

Chapter 4 for Stubbs / Underhill, *Political Economy and the Changing Global Order*

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Globalisation: The Long View

What is globalisation, and how should we think about it?¹ This chapter will contrast states and markets before and after 1500 in order to answer these questions. It uses economic development and the welfare state to illustrate how globalisation works. Both discussions make clear that, contrary to many contemporary arguments, globalisation is not particularly novel, is not a purely quantitative phenomenon, and cannot be explained by dichotomizing or polarizing either states and markets or ‘international’ and ‘domestic’ markets as analytic categories, and is not a ‘once only’ transformation. Instead, globalisation is the simultaneous expansion of, on the one hand, states characterized by unmediated relations between states and their citizens, and, on the other, of markets characterized by profit accumulation rather than just the exchange of goods for immediate consumption, and by exchanges mediated by money. Globalisation thus involves continuous changes in two major social relations that affect nearly all other social relations. Globalisation involves states, but they are not the only focus of analysis: there is a wide range of relevant actors and the process should be understood from the bottom up as a function of social structures in which states are embedded.

Globalisation is certainly not something intrinsically new, because global trade is old, as are quite extensive empires. Exchanges of goods, people, and cultural and technical knowledge in the Eurasian/African landmass have been going on for centuries. Imperial Rome engaged in long distance trade with Ancient China 2000 years ago, and indigenous people in the Americas also had an active continent-scale trade. But if globalisation is not particularly new, neither is it particularly old, because globalisation implies connections and dynamics that amount to more than these ancient, but fairly simple, exchanges of people and goods, and geographically extensive systems of

political control. While this long distance trade moved luxuries that were very important to a thin layer of elites, this trade did not significantly affect the lives of the mass of people. The masses grew what they ate and wove what they wore.

Rapid technological change, particularly in telecommunications, and rapid increases in the quantity of money, people, firms, and goods on the move globally also leads many analysts to focus on the last few decades. The quantity of money, etc. on the move globally is in many instances higher today than in the period before the 1850s, though not the *belle époque* just prior to World War I.² While the *quantity* of goods and people moving long distances surely matters, globalisation also possesses an inner dynamic that involves political and economic social relations and is not just a quantitative phenomenon. The dynamics creating today's growing volume of exchanges are the same as those that emerged in the 15th century to drive quantitatively much lower levels of trade. This dynamic differs *qualitatively* from the dynamics that characterized ancient exchanges and empires.

Finally, globalisation cannot be understood by positing state and markets as separate and conflicting realms, or domestic and international markets as inherently separate sets of exchanges.³ Thus approaches which explicitly or implicitly begin with the state-market distinction are problematic. First, states and markets are mutually constituting. Practically, markets need state sanctioned violence to come into being, and state contract enforcement and regulation to function. Practically, states need revenues to function. Both theory and history show that in the absence of formal and functioning states, actors in the market will pay specialists in the use of violence – mafias – to enforce contract and assure property rights, and that actors with a comparative advantage in the use of force are equally willing to extort a share of production from direct producers. Naturally, some contestation over

the precise share going to each always occurs, and actors on both sides sometimes make disastrous mistakes. Second, an ever-deepening division of labour and the consequent reduction in transport and transaction costs means that local and global prices and production are always connected. Moreover, in the pre-railroad era, the high cost of inland transport often made the 'overseas' or 'international' market more accessible than a largely non-integrated 'national' market. State policy recognized and reinforced this reality by encouraging economic expansion overseas through colonization and imperialism.

Above I defined globalisation as the simultaneous expansion of, on the one hand, states characterized by unmediated relations between states and their citizens, and, on the other, of markets characterized by profit accumulation rather than just the exchange of goods for immediate consumption, and by exchanges mediated by money. This can be seen by contrasting politics and the economy before 1400 with politics and the economy after, and discussing the dynamics that created change. This meander through the past is useful because the fundamental nature of globalisation in the past is fundamentally similar to globalisation today. Understanding how states decisively and successfully shifted to unmediated relations with their subjects, and how economies got reoriented away from subsistence production with barter and towards accumulation of capital and exchanges mediated by money lets you understand globalisation today

Pre-globalisation *states* were "mediated." The central state did not have direct contact with the population living on the state's territory. Instead, the state essentially "subcontracted" the administration of law and the collection of taxes to local elites, usually large landowners. These landowners *mediated* relations between the population and the state. Mediation placed severe limits on the degree to which the state could control its people, law, or

revenues. By contrast, pre-globalisation *economies* were “unmediated.” People had direct access to the means of survival – they grew their own food, wove their own clothing, and made many of their own tools. While they rarely had title to the land they farmed, their usage rights gave them unmediated access to that land, and complicated large landowners’ ability to use or sell that land. The lack of mediation placed severe limits on market pressures to increase productivity. Globalisation is thus a process characterized by two fundamental, on-going changes roughly starting in 1400 or 1500: less and less mediation between states and citizens and more and more mediation of social relations between people by money.

