Chapter 1

GLOBAL INSTABILITY: UNCERTAINTY AND NEW VISIONS IN POLITICAL ECONOMY

Stephen McBride  
Simon Fraser University

Laurent Dobuzinskis  
Simon Fraser University

Marjorie Griffin Cohen  
Simon Fraser University

James Busumtwi-Sam  
Simon Fraser University

INTRODUCTION

Unprecedented levels of instability and uncertainty have been generated by the complexity of events and trends in the contemporary global political economy. To a large extent, at the crux of this instability is the growing political salience of various forces and activities that appear to transcend and impinge not only upon existing political boundaries and forms of economic production and distribution, but also on the values that underpin social institutions and existing modes of social and cultural differentiation. These activities include, but are not limited to, the phenomenal growth in global trade and private capital flows, increased pressures for financial liberalization and the growing instability of national currencies, increased cross-border flows of people and ideas, and the growth of transnational social movements as well as in various illicit activities associated with transnational organized crime.

While the precise meanings and implications of these trends and phenomena remain unclear, in different ways, they serve to reinforce the fact that the “international” and “domestic” cannot be isolated from each other, analytically or in practice. They also create a pressing need to question the assumptions and values underpinning actual forms of globalization, and of taking a moral/ethical stance on its effects. This book presents a collection of papers that undertake these tasks. The essays examine the political consequences of existing forms of globalization for states and their populations, and explore the issue of alternatives to the dominant model of globalization we are presently experiencing. The various chapters attempt to ground their analysis of instability, uncertainty and change in the real
problems that globalization creates for states and peoples, and for those who might attempt to devise alternatives.

The opening four chapters explore the operation of and alternatives to the existing trade regime centred around the World Trade Organization (WTO), the challenges posed by currency instability in an environment of financial deregulation, the rights conferred on investors by the North American Free Trade Agreement (NAFTA), and the progressive liberalization of trade in services built into the General Agreement on Trade in Services (GATS). The theme then shifts to the analysis of the national and sub-national dilemmas that are posed by attempting to manage a set of global developments within a given territory. The difficulties faced by states in managing these dilemmas are examined in four chapters that address various industrial, social, and development policy issues. A final sequence of four chapters explore some theoretical alternatives to a globalized world, as well as some of the normative and ethical exigencies that create a need for alternatives. Responses at the level of institutions and ideas are canvassed in these chapters, and the urgency of the problems generated are highlighted.

The initial chapter, by Daniel Drache, explores a still-born post-war international organization, the International Trade Organization (ITO), that offers a different vision of how a globally integrated economy might operate. On the basis of his investigation of the post-war concept of an ITO, Drache concludes that the WTO is a truncated version of the original concept of an international governing body to supervise world trade. He argues that the WTO model privileges the interests of capital, and that an international institution with a wider mandate that takes into account the goals of other social forces, like full employment, is needed in this field. As Drache shows, the case for this exists not only theoretically, but also in an actual example, the ITO, the characteristics of which are worth recalling. The chapter concludes by noting that if it was once possible to envisage a broader globalization regime it is possible to do so again – and there is a pressing need to do this.

The problems created by accelerating cross-border competition among currencies and the resultant turbulence in the international monetary environment is the focus of Benjamin Cohen’s chapter. In addressing the question of whether national currencies are becoming obsolete, Cohen argues that currency competition compels governments to choose from among a limited number of strategies, only one of which involves preservation of a traditional territorial money. His analysis suggests that many national currencies may disappear, leading to an increasing number of regional currencies of one kind or another – a distinctly new geography of money. But there is no sure way to predict what that new geography of money will ultimately look like. The chapter concludes with the observation that while we have a fairly good idea of the principal factors that are likely to influence state preferences, many actual configurations are possible and even probable. The chapter by Maureen Molot shifts the lens back to international trade
through an examination of the negotiation and evolution of Chapter 11 (the investment chapter) of the North America Free Trade Agreement (NAFTA). The basic question posed is that of regime evolution: has the experience of the signatories met their expectations and what are the processes for regime evolution or change? Molot analyzes the demands and expectations of the NAFTA parties around the investment chapter, outlines the norms and procedures established by the regime, reviews the cases brought thus far under Chapter 11, and then examines demands for changes in the regime.

Russell Williams continues the examination of trade issues. He sets out to show that an understanding of the history of the General Agreement on Trade in Services (GATS) requires an account of how international norms or "ideas" altered policymakers’ conceptions of service industries. Beginning in the early 1970s, several private sector think tanks and industry associations succeeded in convincing national trade negotiators, that services could be traded like goods and consequently, barriers should be liberalized to promote efficiency. As a result, leading multinational service conglomerates were successful in getting the GATS included in the WTO. The importance of ideas in this story poses lessons for both structurally-based theories of International Political Economy, which focus exclusively on actors’ materially-determined interests, and for popular political debate. Here, globalization of service industries was not technologically inevitable, but rather was the product of changing understandings of trade in services.

