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## The Challenge of Global Economic Integration

Today's emergent postindustrial, post-cold war socioeconomic order is characterized by increased global economic integration, cultural dominance of very large, privately owned media organizations, and automated and/or offshore production of goods. Many find this new world dynamic, exciting, and full of promise; others, even before September 11, 2001, found it threateningly insecure. This new order is also clearly, in many of its important dimensions, undemocratic. It is all of these things; both the promise and the perils are real. The processes of global integration are seemingly inexorable—economically, politically, culturally, socially, and environmentally. We are all more and more bound together by integrated production, transportation, communication, investment, and politics. This book argues that this integration, in both process and outcome, has been inequitable, environmentally unsustainable, and undemocratic, but that this result is neither inevitable nor inherent in the fact of globalization.

This book, then, is neither a celebration of the technological wonders of the new digitally integrated age, nor another ethical/political “alarm bell” over globalization. I seek an analytic and balanced, yet provocative perspective on global economic integration, in an emerging era that carries both enormous challenges and enormous potential. The central challenge is to imagine politically plausible ways global society can realize its positive potential more fully. We are a long way from doing so. One reason for this failure is precisely the global character of the emerging society and our understandable and appropriate discomfort with the very idea. Another is the structure and nature of its principal means of organization and communication. As Bill McKibben has argued so persuasively, ours is increasingly an age of “missing information” wherein our old ways of learning

and communicating are replaced in large measure by global media, an inferior substitute in many ways.<sup>1</sup>

### **Democracy's Dilemma**

Democracy's dilemma is this: global economic integration virtually requires some form of corresponding political integration, but the very notion of global government in any form is worrisome, especially perhaps to those with strong liberal democratic instincts. The response to this dilemma among most of those who advance freer global trade and investment opportunities (and the expanded integration of media, communications, travel, and immigration that are bound up in the process) is often a disingenuous denial. They imagine, assert, or proceed as if the world can be integrated ever more tightly economically, while each nation at the same time is "free" to establish its own rules regarding social equity, environmental protection, and all manner of other "domestic" policy concerns and outcomes.

This is simply not the case. Global economic integration provokes an array of lowest-common-denominator socioeconomic and policy tendencies, usually bound up with an ongoing political and economic search for "competitiveness." Economic integration without established global social and environmental standards, while not always a race to the bottom in terms of social equity, environmental protection, taxation, and wages, does comprehensively shift the balance of political pressures. As economic integration advances, absent systematic countervailing pressures and/or regional environmental and social standards, many nations have difficulty enforcing existing environmental standards and face great challenges in establishing any stringent new initiatives. Moreover, work conditions such as maximum hours worked involuntarily, or the proportion of the workforce in involuntary forms of part-time, low-benefit employment, as well as the relative wage position of low-income individuals and families, are prone to deterioration even in very wealthy nations. In addition, all manner of public social programs suffer retrenchment (conceived as updating), and gone entirely is the once-normal promise of ever-improving programs.

There are, of course, also countertendencies of several sorts. The European Union (EU) has sought to harmonize many social and environmental standards and has generally done so in a way that harmonizes upward

(though it has not often established the highest possible standards as a EU-wide norm). The EU has, in effect, created since the early days of the European Coal and Steel Community a half-century ago, a partial political integration to complement the deliberate, and widening, economic integration of the continent. A second modest countertendency has occurred in the unusual circumstance in which something approaching full employment has arisen (as in the United States from the mid-1990s into the new millennium). In those rare instances, pressures arise to improve low-end wages, and the very fact of full employment may raise the relative economic circumstances of the poor as a whole. Finally, there are particular circumstances in which jurisdictions can urge, or even force, higher environmental standards on other, reluctant jurisdictions. This outcome, however, may require a particular and uncommon set of circumstances.

More frequently, production within jurisdictions with lower environmental standards has an advantage, and political pressures are thereby created within jurisdictions with higher standards. These pressures push governments to at least tread softly with enforcement lest local manufacturers fail to remain competitive. They also pressure governments to be less responsive to public preferences for more stringent standards of all kinds and toward lower levels of taxation, especially for globally mobile corporations and wealthy investors. The positive side of downward pressure on taxation is that it may urge greater efficiency on the public sector. However, without minimum social standards, or at least expectations, the result may be more often marked by a deterioration of health, education, and infrastructure than by true increases in efficiency.

So pervasive and powerful are these pressures to achieve a capacity to compete globally that it can be argued that democracy itself is undermined by global economic integration. That is, the new economic realities of mobile capital and production capacity pressure elected governments to ignore or manipulate public opinion toward what they perceive to be economic necessities. Domestic policy is thus systematically skewed by conscious creation of economic integration without social and environmental minima. This new reality alters the array of democratic political forces within every participating nation. Also utterly undemocratic are the processes of trade-related decision making growing outside the nation state. Both contexts might be characterized as economicist—they now proceed as if economic gains always and automatically produce cost-free

gains in all realms, including the social and the environmental realms. This is patently false.

In the realm of economistic global institutions, where the creation and ongoing management of the global economy take place, democracy's dilemma is most starkly visible. The only way to pretend that comprehensive global governance has not already been established is to pretend that the decisions made are technical and somehow solely and wholly "trade matters." Accordingly, virtually all inputs into the decision processes come from technicians and from those with a demonstrable interest in trade outcomes: industries, industry associations, investors, financial institutions, governmental agencies, trade organizations, and perhaps a few well-established labor unions. An intricate web of trade treaties and organizations established to maximize trade and cross-border investment opportunities is established, but the highest environmental standards are not imposed on all participants, nor are *any* minima with regard to wages, domestic social equity, or social policy such as pensions or even the legality of trade unions.

These rules have been established through processes largely closed to the public and even the media. They are carried out by participants virtually united in their economistic presuppositions and invariant in terms of their backgrounds and interests. These forums are, in essence, global government that refuses to claim the title or to behave according to any semblance of democratic selection or participatory processes. But to acknowledge this seemingly places one in a position of advocating actual and acknowledged global government or at least governance—the establishment of processes that reject economism and seek to establish the environmental and social minima necessary to rebalance and democratize the outcomes associated with the global economic integration before us. Yet what democrat among us does not see the difficulties of distance and scale and defense of national interest that this would imply? This combination almost seems to fly in the face of democratic possibility. This is democracy's dilemma in the age of globalization.

### **Capitalism and Democracy in a Global Age**

This book takes as a given that at present, and perhaps for the indefinite future, there is no politically viable alternative to markets as the central structure through which a great proportion of socioeconomic activity is

organized. Governments, however, should and do still urge economic markets in one or another direction (even if they deny, or fail to recognize, that they are doing so). However, markets themselves—contemporary mythology notwithstanding—are neither neutral nor autonomous. The worst excesses of “accumulation-maximizing” markets, operating on a global scale, may harm human well-being as much as they enhance it, threaten nature, and at times undermine their own stable functioning. Guiding “free” markets, then, is not a contradiction in terms, though it is a considerable challenge.

One must assume (or at least hope) that effectively functioning markets do not *require* radically unequal income distribution and environmental destruction. This assumption seems to run contrary to contemporary elite opinion, especially in North America.<sup>2</sup> And one must also assume that democratic governments, even in an elite-dominated era, will in timely fashion find the wisdom to steer economic production away from the environmentally nonsustainable trajectory on which it presently seems to be locked. Such redirection will not be universally popular, but there is every reason to hope that democratic intelligence will learn to focus on longer-term human well-being, especially because contemporary tendencies are going to make that new focus more and more necessary.

One significant political error of the 1990s was the understandable, but erroneous, view that the abysmal failure of command economies somehow demonstrated that “unfettered” markets were the only way to economic and all other forms of societal success. There are at least three problems with this view. First, all markets are “fettered” in one way or another. Second, markets without an effective and active democratic state are every bit as prone to systemic failure as are states without effective markets. A world of low-wage economies, for example, has no customers. Also, bankers are not prudent by nature; it is not their money. Moreover, the only firms that can enforce their own contracts are monopolies and the Mafia. Third, economic success without success in terms of human well-being and environmental quality is not only all but worthless, but radically unstable on its own terms. Employees with environmentally induced illnesses may have low productivity. If there are no fish, there are no fish products to sell.

