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**GLOBALISATION: AN ANALYSIS
OF THEORETICAL PERSPECTIVES
AND DOMINANT CAUSES**

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Globalisation: an analysis of theoretical perspectives and dominant causes¹

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Abstract

*The paper aims to give an analysis of globalisation in terms of its theoretical perspectives, root causes and general policy implications. Following the presentation of some definitions and of the specific character of globalisation, the paper considers the role of the technological environment and of transnational companies in the process. It then analyses the main theoretical approaches or theses on globalisation: hyperglobalism; scepticism and transformationalism. The subsequent analysis of causation starts with a distinction between driving forces and dominant forces – or *causae causantes* – of globalisation. The dominant causes are seen as a subset of the driving ones and are identified with those innovative elements in the technological and or organisational spheres which contribute to the development of the productive forces. Conclusions and policy implications follow.*

I. Introduction

Globalisation has now become an everyday household term, used to characterise, explain, and justify many current economic and social developments. The term and its common usage convey the impression that it is potentially and actually possible for ordinary people and economic actors to get in touch, interact and do business with other people and communities world-wide. The expression has also increasingly come to be associated with the feeling that economic activity, events and processes have a pattern and life of their own determined by globalisation and that we cannot - and should not - do much to alter them.

The public at large usually interprets a high degree of globalisation and international integration to mean and imply that: we travel more; we communicate with the rest of the world more quickly; we receive images and sounds of news in real time; we are able to buy the same type of car or jeans or hamburger in Dallas, Rome, Beijing, Moscow or Mexico City; we can do business all over the world. In other words, our consumption, production, exchange, leisure and culture activities are more integrated with the rest of the world.

The globalisation process has indeed brought with it wider and deeper levels of integration among the countries of the world. The mechanisms and processes of globalisation and the forces behind them contribute also to the integration process.² In fact the two processes are almost inseparable from each other.

The ease and speed of communication increases the perception of integration by making people aware of problems and opportunities in remote parts of the world. It also heightens the awareness of the global nature of some problems which, at first sight, might appear to be local, such as environmental problems, human rights issues, local wars. Far from being local, these problems

and issues have become global and are now generally perceived as such (Held *et. al.*, 1999).

This paper starts with considering various definitions of globalisation (section two). It then presents by various theoretical approaches to globalisation or main theses (in section three and four) together with their implications for governance. Section five is devoted to a comparative analysis of the theses. The specific characteristics of globalisation are considered in section six. Sections seven and eight discuss the role of transnational companies and of information and communication technologies in globalisation. This leads to an analysis of causation of the globalisation process (section nine). The analysis is conducted by starting with a distinction between driving forces of globalisation and its dominant causes. The paper identifies two specific dominant causes of globalisation: the information and communication technologies and the transnational companies. Section ten is devoted to conclusions and policy implications.

II. Defining globalisation: some attempts

The globalisation process has sparked off a very large literature in a variety of disciplines ranging from economics to geography to politics to human resources and to business strategy. Globalisation is indeed a complex phenomenon, which covers much more than the strictly economic sphere. "Globalization is political, technological and cultural, as well as, economic" (Giddens, 1999:2).

The term is used in a variety of connotations and approaches as noted in Milberg (1998). He writes, specifically, that the term often "...refers to the emergence of a new international division of labour alongside greater geographical dispersion of activity."; or it describes "...the spread of capitalism worldwide..."; or it is "... used as a synonym for liberalization and greater

openness.” (p. 69). Rejecting the extreme version which might identify globalisation with a “supranational paradigm”, the author describes the current situation as “...one which is dominated by transnational firms and financial institutions, operating independently of national boundaries or domestic economic considerations.” (p. 70).

Given these connotations and broad scope, definitions of globalisation can be rather restrictive and difficult. Nevertheless, some authors have attempted to define it and I shall here present some of the main positions. McGrew (1992:23) writes:

Globalization refers to the multiplicity of linkages and interconnections between the states and societies that make up the present world system. It describes the process by which events, decisions, and activities in one part of the world come to have significant consequences for individuals and communities in quite distant parts of the globe. Globalization has two distinct phenomena: scope (or stretching) and intensity (or deepening). On the one hand, it defines a set of processes which embrace most of the globe or which operate world-wide; the concept therefore has a spatial connotation...it also implies an intensification of the levels of interaction, interconnectedness or *interdependence* between the states and societies which constitute the world community. Accordingly, alongside the stretching goes a deepening of global processes.

Oman (1996) defines “globalisation” as

“ ...the growth, or more precisely the accelerated growth, of economic activity across national and regional political boundaries. It finds

expression in the increased movement of tangible and intangible goods and services, including ownership rights, via trade and investment, and often people, via migration. It can and often is facilitated by a lowering of government impediments to that movement, and/or by technological progress, notably in transportation and communications. The action of individual economic actors, firms, banks, people, drive it, usually in the pursuit of profit, often spurred by the pressures of competition. Globalisation is thus a *centrifugal* process, a process of economic outreach, and a microeconomic phenomenon.” (p.5)

Castells (1996, Vol. I:92) sees a global economy as " ...an economy with the capacity to work as a unit in real time on a planetary scale".³

Held *et al.* (1999: 16) write that:

"globalization can be thought of as...a process (or set of processes) which embodies a transformation in the spatial organisation of social relations and transactions - assessed in terms of their extensity, intensity, velocity and impact - generating transcontinental or interregional flows, and networks of activity, interaction, and the exercise of power".⁴

McGrew like Milberg stresses interdependence between variables. The definition by Held *et al.* emphasises the process aspect of which changes in transactions are the outcome. Moreover, the latter authors emphasise the social and cultural, as well as the economic dimension of globalisation. Ohmae (1995b and 1996) concentrates on the economics of globalisation and specifically on growth in the economic transaction flows.

