

# The Sources of Neoliberal Globalization

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## Acronyms

|                 |   |
|-----------------|---|
| <b>AEA</b>      | American Economic Association   |
| <b>AIDS</b>     | acquired immunodeficiency syndrome  |
| <b>BIS</b>      | Bank for International Settlements  |
| <b>CAP</b>      | Common Agricultural Policy  |
| <b>CIA</b>      | Computer Industry Almanac   |
| <b>EPZ</b>      | export processing zones   |
| <b>EU</b>       | European Union  |
| <b>FDI</b>      | foreign direct investment   |
| <b>G7/G8</b>    | Group of Seven/Eight  |
| <b>GDP</b>      | gross domestic product  |
| <b>HIPC</b>     | heavily indebted poor country   |
| <b>HIV</b>      | human immunodeficiency virus  |
| <b>IDEA</b>     | Instituto para el Desarrollo Empresarial de la Argentina ( <i>Management Development Institute of Argentina</i> ) |
| <b>IFI</b>      | international financial institution   |
| <b>ILO</b>      | International Labour Organization   |
| <b>IMF</b>      | International Monetary Fund   |
| <b>ITF</b>      | International Transport Workers' Federation   |
| <b>MERCOSUR</b> | Mercado Común del Sur ( <i>Southern Common Market</i> )   |
| <b>NAFTA</b>    | North American Free Trade Agreement   |
| <b>OECD</b>     | Organisation for Economic Co-operation and Development  |
| <b>TINA</b>     | there is no alternative   |
| <b>UIA</b>      | Union of International Associations   |
| <b>UN</b>       | United Nations  |
| <b>UNCTAD</b>   | United Nations Conference on Trade and Development  |
| <b>UNDP</b>     | United Nations Development Programme  |
| <b>UNESCO</b>   | United Nations Educational, Scientific and Cultural Organization  |
| <b>UNRISD</b>   | United Nations Research Institute for Social Development  |
| <b>WBI</b>      | World Bank Institute  |
| <b>WEF</b>      | World Economic Forum  |
| <b>WTO</b>      | World Trade Organization  |

## Summary/Résumé/Resumen

### **Summary**

In reflecting on the future fate of neoliberalism, it is important to understand where the doctrine has come from and what sustains it: know the past and present in order to shape the future. On this inspiration, this paper offers an account of the institutional and deeper structural forces that have given neoliberalism its primacy in shaping globalization over the past quarter-century. This analysis proceeds through four stages.

Following a brief introduction, the paper undertakes a closer examination of globalization. What, more precisely, does globality entail? It is argued that globalization involves the growth of transplanetary—and in particular supraterritorial—connections between people. Hence, globality is in the first place a feature of social geography. A distinction therefore needs to be rigorously maintained between globalization as a reconfiguration of social space and neoliberalism as a particular—and contestable—policy approach to this trend.

Next, the paper elaborates on the character of neoliberal policies toward globalization. Building on the opening remarks, this section identifies the broad principles that define neoliberal policy agendas and summarily reviews the general consequences for human security, social justice and democracy that have been associated with neoliberal policy frameworks. Recent moves to amend or transcend the Washington consensus are also assessed.

The paper then goes on to dissect the dynamics that have lain behind the pre-eminence of neoliberalism in contemporary management of globalization. The account offered is one of multifaceted causation, including conditions in the interrelated realms of governance, production, knowledge and social networks. In terms of governance, the key trend promoting neoliberal policies has been a shift from statist to decentred regulation. With respect to production, the pre-eminence of neoliberalism has resulted from certain turns in contemporary capitalist development. Concerning knowledge, the general power of modern rationalism and the more specific power of economic science have provided key spurs to neoliberal globalization. In regard to social networks, dense connections across a global managerial class have also given neoliberalism considerable strength.

Finally, the paper's conclusion reflects on current prospects for neoliberal globalization and challenges to it. On one hand, the negative consequences of neoliberalism for human security, social equity and democracy provide substantial impetus to opposition and change. On the other hand, deep structures and powerful interests support a continuation of globalization-by-marketization. In this situation, it is possible to anticipate more of the political struggles that already figure on the present scene.

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### **Résumé**

En réfléchissant sur le sort futur du néolibéralisme, il est important de comprendre d'où vient cette doctrine et à quoi tient sa résilience. Il s'agit de connaître le passé et le présent pour définir l'avenir. A partir de cette idée, ce document rend compte des forces institutionnelles et des structures profondes qui ont fait que le néolibéralisme a tant marqué la mondialisation depuis 25 ans. Cette analyse se fait en quatre temps.

Après une brève introduction, l'auteur examine la mondialisation de plus près. Plus précisément, qu'est-ce qu'implique la mondialité? Il fait valoir que la mondialisation suppose le développement des connections transplanétaires—et en particulier supraterritoriales—entre les êtres humains. La mondialité est donc en premier lieu une caractéristique de la géographie

social. Il faut donc maintenir avec la plus grande rigueur la distinction entre la mondialisation comme reconfiguration de l'espace social et le néolibéralisme comme politique particulière – et contestable – choisie pour aborder cette évolution.

L'auteur s'attarde ensuite sur le caractère des politiques néolibérales qui vont dans le sens de la mondialisation. A partir des observations faites en introduction, il dégager dans cette section les grands principes qui définissent les programmes politiques néolibéraux et passe brièvement en revue les conséquences générales qui leur ont été attribuées et qui concernent la sécurité humaine, la justice sociale et la démocratie. Il étudie également les initiatives prises récemment pour amender ou dépasser le consensus de Washington.

L'auteur entreprend ensuite de disséquer la dynamique responsable de la prééminence du néolibéralisme dans la gestion contemporaine de la mondialisation. Il l'explique par de multiples causes, notamment par les conditions qui règnent dans les domaines connexes de la gouvernance, de la production, du savoir et des relations sociales. En matière de gouvernance, les politiques néolibérales ont été surtout favorisées par le passage d'un encadrement par l'Etat à un encadrement décentré. Dans la production, la prééminence du néolibéralisme a résulté de certaines tournures prises par le développement capitaliste contemporain. Dans le domaine du savoir, le pouvoir général du rationalisme moderne et le pouvoir plus spécifique de la science économique ont donné à la mondialisation néolibérale des impulsions décisives. En ce qui concerne les réseaux sociaux, un tissu dense de relations entre les dirigeants au niveau mondial a aussi conféré au néolibéralisme une force considérable.

Enfin, l'auteur, dans sa conclusion, réfléchit sur les perspectives actuelles de la mondialisation néolibérale et sur ce qui la remet en question. D'une part, les répercussions néfastes du néolibéralisme sur la sécurité humaine, l'équité sociale et la démocratie apportent à l'opposition des arguments de poids en faveur du changement. D'autre part, des structures profondes et de puissants intérêts militent pour la poursuite de la mondialisation par le marché-roi. Dans ce cas de figure, il est possible d'anticiper la multiplication des luttes politiques que nous connaissons déjà.

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### **Resumen**

Al pensar en el futuro del neoliberalismo, es importante comprender de dónde proviene esta doctrina y qué postula. Debemos conocer el pasado y el presente para poder dar forma al futuro. A partir de esta idea, este documento brinda una relación de las fuerzas institucionales y estructurales más profundas que han dado al neoliberalismo su primacía en la definición de la mundialización durante los últimos 25 años. Este análisis se efectúa en cuatro etapas.

Luego de una breve introducción, se lleva a cabo un examen más acucioso de la mundialización. ¿Qué entraña la mundialización en términos más precisos? Se dice que la mundialización implica el crecimiento de interconexiones transplanetarias – y, particularmente supraterrestres – entre personas. En consecuencia, la globalidad es, antes que nada, una característica de la geografía social. Por lo tanto, es menester mantener una rigurosa diferenciación entre la mundialización como reconfiguración del espacio social y el neoliberalismo como un enfoque de política particular – y debatible – frente a esta tendencia.

Posteriormente el documento explica detalladamente el carácter de las políticas neoliberales respecto a la mundialización. A partir de las observaciones introductorias, en esta sección se identifican los principios generales que definen la agenda de las políticas neoliberales y se revisan sumariamente las consecuencias generales para la seguridad humana, la justicia social y la democracia que han sido asociados con los marcos de políticas neoliberales. También se evalúan los intentos recientes por modificar o trascender el Consenso de Washington.

Se procede a analizar detenidamente la dinámica tras la preeminencia del neoliberalismo en la gestión contemporánea de la mundialización. Las causas son multifacéticas, y entre ellas figuran las condiciones prevalecientes en los ámbitos interrelacionados de la gobernabilidad, la producción, el conocimiento y las redes sociales. En cuanto a la gobernabilidad, la tendencia clave que promueve el neoliberalismo ha sido el cambio de una regulación estatal a una regulación descentralizada. Con respecto a la producción, la preeminencia del neoliberalismo es el resultado de ciertos cambios en el desarrollo capitalista contemporáneo. En materia de conocimiento, el poder general del racionalismo moderno y el poder más específico de la ciencia económica han constituido acicates fundamentales de la mundialización neoliberal. Sobre las redes sociales, las densas conexiones entre los elementos de una clase gerencial mundial también han contribuido a la fuerza del neoliberalismo.

Finalmente, las conclusiones que se formulan en el documento constituyen una reflexión sobre las perspectivas actuales de la mundialización neoliberal y los desafíos que ésta enfrenta. Por una parte, las consecuencias adversas del neoliberalismo para la seguridad humana, la equidad social y la democracia contribuyen a dar un impulso sustancial a la oposición y al cambio. Por la otra, existen profundas estructuras y poderosos intereses que apoyan la continuación de una mundialización a través de la “mercadización”. Ante esta situación, es posible anticipar que continuarán las luchas políticas actuales.

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## Introduction

Several children at our local crèche in the British Midlands sport T-shirts emblazoned with the words “Global Generation”. At two and three years of age, they have only the most incipient political consciousness, but globality is already being made part of it. Around them relatives, teachers, advertisers, entertainers, journalists and politicians declare that theirs is a global century. But what kind of global world would it be?

To date, answers to this question have been framed mainly in terms of neoliberalism. In a word, this reigning policy orthodoxy holds that globalization works best when it is approached with wholesale marketization through privatization, liberalization and deregulation. Thus, neoliberalism takes the maxims of traditional *laissez-faire* economics and applies them to the currently emergent global order.

From a neoliberal perspective, globalization is an economically driven process that should proceed on first principles of private property and uninhibited market forces. Regulation should have as its primary—if not sole—function to facilitate and protect private ownership and the “free” operation of supply and demand among producers and consumers. Other economic rules and institutions are “political interferences” that undermine market efficiency and should therefore be reduced to a minimum. With a combination of privatization, liberalization and deregulation, globalization should bring maximum prosperity, liberty, democracy and peace to the whole of humankind.

Neoliberal doctrine has exerted a powerful hold on governing circles during the past quarter-century of accelerated globalization. Faith in free markets has formed the core of the so-called Washington consensus on policies for the global economy (Williamson 1990). The strength of neoliberalism has been such that its champions could seriously invoke the TINA clause of “there is no alternative”. The early 1990s was even a moment to announce “the end of history”—no other model but capitalism and liberal democracy seemed possible (Fukuyama 1992).

Indeed, *laissez-faire* has so dominated the politics of globalization that many commentators have conflated the two notions. Thus, policy makers have often used the term globalization to mean the creation of world-scale liberalized markets. Likewise, many critics have subscribed to a so-called anti-globalization movement that for the most part has opposed neoliberalism rather than globalization *per se*.