After 1400 the fundamental nature of both states and economies in some Western European countries changed in ways that made it possible for those states to project those new forms of state and economy onto the rest of the world. These new forms of state and economy eventually connected most economic activity around the globe and subjected most of people’s lives to the logic of markets where the purpose of exchange was profit, rather than barter. These developments also gave people direct relationships with the machinery of the state. And they also tied all states up into one system of interstate relations. All three features enabled states and economies to overcome some fundamental limits on their ability to transcend their locality, and thus become global. These limits were both technological – inefficient communication and transportation technologies – and social – nothing forced people and enterprises to constantly improve productivity, little motivated people to produce the behaviours the state desired, and little forced states to improve upon administrative practices.

Transportation and communication technologies limited pre-globalisation states’ span of control. In an era when nearly everyone walked and food was transported mostly by wagon or on people’s backs, it was difficult to project

military force more than 50-60 miles in any direction from a town. Thus, in 1490, the average diameter of most European states and most Chinese ‘counties’ – the basic imperial administrative unit – was about 100 miles. Princes (or a county administrator) could exercise direct authority over a territory this size, because its borders were about two 20 mile hikes in any given direction, or one day’s horseback ride.⁴

Central elites generally ruled larger territories – empires – indirectly. Controlling larger units forced princes to *mediate* their rule through other people, namely local elites. Central elites relied on local elites to run their own, peripheral bits of the empire. Central elites tried to bind those local elites to the centre through a common ideology, culture, or provision of a larger share of the pie than those elites could get on their own. Thus the city of Rome extended Roman citizenship to peripheral elites first in the Italian peninsula and later to the rest of the republic/empire, while also giving those elites access to an expanded supply of slaves. But ancient empires fell apart with considerable frequency, because distant intermediaries controlling local populations tended to be unreliable and self-serving.

Why did mediation make states unstable? The local elites who mediated the connections between local populations, mostly peasants, and the central state, could exercise greater control over those populations and the resources they generated than the central state. Mediation thus left imperial states vulnerable to three different threats. First, because peripheral elites controlled local resources, they might acquire enough money and weapons from those sources to make a bid to displace central elites, as Roman generals based in Gaul often did. Second, local elites might inadvertently provoke peasant rebellions by squeezing peasants too hard. These rebellions often spread to other parts of the empire. Third, central elites’ efforts to tax peasants directly in order to reduce the threat posed by local elites’ military

and financial power might provoke local elites to rebel rather than suffer domination. The new states that emerged in western Europe after 1400 successfully built government bureaucracies that displaced local elites, securing the central state's unmediated access to the population.

High transportation and communication costs before 1400 also limited economic activity. Virtually the entire economy revolved around the production of agricultural goods for food or clothing. People directly produced most of what they ate and wore locally, bartering excess production in local market towns. The absence of a larger market limited the division of labour. Nothing forced peasants to increase productivity levels, because they directly produced what they ate, and did not have to earn cash in a market to feed themselves. In turn, low productivity in food production limited the available surplus, again constraining new opportunities. Meanwhile, long distance trade mostly involved luxuries. This trade was socially important, but not critical to the survival of the population. Even if transportation costs were lower, however, and there was more trade, most peasants would not have engaged in much productivity enhancing investment. Their self-sufficiency meant that they could always survive without access to the market.

Furthermore, the intersection of political power and property rights around land ownership and labour also deterred productivity enhancing investment. Generally, either the empire or local elites had legal ownership of land, peasants or slaves. Political power grew directly from this ownership. For local elites, land ownership conveyed the right to make and enforce local law. If those elites didn't control land, they couldn't extract rent from peasants; if they couldn't extract rents they couldn't build and supply their private armies; without private armies anyone could take away their power to extract rents from peasants. Local elites thus assured their continued legal

control over land through laws that prevented land sales (entailment) and instead mandated that land pass to the oldest (usually male) child.

By the same token, imperial elites strove to secure the emperor's ownership rights over all land, and thus his right to allocate land to compliant local elites. This right would strip local elites of their ability to raise their own armies against the emperor. But an open land market would also threaten the centre's control over local elites. The absence of an open land market in most places meant that nobles often were better off squeezing more rent from peasants than they were from trying to increase productivity. Even during the so-called agricultural revolution that started in Holland and Britain in the 15th century, after globalisation started, agricultural productivity roughly rose by only 0.25 percent each year. In contrast, post-industrial revolution economies generally experienced annual productivity gains ten times as high over the past two centuries in their core technologies.

The old empires thus saw constant tension between central and local control over these key resources. Overly high levels of local control caused empires to break apart. Overly strenuous efforts by central elites to remove local elites and get *unmediated* access to peasants provoked local elites to rebel. Meanwhile, unmediated access to land and food meant no one had much incentive to pursue sustained productivity gains or do sustained investment. What caused local and central elites in Western Europe to break out of this ancient cycle and start the process of globalisation? How did states decisively and successfully shift to unmediated relations with their subjects? How did economies get reoriented away from subsistence with barter and towards accumulation of capital and exchanges mediated by money?