Some authors writing on globalisation (Milberg, 1998; Hirst and Thompson, 1996) put a strong emphasis on macro aspects: on countries more than on communities and individuals. Castells, in line with the emphasis on the IT revolution in his books, stresses the velocity of transactions. All the definitions given above refer explicitly or implicitly to the spatial reach of the transactions (to what McGrew calls “stretching” and Held *et al.* the "extensity" of transactions).

These attempts at definitions and the different emphases they put on various aspects, provide some of the evidence on profound differences existing in the analysis of globalisation. Before we proceed to analyse some of the theoretical approaches in which these differences emerge even more strongly, let us look more closely to the characteristics of the globalisation process and to the role played in it by technology and by the TNCs.

III. The specific character of globalisation

Throughout history there have been various periods of fairly extensive spatial "outreach" in which individuals, communities, social groups, business, governments established links which led to flows of people, resources and products across different countries.

Traditionally, business links tended to be confined to countries in a position of geographical proximity and/or ease of access and to countries linked by political/colonial ties⁵. Historical examples of the first group are countries of the Mediterranean basin in Roman times or Venice and the Adriatic/near East countries in later centuries. The Roman Empire or, later, the British or French ones are examples of the second group.

This "outreach" process acquired the character of internationalisation since the birth of the nation-state. This is true both in terms of appropriateness of the term internationalisation and in terms of the role played by the nation-states and its governments in the "outreach" process. It is used to describe business and wider linkages between agents of two or more nation-states, be they private citizens or companies or governments and public institutions.

Business links across different nation-states have always been quite strong and they have indeed accelerated. It is, however, possible to distinguish various phases. Prior to the First World War the main mechanisms of internationalisation and integration across nation-states were trade, migrations and capital movements (Obstfeld, 1998, Hirst and Thompson, 1996). After WWI both movements of labour and capital slowed down and trade relations suffered under protectionist measures.

In the post- Second World War era the major form of transaction became trade up to the late 1960s. Direct foreign investment and production gradually picked up as a major mechanism of internationalisation and the relevance of direct investment increased considerably from the 1970s onwards⁶. The 1980s and 1990s have seen increases in many components of international integration and particularly great leaps in all aspects of international financial flows (Akyuz, 1995, Chesnais, 1997, and Held *et.al*, 1999: ch. 4 and in cross borders business partnerships (OECD, 1992 and Hagedoorn, 1996).

The term globalisation is more specifically and appropriately applied to the wider developments in the economy and society in the last twenty-five years. These developments show specific characteristics and have put in motion a largely irreversible – though not uncontrollable - process. It is argued in section nine that the development of the productive forces at the basis of globalisation have led to a new phase of capitalist development. The attempt to extend the concept of globalisation to all historical epochs is, in my view, mistaken for two

reasons. First because it seems to stress only or mainly spatial extensity in the globalisation process, thus playing down its more fundamental characteristics⁷. Second, because it considers globalisation independently of the economic and social system prevailing at the time.

Globalisation can be characterised in terms of a variety of quantitative and qualitative elements. The quantity and quality aspects are not always distinguishable. They are so closely interconnected that they blend into each other. Among those that are more *quantitative* in nature are the following:⁸

- (1) Increase in the *number of mechanisms* of interconnectedness and related cross-border transactions are increasing: from traditional trade flows to FDI, to portfolio investment and other financial flows to related profits and dividends from such investments, to business partnerships to the international movement of people. The latter takes on many forms and affects economies and societies in a variety of ways as people move for leisure or in search of work or to escape persecution or for business reasons. Moreover, all these flows have been increasing considerably (OECD, 1994; Held *et. al.*, 1999; Chesnais, 1997; Akyuz, 1995).
- (2) Growth in the *extensity*, that is in the geographic/spatial reach of interconnectedness. The majority of flows tend to be confined within specific regions such as the EU. However, the definition of regions is gradually becoming more inclusive as for example in the case of the EU. Moreover, there is also a considerable increase in inter-regional flows as the costs of transportation and communication decline.
- (3) Growth in the *"intensity" or "depth"* of cross-border activities and transactions. The weight of such activities in relation to the size of national

and world economies has increased by almost any of the measures usually considered. (UNCTAD, 1996).

Among the *qualitative* changes can be listed the following:

- a) "*Breadth*" of change. The range and number of "domains" affected by the globalisation process is large and increasing: from population movements to culture to the environment to traditional and less traditional economic transactions, to politics and the military machinery (Held *et. al.*, 1999). Moreover, the process is cumulative in a variety of ways. Because the mechanisms and transactions across countries are not exclusive but they cumulate; because the effects spread from one domain to the other: involving economics, politics, culture and society in general. Because once the globalisation process has started it tends to snowball and grow for most or all the mechanisms and domains considered.
- b) *Technological* basis of globalisation and in particular the ICT revolution. The new technologies affect the intensity, extensity and breadth of globalisation, as well as, the velocity of movement of products, people and resources. They also allows the development of new ways of transacting within and across frontiers.
- c) *Social and organisational changes*. The new technologies and the globalisation processes affect (and are affected by) the way companies organise production. They also affect the organisation of governance within and across nation-states, as well as, the linkages between groups and peoples. The "network" economy is something that affects production, consumption and society in general. (Castells, 1996 and 1997).

d) *Political basis.* Starting with the Thatcher and Reagan administrations many governments worldwide have been actively supporting the globalisation process towards specific directions. The support has come through deregulation policies, through privatisation programmes,⁹ through facilitation of mergers and acquisitions, through the gradual dismemberment of welfare policies, through giving monetary stability and policies the main or only role in the steering of the economy. Thus, globalisation has gradually come to be seen as part and parcel of market-led policies. Moreover, there is a widespread ideology that the globalisation process cannot and should not be tempered with by governments. Thus globalisation has so far gone hand-in-hand with a strong ideology of liberalisation.

e) *Financial domination of the economy.* The current globalisation phase of capitalist development has a strong financial basis (Chesnais, 1997; Akyuz, 1995). The dominance of finance capital is not new in capitalism in its national or international phase.¹⁰ However, the 1980s and 1990s have seen the dominance of finance capital to an unprecedented degree and applied to a larger number of countries. Among the many indicators which support this statement are the following ones.

