

GLOBALIZATION: THE RUNAWAY WORLD

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KEYNOTE ADDRESS

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My thanks to the Latsis Foundation, its President and the Latsis family for inviting me here.

The title of my talk is globalisation. I would like to discuss two closely connected themes. One is, what globalisation means, and the other is how we should respond.

At the end of the twentieth century we live in a world which has taken us by surprise. If you consider two of the major events of the last ten years – the fall of communism and the amazing turnaround in the Asian economies from last year onwards – virtually nobody in the world predicted these events. In the case of the Soviet Union this is extraordinary because the Soviet Union was the object of study by many, many hundreds of specialist scholars. Yet I don't know of anyone who predicted what happened with the collapse of the Soviet Union and the transformation of Eastern Europe, and certainly not that it would happen as quickly and as peacefully, as it did.

The world we live in does not look like the world which was anticipated by the philosophers of the Enlightenment: the main philosophers who set modern civilisation on its path. They had a clear idea of why modernity or modern civilisation would improve our lives. They argued that the more we understand the world, both the physical world and the social world which is our own history, the more we can hope to control it.

This was after all the prime emphasis of socialism: we understand history in order to control it. If this view had proved correct, we would expect the world to conform to rational control. But what we find is rather a world which escapes our control. This runaway world seems to be the condition of humanity approaching the twenty-first century. We have to ask why is this so, and what kinds of responses are appropriate

to it? Why it is so, is strongly bound up with the impact of globalisation. You cannot understand what our lives are like today without the notion of globalisation, but that notion has to be carefully understood, picked apart, and put together again, if we are to understand the main changes transforming our lives.

Many people argue that the world is undergoing profound transformations. As profound as those at the end of the eighteenth century, which produced the industrial revolution. I am one of those people. I believe we are living through a period of transformation as systematic, as intense and perhaps even more far reaching than that which established our industrial societies, some two hundred years ago. So it is not surprising that we find trouble in analysing reactions to this world.

The word globalisation is essential to understanding it. Globalisation is an unappealing and ugly term, but it is unavoidable. If you look at the history of the word, it is very interesting. Travelling around the world, I have found it is very striking that the word globalisation itself has become globalised: everyone is discussing it. Yet although the term globalisation has become so familiar, it is quite new. If you go back ten years or so, hardly anyone in the English speaking literature used the word. I wrote a book called *The consequences of modernity*, in which I used the term globalisation, and I know at that time not many academics were using this term. Certainly it was not used in the popular press; now it is everywhere – in-flight magazines, politicians' speeches, and the latest manuals from business gurus. Never in the history of social science has a social science term reached the popular consciousness to this degree. From nowhere the word globalisation is suddenly everywhere. It is not surprising, given the recency with which the term has appeared on the scene, that it is the subject of intense controversy. This is true among academics and on a wider political level too, for reasons that I will come to later.

Already two quite opposing views of globalisation have become well established. On the one hand there are those authors who have come to be called the hyperglobalisers. They are people who believe that

globalisation is good. They believe that globalisation is far advanced, and has already eroded some of the most fundamental structures of our lives. They say we are in a new era, and our traditional concepts are obsolete, so that we must adjust to the beneficial world, into which we are moving.

An excellent example of a hyperglobaliser, and there are many, is the Japanese business writer Kenichiro Ohmae. He has written two well-known books on the theme – *The borderless economy* and *The end of the nation-state*. Ohmae's views are typical, I think, of this kind of perspective. He suggests that globalisation is so far advanced that the nation-state has become obsolete. By globalisation, Ohmae means the advance of the global market place. The global market place is a kind of replacement for politics, because Ohmae believes, as I think many market fundamentalists believe, that the market is more rational than governments can be. And that the advance of the global market place signals a sort of higher level of rationality for society. This theme is taken up by many other hyperglobalising writers; the nation-state is already being replaced by different structures. He says the nation-state has become a mere fiction. Why are we no longer interested in politicians? Because they have become irrelevant, Ohmae argues. Politicians are national or local politicians, they no longer have power to influence the movements of the global economy. So it is not surprising that in most countries you find people becoming less and less interested in politics, or to put it the other way round, more and more disenchanted with it.