One further introductory caution remains. Given the emerging structure of a globally integrated capitalist economy, “taming” or “guiding” the

market would seem a more prudent, feasible, and desirable goal than “managing” or “controlling” it—given democracy’s dilemma as described above. Thus this book is market-sympathetic and market-sensitive enough that it takes as a fundamental task a careful search for tools of intervention that will restrain the worst excesses and steer the market in better directions but that do not presume to dictate one market behavior for all. Moreover, the book seeks tools that will “tame” without requiring legions of public employees to monitor the details of production and consumption. At the same time it asserts that public service is essential, and even still a higher calling. This book is, then, politically middle of the road though some will see it as either surreptitiously “left” or “right.”

I also begin with two other, deeper, assumptions. The first is that some values are more important than economic values and need to find more effective expression within both democratic affairs and everyday life. The second is that the economic realm is based on principles and practices that are not easily directed in detail. We might wisely render unto Caesar, but societies, if they are to be societies, also need to place some values above short-term monetary outcomes, and to intervene in the economic realm accordingly.

### **The New Age of Global Integration**

One way to understand the form of global society that is emerging is to understand where it comes from. Today’s society is a global and uniquely media-dominated capitalist system that has arisen out of mass industrial society, which in turn developed from an earlier industrial (agriculture and craft-based) society. Prototypical products of craft society were food, furniture, clothing, and other household goods. Prototypical products of mass industrial society were automobiles, radios, televisions, and appliances. Prototypical products of today’s global capitalism are software, computers, movies, and mutual funds. Craft societies bridged a transition from feudal, agricultural societies to capitalism. Mass industrial societies were highly contested in terms of socialist and capitalist forms of socioeconomic organization. Craft societies were primarily rooted in communities, cities, and regions. Mass industrial societies arose in tandem with, and were essentially managed within, nation-states. The new society, it would appear, will be dominated by privately owned, global-scale economic organiza-

tions. It is an open question as to whether states will act cooperatively and effectively to countervail the domination of those global corporations.

The global organization of the economy and the global mobility of investment discourage economic intervention by single states, unless those interventions are promoted by, or necessary to, nationally resident branches of global firms. Charles Lindblom's observation that citizens hold governments responsible for economic stability and well-being still largely holds, but the reality now is that few governments, singularly, have the power to impose their will on one or several large firms, or even on some groups of high-income individuals.<sup>3</sup> All of these actors are now free to invest as, when, and where they choose with ever-fewer restrictions and ever-greater protection of their capital. This power can be all but overwhelming politically unless governments can cooperate either regionally or globally to achieve an agenda different from that which these corporations might prefer. Thus far, however, there have been few attempts at concerted action, other than actions taken to accelerate and intensify the process of globalization.<sup>4</sup>

The evolution of the new global capitalism has been overseen by corporate managers chosen from within corporations and adhering to their values. To make the point starkly, the autonomous political realm has been all but eclipsed throughout the world. It is not that nations are suddenly bereft of capable political leadership. But their positions are suddenly bounded by a new logic. The position "political leader" has been reengineered; democracy has been constricted. The incumbents in political positions operate within a more delimited space, with fewer ideological and policy options. The bottom line of global competitiveness is defined and enforced largely outside what remains of the political process. Bottom-line performance, measured solely in terms of gross domestic product (GDP) and profit, is judged day by day "on the markets," whereas elections resolve differences in telegenic style and polling competence (resulting in minor adjustments in sound bites and policy mix). In the global era, though possibilities for significant adjustments in the global rules of the game still exist, noneconomic voices have been largely confined to the back pages.

The electronic media (which have now subsumed much of the world of print in style, content, and integrated ownership) are the voices most frequently heard, and they are increasingly integrated and monopolized by large corporations. Diverse voices remain within some segments of public

discourse (in books, in universities, on the Internet), but mindless and systematically uncritical infotainment increasingly prevails. It is no accident that public affairs often seem indistinguishable in content from soap opera and film. Media attention, for the most part, focuses on the trivial and the personal because actual politics have all but left the electronic stage. The great issues of our time are rarely spoken of in public, and serious matters such as poverty and the environment appear tedious to many.

### **The Ironies of the Global Age**

The age of global economic integration is rife with ironies, both obvious and subtle. Among the more obvious are rising poverty in the face of an enormous surge in productive capacities, declining leisure time in the face of increasingly automated industrial production, and reversals in environmental protection in the face of advancing environmental knowledge and high levels of environmental concern. The negative effects of globalization on wage levels and working conditions in some industrialized countries have also been widely noted. Also widely discussed are the effects of a possible “race to the bottom” in terms of taxation levels and social programs among nations competing for investment, further undermining the lives of the economically disadvantaged.<sup>5</sup>

George Soros and James Goldsmith, highly successful international investors, have both raised questions about the need to balance corporate power in the age of globalization. Soros argues that *laissez-faire* capitalism “holds that the common good is best served by the uninhibited pursuit of self-interest. Unless it is tempered by the recognition of a common interest that ought to take precedence over particular interests, our present system is liable to break down.”<sup>6</sup> Goldsmith is more direct in noting that “forty-seven Vietnamese or forty-seven Filipinos can be employed for the cost of one person in a developed country, such as France. Until recently . . . 4 billion people were separated from our economy by their political systems, primarily communist or socialist, and because of a lack of technology and of capital. Today all that has changed. Their political systems have been transformed, technology can be transferred instantaneously anywhere in the world on a microchip, and capital is free to be invested anywhere the anticipated yields are highest.”<sup>7</sup>

Goldsmith then comes to rather unexpected conclusions. He draws a “finger-in-the-dike” conclusion openly opposing further European integration. He might more reasonably have advocated widespread political integration matched to the scale of economic integration. In this strategy the European Union might be seen as a beginning. Ultimately some form of integration might develop that could lead to the gradual harmonization upward of wages in poorer nations rather than the rapid driving down of wages in rich nations that he seems to fear.

Another irony of the global age is perhaps even more surprising. Despite significant gains in industrial and financial-sector automation and corporate “delayering” and “reengineering,” all resulting in productivity gains, average work time, especially outside Europe, is actually increasing. In some poor nations, conditions in plants producing for export markets closely resemble conditions in the sweatshops and satanic mills of nineteenth-century Europe and North America. Hours there are extremely long. In wealthy nations as well, even when unemployment rates are high, average hours worked have frequently increased. Since 1980, the percentage of employed people working more than fifty hours per week has increased 19 per cent. Bruce O’Hara, an advocate of reduced work time, has concluded that work-time reductions occurred from 1800 through 1950, but since that time the conversion of some productivity gains to increased leisure has been reversed.<sup>8</sup> The increase in work time is compounded from a family-centered perspective, considering the sharp increase in the proportion of women in the workforce in this same post-1950 time frame. The staggering irony is that precisely when time away from work is most needed (because of transformation in gender-based work patterns), and is most possible in terms of automation and productivity breakthroughs, the reverse trend is gaining ground.

Environmental protection in the global age is also fraught with both irony and complexity. Clearly there may be some correlation between increased total economic activity and increased threats to the global environment—a correlation far from one-to-one, but a correlation nonetheless. To the extent, then, that there is a race to the bottom the environment might gain when that race constrains wages (and thereby buying power), but will almost certainly lose when conducted in the realm of environmental regulation.

However, other possibilities must also be considered. Low-wage workers may produce more per dollar of wages, and what is not spent on wages will be spent either on such things as private corporate jets or on automated production capacity. In such cases the environmental costs of wage restraint may be higher. Moreover, rising GDP may well correlate with increased pollution-abatement expenditures. And economic insecurity is often (though not universally) associated with poor resource-use decision making and management.<sup>9</sup> Simply put, then, both poverty and wealth can result in either environmental damage or environmental improvement. The challenge is to balance social, economic, and environmental needs, to optimize gains in all three realms in a balanced way.

Complexity has frequently been used as an argument against attempts at coordinated public action. This view presumes that humans are less likely to learn when they are trying to do so. F. A. Hayek presumed that the “invisible hand” of market decisions was wiser and more capable than the self-conscious, collective rationality of democratic decision making.<sup>10</sup> The market is, however, both highly structured in terms of access, and monolithic in terms of values. The rules under which markets operate—and the absence of rules regarding some matters—are established and enforced by governments and could be different than they are. Moreover, within electronic capitalism more and more contested matters, ironic or otherwise, are left to marketplace resolution (or inattention). The process of globalization urges individual governments to intervene less on behalf of nonmarket—redistributive or environmental—values. It is, however, increasingly clear that governments must act collectively, perhaps even in the best interest of the market system itself and certainly in the interest of human societies as a whole, as well as nonhuman species.