The critics have had grounds for concern. True, large-scale privatization, liberalization and deregulation in the global economy have brought increased prosperity to some countries, sectors and individuals. However, as is elaborated later in this paper, neoliberal economic restructuring has also caused harm. Many have lost jobs, either temporarily or permanently. Many have seen their working conditions deteriorate. Many have suffered from high instability in liberalized global financial markets. In addition, neoliberalism has—both implicitly and explicitly—prescribed a hands-off approach to ecological degradation, cultural destruction and social inequality, all of which have seen substantial increases in the course of recent globalization. Even mainstream economic analysis has provided mixed evidence regarding the links between liberalization and gross domestic product (GDP) growth, let alone poverty reduction (McCulloch et al. 2001; Rodrik 2001). Meanwhile many of the regulatory institutions that have promoted neoliberalism have operated largely beyond effective democratic participation and control.

In these circumstances neoliberalism has of late attracted considerable scepticism and discontent from a number of quarters. Adopting a mercantilist position, some opponents have advocated “de-globalization” to a world of autarkic regional, national or local economies.<sup>1</sup> From

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<sup>1</sup> See Mander and Goldsmith (1996), Hewison (1999) and Hines (2000).

a reformist perspective, other critics of neoliberalism have promoted re-globalization in a Keynesian direction of redistributive global social democracy.<sup>2</sup> For their part, radical transformationists have seen resistance to neoliberal globalization as a process through which to create a postcapitalist or a postmodernist social order (Dirlik 1994; Laclau and Mouffe 2001). Even many erstwhile proponents of unadulterated neoliberalism have in recent years endorsed a so-called post-Washington consensus that accepts a need for greater policy attention to the social and political dimensions of global markets.<sup>3</sup>

In reflecting on the future fate of neoliberalism, it is important to understand where the doctrine has come from and what sustains it: know the past and present in order to shape the future. On this inspiration, this paper offers an account of the institutional and deeper structural forces that have given neoliberalism its primacy in shaping globalization over the past quarter-century. This analysis proceeds through four stages.

First, the next section undertakes a closer examination of globalization. What, more precisely, does globality entail? It will be argued that globalization involves the growth of transplanetary—and in particular supraterritorial—connections between people. Hence, globality is in the first place a feature of social geography. A distinction therefore needs to be rigorously maintained between globalization as a reconfiguration of social space and neoliberalism as a particular—and contestable—policy approach to this trend.

The second part of the paper elaborates on the character of neoliberal policies toward globalization. Building on the opening remarks, this section identifies the broad principles that define neoliberal policy agendas and summarily reviews the general consequences for human security, social justice and democracy that have been associated with neoliberal policy frameworks. Recent moves to amend or transcend the Washington consensus are also assessed.

The third section dissects the dynamics that have lain behind the pre-eminence of neoliberalism in contemporary management of globalization. The account offered here is one of multifaceted causation, including conditions in the interrelated realms of governance, production, knowledge and social networks. In terms of governance, the key trend promoting neoliberal policies has been a shift from statist to decentred regulation. With respect to production, the pre-eminence of neoliberalism has resulted from certain turns in contemporary capitalist development. Concerning knowledge, the general power of modern rationalism and the more specific power of economic science have provided key spurs to neoliberal globalization. In regard to social networks, dense connections across a global managerial class have also given neoliberalism considerable strength.

Finally, the paper's conclusion reflects on current prospects for neoliberal globalization and challenges to it. On the one hand, the negative consequences of neoliberalism for human security, social equity and democracy provide substantial impetus to opposition and change. On the other hand, deep structures and powerful interests support a continuation of globalization-by-marketization. In this situation we can anticipate more of the political struggles that already figure on the present scene.

## **Globality**

As already stressed, globalization and marketization are not the same thing. The former is a development in social geography, while the latter is a policy approach to that trend. The following pages identify the global condition. The next section of the paper examines the neoliberal policy framework.

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<sup>2</sup> See Carlsson and Ramphal (1995), Deacon (1997), Kaul et al. (1999, 2003) and Nederveen Pieterse (2000).

<sup>3</sup> See Burki and Perry (1998), Stiglitz (1998) and World Bank (2002).

In formulating a working analytical concept, the discussion below first identifies globalization as a particular spatial transformation. This change is then located historically mainly in the last four or five decades. The section concludes by emphasizing several key qualifications, namely, that (i) territorial space still matters in the current globalizing world; (ii) globalization does not necessarily entail cultural homogenization; (iii) globalization has not spread evenly across society; and (iv) globalization is thoroughly and inescapably political.

***Definition: Globalization as spatial transformation***

The term “globality” resonates with spatiality. It says something about the arena of human action and experience. It describes a place, a location, a domain. In particular, globality identifies the planet—the world as a whole—as a site of social relations in its own right. Talk of the global indicates that people may live together not only in local, provincial, national and regional realms, but also in transborder spaces—that is, those that transcend territorial boundaries—where the world is a single place.

While globality refers to a circumstance, globalization refers to a trend and process, namely, the growth of transplanetary connections between people. Globalization involves the reduction of barriers to transworld contacts. People become more able—physically, legally, culturally and psychologically—to engage with each other in one world.

Such a development is important since geography is a core—albeit often inadequately appreciated—dimension of social relations. Not only is space significant in its own right but also tightly interconnected with culture, economy, politics, psychology and ecology. Hence, a reconfiguration of social space, such as globalization, is intimately linked to shifts in patterns of knowledge, production, governance, identity and the ways that people relate to nature. For example, increased globality has consequences for the characteristics and relative weights of different sectors of the economy, such as agriculture, finance, information and manufacturing. Globalization also affects the power and activities of the state, as well as the manifestations and strength of nationalism. Such issues are discussed in more detail later in this paper. The important point to note at this juncture is that globalization is enveloped in larger dynamics of social change.

Globality is evident in countless facets of contemporary life. For example, jet airplanes transport passengers and cargo across any distance on the planet within 24 hours. Telephone and computer networks effect instantaneous interpersonal communication between points all over the earth. The mass media spread messages to world audiences. Countless goods and services are supplied to consumers in global markets. Moreover, some of these articles—for example, much clothing and electronics—are manufactured through transworld processes, where different stages of production are located at widely dispersed locations on earth. The US dollar and the euro are examples of money that has transborder circulation. In global finance, various types of savings and investment—for example, offshore bank deposits and eurobonds—flow in transworld spaces. In the field of organizations, thousands of firms, voluntary associations and regulatory agencies now operate in a global sphere. Climate change—so-called global warming—and stratospheric ozone depletion are instances of anthropogenic, that is, human-induced, ecological developments that unfold on a planetary scale. Ideationally, people experience global consciousness, inasmuch as we conceive of the realm of our lives in transworld terms, for instance, when encountering globes in the classroom or when watching the Olympic Games.

***Globalization in history: What is new?***

Nothing in history is ever completely novel, and so too contemporary globality has its antecedents. For example, ancient Greek philosophers held notions of a global ecumene. A global imagination inspired voyagers in the fifteenth and sixteenth centuries to undertake the first circumnavigations of the earth. The Seven Years’ War of 1756–1763 was a “world war” with battlefields on three continents. Technologies for high-speed global communications

appeared in the mid-nineteenth century with the advent of intercontinental telegraph lines. This period also saw the emergence of global commodity markets, global brand names, a global monetary regime—in the form of the classical gold standard—and global associations in several social movements, including labour and women activists. Indeed, the late nineteenth century witnessed levels of international trade, foreign direct investment (FDI) and permanent cross-border migration that, in proportional terms, are broadly similar to those a hundred years later (compare Hirst and Thompson 1999). The global swine flu epidemic of 1918–1919 afflicted huge numbers of people, with 50 million dead—comparable to the global scourge of HIV/AIDS today.

However, it would be mistaken to argue—as some observers have done—that there is nothing new in contemporary globalization. Quantitatively, most manifestations of global connectivity have reached unprecedented levels during the past half-century (Scholte 2000:chapter 3). Earlier periods did not know jet travel, intercontinental missiles, transworld migrants with transborder remittances, satellite communications, facsimiles, the Internet, television, transborder production chains, intercontinental retailers, global credit cards or anthropogenic ecological problems that encompass the planet as a whole. To specify some further indicators, the world count of radio receivers rose from less than 60 million in the mid-1930s to over 2 billion in the mid-1990s (Huth 1937; UNESCO 1997:6.4). Mobile telephones proliferated from less than a million in 1985 to 700 million at the end of 2000 (*Financial Times* 2001:13; 1998:viii). The number of Internet users grew from 0 in 1985 to 934 million in 2004 (CIA 2004). The average volume of daily transactions on the world's foreign exchange markets went from \$15 billion in 1973 to \$1.5 billion in 1998 (Gilpin 2001:26; BIS 2001b:98–100).<sup>4</sup> Outstanding balances on syndicated international commercial bank loans increased from under \$200 billion in the early 1970s to well over \$8 trillion in 2001 (BIS 2001a:10; 1998:144). Transborder companies now number 65,000 in all, with around 850,000 foreign affiliates between them and a collective investment inflow of \$1.3 trillion during the year 2000 alone (UNCTAD 2002a:1; 2001:1). In addition, thousands of strategic alliances between firms have further interlinked business activities in different countries. The count of transborder civil society associations burgeoned from less than 2,000 in 1960 to over 17,000 in 1998 (UIA 1999:2357). Whereas global consciousness was generally a fleeting perception in limited elite circles a hundred years ago, it is now part of daily awareness for hundreds of millions of people across the planet and includes watershed experiences such as the July 1969 moon landing and the September 2001 attack on New York's World Trade Center.

Indeed, only a few select indicators such as those related to cross-border trade, direct investment and permanent migration support the claim that recent growth in transplanetary relations is a rerun of earlier history. Moreover, even in these areas the continuity has generally lain in proportionate calculations; absolute levels of international transactions have risen well beyond those of previous times. Also, arguments of continuity rest on crude quantitative comparisons that ignore qualitative changes in the nature of the activities. For instance, contemporary trade and investment often relate to transborder production processes that did not exist before, and transborder migration today includes immense levels of short-term travel and tourism in addition to permanent moves.

Many of these qualitative shifts could be captured with the notion of “supraterritoriality”. Supraterritorial connections are relatively delinked from territorial space, that is, fixed places on the earth's surface plotted on axes of longitude, latitude and altitude. Territorial locations, territorial distances and territorial borders do not define the geography of today's global flows in the way that they tightly framed traditional international relations. Globality now has qualities of transworld simultaneity—where certain phenomena extend across the planet at the same time—and transworld instantaneity—where certain phenomena move between any points on the planet in no time. Thus, for example, on average 3,000 cups of Nescafé are reputedly

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<sup>4</sup> All \$ figures refer to US dollars.

drunk around the world every second,<sup>5</sup> and telephone links permit immediate communication across the ocean as readily as across the street.

Hence, global relations of the supraterritorial kind are not adequately mapped on a territorial grid. Climate change envelops the planet as one place; it cannot be divided and distributed among territorial units. Internet connections allow the emailer to be as close to next door as another hemisphere. A global conference of the United Nations (UN) involves almost all countries of the world at the same time. Global currencies flow on a transworld basis in both paper and electronic forms, where the latter in particular are often difficult to ground at a territorial place. Global companies prepare their accounts—including supraterritorial ruses of transfer pricing—in relation to a transworld sphere. Global human rights campaigns do not measure their support for a cause as a function of the territorial distance and territorial borders that lie between advocates and victims.

