Globalization: a theoretical reflection

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Abstract

Purpose – The purpose of this paper is to evaluate and situate globalization within the context of different theoretical perspectives, with a view to developing a theoretical framework for understanding and interpreting this phenomenon.

Design/methodology/approach – In the light of historical and empirical evidence, this paper uses the idea of parallax to explore, synthesize and interpret globalization. Evidence is marshalled in order to enable comparative assessments on the merits of the globalized system to take place.

Findings – A materialist approach is identified as appropriate for aiding and deepening our understanding of the processes at work. It best captures the complexities and contradictions in the global economy.

Originality/value – This paper develops a critique that locates globalization within the process of accumulation and teases out its attendant crises and efforts to restore profitability. The materialist approach developed here may be successfully applied in a holistic manner.

Keywords Capital, Globalization, Internationalization, Materialist approach, Accumulation of capital, Restructuring and renewal of capital, Crises

Paper type Research paper

1. Introduction

Globalisation has often conjured up an image of gleaming sports cars, iPhones and iPads, a digital revolution, "interconnectedness" of economies and opportunities for trade and investment. Proponents of such a viewpoint often claim that free markets inculcate a "go-get-it" enterprise culture, ensuring liberty and economic prosperity. To be sure, technological advances in information and modern communications and the dramatic expansion of global financial flows, consequent upon deregulation of financial markets in the 1980s, are credited with driving prices down and giving rise to the notion of a borderless world. In other words, time and space has arguably been compressed in such a way that we can be forgiven for believing that we live in a global village (Bunting, 2011; Fine, 2002, p. 5; Giddens, 1999; Markillie, 2012; Ndhlovu, 2011; Robertson, 1995, p. 8; UNCTAD, 2011a, p. 10). It is argued further that the quick adjustment to changes has the potential to lead to rapid economic growth, greater consumer choice and an increase in living standards (*The Economist*, 2001). To use the late US President Ronald Reagan's colourful language at the World Trade Organisation

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(WTO) meeting in Cancun (Mexico) in 1981, "this is the magic of the market place". It thus goes without saying that globalisation is "a fact of life" (Krueger, 2003, p. 1; Markillie, 2012; Stiglitz, 2003, p. 258) and is unstoppable. Analysts of this sort argue that multilateral institutions such as the International Monetary Fund (IMF), World Bank and WTO, as well as a more effective US leadership can play an important role in ensuring rapid and sustained global growth, thus improving living standards and enabling people to make better choices (Krueger, 2003, pp. 6-7, 11-12; Gilpin, 2000). Safeguards are then required to protect those people who are affected by the worst effects of, for example, structural adjustment policies (also see *The Economist*, 2001; Stiglitz, 2003). Arguably, governments and, indeed, intra-regional blocs such as the European Union (EU) can be expected to provide the necessary safeguards.

However, with the advent of slower global economic growth and financial crises, globalisation has increasingly come to symbolise "low-paid sweatshop workers, GM seed pressed on developing world farmers, selling off state-owned industry to qualify for IMF and World Bank loans and the increasing dominance of US and European corporate culture across the globe" (Jeffery, 2002, p. 2; also see Moore, 2012; Stiglitz, 2006, 2010). There has also been a differential impact, "These crises have been particularly prevalent in the developing world (fig. 2), but they have been growing steadily larger in the advanced economies, culminating in the deepest economic collapse since the Great Depression" (UNCTAD, 2011a, p. 10; also see Bell and Blanchflower, 2011). Indeed, "For many years, however, concerns have been raised regarding certain effects of globalization on jobs, wages and job security. […] A German Marshall Fund (2007) survey shows that about half of Americans and Europeans think that 'freer trade' results in more job loss than job creation. Globalization [in particular outsourcing overseas] has also been blamed for the recent financial crisis and its effect on employment" (Bacchetta and Jansen, 2011, p. 1). Some analysts contend that globalisation has condemned a large proportion of the world to poverty, exacerbated inequalities, led to casualisation of labour and worsened working conditions, including the lengthening of the working day and redundancies.

In response, Anne Krueger, the former World Bank Chief Economist and IMF Managing Director, urges us to focus on the "important role" that globalisation has played in reducing poverty and points out that there is no conclusive evidence to suggest that globalisation has contributed to widening inequalities (Krueger, 2003, pp. 6-7, 11-12). For his part, Wolf (2004) argues that globalisation will lead to greater economic integration and prosperity, reduced inequality, good governance, enhanced personal freedoms and a much improved life for people in developing countries. Bernstein (2010) also suggests that there are "phenomenal benefits of competitive capitalism" (also see Centre For Development Enterprise (CDE), 2006). In addition, Krueger argues that all these developments must be put in context:

> It is important not to be distracted by confusing relative and absolute progress. It makes sense to reflect carefully before condemning conditions in the sweatshop factories in developing countries in absolute terms. The choices confronting someone on the brink of starvation are rather different to those facing someone with money in the bank. […] What matters is that, however modest in absolute terms, those higher wages have radically improved the lives of those workers and their families. […] Child labour is sometimes prevalent in developing countries. […] But that is usually because the alternatives are even worse: starvation or malnutrition, begging, forced early marriages for girls, or prostitution. […] Insisting that workers be given a decent wage by industrial country standards would erode the competitive advantages for business using unskilled labour in developing countries (Krueger, 2003, p. 6).