Thus we have entered an age of high irony. We work ever harder, when automation and labor-saving technologies abound. Moreover, some societies are prone to rising unemployment at the same time that many individuals work increasingly longer hours. Global and domestic poverty grow even as production capacity and actual total output expand rapidly. We seemingly love nature more, but appear unable to slow its destruction. Yet, in an age when we have never needed political activity more, citizens seem even less interested in such initiatives. And the greatest irony of all, perhaps, is that we do not need less globalization, but more (albeit in different forms and in a different spirit).

The capacity to influence markets has always been a near-perfect function of wealth and income. The capacity to influence governments' relationship to markets is a function of both political and economic variables (including everything from political activism to media visibility to the capacity to invest or to influence interest rates, or governmental bond values, or currency exchange rates). Wealth and income of course influence government, although it is hoped that this influence is at least in part offset by such things as voter autonomy, rational argument, and public preferences for values other than strictly economic growth or rising profit levels. The question is to what extent and in what ways the array of changes considered in this book have altered the balance between democracy and markets. Many analysts, writing from a variety of perspectives, have contributed to our understanding of this patterned change.

### **The Academic and Popular Critique of Globalization**

Criticism of global economic integration has emphasized possible job losses within wealthy economies, increased economic instability, increased economic inequality, cultural homogenization, environmental deregulation, and constraints on democratic effectiveness. The latter are seen to arise when global economic competitiveness overwhelms domestic politics and from the closed nature of global decision processes.

The leading critics of globalization, and what Dan Schiller has called digital capitalism, include Robert Frank and Philip Cook, who see a winner-take-all society arising out of the nature of new electronic products and global production capabilities and markets; Jeremy Rifkin, who has misperceived the new era as an end of work; William Greider, from *Rolling Stone*, and John Gray, the renegade British Tory, both of whom see a global economy as a less stable economy; Hans-Peter Martin and Harald Schumann, reporters for *Der Spiegel*, who describe an "80-20" world wherein majorities (80% even in rich nations) are economic losers; and Linda McQuaig, a Canadian who in *The Cult of Impotence* berates today's governments for making a fetish of their own self-created powerlessness in the face of global competition. Also notable are Schiller, who critiques a society rooted in computerization and communications, and Benjamin Barber, whose 1995 appraisal in *Jihad vs. McWorld* now seems frighteningly prescient.<sup>11</sup>

**Table 1.1**  
Average Unemployment Rates

	1965–1969	1970–1974	1975–1979	1980–1984	1985–1989
United States	3.7	5.3	7.0	8.3	6.2
Japan	1.2	1.3	2.0	2.4	2.6
Germany	0.9	0.9	3.8	6.1	7.7
France	1.8	2.6	5.0	8.1	10.2
United Kingdom	1.7	3.1	4.7	9.6	9.7
Italy	5.5	5.7	7.0	8.8	11.6
Canada	3.9	5.7	7.6	9.9	8.9
Average	2.7	3.5	5.3	7.6	8.1

Much in these assessments is valid, but it does not appear that there is a systematic decline in employment opportunities nor does a global economy seem any less economically stable. Unfair perhaps, but not necessarily less stable unless and until environmental and resource nonsustainability comes into play in a major way.

North American concern with the effects of globalization on employment took hold in the late 1970s and early 1980s, when imports rose sharply and North American productivity was stagnant. In particular, Japanese management, that nation's extreme appetite for work, and its emphasis on savings and just-in-time production were widely promoted as vastly superior. The North American response was a rationalization of production codified in trade agreements. We can see in hindsight that Rifkin and others overinterpreted the repositioning of the North American economy as a permanent decline of work opportunities. Such a conclusion would be easy to draw from the data in table 1.1, but the 1990s and since have not held to the pattern. Similarly, the Asian monetary crisis of 1998 was overinterpreted by others as the instability of a global economy.

More accurate is Martin and Schumann's assessment of the systematic corporate reporting of profits in low-tax nations, helping to drive down business tax rates everywhere. Global tax havens have not been widely challenged even in the face of growing global terrorism (other than for terrorists). Martin and Schumann identify 100 global centers where deposits are immune from taxation either because banking records are secret or be-

cause citizens of larger nations also hold citizenship and/or maintain residence in these bastions. The amounts of wealth involved are considerable: “According to International Monetary Fund (IMF) statistics, a total in excess of 2000 billion dollars is managed under the flag of various off-shore mini-states, beyond the reach of the countries in which the money was made.”<sup>12</sup> Martin and Schumann’s other notable contribution is the argument that the solution to many of globalization’s problems lies not in less economic integration, but in more political integration, through the World Trade Organization (WTO) or a strengthening and spreading of the European Union model.

Without some form of global governance at a scale matching the evolving economy, some envision a global society where all is dominated by the reward structure of entertainment and sports—where thousands compete, most unsuccessfully, for a very few positions with a very high level of reward. In sports, performance differences of hundredths of a second distinguish between fame and obscurity, between vast wealth and the need to find another way to earn a living. This shift is already dramatic within the mass media, where reproduction costs are almost zero and markets are more and more global and homogenized. The incomes of live local performers often decline at the same time global media stars attain staggering wealth.

The winner-take-all phenomenon is pervasive in today’s economy and applies to goods as well as information. Frank and Cook assert that whenever there are significant economies of scale, there is a natural tendency for one product to dominate the market. Getting an early edge can be crucial, and thus small differences in performance result increasingly in large differences in reward.<sup>13</sup> In Frank and Cook’s words, “To be a player in the tire market in northern Ohio it was once sufficient to be the best tire maker in that part of the state. But the well-informed consumers of northern Ohio—like their counterparts everywhere else—now choose from among only a handful of the best tire producers worldwide.”<sup>14</sup> This new reality is one source of an increased bargaining power for a small number of top managers and marketers, and provides the basis for the intense drive to lower production costs.

One result is a continuous skewing of income distribution. Frank and Cook note a 104 percent rise in the upper 1 percent of U.S. incomes compared to a 7 percent rise in median incomes between 1977 and 1989. At

the same time that income increases skewed in favor of upper incomes, marginal U.S. tax rates declined from 91 percent to 28 percent between 1961 and 1989. These increasing income disparities are not unlike the concentrations that occurred in the early days of the industrial revolution, when vast fortunes were made in steel, railroads, oil, and lumber. Despite declining unemployment in the 1990s, on a global scale at least income skewing has continued.

The United Nations Development Programme (UNDP) has documented increased global disparity. At the turn of the millennium it reported that the wealth of the world's 200 wealthiest individuals more than doubled, from \$440 billion in 1994 to \$1.042 trillion in 1998.<sup>15</sup> This wealth is equal to the combined annual incomes of 41 percent of the human population (over two billion individuals). In another example, the incomes of corporate CEOs as a group were 100 times that of the average industrial worker in the 1960s; now they are 350 times. This historically rapid rise in inequality, one might reasonably argue, is a central defining characteristic of today's economy.

Another result of economic integration is homogenization, a decline in cultural, social, and environmental diversity. In response there has been a growing organized resistance to the inclusion of "cultural industries" in trade agreements. One early attempt at defending cultural autonomy is noted by Schiller, and cultural autonomy was one of the points on which the Multilateral Agreement on Investment (MAI) treaty foundered.<sup>16</sup> Some nations limit cultural homogenization by subsidizing domestic publishing, filmmaking, and music because extreme savings of scale in cultural industries sometimes determine majority cultural preferences.

Economic concentration and specialization (and fewer sites for the extraction and production that may accompany this change) can also have a variety of environmental and social effects. Environmentally, concentrated production can lead to concentrations of pollution beyond nature's local assimilative capacities (though it may also lower the per-unit cost of pollution abatement in some cases). Plant monocultures (whether forests or farms) increase the need for chemical fertilizers and pesticides and generate other ecological costs. For example, global-scale hog and chicken production have resulted in pollution problems in the Carolinas and Arkansas respectively. Socially, one effect is the restriction of occupational choice in partic-

ular locales or even nations. On this point, Herman Daly has noted that the strong comparative advantage of Uruguay in sheep and cattle production frustrates local ambitions other than to be shepherds or cowboys.<sup>17</sup>

Daly observes that personal fulfillment, community, and nationhood all require economic diversity—the opportunity to have local banks, universities, medicine, and symphonies, not just ranches. Environmentally, without a “local” symphony one must expend fuel (and generate air pollution) to bring in a visiting orchestra (or have a nation or region forgo the experience of live symphony performances). Narrow economic assessments of comparative advantage and savings of scale miss much of this.