With these supraterritorial characteristics, current globalization has constituted more than an extension of the time-space compression that has unfolded over a number of centuries past. In this long-term trend, developments in transportation technology like motor ships, railways and early aircraft have progressively reduced the time needed to cover a given distance across the earth's surface. Yet this time-space compression has occurred *within* territorial geography, whereas transworld simultaneity and instantaneity take social relations *beyond* territorial geography. The difference is qualitative; the change is structural.

Prior to the third quarter of the twentieth century, macro social spaces nearly always took a territorial form, to the point that we could say that a structure of territorialism governed geography. Now, following several decades of proliferating supraterritorial connections—through cyberspace, global ecospace, transworld governance arenas and more—territorialism has lost its monopoly hold. Territoriality remains very important, but it no longer defines our entire macro spatial framework.

Given the interconnection of different aspects of social relations stressed earlier, the move from territorialism in the field of geography has been linked with shifts in other social structures (Scholte 2000:part 2). In terms of governance, for example, the end of territorialism has been interconnected with the eclipse of statism, that is, the previous situation where social regulation focused almost exclusively on the territorial state. In turn, this change in governance patterns has far-reaching implications for citizenship and democracy. With regard to identity and community, the end of territorialism has gone hand in hand with a decline of nationalism, in the sense of a near-exclusive focus on nationality as the principal basis of collective solidarity. In the area of production, the end of territorialism has been interrelated with the rise of finance, information and communications industries and the relative decline of primary production and traditional manufacture. As for structures of knowledge, the end of territorialism has been—or ought to be—accompanied by the abandonment of methodological territorialism, that is, the ontological assumption that social geography is always and only about territorial space.

### ***Qualifications: The complexity of spatial reconfiguration***

The preceding discussion has suggested what globalization is, namely, a change in social space that has in contemporary history been both quantitatively extensive and qualitatively significant. Before concluding this section, it is equally important to emphasize what globalization is not. After all, globalist interpretations often attribute consequences to the development that it patently lacks.

For example, the rise of supraterritoriality does not mean that territorial space has ceased to matter. We do not live in a “borderless world” (Ohmae 1990). Although contemporary globalization has brought the end of territorialism—where social geography is reducible to

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<sup>5</sup> More information can be found at [www.nescafe.com/main\\_nest.asp](http://www.nescafe.com/main_nest.asp).

territorial space—we have certainly not seen the end of *territoriality*. Territorial production, territorial governance mechanisms and territorial identities remain highly significant, even if they do not monopolize the situation as before. Territorial borders continue to exert strong influences in many areas, such as trade in material goods and movements of people (Helliwell 1998). Indeed, recent globalization has been closely connected with certain forms of *reterritorialization* such as regionalization and the proliferation of offshore arrangements. So the end of territorialism has not marked the start of globalism. The addition of supraterritorial qualities of geography has not eliminated the territorial aspects.

Instead, social space in today's world is both territorial and supraterritorial. The two qualities always intersect in contemporary social relations. Thus, every Internet user accesses cyberspace from a territorial location; and just about every household on earth today encounters global products, global finance and global communications in some direct or indirect way. Contemporary society knows no "pure" supraterritoriality that exists independently of territorial spaces. By the same token no regional, national, provincial, local or household conditions today exist in isolation from global circumstances. This multidimensionality clearly brings greater complexity to geography—and by extension to culture, ecology, economics, politics and social psychology as well. The relative simplicity of a territorialist-statist-nationalist world is fading fast.

This complexity suggests that it is mistaken—as many casual observers have done—to equate globalization with homogenization. The global, the regional, the national, the provincial, the local and the household dimensions of social space intertwine in infinite combinations. Indeed, people could exploit the global to further cultural diversity, as when indigenous groups have used UN mechanisms and electronic mass media to promote their particularity (Downumt 1993; Wilmer 1993). Moreover, global spaces themselves can host great cultural pluralism, as when multiple world religions occupy sites on the Internet. Global connectivity has also generated some new cultural forms, for example, in the area of music (Bennett 1999). If recent globalization has had some homogenizing tendencies, it is due to certain imperialistic power relations in contemporary world politics. Cultural levelling is not an inherent feature of globality itself.

A further qualification must note that accelerated—and increasingly supraterritorial—globalization in current history has not spread at the same rates and to the same extents across all countries and social groups of the world. In terms of continental location, for example, global networks have generally involved the populations of North America, Western Europe and East Asia more than people in other regions. Along the urban-rural divide, cities and towns have tended to experience more globalization than the countryside. With regard to class, the wealthy have usually inhabited global spaces more than the poor. Indeed, many millions of low-income people alive today have never made a telephone call. With respect to gender, men have linked up to the Internet much more than women (UNDP 1999:62). Other patterns of uneven access to—and benefit from—global relations can be discerned in regard to age group, civilizational heritage and race. To be sure, globality has not been an exclusively Northern, urban, elite, male, Western, white preserve; however, prevailing cultural patterns, resource distributions and power relations have produced a highly uneven spread of transworld connections.

The foregoing remarks concerning social hierarchies highlight the thoroughly political character of globalization. There is nothing intrinsic to global spaces that determines that they should promote certain kinds of social stratification. However, it is inherent in globality that, like any social space, it will house power arrangements and associated power struggles, whether latent or overt. There is thus nothing politically neutral about globalization and the policy courses that we adopt toward it.

## Neoliberalism in Sum

Debates surrounding neoliberalism are a lightning rod in current politics of globalization. As indicated earlier, this policy framework prescribes that the contemporary growth of global relations should be approached with *laissez-faire* market economics through privatization, liberalization, and deregulation. The following pages explore neoliberalism at greater length; first by surveying policies that reflect neoliberal principles, then by reviewing the consequences of those policies, particularly their shortcomings, and finally by noting recent initiatives to revise or replace neoliberal policies.

### *Core tenets of neoliberalism*

In a nutshell, neoliberalism rests on economism and marketism, as achieved by means of privatization, liberalization and deregulation. These two premises and three attendant policies are elaborated in succession below. The influence of each of these points on contemporary governance of globalization is also described, with reference to the operation of various transworld, regional, national and subnational regulatory mechanisms.

On the first point, neoliberalism has an economic worldview at its core. The doctrine regards globalization as being basically an economic process—a question of the production, exchange and consumption of resources. Neoliberal policy making therefore rests on economic analysis above all other understandings of globalization. Cultural, ecological, geographical, political and psychological aspects of globality are generally approached as functions of, and subordinate to, economics, if they are considered at all. Indeed, neoliberalism tends to treat economics in isolation from other dimensions of social relations. In particular, the doctrine supposes that economic policies toward globalization could be a culturally and politically neutral matter of technical expertise.

Reflecting the economism of neoliberalism, regulators of trade, finance and industry have held pride of place in policy making around contemporary globalization. Among global governance organizations, for instance, the international financial institutions (IFIs), the World Trade Organization (WTO) and the Organisation for Economic Co-operation and Development (OECD) have overshadowed agencies such as the International Labour Organization (ILO) and the United Nations Educational, Scientific and Cultural Organisation (UNESCO) on questions of managing globalization. Meanwhile, most of the dozens of regional arrangements that have developed over recent decades in the context of accelerated globalization have had a predominantly economic focus. A regional body with a social and cultural focus, like the Council of Europe, has been exceptional. Within states pursuing neoliberal policies, ministries of finance, industry and trade have generally gained ascendancy over departments of foreign relations, military affairs and social questions. In civil society across the world, business associations and economic research institutes have usually exercised far more influence than human rights advocates and religious groups.

Neoliberal moves to install purportedly apolitical technocracy have also been widely evident in the management of accelerated globalization during the past quarter-century. Across the world, governments have distanced central banks from direction by elected officials, allegedly to “depoliticize” monetary policy and leave it to “independent” technical experts. In contrast, fiscal policy has remained largely in the hands of elected politicians, although governments have often pushed through unpopular decisions on taxation and expenditure with reference to purported economic imperatives of global competition.

Numerous other newly created arrangements to regulate global economic matters have been technical private bodies rather than political public institutions.<sup>6</sup> This privatization of governance has occurred especially in areas such as communications and finance, through mechanisms such as the Internet Corporation for Assigned Names and Numbers, and the

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<sup>6</sup> See Cutler et al. (1999), Ronit and Schneider (2000) and Brühl et al. (2001).

International Securities Markets Association. Self-regulation of transborder corporations through voluntary codes of conduct—as formulated, *inter alia*, in the Global Reporting Initiative and the United Nations Global Compact—has been a further trend toward supposed apolitical private regulation in the global economy.

Neoliberalism focuses not just on economics, but also on economics of a particular kind, namely *laissez-faire* market economics. In a word, from a neoliberal perspective the global economy should be a free and open market. Production, exchange and consumption of resources should unfold through forces of supply and demand, as they emerge from the uninhibited interactions of a multitude of firms and households in the private sector. In neoliberal eyes, the role of the public sector in the economic sphere is to “enable” rather than to “do”. Multilateral institutions, national governments, and local authorities exist to provide regulatory frameworks that maximize the efficiency of global markets, for example, by securing property rights and enforcing legal contracts.

The ascendance of *laissez-faire* market economics over the past decades of accelerated globalization is readily evident. From their position of primacy among global governance bodies, the IFIs, the WTO and the OECD have resolutely promoted a free market framework. Since the 1990s, UN agencies have largely come into this fold as well, albeit with greater hesitation and qualification. Most regional agreements in the globalizing economy have aimed to advance toward a common market for their part of the world. At the national level, most governments across the various continents have espoused liberal market principles as the central pillar of their approach to the global economy. This consensus has included countries like Argentina, China, India, Russia and Tanzania that previously followed highly statist economic policies. On the other hand, neoliberal practice has sometimes lagged well behind neoliberal rhetoric, as in the Common Agricultural Policy (CAP) of the European Union (EU) and various trade measures of the US government.

Indeed, market economics have become so pervasive in contemporary globalization that policy makers now tend to naturalize the situation. That is, they treat the market as an inherent and normal condition, while other economic arrangements are regarded as aberrations that require correction. Even many of today’s academics have forgotten that markets are historically contingent social constructions and that other modes of economic organization are possible.

To effect marketization, much economic policy in recent times of globalization has taken the form of privatizing production and exchange processes. Often this shift has involved a transfer of property rights over productive assets from the public sector to private hands. The handovers could occur in different ways, including public auctions, share offerings, management and employee buyouts or outright gifts. The past few decades have seen widespread shifts of primary production, manufacture, housing and utilities from public to private ownership. Sales of state assets yielded \$304 billion worldwide between 1988 and 1994 alone (Abu Shair 1997:69). In other cases, privatization has transpired in effect when—as in China, for example—the state has refrained from entering new economic sectors and left their development to private companies.

Meanwhile nearly all of the massive growth of global production and exchange in recent decades has occurred through private rather than public enterprises. Certain transborder corporations have had elements of public ownership—usually a minority share—but the vast majority of these firms have operated wholly in private hands. Indeed, the sale of state properties has often been an occasion for the entry of private global capital, for example, into a country’s banking, energy and telecommunications industries.

In addition to the divestment of assets, other privatization has occurred when public authorities have delegated policy implementation to private actors. This contracting out has transpired everywhere from education and health services to development cooperation and humanitarian relief to policing and prisons. On these occasions it has been argued that competitive tenders



will yield higher efficiency outcomes and/or better levels of service than could be obtained through public agencies. This form of privatization has spread not only at state level, but also in the so-called public-private partnerships of regional and global institutions, including several UN agencies like the United Nations High Commission for Refugees and the World Health Organization.

In other instances of privatization, the public sector has retreated from certain economic provisions, leaving a void for market mechanisms to fill. Thus, many countries have seen reductions in state pensions, unemployment payments and other social insurances. Individuals have then been directed to market-based arrangements to make what provisions they can for themselves.