The short answer to these very complicated questions is that Europe combined three things found elsewhere to a lesser degree or not all at once.

These three things answer the questions: Why this kind of state? Why many states and not one empire? And why this kind of market? First, Western European states were simultaneously backward and advanced in terms of their administrative and military technologies. Backwardness made it difficult for any one state to overwhelm the others and create an empire like that in China or India. But superior naval military technologies allowed them to project force into the Americas and Indian Ocean. Europeans couldn't dominate each other but they could use violence to take what they wanted from many of their global neighbours. They organized this theft through state chartered companies, like the Dutch East India Company, or the Hudson's Bay Company that founded many North American colonies. These corporations merged trade and violence in one organization. Jan Coen, Director-General of the Dutch East India Company, noted that violence was part of the "means of production" for spices and other goods from Asia: "Trade in Asia must be maintained under the protection of our own weapons; and [these weapons] have to be paid for from the profits of trade. We can't trade without war, nor make war without trade."⁵

This organized theft provided some European states with *unmediated* access to the cash they needed to build bureaucracies, while constant war provided a strong incentive to build strong domestic bureaucracies. These centrally controlled bureaucracies then undercut the power local elites gained from mediating relations between the state and peasants. The new bureaucracies gave the state direct access to tax revenues from peasants, and enabled the state to transform peasants into citizens loyal to the central state. Unmediated access to cash *outside* their realms enabled European princes to construct unmediated access to cash *inside* their realms, bringing us the form of our modern state. States' global involvements shaped their internal development.

Second, the absence of successful empire building within Europe meant constant warfare prevailed in Europe. Theft overseas made it possible to finance these constant, and constantly more expensive, wars. The rising cost of war forced a search for more money, and for more efficient ways of fighting. Self-sustaining military competition widened rather than narrowed the military gap between a few European states and rest of the world. This gap permitted those states to construct large-scale empires *outside* Europe, and thus ultimately led to the diffusion of European state forms to the rest of the world. Areas outside Europe that successfully imitated European state building – like Japan or Turkey – were able to survive the European onslaught, but by doing so reproduced European state forms. Areas that unsuccessfully imitated Europe – nearly the whole of Africa, or the mid-East – were colonized, and then had ineffective versions of the European state form pressed upon them after de-colonization. This generated our modern state system.

The first two differences generated states and the state system. What about markets? The third critical difference was the consolidation of the open market for land and labour that had been emerging in Britain during the 16th century as a consequence of conflicts between central and local elites. This occurred after the English Civil War (1642-48).⁶ In Britain, the emergence of an open land market forced both workers and owners into constant competition to buy access to that land. Workers and tenant farmers had to increase their work effort or be fired and starve. Owners had to accumulate capital or risk having their land bought out by someone with more capital. The new land market rested on new kinds of "absolute" property rights that gave one person the right to sell land. Elsewhere in Europe, war's insatiable demand for revenue forced many monarchs to concede similar absolute property rights to the local nobility in exchange for rights to tax the population. During the next few centuries, capitalist markets, which had

profit accumulation as their central purpose, replaced exchange markets, which had had subsistence as their central purpose. This generated our modern market economy, in which exchange for profit dominates virtually all activity people undertake.

Europe thus gave birth to modern states, with unmediated relations between states and citizens, and to modern markets, with their constant pressure to increase productivity and output, and the mediation of social relations through cash purchases. Constant conflict among states and constant competition among firms translated both of these large-scale systems to the rest of the world in several spasms of expansion. More activities in more areas became subjected to market logics, forcing people to always work for money and to buy more and more of the goods and services they required rather than directly produce them. States developed more technologies for controlling and taxing their populations using the combination of bureaucratic surveillance and the inculcation of self-control. People found themselves “caged” – compelled by the logic of the situation to continue conforming to demands from the state and markets in their own self-interest.⁷

Why did the state system and markets for profit expand into the rest of the world, and what did this mean for the possibility for economic and political development inside and outside of Europe? The rapid expansion of industry inside Europe strongly shaped development outside Europe in the direction of raw material extraction, while inter-state competition for access to or control over those resources strongly shaped political development. Both forces intersected in the nature and interests of local elites in countries and colonies outside western Europe. Those local elites could get relatively wealthy by exporting raw materials to Europe; on the other hand, the choice not to export exposed them to the risk of incursions by European states and settlers in pursuit of those same raw materials. The same dilemma confronts

poorer countries today, except that they have added cheap clothing and cheap workers to their list of exports, supplementing traditional staples like sugar, cocoa and spices.