The next four chapters examine a number of sectoral, industrial, and social policy issues that illustrate the dilemmas confronting national and subnational actors and groups as they seek to cope with globalization’s challenges. In chapter five, Bradley Bowden and Andrew Molloy compare the evolution of the coal mining industry in the Cape Breton area of Nova Scotia in Canada and the Queensland coal mining industry in Australia, highlighting the different responses to crises produced by changing markets, alternative energy sources and new mining techniques. Their analysis shows that while the term "globalization" is a relatively recent addition to scholarly discourse, exposure to the vagaries of the international market is hardly a new experience to those in the natural resource sector. Trade in such commodities as timber, animal furs and minerals became the "staples" upon which "New World" economies were built. And for the mining communities of both Cape Breton and Queensland the experience of the last 100 years indicates the continued vulnerability of the natural resource sector to market forces, whether or not the industry is in public or private hands. Marc Lee addresses the past, present and future of active industrial policy. In the first part of his analysis, Lee surveys the historical development of today’s industrialized nations, and finds legacies of government involvement to channel resources into strategic sectors, protect emerging industries and offset market forces. In the second part he shows how industrial policy has been constrained by WTO
rules. Finally, Lee considers what is left of industrial policy in a WTO world and the remaining options available to countries. He argues for a renewed public sector as an anchor for industrial policy in the future.

The next two chapters provide an interesting contrast of state responses to globalization pressures in Australia and Mexico. John Wiseman provides a critical, grounded discussion of policy options that are beginning to be explored by governments seeking alternatives to neoliberal political and economic directions. The discussion combines an overview of relevant international trends and dilemmas with lessons to be learned from the experience of a state government in Australia – the Bracks Labor Government in Victoria. Noting that the critique of extreme forms of neoliberalism is increasingly influential, Wiseman traces the emergence of an alternative political and policy paradigm that strives for a more balanced and integrated relationship between economic, social and environmental values and goals. Wiseman concedes that the shift from neoliberal policy directions is slow, uneven and contested. However emerging spaces for exploring new policy directions provide important opportunities for linking alternative policy ideas to new approaches to political engagement and policy implementation.

The role of the state in Mexico is the focus of the chapter by José G. Vargas Hernández. This role is analyzed as one of transition from an “entrepreneurial state” toward a state of entrepreneurs. He argues that the era of the presidential Mexican entrepreneurial state, protectionist and populist with some emphasis on a welfare state model, was followed by presidential reinvention of the state based on neoliberal premises. This was the result of several factors including the economic and political impact of globalization and its pervasive effects on unequal income distribution, weak governance, political instability and lack of property security. It also reflected a new relationship between government and business enterprises. The new regime has achieved some impressive results in terms of economic growth and development. But this has been accompanied by an increase in poverty, declines in real incomes, increased unemployment, and a widening gap between the rich and the poor, leading to fissures in society and fuelling guerrilla warfare and crime waves. Vargas argues that only a turn to democratic legitimation of the regime could produce an ability to manage such problems.

The final four essays examine possible alternatives to existing forms of globalization and take up some important ethical issues and dilemmas raised by its effects, which centre on the kinds of values that do, or should, underpin political and social institutions. The section begins with an examination of ecological issues that are among the most contentious with growing globalization. Gus diZerega shows that traditional political institutions have done poorly in protecting these ecological values and the advent of global economic integration threatens them even further. Forestlands are poorly suited for either traditional political management and oversight or traditional privatization. Using temperate forests, particularly
U.S. National Forests, as his case study, diZerega explores more promising alternatives. He argues that geographically defined governments do not handle such public interests well. In the case of the U.S., traditional bureaucratic management, congressional oversight, and interest group politics have done a poor job. The public record elsewhere is often no better, and privatization also tends to ignore important values served by these public lands. diZerega shows that the model of a democratically governed trust holds great promise for solving or ameliorating many issues. Based on experience with the National Trust of England, Wales, and Northern Ireland, public forests would be better and more democratically governed by forest trusts than by traditional democratic institutions. They would also be more attentive to the complexity of values served by each forest than would privatization.

Laurent Dobuzinski examines the contemporary renewal of interest in the rhetoric of civic republicanism, which is particularly evident in France and the United States but is by no means limited to these countries, as possibly pointing the way toward new creative responses to the challenges of globalism. Liberal democracies are pulled between the neoliberal logic of increasingly global market forces and the democratic aspirations of citizens. And it is often argued that the social democratic consensus of the post-war years no longer provides adequate answers to this dilemma. Dobuzinski argues that civic republicanism has been used both as a means of ineffectively invoking a nostalgic past and as a source of inspiration for the articulation of a new cosmopolitan political project. While this chapter underlines the merits of the latter, it also argues that civic republicanism is an ambiguous ideology within which both retrograde and emancipating ideas are inextricably meshed.

Andrea Migone contends that the current approach to globalization suffers from a dual problem. On the one hand, many of the definitions of globalization are unduly simplistic and often fail to capture the multi-layered complexity of current changes especially the cultural and institutional elements. He also addresses a second shortcoming of the debate on globalization – the lack of an explicit ethical background, with the exception of some vague notion of market fairness, for what amounts to a highly comprehensive and wide-ranging set of changes and interventions. To correct this situation, Migone assesses the possibilities of the re-emerging field of Economic Personalism. Drawn mainly, but not uniquely, from the tradition of Catholic ethics, Economic Personalism represents a coherent attempt at bringing together economic theory and moral ethics and at applying them to the concrete realities of today’s economy.

In the chapter by Duncan Cameron, analytical categories developed by the noted political theorist, C.B. Macpherson, are brought to bear on the need to revisit and update our conceptual thinking about democracy in the age of global instability. Cameron argues that the ascendency of neoliberalism
Global Instability
Uncertainty and new visions in political economy
McBride, S.; Dobuzinskis, L.; Cohen, M.G.;
Busumtwi-Sam, J. (Eds.)
2002, IX, 239 p., Hardcover
ISBN: 978-1-4020-0946-4