According to Ohmae, within a short period, something like maybe twenty to thirty years, we will see the emergence of hundreds of city-states or regional groups, which will cross-cut the boundaries of nation-states, which will be largely autonomous within the global economy. From his point of view, if you consider the Barcelona area in northern Spain, Barcelona is nominally part of Spain as a nation. Much more realistically, Barcelona is part of Catalonia, which is a large, even autonomous, region within Spain, economically integrated into the European Union. Catalonia is integrated into an area that crosscuts the Spanish and French borders. Similarly with Hong Kong, the Southwest

China complex that is now part of China, but is an independent sector in the world economy. It shares less in common with peasant workers down the road, than it does with industrial workers in the western economy.

Globalisation sceptics hold a completely opposite view. They are like sceptics everywhere; they say, what's new? Nothing is new under the sun. Globalisation sceptics look back to the late nineteenth century, and argue that there was already a global economy, with a good deal of trade in currency and goods. Most people did not have passports. The borders were open – so what's new? If anything has happened in the world economy, they say, it is a reversion to something like the situation of a hundred years ago, it is not progression to something different, it is going back to something, which is familiar in our history. The best example of the globalisation sceptics is a book by two British authors, Paul Hirst and Graham Thompson, called *Globalisation in question*.

Globalisation sceptics deny the reality of globalisation. If everyone is so interested in the term, well this is because it has become the ideology of our times. For them, globalisation is simply a term which those who belong to the market fundamentalist right, like to use in order to try to bring down the welfare state and produce a minimal government and state. It is an ideology rather than a reality. Globalisation sceptics are more heavily represented on the left, for fairly obvious reasons I think. If you cast out the reality of globalisation as a phenomenon, you can argue that we do not need to change the welfare state. We can just go along with the nation-state as it is. Socialism is not an obsolete doctrine. We can even apply Keynesian doctrines because the national economy is still intact. This controversy has been going on for two or three years, but it is easy to resolve.

In my view, the hyperglobalisers are correct. We live in a world which is distinctively different on an economic level, not just from thirty or forty years ago, but from a hundred years ago. Since the globalisation sceptics first published their work, there has been an enormous upsurge of empirical work on the global economy. It shows definitively

that we are in a new era. There is a new global market place which is more integrated than before, and its dark side, ecological destructiveness, is more radical than anything we have known. Factually the levels of traded goods are now much higher than they were in the late nineteenth century. But more importantly there is a much more intense trade in services. Services are becoming the largest traded sector – information, entertainment, communications and of course, the electronic financial economy. We are living in a world in which the consequences, for better or worse, are very visible.

Economic globalisation is the condition of our lives, and we have to decide how to react to it. Its existence cannot be denied, or argued that it is an invention of a particular political position. (If anyone doubts this, I recommend the forthcoming book by David Held and colleagues, which is a massive study of globalisation, stuffed full of facts and figures, especially comparing the late nineteenth century with the late twentieth century.) Yet it is a mistake to treat globalisation as only, or primarily an economic phenomenon. More fundamental is the impact of communication systems which have transformed our every day experience and our institutions. Globalisation is above all a phenomenon of communication, and there have been extraordinary developments in communication systems, over the past thirty years or so. The first satellites were established around the earth, making possible instantaneous communication from one side of the globe to the other. When you live in a world of instantaneous communication, old structures start to break up, old customs begin to decline, and cultures come into immediate contact with one another.

The world, the very texture of our every day experience changes. To live in a world where the image of Nelson Mandela is more familiar than the image of our next door neighbour is different. When you talk about the impact of instantaneous electronic communication and the advance in transportation systems that goes along with it, you are talking of something quite fundamental. You could not have the global electronic market place without the marriage of satellite communication and computer technology, which has come together over the past thirty or so

years. It is that marriage of technologies, its cultural, social and economic implications, which is restructuring the society in which we live. It is that restructuring of communications which makes possible twenty-four hour money markets in which the most extraordinary deals are carried out in real time, and where at the click of a mouse someone can send billions of dollars across the world. Nothing like that has ever existed before.

One should also think about its implications in terms of risk. In a global electronic economy with computerisation, risk becomes factored in. Derivatives, futures market swaps and other kinds of options are phenomena so arcane, that only a computer can produce them. They are so difficult for us to understand that they recently came close to bringing down the entire global economy, with the now celebrated collapse of long term capital management. These are new forms of system risk, which are built into the global electronic economy which we do not understand, and which do not have a parallel in previous times.