Very large increases in all aspects of cross-country financial flows relative to indicators of to the real economy. Griffith-Jones (1998) reports that in 1987 the world amount of FDI and portfolio investment was roughly the same; by 1993 the latter had outstripped FDI by three times. Akyuz (1995: table 3.3, p. 62) gives the following evidence. Between 1964 and 1991 the size of the international banking market as a percentage of world output, trade and gross

fixed investment has shown the following increases respectively: 30.8; 17.4; and 26.3 times.

The financial domination of the economy manifests also in terms of large waves of mergers and acquisitions (M&As) in particular across borders (Ietto-Gillies, Meschi and Simonetti, 2000). Thus increasing amounts of FDI in the 1980s and 1990s have taken the form of M&As (UNCTAD, 2000).

The new technologies have greatly helped the spread and volume of financial transaction within and across borders. Though financial domination of the economic system is not a new phenomenon, the present phase is characterised and specifically enhanced by (i) the new technologies, (ii) the deliberate policies of deregulation and privatisation¹¹ of many governments in both developed and developing countries; (iii) the dominance of market-led ideologies; (iv) the general move towards a service economy.

IV. The technological environment of globalisation

The last few decades have seen technological changes in a variety of fields and particularly in the life-sciences and biotechnology and in the information and communication technologies. The latter ones follow improvements in the technology of transportation and communication – the space-shrinking technologies (Dicken, 1998:151) stretching back over a century.

In the course of the twentieth century, improvements in the technology of transportation - the system for moving people and goods across space - have been made in sea, road and rail transport and, of course, significantly in air transport. This has led to a gradual decrease in the relative costs of transportation. Milberg (1998:79) reports that: “Maritime costs are currently one-third of their 1920 level, while air transport costs have fallen by more than 50 per cent since 1950.”

The communication system relates to the transmission of information across distances. For most of human history, the speed of transportation and communication were the same (Dicken, 1998; John *et. al.*, 1996: ch. 3): messages could travel only at the speed of transportation. For centuries people attempted to develop systems that would enable them to convey messages at a higher speed than that allowed by the transportation system. Examples of this are the attempts to convey messages through carrier pigeons, smoke or flags signals. The breakthrough came with electricity and the developments of radio, telegraph and telephone. This allowed messages to travel much faster than the speed at which transportation took place, while, of course, transport itself was positively affected by the applications of electricity.

The developments of the last two decades in information and communication technology are, however, of a different order of magnitude and qualitative relevance. The speed, quality and quantity of information and communications services have all been changed to unprecedented levels. Experts estimate that we are still at the beginning of a massive transformation in terms of overall spread and impact on the economy. The technological changes are so profound and wide-ranging both qualitatively and quantitatively as to amount to a shift in techno-economic paradigm (Perez, 1983, Freeman, 1992 particularly ch. 6).

There have, of course, been previous technological revolutions affecting many industries. However, the current one is having an impact not only on many industries, their products and production processes but also on the consumers and their interaction with the producers. Moreover, it is affecting every *function* within the industries (Dalum, *et. al.* 1999) and thus it permeates the economy and society at a much deeper level. Every single activity within the firm is affected: from R&D to the planning and organisation of production and its processes, to administrative functions within the firm, to marketing and selling of products, to

relationships with customers, to stock control. Workers are affected in the skills required, in the way they work, in the way they use their leisure time. Consumers are affected in terms of the range of products they have access to, in the mode of their access to them.

The new technologies have brought about, in particular, the following developments:

1. Introduction of new products: mainly intangible and knowledge-based ones at both the levels of finished and intermediate products. New intermediate service products are required for the production of both manufacturing and services such as software, management data. A considerable number of products (both services and manufacturing) is emerging from the convergence of different activities all linked by the ICTs. The increase in service products is very considerable. However, as often in the past, technological developments have brought also the embodiment of services into goods (Bhagwati, 1984). Moreover, at the industry level, the new technologies are leading to convergence of previously separated industries such as electronics, telecommunications, publishing (Dalum *et. al.* 1999).
2. New production processes with flexible systems have, partly, replaced the earlier Fordist systems based on mass production. This has been speeded up by advancement in the ICTs (Oman, 1994 and 1996; Castells, 1996 and 1997).
3. The scope given by the new technologies to combine global with local – glocalisation – in two respects. First, in terms of adapting products to local markets, tastes and cultures. Second in terms of adapting the production process to take account of availability of skills in different countries. This

means locating components requiring different skills in different countries according to the relative abundance/scarcity of skills (Frobel *et. al.* 1980 and Castells, 1993).

4. New ways of trading products with the possibility of exchanges on-line in real time or at great speed. Some products are now delivered at the speed of the fastest communication system while in the past most or all products were delivered at the speed of transportation.
5. New factor services and related skills are required. This extends from the services of software engineers and computer experts in general, to marketing and management skills. Moreover, all jobs within companies need different types of skills: literacy, numeracy, ability to communicate and work in teams replace the traditional unskilled labour power which was based on physical strength and stamina.

The information and transportation technologies have all combined to make and progressively enhance the globalisation process. At the same time the forces and key actors behind globalisation – particularly the TNCs – are contributing to the acceleration in adoption of the ICTs.