Notwithstanding this, critics maintain that increased insecurities in the workplace, deteriorating working conditions, threats to national cultures and identities and environmental degradation can all be traced back to globalisation (Berend, 2006, pp. 305-20; Carbaugh, 2011; Kaplinsky, 2006, pp. 26-51).

This paper reflects on these burning issues. What follows offers an analysis of the different theoretical developments in the light of historical and empirical considerations, and then seeks to draw on these in order to develop a framework for examining globalisation. Put in another way, we present different views on globalisation as fully as possible and in the authors' (or as close as possible to the authors') own words in order to establish their interpretation of this phenomenon. This then provides the background for examining and developing a critique that locates globalisation within the process of accumulation, its attendant crises and attempts to restore profitability. Thus, we will explain the meanings that are attached to globalisation before presenting comparative assessments by economists as to the merits of the globalised system. This is followed by an examination of the various forms of criticism levelled at globalisation before an analysis of a materialist approach that may be successfully applied in a holistic manner.

2. Whence globalisation?

While some critics accept that globalisation is taking place, that is, the unprecedented advances in technological progress and extraordinary increase in trade and financial flows is ample evidence that this process is underway, there has been growing uneasiness about its consequences. Increasingly, concerns regarding the widening income disparities and apparent indifference to growing poverty in less developed countries and more developed countries are receiving attention. The IMF/World Bank structural adjustment policies are often cited as having had a deleterious effect on less developed countries. Giddens (1999), for example, regards this phenomenon (globalisation), which was arguably facilitated by "revolutionary" changes in communications and/or electronically networked (money) markets in the late twentieth century, as relatively "new" (also see Fine, 2002, p. 6; Millward, 2003, pp. 116-17; Scholte, 2002) and argues that the speed of these changes has increased people's sense of powerlessness. For his part, Carbaugh (2011) contends that we can identify three waves of globalisation: the first in 1870-1914, the second being the period 1945-1980, while the latest wave has been taking place from 1980 to date. Giddens goes on to argue that the USA and, to a lesser extent Europe, are at the epicentre of that globalisation. The sheer dominance of US multinational corporations (MNCs), coupled with the homogenisation of culture (*a la* "Coca-Cola, McDonalds, CNN") point to an erosion of national sovereignty (Giddens, 1999, p. 15).

Other commentators dispute such a conceptualisation of globalisation. They contend that the case for the inevitability of globalisation has not been demonstrated and indeed, question the assertion that we are now living in a borderless global economy or surrounded by soft borders. It is argued that internationalisation, which is linked to market imperfections, does not threaten "the nation state, nor does it pertain to the whole globe" (Millward, 2003, p. 117; also see Fletcher, 2008, 2010a-c, 2011). With limited labour mobility and the retention of different countries' national characteristics concerning conditions of work, struggles for change are often conducted within local and national labour markets, and workers often look to national regulations as important levers in guaranteeing some job security (Cameron *et al.*, 2006).

Furthermore, Hirst and Thompson's (1999) portrayal of the internationalisation of the world economy was one in which the role of financial markets was said to have been more pronounced in the period 1900-1914 than in the 1970s, whilst the world economy was characterised by north-north rather than north-south trade. However, historical experience has proved that these conclusions are somewhat outdated. While globalisation was at one time arguably restricted to "the 'triadic' regions of the advanced economies of Europe, North America and that part of South East Asia that is dominated by the Japanese economy" (Millward, 2003, p. 117), the growing influence of China and India has thrown an additional dimension to this agglomeration and concentration of power. Indeed Hobsbawm (2011) contends that the centre of gravity economically and politically has shifted from Europe and North America to east Asia and India. Under the umbrella of BRICS (Brazil, Russia, India, China and South Africa grouping), China in particular has plans afoot to challenge the dominance of the US dollar and ensure that its currency, the renminbi, is "the preferred worldwide currency for trade and investment in emerging economies" (Gqubule and Ntingi, 2012, p. 1). Although it seems self-evident that countries that sell more than they buy acquire assets in countries that do the opposite, Hutton still labours this point, observing that "there is another twist: this 'enabling' globalisation is itself unstable. It rests on countries such as Germany, China, India and Japan – which do most of the producing in the new global supply chains – building up never-ending trade surpluses, while other countries carry deficits [e.g. the USA], with no mechanism compelling either side to change. The banking system is then obliged to recycle the surpluses, exploiting the many loopholes to create an unregulated shadow system, which has now imploded" (Hutton, 2012, p. 2).