Globalisation is not simply an economic phenomenon. You have to study it through changes in the nature of government, through changes in the nature of culture and communication, and through the very essence of how our lives have changed through communication systems.

It is a great mistake to treat globalisation as a single set of forces working in a single direction. Many people say, look, there was the old nation-state, which had all these powers. Then along comes globalisation and it pulls everything away into the global marketplace, and states lose their power. But that is not how things actually happen. You have to understand globalisation as the outcome of several forces, not one. It includes for example the collapse of the Soviet Union, which for the first time created a non-bipolar world.

We should think of globalisation as comprising three sets of opposed and linked consequences. First, globalisation does indeed pull up into the global marketplace, so it is true that states lose some of their powers. But globalisation also pushes down and pulls away. It creates the

motivation for and the resources for greater local autonomy, regionalisation below the level of the nation-state. Local nationalism becomes important, and local communities restake a claim to identity. These things are a consequence of globalisation, in part a reaction to it.

Globalisation creates new economic and therefore to some extent cultural and political regions. These sometimes transcend the boundaries of nations, or parts of nations. Northern Italy for example is much more heavily integrated into the world economy than Southern Italy. If you ask why the Quebecois want independence, the Scots want independence, why there are problems in the Basque country, what is happening with the actual structure of Spain itself, why has Kashmir independence movements: the answer is globalisation. These things are part and parcel of the same process.

When you think of globalisation, you think of big remote systems, which are far away from us and are mysteriously influencing our lives. Well, that is not the way to think of it. These forces are changing our everyday life, changing our personal identity, changing even the texture of our emotional lives. If you ask, for example, why is there so much discussion of the family around the world? Why is there a debate about family values even in very traditional societies? The answer is globalisation. Globalising forces tend to break down traditions and structures. They force us to live more reflexively and responsively. This is a period of reflexive modernisation. Reflexive modernisation is not simply modernisation carried on within existing structures and traditions. It is modernisation, which challenges those structures and traditions. So it is going to be very difficult for us to go back to the traditional family, for example. You cannot have a traditional family in a world, which claims equality between the sexes. The two are incompatible. So, in so far as the claim to equality, which is part of democracy, becomes globalised, there cannot any longer be a traditional family. The family has to be reconstructed on the principles of gender equality, and no one knows quite how to do it. It is an extremely difficult, problematic task, but it has to be done.

So, globalisation, if I can summarise, is not just about the market, it is not even just about financial institutions. It is about the reconstruction of the institutions of the world in which we are living. Below the level of the nation, at the level of the nation and in the trans-national relationships, which should be forged all around the world, globalisation is shifting the way we live. Right the way through from problems to do with our personal identity, even the rise of addiction and compulsion. Compulsion enters the areas left by tradition and custom. The rise of these things is a kind of transformation of every day life, bound up with globalising processes. Globalisation is a kind of new relationship between the personal and the global; a very complicated and difficult but extremely interesting one, from which, so far as I can see, there is no escape. We have to live with it, and see what we can make of it, because it is now the condition of our lives.

In its most abstract sense then, globalisation is really about action and distance, it is about how distant events immediately impact on our lives, including the money economy (but not just that). It is also about how the life-style decisions we take have increasingly global consequences. This is most obvious in the ecological field where any individual purchasing decision I take, such as when I buy a particular piece of food or if I buy a particular shirt, in principle, has consequences for the ecological structure of the world. No one has had to live in a society like that before. Now, I don't know if you accept these claims, but if you do, the question arises how we should react to them. What we say here is not just the advance of an economic market place, it is somehow the first stages of the construction of a global cosmopolitan society with different institutions from those of the past.

We must react on a local, national and trans-national level. We must look at the old political programmes and try to reconstruct them. Many people will say that when you look at the problems of the world, and you ask how you could attack them, you should forget about politics, and you should forget about governments. You should turn for example to social movements, ecological movements and so forth. This is not an option. Of course these kinds of movements are

important, but you cannot have an effective political response to globalisation, which is non-political. One reason is that it is the role of government to reconcile different interests. This being the case, orthodox politicians are far from being impotent as Ohmae says, but are very important to us.

We have to look at how politics might be reconstructed, so as to form an effective political dialogue, which will allow us to grapple with this emerging world. What will this kind of politics look like? I would like at least to give it a name. I call it third way politics. The idea of third way politics is being discussed all over the world, just as globalisation is. In Beijing, Korea and in many other countries I have visited recently, there is a debate emerging about what a third way in politics could be. Third way politics, I believe, will dominate the next twenty years. It will be the focus of discussion in much the same way as neoliberalism was for the last twenty years and reformist socialism or Keynesianism was, for the twenty years before that.

