Globalization and Competing Conceptions of the Market

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Introduction

Globalization represents a momentous transformation of the governance of the international economy, albeit one whose effects are widely debated. International relations theorists generally focus on the economic imperatives created by globalization, with some arguing that this produces convergence in national economic governance. In contrast, comparative political economists distinguish between competing models of capitalism, which revolve around contrasting conceptions of whether capitalist markets require coordination to produce favorable outcomes or whether uncoordinated markets are more productive. In this view the choice of how to govern the national economy remains largely contingent. Examining these perspectives in combination leaves it unclear as to whether the fundamental sources of state behavior and economic performance derive from the structure of international markets or the organization of the domestic political economy.

This paper establishes a theoretical framework for understanding how such differing conceptions of capitalist markets will shape national economic responses to globalization and how these in turn shape states’ economic performance. A constructivist approach is first used establish a better understand of the dynamics of globalization in regard to national actors. Secondly, the “varieties of capitalism” literature is tapped to highlight the fundamental institutional differences in national political economies and how these embody different normative conceptions of the market. Bringing these ideas together it is argued that globalization produces “diminishing institutional returns” for coordinated economies, resulting in economic underperformance and (potentially) political disruption in those states.

Conceptualizing Globalization

Despite fierce debates about the implications of globalization, there has slowly emerged a relative consensus about the key aspects of this change in the international system. Far from being a specific change in the structure of the global economy, globalization represents a series of interrelated processes or a syndrome.1 It is the internationalization of economic activity, represented by large and growing

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flows of trade and capital between countries, producing increasing economic interdependence. It is the process of global liberalization, the removal of barriers to economic activity by governments both within their own states and through international agreements. These are facilitated by technological changes in terms of the exponential development of computer processing and information technology. New technology, as well as improvements in transportation (such as containerized shipping), allows corporations to maximize efficiency and profits by adopting globalized production structures whereby elements of final products are made in the most economically beneficial locale and brought together in an integrated world production and marketing structure. Given the dominance of western companies in international product markets, particularly those for cultural products (TV, movies, music), it also represents the westernization or Americanization of the world. These processes come together to create a situation whereby the barriers that physical distance presented to economic, political, and social relations are reduced – what Jan Aart Scholte refers to as deterritorialization. Across the breadth of the literature, including both the pro- and anti-globalization perspectives, few authors would contest these factors as the basic elements that underlie the concept that we collectively label “globalization”. The disputes are interpretive, not definitional.

Contention turns on whether these processes create imperatives requiring significant alterations in the behavior of private and public actors. There are two main axes of dispute: whether globalization is an inevitable or contingent process -- an empirical question -- and whether the net results are likely to be positive or negative, a more normative question. These interpretations of globalization are laid out in Table 1 along with examples of representative authors. Much of the reason that the analysis of globalization is such a muddle is because of the difficulties in disentangling the empirical and normative questions. More often than not, empirical analysis is a function of normative interpretation.

At one extreme we have what may be called the “hyperglobalists” who see globalization as ushering in a whole new epoch of human history. Technological transformation, increased capital mobility, the transformation of MNCs into truly global corporations, and the spread of neoliberal doctrines have created a borderless world in which market forces increasingly dictate social interaction. Integrated markets mean increased competition requiring globally integrated production systems (with


2 Scholte, p. 1

operations sited in the most profitable locales) and business networks (through alliances, mergers, and acquisitions). Continuous innovation and retooling is no longer a benefit, but a necessity -- its Schumpeter's creative destruction on steroids. The logical conclusion of this process is the so-called convergence hypothesis or, to use Thomas Freidman’s more evocative phrase, the “golden straightjacket”. In a literal sense states remain sovereign and autonomous, but given the potential costs of heterodox behavior compared to the potential gains of being linked into the global market, any rational decision-maker would opt to liberalize policies and open up the economy. The net result will be the convergence of national political economies to the Anglo-American mean. A left-wing interpretation concurs with this view, but more to lament the social disruption and inequality created thereby.

At the other end of the spectrum reside the “skeptics”, predominantly from the left, although Pat Buchanan and French Gaullists would comfortably fit into this camp. They refute the idea that globalization dictates the dismantling of the core national values, namely the social welfare state. The idea of a “new economy” is portrayed as a myth. Historical analysis shows that levels of trade and capital flows, and hence economic interdependence, prior to World War I were similar to the present. Neoliberalism, moreover, posits that open trade and capital mobility will punish those states that seek to excessively control their economies, leading to long-run convergence on economic policy, wages, and prices. Yet there is little evidence of this in practice. Foreign direct investment is driven more by questions of productivity and infrastructure rather than labor costs and, despite increased capital mobility, the vast majority of investment takes place within domestic economies. The present is thus not much different from the past -- a crucial point since, throughout the postwar era, social market and corporatist economies thrived with higher wages and stronger social safety nets. Capitalism, therefore,

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4 Friedman, Chapter 6. This implies that states must reduce taxation and spending, deregulate the economy, establish price stability via relatively strict monetary policy, implement free trade and capital mobility, limit the number of state-run industries, cut back on industrial policy, etc. While this constrains the range of policy options, it opens up the potential for a steady flow of international investment and higher growth.

5 See the discussion of the Polanyian view of globalization below for representative authors.


8 Labor-intensive manufacturing (textiles, footwear, etc.) is primarily concerned with labor cost and does moves plants to cheap labor countries. Labor costs are simply too low of a cost for this to be a motivating factor for heavy industry, most consumer goods, or high tech companies. Services, labor intensive by definition, can benefit from moving to cheap labor locales, but require certain skills from the workforce (e.g., fluency in English) in order to function. Some service operations have moved offshore (e.g., credit card call centers for the U.S. centered in Bombay), yet most remain tied to their home base.
is unlikely to be reduced to a single Anglo-American subspecies. Welfare states can be maintained if governments have the political will to do so, but the trend has been the opposite. Governments chant the mantra of “competitiveness” in order to rationalize politically unpopular cutbacks in social spending and trade liberalization. But it is really nothing more than a convenient political excuse. Globalization allows for a diversity of political economies.

Both of these viewpoints start from the same initial question: Has the international economy transformed in fundamental ways that require new behaviors on the part of key actors or has it not? Both the hyperglobalists and the skeptics are observing the same empirical reality, selecting the bits of evidence that support their dominant normative view, and constricting their arguments accordingly. Unfortunately, the net result is an endless and ultimately unsatisfying debate about whether the glass is half empty or half full.