Schiller articulates the reach of global homogenization in both the economic and cultural realms (especially communications, media, and education). He sees this transformation as going hand in hand with the evolution and rapid growth of networking and the systematic deregulation and privatization of telecommunications. He calls this new reality *digital capitalism*, and he links global economic integration and the evolution of computer networking. He notes, for example, that the rise of the Internet, the rapid post-1970 growth of telecommunications, and the rapid expansion of transnational corporate operations outside of the wealthy nations were simultaneous and not coincidental.<sup>18</sup> Important and related aspects of the transformation to digital capitalism are, for Schiller, the commercialization of the Internet, the privatization and deregulation of the worldwide telecommunications, and the rapid movement of large corporations into the sphere of education.

Schiller’s insights are essential to an understanding of the new global political economy. My own preference of a descriptive term for what has emerged is, however, *electronic*, rather than digital, *capitalism*. One reason for this preference is that the global and information economy preceded the digitalization of dominant media. Indeed television, film, and print media established global markets and branding before PCs or the Internet were widely available. Moreover, “electronic” capitalism implies an important role for some noncommunications technologies in the contemporary transformation (automation and a wide variety of measurement technologies, for example).

The more important point regarding either digital or electronic capitalism—whatever one prefers—is that instant global communications make

global economic integration technically possible, and the private, near-monopoly, and highly commercial character of that emerging communications system has created today's cultural, economic, and political outcomes. Cultural and even linguistic homogenization is but one aspect of this evolution. Another is an enormous political imbalance in that I call *economism* (and Benjamin Barber calls *economic totalism*)—a systematic and continuous dominance of social, cultural, and environmental concerns by narrowly defined economic objectives.

Barber sees this secular commercial world, McWorld, as locked in a titanic dialectic struggle with various forms of spiritualism, traditionalism, and tribal localism that he calls “jihad.” He links McWorld with “manufactured needs, mass consumption and mass infotainment” and sees both it and tribalism as rejecting moderation and democratic guidance. Accordingly, he fears a future where the only available options are blood brother or solitary consumer. Like Martin and Schumann, he notes a dearth of effective global rule making.<sup>19</sup>

National governments often welcome visible external pressures as a means of diverting blame. McQuaig's phrase “the cult of impotence” describes governments that are all too happy to be powerless in the face of global economic forces. These same governments have put in place, largely within closed bargaining sessions, trading rules and regimes that seemingly force them to do unpopular things. Whether or not today's national (or state and local) governments have more options than they pretend to have, there is no denying that nations could *collectively* choose to establish wage, environmental, and social policy standards as part and parcel of global economic integration. They might do this through the trade-agreement process, but to date they have not.

The democratic dilemma, then, is multidimensional and rooted in part in economism and a belief that GDP growth will lead linearly to all manner of social good, as well as to consumer goods. Social programs are cut back so that taxes can be reduced so that economies are more competitive so that economic growth may occur and thereby obviate the need for social programs. The logic is impeccable, unless one is an unemployed cancer victim or a child in a poisonous inner-city school. A similar logic and unfortunate outcome often apply to the restraint of environmental protection. Barber captures this nicely in observing that both jihad and McWorld are at best indifferent to democracy and that “it is not capitalism but un-

restrained capitalism counterbalanced by no other system of values that endangers democracy.”<sup>20</sup>

### **Getting Beyond Easy Assumptions Regarding Economic Growth**

Economic growth is, then, the overriding objective of globalization, but there could ultimately be barriers to that growth—or at least there is cause to believe that economic growth in some forms carries a considerable environmental, and perhaps a social, price. Many believe, however, contrary to a major theme of this book, that there is a systematic and virtual one-to-one correspondence between economic wealth and societal well-being. Aaron Wildavsky, for example, has made the case that the wealthier the nation, the healthier its people. He makes his case well enough to give pause regarding easy assertions that the costs of economic growth beyond a certain level threaten to exceed the “real” gains. Another question worth asking here, a question not often raised by many critics of globalization, is the following: Might global economic integration not promote competition for positive environmental and social performance as well as economic efficiency? David Vogel argues that this is the case, at least in some circumstances. Julian Simon and Herman Kahn go further and argue that virtually all of the possible limits to economic growth are more imagined than real.

Simon and Kahn’s edited 1984 volume *The Resourceful Earth* (funded by the conservative Heritage Foundation) offered a wide-ranging rebuttal to the Global 2000 Report to the President published in 1980. It remains one of the more comprehensive “cornucopian” statements.<sup>21</sup> The central assertion of this work is that for the most part the world’s resources are not threatened and should not become a significant constraint on future economic growth. With hindsight, it is clear that the thesis of the Global 2000 report was, in fact, overstated in some respects. It also needs to be said that many of Simon and Kahn’s assertions were well taken. In particular, some of the cautions offered regarding the prospects for renewable energy as a replacement for fossil fuels are pointedly correct—a systematic dependence on forest biomass as an energy source, in the phrase of a cited source, “would mean operating a worldwide herbarium.”<sup>22</sup> This is not to say that some proportion of present energy use could not derive from such sources, but that “soft-energy” advocates do need to be reminded that the higher

that proportion the greater the environmental price in terms of, for example, erosion and loss of nonhuman habitat.

Ironically, however, the Simon and Kahn volume is at its worst regarding the question of habitat and wilderness issues. As chapter authors in this volume, Simon and Wildavsky handle this in an interesting way, but for the most part miss the point of environmental analysis. They seem to take the absence of certain evidence of a sharp rise in extinctions of species to be sufficient grounds for minimal concern regarding deforestation or declines in wild habitat. They may have been correct regarding alarmist estimates of extinctions over the period 1980–2000, but both they and those they critique are wrong to focus excessively on extinctions per se. If habitat-conservation action requires proof of mass extinction, surely little can be done after the fact. More important than extinction is the question of the rate at which viable large-scale ecosystems have endured or large, healthy populations of classes of species continue to exist in the wild. What proportion of old-growth coastal forests in North America remain? What proportion of coastal saltwater marshes? What is the trend in the wild population of tigers? Parrots?

Simon and Wildavsky are plainly unwilling to value nature intrinsically, or even highly, as the following assertion suggests: “One should not propose saving all species in their natural habitats, at any cost, even if it were desirable to do so, any more than one should propose a policy of saving all human lives at any cost, for the cost is counted in human welfare forgone because limited resources were devoted to lesser uses. Certainly we must try to establish some informed estimates about the social value present and future of species that might be lost.”<sup>23</sup> The only possible value is taken to be “social value.” Moreover, they consider only active acts of saving, rather than the possibility of passively permitting, wild existence. Conservationists are making the point that virtually all nonhuman habitat is under threat or may be in a matter of centuries or even decades. Simon and Wildavsky presume that humankind somehow has a right to choose which species it will, or will not, eliminate.

In brief, looking back from beyond the year 2000, this volume and the report it criticized are both (as one might expect) unevenly successful on many counts. Simon and Kahn offer some warranted cautions regarding the assertions of environmental science. They were generally correct regarding the future of nonfuel minerals. They were generally wrong about

the future of the world's fisheries, which has turned out in many cases to be at least as bad as anyone had predicted and far worse than this volume seemed to be claiming. But "cornucopianism" of this vintage was never so wrong as in the tone of its assertions regarding climate warming. The 1990s turned out to be warmer than Global 2000 had worried the decade might be. Hans Landsberg, in a chapter in Simon and Kahn, is generally judicious in his criticisms of Global 2000's climate worries and correct regarding the general benefits of reforestation, but almost certainly wrong in assuming that more warmth would necessarily benefit agriculture in northern climes and that polar melting was not likely to be problematic.<sup>24</sup>

Overall, sustainability concerns are still with us despite Simon and Kahn's lack of concern. More interesting, however, is Wildavsky's attempt, in *Searching for Safety*, to systematically link wealth and health.<sup>25</sup> Whatever the flaws in the details of his argument (an argument that cannot account for health outcomes in some nations both rich and poor), Wildavsky's broadest point is well taken. Richer is better, especially in terms of potential. Many critics of globalization dismiss overall net gains in global GDP because the larger share of the wealth increment has thus far gone to the rich, especially the rich in rich nations. I obviously am in strong sympathy with this general view, but would not dismiss the desirability of economic growth per se. After reading Wildavsky, it is harder to reject additional increments of economic growth out of hand. To the extent that electronic capitalism actually delivers growth in the right form and to the right people, it likely would add increments of well-being, including improved human health.