V. Transnational companies and globalisation

As already mentioned, globalisation is characterised by both qualitative and quantitative elements interacting with each other in a cumulative process. Among the quantitative elements, the following cross-border flows are particularly relevant:

- Trade in goods and services
- Foreign Direct investment
- Financial flows including Portfolio Investment
- Profits, dividends and interests related to the various types of international investments and lending activities.
- Inter-organisation collaborative agreements. Most of these are between firms though there is often also collaboration between private and public institutions (such as universities) across borders.
- Movement of people taking place for a variety of reasons (from tourism to the search for jobs and better living conditions to political reasons to business reasons).

Though these elements are considered mainly as quantitative ones, they all have also strong qualitative impact on the countries concerned ranging from the establishment of linkages between firms, exchange of knowledge (on technology and other business matters such as organisational and managerial ones) to the cultural effects due to movements of people, or the diffusion of similar products and production processes in various countries.

Cross-countries inter-organisation co-operation as well as cross-country intra-firm networks have both quantitative and qualitative connotations. Trade, investment, expatriation, may emerge from them and so does the exchange and diffusion of technology, skills, organisational and managerial methods.

The TNCs play a big role in most quantitative and qualitative elements of globalisation. They participate in all or most of the cross-border flows in both their quantitative and qualitative manifestations. Their role in the cross-country movement of people might be considered more peripheral apart from the movement due to business expatriates. However, their role is absolutely crucial in all other elements. They are responsible for some 80 percent of world trade

(UNCTAD, 1996), for all the FDI, for most inter-organisational linkages and for all intra-firm ones. The TNCs' involvement in financial flows is also crucial to the process for the following reasons. First, because many international financial flows originate from cross-country mergers and acquisitions, or portfolio investment or movements of dividends or speculative movements. The TNCs are involved in all of these. In fact mergers and acquisitions constitute the bulk of FDI in the last fifteen years (UNCTAD, 2000). Last but not least, we should not forget that the majority of banks that participate in the globalisation process as lenders and as facilitators of movements of funds are themselves transnationals.

The TNCs are the only actor with such extensity and depth of participation because they are the only actors which can plan, organise, control activities across countries. They are indeed the main institution that participates actively in the process. As such, they shape the pattern of globalisation more than any other actor. This puts them in a stronger position compared to other participants in the process many of which bear the effects of globalisation in a passive way.

The network society so thoroughly analysed by Castells (1996), gives tremendous linkage potential to individuals, groups, communities, businesses, and private and public institutions. Yet it is becoming more and more evident that networking power as well as the participation to the positive effects of globalisation, varies considerably across countries and regions, individuals, communities, businesses, institutions, and social classes. Many such groups are passive participants who bear the negative effects without the opportunities to enjoy the positive ones or take part in shaping the direction of globalisation. Others enjoy active participation in the process as well as the positive effects of globalisation

In summary, I consider the TNCs to have a special role in globalisation for three main reasons: (a) because of their organisation ability which allows them to take full advantage of the new technologies and to operate fully and successfully

across borders; (b) because of the extensity and depth of their participation in the globalisation process; and (c) because of their comparative position *vis-à-vis* other participants in the process.

I shall reconsider these points in the analysis of causation. But before we come to that, we must consider the various theoretical theses on globalisation.

VI. Globalisation theses: hyperglobalists and sceptics

Is globalisation a new phenomenon? Can we measure it and if so how? What are its causes and driving forces? How do we assess its impact on society? Can we indeed talk of causes and effects in the context of such a complex phenomenon? What is the relationship between globalisation and the nation-state? What is the role of national governments in the era of globalising or globalised economies and societies? What is the role and scope of governance in general in such societies and economies?

The implicit or explicit attempt to tackle some of these questions has led to a lively debate on the analysis of globalisation and its outcomes and effects. The main approaches have been presented in Held *et al.* (1999: Introduction) as "theses". The current and next section will consider the debate by presenting the main positions or theses and section eight will compare the theses.

Held *et al.* (1999) consider three main theses in the globalisation debate. At one end of the spectrum they put the proponents of what they call the "Hyperglobalist Thesis" of which the main exponent is Kenichi Ohmae (1991, 1995a and 1996). Ohmae sees the brave new world at the end of the second millennium dominated by large successful multinational companies. They are seen as a source of efficiency and progress which can deliver wealth and well being throughout the world - or at least the developed part of it - provided they are not hampered by the regulations and border constraints of nation-states.

Ohmae sees the traditional nation-states with their uneven regional development and their over regulations as an impediment to globalisation: the era of the *Nation-State* is over and it must give way to the *Region-State*.

The following elements of this analysis must be emphasised. Globalisation is an unstoppable force for progress and efficiency. There are no specific and identifiable actors or causes behind it. It is market-driven and indeed the logic of the market must be allowed to prevail by pushing forward with deregulation and liberalisation. The constraints still posed by nation-states must come down. Indeed, the nation-state itself is an anachronism in a globalised world and it must be superseded by the advent of region-states. "Nation-states are no longer meaningful units in which to think about economic activity" (1995a:120). "In a borderless economy, the units that do make sense are what I call region-states that is geographical units such as Northern Italy; Wales; Baden-Württemberg in Germany; San Diego, California and Tijuana, Mexico; Hong Kong and Southern China; the Growth Triangle of Singapore and its neighbouring Indonesian islands; or Osaka and its outlying areas, which are together known as Kansai. These are the natural economic zones. They may, or may not, fall within the boundaries of a particular nation... What does matter is that each possesses the key ingredients for successful participation in the global economy - not the least of which is the ability and the determination to put global logic first" (120-122).