The purpose of this paper is not to sift through the evidence behind these arguments to determine which view has a better handle on the “real material reality” of globalization. The working assumption of this paper is that the truth resides somewhere in between the two views outlined above – a position that Held et al. characterize as a “transformationalist” view. Globalization encompasses a range of economic, social, and cultural changes, all of which serve to alter the relationships of power and governance between national governments, major economic actors, and international institutions, creating a more divided or shared sovereignty. Globalization thus represents a genuine and momentous transformation of the international political economy. It is not, however, a transformation sui generis, having antecedents in the pre-World War I period, which gets to the question of inevitability. As Suzanne Berger puts the point:

“…the view from a longer perspective does not show an irreversible progression toward ever greater and unprecedented levels of internationalization. Rather, the picture is of high levels of trade at the outset of World War I followed by a devastating shattering of the links of interdependence among the advanced countries, then by a gradual reweaving of the networks of the international economy, and finally a return (by the turn of the twenty-first century) to an international world of national constraints and opportunities that some of our prescient grandparents had already glimpsed.”

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12 Berger, p. 47.
Yet Berger also notes that the present goes beyond the past; for example, the volume and velocity of capital movements dwarfs that in the early 1900s. The current phase of globalization also has the economically and socially integrating aspects of advanced communication and information technology. We can retreat from technology, of course, but that leaves us to live like Ted Kaczynski or the Taliban. Few would accept that option, meaning that the technological side of globalization is for all intents and purposes irreversible. Conversely skeptics rightly note that globalization is driven by decisions made by the major players in the global economy (i.e., policies of international and domestic liberalization). What sovereign nation-states can liberalize, they can also restrain -- exactly as happened in the 1930s. Even if the reversal of globalization may not be probable, it is possible. At the same time, some actors have greater ability to shape the terms of the system than others; the strongest protests often come from those least able to affect change. Taking all of these points together suggests that the globalization should be considered as a set of processes in the international economy that is partially inevitable, partially contingent, and thus partially contestable. There are real changes in structure, but there is real room for agency.

Our understandings of globalization thus revolve around questions of the changing international context and its contestability, the range of strategies available to private and public actors given these changes, and the likely social, political and economic outcomes given differing responses of actors to globalization. Or, to phrase it as variables familiar to international relations theorists: structure, agency, and outcomes. The problem with previous analyses of globalization is that they have difficulty weaving a logical connection between these three points. Some works err in giving causal primacy to the international economic structure, and charting how these transformations drive actors to particular behaviors. This is most clearly seen in the hyperglobalist convergence hypothesis, which sees this as a constructive process, but it is just as evident in many anti-globalization views. As this side of the argument goes, if global markets continue to be unconstrained, this will produce wrenching economic and social damage in many states – if not for the entire system. This is the logic behind calls for political struggle against globalization in general and for reforms of the governance of the global economy. In either view, the ultimate outcome for national political economies is a function of the imperatives created at the global level.

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13 See also Mittelman, Chapter 12; Scholte Chapter 12; and Wayne Ellwood, *A No-Nonsense Guide to Globalization* (London: Verso, 2002), Chapter 7.
Others alternately assume almost limitless agency for national actors. The purported convergence in capitalist regulation has failed to materialize.\textsuperscript{14} While recognizing major shifts in the international economy, this perspective contends that the very institutional structures found in European corporatist welfare states (the main focus of interest among these authors) will serve to blunt the pressures of internationalization.\textsuperscript{15} Some minor reconfigurations may be needed, but social democratic politics can survive globalization relatively unchanged if they so desire.\textsuperscript{16} In short capitalism, even globalized capitalism, does not imply a single, optimal mode of regulation. The Anglo-American model is one among many. Globalization will not force Europe to become like America. States have choices as to how they structure their economies. One does not have to delve deeply, however, to recognize that not all choices produce equally favorable results (i.e., North Korea). That multiple capitalist paths remain is without question. The issue is whether they all still lead to the same promising end. The difficulty for the “capitalist diversity” interpretation of globalization is that in emphasizing the elements of agency it disconnects choice from outcome.

What is needed is a conceptual framework that “connects the dots” for understanding the potential trajectories for national political-economic development in an era of globalization; that is, one that logically links structure to agency to outcomes. The key question for globalization is how the transformation of the global system is filtered through different national political-economic frameworks to produce either favorable or unfavorable economic outcomes. The next section begins to construct such a framework.

**Getting a Grip on Globalization: Constructivism and “Varieties of Capitalism”**

Existing understandings of globalization tend to either overemphasize or underemphasize how structural changes shape actor’s behaviors and economic outcomes. Thus we need first to get a better grip on the determinative influence of global factors on actor’s choices and, secondly, to conceptualize how international imperatives are translated through diverse national political-economic frameworks. This can be done through reference to the constructivist approach in international relations theory, and the “varieties of capitalism” literature in comparative political economy.


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Constructivism problematizes the “agent-structure” relationship,\textsuperscript{17} and as such offers a better means of deciphering actors’ responses to globalization. Both (neo)realism and (neo)liberalism are grounded in the anarchical structure of the international system and how the distribution of resources and power shapes state interaction. Realism tends to read state behavior directly off of this structure while liberalism highlights the potential for cooperation to achieve mutual interests facilitated through international organizations. Constructivists,\textsuperscript{18} in contrast, focus on how ideas and norms serve to shape the “intersubjective understanding” of actors in international relations. Such understandings are not just epiphenomenon of underlying material interests, but in themselves serve to construct the identities and interests of purposive actors. The international system does not merely exist as an objective reality outside of actors perceptions, but in fact is socially constructed by collective norms and understandings. Actors and their behavior are thus shaped by the social milieu in which they interact and, in turn, actors serve to shape that context. In this perspective agents and structures are “mutually constituted”.

Despite the fact that an indeterminate agent-structure problem is at the heart of arguments over globalization, constructivists have largely been unconcerned with questions of political economy,\textsuperscript{19} focusing more on issues like human rights and the influence of NGOs. Nevertheless, the constructivist interpretation of globalization can be derived from one of that perspective’s intellectual predecessors: Karl Polanyi. As World War II was drawing to its dénouement, Polanyi published one of the seminal texts in political economy, \textit{The Great Transformation}.\textsuperscript{20} In it he argued that the sources of the totalitarian horrors of the 20\textsuperscript{th} century were the free markets of the 19\textsuperscript{th} century.\textsuperscript{21} It was during this period that the dominant actors in the international system, specifically Great Britain, attempted to establish a self-regulating market system. Far from arising spontaneously as neoclassical economists imply, Polanyi argued that specific planning and legislation was needed to create “free markets”, particularly labor


\textsuperscript{18} This summary of constructivism is based on Martha Finnemore and Kathryn Sikkink, “Taking Stock: The Constructivist Research Program in International Relations and Comparative Politics,” \textit{Annual Review of Political Science} 4 (2001), pp. 391-416.