However, it is much better to demonstrate well-being gains directly, and to see economic growth as a means rather than an end. The proper end is human (and nonhuman) well-being. These must be measured independently and not simply assumed to follow from rising total societal wealth. To his credit Wildavsky sought to demonstrate a correlation, and while he overinterpreted his general finding, the matter of possible linkage was for him an important and complex question rather than a mere assumption. The economy is an intermediary means; the ultimate means is the array of living beings (flora and fauna), materials, and energy that comprise nature. Nature, and human ingenuity and prudent intelligence, are the ultimate means. The question is not simply how humankind can maximize GDP, but how we can maximize well-being per "dollar" of GDP and how we can

get the most GDP per extraction from, and imposition on, nature. Richer is likely better in terms of well-being, but in the age of electronic capitalism we must also ask: Which nations are achieving all that can be achieved environmentally and socially at any particular level of wealth? And why are they, or are they not, achieving all they can?

Where Wildavsky is an unabashed advocate of economic growth (even if there are environmental costs), Vogel is generally inclined to trade as a means of achieving growth, and is open to the possibility that trade can also deliver environmental benefits (over and above the health benefits Wildavsky might see as resulting from growth). Vogel also sees many protective regulations as intentional nontariff trade barriers. He attributes the possible environmental gains associated with increased trade to what he terms the “California effect.” As he puts it, as trade increases, “a number of national consumer and environmental regulations exhibit the California effect: they have moved in the direction of political jurisdictions with stricter regulatory standards.”<sup>26</sup> In other words, there is sometimes a tendency for a “race to the top” in terms of environmental and other regulations. The particular case in point regarding the name given to the phenomenon involves the higher standards regarding automobile emissions in the state of California. These higher standards are made necessary by high population density, heavy automobile use (associated with urban sprawl), and climatic conditions favoring severe inversions and associated air-pollution events.

This is an important outcome that shows some of the complexity of the relationship between economic integration and environmental outcomes. It will be helpful to keep this in mind throughout this book. There are a number of possible negative effects as well that will be discussed from time to time whose limited nature is not, in my view, as easily demonstrated empirically as Vogel asserts. However, Vogel’s explanation for why the California effect occurs is much more important than the question of whether the positive or negative effects of trade on environmental regulations are greater: “The California effect requires both that political jurisdictions with stronger regulatory standards be rich and powerful, and that non-state actors in rich and powerful political jurisdictions prefer stronger regulatory standards. California’s impact on both American and European regulatory standards is a function of the size of its ‘domestic’ market.”<sup>27</sup> Vogel goes on to assert that Germany has had a similar positive effect

within the European Union because it is not Portugal, as California is not Delaware (bigger and richer are also cleaner in both cases).

This conclusion could not be more important. What Vogel may have missed, however, is that the preference for higher environmental standards usually results from environmental effects within the borders of the wealthy jurisdiction. That is, all the cars in question operate within California. It is also in Californian's interest that the requisite mines and mills that make the steel that makes the cars and the power plants that provide electricity and the logged forests that go into its newspapers come from somewhere else. The environmental consequences of these activities generally do not affect California residents personally (though pollution, in some cases, is mobile). More important, nonstate actors must have a consistent capacity to affect domestic and/or global policy outcomes. These concerns aside, the California effect remains a significant hope. Many Californians think as global citizens and, if informed, do not like using phone books made from British Columbia's old-growth forests. I am convinced that on the global scale, to which electronic capitalism is rapidly moving economically, culturally, and politically, the United States—with other big rich nations—must somehow attain the wisdom to help to establish a California effect in a wide variety of policy realms. This has decidedly not happened thus far.

### **Trade Agreements: Structuring Globalization**

Brian Mulroney, Canadian prime minister at the time of the intense Canadian debate over passage of the Canada-U.S. Free Trade Agreement (FTA), the predecessor to the North American Free Trade Agreement (NAFTA), asserted that the FTA posed no threat to Canada's cherished social programs. He also asserted that the FTA's failure to say anything about the environment would not, as environmentalist opponents asserted, affect Canadian environmental standards. This is a trade agreement, he said, not an agreement on social policy or the environment. Something akin to paranoia on the part of opponents of free trade was the implication of his assertions. Mulroney won a parliamentary majority in the "FTA election" of 1988 (with 43 percent of the popular vote in a three-party race). The FTA was signed by Canada and the United States in 1989 and was followed by the NAFTA in 1993.

Immediately following the FTA agreement there was a massive economic restructuring that saw several hundred thousand industrial jobs lost in Ontario, and to a lesser extent in other Canadian provinces, and a rapid rise in provincial budgetary deficits as high unemployment had an impact. In the wake of this increased insecurity, in 1995 Ontario voters elected a government that radically rolled back provincial social programs and decimated the provincial Ministry of the Environment. Through the late 1990s and into the beginning of 2001, though not necessarily as a result of neoliberalism in Ontario, there was a strong economic recovery (though Canada's unemployment rate has remained well above the rate in the United States, despite a sharp fall in the relative value of the Canadian dollar). The absence of significant clauses in NAFTA regarding social programs, and even the positive language regarding environmental protection in the so-called "side" agreements, did not prevent or soften these outcomes—which were "freely" chosen by the voters of Ontario when faced with the alternatives (declining credit ratings and/or significant tax increases).

Trade agreements that result in the free movement of capital and goods all but guarantee a harmonization of the essentials of public policy. Autonomy is not eliminated, but it is severely constrained. Prime Minister Mulroney, a conservative, likely disingenuously pretended (or at least frequently asserted) that this was not the case. The policy adjustments will be incomplete and different in detail, but will almost certainly be in the direction of the options involving lower (tax-supported) costs. Resistance is not altogether futile, but is at best likely to be no more than marginally effective. John McMurtry perhaps overstates such realities when he asserts: "Under new international free trade agreements, businesses relocate to places where they do not have to pay [the] costs of protecting human life and the environment—for example, jurisdictions like Mexico where wages are a small fraction of what they are in Canada and the US, effective pollution controls are more or less nonexistent, and taxes for public health and education have been reduced or abolished."<sup>28</sup> Some businesses are not portable, pollution-abatement costs are not a high proportion of the expenditures of most firms, and many industries require skills and services not widely available in low-wage and/or low-tax nations.

However, extensive trade creates pressures on all (with some latitude for the wealthiest) jurisdictions to constrain relative work standards and ben-

efits, environmental and safety regulations, public expenditures, and corporate taxes. Downward pressure is also exerted on wage expenditures, resulting in the continuous rationalization of employment within firms (downsizing), especially in high-wage nations. The process as a whole continually lowers the cost of producing goods. That is a good thing economically, as long as additional products are continually created and additional markets continually opened. Outcomes are not necessarily positive, either environmentally or socially. Free trade agreements other than the European Union, pointedly, have not thus far included effective minimum working conditions, minimum human rights, minimum environmental standards, minimum wages, or minimum levels of social, educational, or public health expenditures. Moreover, trade regimes have been used to directly undermine national regulations as in the case of Canadian or U.S. environmental regulations under chapter 11 of NAFTA, or through WTO rulings, for example, against European regulation of hormone-treated meat from North America.

As McMurtry puts it, “Only government intervention in the free market—for example, international minimum standards of rights and environmental protection in trade agreements—can prevent standards of life from falling to the lowest common denominator, which itself can keep falling.”<sup>29</sup> That lowest common denominator has indeed been falling in Indonesia, Mexico, and Russia, for example. The tale of globalization’s race to the bottom is familiar: “There are thousands of pages of rules to protect corporate and business rights, over 20, 000 pages of them in the most recent General Agreement on Tariffs and Trade (GATT), but no rules protect human rights or the quality of the environment.”<sup>30</sup> GATT (WTO) actually does disallow trade in products manufactured by prison labor (for fear, presumably, that some nations might proceed to imprison a proportion of their populations in search of some increment of competitive advantage).