Such a death warrant for the nation-state was bound to generate support for its survival. One group has indeed been led to deny (or play down considerably) the very existence of globalisation in order to maintain that news of the death of the nation-state is grossly premature. Indeed, the nation-states and their governments are live and kicking and there are calls for them to kick harder and more effectively.

Held et al. (1999) as well as Giddens (1999) name this the "Sceptic Thesis". It is represented, among others, by Carnoy *et al* (1993) in the US and by Hirst and Thompson (1996) on the other side of the Atlantic.

Carnoy *et al.* (1993:ch. 3) examine the growth and development of MNEs since the 1970s and arrive at the following conclusions. They find that, in spite of considerable qualitative and quantitative changes in their activities, MNEs are still very much embedded in the home country. The majority of their activities and profits - except for a few MNEs - are based in the home country. So is their R&D. Therefore, the contemporary MNEs are strongly dependent on the home-country's infrastructure, business culture and government policies. There is a very strong interaction between home nation-state and MNEs. The performance of the nation-state economy is affected by the success of its MNEs; conversely, the MNEs' success world-wide depends on the success and support they have in their home base. The nationality of the MNE is important in terms of the support it gets from the home government policies and in terms of the business and wider organisational culture in which it is embedded. Japanese MNEs behave differently from American or French ones; the country of origin does matter.

In this perspective national policies in the globalisation era become more not less relevant. National policies affect the level of competitiveness of the economy as well as, the physical and human-capital infrastructure. This in turn affects the performance and competitiveness of MNEs.

Hirst and Thompson (1996) question the whole notion of globalisation on the following basis. (a) It is not a new phenomenon. Large inter-national flows of trade, portfolio and direct investment, as well as, migration flows are nothing new. The beginning of this century saw a similar, if not higher, intensity of transactions across borders. (b) Multinational companies are not borderless institutions. They are well embedded in their own home nation-state in terms of share of overall activities. (c) Most inter-national flows are confined within well-

defined regions rather than spread across the globe. (d) Capital mobility is confined within the developed countries and does not produce massive shifts from developed to developing countries. International transactions tend to be regional. Similar arguments are used by Kozul-Wright and Rowthorn (1998) to support the view that "... there has been a tendency to exaggerate the extent of truly global production relocations" (p. 78).

Thus, if globalisation is a hyped myth, it follows that the nation-state is still the key unit of governance within its own borders and also in terms of establishing appropriate international institutions and securing appropriate and consistent cross-country governance. The sceptics' defence of the nation state is based on the denial or playing down of globalisation.

It is interesting to note at this point that the "hyperglobalist thesis" seems developed in a historical vacuum. Globalisation is a new phenomenon of the last fifteen to twenty years and there is no point in looking back to the heyday of the nation states. It needs new political, economic, social units. The sceptics invoke history in aid of their thesis: a history that is taken back some one hundred years in the case of Hirst and Thompson and some thirty years in the case of Carnoy *et al.*

VII. Globalisation theses: transformations

History plays a very strong role in the analysis by Held *et al.* (1999) and in their "Global Transformations" thesis. Their project is to analyse globalisation in its historical setting and antecedents and for the key domains of social activity. The historical epochs chosen for their analysis are. Pre-modern (up to 1500); Early Modern (1500 to 1850); Modern (1850 to 1945) and Contemporary (1945 to present). The key domains - among which they see growing global

interconnectedness - are economics, politics, migration, and the environment, the military and culture. Each domain is characterised by specific technological and institutional infrastructures. Particular prominence is given, for example, to the historical evolution of political institutions and infrastructures.

The following dimensions are used to assess globalisation; *extensity*, that is the spatial/geographical reach; *intensity*, that is the number and quantity of flows; *velocity*, that is the speed of movement of flows across space; and *impact*, that is the overall effects on society and the economy.

The approach by Held *et. al.* sees globalisation as a process of global transformations. It is interesting to note the plural in the title ("Global Transformations") of their book and in their treatment of globalisation. Though they leave it unspecified; the plural can be interpreted as referring to transformations throughout history and/or transformations in key domains of social and economic activity and/or to both. The latter interpretation may be the closest to their intentions.

From a historical perspective one might be led to conclude that the present globalisation process is nothing new - just another transformation towards outreach in the history of humanity. Yet they conclude that the present transformation is unprecedented. They write in their final chapter: "What is especially notable about contemporary globalization, however, is the confluence of globalizing tendencies within all key domains of social interaction. Thus, it is the particular conjuncture of developments - within the political, military, economic, migratory, cultural and ecological domains - and the complex interaction among these which reproduce the distinctive form and dynamics of contemporary globalization" (p. 437). Moreover, the assessment of contemporary globalisation shows signs of "thickness" that is of high extensity, intensity, velocity and impact compared with globalisation in previous epochs.

They reject the hyperglobalist views of the demise and redundancy of the nation-state. They write on this point: "The distinctive attributes of contemporary globalization, ... by no means simply prefigure the demise of the nation-state or even the erosion of state power. Indeed, in all the domains surveyed, it is evident that in key respects many states ... have become more active, although the form and modalities of this activism differ from those of previous eras." (p. 436)

They see the development of new forces (spatial and social) in the domains of politics and power and the need for a rethinking of democracy in a world of overlapping communities. "... a democratic political community for the new millennium necessarily describes a world where citizens enjoy multiple citizenships. Faced with overlapping communities of fate they need to be not only citizens of their own communities, but also of the wider regions in which they live, and of the wider global order. Institutions will certainly need to develop in order to reflect the multiple issues, questions and problems that link people together regardless of the particular nation-states in which they were born or brought up." (p. 449)

A different perspective and transformation thesis is put forward by Chesnais (1997)¹², who writes (ch. 2:48): "At the end of the twentieth century, the analysis of globalization of capital must start with finance. The financial sphere is the one in which the internationalization of markets is most advanced; the one in which the operations of capital have reached the highest degree of mobility."¹³

Chesnais and Simonetti (2000) also write with reference to globalisation. "...the term is also being increasingly used to refer to the fabric and mode of operation of contemporary capitalism at a world level. Globalization builds on channels and mechanisms, which originated in earlier phases of internationalization. But it incorporates them into a qualitatively new mode of

working of the international economy marked *inter alia* by the continually increasing empowerment of finance”. (p.11)

Chesnais sees the current phase of capitalist development as a new regime in which finance capital dominates everything else (‘Un régime d'accumulation mondialisé à dominante financière, ch. 12: 287). In his view, since the 1980s, capitalism has undergone systematic changes: the specific forms of capital globalisation unleashed by the liberalisation and deregulation policies have led to the emergence of a world regime of accumulation dominated by finance.