\textsuperscript{19} The one example I have found to the contrary is Ronnie Lipschutz, “Because People Matter: Studying Global Political Economy,” \textit{International Studies Perspectives} 2:4 (2001), pp. 321-339. Unfortunately, his argument reads more as polemic than analysis, and descends into crude and unrealistic conception of social agency disconnected from material structure.

\textsuperscript{20} Karl Polanyi, \textit{The Great Transformation} (Boston: Beacon Press) 1944.

\textsuperscript{21} It is one of the great ironies of history that another Austrian exile, Freidrich Hayek, published \textit{The Road to Serfdom} in the same year, drawing a diametrically opposite conclusion from Polanyi. “Few are ready to recognize that the rise of fascism and naziism [sic] was not a reaction against socialist trends of the preceding period but a necessary outcome of those tendencies.” \textit{The Road to Serfdom} (Chicago: University of Chicago Press, 1994 [1944]), p. 6.
markets. Far from being natural forms of social organization, self-regulating markets reversed the normal relations between economy and society. For most civilizations, communal values such as reciprocity, redistribution and various social controls on economic activity were the norm. The capitalism of the late 1800s attempted to disconnect economic relations from such social restrictions by “commodifying” all parts of the economy -- that is, subjecting them to the price mechanism, including people via wage labor. To treat labor as a commodity regulated by price is dehumanizing and unnatural; as such, it was a dangerously utopian exercise. Attempting to disconnect markets from the social structure in which they are embedded serves to destroy them. Faced with such attack, society inevitably takes measures to protect itself. This was Polanyi’s “double movement” – the expansion of self-regulating markets created a self-protecting backlash. The struggle among various groups and classes in this volatile environment led to an increasing radicalization of politics and society and the ascendance of reactionary forces. The net result was Mussolini and Hitler.

For obvious reasons, Polanyi “…has emerged in recent years as a kind of patron saint of globalization’s critics.” George Soros, William Greider, and Dani Rodrick among others make Polanyian arguments that a utopian faith in markets threatens a new cycle of international disasters. The most explicit application of this perspective is found in John Gray’s False Dawn. Today, laissez-faire utopianism is pushed by US economic hegemony and the “Washington consensus” of the IMF and World Bank. As always, uncontrolled markets threaten basic human needs of security and stability and Gray predicts a similarly pessimistic result. But Gray transforms the Polanyian argument into a

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22 He specifically examines the Poor Law reforms in Britain in the 1830s which sought to push people into the labor market by reducing the value of public relief.

23 Polanyi should be rightly praised for his unique insights into the connections between economics and society, but as an historical explanation of fascism and war, his thesis is questionable. If fascism resulted from the disruption and reaction to utopian attempts to establish unregulated markets, one would assume that this would first arise in the most laissez-faire nations – Great Britain and the United States. Fascism arose instead in Italy and Germany, countries with mercantilist policies and weakly inculcated liberal values. Alternately, he essentially discounts a major intervening variable between 19th century liberalism and 20th century fascism – the First World War. He falls back on a Leninesque economic interpretation. It was the failure of the international market economy that caused the war, not the rise of tight alliances, or aggressive German policies, or the instability in the Austro-Hungarian Empire, etc. With a reasonable and proximate explanation readily at hand, Polanyi instead opts for a tenuous and distant solution.


27 Beyond a few casual statements about the human imperative for security and stability, Gray never really elucidates exactly what are the basic human values to which liberalism is opposed, nor why they cannot be fulfilled within a free market framework.
more culturally specific form. “The free market was -- and remains -- an Anglo-Saxon singularity.”

Free market capitalism is thus unique to a particular time and place. Trying to reproduce carbon copies of the American model in incompatible social environments is doomed to failure. It will instead produce new forms of social and political organization as yet unknown. In a country like Germany, this might manifest as a relatively benign hybrid of the social market and neoliberal models. In a place like Russia, the result will be an ever more virulent anarcho-capitalism. In the less developed countries it may manifest as a fundamentalist backlash against modernity. Either way, the new version of global laissez-faire will undermine social and political structures wherever it takes hold, unleashing an era of deepening international conflict and anarchy. Only a new framework of global economic regulation can stave off such a catastrophe.

While there are empirical snags in this anti-liberal tapestry, there are some useful conceptual insights that may be gleaned from the Polanyian perspective. The first is the idea of *markets as social constructs.* In contrast to the neoclassical view of spontaneous market order, in the Polanyian view is that markets require a supporting structure of institutions and laws in order to function. Drawing these ideas into the global realm, this implies that, far from some unstoppable force, the actual trajectories of these processes of globalization are contestable and malleable. Globalization can thus become what we make of it -- hence the appeal of this argument to skeptics. The second key insight is the normative connection between market structures and social structures. In the de-socialized neoclassical version of economics, markets are value neutral. In the Polanyian version, normative values are expressed in market relationships. Attempting to subject all aspects of the economy to market regulation – that is, to commodify all elements of the economy – was to attempt to devolve all human existence to market regulation. But human beings were not, indeed could not, be treated as commodities. This violated basic human values. Such divergence between the innate normative framework holding society together

29 The empirical problems with Polanyi are cited in f.n. 23. Current versions are no better. Gray offers little evidence to bolster claims about the declining standard of living and social instability created by free markets. Implicitly one should accept them on supposition. Nor does his suggestion of runaway markets hold: his own examples of laissez-faire economies (US, UK, New Zealand) still have public spending equivalent to at least one-third of GDP, and all have minimum wages (i.e., price floors in labor markets). Among his liberal exemplars, government intervention in the economy and policies to counter the negative consequences of the market are quite prominent. Perhaps these are not to his satisfaction, but we are nowhere near the minimal government of the late 19th century
and the values embodied in market structures destroyed the existing social order and created a backlash that ended in the cataclysms of the two world wars.

The Polanyian perspective helps us to understand how globalization is constructed and its links with social structures. The next step is to specify the different types of political economies through which these structural changes are translated. This can be found in the “varieties of capitalism” literature. Neoclassical growth models have long predicted convergence in income (and, implicitly, public policy) across open capitalist economies.\(^32\) Particularly beginning with the work of Andrew Shonfield,\(^33\) scholars noticed that in the real world diversity in institutional organization rather than convergence appeared to be the norm. Moreover, it was not always the most laissez-faire systems that excelled. Comparative political economy fully matured in the quest to understand the meteoric rise of the state-guided and oligopolistic Japanese economy.

