

A NOTE ON GLOBALISATION

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Introduction

One of the most astounding things about the contemporary world is that perhaps for the first time in history a single system of economic organization dominates the planet; global capitalism. Capitalism is described in various ways; the market, the free market, the price system. Here we are interested in new capitalism which emerged in the latter part of the twentieth century.

Schumpeter associated two facts with capitalism; private property ownership and financial markets (markets for the supply and demand for capital – debt). New capitalism is usually associated with democratic government (not always – Chile, Argentina in the 1970's and 1980's parts of South East Asia and Africa currently).

New capitalism also has the added features of informationalism and American influence, literally Americanization so great is American economic influence. New capitalism also marks a new stage in the globalisation of the world economy.

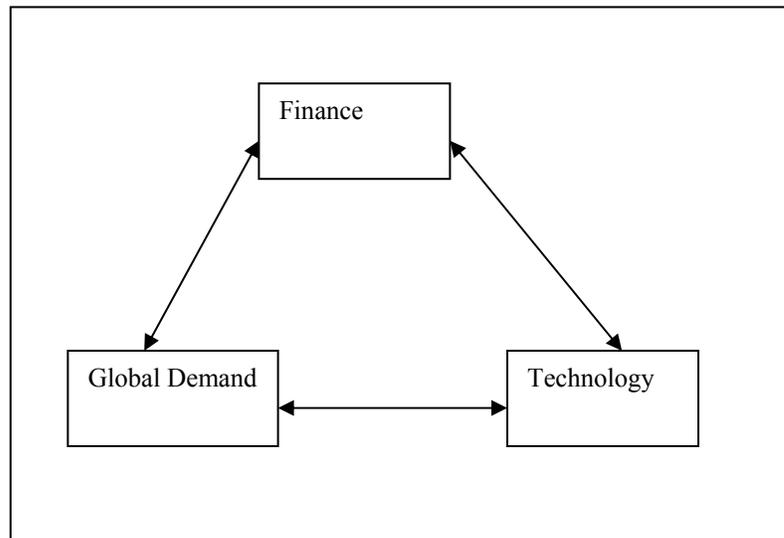
The central idea of this paper is that the global economy and new capitalism can best be understood as a complex system, or better still, a complex adaptive system (CAS). It is a self organizing system with immense capacity for survival and containing gross contradictions: wealth poverty, freedom and servitude, opportunity and inequity – a whole list of opposites.

The global economy as a self reinforcing mechanism

The global economy is a complex adaptive system. It results from interactions and feedbacks between

- finance,
- new technology industries, and
- decentralized Keynesianism.

See Figure 1



The financial revolution of the 1970's and 1980's took the form of liberalization of foreign exchange markets and the deregulation of domestic capital markets. Liberalization took the form of flexible exchange rates and enabling capital to move across national boundaries in the pursuit of higher returns.

Deregulation meant roughly speaking that financial institutions were able to become like supermarkets offering many types of financial assets: previously firms had been specialized, offering a limited range of assets, under conditions of restricted competition.

Deregulation of capital markets resulted in the creation capital (including new types of financial assets – derivatives or options whole value depends on the value of other financial assets) to finance the technological revolution in information and communications technology (CIT). The vast potential to produce new products led to the need to globalize in order to expand markets and demand.

The revolution in biotechnology will probably have even more profound effects than the revolution in information technology. The impact of both revolutions is still in the early stages. They promise to bring real mutations in human life and in philosophy.

At a time when governments appeared to abandon Keynesianism, firms adopted it enthusiastically: they recognized that only high levels of global demand could enable them to recover the sunk costs associated with the technological revolution the requirements for high returns on capital invested by shareholders and creditors.

Thus a positive feedback system developed: finance feeding technology, and technology requiring high levels of global demand to buy its products, global markets increasing competition and the need for capital and new technology. Financial capital is itself global, crossing national boundaries in search of higher and higher returns. Globalisation increased competitive pressures, producing hypercompetition, which in turn stimulates

technical change, shortening product cycles, thus creating greater needs for global markets and additional financial capital.

Self reinforcing mechanisms in reverse.

Now (late 2002) we are seeing the self reinforcing mechanism described in figure 1 working in reverse. Crises in the financial sector (heavy indebtedness in the corporate and consumer sectors of advanced economies, the collapse of major firms including Enron and Worldwide, scandals that reduce the credibility of major firms and the aftermath of the over exhuberance of the 1990's), have spread to other sectors causing the collapse of stock markets and worldwide recession.