Does this mean that there is a conflict or separation of roles and aims of industrial and finance capital? The author's answer is definitely negative because he sees industrial and financial groups as closely interlinked and enmeshed in their working towards more profitable accumulation world-wide. The extremes of this new financial regime of accumulation are to be seen in the US - UK model of capitalism, which he sees as “bad” capitalism (“mauvais capitalisme”) gradually swelling and crushing other non-finance based capitalist models. The poignant analogy here is with "bad" money driving away good one in a novel application of Gresham law (p. 288).

Chesnais gives detailed empirical support to his thesis with data on the accelerated growth of financial transactions (ch. 2). For example he reports that the daily average transaction on the stock exchanges of UK, US and Japan have increased by 100 per cent between 1986 and 1990 and by about 200 per cent between 1990 and 1992. (Graph 10.3, p. 253).

In his view the advent and spread of this new regime of capitalist accumulation has been aided not only by the technological developments but, very significantly, by the deliberate policies of governments, particularly the Reagan and Thatcher administrations, as well as, the convergence conditions set by the EU policy makers.

VIII. The theses compared and analysed

The globalisation theses presented in the previous sections are not a matter of pure taxonomy. Each thesis corresponds to a specific analysis of the causes, extent, impact, possible future developments of the globalisation process and the subsequent role of the state (and governance in general) within it. It also corresponds to different ways of looking at the degree of integration between countries and to the interconnectedness between individuals, groups, communities, peoples, and nation-states.

There are many points in common between all or some of the theses presented. There are also many differences. I shall briefly consider the main commonalities and differences in an attempt to see where we are in the globalisation debate.

The role of the nation-state and its government is a preoccupation in all the approaches. From Ohmae's call for the demise of the nation-state and for further deregulation to Chesnais' position against governments whose policies have fostered the finance regime of globalisation. The sceptics see a "carry on" role for the nation-state and its governance while Held *et al.* see the emergence of new scope and perspective in politics and democracy as the nation-state increasingly co-exists with outreaching and overlapping communities. Castells (1996) sees the need and scope for more state intervention in the new network, global economy. He writes: "*...it is precisely because of the interdependence and openness of international economy that states must become engaged in fostering development strategies on behalf of their economic constituencies.*" (p. 90).¹⁴

Technology is present in all these works although it is, usually, brought in indirectly. The only work in which the IT revolution plays a (indeed "the") key role in shaping society, the economy, and globalisation is Castells (1996).

What about actors and institutions? The TNCs and their activities feature - as expected - in all approaches and most strongly in Chesnais where they are the main actors in globalisation. Held *et al.* see the MNCs and their activities as one of the many elements in the contemporary transformation. Their activities are part of the intensity of such transformations. Therefore, they are not given a key, pivotal role which seems to be assigned more to political institutions.

Some works confine themselves to the economic domain. However, Held *et al.* and Castells' works analyse several domains including culture and politics. In fact, politics, political institutions and their transformation, play a very crucial role in Held *et al.*'s multidisciplinary analysis.

Looking at globalisation from a historical perspective some theses emphasise continuity, others discontinuity. The sceptics see relatively little change taking place compared to the decades around the turn of last century. For this reason I would therefore like to refer to their thesis as the "continuity" thesis because it stresses continuation rather than break with the past.¹⁵

Ohmae sees a sharp and irreversible break with the past. The works of Held *et al.* and Chesnais could be considered as "discontinuity theses": globalisation is seen as a fundamental transformation in the economic and social system.

While the hyperglobalists appear to see a state of world equilibrium emerging, provided the nation-state is appropriately fragmented into region-states, the transformalists see globalisation as a process and thus the system in a changing, dynamic flux.

What about the "spatial reach" or the "extensity" to use Held *et al.*'s terminology? They all seem to agree that the spatial reach of the actors operating in the new globalised economy is not necessarily, or not always, a planetary reach in which all or most countries of the world are reached in a space- and nation- neutral network. Regionalisation is a reality and is part of globalisation.

However, the "sceptics" or the exponents of the "continuity" thesis (as I prefer to call them) consider the large intensity of regional flows as evidence that nation states are relevant. It is as if the region is seen almost as an extension of the nation-state. The transformationalists see regionalisation as part and parcel of the globalisation process and trend.

IX. The dominant causes of globalisation

As we have already seen, the globalisation process extends over many domains of social and economic activity, which undergo continuous changes. The mechanisms and impact of globalisation span wider than the world of business and production. They increasingly involve elements related to consumption, the environment, human rights, leisure, politics, and culture.

Is the current character and pattern of globalisation the only possible one? Is the erosion of governments' power inevitable and/or desirable? Can we devise and implement policies to enhance the positive effects of globalisation and/or to minimise the negative ones? What governance framework and institutions are necessary to achieve this?

It will help us towards beginning to tackle the above issues and questions if we can identify the dominant causes or *causae causantes* of globalisation¹⁶. At first this would appear as a hopeless task because so many elements interact in the process. However, I believe that the task can be accomplished if we start from two basic points.