The varieties of capitalism approach\(^34\) generally focuses on firms as the crucial actors in capitalist economies and examines how the particular institutional and regulatory structures in which those firms are embedded molds their strategies and interactions. Of course, all nations have some unique traits, implying myriad capitalist varieties. Yet Peter Hall and David Soskice\(^35\) note that all firms must resolve some basic coordination problems in order to succeed – managing industrial relations, gaining access to corporate finance, securing a properly trained workforce, dealing with suppliers and clients, etc. The manner in which firms resolve these problems and the institutional structures that support that particular mode of coordination is what distinguishes different models of capitalism. Two broad categories predominate. In \textit{liberal market economies} (LMEs), firms coordinate their activities through competitive market arrangements. In \textit{coordinated market economies} (CMEs), firms rely on non-market relationships for coordination.

The United States is the prime example of a LME. Financing through the sale of equity shares requires managers to be attentive to current corporate earnings. Industrial relations are contractual and


\(^{35}\) Peter A. Hall and David Soskice, “An Introduction to Varieties of Capitalism,” in Hall and Soskice, Varieties of Capitalism, pp. 1-70. The discussion that follows is based on this chapter, but this is representative of the broader literature.
transient; managers can hire and fire at will. Conversely, management can autonomously craft corporate strategy in response to changing market conditions. Education and vocational training is decentralized and largely left to the worker to acquire, and is thus grounded more in general rather than industry-specific skills. Close inter-firm networks, entailing not only cooperation, but insider knowledge, is discouraged by the regulatory structure (i.e., antitrust). Technological innovations are thus treated as proprietary, allowing those developing new technologies to reap windfall profits from sales and licensing and putting a premium on innovation and being a “first mover”.

Germany is the epitome of a CME. Firms in CMEs often have access to “patient capital” through major banks or other corporations. Such investments are monitored less through profit reports and more through insider information. Banks often place representatives on the boards of directors of their customers and companies are linked through dense business networks coordinated by business associations. This allows companies not only to have knowledge of others activities, but to share technological and organizational know-how. In such an environment reputation is important, so openness and fair dealing with partners is a necessity. Additionally, corporate managers rarely have full freedom to shape corporate strategy. The structure of corporate governance and the dominant business ethos leads to consensus decision-making, particularly including labor unions. Industrial relations are governed by industry-wide coordinated bargaining, which equalizes wages across skill-levels (generally at a high level), encouraging a committed and stable labor force. As a result, the training system focuses on developing industry or firm-specific skills without significant fear of employees being poached by other firms.

These traits tend to produce “institutional complementarities”, meaning that the development of particular forms of coordination in one sphere encourages similar practices in other aspects of the economy. Despite superficial differences, therefore, we see clear patterns of commonalities across clusters of states. The institutional structure in a given economy offers firms a particular set of opportunities and, since these are collective institutions, individual firms may be unable to alter this structure or create new coordinating structures. Companies are thus likely to gravitate toward strategies that conform to the dominant modes of coordination within an economy, be they market or non-market.

The main benefit of this approach is to illuminate how these differences alter comparative economic advantages. The most influential version of the theory of comparative advantage suggests

37 Hall and Soskice, p. 15.
that in an open capitalist system economies will specialize in those products whose basic factors (land, labor, or capital) they possess in relative abundance.\textsuperscript{38} Developments in the global economy have not gone as this model would predict, however (i.e., the expansion of intra-industry trade, the failure of capital mobility to equalize advantages, etc.). A straightforward application of comparative advantage thus does no not explain the geographic distribution of economic performance. The varieties of capitalism approach suggests that the answer can be found in the idea of \textit{comparative institutional advantage}.

“The basic idea is that the institutional structure of a particular political economy provides firms with advantages for engaging in specific types of activities there. Firms can perform some types of activity, which allow them to produce some kinds of goods, more efficiently that others because of the institutional support they receive for these activities in the political economy, and the institutions relevant to these activities are not distributed evenly across nations.”\textsuperscript{39}

The patterns of cross-national specialization are less a question of factor endowments and more a function of political-economic institutions and how these influence corporate strategy.

Institutional variations thus translate into strengths and weaknesses in different types of economic activity. CMEs are strongest in terms of incremental innovations in existing product lines and production processes, markets in which quality is often more important than price (i.e., capital goods, machine tools, consumer durables). Incremental innovations are easier to secure with a skilled and stable workforce and long-term relationships with other companies. LMEs have the converse strengths – radical innovations in fast-moving technology sectors that call for rapid product development. The flexibility of labor markets, the independence of managers, and the easy access to finance through equity markets allow for quick and flexible adaptation to new market opportunities. CMEs and LMEs are thus mirror images of each other. CMEs slowly and deliberately adapt to changing markets via incremental innovation, while LMEs flexibly and often disruptively focus on radical change. Hall and Soskice use patent data to show that this is not just theoretical speculation; indeed, the pattern of technological innovations for Germany and the US is that predicted by the CME/LME dichotomy.\textsuperscript{40}

This approach has its own shortcomings. Despite an underlying heuristic emphasizing diversity and contingency, the focus of much of the literature is to counter the claims of neoliberalism. Although masked as an analysis of varieties of capitalism, this is often a cover for arguments as to why CMEs

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\textsuperscript{39} Hall and Soskice, p. 37.
\textsuperscript{40} Hall and Soskice, pp. 41-44. Using European Patent Office data for 1993-94, they showed that US companies had a higher percentage of patents in pharmaceuticals, telecommunications, semiconductors, etc.. German patents were concentrated in machine tools, transport, engines, etc.
\end{flushleft}
manifest superior performance. The greater difficulty for the purposes here is the relationship between these arguments and globalization. National institutional factors are portrayed as inertial in the face of globalization or, at the very least, it is argued that the centripetal pull of institutional complementarities warrants against radical change in the face of global pressures. Since globalization is unlikely to revolutionize national institutional configurations then the comparative economic advantages derived thereby are unlikely to be transformed. This is fine as far as it goes, but the inference that follows is a continuation in trends in aggregate economic performance. Since both CMEs and LMEs have prospered in the past, they can still do so despite globalization. Or, to put the point more directly, CMEs will adjust and adapt to globalization, but retain predominantly non-market forms of coordination without any skip in performance. To make such an argument is to raise the institutional structure to causal prominence and to disconnect the linkages between structural changes in the global economy and national economic performance. It is to suggest that the institutional integrity at the national level is the fundamental determinant of not only the form of capitalist development, but also its relative functioning. The broader environment of international markets and institutions, and how that system has changed over time, is far less relevant. The validity of this supposition is explored below.