Inflationary pressures are low, fortunately, enabling high debt levels in the corporate and consumer sectors of Western Europe and North America to be financed relatively easily. But a rise in interest rates or a depression in consumer confidence could bring about a major economic crisis.

In one respect new capitalism is no different from old capitalism. Both are subject to the business cycle. In upswings of the cycle overinvestment and financial crises occur which have to be reversed by a downswing.

Clashing paradigms

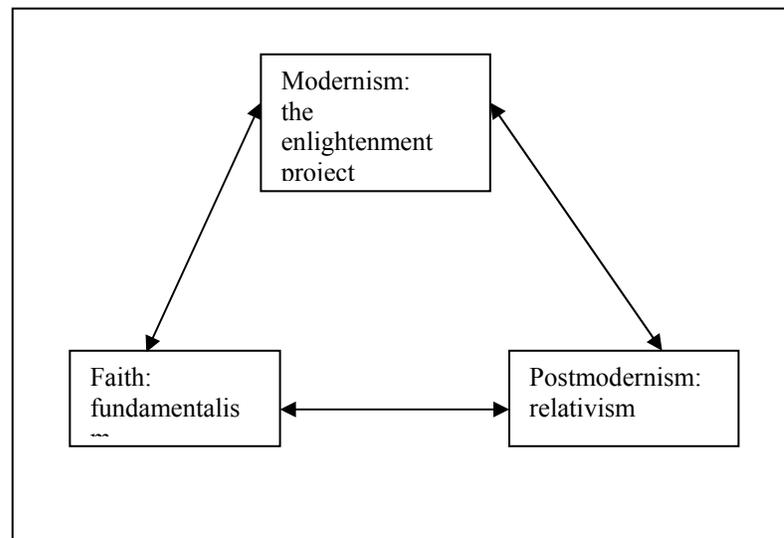


Figure 2

In the realm of ideas, tension exists between three different paradigms (traditions, ways of thinking),

- *modernism* as expressed in the *enlightenment project* that produced modern science and technology
- *relativism*, as expressed in *postmodernism*
- *faith* as expressed in *fundamentalist* interpretations of religion

Modernism is reflected by the omnipotence of science and technology and materialism that has brought great wealth but also a sense of spiritual void. Relativism is reflected in the postmodern distrust of this omnipotence; rejection of the notion that absolute truths exist; emphasis on the influence of discourse (programmed systems of reasoning) that reinforces existing power structures. Postmodernists oppose the grand narratives and what they see as the search for universal truths in modern science and academia. Everything according to postmodernism is coloured by attitudes, language and discourse of the observer. There are many truths, all relative to the observer. Those driven by faith seek universal truth in the scriptures, are likely to oppose the emphasis upon materialism, and try to resurrect faith as a means of filling the spiritual void. Further faith becomes the refuge of those who see themselves as marginalised by globalisation and by the influence of Western values.

Conflicts between modernism, postmodernism and faith at the ideological level resemble the irresolvable childrens game: scissors, paper stone; scissors cuts paper, paper wraps stone, stone blunts scissors, scissors....

Modernism/the enlightenment project

The enlightenment project repudiates substantive absolutism of fundamentalist religions. Instead it absolutizes some formal procedural principles of knowledge and moral valuation. According to its tenets and values we must proceed in a certain way with our inquiries and this procedure is independent of culture. Procedural rationality is the only way to understand the world and the world consists of substantive truths that are verifiable by an independent and objective observer. Reason is the critical tool of mankind.

According to the project, there are no self evident truths. There are no privileged sources. All hypotheses are subject to scrutiny, all facts to novel interpretations.

What is absolute is the method itself; procedural rationality. We make our world as a shadow of our cognitive procedures.

Kant the deepest enlightenment thinker held that everything inside nature was subject to its laws, but knowledge and morality were outside it. Inside nature there was only room for causation.

Kant's ethics amount to an obligation to be rational, where rationality is conceptual orderliness: the refusal to make exceptions, determination to treat all cases as alike and

unify them as far as possible. There are no privileged sources of illumination. There is no Revelation. Only a procedure is absolutized.

There can be no Revelation that is free from scrutiny. Scrutiny is a moral obligation.

Postmodernism/Relativism

A number of notions personify relativism (I am equating relativism with postmodernism). Everything is a text; the basic content of texts is meaning; meanings are there to be decoded or deconstructed; the notion of an objective reality is suspect. All meanings are deconstructed in a way that brings in their opposites; *difference*. Pursuit of generalization is labeled as positivism. Sometimes the author is exiled from the text; readings of the text, reader interpretations are as valid as the intention of the author; reader and author have at least equal status in interpretation.

