production going in existing plants, or, sometimes, in new plants a few miles away. Thus the defeat of print workers by Rupert Murdoch's News

International in 1987 was based on opening up new premises a little more than a mile from the old – and could have been avoided if print union leaders had been prepared to stop production at the old plant before Murdoch was ready to move. They would then have hit Murdoch's newspaper operation in Britain and, in doing so, paralysed the money making machine he depended on to pay interest on his enormous global debts. Cowardice, incompetence or lack of solidarity by union leaders, rather than the sheer power of the multinationals, was similarly behind the defeat of the British miners in 1985, the cross channel seafarers in 1988, the dockers in 1989. It also explains many of the defeats inflicted on US workers – the air traffic controllers at Reagan's hands, the defeats at Hormel in Iowa, at Staley in southern Illinois, and so on. Capital won, not because it was footloose, but because it fought ruthlessly while the union leaderships preached moderation and respectability.

"Globalisation" of production did not play a significant role in enabling the employers to win any of these disputes. But the ideology of "globalisation" has played a role. It has encouraged the idea that multinationals are too powerful to be hit by "old fashioned" forms of workers' struggle – and the abandonment of these forms of struggle has handed victory to the multinationals.

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The shape of things to come

> There is one final conclusion that the globalisation consensus can lead to: that the system, although uncontrollable, is less dangerous than in the past. This is because states, with their heavily armed military forces, are supposed to be of decreasing relevance to capitalism. It may need a state to protect it against revolt from below,

> to deal with "rogue" regimes which will not obey the normal rules of the game, to guarantee the sanctity of contracts and to provide certain parts of the infrastructure. But capitalism does not need rival states which disturb the free movement of capital and trade. It should be able to settle for one hegemonic power (presumably the US) which will supervise a world order in which free trade is increasingly the norm and in which military conflict plays a more marginal role.

The refutation of the consensus should lead to a very different view of the way in which the world system is going, one which is characterised by international conflicts and wars as well as by uncontrollable economic crises. Different firms have different interests and will look to the individual states over which they have influence to achieve these.

There are firms which will look to establishing global domination though free trade – either from nationally based production which can put down all competitors or by global assembly lines. This is clearly the perspective of very important sections of US business, and of some British based multinationals prepared to operate in alliance with them. But even in the case of these firms, their "national" state – and especially the Pentagon with its huge arms contracts – is of key importance in sustaining production. It is their national state, too, that they depend on to enforce their interests against others when it comes to shaping the system as a whole. Hence, for instance, the protracted efforts by the US state to get enforcement of "intellectual copyright" during the last GATT negotiations, and its insistence that international agencies like the IMF, the World Bank and the World Trade Organisation endorse a "free trade" approach to economic development.

Other firms can, however, follow different strategies for conquering world markets – strategies which imply a different

attitude to the role of states. So most Japanese firms built up their global presence by exporting from within an economy in which the national state and national business practices provided them with a strong degree of protection. Then, at a certain point, faced with threats of tariffs or quotas from other states – threats to which they often reacted by conceding "voluntary restraints" on exports – they have begun to turn to production through local subsidiaries (the "Toyotaist" or "glocalisation" approach). Once this is done, they can quite happily accept, even encourage, protectionism from the local state as a way of warding off competition from rival multinationals based elsewhere.

German and French firms are tending to expand from their national bases into neighbouring parts of Europe, which leads them to look to a regional European policy to be enacted through strengthened European institutions rather than to worldwide free trade.

None of these strategies means we are witnessing a turn towards the division of the world into virtually self-contained national or regional economies, as tended to happen in the 1930s. World trade goes on rising. But it is not free trade, based on non-interference by states, so much as "negotiated trade", in which states continually pressurise each other to concede the demands of the capitals associated with them.

Much of British capitalism stands in a category of its own. Ruigrok and van Tulder point out that it is the only advanced industrial country with "weak cohesion". [54] There are an exceptionally high number of foreign investors in the domestic economy and they come in nearly equal numbers from the US and the European Union. [55] At the same time, the British based multinationals carry out a much higher proportion of production abroad than is the case with those from the other large advanced countries – and again this production is not concentrated in one region, but is divided almost equally

between Europe and North America, with a smaller amount in East Asia.

These facts perhaps explain the enthusiasm for talk about "globalisation" in Britain. Writers are generalising to the whole of world capitalism from the experience of one, declining, sector. But, in the process, they are not taking into account the complexity of that experience. For some of the investment is from multinationals which have worldwide production strategies (for instance, IBM), but the fastest growing investments are from multinationals which have Europe wide strategies (not just the European firms, but also the American and Far Eastern motor firms). And, at the same time, there are key British based multinationals (BAe, GEC, Plessey, Rolls Royce) which are dependent on the considerable military spending of the British state for much of their research and development and a significant chunk of their markets.