In addition, there has been increased protection of trading blocs and continued dominance of MNCs (Millward, 2003). In contrast to Giddens' (1999) account, Hirst and Thompson (1999) suggest that activities of MNCs are often nationally based, while the "developmental state" (to use Evans', 1995 term) is still robust, despite the growing importance of supranational regulatory frameworks. Fine (2002, p. 5) also adds that, "Finance is not infinitely elastic across time and place, nationless and footloose as is always blatantly revealed by the slightest crisis". Given that "70 percent of America's capital is human capital, [it is not surprising that] a lot of capital behaves exactly as people do, simply because it is people. Another 12 percent has been estimated to be social capital, the value of institutions and knowledge not assignable to individuals" (Fletcher, 2010c, pp. 2-3). Therefore:

> […] although *liquid financial capital* can indeed flash around the world in the blink of an electronic eye, this is only a fraction (under 10 percent) of any developed nation's capital stock. Even most nonhuman capital resides in things like real estate, infrastructure, physical plant, and types of financial capital that don't flow overseas – or don't flow very much. […] As a result, the output produced by all this capital is still largely tied to particular nations. So although capital mobility certainly causes big problems of its own, it is nowhere near big enough to literally abolish the nation-state as an economic unit […] Even where famously dematerializing and globalizing assets, like fiber optic telecom lines, are added – assets that supposedly make physical location irrelevant – they are still largely being added where existing agglomerations of capital are (Fletcher, 2010c, p. 3).

This re-enforces the view that autonomy and control by the state of MNCs has not been curtailed (Vernon, 1971, 1981). The nature and extent to which it is exercised depends crucially on a whole host of factors, including policy effectiveness at the domestic level, whilst leaving room for manoeuvre at the international level to bargain on how much power to concede to international institutions in exchange for influence over the direction of the regulatory framework. Perhaps the recent revival of nationalism and religious fervour is illustrative of the extent to which the nation-state can defy globalising tendencies. The conclusion to be drawn from this is that national policies play a more important role than proponents of globalisation would have us believe:

> It matters whether one has good infrastructure and basic security. It matters whether one must constantly pay bribes to get things done. It matters whether one gets cut out of the best opportunities in favour of political cronies. It matters whether one has a sound currency to work with. It matters whether the local population reveres things like science, efficiency, and entrepreneurship. And it matters whether the politicians in charge of all these things are wise enough to keep them that way, and whether the voters (if a country is a democracy) are wise enough to elect the right politicians (Fletcher, 2010c, p. 4; also see Fletcher, 2008, 2010a, 2011).

According to Fletcher (2010c, p. 2), far from interest rates and profits equalising as a result of "the differences [...] [being] arbitraged away by the financial markets [,] [...] interest rates and corporate profits [continue to] vary widely around the world". Indeed factor price equalisation has not always been corroborated by evidence, whether we assume mobility of factor inputs or mobility of outputs. However, it must be noted that even if global prices are still very unequal, it cannot be disputed that labour migration, outsourcing of production, etc., have a big effect on factor price equalisation.

3. Growing uneasiness: enlightened self-interest?

Having already been bailed out by governments, financial sectors have begun to resist all attempts to regulate them despite them having played a major role in the global financial crisis and ensuing world recession (Mbeki, 2012; Stiglitz, 2010; UNCTAD, 2011b). It is against this background that some analysts argue for a re-evaluation of liberalisation and deregulation, that is, that priority should be placed on rules-based trade and discretionary policies rather than free trade. Rather than place emphasis on myopic self-interest, proponents of enlightened self-interest whose views are presented in this section contend that working together for the good of others and promoting social good confers immense benefits to everyone involved. In other words, focusing on poverty alleviation, climate change and equitable globalisation is ultimately good for business and benefits all those involved. Moreover, so the argument goes, collective problems such as global warming and ozone depletion, illegal immigration, drug trafficking, human rights abuses and the threat of capital flight require that international rules and regulations be arrived at by consensus rather than by diktat (Edwards, 1999). Proponents of this approach also argue that globalisation is complex and the process has a differential impact economically, politically, socially and geographically.

Clearly, we live in an interdependent world where we need agreed rules and regulations to deal with common problems. Thus, interdependence has implications for the role of the nation-state and the political process (Carbaugh, 2011, p. 2). On the one hand, strong states (measured in political, economic, military and regional-cum-cultural terms) still play a major role in the nature and direction of international regulatory measures, even if some of the decision making is "sub-contracted" rather than "mortgaged" to the lower levels, the notable example being the principle of "subsidiarity" in the EU (Woods, 2002, p. 5; also see Cameron and Ndhlovu, 2001a; Held, 2002, pp. 7, 10).