There is, however, more to the story than this view allows. While globalization places downward pressure on wage rates in rich nations, there may be an uneven but modestly upward pressure on wages in at least some poor nations. Average wages in South Korea, for example, rose considerably between 1970 and 1997. Even impoverished India has seen the creation of a significant middle class, a possibility that would not have been widely predicted in the 1960s. Moreover, global production has lowered

the price of some manufactured goods and agricultural products in wealthy nations, partly offsetting slow (or negative) industrial wage growth. In addition, inflation would appear to have been less of a threat in the 1990s than at any time in the recent history of industrial capitalism (other than during recessions and depressions). The decline of inflation is not surprising given that an increasing proportion of production, wage rates, and employment are now in competition either with offshore-production options in low-wage nations, or automation, or both. Clearly gains as well as losses are associated with global economic integration. But how does one evaluate in a balanced way the complex of net costs and benefits?

Conventional economics is not enough. Life does not improve if one's employment is preserved only by virtue of lower wages or the privatization of health care and a deteriorating educational system. GDP growth may also come (temporarily) through the exhaustion of natural resources or the pollution of the atmosphere. Moreover, one must ask how the benefits of increased productive efficiency are distributed and what unintended costs are associated with that growth. Are public goods and services increasing or decreasing, absolutely or as a proportion of the economy as a whole? And what of even more direct measures—life expectancy, infant mortality, social cohesion, crime, water quality, recreational opportunities, even subjective measures such as happiness and a sense of security? All of these factors and many more are part of societal success and failure. Just because a nation has a greater economic capacity does not ensure, or even suggest, that it will have a superior environmental and social performance, either absolutely or per unit of economic capacity. The success or failure of any economy or society—whether local or global—must be independently measured in at least three dimensions: social, environmental, and economic.

### **Toward Three Bottom Lines: Economy, Society, and Environment**

A globally integrated economy may be prone to economic instability in some situations, but thus far it has seemed remarkably resilient. Globalization likely contributed to two notable “bubbles” in recent decades—the Japanese urban-realty bubble of the 1980s and the dot.com stock bubble of the late 1990s. Neither, however spectacular in character, fun-

damentally disrupted the global economy as a whole, and it is not clear that such bubbles would not have arisen within a global economy structured in a somewhat more autarkic manner. Nonetheless, it is also fair to say that judging overall system performance by GDP and profit levels is not enough. Systems of social and economic organization must be evaluated in terms of a variety of values, measures, impressions, and judgments.

Some proneness to social inequity and instability has been widely discussed. The systematic employment and economic contractions of the early 1990s, for example, likely helped to promote militias and some increase in other social problems in the United States as well as rising racial intolerance in Europe. In this regard, Gray, the British conservative analyst, is particularly harsh in his assessment of the United States. As he puts it, "In the United States free markets have contributed to social breakdown on a scale unknown in any other developed country. Families are weaker in America than in any other country." He continues: "Free markets have also weakened or destroyed other institutions on which social cohesion depends in the US. They have generated a long economic boom from which the majority of Americans has hardly benefited."<sup>31</sup> Other commentators would add that the institutions on which society rests, community and family, are continuously undermined by the very system and technologies championed by those who warn of threats to family life as if they were wholly moral in origin.

Yet it might also be objected that Gray is rather silent on how, specifically, globalization and free markets undermine family. One outcome that harms families are declines in public expenditure on schools as well as on other community and social services. A second problem is the increase in the proportion of young families where both parents must work given that real wages have declined for many people. Also threatening is the extent to which competitive pressures and downsizing create situations where parents of young children have to work long and irregular hours, or to change jobs frequently. A third possible threat to social well-being is the continuous extra effort, extensive travel, and frequent relocation demanded of executives or aspiring executives. A fourth is the isolating character of such contemporary realities as television and suburban living patterns (frequently involving long commutes). Clearly we must find ways to evaluate the quality of social and community life by measures other than basic economic statistics, both in social scientific and personal terms.

Another complication that has been discussed less frequently involves the environmental costs directly related to global-scale market organization. Environmental quality is in effect a crucial third bottom line—where the first is economic, primarily measured by “traditional” means, and the second is social, measured in terms of income distribution, the well-being of children, the quality of education, the level of crime, and health outcomes, as well as broader measures such as social equity and social cohesion. Environmental quality is in turn itself three dimensional—habitat and biodiversity being one dimension, pollution and environmental health the second, and resource sustainability the third.

Much is added to our understanding by an integrated consideration of all three “bottom lines” (economic, social, and environmental)—a three-dimensional analysis and measurement of societal performance. Adding social and environmental measures raises questions about the quality of life delivered by contemporary economic developments. However, looking at three bottom lines at once complicates realities considerably. The process reveals any number of negative aspects of the contemporary realities of global economic integration. But it also suggests that these realities are not straightforwardly and monolithically negative—and not, then, an outcome appropriately to be resisted by all right-minded global citizens.

In my view an overall, three-dimensional evaluation suggests that seeking systemic redirection may be more appropriate than resistance to global integration (whether or not such resistance is futile). That is, while global economic integration is not without economic benefits, it could enhance those benefits and deliver them in a far more balanced and equitable manner. Moreover, a case can be made that such added benefits, well distributed, are an essential component in helping to reduce the vulnerability of an integrated global economy to environmental degradation and social inequality and—as a longer-term complement to military, juridical, and diplomatic efforts—to international terrorism. Simply put at this point, however, to optimize three-dimensional outcomes societies must first collectively and systematically engage in three-dimensional analysis. In contrast, the analysis that presently has the ear of the media and governments, not to mention corporations and investors, might be best characterized as one-dimensional “economism.”

### Naming the Contemporary Era

Several analysts have emphasized the media and/or digital-industry component of the emerging global political economy. Schiller, indeed, used the apt name *digital capitalism* to describe this new era and system. As noted, I prefer *electronic capitalism*, but would be pleased to see the wide adoption of either term to identify the emergent system of political economy characterized by increasing global economic and financial integration and increasingly dominated politically, economically, and culturally by the use of electronic media and computers. As noted above, not all media are wholly digital—neither television nor film has even yet been fully digitized (though they soon likely will be). It is also not certain that this digital nature will endure, but it is harder to imagine this world as other than electronic. In any case it is less the digital character of these technologies than their pervasiveness and importance that characterizes and makes possible the new age. In the end I opt for *electronic* simply because it is the broader term. There is no doubt that the age is appropriately called *capitalist*, whether in celebration or with concern.

The digital/media/electronic aspect of the globally integrated capitalist economy is sufficiently distinctive that it urges not only a new name for the system as a whole, but also some reinterpretation of the past to gain a fuller understanding of the present. Suffice it to say here that this new era is as qualitatively different from nationally based mass industrial society as that society was from the primarily community-based craft/agricultural era. The global scale of the new socioeconomic era threatens to overwhelm national governments much the same way that industrial production overwhelmed feudal barons and local craft-based production. The earlier transformation to mass industrial society and the contemporary transformation to electronic capitalism both simultaneously involved great promise and significant costs. The challenge is to comprehend both the promise and the costs in a balanced way. Such analysis must begin with definition.

In discussing globalization, Gray offers two parts of the definition of electronic capitalism. The first puts the focus on the “electronic” aspect, identifying globalization as “the spread of new, distance-abolishing technologies throughout the world.”<sup>32</sup> Those technologies are primarily media, telecommunications, and computers, but also include container ships, oil

**Box 1.1****The Central Features of Electronic Capitalism**

1. Globally integrated production systems and the rapid international movement of information, currency, capital, employment (but not, to the same extent, labor), markets, technologies, and products prevail. Such movements lie almost exclusively within the management and control of large private corporations.
2. Extensive automation of industrial production as well as the rapid, widespread, and continual elimination of once-essential workplace tasks occurs. This results in systematic reductions in production employment through transformations known variously as downsizing and reengineering. Some production work is also exported from high-wage economies to low-wage economies and/or is converted to part-time, temporary, or seasonal tasks.
3. Computing, automation, and communications technologies permit, and all but require, the global micromanagement of subsidiaries, global component outsourcing, and the continual removal of middle-management layers throughout organizational structures in both the public and private sectors.
4. Electronic media are a dominant industry in their own right and the principal means by which all other products are branded and sold globally. The ownership of communications capacity is increasingly centralized within large private corporations and is a rapidly growing component of wealthy economies. Global competitiveness, communicated pervasively through the media, threatens to become a universal core sociopolitical value.
5. Capital investment is all but guaranteed by elaborate trade treaties. These treaties generally ignore social and environmental policies and realities. International loans, however ill-advised, are guaranteed by the power of the International Monetary Fund and other agencies and organizations to require that national governments impose the costs of any excesses on a broad social basis within receiving nations.

tankers, and low-cost air travel. The result, when combined with trade liberalization, is an increased regional and global mobility of capital, market access, and production technologies. Gray speaks as well of “policies whose ultimate objective is to incorporate the world’s diverse economies into a single global free market.”<sup>33</sup> This latter project, he believes, is neither desirable nor possible. Gray’s doubts aside for the moment, the process and project have gone hand in hand and have proceeded sufficiently that we can speak of “electronic capitalism” as an all-but-accomplished fact of the contemporary world. Box 1.1 incorporates much of the discussion in this chapter and sets out its central features.

