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Globalization Revisited

The birth of New Economic Sociology, with the renaissance of sociologists’ interest in market structures, was closely bound to the political and economic triumph of free competition and international trade openness in the 1980s and 1990s. In 1973, the end of thirty years of politically organized currency rates in the breakdown of the Bretton Woods Regime marked the beginning of what we call “globalization.” Gradually, all major industrialized countries reduced their political capital controls and opened their markets, even though there had already been a growing number of shadow markets for international capital trade during the 1950s and 60s. Having lost its role in the Bretton Woods system, the IMF focused on linking crisis aid for developing states in financial distress with the purpose of establishing free capital markets; this was the ‘Washington Consensus’ of supply-side policies. Moreover, the 1980s and 90s, especially after the Cold War, saw the rise of the WTO and a large number of global free trade agreements, which have until only recently enjoyed an impressive legitimacy across ideologically diverse political camps. Economically, globalization marked the global motion of the capital accumulated over the Fordist period in industrial and oil-producing countries, which led to an explosion of foreign direct investment and lending to developing countries all over the world. Politically, this trend coincided with the end of Soviet communism, a seeming triumph of capitalism as the superior form of society which had no major ideological challenger left. Eastern European and Asian societies underwent an in some cases brutally fast transformation into liberal market economies, often politically and socially organized by the largest global corporation and a group of administrators and political entrepreneurs from Western countries in cooperation with emergent new domestic elites in the transformation countries. Although social researchers have shown that wherever there is sudden change there is also social, political, and institutional resilience, there can be little doubt that, at least in the form of a growing hybridization and polarization, all emerging markets societies faced a historically unprecedented pace of change (Sassen 2007). In industrialized Western countries, this globalization, or to be precise, the permanent option for all firms and market actors to engage in foreign economies all over the world, changed the structural balance of power in those countries that had experienced a long-term phase of prosperity, social progress, and successful inclusion through welfare states in the embedded era. From a sociology perspective, globalization meant a harshly reduced ability to drive capital investment and private wealth into political projects of social reform and progress through institutional rules (Streeck 2009). At the same time, a growing number of workers became exposed to competitors in other countries.

The 1990s and 2000s witnessed intense sociological debates about the probable dynamics of globalized market economies and welfare states, with two dominant patterns of argumentation (Sassen 2007; Brenner 1999; Brady, Seeleib-Kaiser and Beckfield 2005). First, the race-to-the-bottom perspective assumed that all institutional standards of labor law, product safety, social security and political inclusion would come under scrutiny, because they merely mean high cost for firms who now would be able to move freely between institutional settings, with the option to cash in ‘institutional arbitrage’ (Jessop 2007; Streeck 2009). This would put governments under pressure to dismantle their welfare state and erode all policies of macroeconomic governance. Second, the global polarization approach assumed that it is actually the high productivity of industrial nations that threatens national economies in low-productivity developing countries, which lose their ability to subsidize their marginal industries through currency or capital control, and eventually lose their already weak economic infrastructure, as well as losing their best and most talented brains to Western countries in free international competition (Alderson and Nielsen 2002). Moreover, all capital gains in developing countries now had it much easier to leave their domestic economies and flow to the financial centers.

From a sociological point of view, an important impact of the globalization debate was the erosion of the background assumption that institutional and cultural structures are largely congruent with nation states (Guillem 2001). Under the catchphrase of ‘globalization’ economic sociologists observed a historically unique degree of divergence between the boundaries of the political and economic spheres, the state and the market, as well as the growing importance of trans-cultural economic activity. This raised a broad range of conceptual questions for social theory:

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What does it mean for the social order of market economies and organizational sociology that globally operating firms vastly exceed the range of institutional regulation by the nation-state? Do we see a pluralization of forms of embeddedness within one organization? How do these corporations bridge cultural and institutional influences on their workforces and production activities in different countries, for example the impact of diverse skill and training regimes?

How do societies react to the decreasing political and administrative access to investment and organizational decisions? Will new forms of social integration, e.g. on the local or regional level, develop that make up for the weakness of the nation-state? Or is the world society approach justified in expecting a growing convergence of institutional patterns and knowledge repertoires among international organizations and communities that eventually trickle down to a gradual convergence of economic organization worldwide (Meyer 2000)?

Which actors, groups, networks and communities will develop on the global level? Will there be a renaissance of the economic (or financial) ‘cosmopolitan’ elite, who may lose touch with middle-class and working-class people to a new degree, establishing distinct lifeworlds and unbridgeable cultural gaps within highly stratified capitalist societies? And/or will we see a re-nationalization of protest in the middle and working classes who will try to slow down this second “Great Transformation” (Polanyi 1944), eventually leading to the renaissance of a strong (potentially neo-protectionist) nation-state?

What does it mean for capitalist societies that entrepreneurs, investors, managers, and workers are now subject to a multiplicity of possible identities on both the national and international levels? Do we see a growing fragmentation of individual interests within business and labor, particularly between internationally and domestically oriented groups? To which degree will national regimes of work and firm relations be able to provide comparative cost advantages to nationally dominant branches of industry?

How will the economic role and resources of state administration change if law and formal institutions lose their de facto power of regulation? Will global corporations step in and become effective regulating powers? Or will transnational agreements between states, like the EU or new international organizations and institutions, re-embed economic dynamics and implement successful technocratic instruments for economic policies leading to an even further de-politicization of economic questions?