While globalisation has contributed to instability, the 1997 east Asian crisis and the 2008 global financial crisis being cases in point, strong states can maintain a relatively high level of welfare provision in order to cushion their citizens from the worst effects of the crises. For example, Denmark and the Netherlands had impressive records of employment and social welfare provisions to mitigate the worst effects of globalisation. In addition, the introduction of minimum wage legislation in Britain and the 35-hour working week in France did not prevent both countries from being the largest recipients of inward-investment in the EU (Bell and Blanchflower, 2011; Dunning, 2002, pp. 21-4; Hirst and Thompson, 1999; Ndhlovu, 2011; Ndhlovu and Cameron, 2013; Woods, 2002, p. 8).

Further, it is argued that MNCs could be "persuaded" to sign up for voluntary codes of conduct which take account of socially acceptable working conditions, including discontinuation of child labour, trade union representation and adherence to pollution control measures. By choosing self-regulation via ethical trade, firms could enhance their international standing amongst consumers and thus penetrate the high value markets. It is also contended that locational decisions have begun to depend less on traditional incentives (lower wages and taxes) but more on the state of knowledge-intensive services, knowledge infrastructures and the clustering of production. In addition, MNCs are now attracted by other organisational advantages and/or "core competencies" such as good governance, research and development, whilst adoption of innovations depends on voluntary cooperation and social networks, that is, civil society (Cameron *et al.*, 2006; Cameron and Ndhlovu, 2000, pp. 240-3; Dunning, 2002; Evans, 1995; Scholte, 2000, 2002; Tomlinson and Ndhlovu, 2003). There is also a suggestion that strong states can set the terms and speed of their integration into global financial markets. Contingent upon their economic and geo-strategic strengths, they can also impose capital controls when it suits them. It is not beyond them to maintain their independence in the areas of foreign policy, international security and with regards to "Anglo-American capitalism" (Woods, 2002, pp. 4-5, 8-11, 15; also see Biersteker, 2002; Garrett, 2002; Woods, 2002).

Weak states, on the other hand, are less able to exert as much influence on the development of the regulatory framework and cannot dictate the terms of their incorporation into the world economy (Woods, 2002). Because of immobility of labour and non-transferability of skills, workers in less developed countries have been hardest hit by the impact of globalisation, although the 2008 global financial crisis has also had a profound impact on economic growth and employment in more developed countries. In the latter, this has been "most marked in the English-speaking countries of the 'Anglosphere' – the countries most committed to the notion that markets are brilliantly wise and never need challenging" (Hutton, 2012, p. 3; also see Dunning, 2002; figure 2; UNCTAD, 2011a, p. 10; Woods, 2002, p. 8).

Typically, globalisation further weakens the state, undermining both its legitimacy and global labour standards. Little wonder that the resulting global inequalities often lead to political and social disorder that, in turn, can easily open up the way for more "extreme" political movements (Biersteker, 2002; Woods, 2002, pp. 11-12). Held (2002, p. 10) also argues that national cultures and moral identities still hold sway in many parts of the world despite the universalising forces (also see Cameron and Ndhlovu, 2001b). While public opinion is slowly gravitating towards an international perspective, there is also a contradictory movement towards nationalism, even if this process is unstable and uncertain (Cameron and Ndhlovu, 2001b, p. 11). For his part, Biersteker (2002) points out that, despite the negative effects of globalisation on different groups in society such as women, ethnic minorities and temporary workers, weaker states can still benefit from the opening up of markets, dispersal of production and "flexible accumulation".

Making an unexpected intervention in the debate, "Lord Mandelson [former UK Labour Government minister and EU Trade Commissioner], once no less an innocent cheerleader for markets and globalisation, [...] issued an extraordinary recantation. He told BBC's [Radio 4] *Today* programme that he would never now, as he did in 1998, say he was intensely relaxed about businessmen becoming filthy rich doing whatever they chose [as long as they paid their taxes]" (as cited in Hutton, 2012, p. 2). Disassociating himself from free markets and the city of London's financial sector, he was anxious to point out that he was "much more concerned" with inequality. In his view, the "filthy rich" had benefited from globalisation to the detriment of others, especially the middle classes and the poor: "Describing his previous remarks [in 1998] as 'spontaneous and unthoughtful', Mandelson [...] said: 'I don't think I would say that now. Why? Because amongst other things we've seen that globalisation has not generated the rising incomes for all'" (as cited in Malik, 2012, p. 1). Indeed, he was now keen to project himself as a staunch defender of interventionism, one who champions "industrial activism" (the development of a "modern industrial policy"):

> Moreover, as he introduced "Making the third wave of globalisation work for us all", a new report by the centre-left thinktank IPPR, Mandelson urged a strengthening in global governance along a serious commitment at home to industrial policy, a robust social safety net and regulation of errant business. Otherwise, he warned, the legitimacy of globalisation and modern capitalism would become profoundly questioned. Enlightened self-interest must prompt governments and business into a major change of direction (Hutton, 2012, p. 3; also see Straw, 2012).