These divergent perspectives of different sections of multinational capital in Britain lead to quite different interpretations of the international strategy which should be followed by the national state, particularly when it comes to the attitude to economic and monetary union in Europe. For some sections such union is a natural corollary to their increasingly European organisation of production. For others it could turn into a dangerous obstacle to their global ambitions. The argument is not between those who rely on the state to do their bidding and those who do not. It is rather between different strategies for using the state, one which sees it as a base from which to negotiate global deals, and one which puts the stress on European restructuring. And the picture is further complicated by the presence of important sections of medium and small industry which still operate within an overwhelmingly national perspective.

The fashionable talk about "globalisation" cannot throw light on these divisions because it fails to distinguish the quite different ways in which different firms restructure in the face of

international competition. And if it obscures rather than illuminates issues in Britain, the most internationalised of the major economies, it completely misleads in the case of the other economies. Developments in the world system may be changing the relations between states and firms. But they are not leading to a loss of connection of firms to states, and neither are they leading the major capitals that battle for world dominance to lose a certain national hue.

This is not the world portrayed by globalisation theory, based on the "neo-classical" model of a system made up of evenly distributed atoms of capital which interact freely with each other. Rather it is a world in which a limited number of states and multinationals press against each other, pushing and pulling as each tries to cajole others to do its will, like giant octopuses with intertwined tentacles. And the cajoling is not restricted merely to economic manoeuvres, for this remains a world in which the biggest industrial states insist on retaining their military capacity, despite the end of the Cold War, and the fastest growing of the East Asian NICs are involved in an arms race with each other and with their neighbours.

The system is unstable and dangerous precisely because capitals retain ties to states, with the possibility of a resort to force continuing to play an important role as multinationals battle each other for global dominance. The fact that the force is normally deployed outside the advanced countries themselves does not diminish its horrific effects on local populations or its destabilising impact on the system as a whole. The bombing of Baghdad is as much part of the logic of the system as the Multifibre Trade Agreement or haggling over royalties for using the latest software.

Globalisation theory cannot see this. Nor can those reformists like Hirst and Thompson who are nostalgic for a mythical Keynesian past, however correct the individual points they make against globalisation theory. But it is something revolutionary socialists have to be able to understand. It means that economic

crises always express themselves in political convulsions. And it also means that the struggle is not just against material deprivation, but for the very survival of humanity, for socialism against barbarism.>

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Notes

1. N. Harris, **The End of the Third World** (London, 1986), p.198.

2. **Tribune**, 21 June 1996.

3. D. Gordon, *The Global Economy*, **New Left Review 168** (March/April 1988); P. Hirst and G. Thompson, **Globalisation in question** (London, 1996); M Mann, *As the twentieth century ages*, **New Left Review 214** (1995); W Ruigrok and R van Tulder, **The Logic of International Restructuring** (London, 1995).

4. At the Socialist Workers Party's ***Marxism*** event in 1978.

5. As, for example, the great economic historian Ferdinand Braudel describes graphically in **The Wheels of Commerce** (the second volume of his **Civilisation and Capitalism** trilogy) (New York, 1982).

6. D. Ricardo, **On the Principles of Political Economy and Taxation** (Cambridge, 1995), p.39.

7. Figures for international trade and investment flows are given in P. Hirst and G. Thomson, **op. cit.**, and in W. Ruigrok and R. van Tulder, **op. cit.**, p.124.

8. P. Hirst and G. Thomson, **op. cit.**, pp.19-22.

9. M. Mann, **op. cit.**, pp.117-118.

10. Figures on growth of foreign direct investment are given in P. Hirst and G. Thomson, **op. cit.**, p.128.

11. W. Ruigrok and R. van Tulder, **op. cit.**, p.156.

12. J. Stopford and S. Strange, **Rival States, Rival Firms** (Cambridge, 1991), p.1.

13. Table based on figures in P. Hirst and G. Thompson, **op. cit.**, pp.91-94.

14. W. Ruigrok and R. van Tulder, **op. cit.**, p.128.

15. **Ibid.**, p.159.

16. P. Hirst and G. Thompson, **op. cit.**, p.95.

17. In fact, as I have argued previously there are strong counter-tendencies which continually disrupt "regional" integration. This is especially apparent in the case of Britain, where, on the one hand, investment to the US is just as important for the major firms as investment to the rest of Europe, while on the other hand inward investment from Japan is significant in certain industrial sectors. And even in the cases of France and Germany, the trend to European integration is countered by a continuing trend to the concentration of capital into rival nationally integrated blocs in industries like engineering and aerospace. See my *The State and Capital Today*, in **International Socialism 51**.