Third way politics means how you develop politics which are appropriate for the kind of world I have been outlining, in which the two pre-existing forms of political ideology which have dominated the post war period are no longer appropriate. The third way is an attempt to develop a third political philosophy which recognises the two dominant ones that have become largely obsolete. What were the two dominant ones? You could say there was a period after the Second World War when many people believed that the government could solve our problems. This was succeeded by a time when people said, the government cannot solve our problems because it tends to get on top of us, the markets can solve our problems. There was a reaction towards market fundamentalism, neoliberalism or whatever term one wants to choose for it, which suggests that the world can be treated just like a gigantic market place and suggests that markets are always more intelligent than governments. This is not, in my opinion, correct. I think very few people, any longer, think this second approach is actually valid, having lived through the economic perturbations of the last two years.

We must find a political philosophy which recognises that we do not want to go back to an era of big government but also sees that you cannot run the world as a gigantic market place. Moreover, you cannot have a market place, unless you have an effective structure of institutions, which make that market place possible. Third way politics poses a question: can we create a society which is economically competitive, operating as a market economy (because we do not know any other kind), on a local, national and global level, but which at the same time recognises norms of values of social inclusiveness, social justice, social continuity and security? Can we create a society like that? I believe we can and I believe this should be the positive programme of politics for the first period of the twenty-first century.

What would third way politics be, what would it involve? It would be a politics, which has to operate at four levels – local, regional, national and global. It would accept that nation-states have not become obsolete but that their position in the world is changing. It would assert a renewed role for the nation because you must defend nations in some contexts, because otherwise the world becomes too fragmented. A world of a thousand city-states would be inherently unstable and dangerous. The idea of the cosmopolitan nation, a nation which actively exists in dialogue with other nations, would to me be a fundamental back drop to third way politics. This is not a nation-state as the purveyor of violence in the traditional sense however.

There are four basic characteristics of the third way political programme. Firstly, third way politics involves the reconstruction of government. It is a renewed claim for the importance of government, it stresses the importance of active government but not reversion to big, bureaucratic government, and it does not identify government with national government alone. The world needs more government but it does not need a reversion to the top down bureaucratic state. The issue in the reconstruction of politics and government is to track globalisation. If globalisation has a three-way effect (pulling up, pushing down, squeezing sideways), we need corresponding political structures. In many countries this means evolution of power. This is happening in the

United Kingdom. It also means the transfer of democratic power upwards. The European Union is a kind of bridgehead towards wider global governments. We know it is not very democratic. We know, famously, that if the European Union applied to join itself it would not get in because it is not democratic enough! But nevertheless, the European Union is an attempt to find a structure of government compatible with a globalised world. A structure of government, which is not just a federal state, which is not a super nation-state, but is something different. Nato is much the same thing. You have to look for a form of military involvement, an organisation which is no longer simply concerned with the nation, and is no longer a bipolar force. These institutions need to be rethought and they are a fundamental part of the reconstruction of government.

I do not regard it as utopian, to say these things. I think in this kind of world there are many ways in which we are all in it together. Many of our world problems cannot be overcome locally, or at the level of the nation, they are trans-national issues. The only organisation that can do this is government. The only form of government, which should support it, is democratic government. It is no longer utopian to look for trans-national forms of democratic government and I would like to see the European Union as a kind of bridgehead towards a wider system of government.

The reconstruction of government also involves inventing active and transparent government. Even in the most democratic countries this means democratising democracy. In the UK it will mean the introduction of a proper constitution, a freedom of information act and transformation of the House of Lords to open up our democracy. It also means trying to make government as efficient and effective as business. Third way politics looks for a new framework of connection between government and business, or government and the economy.

Secondly, reconstruction of civil society, including global civil society. Previous theories made a mistake about how you defend civil society, or why you should. Socialism tends to argue that the state can do it better than civil society. Socialists have been suspicious of voluntary associations, and so forth and have tended to prefer the action

of the state. Neoliberals, market fundamentalists, on the other hand, believe the state should shrink and then civic society will somehow mysteriously flourish. It won't. We need to reconstruct public space, civic culture, we need to have effective ways of combating crime. This presumes the active partnership between government and civic society, not just on a national level, but on every level. The re-establishment of civic society is one of the main aims of third way politics.