Relativism is a consistent theme in postmodernism. Truth is ambiguous elusive, inward subjective. Postmodernism is associated with hermeneutics: *Everything is meaning....Whatever is, is made by the meaning conferred on it...It is the meaning with which it is endowed which has singled it out from the primal flow of uncatagorized existence, and thereby turned it into an identifiable object. The subject himself or herself is subject to hermeneutics - to be distrusted as much as objectivity.*

Positivism is interpreted by postmodernism as a belief in the existence of objective facts and the possibility of testing such facts by objective and testable theory, not essentially linked to a particular culture or (subjective) interpretation.

Theory cannot be assessed without reference to its author and his or her social identity. According to postmodernism facts are inseparable from the observer who claims to discern them, and the culture, which supplied the categories, used to describe them. Positivism is linked with colonialism. The notion that objective facts exist is associated with expressions of domination. A link is made between political liberation and cognitive subjectivity.

Faith and fundamentalism

The core of a religion is doctrine rather than ritual and doctrine is final and fixed. It is written and presupposes further presupposes writing, scholarship, or exegesis. In the fundamentalist view of faith, religion is not to be interpreted as saying that it does not really mean what primitive and uneducated people in the past originally took it to mean: it means what it says, literally: faith is faith in something that is literally and unquestionably true.

Fundamentalism occurs in many religions. Sociologists have long entertained a theory of secularization according to which religion declines as science advances. This has not happened in Islam. Increased wealth in some Muslim countries has led to a strengthening

of Puritanism rather than its weakening. Contemporary fundamentalism is strongest in Islam. Islam is perhaps stronger now than it was 100 years ago.

We see fundamentalism in some of the evangelical religions of the West. Again we should not tie fundamentalist psyche too closely to Islam. Taliban attitudes exist in science (in the rejection of alternative methodologies) in certain types political correctness.

Inherent in the contrasting attitudes of reason, relativism and faith are self reinforcing mechanisms in the form of irresolvable conflicts of ideology.

- Their impact is seen in the defense and opposition to globalization, materialism and religion
- In geopolitical conflicts and terrorism.

See Figure 2

The global economy as a complex adaptive system

The global economy as a complex adaptive system has the following features:

- The overall direction of the economy is determined by the interaction of many dispersed units in parallel. The action of any one unit depends on the state and action of many other units.
- There are rarely any global controls on interactions – controls are provided by mechanisms of competition and co-ordination mediated by what I call a **grammar**.
- The economy has many levels of interaction and organization. Units at any given level serve as building blocks for constructing units at higher levels. The overall organization is not just hierarchical: it has entangling interactions (associations, communications) within and between levels.
- The building blocks are recombined and revised continually as the system accumulates experience and adapts.
- There are many niches that can be exploited by particular adaptations.
- There is no universal super-competitor that can fill all niches: any more than there would be in a complex ecological system like a tropical forest.
- Niches are continually being created by new technologies and the very act of filling a niche provides new niches: parasites, symbiosis, and competitive exclusion). Perpetual novelty results.
- Because there are so many niches serving many purposes and needs the system operates far from equilibrium or optimum or global attractor. Improvements are always possible and occur regularly.

The Global Business Environment

The aim of the section on the global business environment is to provide a framework for analyzing the factors, largely but not totally beyond their control, that face modern organizations. We also raise some of social, and ethical problems that affect modern businesses, and their constituents -a network of international stakeholders.

The process of globalization is ambiguous in the sense that although the world is becoming increasingly integrated and homogeneous as a result of the revolution in information and communications technology (the ICT industries), regionalism, nationalism, ethnicity and localization abound.

The current wave of globalization is unique in history: marked by the triumph of a single system of economic organization, capitalism, almost everywhere in the world, and the growth of global organizations that account for about one fifth of world output and about 70% of world trade.

One feature of globalization is the growing gap between rich and poor, both within nations and between nations. In the USA the gains from an unprecedented period of growth since 1982, most of the gains have gone to just one percent of the population. GDP in the 20 richest countries is 30 times that of the poorest 20: up from a multiple of 15 in 1960.

The evolution of global industry

A Darwinian analogy is useful. It forms the basis of modern competitive analysis and also of the capitalism, which Joseph Schumpeter described as one of creative destruction.