Control of the international movement of investment, production, employment, and profits carries the power to influence, if not dominate, the political life of nations much of the time. Kenichi Ohmae, an analyst who celebrates the rise of the globalized economy and trade agreements, warns of governmental actions capable of “scaring away” the skittish decision makers of the global economy and resulting in turn in economic growth that proceeds at best “at a snail’s pace.”<sup>34</sup> Ohmae speaks specifically of China and the dangers to the economy of that nation implicit in human rights abuses, but he ignores the positive capital flows associated with human rights and labor union abuses elsewhere. He might also have noted that equal skittishness can arise in response to higher corporate tax rates and humane social programs deemed excessive by bond holders and other often-distant investors.

Putting aside questions of the relative ethical and social merits guiding the use of economic power, one is left with the importance of the power itself. The power lies in the fact that most national governments have assumed the demeanor of a South Seas cargo cult—looking skyward, or computer-ward, for the arrival of global investment, production technologies, and global market access for locally produced products. Moreover, Ohmae’s skittishness may be an understatement as regards global capital. The miraculous peaceful transition of South Africa from a racist state counted for nothing in terms of currency stability only a few years later. Rising wages, social safety nets, and environmental protection standards can all be marks in the wrong column in the eyes of some anonymous international investors. Even the decades-long economic tiger status of Southeast Asia did not stand up well in the short term to the power of electronic currency speculation (in 1998). The power is there, and it is not unreasonable to suggest that it is not always appropriately used or appropriately countervailed and balanced by more democratic forces. Thus far there is virtually no organized and effective democratic power at the global level.

Electronic capitalism, as presently structured, places downward pressures on social equity and environmental protection initiatives, but it carries significant positive potentials as well. Increased trade has led to solid economic growth within many nations. Until the seemingly short-lived economic dislocations of the late 1990s, overall economic output in many poorer nations, even India and some African nations, was improving

significantly for the first time in decades—led by increases in private investment and industrial employment. Moreover, to the extent that rich economies substitute the production and “consumption” of information for the production and use of goods, environmental impacts may well decline per dollar of GDP as economies become less energy and materials intensive. Finally, electronic capitalism has the technical potential to provide an increasing proportion of humankind with additional free time, with increasing freedom from tedious labor. The potentials implicit in these shifts may or may not be fully realized, or delivered to those most in need. However, the core reality is that there remains precious little that is inevitable about electronic capitalism. It is still possible that the considerable power associated with increased capital mobility can be, at least partially, offset.

#### **The Scale Problem: Politics within a Globally Integrated Economy**

It could be argued that the fear of globalization is akin to the fear of flying. It is widely known that it is far safer to travel by air than by automobile, yet few people fear driving while many fear flying. The reasons are clear—one has more influence over the outcome when driving (or even when riding in a car). In addition, many automobile mishaps are minor, while the survival rates in airline crashes are much lower. Similarly, influencing global political or economic outcomes even in the most trivial way is beyond the imagination of most citizens. Global competition, as noted, is now widely perceived as an inevitable determinant of many dimensions of national public policy. This lies at the heart of democracy’s dilemma. Effective global-scale democracy is beyond the contemporary imagination even though the need for it, in some form, is increasingly plain.

Few contemporary political figures or media commentators are prepared to argue that anything is more important than the international competitive position of one’s particular nation. How, other than this lack of extranational efficacy—even among political leaders in the most powerful nations—can one explain the almost complete absence of any effort to promote, or even permit, any semblance of democratic political life above the national level? Most people instinctively fear globalization, but, even after the events in Seattle in 1999 and elsewhere thereafter, most

citizens and elected political leaders were prepared to leave global governance to invisible, largely economically self-interested, “pilots” in the closed cockpits of global trade organizations.

The globalization process is widely distrusted on many concrete and specific grounds, but these concerns have thus far found few, if any, institutionalized political outlets. Many trade unionists see globalization as resulting in the export of employment and limiting increases in employment and income or selectively driving down industrial wages. Many public-sector employees and politically progressive citizens see it as an excuse for shrinking the size and scope of the public sector and reducing taxes on corporations and the wealthy. Many environmentalists see global restructuring as a means of enhancing the power of polluters to restrain, or avoid the enforcement of, environmental regulations. Many social policy advocates see a parallel race to the bottom in terms of social programs hard-won during the era of mass industrial society. Others see global capitalism as highly unstable economically, especially as a result of excessive currency speculation and short-term, nonfixed investment. Yet others argue that economic development in poor nations is radically distorted by massive external debt burdens, IMF impositions of austerity, and the power of transnational corporations to keep wages within poorer regions extremely low—through continuous mobility among local subcontractors and nations.

There is much truth in each of these concerns, but until recently no effective political response had arisen at any level—political participation regarding such issues so far has been largely limited to street protests. One reason is that there is little citizen politics at the global level. Rumors of an emerging global civil society are much exaggerated unless the emphasis is placed on the word *emerging*.<sup>35</sup> Global governance, thus far, is about negotiations among government and corporate representatives charged with the responsibility of defending national and corporate economic interests. Government representatives are chosen for their ability to skillfully trade off weaker domestic economic interests for the stronger, if necessary. That is the assigned task of those involved in trade negotiations and it is a weighty and complex assignment.

There has been no meaningful place in trade processes for other interests or considerations, and the participants in the process are unqualified with regard to, and largely uninterested in, other matters. Some seem at

times quite unaware that there even are any other interests or considerations of any consequence. Wage rates, working conditions, union rights, human rights, and environmental protection are simply presumed to remain as “domestic concerns.” Trade negotiators, like Prime Minister Mulroney, may imagine (or pretend to imagine) that these other matters can and will continue to be effectively dealt with elsewhere. Moreover, “their” trade discussions are held behind closed doors, effectively excluding any and all other voices (including weaker domestic economic interests). Like airline pilots, trade negotiators do not wish to be distracted. However, unlike airplanes there is no chance that trade treaties (even when proceeding as they should) will not significantly alter everything around them including society, environment, and all aspects of what was formerly the domestic policy arena.

Thus, what has emerged at the global level is a one-dimensional politics, and that dimension is economic. The sole issue at hand within the effective (nonmilitary) structures of global governance (WTO, NAFTA, IMF, and so on) is the harmonization and balancing of domestic economic interests as if such an outcome affected nothing else. The globalization process is led by corporations and by appointees of various national governments, the latter often backed by an elaborate process of consulting with domestic firms and trade associations. From time to time there are also, of course, separate environmental negotiations that have resulted in a number of global or regional environmental treaties. These are well intended for the most part, but so far these environmental treaties are only sometimes effectively enforced. A few have had positive results, but these results pale compared to the influence of ongoing global pressures on domestic environmental regulation and enforcement. The environmental race to the bottom is less defined by the removal of existing regulations in wealthy nations than by the outmigration (or simply the expansion) of problematic activities (such as mining) in more or less regulation-free settings (e.g., Indonesia, Mexico, Kazakhstan, or Guyana).

Poverty and/or the lack of domestic democracy explain why these and other nations resist effective environmental protection at both the domestic and the global level. But what accounts for the absence of effective resistance to the negative social and environmental effects of globalization in wealthy nations (such as Canada, New Zealand, and elsewhere, including the United States), where hard-won wage levels, social programs, and

environmental protection have been undermined? Many contributing factors are involved; four partial explanations are offered here: (1) the control and use of electronic media; (2) the changing shape of workplace structures; (3) the changing need for employees within many large corporations (resulting in a process of continuous downsizing and a general political timidity); and (4) the competition-driven “race to the bottom” between and within nations (the latter resulting in part from the decentralization of environmental decision making). Each of these assertions requires brief elaboration.