First, the realisation that globalisation is not just another phase in geographical outreach. It is much more, it is a new phase of capitalist development characterised by a tremendous increase in the development of productive forces. Such development derives from innovation in two connected directions: (a) technological innovation particularly – but not exclusively – in the

field of information and communication technologies; and (b) organisational innovation which enables the system to take full advantage of the ICTs. These two types of innovations are closely linked and (b) would not have been possible without (a). They both combine to make it possible to extend the geographical range of operations particularly in the domain of economics and business. However, the spatial reach is not the only dimension affected by innovation. The combination of technological and organisational innovation has led to flexible production systems with wide-ranging effects in the following areas: introduction of new products and processes; new skills are required; changes in the relationship between producers and their suppliers or distributors, as well as between producers and consumers. Some of these changes have a spatial dimension, some have not. Some of the changes bring considerable efficiency and or qualitative gains. Others do not or indeed they may bring serious problems¹⁷. None of these elements is new, including the spatial reach (as highlighted by Held *et.al.*1999). However, in the last twenty years all of them have received a considerable boost – in relative terms – because of innovation. The overall result is a qualitative new system, a new phase in capitalist development.

Second, it is useful to distinguish between the driving forces of the globalisation process and its dominant causes. I consider the driving forces to be all those elements that contribute to the process and help it to take the current shape and patterns. In particular, the following ones: the activities of TNCs and of financial institutions; the diffusion of information and communication technologies; the macro policies of many governments; the widespread liberalisation and privatisation programmes; the policies of international institutions such as the IMF. Some of these forces are largely unstoppable and irreversible. Others could be changed by political will.

A subset of the above driving forces, I consider to be *causae causantes*, dominant causes: those at the root of the globalisation process. In identifying the dominant causes, the following litmus test will be used: (a) the driving forces contribute to the development of the productive forces at the basis of the globalisation process; (b) given such contribution, they are largely irreversible. It follows from (a) that without them the contemporary globalisation process would be inconceivable.

On the basis of these conditions which form the litmus test, the dominant causes or *causae causantes* of globalisation are in the following areas of innovation both of which contribute to the development of the productive forces.

- Technological innovation. The revolution in the technology of information and communication coupled with the considerable advances in the technology of transportation.
- Organisational innovation. The cross-border organisation of activities and in particular: the TNCs' power to organise business activities across countries and their comparative position *vis-à-vis* other actors as participants in the globalisation process.

It is tempting to look at the relevance and growth of quantitative flows and to identify the dominant causes of globalisation with the largest or fastest growing ones. Looking at the purely quantitative flows there is no doubt that the largest increases in flows are to be found in the sphere of international finance. This is indeed the one in which "...the operations of capital have reached the highest degree of mobility" (Chesnais, 1997:48). So it would seem tempting to declare the current phase of globalisation as being finance dominated.

I have two objections to this approach. First, it does not consider the contribution of the various driving forces to the development of the productive

forces. Second, it fails to distinguish between trends which are largely irreversible and those which could be halted or further enhanced by political will and the intervention of governments. Third, it does not lay enough stress on the actors which participate in the process, their relative position within it and their active or passive participation in it.

The financial explosion across countries was largely fuelled by macro policies, by liberalisation and privatisation policies, by deregulation in the cross-countries acquisition of assets. It could be reversed by reversing those policies. Of course, while those policies are implemented the finance sector does exercise a very considerable impact on the globalisation process: it affects geographical patterns; it increases divergence between countries and communities or classes within countries; it changes the economic structure of countries and the social fabric of its communities. However, this process is largely reversible if the political will is there.

For these reasons, I will resist the temptation to consider international finance as the dominant cause of the current phase of globalisation. Instead I consider the dominant causes of the globalisation process to be the ICTs and the TNCs because of their ability to operate across countries which, so far, is developed to a larger extent than for other actors.

The ICTs have a dominant role in the globalisation phase of capitalist development because of the contribution they make to the development of the productive forces. None of the quantitative or qualitative elements could have changed to such a large extent without the adoption and diffusion of ICTs. Moreover, this element is irreversible. We could not possibly conceive of going back to the pre-ICTs eras except as a result of major earth-shaking catastrophes.

The defining characteristic of TNCs is their ability to plan, organise, control business activities across countries. It is a characteristic that, at present, is specific mainly to them compared to the other major players in the economic

and social system such as labour, consumers, uninational companies and governments. TNCs are not a new phenomenon. However, their ability to operate transnationally has made great leaps forward in the last twenty years, thanks to the ICTs.

The key role played by TNCs as *causa causans* of globalisation manifests itself in a variety of ways and in particular. (1) Given their size, economic power and technological basis, they are in the best position to use the ICTs and indeed to affect its further development and rate of diffusion. (2) They are the institutions that truly operate across nation-states. They own assets across borders and they can plan, organise and control production/activities across countries. They are not just part of the institutional infrastructure; they are the key to the whole process. They participate in the process actively rather than passively like most other actors. In this role they shape the pattern of globalisation rather than bear its consequences. (3) Many international financial flows originate with the TNCs. (4) They have a comparative position of power that this gives them *vis-à-vis* other actors in the economics system who do not possess – so far – the same ability to plan, organise, control across borders. These other actors are the workers, governments, uninational companies, and consumers. The role of transnationals and their comparative position of power gives globalisation a specific character.

X. Conclusions and policy implications

This paper is devoted to the analysis of globalisation. It starts with presenting a range of definitions and goes on analyse various theses on globalisation and in particular hyperglobalism, scepticism, and transformationalism. The specific character of globalisation is considered.