These points aside, the varieties of capitalism literature offers two useful concepts to further our understanding of the effects of globalization. The idea of divergent models of capitalism negates the core prediction of the globalization leading to convergence in public policy and corporate organization and strategy. The choice of how national economies respond to globalization thus remains contingent, and non-market forms of coordination can survive despite globalization’s purported imperatives. Secondly, the idea of comparative institutional advantages suggests that different models of political economy have

41 Hall and Soskice try their best to be neutral, but it is clear that they much prefer coordinated modes of regulation. Less qualified praise for CMEs can be found in the chapters by Dore and Streeck in The Political Economy of Modern Capitalism. Streeck, indeed, presents the bizarre formulation of “...the perverse outcome of the less well-performing Anglo-American model of capitalism outcompeting the better performing ‘Rhine model.’” (p. 53), implying that CMEs should be held as “superior” models even when they do not perform as well! Others are more open in presenting a general critique of liberal capitalism. David Coates writes: “it is not that particular models of capitalism fail to function in a satisfactory manner...It seems rather that capitalism itself, in whatever form, is capable of functioning with only sporadic effectiveness and always at considerable social cost.” Models of Capitalism, p. 234.

42 Callinicos represents the former vein, Swank and Hall and Soskice are more the latter. See also Martin Rhodes, “Globalization, Welfare States and Employment: Is there a European ‘Third Way’,” in Bermeo (ed), Unemployment in the New Europe, pp. 87-118.


44 In one respect the varieties of capitalism argument is little different from the neoliberal convergence argument. Both essentially see the source of national advantage in the organization of the national economy. However, neoliberal arguments explicitly connect that argument – admittedly in an overly deterministic manner – to the transformation of the international economy. Those focused on CMEs do not.
different strengths and weaknesses. From this perspective it is not a question of whether LMEs or CMEs “work best”, but in which areas of production these types of economies are likely to excel.

We now have the conceptual tools necessary to construct a more thorough argument relating globalization to the structure of national political economies to national economic performance.

The Persistence of Globalization

The social construction of the market implies that globalization, far from being some inevitable force to which we all must conform, can be managed and manipulated in ways that reduce or eliminate its undesirable aspects. Globalization as currently configured is not, therefore, inevitable. More importantly, social constructs do not possess any objective logic of behavior; hence the dangers of heterodox behavior are overblown. While a viable logical proposition, this is an unlikely practical outcome. The fervent desires of globalizations skeptics aside, the trends that manifest as globalization in the present are likely to continue, even accentuate, in the near term. The persistence rather than demise of globalization is the more probable outcome.

First of all, portraying markets as social constructs has utility in grasping some traits of economies, but not all aspects of globalization are usefully described as social constructs. Take technology, for example. Various technological developments, especially in computers and telecommunications, have served to break down the barriers that time and space imposed on economic activity. Hence endeavors previously thought to require physical propinquity can be imported or exported across long distances; for example, back office operations and call centers in India for US companies and customers. Technology can transform the global marketplace from hype to reality. For practical analysis this is a real, objective reality that can only be countered by an extremist rejection of technological progress. Treating technology as a social construct is reductio ad absurdum.

Secondly, accepting global markets as social constructs begs the question: Whose construction? The benefit of a constructivist approach is to examine how shared expectations shape preferences and influence actors’ conduct. But constructivism deals less well with questions of power (Who makes the norms?) and agency (How do individual actors respond to a collectively derived normative framework?). Similarly, constructivists have been more concerned with showing how norms shape choices and less concerned with the substantive outcome of adopting particular norms.45 Agency and outcomes will be addressed below; the question here is that of power. Blithely contending that

“globalization is what states make of it” confuses individual with collective action, and collective action in the international system remains predominantly a function of the power. Are there powerful players who want to and are able to transform or reverse globalization? The answer is most assuredly no. The major player in the system, the US, is also the most vocal advocate of continued expansion of free trade and capital mobility. Other economically powerful actors – the EU, China, Japan – equally show no strong desire to halt the transformation of global markets. Europe would have to dismantle the core principles of the single market to do so. China would have to cut off the tap of global capital and abandon its desire to become an advanced industrialized country. The economic drag of inefficient domestic-oriented firms in Japan would be even greater if not countered but dynamic export-oriented companies with access to foreign markets. Not only do the major actors lack interest, there is not a ready-made alternative that promises to correct the failings of liberalized global markets while maintaining the benefits. Changes in ideas tend to precede changes in institutions, and at present there is no alternative vision that has any significant cache among decision-makers with substantial market power.

Skeptics rightly remind us that the first liberal era was dismantled in the 1930s as the major economies embraced economic nationalism and centralization. In the United States this manifested as the Smoot-Hawley tariff and the National Recovery Administration. They conveniently forget the social and economic disasters that ensued by shutting down the world economy. In the postwar period we set about trying to correct these mistakes by creating the Bretton Woods system, while retaining – indeed, expanding – economic control in domestic markets. Even this domestic collectivist consensus has since fallen by the wayside as most major industrialized states have significantly liberalized their domestic markets. Brink Lindsey makes the compelling point that the return to laissez-faire in the second half of the 20th century resulted not from a sudden and widespread embrace of liberal ideals. Rather, it was a response to the repeated and sustained failures of collectivist solutions that led to the adoption of liberalism by default. It is the failure to construct an alternative that is not simply a rehash of failed policies of the past that hinders the intellectual development of alternatives to liberalism.

Critics focus on the harm cause by free markets and capital mobility, but they have yet to articulate an argument as to how to eliminate those problems without also undermining the benefits derived from

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46 A belief, of course, often observed in the breach (i.e., America’s steel tariffs).
48 Lindsey, Against the Dead Hand, Chapter p. 9. He also contends that current domestic and international markets are not nearly as free as either advocates or opponents of globalization maintain.
free markets and capital mobility. This helps to explain why even the most rejectionist states – France, Argentina, Indonesia – rail against globalization while liberalizing their economies. In Brazil one of the founders of dependency theory, Fernando Henrique Cardoso, pursued policies conforming to the dictates of liberalized international markets. His successor, the avowed socialist Luiz Inácio Lula de Silva, seems bent on trying to improve social welfare without abandoning his predecessor’s liberal reforms. After all, neither state socialism nor import-substitution industrialization has much a track record of success in Latin America. Mrs. Thatcher’s voice echoes in the background – “there is no alternative.” For all of the hand wringing over the failings of globalization, in the grand battle of ideas, globalization currently lacks a serious challenger.

