
GLOBALIZATION AND ITS MISCONCEPTIONS

G. Chris Rodrigo

I am sending you this brief appreciative comment on the article "Globalization, Militarism and Labour" in the latest issue of *Polity* (Vol. 3. Nos. 5 & 6) written by Rohini Hensman. In particular, she identifies specific features of 'contemporary globalization,' distinguishing it from the hoary catch-all term 'imperialism' which have been stretched so far so as to obscure more than clarify meaning. This is the fate of particularly popular terms like 'technology' which are used in so many different senses that they have lost their utility to convey precise definition. Globalization is experiencing a similar fate: for example, the *Economist* of 23, December 2006 reports that Mongolians in Ulan Bator claim that Genghis Khan "all but invented globalization," encouraging trade, the flow of wealth, technology and ideas across a number of vastly different cultures.

Hensman shows a rare ability to break through the stultifying shibboleths of the orthodox Left as regards globalization, the WTO and other political economy issues. It appears to me that her work is based on serious, extensive research in sharp contrast to most analyses of globalization that flow out of uninformed speculation on how the world economy works. Most 'Marxist' analyses that I have come across, here and abroad, have not been able to master and assimilate much of the extensive research on technological change, institutions and the economics of information, that have been developed over the last few decades. Most of this has not been done by orthodox neoclassical economists, but by the growing band of heterodox evolutionary economists operating at the fringes of the profession; these are a small fraction of the economics profession worldwide, but already they run into many hundreds, to judge by conference attendance numbers.

Rohini Hensman's article deserves a more detailed critical review, but let me briefly point out some important insights she presents that address current misconceptions.

1. She points out that contemporary globalization is not only very different from classical imperialism, it is in some ways opposed to it. She argues, correctly in my view, that this is because of the establishment of global regulatory

institutions at the expense of state sovereignty. She does not go on to explain that this is the result of the way technology itself and the global value chains of production and distribution have developed. That is a pity since there is already a considerable literature on global value chains of production that is invaluable to those of us who work as consultants on industrial development. Nevertheless, the insight she does present is a quantum leap beyond the anti-globalization rhetoric one comes across routinely.

2. Another important insight relates to the WTO, which is very different from the Bretton Woods institutions. She correctly shows that the WTO is a one-country, one-vote body in which Third World countries have considerable ability to influence policy. That is why around 150 countries are members and even powerful countries like China were very keen to join at almost any cost. Of course, there is imbalance in the degree to which countries such as Sri Lanka can influence policy compared to say the US, Brazil, China or India.

But now we have a rule-based system that regulates world trade and allows even small countries to obtain favourable rulings. Anyone who has taken the time and trouble to go through the tedious task of studying individual cases will immediately realize that there are many rulings that have gone against powerful nations such as the US. The WTO and the GATT process that preceded it have gone through many 'rounds' ranging over more than a half century. Over this period many trade barriers have been reduced very substantially and world trade has grown exponentially, at around double the rate of growth of world GDP. The world trading system is an institutional framework that is constantly evolving, and now that most developing countries realize the benefits to be gained from trade, everyone wants to be a part of it. Furthermore, countries such as Brazil, India and China have learned how to use their trading power effectively and are sharp negotiators.

Of course there are major imbalances on account of their enormous technological and market power, but the US, the EU and Japan can by no means get it all their own way. Not

only that, trade conflicts between the major powers – for example, on farm subsidies between the US and the EU - are very substantial. That is why the current Doha round is caught up in gridlock. Developing countries and even small countries are no longer the pushovers they once were. Somehow all this has escaped our orthodox Marxists.

When I raise such issues with my socialist friends they typically point to some imbalance to dismiss the WTO system as an 'imperialist conspiracy' that is being foisted on the poor nations. This kind of 'lazy Marxism' is based on ignorance of what is actually happening. It also reflects a 'creationist' view of institutions rather than an 'evolutionary' view: i.e. unless an institution emerges perfect, like Venus from the brow of Jupiter, it has to be an instrument of oppression. The WTO system is like the legal system in Sri Lanka; it has major defects, but it is better to have even an inefficient system of codified law than have everything decided by the whims of powerful actors alone.