Economic globalisation accelerated after the industrial revolution in Britain (c. 1750-1850), and its echoes 50 years later in the United States and northwestern Europe. Both revolutions enormously increased demand for raw materials, and set the pattern for similar processes in the 20th and 21st centuries. Nineteenth century manufacturing largely involved the transformation of agricultural raw materials into food and clothing, or the transformation of minerals into simple metals. British cotton textile production doubled every ten years from 40 million yards of fabric equivalent in 1785 to over 2 billion yards in 1850, with proportionate increases in raw cotton imports.⁸ Mechanization of woollen production in the 1830s, meant demand for wool also doubled about every thirteen years, from 4400 tons in 1820 to 214,000 tons in 1913. All of this cotton and 80 percent of this wool had to be imported.

The industrial revolution also created a new and rapidly expanding urban proletariat that could not grow its own food (and thus had to work for wages and acquire goods in the market, mediated through money). Britain’s population quadrupled from 10.2 million people in 1801 to 37 million in 1901, even as about 20 million people emigrated from Britain. By 1900 Britain imported 84 percent of its wheat, 37 percent of its beef, 47 percent of its mutton, nearly 100 percent of its sugar, and 53 percent of its dairy and poultry. By 1914 Britain imported roughly 60 percent of its total calories, and Germany about one-fifth.⁹ Total world trade – mostly manufactured exports from western European and raw materials exports from European colonies – rose from \$7.3 billion in 1820 to \$236.3 billion in 1913, in constant 1990s US dollars.¹⁰

Because industrializing Europe could not produce enough raw materials and foods, these had to be grown elsewhere. European demand for cotton, wool, and wheat (among many other things) thus sparked a global expansion of capitalist agricultural production oriented towards export markets. World wheat acreage expanded 78 percent from 1885 to 1929, with virtually all of this growth occurring outside Western Europe. Just as textile and garment assembly moved off-shore to low wage countries in the late 20th century, large parts of agricultural production moved to settler colonies with cheap land in the 19th century. And just as offshore producers of garments have driven down the real price of clothing in the past 30 years, driving on-shore producers out of business, the 19th century's new agricultural exporters drove down the cost of food and raw materials in Europe, driving peasants off the land. Overall, world crop production expanded 50 per cent from 1840 to 1880, with half of this in North America and Australia.¹¹ Why these two places? Both had small indigenous populations that settlers could easily dominate and destroy, and both built or borrowed strong state institutions from the British.

Where did the workers come from for these new production zones? Initially Europeans took roughly 14 million slaves from Africa, but after 1800 Europe supplied about 50 million voluntary migrants while Asia supplied an additional 50 million voluntary, but mostly indentured, workers. The voluntary migrants left Europe, India and China because falling prices for imported agricultural goods pushed them out of a peasant livelihood in their own country; simultaneously, all the new places producing exports needed so many workers that wages there were uniformly higher. Thus virtually all European emigrants went to high wage areas like the United States, Canada, and Argentina. Chinese and Indian emigrants went to tropical areas (like Malaysia, Sri Lanka, east Africa, or the Caribbean) where relatively higher wages enabled some to repay their indenture debt. Much the same is

happening today, with migrants flowing from low wage to high wage areas, but in manufacturing instead of agriculture. Workers flow from rural areas to local export processing zones, and often thence into what are low wage sectors of rich country economies, but nonetheless high wage areas with respect to their original economy. Thus Mexicans flow from poor states in Mexico to low-wage manufacturing work in the border zone with the United States, and then hop the border to work in gardening, restaurants, and meat-packing.

Where did the capital come from to create the new farms, plantations, railroads, harbour and cities in the new producers of foods and raw materials? Just as Europe and Japan supplied much of the capital for south-east Asian industrialization in the 1990s, and the US capital for much of Latin American industrialization in the 1970s, Britain loaned most of the money that capitalized 19th century agricultural development in new states in the Americas and elsewhere. And just as in contemporary Latin American and south-east Asia, this huge inflow of capital created an oversupply of output from these new producers. In turn, this oversupply caused export prices to drop, making it difficult for these new states to pay back foreign debt, and thus causing the occasional international financial crisis. Just as falling prices for wool and wheat triggered a series of developing country defaults in the 1890s, falling prices for toys and clothing helped trigger the 1997 Asian financial crisis.

If local elites in would-be developing countries wanted to get rich, the only game in town was exporting to Britain, and the only way to export in large quantities was to construct some reasonable facsimile of both modern states and modern markets. Thus these local elites did what we would today call "neo-liberal reforms."¹² The states they controlled created property rights in land to make land alienable (saleable); they legalized mortgages on land so

producers could borrow money to capitalize their operations; and they created open labour markets by eliminating the more obvious forms of coerced labour and slavery and helping to organize the flow of migrants. Generally they created production systems dedicated to a handful of exports oriented towards rich country markets. Equally so growth in their economies were almost totally reliant on growth in the rich industrial countries – were it not for industrialized countries’ growth, after all, these peripheral economies would have essentially remained subsistence economies. An overwhelming reliance on one or two exports was not unique to poor countries in this first round of economic growth. Iowa and Kansas were as reliant on a handful of export crops as were Argentina or Malaya – perhaps even more so. For all these agricultural exporters the issue was whether they could overcome this reliance and generate new exports and a more diversified local economy.