To the extent that worldwide struggles against austerity measures "are so firmly national", Hutton (2012, p. 3) agitates for constructive "counterbalancing international forces to hold government, business and banks to account". While Hutton does acknowledge the implicit weaknesses in "Enlightened self-interest", including (similarly to Mandelson) the impending "dangers" of beggar-thy-neighbour protectionist responses to the recession, he nevertheless proposes "grounded social institutions that work across borders and are likely to endure" (Hutton, 2012, p. 3):

> One would be powerful transnational trade unions, committed not to socialising the global means of production, but to insisting on worldwide responsible capitalism – and creating new levers to get it. A pipedream? Something has to change. We can retreat to our national laagers, which would be an economic disaster, or we can build an interdependent world that works. There is only one option to choose (Hutton, 2012, p. 3).

Persuasive as it may be, one is left with the distinct impression that internationalisation (Hirst and Thompson, 1999) can only be understood through exchange relations, while distributional struggles are played out at the national level. If one had to extend this argument further, as Sivanandan (1989, 1998/1999) does, "exploitation" can be conceived as the "siphoning off of surplus" from less developed countries to more developed countries. It stands to reason that "the reproduction of global inequalities" results from "the pattern of unequal exchange" (Sivanandan, 1989, 1998/1999).

4. Towards a holistic approach

While various analysts have addressed many of the complexities concerning globalisation and internationalisation, some social scientists have suggested that "our concern should be with the contradictory restructuring of time and space as a consequence of the accumulation of capital, its economic, social, political and cultural relations, and how they are reproduced, transformed and subject to conflict" (Fine, 2002, p. 6).

Arguably, the materialist conception of history is the most appropriate way of understanding internationalisation since it captures complexities and contradictions of this process, as well as crises that are endemic to capitalist accumulation. It also addresses the constraints imposed by economic conditions, particular state forms and political and social factors.

This methodological approach starts from the premise that individual capitalists (herewith referred to as individual entrepreneurs and capitalists organisations) are driven by the accumulation process, "Accumulate, accumulate, that is Moses and the prophets!" (Marx, 1977a, p. 558). Competition between capitalists forces them to cheapen their commodities through technological advances, the increase in "the productiveness of labour", new production techniques and "expansion of the scale of production" (Marx, 1977c, p. 237). In other words, the more innovative and efficient capitalists will produce at a lower cost per product, thereby bankrupting their rivals or forcing them into new areas of production or siphoning off a bigger share of the surplus *a la* Sivanandan (Marx, 1977c, pp. 238-9; also see Harvey, 2010; Lanchester, 2012; Sivanandan, 1989, 1998/1999).

There are, however, limits to the extent to which each capitalist can accumulate. Restoration of profitability is dependent on ploughing back profits into the business, ensuring concentration of capital in the long term. During each round of investment, there will be an attempt to increase productivity. By hiring more labour power (which results in more labour time) rather than just machines, the production process generates more exchange value for further rounds of accumulation and money capital is transformed into productive capital (Marx, 1977a). In addition, the sheer scale of operations of larger capitalists puts them at an advantageous position. In other words, their credit worthiness and economies of scale in production, for example, means that they can borrow from financial institutions, engage in research and development, introduce new methods of production and take over (or merge with) other capitalists, resulting in centralisation of capital (Marx, 1977b, pp. 500-2).

While the reaction of individual capitalists is not necessarily replicated at the general level and capitalists appear to compete for competition's own sake, the general thrust of the argument has resonance at the national and international level. Crises are located in the process of accumulation itself. Social accumulation is thus not a straightforward process: it is an uneven process, with the expansion of the economy facing obstacles such as resistance from labour. During a heated debate at the General Council of the International Working Men's Association where John Weston argued that demands by trade unions for money, let alone real wages could only be regarded as "having a harmful effect", Marx (1974) countered by urging organised labour to struggle for a higher real wage rate as this was likely to raise their living standards even if their relative position was worsening. In a system of an extended scale of accumulation, demand for labour may well exceed supply, meaning that real wages (the quantity of goods and services which represent the value of the workers' labour power) may indeed rise, particularly during the "boom or prosperity phase of the industrial cycle". However, Marx was also concerned that this struggle should not detract workers from their revolutionary task of "an economical [*sic*] reconstruction of society" (Marx, 1974, p. 55). He recognised that, while increasing real wages can force capitalists to mechanise, it does not cause crises nor will it be allowed to threaten the continual reproduction of the system “on an ever-enlarging scale” (Marx, 1977a, p. 582; also see Harvey, 2010; Kliman, 2007, 2012; Lanchester, 2012). Indeed, “Wages can never rise so high that the capitalist system loses interest in production” (Marx, 1977a, pp. 579-80).