Among multilateral agencies, the prime promoters of privatization in these various forms have included the International Monetary Fund (IMF), the World Bank Group and the various regional development banks. Privatization has been a central plank in the economic restructuring policies—packaged in so-called structural adjustment programmes—that these institutions have supported. At a regional level, the development cooperation work of the EU has often urged privatization. In national and subnational government, privatization has become a main policy pillar for most major political parties, including many that carry social-democratic and even socialist labels. Some countries—especially those of the Anglophone sphere like Australia, Britain, Canada, New Zealand and the United States—have taken privatization further than others, but very few governments in the world have stood against this tide. Even Cuba has let private enterprise undertake much of its integration into global tourism.

Next to privatization, a second main pillar of neoliberal programmes to marketize the expanding global economy has been liberalization, that is, the removal of officially imposed restrictions on movements between countries of goods, services, money and capital. By neoliberal prescriptions, regulatory authorities should reduce—and preferably eliminate altogether—trade barriers, foreign exchange restrictions and controls on flows of direct and portfolio investments. In principle, liberalization ought also to extend to cross-border movements of labour, but in practice proponents of neoliberalism have rarely pushed for open migration. Inconsistencies and double standards have also reigned aplenty in the execution of neoliberal trade policy, of course, where powerful states have often jealously guarded protectionist measures in some sectors such as textiles while aggressively demanding uninhibited market access abroad in other sectors such as pharmaceuticals. Yet even if free trade in contemporary globalization has—as before in history—been an ideology of the strong, the principle has attracted widespread followings and prompted many concrete policy changes.

Like privatization, liberalization has been a key objective of global economic institutions during recent decades. This prescription, too, has figured centrally in IMF/World Bank-supported structural adjustment programmes. The IMF has also given particular attention to monetary and financial liberalization, for example, through Article VIII of its charter, which proscribes restrictions on current account transactions and discriminatory currency arrangements without its approval. Over 150 states have now accepted Article VIII obligations (IMF 2002). The IMF has also often advocated liberalization of the capital account, although its Articles of Agreement have not been amended to make such measures binding on member states. Meanwhile the Uruguay Round of multilateral trade negotiations (1986–1994) has substantially broadened and deepened reductions in statutory barriers to cross-border commerce, inter alia, by absorbing the General Agreement on Tariffs and Trade into the new WTO, a permanent body with wider and stronger regulatory powers. Efforts by the OECD to formulate a liberalizing Multilateral Agreement on Investment came to naught in 1998; however, hundreds of bilateral investment treaties have collectively brought major reductions in state restrictions on the FDI. Meanwhile, the WTO has worked to counter investment policies that would have discriminatory effects on trade.

Liberalization of cross-border traffic between countries has also been a *raison d'être* for most regional governance structures in the contemporary globalizing economy. The East African Community, EU, Southern Common Market (MERCOSUR), North American Free Trade Agreement (NAFTA) and other such initiatives have had as a principal aim to create regional customs unions, common markets, and even single currency areas. Sometimes liberalization within a region has gone hand in hand with protectionism toward the outside world, as the CAP well illustrates. However, on other occasions interregional cooperation—for example, between the EU and MERCOSUR—has sought to reduce restrictions on exchanges between blocs.

Needless to say, all of these global and regional measures for liberalization have required ratification and implementation through states. In addition, many governments have taken unilateral steps to lessen barriers to cross-border movements of productive resources. For example, beginning in the 1970s, most states have reduced restrictions on the amounts of currency that a person may carry in and out of their jurisdiction. In addition, dozens of states now allow foreign participation in their country's banking sector, often on the same conditions as internally based players. Likewise, relatively few shares on any securities exchange in the world are now barred to non-resident investors. Many governments have also removed disincentives to the FDI, for instance, by creating export processing zones (EPZs) where capital from abroad enjoys minimal taxation and low regulation. Nearly 850 EPZs existed around the world by 1999 (UNDP 1999:86).

Another general means of neoliberal marketization, deregulation, has also pervaded economic policies across the world during contemporary globalization. To be sure, deregulation has not in this context meant no regulation. On the contrary, as noted before, neoliberalism emphasizes the need for laws and institutions that uphold markets and promote their efficient operation. So neoliberal deregulation has only prescribed the removal of those rules and procedures that allegedly interfere with market dynamics, damage incentives and compromise efficiency. Such measures include wage and price controls, subsidies, fixed exchange rates, a number of taxes and fees on business, and progressive taxation of personal income. In addition, neoliberal logic has motivated various changes in labour legislation to allow greater flexibility in employment practices. Similarly, neoliberalism has urged limitations on environmental controls when these measures purportedly hamper a country's global competitiveness. Removal of bureaucratic red tape for business has been another favourite neoliberal refrain. In a word, then, neoliberal deregulation has involved a shift from state interventionism toward market-enabling governance. In this sense it would be more precise to speak of "reregulation" rather than deregulation.

Like privatization and liberalization, deregulation has been promulgated across all spheres of contemporary governance—global, regional, national, provincial and local. Deregulation measures have been cornerstones of structural adjustment programmes promoted through the IFIs as well as innumerable government initiatives. Of course much market-inhibiting regulation remains in place, so that, for example, in India it can still take months to complete the scores of official documents with the dozens of signatures that are necessary in order to export legally. However, a general world trend toward market-facilitating regulation has unfolded in tandem with recent decades of accelerated globalization.

The preceding snapshot of neoliberalism of course simplifies the picture of contemporary policies toward globalization. As already intimated at several junctures, governance institutions have in practice pursued marketization through privatization, liberalization and deregulation in different ways and to different degrees—and not without some retreats and contradictions. Yet underlying this diversity and complexity has been considerable consistency in terms of prevailing policy trends of the world as a whole. Especially after the end of the Cold War, neoliberalism has had nothing approaching an equal in the way that we manage contemporary globalization.

### ***Consequences of neoliberal globalization***

Much as the application of neoliberal principles and policies has come with qualifications, so too we must not oversimplify the doctrine's consequences. Current debates concerning the effects of neoliberalism have frequently polarized between proponents who see only benefits and opponents who see only harms. In practice the results have been more mixed. Moreover, the blend of positives and negatives has varied between one situation and another, so that each experience warrants detailed empirical examination in its own right.

While acknowledging this complexity, the present general assessment puts greater stress on the negative implications of neoliberalism. This is not to deny the improvements in productivity, consumer choice and material welfare that certain kinds of—carefully designed, timed and monitored—privatization, liberalization and deregulation have promoted for many people in many cases. However, given the primacy of neoliberalism as the ruling policy orthodoxy of our day, good news of positive gains tends to be extensively publicized and readily accepted. In contrast, word of the substantial cultural, ecological, economic, political and social harms of many neoliberal practices generally receives less circulation and—since it goes against received wisdom and powerful interests—tends to get a more sceptical hearing.

To be sure, it is difficult to isolate the impacts of neoliberal policies from the influences of numerous other forces that figure in contemporary globalization. For example, it is now widely acknowledged that the results of privatization, liberalization and deregulation have varied, depending on the institutional arrangements through which these measures are executed. Furthermore, negative outcomes under neoliberal regimes could also result from—or at least be exacerbated by—other conditions such as rigid social stratifications, communal tensions, demographic challenges, epidemics, pre-existent macroeconomic conditions and natural disasters. In these circumstances of multiple and often interrelated causes, it is difficult to isolate the precise influences of neoliberal policies. So just as supporters of neoliberalism must not present the doctrine as a unicausal panacea, critics must not cast it as the single root of all evil.

These preliminary cautions made, a substantial accumulation of evidence from a wide range of contexts across the world suggests that neoliberalism has severe—and in some respects inherent—flaws in terms of delivering human security, social justice and democracy. Advocates of neoliberal policies have certainly tended to overstate the gains and underplay the costs. Marketization through privatization, liberalization and deregulation has not fulfilled—and shows little sign of fulfilling—a Panglossian dream of maximal well-being for all humankind. Neoliberal arguments maintain that liberated market forces would yield the most efficient production, which would in time generate the greatest collective global prosperity. This outcome will, it is said, in turn remove incentives to warfare and produce world community and peace. Many adherents of neoliberalism also assume that uninhibited global markets will have a direct positive correlation with individual freedom and liberal democracy (compare Beetham 1997). Yet in practice the record of globalization-by-marketization has not been nearly so rosy.

Taking human security first, 20 years of large-scale privatization, liberalization and deregulation across most of the planet have not brought anything close to an end of poverty, as even the World Bank has openly acknowledged (World Bank 2001). On the contrary, in various cases neoliberal policies would appear to have increased destitution. For example, in the former Soviet bloc the spread of market economics—largely propagated through the IFIs and transborder consultants—coincided with a tenfold expansion of the ranks of the poor, from 14 million in 1989 to 147 million in 1996 (Cornia and Court 2001). Meanwhile crises in liberalized global finance since the mid-1990s have contributed to taking tens of millions of people into poverty in Asia and Latin America (ILO 1998). At the same time, as even the IMF now concedes, heavy transborder debts have prevented several score of poor countries from adequately covering the basic needs of large proportions of their populations (Boote and Thugge 1997). In addition, free global markets have produced declining terms of trade since the 1980s for poor

countries that rely heavily on exports of primary commodities (UNCTAD 2002b). As indicated earlier, trade liberalization has had at best a mixed record in furthering poverty reduction. Neoliberalism has sometimes also adversely affected poverty in the OECD countries. For example, under strongly neoliberal governments, child poverty rose by a third in the United States and by half in the United Kingdom between the early 1980s and the mid-1990s (Jolly 1995). In spite of an all-party resolution in 1989 to eliminate child poverty in Canada by 2000, more than a million were still living in poverty in 2004 (Child Poverty 2004)). Market arrangements have also left millions in the United States without health insurance.

Closely connected with poverty, another major economic human security problem that neoliberalism has failed to resolve—and sometimes worsened—is employment. Global markets have not generated anything close to enough waged work for the world's labour force. Hundreds of millions of people remain unemployed or underemployed.<sup>7</sup> Indeed, governments of the North have abandoned full employment as a policy goal. Drives for global competitiveness have often generated job losses—for example, through contractions in state payrolls, privatizations, corporate mergers and acquisitions and through the introduction of labour-saving (read job-cutting) technologies. Meanwhile, employment creation with neoliberal globalization—for example, through transborder companies operating in the EPZs—has not kept pace with needs. Estimates of employment in these sites range from four to 27 million, where even the higher figure represents less than 2 per cent of the world payroll (Harris 1998–1999:27; UNDP 1999:86). Moreover, some jobs in the EPZs have not been new, but have transferred from onshore locations. In addition, liberalized global finance has arguably encouraged a commodification of financial instruments, where many funds only chase other funds, rather than investments in the job-creating “real” economy. None of this is to say that neoliberalism has been the original or sole reason for contemporary unemployment problems, but rather it is to affirm that, at a minimum, the doctrine has provided a far from adequate response.

Human security has also often suffered under neoliberalism in terms of working conditions (compare Standing 1999). Deregulation has frequently involved reductions of job guarantees, union protections and other labour rights. A free market for world labour in a situation of excess supply, particularly of unskilled and semi-skilled labour, has put overall downward pressures on wages, benefits and safeguards. Labour market reform to achieve flexibility has generally made it easier to lay off employees or change their job specifications. Many workers have found themselves with involuntary part-time employment and unprotected casual work. The stresses of insecure employment can of course readily spill over into greater insecurity on the street and in the household.