States played the crucial role in determining whether this economic diversification occurred.¹³ Generally speaking, states enjoying a benign security environment – most of Latin America for example – tended to continue producing agricultural exports for industrial countries. They had no pressing need for revenues or industry to fight off aggressive neighbours. Colonies, of course, had little say in the matter. Economies that did not diversify, that remained pure exporters of raw materials, proved extraordinarily vulnerable to declining relative demand for their exports. After the first century of industrialization, rich economies increasingly consumed manufactured goods made of other manufactured goods, decreasing the share of raw materials in total consumption. Consumers spent more money on cars, made up of metal manufactures, rather than clothes, made of fibres. The falling income elasticity of demand for raw materials in general produced lower prices for raw materials, slower growth in raw materials exports, and an acute vulnerability to foreign debt crises. In the late 20th century, few countries would voluntarily opt for this policy choice.

But in the 19th century the consequences of this choice were not obvious, and virtually all states opted (and imperial administrations forced virtually all colonies) to specialize in raw materials exports.

By contrast, states with predatory Europeans as neighbours or unwelcome guests – Germany, Russia, Japan, China, Turkey, Austria-Hungary – opted for significant, if not always successful, intervention in their economies in an effort to promote industrialization. These states borrowed money abroad to channel capital to state-owned firms or firms so closely linked to the state that they might as well have been state-owned, sheltered this new local industry from foreign competition, invested heavily in education, freely stole foreign production technologies and patents, and aggressively promoted manufactured and not just agricultural exports. To do this, industrializing states had to create professional bureaucracies, conscript large numbers of peasants into the military (often the school of first resort), and increase their ability to turn peasants into citizens and then directly tax those citizens.

Economic and military competition between states outside Europe thus worked just like competition among European states to create new states with an unmediated relationship between themselves and their citizens, and more pervasive markets mediated by money. As in earlier centuries, continued competition helped spread the modern forms of state and market. This competition also drove the diffusion of the physical and cultural infrastructure that supported both the military and the market: the use of money to mediate an increasing percentage of interactions between human beings, telecommunications, modern mechanized transport, English as a *lingua franca*, and the standardization of weights, measures, and the interfaces where people met machines and machines met machines.¹⁴ All this in turn made it increasingly easy to make and trade goods in a global market, as well as to loan money. It also lowered barriers for people emigrating

away from low wages or low prices in the home country, or the conscription imposed by increasingly intrusive states.

The diffusion of the modern state and market also had some seemingly paradoxical effects. First, while the old system of mediated politics exposed people to abuse by local elites, it also obliged local elites to shelter their clients from economic shocks, lest those clients turn against local elites. But as states displaced local elites and built an increasingly unmediated relationship between themselves and citizens, people lost the protection local elites used to offer in economic downturns. The separation of most people from the land meant that few had the opportunity to turn to subsistence production in times of economic hardship – and economic crises are endemic to capitalist economies. The average person thus felt the risks of unemployment, bad health and poverty more acutely. But the lack of mediation exposed states to citizen demands for shelter from market pressures. And states' successes at getting unmediated access to (male) citizen bodies through, e.g. conscription, inadvertently reinforced political demands for state intervention to buffer those citizens from market forces, and to give them (mostly males) the vote. Both conscription and then real war enabled voting citizens to demand what we now term the welfare state, while pushing states into providing a wide range of cash transfers and public services. In particular, the extraordinarily high body count of World War I gave surviving citizens a robust moral claim on states.

Even before that, though, most western European states realized that they needed to assure citizens of some minimum level of health care and income in order to get an adequate supply of healthy soldiers.¹⁵ These states thus began paying baby bonuses to mothers (“pro-natalist” policies), creating public health systems, and starting up pension systems for those few workers lucky enough to survive to retirement age. The expansion of volatile

capitalist markets thus provoked a whole range of state welfare interventions to tame the effects of that volatility. In turn, these interventions made it possible for markets based on profit accumulation to survive politically, by taming citizen reactions against market volatility.¹⁶ The welfare state also made it possible for the market to continue expanding into new areas of life, as we will see later in the chapter.

Second, both the interstate system and the market were somewhat unstable. High levels of competition meant high levels of conflict, and increased conflict in both markets and diplomacy risked quite severe consequences. Both the interstate system and the market came crashing down in the first half of the 20th century. In 1914, alarmed by what appeared to be Russia's rising power, Germany provoked a European war that soon involved everyone.¹⁷ World War I, whose unsettled resolution in 1918 sowed the seeds for a second, truly global war that began in the 1930s, undid several centuries of European global expansion. Extraordinary death rates forced European states into conscripting their colonial populations for combat in Europe and elsewhere, setting in motion the same kinds of demands for the vote and equality that conscription had started in Europe thirty years earlier. Returning colonial soldiers staffed liberation movements run by leaders educated in the universities of the colonial powers. Meanwhile, enfeebled European states had neither the strength nor the will to successfully hang on to their colonies, though some tried. Some empires floated promises of decolonization in the 1930s, and from 1946 through the late 1960s there was a massive transfer of power from European colonial administrations to newly independent states.