Nor is it clear that those who might want to restructure the international economy can do so. One of the structural results of a more liberalized system is that decision-making becomes increasingly dispersed among multiple public and private actors. The ability of any individual actor to bend this structure once established is marginally reduced every day. The big players in this new system (states or MNCs) are increasingly being moved out of the position of being “market-shapers” to being “market-takers” -- those who either adapt to the existing system or suffer. Even the major states and multinational corporations can at best be conceived of as possessing oligopolistic power in the global market structure. Technological change, organizational dispersal, and reduced barriers to entry erode such power day-by-day. This is not to suggest some sort of “end of the nation-state” argument, or to discount geographic concentrations of economic power, or to sneak the convergence hypothesis in through the back door. Saying that actors are market takers implies nothing about how they respond to those markets. It is simply to suggest that individual actors (including states) have diminishing ability to influence the structure of global markets. A greater proportion of actors must support a reconstruction of globalization in order for any such transformation to become a reality; it becomes truly a collective action problem. Combined with a lack of alternatives ideas, this connotes that the most probable outcome in the near term is a continuation in the current trends of globalization.

So what does this mean about the international environment in which national political economies operate? The first point to make is that, for all the change that globalization represents, the underlying logic of capitalist economies is unchanged. Economic success is ultimately the resultant of the disconnected activity of firms buying and selling in order to maximize profits. Corporations must

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49 I would contend that the various reforms suggest for the global economy, of which those in Scholte, Chapter 12 and Ellwood Chapter 7 are representative, fail by this criteria.

50 The Economist, February 1, 2003, pp. 32-33.
be able to develop competitive advantages in order for the national economy to succeed.\textsuperscript{51} The ability to do this and boost the overall national economy is primarily a function of the relative productivit\textsuperscript{y} of the economy. This “old economy” rule is still alive and well.

What have been altered are the paths to productivity. Previously, relatively stable technologies and pervasive Fordist mass production methods heightened the benefits derived from incremental improvements in product and process technologies. Today the IT revolution has created whole new product lines (i.e., personal computers, software), vastly expanded certain areas of activity (i.e., consumer finance, communications, entertainment), altered the way that existing businesses operate (i.e., computerized inventories facilitating just-in-time production), and created new market media (i.e., e-commerce). Globalization thus alters the scope and techniques of capitalist accumulation, as well as expanding the range of areas that have become commodified.\textsuperscript{52} The accelerated speed of new product cycles and the rapid evolution of existing product markets place a premium on the accumulation of knowledge and the ability to transform this knowledge into competitive gains. Both at the company and national level, this demands an innovative environment with a steady supply of new ideas and the ability to redeploy resources (including labor) to more productive areas of endeavor.

Yet deterritorialization and the intensification of international transactions means that economic actors have a greater ability to exercise the exit option as opposed to the voice option in seeking to upgrade performance.\textsuperscript{53} If they do not like what they see at home -- in terms of public policy, supplier performance, labor flexibility, etc. -- they can simply take their business elsewhere, either by moving operations or supply sources abroad.\textsuperscript{54} Of course, this capital mobility argument can easily be exaggerated.\textsuperscript{55} The fact that the idea is oversold, however, does not mean that it does not have real impact. Even if capital chooses to stay put, it still must be able to effectively respond to changes in global markets. Companies or countries that are unable to adapt to changes in the global economy are likely to lose out as businesses either move to more productive locales or fall behind in international competition. The transformations of the international economy bundled into the concept of globalization therefore favor national economic structures that are productive, innovative, and adaptive.

\textsuperscript{52} Perhaps the best example is television. For most of the world, television was a product provided by the state. It was paid for through taxes, of course, but was free at the point of delivery. Now state networks, like the BBC, are under threat from pay satellite and cable services. “Liberate the BBC,” \textit{The Economist}, August 16, 2001.
\textsuperscript{54} For example, Kraft Foods closed its Life Savers plant in Holland, Michigan to relocate to Canada -- despite a proposed $38 million package of subsides and tax benefits offered by the state -- because of the high cost of sugar in the US. American sugar costs are driven up by subsidies paid to sugar beet farmers. \textit{Detroit News}, January 19, 2002.
\textsuperscript{55} Multiple factors go into where to locate productive operations, labor costs often being one of the least significant. Hence the bulk of FDI remains within the “triad” of North America, Europe and Japan. Equally, hall and
The Norms of Globalization

One can, of course, accept that the trends of globalization will continue, but as a prelude to its inevitable reversal – a new Polanyian double movement. The coming reaction will stem from the disruption caused by foolishly attempting – again – to establish unregulated markets in the global economy. As both Polanyi in the past and Gray in the present proclaim, such a system is inherently contradictory to basic human values. Thus the core problem with globalization is not trade balances, or financial flows, or new technologies per se, it is the cluster of economic norms that it embodies. Specifically, it encompasses a set of ideas supportive of the economic utility and normative value of free markets. The portrayal of globalization-as-norms is easily seen in the writings of globalization’s critics, as most advocates tend to take a superficially value-neutral approach of globalization as simply something to be dealt with.\(^{56}\)

Thus a key point of contention is the connection between the normative structure embodied in globalization and its divergence from embedded social norms. Polanyi uncategorically argued that liberalism contradicts basic human values and is inappropriate for any society. Recent works tend to qualify their arguments to account for the vibrancy of the US economy. Gray thus argues against extending American-style capitalism to other states because free market models will not work in more collectivist oriented societies. One would think that reversing the equation would suggest that a free markets works in the US because of our individualistic and entrepreneurial culture. Yet the idea of “successful free markets” repulses Gray. In his portrait, therefore, America is a land of rampant inequality such that the middle class is being “re-proletarianized” and social stability is only maintained through mass incarceration. American capitalism does not seem to work particularly well in America either.\(^{57}\) Gray is hardly unique in this regard. What is often posed as a culturally specific critique of liberalism is, in more often than not, transformed into a general argument against liberalism. A contingent argument thus becomes universal: Free market capitalism is inherently unstable because it undermines the social order. There is a linkage between the norms of globalization and the norms of society, and that linkage is destructive.


\(^{57}\) Gray, Chapter 5.
Yet what if they are wrong? What if there are, in fact, multiple conceptions of the relationship between economies and societies? What if the normative values embodied in liberalism and globalization are not at odds with the core values of a given society? If the dominant values of a given society accept the utility, efficacy, and morality of (predominantly) market regulation of economic life, then would we still get a backlash, a new double movement? Rather than asserting a divergence between social values and market values, this is a point that should be critically explored. This opens up the hypothesis that the movement to less regulated global markets has the potential to create a social and political backlash unless an ideological hegemony has already been established in the populace in favor of market outcomes. That is, we need to look at the dominant economic culture within a given society -- an empirical and normative conception of how the economy works. This guide actors’ behavior and conditions what they think are the feasible and acceptable outcomes. To put it in economic jargon, economic cultures alter individuals' utility functions, structuring how individuals’ respond to particular incentives. In Gramscian terms, it is a question of how much people have internalized the liberal hegemony. To put the matter in plain English, if people think that the outcomes produced by markets, including global markets, are acceptable, appropriate and just, then there will not necessarily be a backlash against increased marketization of life. What is important is that people react differently to such outcomes in different cultural contexts and the nature of their individual reactions helps to determine the collective performance of the national economy.