Thirdly, reconstruction of the economy itself. We can see emerging a new mixed economy. The old mixed economy was based on private enterprise and public ownership. The issue of the old mixed economy, (when it was put into reverse by neoliberalism), was what should be privatised. Many state institutions have been privatised. Quite rightly I think, as in many circumstances this produces a more effective service for consumers.

The new mixed economy is no longer a debate about privatisation versus state ownership. It is a debate about the relationship between deregulation and regulation, on each of the three levels I have mentioned. In many contexts, those who stand on the centre left, (my own standpoint), should recognise that deregulation is often necessary, as a condition of economic prosperity and freedom. But you cannot have simple understanding of deregulation; you cannot have simple understanding of privatisation. You should not have these things without thinking through their consequences for a larger economy, for cultural systems and for forms of cultural identity. There are many homely examples of this. For example, in Britain, London Transport was privatised. It is very dubious whether it is economically more effective than it was before, because it is essentially a monopoly. What it has done is to destroy a symbol of London's identity – the red double-decker bus. There are now buses with crazy names coming down the street – such as Hopper and Flicker. This process is not a way to help engender a sense of cultural identity. In London, cultural identity should be part of any programme, as should the wider fabric of ecology and other aspects of ways in which we assess market reforms.

Regulation therefore is often a condition of freedom; it is not the

antipathy of freedom. It is quite wrong, the position of neoliberalism, to say that to deregulate means to free people. Globalising market forces are often destructive. We should not identify globalisation with free trade. Free trade itself depends upon institutional structures. We have to be much more sophisticated about these things than we have been over the past twenty or so years. We need to find a balance between deregulation and regulation in many areas not just in the direct area of production, but in broadcasting and in other areas relevant to the preservation of civil culture. We need to have democratic space in between these areas and economic theories to recognise the need for civil reconstruction and democracy. That is not part of orthodox economic theories but it has to be surely connected to them.

Finally, reconstruction of the welfare state and welfare systems. If you are a globalisation sceptic, you think everything will go on as before, but it cannot. If you acknowledge that globalisation means a shift in the structure of our lives, and it goes along with shifts like the change in the relationship between the sexes and so forth (itself a global phenomenon), you cannot simply protect the existing welfare state. You must change the welfare state to save the welfare state. Saving the welfare state does not mean reducing the welfare state to a neoliberal safety net. In Europe it would be a bad mistake to try to do that. I look for a fairly high tax base for welfare systems. But we do need to change the welfare state into what I call a social investments state. We do not want a welfare system which has large areas of moral hazard, which locks people out of labour markets when they would be able to get a decent job, and which produces perverse consequences and interest groups. We should struggle against that kind of welfare system.

We need a welfare system which is based on investment and human capital. Investment in human capital links together a modern theory of effective business enterprise and an effective welfare state. Investment in human capital can be more expensive than orthodox welfare systems. In the UK, for example, the government has just introduced active labour market policies of the kind Sweden has had for much longer. It is a more expensive way than paying unemployment benefits but it

is surely a better use of resources to invest in people, so they have a chance to take an active role in their lives.

Reconstruction of welfare systems therefore is a fundamental aspect of all this. In conclusion, I feel we are looking for something which we search for in so many other areas of our lives. In welfare reform we are looking for a new balance between risk and security. The welfare state had a passive view of risk. It treated risk as something to be minimised and it treated risk as something coming from the outside, for which people are not responsible. That is not compatible with living in a globalised world. We have to create a society of responsible risk takers, where people have their psychic or material resources to take risks, but where they are still protected when things go wrong. I think this is the key to the re-establishment of Europe as an effective dynamic economic force, which still acknowledges the centrality of protection, security, care for the vulnerable, and these surely must be sustained. It must be linked to a more competitive Europe, which is capable of job creation, not just of job protection.

There is a new political programme emerging. It is not linked to any particular continent. There will be different versions of it. When President Cardoso in Brazil speaks of third way politics, he probably does not mean what President Clinton in the United States means when he speaks of third way politics. Nevertheless, there is a dialogue between them. There will not be a single version of this political response. But it is the key, I think, to how we can live in a decent and reasonable way in a world, which is otherwise running away from us. We must try and bring the runaway world back into effective control.