The similar instability of the market also helped expand state intervention to control the market. The volatile 1920s and economic catastrophe of the 1930s Great Depression, when unemployment rose above 20 percent in many

countries, and many farmers lost their land, gave rise to massive and pervasive state intervention to temper the market for the sake of political stability and military security. Following bankruptcies of private providers and breakdowns in service, states everywhere nationalized infrastructure services like telecommunications, rail and air transport, and finance, while regulating agricultural prices and wages. After World War II, the rich states began providing tertiary education for free, or at a great subsidy, began providing public housing or housing subsidies, and, as women entered the labour force, expanded the pro-natalist policies of the 19th century to encompass a whole range of health and childcare services. Post-war economic stability, high growth rates, and low unemployment foreclosed a political future in which states exerted complete control over the economy however. Instead, manufacturing enjoyed an unparalleled period of prosperity as workers flush with cash and largely relieved of the fear of unemployment cheerfully acquired expensive consumer durables like automobiles, TVs, and refrigerators on credit. Thus equipped, European workers soon spurned the advances of communist parties.

Was the post-World War II period different?

The post-World War II period is usually seen as a period in which globalisation stopped. Overseas capital flows, which had amounted to between 5 and 10 percent of British GDP, largely evaporated as investors feared default and states regulated capital outflows. International migration to the western hemisphere fell from its pre-1914 peak of 1.7 million people to fewer than 100,000 annually. And, after 1930, trade collapsed by two-thirds. States regulated trade to initiate or accelerate local industrialization, while the European empires imposed strict preferences for trade within their own empires.

But ‘paused’ might be a better word, particularly as political and economic developments in the Great Depression and during the 25 years after World War II laid the foundations for a renewed expansion of state and market. Neither decolonization nor the vast expansion of welfare transfers and services after World War II stopped the two long-term trends discussed above. Quite the contrary. Decolonization created many more states, each of which aspired to the level of control European states possessed over their own citizens and which thus began the process of gaining unmediated access to those citizens. Nuclear weapons and the US occupation of Germany and Japan prevented the kind of chaos that occurred after World War I. But the post-World War II period was not devoid of interstate competition. Instead, this competition largely took economic forms. Almost everyone outside the United States tried to catch up to the United States by resurrecting the techniques (mentioned above) that European states had used in the 19th century to pursue industrialization. They exported in order to get rich, and by exporting they increased the share of trade in total world production from about 8 percent in 1950 to 24 percent in 2003.

Efforts at industrialization in some peripheral economies attracted renewed flows of capital from rich countries, particularly as states in those countries began removing capital controls in the 1970s. By 1979 would-be industrializers in the periphery had borrowed \$830 billion (in 2002 dollars). By 2003 their debt had tripled to \$2650 billion. To service this increased debt, would-be and successful industrializers aggressively promoted exports. The supply of new places to export from met a demand for new places. Rich country firms in industries where labour costs were crucial responded to high wage, high tax, high regulation environments in their home markets by shifting low-skill, labour intense production “off-shore” to export processing zones (EPZs) in low wage, low regulation former colonies. Rich country states encouraged and organized this shift to keep firms profitable, by

rearranging tax codes, subsidizing relocation, and expanding the scope of free trade treaties. These EPZs relied heavily on young female workers, usually the daughters of small peasant family farmers. So whether or not EPZ based industrialization strategies worked in terms of economic development, they also pulled millions of women out of households and into the market economy and into urban areas.

Peripheral countries' efforts at industrialization, and rich country firms' efforts to find cheap labour, also helped restart international migration flows. From 1965 to 2000 the global stock of migrants (people living in a country different from their country of birth) rose by approximately 100 million people to 175 million.¹⁸ Workers in EPZs acquired the social and work skills, the cash, and sometimes the language skills they needed in order to migrate to the home country of the multinational firms that employed them. In turn, migration increased both their exposure to cash mediated market exchanges and those of their families. Migrants by definition lived apart from their extended social network at home, and had to buy more services and goods that they would have perhaps acquired in non-cash exchanges at home. But migrants also monetized their original societies. Migrants typically save huge proportions of their earnings – 10 to 20 percent – and remit those savings back home to their families. This enables those families to acquire a bigger share of their goods and services from the cash economy. Peripheral efforts at industrialization thus expanded international flows of people, capital, and goods, deepening the influence of the market on those societies.