1. In his lucid explanation of why it was that proletarians were more politically oriented than were peasants (though both were poor and exploited), Marx talked about how the individual cottages of each isolated peasant family looked out at the fields they individually worked. In effect, the peasants related to the world as individuals and simply had no effective “window” on the complex realities of social and economic organization. Their lives were neither urbanized nor sufficiently collectivized within production situations. They also resided at a distance from their neighbors; community thus was (in Marx’s view) minimal. Television screens, arguably, are not unlike the peasants’ window on the fields. They provide a glimpse (in this case a consciously controlled glimpse) of a small part of the world, but also isolate existence, reduce community, and narrow experience, both intellectual and actual.<sup>36</sup>

Television rarely asks questions about the desirability and importance of consumption, or about the structures of society (or media ownership patterns). It just “entertains” in a mildly addictive sort of way, filling silences and providing a substitute for community institutions. It supplies amusing and undemanding friends and highly skilled athletic activity without the need for effort or the risk of injury or personal failure. It is also the ultimate selling machine for both goods and politics. In most developing nations it is, in effect, the advanced guard of globalization—it is at the heart of global-scale economic integration. Access to the airwaves (other than very locally) is all but unavailable to citizens, or to organizations without millions of dollars to spend.

2. Social science has extensively investigated the process of politicization and few have brought this work together more insightfully than Seymour Martin Lipset in his influential study *Political Man*. In this classic work,

Lipset surveys the early decades of empirical voting-behavior research seeking an answer (in an industrial-age context) to the (probably industrial-age) question of who votes “left” and why. One segment of his analysis is particularly pertinent here (assuming that questioning the effects of globalization is a “left” perspective). Lipset concludes that “perhaps the most important condition is the presence of good communication among people who have a common problem.”<sup>37</sup>

Lipset marshals, for example, evidence of higher left voting and class-conscious political activism, in many different nations and contexts, among industrial workers employed in larger rather than smaller factories. Other very politicized groups had “a social structure favorable to intra-group communications and unfavorable to cross-class communications.” Lower-income white-collar employees who worked within smaller groups “scattered among higher-level managerial personnel” were proportionately less inclined to politicization.<sup>38</sup> Particularly highly politicized were workers who not only worked within larger assemblages, but who engaged in activities (such as rolling cigars) where they continuously conversed among themselves while engaged in production activities.

The workplaces of the contemporary (“postindustrial”) economy tend to have fewer employees in any one location. Moreover, many contemporary “industrial” jobs involve the largely isolated task of monitoring of automated processes.<sup>39</sup> Contemporary work typically places employees one on one with computer screens or a set of dials and gauges. Fewer people work in industrial settings; those who do are often engaged closely with supervisory personnel. Indeed employees are now so often and so thoroughly engaged with computer screens that they directly engage with fellow workers only irregularly, and some workplaces are no longer places at all.

The largest exception to this is the service sector, involving working behind counters alone or with a small number of other employees. These employees typically work an elaborate set of varying part-time shifts for local franchisees rather than directly for a large corporation. Other non-screen-oriented employees work in small, nonunionized factories (which may in turn supply large corporations). The workplaces of electronic capitalism are thus less conducive to a class-based political sensibility and—as Robert Putnam’s analysis suggests—voluntary community organizations of all kinds are also in decline.<sup>40</sup> All in all, one-way media communication

has partially replaced workplace and other forms of two-way and direct communication and community.

3. Lipset also notes that those who had experienced an extended period of employment insecurity seemed to feel disadvantaged and to be more politically active and class conscious. This possibility may not apply, however, in a contemporary context, where employment insecurity is often the norm even when the unemployment rate is low. Unemployment may be less politicizing when virtually everyone has recently had one or more such experiences. The experience of losing a job, most report, is upsetting and even demeaning, but there is no contemporary evidence that it still promotes political engagement (of a “left” character).

The reality of downsizing, outsourcing, and offshore job migration is now more widely accepted as a “part of doing business” and even “how the economy advances.” Indeed in some contexts job losses may arouse a dislike of “unfair” foreign competition or of foreign immigrants—not of management. When management indicates that a plant will only remain open if certain concessions are made or if the whole of an industry (e.g., television production or steel) gradually loses out to foreign competitors, the conclusions drawn by employees, and their friends, neighbors, and relatives, are frequently the opposite of Lipset’s “politicization.” The result is often a buy-in to the rules of global competition and/or a sense of personal failure.

4. There is a wide perception that citizens, however well organized and active, cannot alter outcomes at a global level. And, given that few governments now are willing to enact policies that do anything other than “enhance national competitiveness,” more and more citizens are put off politics altogether, presuming it to be a realm beyond their control. The result is a deep cynicism, a decline in political activism, and a disdain of all politicians—a result, ironically given its leading global position, nowhere more pronounced than in the United States. The irony is that, at the moment, the United States is the one nation that sets the standard of global competitiveness—having regained a technological edge, having driven down relative industrial wage levels in the late 1980s and early 1990s, having reduced its already-minimal social policy standards, and having, throughout the early and mid-1990s, downsized its way to great productive efficiency. Historically prone to extreme overwork, Japanese business

elites are now outworked by North American managers and a growing army of well-paid “microserfs.”

Thus, the global competition is established. The leading nation, experiencing the benefits of full employment and massive capital in-flows, does not wish to change and few other nations can easily avoid adopting the worst excesses of the current “leader” (just as America adopted Japanese management and overwork, New Zealand, Britain, and Canada have slashed public spending). As Gray puts it, “Within the view of the world that is dominant in our time economic efficiency has been disconnected from human well-being.”<sup>41</sup> There are no established social and environmental minima within which global competition presently takes place and no effective democratic politics or governance at the global level to redress the imbalance. Accordingly, checks and balances at the national level are washed away in a sea of cash within the leading nation(s) of the moment, and in a tide of desperation and high unemployment in many others.

Little wonder political life has not easily moved to the global level when the reality is that many citizens are hard pressed to identify the nations of the world on a map, let alone imagine how they, as citizens, might contribute to global political outcomes. It is thus hardly surprising that there has been no global citizen’s movement demanding a global minimum wage or globally enforced antipollution regulations (with the understanding that this might make domestic protections more defensible). Ironically, perhaps as a reaction to increasing complexity and scale, there has been in many jurisdictions (including the United States and Canada) an increased *decentralization* of decision making. For example, many aspects of environmental regulation have been passed down from the national to the state or provincial level.<sup>42</sup> The result, arguably, is some potential for “internal” domestic competition regarding restrained enforcement. The principal reason for declining standards in this decentralized context is the greater relative power of particular industries within smaller jurisdictions (e.g., the power of the copper-smelting industry in particular Western states compared to its power within the United States as a whole, or the power of the forest industry within British Columbia as compared to Canada as a whole).

The decentralization of public policy and governance results in part from a general disillusionment with government, a false sense that units of governance are so unresponsive that they must be too large. Yet new

global-scale economic entities are being created every day. Every enterprise yearns to produce for the global market lest it perish. Every backwater economic entity on the planet (the IBM ads have told us) must engage in global e-commerce. Yet, ironically, commerce at a regional and global scale, without governance at a comparable scale, results in governance that is often little more than the humoring and wooing of investment. The only way to reestablish active governance, to provide effective balancing competition for those who would prefer to only humor and woo, is to enact and enforce at a higher scale. Only then will there be any real prospect for collective and secure global social and environmental minimum standards—and a resolution of democracy's dilemma.

Industrial mass production—the age of steel and rail and telegraph, marked by teeming cities of immigrants from the countryside or other lands, and involving the birth of the assembly line—required and helped to create the political nation-state. Political scale followed economic scale and saw to the continued, if uneven, development of industrial society—softening, compromising, and smoothing its worst contradictions, excesses, and ironies. Economic globalization similarly requires political globalization in some form. It is perhaps the greatest of ironies that only through securing social and environmental minima at a global level can national, state, and local governments regain the space within which a positive democratic politics is possible. To understand this necessity more fully, we need to recall the process by which agricultural, craft, and early industrial societies were transformed into mass industrial societies and consider how this change is different from the contemporary evolution of global electronic capitalism.