Neoliberalism may also be linked to certain aspects of persistent or increased military insecurity in the contemporary globalizing world. True, increased transborder interconnectedness through liberalized economic flows has perhaps reduced some important incentives to interstate war in the more globalized parts of the world. On the other hand, neoliberal principles would dictate a hands-off approach to markets in arms and soldiers. While in practice the military sector has remained largely in state hands and outside the WTO purview, regulators have so far eschewed fully-fledged supranational arms control mechanisms. Indeed, the prevailing neoliberal ethos has arguably encouraged an expansion of private global trade in arms and mercenaries, activities that have usually encouraged rather than restrained warfare, as examples in Africa and the Balkans illustrate (compare Zarate 1998).

If evidence for neoliberalism's economic and military harms has sometimes been mixed and debatable, then the ideology's implications for other aspects of human security have been more decidedly negative. For example, the doctrine affirms—implicitly if not explicitly—that conflicts between market efficiency and ecological integrity should be settled in favour of the former. Yet it could be dangerously complacent to assume that *laissez-faire* would automatically supply

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<sup>7</sup> See Wood (1994), Simai (1995) and ILO (1995).

adequate protections against destructive global ecological changes. On the contrary, some heavily polluting companies have used global mobility to relocate to sites with less stringent environmental regulations (Heerings and Zeldenrust 1995:chapter 4). Market-generated “green consumption” and “ecoinvestment” might moderate some ecological damage under neoliberal regimes, but by themselves such initiatives can hardly suffice to counter problems such as climate change, ozone depletion, loss of biological diversity and transboundary pollution. Moreover, anthropocentric neoliberalism discourages producers and consumers from asking deeper questions about the ethics of subordinating the global ecosphere wholly to the demands of a single species, and its current generation at that.

Similarly, economism tends to make neoliberalism underplay, if not ignore, issues of cultural integrity. This omission could have dire consequences, since human security is often as much about having a coherent knowledge framework and a community of people with whom to share that understanding—that is, about being, believing and belonging—as it is about having guarantees of material welfare. Yet untrammelled global markets could severely undermine treasured life-worlds that are not able to withstand intrusions of modern capitalism and Western consumerism. To take but one illustrative indicator, already up to half of the languages currently spoken in the world are threatened with extinction (Wurm 1996).

Further negative outcomes of neoliberalism have arisen in respect of social cohesion. These problems go beyond the previously mentioned tensions in places of work, households and public spaces consequent upon insecure employment. More generally, the neoliberal premise that social relations boil down to individuals competing in a marketplace undermines collective spirit and mutual support. This social fragmentation has occurred particularly in larger society, but also in relations among intimates. Although precise links might be hard to demonstrate conclusively, arguably the logic of competitive individualism in the market could encourage greater violence, criminality, and family breakdown where neoliberal policies have prevailed.

Likewise, an economy based on competitive individualism has unhappy implications for social justice, all the more since neoliberalism assigns priority to efficiency over equity when the two conflict. Indeed, neoliberal ideology is blind to structural inequalities of opportunity and gain in global markets—for instance, between age groups, classes, countries, races, religions, sexes and urban versus rural areas. Neoliberalism assumes that uneven distributions of benefits are natural and that any undue inequalities would be resolved through time with trickle-down processes. Yet as emphasized earlier, players have come to today’s globalizing economy with unequal—often staggeringly unequal—opportunities to participate, and laissez-faire has tended to direct the gains of free markets disproportionately to those who have started with more resources and power. Thus, for example, offshore finance has been largely reserved to large corporations and so-called high net worth individuals, and computers have mainly been available to those who can afford them. Neoliberalism rejects policy interventions to reduce gaps in opportunities and gains, and on the contrary, has prescribed that many existing redistributive mechanisms should be dismantled. Hence, we have entered the twenty-first century with some 7.7 million superrich, each holding more than \$1 million in financial assets, while 2.8 billion others are living on less than \$2 a day (World Bank 2001:3; CapGemini 2004:4).

Data to measure the consequences of neoliberal globalization for social inequality—and associated conditions of social injustice—are scarce. Moreover, the few available statistics have tended to address inequality only on a single indicator, namely, that of income levels. Even those figures have remained highly general, without differentiation by social categories such as age, gender and race. Furthermore, the various calculations have suffered from substantial methodological problems (Berry 2002). Thus, some studies have suggested that world income inequality among persons fell during the late twentieth century (Berry and Serieux 2002), while others have concluded that it grew (Milanovic 1999, 2001).

Yet whatever the data problems, casual observation suffices to establish that several decades of globalization guided primarily with neoliberalism have not removed stark inequalities from the

world between classes, countries, races, sexes and so on. These gaps have dubious economic rationality and political viability, let alone moral probity. Moreover, certain careful empirical studies have concluded that neoliberal policies of the last two decades have indeed—as logic would suggest—exacerbated income inequalities in many countries, whereas the period between the 1950s and the mid-1970s saw some declines in this area (Cornia and Court 2001).

Social injustice under neoliberalism has arguably been closely linked with democratic deficits in governance of the global economy—that is, those disadvantaged under neoliberal regimes have tended to have little say in them.<sup>8</sup> Indeed, privatization, liberalization and deregulation have generally proceeded with limited public participation and public accountability. For example, elected legislatures have tended to exercise little control over policies toward globalization of their ministries of economy and finance, let alone multilateral agencies. The Group of Seven/Eight (G7/8) involves governments that represent only a tenth of world population, but its meetings also make many decisions that affect wider humanity. Dispute settlement panels at the WTO and independent central banks operate largely *in camera* and have no formal accountability to citizens. Likewise, the many private regulatory mechanisms that govern today's neoliberal global economy operate almost entirely outside the public eye.

In these circumstances, people who might wish to effect change in governance of the global economy in order to reduce the above-mentioned harms of neoliberalism for human security and social justice tend to find that they have few formal democratic channels available to them. In recent years thousands of such citizens have turned to the streets in what the mass media have dubbed anti-globalization protests. However, to repeat the earlier crucial distinction, most of these demonstrators have agitated against neoliberalism rather than against globalization as such. Indeed, so-called anti-globalization activists have often been as dependent on transworld connectivity—inter alia, through air travel, Internet and advanced telecommunications—as any global technocrat or corporate executive. In this sense the protesters could better be termed “alter-globalization” movements—people who seek alternatives to neoliberalism as the guiding principles for a more global world.

### ***Neoliberalism plus***

Concerns about adverse consequences of neoliberalism, together with pressure from protest movements, have in recent years provoked considerable discussion about changes of policy toward globalization.<sup>9</sup> Already a number of reforms have attenuated the ultra-liberal marketism that prevailed in the 1980s and the first half of the 1990s. As of late 2002, it remained far from clear how deep these revisions would go. However, the relative modesty of policy alterations to that date suggested that neoliberalism would retain general primacy in our (mis)management of globalization. No full-scale shift of approach is in immediate prospect.

Most changes of the last five years regarding the regulation of globalization have fallen in the mould of what has been called the post-Washington consensus or, as Rodrik (2001:15) has more aptly described it, the “augmented Washington consensus”. In this vein, globalization-by-marketization has been pursued with greater attention to institutional contexts and social consequences. Even an arch-neoliberal like Milton Friedman has conceded that his earlier call to “privatize, privatize, privatize” needs a supplementary injunction to couch the market in solid institutional arrangements (Friedman 1991). Privatization, liberalization and deregulation remain the order of the day, but these core neoliberal policies are now undertaken in tandem with more measures that address corruption, transparency, financial codes and standards, unsustainable debt burdens, the timing and sequencing of capital control removal, social safety nets, poverty reduction, corporate citizenship and so on. Recent trends have also seen some technocrats reduce their earlier inclinations to take a one-size-fits-all approach to the application

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<sup>8</sup> See McGrew (1997), Scholte (2000:chapter 11) and Hertz (2001).

<sup>9</sup> Compare Higgott (2000), Brand et al. (2000) and Drache (2001).

of neoliberal policies and to give greater attention to the diversity of cultural, economic and political contexts.

However, “Washington Plus” has still had neoliberalism at its core. Thus, anti-corruption drives, information disclosure schemes, and other so-called good governance measures have had the primary aim to improve market efficiency. The Poverty Reduction Strategy Papers spearheaded by the Bretton Woods institutions since 1999 have continued to centre on marketization through privatization, liberalization and deregulation. Concerns about “moral hazard” in the marketplace have severely constrained creditors from extending more substantial debt relief to poor countries than a handful of bilateral cancellations and the grudging heavily indebted poor countries (HIPC) initiative on loan repayments to the IMF and the World Bank. Capital account liberalization remains a key macroeconomic policy objective, even if it is approached with greater caution. Corporate citizenship is an exercise in market self-regulation and often has the aim—implicitly if not explicitly of pre-empting greater public sector interventions to secure social and environmental standards in business behaviour. The second generation neoliberal framework has more or less ignored issues of social inequality, ecological integrity, cultural protection and democracy. In all of these respects there has been limited “post” in the post-Washington consensus.

True, certain ideas recently promoted in some policy circles have implied a more substantial reorientation away from neoliberalism in the direction of redistributive global social democracy. Discussion of global public goods funded through global taxes has fallen into this vein, as has talk of creating an Economic and Social Security Council at the UN. A vision of global social democracy has also underpinned notions of “decent work” developed at the ILO, conceptions of a “rights-based approach to development” pursued at the United Nations Development Programme (UNDP) and elsewhere, and ideas of a new “global social contract”. However, to date this reformist discourse has not translated beyond words into significant concrete rules and regulatory mechanisms to govern the global economy. Indeed, neoliberal regimes have shown considerable adeptness in co-opting reformist themes and draining them of their force for significant change. This fate has already largely befallen notions such as sustainable development, social capital, ownership and participation.

Dissatisfaction with the harms and omissions of neoliberalism has also of late generated greater interest in transformist approaches to globalization. For example, radical socialists have seen the contradictions of neoliberalism as an opportunity to transcend capitalism. “Dark green” environmentalists have promoted ecocentric alternatives to neoliberal economism. Religious revivalists have offered spiritual renewal as an antidote to the cultural voids that privatization, liberalization and deregulation are not designed to fill. Yet transformist ideas of these kinds have extended little beyond fringe movements that remain very far removed from the core regimes that govern the global economy.

Other reactions against neoliberalism have taken protectionist-mercantilist forms. These rejectionists have dismissed globalization of any kind—neoliberal or otherwise—and seek to construct some form of regional, national or local autarky as the way to secure the good society. Calls for de-globalization have come from highly diverse and often otherwise opposed circles, including the farmers of *Vía Campesina*, the Communist Party in Russia, neofascist movements in Western Europe, and middle-class professionals in the San Francisco-based International Forum on Globalization.

Some observers have wondered whether this accumulation of reactions against neoliberalism signals the start of a Polanyian “double movement” in relation to contemporary globalization. Sixty years ago Karl Polanyi observed that ultra-liberalism in the nineteenth century world economy produced social dislocations that generated demands for reform and an eventual reregulation of capitalism (Polanyi 1944). Followers of Polanyi would expect the failings of neoliberalism—as the marketist phase of capitalist development in the past quarter-century—to provoke a turn toward a more socially sustainable regulation of globalization.

It is plainly too early to call this outcome. Unadulterated, naive neoliberalism has fallen from grace in most quarters, but “neoliberalism with knobs on” has thus far held sway over reformist, transformist and mercantilist alternatives. To date we have witnessed only tinkering at the margins rather than a Polanyian great transformation. For the time being, then, policy makers and citizens-at-large still need to understand the forces that have kept neoliberalism in place.