In the rich countries, the welfare state turned out to be an unwitting agent for further globalisation as well. The expansion of the welfare state in the rich countries laid the groundwork for further expansion of the market into areas of social life that previously had been either insulated from or untouched by

market forces. Welfare state expansion also pulled more and more people into an unmediated relationship with the state. As in the periphery, both trends disproportionately affected women. Welfare states after World War II expanded or created three crucial services that helped propel women into the market. First, women gained access to free (or cheap) university education. By increasing women's human capital, tertiary education increased both the financial and emotional incentives for women to work. Labour force participation by college educated European women aged 25-39 (those born after universalization of higher education) runs 20 to 30 percentage points higher than for those women who have only completed the minimum compulsory public education.¹⁹ Second, many states either directly provided childcare and (sometimes) eldercare, or provided cash transfers to subsidize the purchase of these services. This increased women's ability to balance babies and bosses, albeit only imperfectly. Third, the expansion of university education, health services, and childcare/eldercare created millions of jobs for women in these new 'caring' sectors of the economy. Caring thus came out of the house and into the market.

The welfare state thus provided motive, means, and opportunity for increased labour force participation by married women with children.²⁰ In the US, labour force participation of married women with children under the age 18 rose from 45 percent in 1975 to 70 percent in 2000; in Britain, 24 percent of married women worked for wages in 1950, versus 74 percent in 1998.²¹ By contrast, countries with lower rates of university education for women and lower levels of public or publicly subsidized childcare have substantially lower rates of female labour market participation. Rather than impeding the growth of the market, the welfare state proved to be a necessary step in the expansion of the market. Many formerly household services moved into the public domain, and thence into cash mediated production, partly at states' behest, and partly at women's.

If the post-war welfare state helped pull rich country women into the open labour market, globalisation, understood narrowly as increased trade, also helped push them. Competition from low wage (women) workers in poor countries undercut wage levels for in low skill male workers in rich countries. Falling wages for those male workers made it impossible to maintain a family on just one (male) wage. In the US, the real wage for males with only a high school education fell 17 percent from 1979 to 1995, while high school educated females saw a slight increase.²² By 1998, 57 percent of working women married to men in the first (lowest) wage quintile earned an hourly wage higher than their husband's, as compared to only 7 percent of women married to men with wages in the fifth (top) quintile, and 31 percent of the women in the lowest group earned 50 percent more than their husbands did.²³

Towards the future: more of the same

How then, should we think and not think about globalisation? Clearly, we should not think about globalisation as a new process, in which novel electronic technologies triggered an unexpected rise in global trade and capital flows. Nor is it a process in which a reified international market wrestles a weakening state for control of the domestic economy. Instead, individual actors caged within states and firms as organisations are respectively locked into a relentless search for power and revenues, and power and profits. The existence of each organisation is conditioned on the presence of the other. Each makes specific and contingent alliances to advance mutual interests. These alliances produce the variation we can observe among different political economies, but the underlying causal driver is systemic – the inability of any organisation to avoid competition.

The last 500 years thus have seen two parallel, and continual if not continuous processes that comprise globalisation. First, states swept away

the local elites that previously had mediated the state's access to peasants, and instead replaced those elites with bureaucracies that regulate ever increasing aspects of citizens' lives. Second, more and more of people's time, social life, and economic activity is mediated through money rather than the direct exchanges and barter that characterized the peasant economies of the 1500s.²⁴

Nothing suggests that either trend will abate. The relocation of some state activities to supra-national bodies like the European Union and the United Nations merely recreates the older conflict between central states and local elites at a new level. The core constitutional issue confronting the European Union, after all, is whether it is a union of states (a loose federation, in which the new EU state's power is mediated through the old states) or a new state (in which the EU has direct power of taxation, conscription, and regulation.) Similarly, the basic premise of the United Nations is sovereign equality – its members are all recognized states – and its peacekeeping operations are aimed at the rehabilitation of failed states, not their replacement by something else.

The constant expansion of the market geographically and socially also looks robust. The last twenty years have seen the expansion of low cost manufacturing (think: beanie babies) to the one billion people living in China, and the expansion of low cost service sector production (think: call centres) to India's one billion people. Compared to this, the withdrawal of much economic activity from Africa over the past thirty years looks less significant in economic terms. In the rich countries, the welfare state has changed in directions that also magnify unmediated state power and market mediated logics – and it has often done so in response to popular demands. Just as states helped make markets in agriculture and manufacturing in the past, they are making markets in services now. More welfare services are

produced under market conditions, e.g. through subcontracting, private production, or competition among public providers. More and more the payout level of the single largest welfare state transfer payment, the old age pension, is based on individuals' prior performance in the wage market. And more and more European states are looking for incentives to get women to have more babies, which is to say, they are expanding the number of policies affecting the rate at which new citizens are produced. Continued globalisation – the direct intrusion of the state into the lives of people constituted as self-regulating citizens, and the increasing mediation of all social life through monetized exchanges – is thus both the past and the future.

Suggested readings:

Fernand Braudel, *Civilization and Capitalism, 15th to the 18th Century*, New York: Harper and Row, 1985, 3 volumes.

K. N. Chaudhury, *Trade and Civilization in the Indian Ocean*, New York: Cambridge University Press, 1985.

Michael Mann, *Sources of Social Power: From the Earliest Times to 1760*, New York: Cambridge University Press, 1986, 2 volumes.