On the whole, it is the social division of labour and private appropriation of surplus value which generates crises. Given the basic contradiction of social production for exchange and private appropriation in capitalist societies, interruptions to social accumulation manifest themselves in the business cycle through temporary (cyclical) declines in the rate of profit (also see Fine, 1984; Harvey, 2010; Kliman, 2012; Lanchester, 2012). The social struggle then involves capitalists’ many varied attempts to slow down this decline and restore reproduction on an extended scale while organised labour can mount struggles to mitigate the effects of economic crises and seek to replace this system.

Internationalisation has involved changes in the nature and pattern of trade and foreign direct investment, all of which are part of the process of capital accumulation. It is this constant need to renew accumulation, it is argued, which forces capitalists to seek new pastures, meaning that trading advantages are historically derived (Marx, 1977c, pp. 238-9). This is the context in which the restructuring of capital, and the constraints to this process can be explained (Hobsbawm, 2011). This is illustrated by reference to developments over the course of the inter-war period, where commodity and financial capital expanded to the colonies. Rivalries between colonial countries, which were punctuated by world recessions, wars and revolutions, ensured that trade and investment were confined to the different imperial camps and their colonies. Then came a major change after the Second World War. With capital accumulation proving to be a hard taskmaster, apparently sworn enemies put their differences aside in the interest of stabilising the world economy and ensuring survival of the system as a whole. There was a massive expansion of productive capital, but this was concentrated in the more developed countries. Under the tutelage of the USA, MNCs flourished, expanding their cross-border activities. In large measure, they were aided by the introduction of new production techniques. However, “the tendency in capitalism to lower labour-saving technical innovations to lower the rate of profit [...] is interrupted and counteracted from time to time by ‘the destruction of capital through crises’” (Marx, as cited in Kliman, 2012, p. 22). As Kliman (2012) expounds further, the “destruction of capital value” refers to the sudden declines in prices of stock shares, similar declines in prices of debt instruments, due to unpayable debt, writing down of other unpaid debt, bankruptcies, bank failures, sudden declines in other prices and destruction of physical assets that lie idle and rust in a slump. Thus, “The destruction of capital value through crises is a recurrent phenomenon. The restoration of profitability that this destruction brings about is therefore a recurrent phenomenon as well” (Kliman, 2012, p. 25).

After the 2008 global financial crisis, a rescue mission of commercial banks and the corresponding attempt to hold the world capitalist system together was carried out, particularly in the UK and USA, in the form of quantitative easing and the purging of toxic derivatives and mortgage products. In recent years, this has been imposed on governments such as Greece and Italy, with former Goldman Sachs staff (Goldman Sachs ironically being partly responsible for the financial crisis and related moral hazard), together with the IMF and European Central Bank, at the centre of drawing up these rescue packages. Indeed, the long-term survival of the global capitalist system is at stake. Once this is "assured", the temporary truce is likely to be broken as "business as usual" returns. One can then expect the process of concentration and centralisation of capital, as well as reproduction of capital, to continue apace in an attempt to arrest the downturn in economic activity (the recession) (Kliman, 2012). To borrow Marx's (1977c, p. 198) colourful language, "capitalists form a veritable freemason society vis-à-vis the whole working class, while there is no love between them in competition among themselves".

In the UK, this has been collapsed by the Coalition government into a wider narrative of what Stuart Hall (2011) describes as "reform and choice". In other words, swinging cuts in public services and "privatisation – returning public and state services to private capital, redrawing the social architecture" (Hall, 2011, p. 4) – are accompanied by tax cuts for those whom Mandelson described as "the filthy rich" (also see Elliott, 2012; Jowit, 2012; Moore, 2012; Winnett, 2012; Wintour and Stewart, 2012). According to Kliman (2012), one way in which governments try to manage the problem of sluggish productive investment is to raise profitability by taking less taxes from corporations. The oxymoron is that in the UK the most privatised capitalist institutions – banks – became public (virtually nationalised banks) in the wake of the crisis, while public institutions were privatised, some like the national health service (NHS), by stealth "for their own good" (discussion with Triantafillou, 20 March 2012). Commenting on the NHS reform (Health and Social Care Bill), which the opposition Labour Party has vowed to repeal if it is returned to government, Hall adds that:

> […] in healthcare, the private sector is already a massive, profit-making presence, having cherry-picked for profit medical services that hospitals can no longer afford to provide; while in the most far-reaching, top-down NHS reorganisation, GPs [general practitioners or doctors whose skills enable them to treat patients with multiple illnesses], grouped into private consortia (part of whose profits they retain), will take charge of the £60bn health budget. Since few GPs know how, or have time, to run complex budgets, they will "naturally" turn to the private health companies, which are circling the NHS like sharks waiting to feed. Primary Care Trusts, which represented a public interest in the funding process, are being scrapped. In the general spirit of competition, hospitals must remove the cap on the number of private patients they treat (Hall, 2011, p. 4; also see Campbell, 2012).