## **Dynamics of Neoliberalism**

Having summarized the nature and significance of globalization, as well as the content and consequences of neoliberalism toward this development, we can proceed to examine the forces that have generated and sustained neoliberal policy frameworks over the past quarter-century. Why has globalization-by-marketization had such strength, even with substantial evidence of shortcomings and harms?

The following section elaborates a multifaceted explanation of the primacy of neoliberalism in respect of contemporary globalization. In this historical-sociological argument, the chief dynamics are located in four interrelated areas: governance, production, knowledge, and social networks. Regarding governance, the key shift advancing neoliberalism has been a move, with globalization, from statist to decentred regulation. Concerning production, the main trend has been the rise of supraterritorial capitalism—more specifically, neoliberal policies have responded to, and reinforced, certain expanded fields of surplus accumulation such as finance and information, and certain new forms of capitalist organization such as transborder firms and offshore arrangements. With respect to knowledge, neoliberalism has thrived in an environment dominated by rationalist constructions of knowledge, particularly in the form of modern economic science. In terms of social networks, neoliberalism has been furthered through the consolidation of a global managerial class, namely, transborder elite bonds that have interlinked powerful official, corporate and intellectual circles.

Although these four principal forces behind neoliberalism are elaborated in turn and under separate headings below, in practice they have generated the doctrine together and through their combination. Thus, the explanation does not lie in one factor that operates before the others as an independent variable. Instead, all four aspects—and more particularly their interconnections—have been crucial to the production and entrenchment of neoliberal policies. Other developments like the end of the Cold War have provided further impetus to the rise of neoliberalism in the late twentieth century, but their role has been secondary to the core four-faceted dynamic.

### ***Governance: From statist to decentred regulation***

As seen in the preceding section, neoliberalism has derived much strength from being pervasive across multiple quarters of governance. Policies of privatization, liberalization and deregulation have been pursued not only through national states, but also through a host of suprastate agencies, substate bodies and private regulatory mechanisms. Indeed, the ascendance of neoliberalism has been furthered by a parallel trend that has seen the eclipse of centralized statist governance and the rise of multilayered and diffuse regulation (Scholte 2000:chapter 6).

Contemporary globalization has rendered old structures of sovereign statehood unviable. In particular, supraterritorial spaces cannot be effectively governed on the traditional Westphalian principle of supreme, absolute, unilateral and comprehensive state control over a bounded territory and its inhabitants. Even the best-resourced states cannot by themselves fully regulate phenomena such as electronic finance, the Internet, transborder companies and climate change. In addition, intense globalization of recent times has helped to loosen crucial affective underpinnings of sovereign statehood by encouraging people to develop various transborder identities—for example, connected with class, gender, race, religion or youth culture—and



cosmopolitan commitments alongside or even instead of their attachment to a state-nation (Scholte 2000:172–180). Thus, globalization has broken the near-monopoly that centralized, sovereign, territorial, national government held on governance in the world prior to the 1960s. Instead, transborder flows have elicited regulation through multiscalar regimes that encompass municipal, substate-regional, state, suprastate-regional and transworld laws and institutions. Further diffusion of governance has occurred with the proliferation of private as well as public regulatory instruments. To be sure, the demise of the national state as a core site of governance at the time of writing is not at all in prospect; however, a return to statism is equally off the cards.

The turn from statism to more decentred regulation has promoted neoliberalism in several general ways. First, the dispersal of some governance away from the state has encouraged the retreat of statist economics, in both its socialist and welfarist guises. As globalization has made the state—especially small states—relatively weaker, it has furthered privatization, particularly as many industries where government direction was prevalent have become enmeshed in transborder processes that national agencies cannot unilaterally control. Given that the political climate has not been ripe to develop full-scale proactive suprastate direction of the economy, a decline of state influence has meant a reduction in the intensity of public sector involvement.

Of course some growth of suprastate rules and institutions has occurred with globalization. Supraterritorial spaces have required at least a minimum of regional and transworld regulation for purposes like technical standardization. With time the resultant multilateral regimes have expanded the scale and scope of their activities to become significant sites of governance. More particularly, several of the largest and most influential suprastate mechanisms—for example, the IFIs, NAFTA, the WTO and the OECD—have become key channels for the furtherance of neoliberal policies. Organizations like the IMF and the World Bank have been especially influential vis-à-vis countries whose governments would otherwise have been more reluctant to move in the direction of *laissez-faire*. Moreover, states like the United States and the United Kingdom that have most strongly promoted neoliberal agendas have held leading roles in the key multilateral economic institutions. The relative insulation of suprastate bodies from democratic processes has further facilitated the advance of neoliberal policies, making the measures less subject to negotiation, compromise and even rejection than they would have been if channelled wholly through state-based multiparty parliamentary politics.

The emergence of decentred governance has advanced neoliberalism in a third way by opening space for a host of private regulatory activities that have mostly been closely aligned with business interests and influences. In addition to the examples mentioned earlier, other instances of private governance in the contemporary global economy include the Derivatives Policy Group, the Forestry Stewardship Council and the International Organization for Standardization. Some official bodies like the Codex Alimentarius Commission—for the food sector—and the International Telecommunication Union also have significant industry involvement. Not surprisingly, such regimes have usually promoted market-facilitating regulation. Moreover, private governance has in most cases operated with even fewer democratic checks than suprastate mechanisms, again making it easier to pursue neoliberal restructuring of the economy.

To be sure, states have continued to play key roles in the new situation of decentred governance. Particularly noteworthy is the fact that certain powerful states have energetically promoted neoliberalism, both within their own jurisdictions and abroad. During the past two decades, governments with strong neoliberal orientations have consistently controlled a majority of the G7 states, including the United States in particular. Meanwhile, other major states such as Brazil, China, India and Russia have failed to promote alternatives to neoliberalism, either alone or in combination. (Whether the election of Luiz Inácio “Lula” da Silva as President of Brazil breaks this pattern remains to be seen.)

Finally, decentred governance has promoted neoliberalism by complicating the politics of opposing the doctrine. Instead of being able to focus on a single prime target like one's national government, critics of privatization, liberalization and deregulation have faced many and widely scattered institutional sources of their grievances. As one activist has expressed the challenge, "Governance has become so segmented that it is hard to follow what is going on and engage it effectively".<sup>10</sup> In this context, so-called anti-globalization protests have tended to focus on certain high-profile actors and events like the WTO and G8 summits, while neglecting many other sites and generally failing to confront the systemic character of neoliberalism.

Paradoxically, then, the dispersal of regulation across multiple institutional locations has facilitated the ascendance of a single policy framework. Yet this shift in the overall structure of governance does not in itself explain why the dominant approach has had a neoliberal character, rather than some other hue. The large-scale growth of global relations has created conditions that encourage policy moves away from statist economics, but to understand why neoliberalism—rather than some other doctrine—has prevailed to date, we need to examine concurrent developments in production, knowledge and social networks.

### ***Production: The rise of supraterritorial capitalism***

Globalization—and neoliberal policies toward this reconfiguration of geography—have developed in a context of capitalism, that is, a historical situation where production, exchange and consumption are predominantly geared toward surplus accumulation. Much of the impetus behind globalization has come from investors and enterprises as they seek the highest possible returns. These capitalist agents have also favoured a free market framework for the globalizing economy, where freedom has in effect meant an uninhibited pursuit of profit.

Capitalism has promoted the growth of transplanetary connectivity in at least four major ways (Scholte 2000:95–99, chapter 5). First, on the production side, transworld sourcing has allowed enterprises to collect inputs and site facilities wherever on earth the costs are lowest, thereby enhancing profits. Second, on the consumption side, global relations have brought opportunities to sell larger volumes to larger populations, thus increasing both aggregate revenues and per-unit earnings—with greater economies of scale. Third, in terms of accounting, global-scale activity has permitted enterprises to set prices and site costs—including tax liabilities—across the world in ways that raise profits. Fourth, supraterritorial spaces have opened up new sectors like digital information, telecommunications and electronic finance where major additional surplus accumulation can be achieved. Note in this regard that some of the greatest contemporary privatization has occurred in the financial and telecom sectors, while the information technology domain has mostly been kept out of public hands for private enterprise to develop.

Needless to say, capitalist interests tend to prefer a laissez-faire approach to the global arena, just as in any other geographical context. After all, regulatory measures for cultural, ecological and social protection often reduce profits. Likewise, property owners normally abjure redistributive regimes that decrease their levels of accumulation. Neoliberalism is therefore a boon to capitalism.

In the nineteenth century, investors and entrepreneurs enjoyed a privatized and liberalized economy in a number of nation-states and colonial empires. However, by the first half of the twentieth century recurrent depressions had dented the economic credibility of liberalism, and public pressure from various quarters made these arrangements politically unsustainable as well. Yet the lure of higher profits under laissez-faire persisted, and accelerated globalization in the late twentieth century presented capital with a major opportunity to resurrect free markets.

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<sup>10</sup> Gil Yaron interview with the author, 14 May 2002, Vancouver, Canada.

In particular, the contemporary growth of global spaces has given capital greater mobility – and thus power – relative to the other partners in the statist social contract of the twentieth century, namely, government and labour. Transborder corporate structures and transworld commodity flows have substantially unleashed capital from territorial constraints. At the time of writing, FDI totals \$6.6 trillion – many times the level of the 1970s (UNCTAD 2002a:1), while electronic finance shifts the equivalent of several trillion dollars per day. So global capital is very large scale indeed. In contrast, regulatory frameworks and labour organization have thus far remained largely bound to the confines of the territorial nation-state. Like trade unionism, other social movements that might restrain surplus accumulation – for example, black liberation, ecologism, feminism – have also lagged far behind capital in developing global connections.

Capital has played this substantial advantage to promote neoliberal policies. States have generally become more accommodating to business relative to labour, perceiving that firms could readily move between jurisdictions, while workers remain territorially confined. In fact, governments have sometimes overestimated the mobility of capital, since it remains quite costly to relocate operations, especially where large fixed assets are involved. Nevertheless, such exaggerated perceptions have only reinforced the turn to neoliberalism.

Concerning this trend, Cerny (1997) has discerned the emergence of a “competition state” that pursues privatization, liberalization and deregulation in order to attract and retain footloose global capital. For his part, Jessop (1993) has described a shift in the OECD countries from the Keynesian welfare state to the Schumpeterian workfare state, where global competition has pushed governments to subordinate social policy to demands for labour flexibility. Other authors have adapted Gramscian concepts to characterize these developments as a transition from Fordism to post-Fordism (Amin 1994). Whatever the terminology used, it is clear that contemporary globalization has shifted power from labour to capital, and that state policies have reoriented accordingly in favour of accumulation-friendly neoliberalism.

Perhaps the greatest neoliberal accommodation of global capital has come in the form of offshore arrangements. Particularly since the 1980s, dozens of states across the world have created these special zones where low taxation and limited government intervention prevail (Palan 1998). Usually no restrictions are placed on movements of capital and goods in and out of the designated territories. The principal manifestations of offshore facilities include some 60 financial centres, nearly 850 EPZs, and thousands of flagged out ships and aircraft (Hampton and Abbott 1999; ITF 2004). More recently, the Internet and global telecommunications have opened possibilities to extend offshore arrangements to other sectors such as gambling, call centres and electronic commerce. In turn, competition from offshore sites has encouraged greater privatization, liberalization and deregulation at onshore locations by governments that wish to entice capital to stay.