Andrew Shonfield, *Modern Capitalism: The Changing Balance of Public and Private Power*, New York: Oxford University Press, 1966.

Jeffrey Williamson and Kevin O'Rourke, *Globalisation and History: The Evolution of a Nineteenth-Century Atlantic Economy*, Cambridge: MIT, 1999.

Word count: 7305

¹ A more extensive treatment can be found in Herman Schwartz, *States vs. Markets: Emergence of a Global Economy* (Basingstoke: Palgrave, 2000).

Thanks to Shelley Hurt and Alethia Jones for many useful comments.

² See Hirst and Thompson, *Globalization in Question* for a thorough discussion of relative magnitudes, and Jeffrey Williamson and Kevin O'Rourke,

Globalization and History: The Evolution of a Nineteenth-Century Atlantic Economy (Cambridge: MIT, 1999).

³ See the preceding chapter by Geoffrey Underhill and Michael Kratke for a longer discussion of this point; Fernand Braudel's *Civilization and*

Capitalism, 15th to the 18th Century (New York: Harper and Row, 1985) 3 volumes, provides 1500 pages of examples.

⁴ Michael Mann, *The Sources of Social Power*, vol. I (Cambridge: Cambridge University Press, 1986), p. 136; Charles Tilly, *Coercion, Capital, and*

European States (Cambridge, Mass.: Basil Blackwell, 1990), p. 45. A state with a 100-mile diameter has a landmass equal to Kuwait, half of the

Netherlands, or twice Connecticut.

⁵ "International Trade: 1614: The East India Companies," *The Economist*, 31 December 1999.

⁶ Robert Brenner, *Merchants and Revolution: Commercial Change, Political Conflict, and London Overseas Traders, 1550-1653* (London: Verso 2003),

and Richard Lachman, *From Manor to Market: Structural Change in England, 1536-1640* (Madison: University of Wisconsin Press, 1987).

⁷ Max Weber, *The Protestant Ethic and the Spirit of Capitalism* (New York: Routledge, 1992 (1930)); Mann, *Sources of Social Power*.

⁸ B. R. Mitchell, *International Historical Statistics, Europe: 1750-1988* (New York: Stockton Press, 1992).

⁹ Avner Offer, *The First World War: An Agrarian Interpretation* (Oxford: Clarendon Press, 1989), pp. 25 and 81; Eric Hobsbawm, *Age of Capital,*

1848-1875 (New York: Scribner, 1975), p. 179.

¹⁰ Angus Maddison, *Monitoring the World Economy, 1820-1992* (Paris: OECD, 1995), pp. 236-239.

¹¹ Harriet Friedmann, "World Market, State and Family Farm," *Comparative Studies in Society and History* 20:3, 1978, p. 546.

¹² See the chapters by Philips, Cerny, Baker, Freyberg and others in this volume.

¹³ Alexander Gerschenkron, *Economic Backwardness in Historical Perspective* (Cambridge: Belknap, 1962); David Waldner, *State Building and Late*

Development (Ithaca: Cornell University Press, 2000); Linda Weiss and John Hobson, *States and Economic Development: A Comparative Historical*

Analysis (Cambridge: Polity Press, 1995).

¹⁴ Consider the standardization of the controls for driving cars, or of "plug and play" computer equipment.

¹⁵ Jytte Klausen, *War and Welfare: Europe and the US* (New York: St Martins, 1998).

¹⁶ See, of course, Karl Polanyi, *The Great Transformation* (New York: Farrar and Rinehart, 1944).

¹⁷ Dale Copeland, *Origins of Great Power War* (Ithaca, Cornell University Press, 2000).

¹⁸ T. J. Hatton and Jeffrey Williamson, *World Mass Migration: Two Centuries of Policy and Performance*, forthcoming 2004, Table 10.1.

¹⁹ Ingrid Jönsson, “Women and Education in Europe,” *International Journal of Contemporary Sociology*, 36:2, 1999, pp 145-162, at pp. 8-9. Men’s participation rates are almost identical for all educational levels.

²⁰ Childless and unmarried women had always worked at rates close to those of men.

²¹ Anne Winkler, “Earnings of Husbands and Wives in Dual Income Families,” Bureau of Labor Statistics, *Monthly Labor Statistics* April 1998, pp. 42-48; Dora L. Costa, “From Mill Town to Board Room: The Rise of Women’s Paid Labor,” *Journal of Economic Perspectives* 14:4, Fall 2000, pp. 101–122 at 106.

²² Richard Freeman, “The New Inequality in the United States,” in Albert Fishlow and Karen Parker, eds., *Growing Apart: The Causes and Consequences of Global Wage Inequality* (New York: Council on Foreign Relations, 1999), p. 23.

²³ Winkler, “Earnings of Husbands and Wives in Dual-Earner Families,” p. 46.

²⁴ Georg Simmel, *The Philosophy of Money*, David Frisby, ed., (London: Routledge, 1978).