The economic culture of a market responsive societal context accepts market outcomes as just and appropriate, encourages entrepreneurialism and risk, and favors individual over collective interests. Such an ideological construction shifts the responsibility of economic adjustment from the social and political realm to the level of firms competing in product markets and individuals competing in labor markets. Whether such a conception is somehow objectively correct is rather beside the point; it matters if it changes individuals’ and policymakers’ responses to economic conditions. The response of an individual to say, the loss of employment, may be significantly different in a social milieu where work is considered an individual responsibility as opposed to one where it is seen as a right of social provision. In short, if the social structure mimics the behavioral assumptions underlying liberalism, than that milieu is better suited to a more liberalized international environment. A market responsive societal context does just that by turning rationalistic material calculation into positive individual and collective values.

Polanyians, starting with Polanyi himself, do not explore this idea in a critical manner, but rather treat the opposition of society to unregulated markets as so self-evident as to not require elaboration. Colin Hay and Ben Rosamond, “Globalization, European Integration and the Discursive Construction of Economic Imperatives,” paper presented at the International Studies Association Conference, New Orleans, LA, March 2002.
A market resistant societal context would, of course, do the opposite. Such an economic paradigm would question the efficacy and morality of unconstrained market outcomes, seek to socialize economic risk, and raise collective values above individual values. A market resistant context may specifically place values of social solidarity, equality, and security above those of material gain. This may require greater regulation of economic life, more concentration of economic decision-making, and a generally more rigid political-economic structure. The question is not whether such values are good or just or correct; that is a personal question. The point is that these sorts of ideas discourage the very behaviors that are most warranted in liberalized global economic environment. As such a market resistant social context is poorly suited to globalization.

Take again the example of a loss of employment. How might behavior vary in a cultural climate where the provision of employment is considered more of a social right than an individual responsibility? This is crucial question for many European economies trying to deregulate their labor markets. If labor markets are deregulated and masses of workers are laid-off, what are they likely to do? If they focus on seeking new employment, the results will be those intended by the government. If they live off the dole and focus on political activity to overturn such laws, there will be no net economic gain for these economies. Successful liberalization is not just a question of policy, but also of people. It does little good to liberalize unless people change their behavior accordingly. The economic culture that they hold determines how they will respond to liberalization. In sum, market responsive societal contexts are better suited to the needs of a more globalized era because they encourage the sort of productive, innovative and adaptive behavior among firms, workers, and entrepreneurs that is most likely to induce prosperity in an increasingly liberalized economy. In contrast, market resistant societal contexts are attempting to swim against the tide. The economic behaviors encouraged within market resistant contexts are not well suited to successful adaptation to globalization.

Although the above is posed in ideational terms, one of the basic ideas of historical institutionalism – of which the “varieties of capitalism” approach is a part – is that ideas are closely linked to how interests are articulated and institutions operate -- or, as Hall and Soskice put it, there are complementarities across these aspects of the political economy. The final piece of the puzzle is the connection between different models of capitalism and globalization.

Coordinated Market Economies and “Diminishing Institutional Returns”

The intellectual failure of globalization’s adherents is their cumbersome handling of the convergence hypothesis. Even a casual perusal of the major capitalist economies shows continued
diversity in public policy, the institutions of the political economy, and corporate organization and strategy. If globalization has not yet produced the abandonment of non-market coordination and strong social welfare states, then why should we expect it in the future? Convergence, in fact, would be the surprising outcome. Countries tend to try to shape international norms and institutions to match up with the institutions of their domestic polity and economy.\(^6^0\) Equally, even when international norms are constructed, they may have significantly divergent effects once translated through national systems.\(^6^1\) The very institutions of CMEs are those most likely to blunt the pressures of liberalization, and thus we are unlikely to see any substantial convergence toward market-conforming models of political economy.\(^6^2\) The death of the social welfare state has been greatly exaggerated as the complementarities and comparative institutional advantages of CMEs remain as vital as ever.

Unfortunately, this argument rests on a questionable assertion: not only will the institutional integrity of these models hold, but their comparative performance will be unchanged. For sure, LMEs outpaced CMEs in the 1990s, but the performance of LMEs in the prior decade was not that great—hence the obsession with copying Japan. And the US dot.com bubble has long since burst. One should thus not be too focused on recent performance as an indicator of long-run; over the long run, both market-coordinated and non-market-coordinated economies have delivered prosperity. In short, structural changes in international markets do nothing to alter the comparative institutional advantages of different models of capitalism.

The problem with this argument is that it disconnects economic outcomes from changes in international markets and thus reduces national economic institutions to static variables in terms of their effects. Institutional convergence is a theoretical nonstarter; diversity reigns on the ground. But the corollary advanced is that diversity of institutional form will be matched by convergence in economic outcomes (or even superior outcomes in CMEs).\(^6^3\) The proper question to ask, however, is whether changes in the structure of the global economy might alter the relative returns to be derived from different models of national political economy. The contention here is that coordinated market economies face rising opportunity costs (or, to phrase it differently, diminishing returns) as globalization progresses.

\(^{62}\) Swank, *Global Capital, Political Institutions, and Policy Change in Developed Welfare States*, p. 5.
\(^{63}\) See Hall and Rhodes in Bermeo (ed.), *Unemployment in the New Europe*.
A basic idea behind the varieties of capitalism approach was that of institutional complementarities. Actors are most likely to thrive by following strategies that conform to the dominant mode of coordination. This relates not only to public policy or corporate strategy, but also to normative conceptions of the market. The argument here is that what is true on the national level is also true in international markets. Economic returns will be maximized to the extent that economies pursue strategies congruous with the dominant patterns of interaction. It is not a question of forced choice, for decisions on how to run national economies remain under the control of domestic actors. The question is the relative costs of making those choices. The liberalization of international markets favors the comparative institutional advantages LMEs. The comparative institutional advantages of CMEs are incongruous with the changes embodied in globalization and thus are likely to entail rising opportunity costs for their continued adherence. CMEs thus suffer from “diminishing institutional returns” as globalization increases.