3. Hensman also points out that other international institutions such as the ILO, the FAO and the ICC play positive roles, despite some shortcomings. She does not point out that some international institutions, such as UNIDO, are abhorred by the US, which refuses to give any funds for its work and argues it should not exist. I personally think UNIDO's work is very valuable; but I am biased because most of my consulting work over the last three years has been for UNIDO. Despite the opposition of the US, UNIDO continues to function and even cooperate with the World Bank from time to time. The problem with these inherited conceptions of 'imperialism' is that it seems to stop people from actually studying how global relations work.

4. Hensman has also provided valuable insights on the global expansion of the proletariat and the improvement in working conditions resulting from globalization. It is important to point out the positive outcomes as well as the many negative outcomes of globalization. The point is that globalization is an objective development that is not controlled by any nation, much like the first and second industrial revolutions. Once the process starts, the productivity gains that flow out of this arrangement are so compelling that no nation can opt out of it. The US is very much affected by globalization, which is now becoming very unpopular with lower-skilled US workers as their jobs migrate to developing country workers whose skill levels are similar or even superior. But to argue against globalization because China and India are now doing work previously done in metropolitan centres is to retreat to neo-Luddism.

There are other valuable insights which I do not have sufficient time to comment on in this short letter. Rohini Hensman's analyses are far different from the kind of 'mindless Marxism' that is unfortunately all too common in the Left literature. In this she has returned to the scholarly tradition of Marx, Trotsky and Luxembourg who based their conclusions on deep study and critical apprehension of contemporary economic research. While it is easy to find flaws in the thinking of these giants from the standpoint of what we know today, they undoubtedly developed very reasonable insights on the basis of available knowledge. The mistake made by their followers is to base their perspectives on 'holy writ' alone without reference to contemporary social research. They see 'Marxism' as a body of thought developing within a closed ideological envelope, much as a religion based on revealed truth.

At its best, scientific social theory should be seen as a critical apprehension of knowledge in its entirety as it evolves in many distinct disciplines, much like an orchid growing on the body of the host organism. I think this is how Marx and his great followers also developed their own constructions. Unfortunately, orthodox Marxism has morphed into quasi-religious deployment of outmoded formulae

Rohini has taken a bold step to break away from the above sterile methodology. But she has some ways to go yet. She seems to be unaware of the extensive literature on the evolution of technology and its consequences for the evolution of capitalism. Thus, in taking up the various conceptions of imperialism she describes the extensive expansion of capitalism through the search for external markets, but is silent on the intensive development of the productive system through technological change. Starting in 1871, industrial capitalism entered a qualitatively different phase with the linking of university research to industrial production in Germany in the chemical industry. This practice was taken up very quickly in the US as well. Germany and the US then experienced a rapid growth of labour productivity brought on by the intensive development of technology. Because of this they had no need of colonies, since expansion is based on the deepening of the internal market as the gains from rising labour productivity are passed on to the working class. This new industrial system was taken up by Britain and France, the classic imperial powers, only after the Second World War when the technological superiority of the US became apparent and they had been reduced to second-rate powers.

From the standpoint of contemporary research in the economics of technology, the push into colonies was not "the highest stage of capitalism" as Lenin characterized it, but a dead end. This extensive expansion may have been the easy option, but it held back the further development of technology and productivity in Britain and France for over half a century at the least. Bismarck seems to have had some inkling of this since he astutely encouraged France's colonial misadventures while keeping Germany away from colonies.

This policy was changed only when Kaiser Wilhelm took over the reins pushing aside the experienced statesman.

There is much more to write about on these issues, but I am afraid that would take a much longer document. Let me close by complimenting Rohini on her bold and insightful paper and hope that she will eventually find her way to the literature on the economics of technology, developed by eminent evolutionary economists. I also hope her paper will be read carefully and digested by political activists on the Left.

Dr. Chris Rodrigo is an international consultant on competitiveness building, technological upgrading and the facilitation of trade.

Available from the Suriya Bookshop. A New SSA Publication.

Matrilineal Communities, Patriarchal Realities A Feminist Nirvana Uncovered



"Kanchana Ruwampura provides an astute analysis of patriarchal structures and resistance among female-headed households in Eastern Sri Lanka. Her work decisively debunks the conventional wisdom that Sri Lanka is a 'feminist nirvana', that war is the primary reason for growth of female-headed households, and that economists cannot do solid qualitative work. *Matrilineal Communities, Patriarchal Realities* makes an important contribution to feminist economic analysis of household structures, development, and the importance of ethnic differences."

Randy Albelda, Professor of Economics and Public Policy, University of Massachusetts Boston