The main steps in Darwin's argument can be summarized as follows. The globe undergoes continuous transformation, which means that life on earth must change to survive. There is an unremitting struggle for existence. Nature provides an unlimited supply of fortuitous hereditary novelties. In the struggle individuals with favorable novelties will survive, and others will perish. Each novelty is more or less negligible at first, but successive accumulation from one generation to another makes them far from negligible.

Adapting Darwin's argument to the global economy, we have the following. The business environment undergoes continuous transformation. This means that organizations must adapt to survive. In organizations hereditary novelties take the form of a variety of capabilities. Competition eliminates some. Those who possess capabilities that fit the changing business environment survive. Thus new firms and new industries evolve. Currently as a result of cross border alliances, partnerships acquisitions and mergers, industries and organizations are evolving globally.

Often the image of hypercompetition is used. It highlights the sense that competition is intensifying. The older categories of price and non price competition; adding new dimensions, deregulation, stock market competition, technological rivalry, cross border activity.

As industry evolves, forming new international coalitions, as a result of technological change and the search for higher returns, older value chains are deconstructed. Boundaries evolve and become less clear as firms form networks of alliances and mergers.

The information society and globalization

Castells (1996) writes of fundamental transformations in modern societies composed of two elements

- The growth of the network society. Power in a network is exercised through the nodes of the system (governments, institutions, firms, businesses, activities), but productivity is founded upon making connections between the nodes (in the form of synergies, complementarities, network effects, superadditivity, feedback effects, interdependence – generally all these concepts embody the idea that the whole is much more than the sum of the parts).
- The countervailing power of identity. The power of identity embodies powerful expressions of collective identity that challenges globalization and the cosmopolitan life on behalf of singularity and individual control over ones own life and environment.

A polarization has taken place between net and the self. Networks are open structures, capable of expanding without limit. Network morphology is a dramatic source of power: switches are the holders of power. The network that attacked New York and Washington on September 11th 2001 was more like a (postmodern) network corporation than an old fashioned army

Whereas industrial society was organized and national new global capitalism is disorganized, global and rooted in information. Information is central to products and processes. Technology is rooted in information processing. A networking society has developed and converged into a single integrated system.

Timeless Time

In the industrial age clock time, in the sense of chronological sequencing of events disciplined human behaviour, *creating scarcity of experience out of institutionalized measurement*. People's time is partitioned around dedicated hours devoted to work. Timeless time has developed out of the informational paradigm and the network society that interrupt sequential order; *compressing the occurrence of phenomena, aiming at instantaneity (as in instant wars or split second financial transactions)*.

Changing roles and the prolonging of life, undermine the rhythms of nature without providing an alternative sequence. There is a sense of spiritual emptiness.

The environmental movement is concerned with introducing a glacial time perspective.

The power of the state in a network society becomes merely that of a node in a network of private, public, legal and illegal institutions.

There is a new culture of *real virtuality* of hyper-reality, founded on the transformation from print to electronic media and the need to create ever bigger markets for ever increasing volumes of production from new technologies. Production and consumption in capitalism has evolved from

- **use values** in the early stages of capitalism, through to focus on
- **exchange values**, specialization, scale and scope economies, to
- emphasis upon the **production of symbols, identities and information.**

New Capitalism

New capitalism has a number of features that taken together distinguish it from earlier evolutions; networks, information, interdependence, (and potential disorganization), and Americanization. In new capitalism productivity and competitiveness increasingly depends networks of relationships between firms that cross national boundaries.

This is facilitated by information flows. It is increasingly dependent upon interconnectedness that is facilitated by a more explicit dependence upon information, and disorganization in the sense that the new media, computer mediated communication and technology of information generation and processing are the basis of development.

It seems to be tied to the expansion of capitalism as an organizing form. Globalisation is a complex interaction of economics, politics and social trends, of technology and finance, of ecology and demography, liberalism and fundamentalism.

It incorporates seeming contradictions, through the simultaneous growth of nationalism, regionalism and ethnicity. In the global economy there is an **absence of dominant supercompetitors** politically or economically, who can really control the process.

In the new era of capitalism, information and knowledge are the dominant sources of the competitive advantage of firms, and the competitiveness of nations. In many ways the world economy has become global. Financial capital and information, to a large extent beyond the control of national governments, flow across national boundaries.

Business enterprises, organizations and institutions have, over the last twenty years or so, made the transition from the mere production of use and exchange values. The system has increasingly become concerned with the production of symbols and images. Identity,

and the related concepts of image and reputation, acts as means of communication and perhaps as sources of competitive advantage.