Under the cloak of dealing with the crisis, the UK government has taken the opportunity to protect certain sections of the capitalist sector at the expense of the poor and vulnerable. Clearly, their mantra is that, "State intervention must never compromise the right of private capital to grow business, improve share value, pay dividends and reward its agents with enormous salaries, benefits and bonuses" (Hall, 2011, p. 2) – accumulation and profit being the taskmasters. The primary incentive for capitalist production is profitability that increases the mass of accumulation (Marx, 1977a, pp. 555, 558, 580-2; also see Fine and Harris, 1979).

Indeed countertendencies to mitigate capitalist crises and recession may also involve the raising of the rate of exploitation through attacks on welfare benefits, the ideology of "strivers" vs "scrougers" or "skivers", and non-wage jobs. In the UK, for example, companies such as Superdrug, Poundland, Asda, Burger King and Tesco took part or continue to take part in the government's work experience scheme for 18-24-year olds who are unemployed for more than three months. These young people either have to work unpaid for up to eight weeks or risk losing their job seeker's allowance. The controversy surrounding the mandatory nature of this programme eventually led to the withdrawal of Poundland and Burger King from participating in the scheme. Internships in both the public and private sectors have also been embroiled in similar controversies as participants have to work for free.

Moreover, in order to ensure survival and renewal of individual capitals and face up to new challenges, division of labour (social division and technical/economic division of labour) has also taken new forms over time. There have been changes in patterns of production, including the New International Division of Labour that involves outsourcing and "offshoring". Outsourcing is associated with the relocation of the firms' activities to independent input suppliers (Marin, 2006, p. 2; also see Contractor *et al.*, 2010; Olsen, 2006; Yeaple, 2006). For example, production processes are relocated from more developed countries such as the USA, Japan and EU member states to developing countries in Asia (such as China, Vietnam and India) and Latin America. In the circumstances, incentives are accorded to input suppliers while they also have room to use their initiative. Notwithstanding this, costs of hold-ups may quickly accumulate if contracts are not completed on time. Hall also notes that, "Outsourcing, value for money and contract contestability opened the doors through which private capital could slip into the public sector and hollow it out from within" (Hall, 2011, p. 4). Offshoring, on the other hand, involves the relocation of activities within the firms (in-house relocation). Routine tasks then take place in less developed countries while more complex ones are undertaken in more developed countries. In this case, the firm's headquarters acquires greater control over activities and incentive structures but there are high organisational costs in such a hierarchical management system. Moreover, middle management may feel unappreciated and the lack of incentives may undermine initiative, thus crippling the company's ability to innovate. In general, locational decisions are not only confined to production costs, but nowadays other factors such as knowledge services and good governance also matter in both outsourcing and offshoring. Tax regimes, particularly in terms of tax havens in offshore headquarters, also play an important role in locational decisions (see Howker and Malik, 2012, amongst other).

In the more developed countries, offshoring, which is not without its contradictions, may increase companies' productivity and employment in the short run, while the resulting services may also lead to a fall in the companies' costs and prices to consumers (Gorg, 2011; also see Olsen, 2006). However, as Gorg (2011) shows, there is little evidence to suggest that employment levels are enhanced in the long run; in fact, a surge of unemployment for unskilled workers is often accompanied by an increase in employment of skilled workers (also see Contractor *et al.*, 2010; Yeaple, 2006). Gorg (2011) argues further that evidence shows that this reshuffling of employment, that is restructuring of the economy that involves the shrinking of the manufacturing sector in relation to an expanding service sector, the UK and USA being cases in point, has led to what Hutton (2012) describes as "agentism". In other words, "there is a vast web of 'cream-skimming' services associated with brokerage and agency – everything from investment banking to headhunters, estate agents and football agents – taking a cut on some transaction or deal but adding precious little value despite sky-high personal rewards. Let's call this 'agentist' capitalism" (Hutton, 2012, p. 2).