The first wave of the debate on globalization within sociology centered on the causes and the probable direction of the global trend towards free markets, weak nation states, and the growing instability of domestic social structures (Guillén 2001). The focus was put on the macro-social theoretical implications of this new economic order (Meyer 2000; Kellner 2002). However, the second wave of globalization research, which set in quickly, put its efforts into studying how these processes play out on the micro- and meso-levels. They developed a much more detailed, empirical account of the processes of change within and between economies (Bartley 2007; Pieterse 1994). Economic sociology and political economy have both been experiencing a wave of renewed institutionalism since the 1990s that looked at the globalization of trade and capital markets as contextual pressures which play out very differently in different national or even local contexts (Campbell 2004; Thelen 2008; Lieberman 2002; Bonoli 2000; Douglas 1986). They stressed the reluctance, stickiness, or resilience of institutions, economic policies, and established patterns of social interaction within industries (Gourevitch 1992; Hall and Soskice 2001). To a certain degree, New Economic Sociology, with its focus on the role of networks, norms, and routines (Beckert 1996) empirically studied through the dynamics and stabilities of one particular market, could be seen in this context, too. If markets are the most successful form of social organization in global capitalism, then it seems to be directly important for macro-sociology to understand the micro- and meso-embeddedness of those very markets, which political, social, and cultural conditions they create or require. However, the sociological turn towards the micro-processes of globalization revealed the complex back-and-forth relations between the global, the regional, the national, and the local levels that were multi-faceted, often counter-intuitive, and sometimes even contradictory (Heijltjes and Quack 2012; Djelic and Quack 2007; Halliday and Carruthers 2007; Schneiberg and Soule 2005). For example, organizational sociologists showed that firms that went abroad came back to the highly regulated countries; labor sociologists found at least sporadic evidence for race-to-the-top in labor and product standards; and economic sociologists observed the growing importance of self-regulation and standardization in global markets, which sometimes even provided new room for developing countries to find a profitable space in the global value chain.
However, it seems that the concept of ‘globalization’ has lost some of its paradigmatic power for macro-oriented economic sociology research. Google’s Ngram Viewer shows a steep increase in books that used the concept since the mid-1980s, with a stagnation (English) or even a clear decrease (Continental European) of its salience after 2003. It also seems that the adverb ‘trans-national’ has become more common than ‘global’. The Web of Science shows 167 sociology articles that had ‘globalization’ in their title between 2013 and 2016, 251 in 2009–2012 and 257 in 2005–2008. During the same period, the frequency of ‘transnational’ used in article titles increased from 195 articles between 2005 and 2008 to 231 in 2009–2012, and, finally, 290 between 2013 and 2016.

Against this background, it looks like it will be worth it to devote this issue of the EESN to reviewing and summing up the answers to many of those questions, as well as seeking a more encompassing stance on what we have learnt about globalization and its counter-trends and discussing critically to what degree it still makes sense to use this concept. This issue approaches these questions from three fields of research.

First, Patrick Feuerstein and Gary Herrigel present their review and critique of research on the global regulation of labor standards. They look at the chances and limits of the four pillars of global labor regulation: International Organizations, Codes of Conduct, International Framework Agreements and Multi-Stakeholder Initiatives. They argue that even though research has often shown that soft law regulation of labor on the global scale remains weak and halfhearted, this is only true if researchers focus on non-firm-based, external laws and codes. If instead researchers focused more on the labor standards that develop within globally acting companies, the picture would be different. However strong ratification and the implementation of labor standards are in a global context, there has been a clearly observable change in corporate behavior in many cases. We can observe these dynamics if we look at regulation not from a compliance perspective, but rather from the perspective of capacity building in firms and organizational learning which seeks to identify the causes of successful regulation in the need for all groups in a firm to collaborate in order to guarantee the quality and reliability of the product.

Olga Malets approaches the globalization question in her research field of international environmental standards. She points to two different understandings of globalization as a more economic or a more political process and describes a transformation of statehood rather than a general retreat of the state. Regulation is a multi-level process with intersecting group activities on the local and global levels, and it is important to study how practical experiences in the local implementation of regulatory standards are communicated to the level of transnational regulators. Capture these multiple interaction logics is key to understanding the persistence or even augmentation of global inequality that stands in contrast to the global openness of markets.

In this issue, there is also my interview with Sigrid Quack from the University of Duisburg-Essen. Professor Quack has extensively studied trans-national institution-building in economic contexts in her studies of global law firms, transnational copyright laws, and international accounting standards. We discuss the explanatory power and persistent salience of the concept of globalization from a more theoretical point of view. Professor Quack stresses that behind the question of globalization, we encounter the need for an enhanced concept of institution-building that (1) employs the different levels and social groups that participate in these processes and (2) is capable of capturing the gradual, processual character of regulation. Moreover, she argues that (3) institutional theory and social movement research should come together in order to gain a better understanding of trans-national regulation. Finally, we discuss whether the recent political and social disruptions in Europe and the U.S. will eventually lead to a period of ‘anti-globalization,’ with a return to nationalism and protectionism.

All contributions to this EESN issue point to three very important insights that emerge from the globalization debate. First, even if the full picture is much more complex, the original debate’s focus on the perforation of the nation-state has brought the national boundaries of political and cultural structures, of institutions and discourses to the forefront, instead of them being an unmentioned, taken-for-granted background categorization for social processes. This is especially important for economic sociologists with regard to the boundaries or non-boundaries of markets and firms. Second, globalization research has strongly contributed to theoretical progress with regard to understanding the strange co-existence of institutional continuity and change and the different actors and groups involved in institution-building. Third, and maybe most important for economic sociologists, globalization research has reminded us of an observation that used to be unanimous among classical sociologists such as Marx, Weber, Durkheim, and...
Simmel: That all economic organization, in firms or in markets, has a crucial political and cultural dimension that must be taken into account. It seems that these elements of social organization become particularly visible if we cannot simply attribute the political and cultural sides of the economy to its spatial or territorial context. Globalization therefore forces us to take the fact that markets are a thick form of social organization even more seriously.

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