How do non-market forms of coordination increase costs? The mainstream answer has been by the threat of capital flight and cost disadvantages incurred by higher social costs for firms. Freed from the restrictions of the past, international capital can seek out the most economically advantageous climate. The threat of capital flight is overstated as the bulk of investment still comes from within the domestic economy. But the real problem may not be capital flight, but of foreign capital never coming in the first place. Germany and Japan have some of the lowest levels of inward FDI in the OECD, significantly lower than the US or UK. This limits both the pool of investment capital and potential sources of innovation. On the other hand, while such critiques of CMEs are valid they have been valid for a long time and CMEs have prospered just the same. Focusing on this avoids the institutional advantages of CMEs that serve to counter their potentially damaging effects of higher labor costs (i.e., a more skilled workforce).

Globalization, with its open and dynamic market, raises the salience of productivity, innovation, and adaptability for national economic development. The institutional advantages created in CMEs have reduced utility for effectively addressing these challenges. In terms of innovation, LMEs are noted for focusing on radical innovations while the strength of CMEs is on incremental innovation. Does incremental innovation have the same utility as in the past? One need only ponder the capabilities of their first computer compared to their current system to see how rapidly the core technologies of the

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64 This relates to the additional costs for labor incurred from more extensive social welfare states.
65 Among the OCED countries, the country with the highest level of FDI as a percentage of GDP was Finland at 9.73% (1998). The lowest was Japan with 0.08%. OECD in Figures (Paris: OECD, 2000), p.56-7.
66 Among the G-7 countries, the percentages were: US (2.3%), UK (4.68%), Japan (0.08%), Germany (0.93%), France (1.96%) and Canada (2.84%). OECD in Figures, p.56-7.
present day are changing. Technological life-cycles have been shortened to a few years or less. By the
time such technologies become sufficiently stable for incremental innovation, the market has moved on
to another good. Rapidly changing and fluctuating technological paradigms provide increased returns
for radical innovation. Widespread adaptability is equally constrained by the emphasis on consensual
decision-making and cooperation among the social partners. Hence CMEs have developed relatively
inefficient domestic and international service industries. Technology increases the range of services that
can be exported, so falling behind in services means falling behind in a broad area of exportable
products. On the other hand, one of the great strengths of CMEs was a highly productive workforce.
Compared to the US there has not been any significant movement in comparative productivity figures
from the major CME (although it should be noted that US productivity remains consistently higher),
but job growth in Germany, France, Japan, etc. has been stagnant. High productivity is maintained at
the cost of high unemployment.

More importantly, all of this comes back not only to public policy and corporate strategy, but
also of the underlying normative conception of how these economies are supposed to work. Embedded
in these systems is a conception of the market – epitomized by the Lionel Jospin quote at the start of
this piece – that suggests that one can resist the liberal imperatives of the global market. I submit that in
numerous ways both large and small this leads to behaviors that are contrary to the incentives produced
by the current structure of international markets. Such “diminishing institutional returns” will have a
negative effect on comparative economic performance.

**Conclusions and Implications**

This paper constructed a theoretical framework that more effectively links changes in the
international political economy to the traits of national economic systems to domestic economic
performance. The argument is that globalization alters the relative utility of different modes of capitalist
accumulation. Specifically, non-market forms of economic coordination will suffer from “diminishing
institutional returns” which raise the opportunity costs in terms of reduced comparative economic
performance compared to more market-oriented systems. This is, of course, an empirically testable
hypothesis, and this paper offers only the conceptual appetizer. However, a taste of the empirical main
course is in order.
Table 2 presents economic data for the major LME and CME economies. The period measured is what can be dubbed the period of “globalization proper” since 1989. Certainly the movement toward a more liberal international economy and the development of various technologies that feed into globalization predate 1989. Globalization does not, as such, have a single starting point. This year marks a reasonable symbolic beginning, however, because it is first the year of the collapse of the Berlin Wall and the dismantling of command economies in Eastern Europe and the Soviet Union. One cannot really speak of “globalization” during a period when a large segment of the globe possessed state-controlled economies. Secondly, 1989 is the year that Tim Berners-Lee at CERN (the European Organization for Nuclear Research) created the basic software infrastructure for the World Wide Web, perhaps the most potent technological symbol of globalization.

Liberal market economies have generally seen higher growth rates and lower unemployment during this period. There is not a consistent pattern in terms of per capita income, although it is notable that the US is significantly above all the rest. The pattern of productivity is much more variable, with CMEs showing both high (Belgium) and low (Sweden) scores. We cannot conclude too much from this data given the limited time period, but it does imply show that LMEs have stronger records of growth and employment, and this is not counterbalanced by better productivity performance among CMEs. This offers some superficial support for the inferred connection between globalization, liberal market economies, and performance remains valid, although the point requires much more detailed evidence.

In political terms, the argument above implies an inversion of the Polanyian perspective. Economic and political behavior is embedded in particular social structures, and this will shape how people respond to globalization. However, rather than characterizing this process in universalistic terms, the argument here is genuinely contingent. Some polities (those that are market resistant) are more threatened by the increased marketization of social life, leading to social disruption and political discontent surrounding continued globalization. But this will not be the reaction everywhere. The adjustment to globalization in some countries (i.e., those with market responsive contexts) will be smoother because of a combination of positive economic performance and social structures producing behaviors that more directly mimic the imperatives of markets -- generalized political acceptance of the benefits of liberalization. For some places globalization will be a ‘false dawn’, for others it will not. Differentiating these countries is ultimately an empirical question that is beyond the scope of this paper (this is my next phase of research). Furthermore, exactly how such discontent might manifest in market

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67 Designation of economies as LME or CME is based on the empirical data of Estevez-Abe, Iversen and Soskice, “Social Protection and the Formation of Skills.” Their indices are based on measures of employment and unemployment protection.
resistant countries has to be judged in a specific national context. France, Japan, and German may all fall into the market resistant category, but one suspects that the politics will play out quite differently. Since the economic and political implications of globalization will vary widely, this also augurs against a doomsday perspective on globalization, although it certainly contains the potential for increased international conflict between (economic) status quo powers and those seeking revision (which may include current status quo powers).
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<th><strong>Negative Results</strong></th>
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<td>Representative Authors</td>
<td>Brink Lindsey, <em>Against the Dead Hand</em>; John Micklethwait and Adrian Woolridge, <em>A Future Perfect</em></td>
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<th>Coordinated Market Economies</th>
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<th>GDP per Capita</th>
<th>Unemployment</th>
<th>Productivity</th>
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<tr>
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(1) Average percentage change in real GDP, 1990-2000.
(2) GDP at PPP (US=100), 1999.
(4) Average of index of real GDP per person employed at PPP, 1990-98.

Source: OECD (1-3) and US Bureau of Labor Statistics (4)