In developing countries, on the other hand, some emerging economies such as China, Brazil, India and some Asian countries have experienced increase in productivity and economic growth, reaping the fruits of globalisation at the expense of Latin America and sub-Saharan Africa (McMillan and Rodrik, 2011). While rationalisation in Asia has gone hand-in-hand with "growth-enhancing" national policies (that involve competitive or undervalued exchange rates and more flexible labour markets that facilitate mobility of labour between sectors), the displacement of (especially manufacturing) workers in Latin America and sub-Saharan Africa, consequent upon increased import competition, has manifested itself in the expanding informal economy (McMillan and Rodrik, 2011; also see Bell and Blanchflower, 2011; Cameron *et al.*, 2006; Ndhlovu and Cameron, 2013). The thorny issue of labour brokers (agentism) in South Africa at a time when the manufacturing sector is under intense pressure from China and other countries highlights their (brokers') parasitic nature (to use Keynes' description of the unproductive financial sector). In other words, temporary and contract employment services in South Africa, which are often referred to as labour brokers, involve agreements between employers and brokers rather than a direct agreement between employers and workers. In the circumstances, third parties (the labour brokers) provide workers to employers in exchange for payments. It is from these payments that workers get remunerated for their services after deduction of brokers' fees. While the Congress of South African Trade Unions has campaigned for a ban on labour brokers and the government on the other hand has opted for regulating them, it is also clear that alternative sectors such as mining are unlikely to provide the much-needed employment opportunities in sufficient numbers to compensate.

It is also noteworthy that the thawing of relations between east and west and the discrediting of Keynesian demand management in the 1970s and 1980s created an atmosphere where more integration was closely associated with the IMF and World Bank-inspired structural adjustment policies, particularly liberalisation and privatisation. This chipping away at the power of nation-states began to be described as globalisation. The intensification of internationalisation, so the argument went, had put pressure on nation-states to "subcontract" their policy making to multilateral institutions, thus ensuring that the state played a crucial role in the integration process.

However, the situation is much more complex than this. Fletcher (2010c, p. 4) observes that: "Without globalization, mediocre industries can just sputter along for decades. But with globalization, these industries can get wiped out [...] [and yet again] they can also conquer the world if they're *not* mediocre". In the circumstances, the state can provide an overarching structure, acting as an arbiter between capitalists and between capitalists and labour. Depending on the particular state and the particular circumstances, the state in modern capitalism may be less reliant on coercion; instead it can play a major political, cultural and ideological role in the process of legitimation. Ideological factors in particular involve education, the popular media and press, the family, force of habit and/or "common sense", that is the ability to convince the working class that the dominant social organisation of production is self-evident, that it has always been so and need not be challenged (Fine, 1984). As Lanchester (2012, p. 3) notes, Marx was sceptical of the notion of common sense, of taking everything for granted, which he saw as a way in which "a particular political and class order" sought to construct reality "into an apparently neutral set of ideas as givens of the natural order".

By getting embroiled in these conflicts, the state unwittingly becomes the focus of conflict. The state finds itself torn between capital's needs and demands, and popular demands, especially during periods of crisis. In other words, policies adopted by the state have an impact on the competitive struggle between capitalists and the ensuing conflict between capitalists and labour. For instance, the development of the credit system tends to speed up the process of centralisation, thus benefiting MNCs and other larger capitalists at the expense of the smaller ones. There can thus be periods where there are struggles by sections of capital to minimise the role of the state in order to ensure wider competition while other capitals may, however, favour more state controls to protect them from fierce competition. This, in turn, induces further internationalisation of capital. Moreover, the state can also play a part in curtailing the demands of labour for economic and social justice. By intervening in the production and labour process, the state can provoke recessions via deflationary policies. This again calls for the reorganisation and renewal of both domestic and international capital. Such a restructuring of the world economy often requires the intensification of attacks on labour. However, we must point out that capitalists do not always have their own way. States may erect barriers such as foreign exchange controls, but these obstacles can become new challenges to be overcome (Marx, 1973). The wider democratic struggles may also force some capitalist states to accommodate the popular demands for increased rights over the control of the production process. In short, the functioning of civil society and the efficacy or otherwise of political arrangements to promote and guarantee accumulation, together with cultural factors, can be examined in an integrated way.

5. Conclusion

Informed by historical experience and empirical evidence, we have sought to understand and interpret globalisation and/or internationalisation and its consequences. Tracing the theoretical developments of globalisation and teasing out the core issues, we also suggest a useful organising framework for analysing these phenomena. This materialist framework entails "observation from social experience" (Dobb, 1977, p. 46). The methodological approach that is adopted is one that is based on the incessant accumulation of capital, a materialist approach that arguably captures the complexities and contradictions of the process of globalisation. Indeed, we could argue that the trend we are witnessing in terms of rationalisation, capitalist (uneven) development and technological progress although unprecedented, can be traced back to the 1900s. Capital accumulation has accelerated in the contemporary period, and our organising framework further informs us about the likely patterns of centralisation of capital and its agility in finding ways of survival and renewal; and the resulting conflict at the economic, social and political levels. In a word, "continuity and change" is the watchword of capitalist development and/or globalisation.

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