18. Ruigrok and van Tulder use the expression "macrofordism" – but also apply it to integration of production on a continental basis in Europe as well as global integration.

19. G. Thomson, **op. cit.**, p.49.

20. **Ibid.**, p.50.

21. A. Sayer, *Industrial location on a world scale*, in Scott and Storpfer (eds.), **Production, Work, Territory** (Boston, 1986), pp.116-120.

22. D. Gordon, **op. cit.**, p.52.

23. See, for instance, the account of Ford's plans for its Halewood plant in Liverpool, *Roller Coaster Ride for Mersey Plant*, **The Guardian**, 19 September 1996.

24. **Financial Times**, 21 October 1996.

25. **Ibid.**

26. This was a distinction I for one failed to make in the past: see the relevant passage in **Explaining the Crisis** (London, 1984).

27. M. Mann, **op. cit.**, p.117.

28. W. Ruigrok and R. van Tulder, **op. cit.**, p.164. The argument is very similar to that I myself put in *The State and Capital Today* in **International Socialism 51**:

Any productive capital grows up within the confines of a particular territory, alongside other sibling capitals (they are, as Marx describes them, "warring brothers"). They are mutually dependent on each other for resources, finance and markets. And they act together to try to shape the social and political conditions in that territory to suit their own purposes ... The national state and different nationally based capitals grow up together, like children in a single family. The development of one inevitably shapes the development of the others ...

> The groups of capitals and the state with which they are associated form a system, in which each affects the others. The specific character of each capital is influenced by its interaction with the other capitals and the state. It reflects not only the general drive to expand value, to accumulate, but also the specific environment way in which it has grown up. The state and the individual capitals are intertwined, with each feeding off the other ... The market models of classical and neo-classical economics portray capitals as isolated atoms which engage in blind competition with other capitals. In the real world, capitalists have always tried to boost their competitive positions by establishing alliances with each other and with ambitious political figures – alliances cemented by money, but also by intermarriage, old boy networks, mutual socialising.

29. According to a GMBU union press office release, 11 June 1996.

30. D. Gordon, **op. cit.**, p.42.

31. Both studies quoted and analysed in **ibid.**, p.39.

32. For an account of his views, see S. Flanders, *Developing Countries Call the Tune*, **Financial Times**, 6 October 1995.

33. Quoted in W. Ruigrok and R. van Tulder, **op. cit.**, p.138.

34. **Ibid.**, p.218.

35. **Ibid.**, p.219.

36. **Ibid.**, p.219.

37. J. Stopford and S. Strange, **op. cit.**

38. **Ibid.**

39. Quoted in the **Financial Times**, 20 June 1988.

40. J. Stopford and S. Strange, **op. cit.**

41. W. Ruigrok and R. van Tulder, **op. cit.**, pp.157-158.

42. **Ibid.**, pp.157-158.

43. **Ibid.**, pp.161-163.

44. **Financial Times**, 3 August 1996.

45. M. Mann, **op. cit.**, p.120.

46. **Ibid.**

47. For an account of this period, see my book, **Explaining the Crisis**, **op. cit.**, chapters 2-3.

48. M. Mann, **op. cit.**, p.119.

49. See R.C.O. Matthews, *Why Has Britain Had Full Employment Since the War?*, **Economic Journal**, September 1968, p.556.

50. As I wrote in 1976: "The era in which the state could protect national capitalists from the direct impact of world crisis is drawing to an end ... Each national state capitalism is more and more sucked into a chaotic, disorganised world system where the only order is that provided by the crises and destructiveness of the world market itself". *Poland and the crisis of state capitalism*, **International Socialism** (first series), 93 and 94.

51. Quoted in R. Skidelsky, **John Maynard Keynes**, vol.2 (London, 1994), p.378.

52. R. Hilferding, letter to Karl Kautsky, 2 October 1931, quoted in P.F. Wagner, **Rudolf Hilferding, Theory and Politics of Democratic Socialism** (New Jersey, 1986), p.155.

53. **Ibid.**

54. W. Ruigrok and R. van Tulder, **op. cit.**, p.284.

55. The most recent figures, for 1993, show that foreign owned companies were responsible for 25 percent of manufacturing output, and 35 of the 100 largest manufacturing companies were foreign owned (up from 18 in 1986). Half of big foreign owned businesses were from the US (unchanged since 1986), 39 percent from Europe (more than double the 1986 figure), but only 7 percent from Japan or Korea, despite the enormous media publicity for these. **Financial Times**, 4 September 1996.