To be sure, talk of an interstate “race to the bottom” of regulatory protections has often been exaggerated. However, globalization has definitely provided capital with enhanced means to limit or evade territorially bound regulatory constraints, and large stores of assets have moved to transworld spaces partly with possibilities for enhanced private accumulation in view. The realization that interventionist regulation could provoke greater capital flight has dissuaded many a government from contemplating anything other than a neoliberal policy course.

Unrestrained pursuit of surplus accumulation tends to generate abuses and inequities, of course, thereby explaining many of the previously reviewed harms of neoliberalism. If left unchecked, capitalist preoccupations with asset acquisition readily marginalize concerns for cultural vitality, democracy, ecological integrity, social cohesion and justice. Even small investors tend to accept the inordinate volatility of many global financial markets, with a gambler’s hope that they may emerge among the big winners.

When confronted with stark evidence of ills and/or growing political opposition, including from consumer boycotts, some capitalists have in recent years adopted voluntary self-

regulatory codes of corporate conduct, in the name of social and environmental responsibility. However, forces of capital have thus far resolutely resisted most moves toward more interventionist public governance of the global economy. On a similar pattern, nineteenth century liberalism also acquired a fringe of business philanthropy and community service, while refusing greater public control. Capital did not acquiesce to the twentieth century corporatist social contract until faced with large-scale opposition from communism and radical anti-colonialism. Whether corporate citizenship will suffice to sustain neoliberalism in the twenty-first century remains to be seen.<sup>11</sup>

### ***Knowledge: The primacy of economic science***

In addition to the political and economic supports previously mentioned, neoliberalism has also had major intellectual buttresses. Hence, neoliberalism has arisen not only from material conditions related to governance institutions and capitalism, but also from ideational circumstances related to predominant forms of knowledge. These cultural forces have included the general structure of modern rationalism as well as the more specific power of economic science.

Bureaucratic governance, capitalist production, and indeed overall contemporary globalization, have been rooted in a rationalist mindset. Rationalism constructs knowledge in secularist, anthropocentric, scientific and instrumentalist terms. Secularism orients people wholly to the physical world, excluding reference to transcendent forces. Anthropocentrism fixes attention on human experiences and interests, as opposed to the lives and needs of other species or the ecosphere as a whole. Scientism holds that phenomena can be understood in terms of single incontrovertible truths that are discoverable with rigorous application of objective research methods. Instrumentalism assigns highest value to knowledge that enables people to solve immediate problems.

Global social relations would not have developed if people did not conceive of their life-world in secularist and anthropocentric terms of humanity's existence on planet earth. This understanding is not natural—as it often seems to those who have been socialized into it from birth—but historically and culturally specific to modern civilization. Rationalist knowledge orients people to think of the planet as a single place and humanity as a single race, conceptions that have enabled and indeed encouraged a succession of generations increasingly to imagine and pursue globality.

Meanwhile, scientism and instrumentalism have provided the intellectual direction and energy for technological and organizational innovations that have made concrete global connections possible—on large scales, across broad ranges of activities and at high speeds. Techno-scientific knowledge has produced air travel, rocketry, telecommunications, mass media and digital information processing. At the same time, means-ends problem-solving has generated administrative structures for global relations like transborder corporations, multilateral governance institutions, and transworld civil society organizations.

While rationalism has laid knowledge foundations for globalization in general, rationalist economic science has laid foundations for neoliberal globalization in particular. The economism of neoliberalism was furthered with the appearance of a discrete discipline of economics toward the end of the nineteenth century. This turn in intellectual history—the creation of separate sciences for social analysis—encouraged a situation where one dimension of social relations, in this case economics, could be removed from, and emphasized ahead of, others like culture, ecology, geography, history, politics and psychology. By the time contemporary globalization accelerated in the late twentieth century, the discipline of economics had on the whole indeed become a *primus inter pares* among fields of social enquiry. Tellingly, for example, a government

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<sup>11</sup> Compare Dobbin (1998), Andriof and McIntosh (2001) and Zadek (2001).

that championed neoliberalism in the United Kingdom renamed its Social Science Research Council to become the Economic and Social Research Council in 1983.

To note this primacy of economics is of course not to deny the many important intellectual contributions that have come from this field. Nor is it to suggest that a conspiracy of professional economists and research funders has knowingly and deliberately undermined the development of alternative understandings of globalization. However, it is politically significant—inter alia, for the rise of neoliberalism—that economic analysis generally attracted more attention, and greater resources, than other areas of social knowledge production as the twentieth century progressed.

Modern rationalist economics has generated a large body of widely circulated knowledge that scientifically argues the instrumental value—that is, the efficiency case—of basing production, exchange and consumption on private property and market forces. Concurrently, fields of business studies and management training have grown on a large scale, particularly since the mid-twentieth century, to translate the science of market efficiency into entrepreneurial practice. Economics departments and business schools have now produced several generations of professionals—academics, consultants, corporate executives, journalists, policy makers—who are thoroughly versed in, and convinced of, a free market model of economy and society. A cadre to enact neoliberal globalization was not available on such a scale several decades ago.

Hence, for example, when countries of Central and Eastern Europe embarked on their transition from single-party rule and central planning, relatively plentiful resources were made available to inculcate the emergent post-Communist elite in liberal economics. Grants brought hundreds of aspiring policy makers to the West for (re)training. In addition, a number of new tertiary institutes for mainstream economics were established on site—for example, the New Economic School in Moscow and the Center for Economic Research and Graduate Education in Prague. No such means have been available for the former communist-ruled countries to develop other fields of social studies or to explore alternatives to neoliberalism.

Likewise, many a would-be professional anthropologist or geographer from the South has strived in vain to secure postgraduate funding, while their colleagues in liberal economics have received multiple offers. With time, some countries in the South have acquired their own local programmes to train an expanded cadre to develop and implement neoliberal policies. In Argentina, for example, the current generation of leading economic policy makers mostly obtained graduate training in the United States during the 1960s and 1970s. However, the next generation is as likely to emerge from the several hundred youth who now annually acquire degrees in Buenos Aires from bodies like the Central University of Macroeconomic Studies (Universidad del CEMA) and the Management Development Institute of Argentina (IDEA). Again, nothing has been available with remotely similarly resources in the South to develop expertise in other fields and different policy approaches.

Global economic institutions have also participated actively in the production of neoliberal knowledge. For example, the IMF Institute has taken around 21,000 officials from around the world through its programmes since it opened in 1964 (IMF 2004). In the IDEA fiscal year 2000–2001 alone, the World Bank Institute provided 587 training activities amounting to over 200,000 training days for people from 149 countries (WBI 2002). A WTO Training Institute was created in June 2001, inter alia, to build capacity in (neoliberal) trade policy for officials from poor states.<sup>12</sup> The World Bank and the IMF also have sizeable research departments that continually link orthodox economic theory with neoliberal policy practice. In the UN system, the United Nations Conference on Trade and Development (UNCTAD) has since the 1990s generally redirected its substantial economic research capacities from the structuralist/dependency orientation of its origins to more neoliberal lines. The United Nations Research Institute for

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<sup>12</sup> More information can be found at [www.wto.org/english/tratop\\_e/devel\\_e/train\\_e/train\\_e.htm](http://www.wto.org/english/tratop_e/devel_e/train_e/train_e.htm).

Social Development (UNRISD) has continued to support more interdisciplinary and more critical studies of globalization, but with far more modest means.

Along with academic and official bodies, policy think tanks have also figured influentially in the production of neoliberal knowledge (compare Stone 1996). Almost every national capital has over the past 40 years acquired economic research bodies that further neoliberal thinking to one or the other degree. Thus, Washington, DC, has had its American Enterprise Institute, Cato Institute and Institute for International Economics. These promoters of the Washington consensus have had far greater strength than critical voices coming from, say, the Bread for the World Institute or the Institute for Policy Studies. Important London-based think tanks like the Adam Smith Institute and the Overseas Development Institute have also generally stayed within the parameters of “Washington” or “Washington Plus”. Meanwhile Bangkok has the Thailand Development Research Institute; Brazil, the Getulio Vargas Foundation; Cairo, the Egyptian Center for Economic Studies; Kampala, the Economic Policy Research Centre; Moscow, the Bureau of Economic Analysis Foundation; Tokyo, the Japan Center for International Finance, and so on. Not surprisingly, such think tanks have obtained most of their funding from corporate business, private foundations, and—in the case of various fledgling policy research institutes in the South and the East—the World Bank.

The mass media have added still further force to this production of the dominant neoliberal discourse of globalization. Across the world a host of influential dailies, weeklies and monthlies have continually fed policy makers, business managers and citizens-at-large with information cast mostly in a neoliberal mould. Prominent organs in this respect include newspapers like the *Financial Times* and the *Wall Street Journal*, each published in several editions around the globe. Magazines like *Business Week*, *The Economist* and countless industry journals have likewise intensively circulated neoliberal knowledge. Concurrently, radio and television have become filled with business reports—mostly couched in neoliberal assumptions—on a scale unknown several decades ago. In this environment, journals and broadcasts that explore other policy frameworks have tended to struggle at the margins, although certain organs like *Alternatives Economiques* in France and *Economic and Political Weekly* in India have fared quite well.

Collectively, universities, official research and training bodies, think tanks and the mass media have formed a large and powerful transworld complex for the generation of neoliberal understanding. The growth of the economic and management consultancy business has added still further intellectual ground for globalization-by-marketization. It is not that these multiple sites of knowledge production have collaborated in a conscious grand design to silence different perspectives on globalization. However, cumulative activities in the knowledge sphere have combined with concurrent developments toward decentred governance and supraterritorial capital to favour neoliberal discourse over other possible understandings.

### ***Social networks: A global managerial class***

A fourth key general development that has underpinned the rise and continuing strength of neoliberalism has been the growth of transborder connections between, and solidarity among, regulators, business managers and knowledge producers who promote neoliberalism. To speak of a global managerial class is not to say that perfect harmony has reigned among its many elements. Nor, to repeat an earlier disclaimer, is it to suggest that this class has embarked on deliberate global conspiracies to create the harms of neoliberalism. However, these transworld social networks in and between official, corporate and academic circles have helped to consolidate a powerful general elite consensus behind neoliberal policies.<sup>13</sup>

In governance circles, for example, dense connections have come to link economic policy makers across state and suprastate agencies. Prior to 1950, trans-state networks were mainly limited to the diplomatic corps. Now transgovernmental links between finance and trade

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<sup>13</sup> For other accounts of a global ruling elite, see Strange (1994), Pijl (1998) and Sklair (2002).

officials are often equally, if not more, dense than those of foreign ministries (compare Slaughter 2000). Through regular encounters in multilateral forums, as well as frequent communications in between these meetings, many economic policy makers have come to have closer relations with their counterparts in other states than with colleagues in other ministries of their own state. Likewise, staff of different multilateral economic institutions have developed close ties with each other and with national policy makers for finance, trade and industry, while often having relatively few links with officials in social, cultural and environmental agencies. These transworld economic governance networks have provided key channels not only to spread neoliberalism across the planet in the first place, but subsequently also to provide continual reinforcement of the doctrine.

Significant social networks have also interlinked business elements of the transworld managerial class, with their keen capitalist interests in promoting neoliberal approaches to globalization. Partly these corporate connections have developed through everyday entrepreneurial dealings. In addition, a number of transborder associations of financiers, industrialists, traders and large farmers have brought business leaders together to discuss more general policy issues. Some of these forums date from earlier in the twentieth century, such as the International Chamber of Commerce, the International Organization of Employers and the International Federation of Agricultural Producers. Others like the World Economic Forum (WEF), the Institute of International Finance and the Bretton Woods Committee were created in specific response to questions of globalization. The WEF in Davos has figured especially prominently as a channel for transworld business networking, and one that has very actively and explicitly championed the neoliberal cause.