The role of the TNCs and ICTs in globalisation is considered and these two elements are identified – among several driving forces - as the dominant causes of globalisation. They are seen as such because of the following: (a) the technological and organisational innovations are the two elements that most contribute to the development of the productive forces of which the globalisation is one of the outcomes; the TNCs are seen as the only or main actor who, at present, can operate fully and successfully across borders; (b) their largely irreversible character.

This approach allow the separation of those driving forces that are largely reversible and/or due to political will (such as liberalisation policies, action of domestic governments or international institutions) from those that are connected with the development of productive forces and constitute the basis of the new phase of capitalist development.

The approach also allows us to consider globalisation in the perspective of different actors participating in the process, their relative position and their mode of participation (active or passive).

There are specific long-term policy implications from this analysis. First, the fact that those driving forces of the globalisation process which are not dominant causes, can be reversed. Thus, for example, this approach considers the growth of financial transactions to be a driving force though not a dominant cause. Much financial activity far from contributing to the development of the productive forces is a hindrance to it and it has a purely distributive purpose. Moreover, the financial dominance of domestic and international economies is reversible if the political will is there. Regulation of financial flows will affect most economic actors including the TNCs. As already mentioned the TNCs are involved in many purely financial transactions (such as many of those deriving from mergers and acquisitions). Any controls on the overall flows/directions of transactions would inevitable control some of their purely financial dealings.

Any financial reforms must necessarily look at the role of international financial institutions such as the IMF.¹⁸

The TNCs play the key role in the development of organisational innovation within and across borders; indeed they are, at present, the only actor who can truly plan, organise, control activities across borders. This puts them in a position of considerable power *vis-à-vis* other actors and in particular labour, national governments, consumers, uninational companies. Here the policy implications are twofold.

First the development of policies designed to enable other actors to participate fully and actively in the globalisation process. In other words policies designed to develop countervailing transnational power in the other actors.

Second, we must accept that there are gains to be realised from technological and organisational innovation but that, there may also be considerable undesirable effects and social costs. The TNCs' activities and the direction of their innovation is not always in the interest of other groups in society, be they consumers, or labour or smaller companies or all of us in relation to our environment. There must be a higher degree of democratic control and societies through various governance institutions must regain control over the strategic direction of our economy and support or prevent activities of TNCs accordingly.

Third, in a world in which much activity takes place across borders, there is a need for transnational governance alongside layers of national, regional and local governance. This can be achieved via the establishment of appropriate supranational institutions with the aim to monitor transnational activities and encourage some or deter others in conjunction with an overall strategy worked out in conjunction with national governments. In this context, I see the latter as having a larger not a smaller role. In the 1980s and 1990s governments seem to have thrown in the sponge and given up developing strategies, leaving TNCs in

charge. Thus a situation has developed in which strategies across countries are developed by individual TNCs but not by governments or other economic actors. This does not mean that there is a coherent corporate strategy emerging. As companies develop their own strategies independently of each other and usually in a rivalristic framework, the overall result is often an economic and social environment full of inconsistencies and lack of coherence (Cowling, 1990; Cowling and Sugden, 1994; Sawyer, 1989).

There is a need for strengthening industrial policies in order to: deal in a balanced way with the strategies of TNCs; support other actors in developing transnational power; co-ordinate with supranational institutions. The national state will have both a co-ordinating function and a conflict-resolution function (Kozul-Wright and Rowthorn, 1998b, Introduction). The two functions can be applied to the relationship between state and TNCs, between TNCs and other actors in the economic system, between the national and international community, between national and international governance.

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Endnotes

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² However, the more specific use of the term integration tends to be identified with regionalisation and has a strong *de jure* as well as *de facto basis* (Cf. Oman, 1994 and 1996; Hine, 1994; Pelkmans, 1984; Krugman and Venables, 1996; UNCTAD, PTNCs, 1993).

³ Bold in text.

⁴ Italic in text.

⁵ Exceptions to this pattern are some long-distance trade routes such as the silk route from China to Europe.

⁶ This does not mean that multinational companies and their activities are a feature of the last fifty years. Their establishment and activities date prior to WWI and indeed some authors trace them back to the inter-states activities of major banks in Renaissance Italy (such as the Florentine Medici bank). (Wilkins, 1998).

⁷ Pianta (2000) criticises the attempt by Held *et al.* to stretch the concept of globalisation to previous eras as an attempt to explain the whole of history through this concept.

⁸ Cf. Held *et al.* (1999), Hirst and Thompson (1996) and Carnoy *et al.* (1993), as well various issues of the UNCTAD *World Investment Report*. Kozul-Wright and Rowthorn (1998b) also stress the qualitative and quantitative nature of global processes (Cf. their Introduction, pp.1-34).

⁹ The role of liberalisation and privatisation in the globalisation process is discussed in Milberg (1998).

¹⁰ Obstfeld (1998) shows that in the four decades prior to WWI the ratio of international net capital flows, as percentage of GDP was higher than at any other period since.

¹¹ For privatization programmes in developing countries, cf. Sader (1995).

¹² Chesnais' thesis is not discussed in Held *et al.*

¹³ Translation from French by Grazia Ietto-Gillies

¹⁴ Italics in original.

¹⁵ Bairoch and Kozul-Wright (1998) also criticise the view that the current globalisation process is very similar to the changes taking place during the period 1870-1913.

¹⁶ The arguments in this section are further developed in Gillies and Ietto-Gillies (2001). The notion of *causa causans* is taken from Keynes (1937: 121-2). However, the litmus test used is different.

¹⁷ An example of the latter in the field of organisational 'innovation' can be seen in the UK rail industry following privatisation. The difficulties of co-ordinating an industry fragmented among many operators and their sub-contractors are leading to high social costs in terms of safety as well as government subsidies.

¹⁸ Chick (1979) already argued that the activities of TNCs required a new financial system.