Meanwhile, transborder networks of knowledge producers have interlinked the many universities, research institutes and think tanks that disseminate neoliberal ideas. Relevant academics and policy researchers have had continual contacts—both face-to-face in countless conferences and remotely through electronic communications. Some of these connections have been institutionalized, for example, in the American Economic Association (AEA), the African Economic Research Consortium and the Economic Research Forum for the Arab Countries, Iran and Turkey. All of this academic networking has produced a transworld “epistemic community” (Haas 1992) that has helped to give mainstream economic science in general and neoliberal thinking more particularly much of the power described in the preceding section.

In turn, these networks of official, corporate and intellectual circles have been deeply interlinked in an overarching global managerial class. The three sectors regularly intersect, for instance, at WEF events, WTO meetings, AEA conventions and conferences of national bankers associations. The different elite elements also have constant casual encounters in hotel lobbies, airport lounges, cocktail parties and social clubs. Indeed, the people concerned have generally attended the same elite universities and often also send their children to the same schools. Both deliberately and subtly, these continual interactions have provided a strong social basis for neoliberal discourse.

Through these various networks the global managerial class has lived in relative isolation from other parts of society. Cocooned in airplanes, high-rise offices and exclusive seminars, these officials, corporate executives and researchers have been able to exchange mutual congratulations that all proceeds well in the neoliberal world, while largely avoiding confrontations with the counter-evidence. The recent headline anti-globalization protests have therefore come as a genuine surprise in much of these ruling circles. Unaccustomed to working outside their own box, these elites have struggled to understand the challenge to neoliberalism, let alone to respond effectively to it. Some sections of the global managerial class have attempted to engage with the criticisms along post-Washington lines. However, the complacent elements have indulged temptations to dismiss the opposition to neoliberalism as a temporary blip caused by “a few cranks” and to spin the cocoon still tighter.

Such ostrich responses will be sustainable so long as the global managerial class lacks a powerful counterpoint. Indeed, to date critics of neoliberalism have lacked the resources and in many cases, also the political imagination to form effective transborder opposition blocs. Labour movements have so far failed to use regional and transworld networks to mount more than feeble challenges to global capital. Other social movements—of anarchists, environmentalists, feminists, indigenous peoples, peace activists, religious revivalists, etc.—have likewise had nothing approaching the resources and cohesion of the global managerial class. Indeed, many non-governmental organizations have sooner been co-opted into the global elite. Initiatives of recent years like the World Social Forum—as a counter-point to the WEF—and the Hemispheric Social Alliance—as a counter-point to the Free Trade of the Americas Agreement—confirm that some fertile ground exists for transborder formations to challenge the global managers, but as yet these projects remain very fragile.

So a core fourfold dynamic has strongly promoted neoliberalism in contemporary globalization. Other developments have further reinforced these principal forces. As mentioned earlier, the end of the Cold War removed a significant counterpoint to neoliberalism and reduced the pressures on market capitalism to address social justice issues. In addition, a general climate of consumer culture has discouraged many people who could have grievances with neoliberalism from turning to political action against it. All in all, then, the sociohistorical dynamics behind neoliberal globalization over the past quarter-century have been very powerful indeed.

## **Conclusion**

This paper has offered a historical-sociological understanding of neoliberal globalization. Its core argument is recapitulated below.

1. Globalization is a transformation of social space that occurs with the spread of transplanetary – and in contemporary times often also supraterritorial – connections between people.
2. Globalization and neoliberalism are not the same thing: the latter is a policy approach toward the former.
3. Neoliberalism prescribes that globalization is an economic process that should be managed with marketization through privatization, liberalization and deregulation.
4. Neoliberalism has in various cases promoted gains in efficiency and material welfare, but it has also tended to neglect other important issues and to produce or exacerbate a number of cultural, ecological, economic, political and social harms.
5. Neoliberal policies have been generated by a powerful combination of forces related to decentred governance, supraterritorial capitalism, modern economic science and global elite networks.

It remains in these concluding remarks to look to the future. Strong though the forces behind neoliberalism have been in contemporary history, there is of course nothing inevitable or permanent in the primacy of this policy framework. The world was once without neoliberalism, and at some point the doctrine will again recede. Nothing in history is forever fixed. The question is not whether neoliberalism *will* yield as the reigning approach to increasing globality, but when, how and to what.

With regard to the “when” question, current prospects seem relatively modest for a full-scale shift of policy tenets away from neoliberalism in the short term. As discussed in the preceding section, a ubiquitous, multilayered and diffuse world governance structure is at present mainly and powerfully aligned to neoliberal formulas. Similarly, predominant forces in contemporary capitalism strongly favour a laissez-faire course of globalization. Liberal economic science currently faces little challenge in ruling circles, which are quite firmly interconnected in a



transworld managerial class. In the present environment, therefore, it has proved extremely difficult to press through even the most morally compelling cases for deviation from neoliberal principles. For instance, consider how hard it has been to obtain a relaxation of global intellectual property rights on anti-retro-viral drugs to combat HIV/AIDS among destitute people in Africa.

To be sure, neoliberalism has its vulnerable points in the current situation. For one thing, there is the previously reviewed evidence that qualifies and sometimes also outright refutes the promises that global free markets would yield a good society of material prosperity, ecological care, cultural integrity, social cohesion, justice and democracy. Awareness and experience of these limitations and flaws could well encourage more criticism of economic and marketist worldviews. In addition, some—albeit usually weak—sites in governance of the global economy, such as certain governments and UN agencies, are relatively amenable to consider alternatives to neoliberalism. Even some financial and trade regulators harbour increasing doubts about the *laissez-faire* approaches that they have heretofore embraced. Meanwhile, downturns of recent years in certain areas of global capitalism such as finance, information technology and mobile telephony could perhaps dampen some enthusiasm for free markets, particularly among smaller investors, and particularly if substantial losses on investments persist over a number of years. Furthermore, unilateralist and mercantilist tendencies in the United States—heightened under the George W. Bush administration—might well increase rejections of neoliberalism as hegemonic ideology. Even the global managerial class has experienced some tensions, for example, over several US protectionist trade measures. However, these various weak spots in the ruling policy orthodoxy must not be overestimated.

Indeed, not only does neoliberalism remain substantially entrenched, but also at the same time most alternative visions of globalization—whether rejectionist, reformist or transformist in character—are today still underdeveloped. For example, rejectionist mercantilism seeks the unrealizable with its aim to erase globality and return to a territorialist world. Telecommunications, transborder ecological challenges, electronic finance, transworld human rights movements and the like are not going to disappear in any foreseeable future, so regionalist, statist and localist options that deny supraterritoriality are non-starters. Good arguments might exist for greater subsidiarity in the governance of global relations, but the notion that globality itself can be eliminated is unsustainable.

Reformist global social democracy offers some appealing ideas like global public goods and redistributive global taxes. However, this alternative thus far lacks sufficiently large and powerful constituencies to make major headway. Moreover, the project has not yet adequately addressed cultural diversity and the intercivilizational character of global relations, so that global social democracy can be something by all and for all, rather than yet another Western and imperialist imposition, however well-intentioned.

Meanwhile, transformist impulses for a revolutionary globalization have to date rarely gone beyond general aspirations to a specific vision of a postcapitalist or postmodern future, let alone a well-developed strategy to achieve such a new society. Moreover, not all projects of radical re-globalization have been particularly attractive, as in the case of religious fundamentalisms and transborder neofascist networks. In any case, movements for a revolutionary globalization have thus far attracted only small and often ephemeral followings. To be sure, some transformist ideas can provide valuable stimulus to strivings for progressive social change. However, the time would not seem ripe to exploit the new geography to achieve a wholesale reconstruction of society.

What, in these circumstances, should people who seek to move beyond neoliberal globalization do? The following seven general recommendations might be offered.

1. Nurture an understanding of neoliberalism as choice.

The environment for change would be enhanced inasmuch as citizens and governing authorities appreciate that policy decisions matter. People could shape globalization so that it develops in different directions. Politicians and officials have more room for manoeuvre in this regard than they often acknowledge or realize.

2. Advocate ethical cases for different globalizations.

It is important to press home at every possible juncture the normative rationales for abandoning neoliberalism. Policies on transworld relations should have the priority goals of enhancing cultural vitality, democracy, ecological integrity, material welfare, social cohesion and social justice. These objectives should take precedence over those of economic efficiency and the GDP growth per se. Rises in production and productivity should serve the higher aims and do not become ends in their own right. The transcendence of neoliberalism requires a major shift in prevailing values among policy-making communities and the general public.

3. Continue to document and publicize the limitations and failings of neoliberal policies toward globalization.

As seen earlier, both logic and ample empirical evidence suggest that neoliberalism not only neglects various important aspects of human development, but also often does not deliver its own promises. In addition, critics can continually put the spotlight on the contradictions between neoliberal rhetoric and many actual practices of those in power. As policy makers and citizens-at-large become more aware of the various flaws of neoliberalism, they will be more ready to explore alternatives.

4. Devote greater energies to developing alternatives to neoliberal globalization.

It is crucial to combine negative protest with positive proposal, deconstruction with reconstruction. People will be more ready to reject neoliberalism when they see clear and attractive replacements. Efforts to rethink policies can be pursued through a number of channels, including:

- official circles that are sympathetic to change, such as much of the UN system;
- certain business arenas, like fair trade schemes;
- various academic quarters, preferably through interdisciplinary and intercultural enquiry; and
- large parts of wider civil society, such as the World Social Forum process.

5. Build constituencies for change.

Critics of neoliberalism can give more attention than in the past to public education and other citizen outreach regarding policies toward globalization. An informed and effectively mobilized public is needed both to exert pressure for the abandonment of neoliberalism and to promote creative and practicable alternatives.

6. Promote more democracy in the governance of globalization.

If more channels of public participation and public accountability were available in respect of globalization, then policy-making processes would offer more space to voice critiques of neoliberalism and to advocate alternative courses. To obtain

this increased public involvement and control, citizens need on the one hand to better exploit the democratic potential of already available instruments, like plebiscites and representative institutions. In addition, however, the democratization of globalization requires the construction of new political mechanisms – in forms still to be determined – that are specifically suited to the new geography.

7. Nurture intercultural dialogue about global futures.

Alliances against neoliberalism will be stronger, and alternatives to neoliberalism will be more viable, to the extent that they attract the support of diverse cultures. Given that expanded suprateritoriality has drastically reduced geographical buffers between different civilizations, the need to develop constructive modes of intercultural communication and negotiation is more urgent than ever.

These seven suggestions offer neither a specific nor a quick fix. Just as neoliberalism did not reach its peak overnight, so its full-scale retreat and replacement are likely to require several decades. Likewise, the details of postneoliberal policies must be worked out over time.

Those details would need to cater to diverse contexts and constituencies. One of the core lessons of the neoliberal experiment has surely been that, apart from certain technical harmonizations, globalization must not be approached with one-size-fits-all policies. The goal of alter-globalization movements should not be to supplant neoliberalism with another universalist dogma.

In any case, the point of this paper is not to prescribe precise blueprints for change, but rather to affirm that major change is possible. Recall, after all, that few people in the 1910s envisioned a fully-fledged welfare state 30 years later. Few people in the 1930s anticipated worldwide decolonization 30 years later. Few people in the 1960s imagined wholesale neoliberalism 30 years later. So it is not fanciful to imagine that substantially different regimes of globalization will have replaced neoliberalism 30 years from now. Whether, in what ways, and how far the new globalizations turn out to be better ones will depend on critical public choices and extended political struggles.

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