

Anti-Globalization No, Pro-Localization, Yes

Lancelot R. Fletcher

I am interested in the future. The future of Georgia. So the meaning of my title is that I am interested in generating a conversation that might lead to something productive, and I am not interested in participating in a conversation designed to foster resentment about something that nobody can do anything about. Most conversations containing the word “antiglobalization” are conversations for resentment and disempowerment and, as such, are worse than useless. Like most things defined by negation, antiglobalization takes on the shape of what it negates. In that sense antiglobalization is an example of globalization. And this is really quite striking if you just observe the phenomenon. For most of the world the most visible evidence of antiglobalization is the groups of demonstrators who show up wherever the WTO or the G7 or the IMF is holding a meeting. But it is clear that the demonstrators are products of the world they are demonstrating against. They are, for the most part, educated, relatively affluent people from the more developed countries. In addition, the impact of the efforts of the antiglobalists to fight globalization depends on their adroit mastery of the globalized media which they are fighting against.

That the resentful street theater of antiglobalization is itself an example of globalization may not deserve much discussion. But there is another point of unstated agreement between the globalists and the antiglobalists which may be much more instructive and which may help me to explain what I mean by the second part of my title (“pro-localization, yes”): Both the globalists and the antiglobalists tend to agree that economic globalization is successful on its own terms, in the sense that it both expresses and also tends to enhance the success of multinational capitalism. In other words, both the advocates and the opponents of economic globalization agree that globalization is profitable for the owners of large businesses in the developed world and, apart from such problems as environmental degradation and non-renewable resource depletion, they tend to agree that globalization is economically self-sustaining. Where they disagree is about the probable impact of globalization on the rest of the world, with the advocates of globalization believing that globalization is, on the whole, beneficial to the whole world, while the opponents of globalization believe that it erodes cultural distinctiveness, reduces political and economic independence and increases poverty in the less developed part of the world.

The main point of this lecture is to suggest that both the proglobalists and the antiglobalists are mistaken precisely on this one point where they agree. The apparent economic success of globalization is not caused by the effectiveness of the multi-national corporations which are its most visible manifestation. On the contrary, the economic power associated with globalization depends critically on locally generated economic development. It follows from this that localization policies are not merely a matter of protecting small localities from having their distinctiveness pulverized by the impact of

global firms and institutions. Instead, it is the prosperity of the globalized economy that would be jeopardized by failing to cultivate the power of localities all over the world to contribute powerfully to the process of generating economic novelties. The vital importance of localization for long-term economic development points to a constructive area of possible agreement between the globalists and the antiglobalists, and that is what I mean by “pro-localization, yes.”

I am suggesting that globalization and localization are in some way complementary tendencies. While one or the other tendency may predominate at some places or times, neither is in any final or linear way a successor to the other. (On this point compare William McNeill’s *The Rise of the West*, an attempt at world history organized around the notion that the history of the world may be seen as a series of alternations between unification and fragmentation of what he calls the “ecumene”.)

In offering this suggestion, that globalization and localization are complementary tendencies, I am quite consciously and intentionally challenging the conventional view of globalization as a singular, unprecedented event in linear history. The conventional view of globalization treats it implicitly as the spatial counterpart of modernity – in fact it may be that the two notions really imply one another. The idea of globalization involves the practical cancellation of space. Improvements in the speed and efficiency of communication and transportation have the result that you can relate to people and institutions very far away with roughly the same amount of cost and difficulty required for relating to people who are next door. Taking this to its logical extreme, we see that globalization reduces everything to “here” and leaves us with no “there”. More precisely, in a world of globalized institutions and practices, whatever is not “here”, in the sense of being subject to globalized modes of communication and transportation, does not matter.

That brings me to modernity: The word “modern” comes from the Latin “modo” which means “just now.” So modernity refers to an episode in which people are very much aware that this is now. So you could say that modernism is a period of time in which what is sometimes called by philosophers the “specious present” is expanded to include everything. Again, to be precise, we need to say that for modernity the specious present does not actually include everything, but whatever cannot be conceived and discussed in terms of the present is viewed as irrelevant, since the governing notion of modernity is that the present is in some radical way different from and incomparable to the past. So the past is irrelevant and the future is just more of the present. In sum, you could say that globalization is that state in which everything is here and nothing is there, modernism is the period in which everything that matters is now. And globalized modernism is the state in which everything that matters is here and now. This reduction of space to here and time to now corresponds precisely to the classical concept of the market, and we will see that this is not without significance.

In order to explain more fully what I mean by suggesting the complementarity of globalization and localization, it is necessary to look at globalization in historical context – but the historical context I want to consider is a relatively long one which differs from that favored by those who see globalization as a singular event.

In their 1999 paper for the Club of Rome entitled “Governance in an Era of Globalization,” R.F.M Lubbers and J.G. Koorevar offer the following comments on the history of globalization

One important question in globalization studies is ‘when did globalization actually start’.

According to Malcolm Waters, the word ‘global’ is 400 years old. The concept of globalization is much younger. It was coined in the 1960’s, but it took till the ‘80’s before it gained popularity. In the 90’s globalization became a buzzword and scientists recognized the significance of the concept.

So, it took till the end of the Cold War before the interaction between economic, political and technological processes caused such a speed up in border-crossing processes that the word ‘globalization’ became popular.

This does not automatically mean that globalization is a recent process. Three different positions can be recognized in the discussion about the birth-date of globalization. First, globalization can be seen as a process that has been going since Homo Sapiens populated this world. Human beings have, in all historic periods, stayed in contact with their neighbors. Contacts among the different peoples of the world have always existed, only now those contacts are more direct and more intense.

Second, globalization can be seen as a process that really took off in the 15th and 16th century, with the rise of trade capitalism. Today's transboundary processes and contacts are a result of the voyages of discovery, the Copernican revolution and international trade in products like silk, pepper and cotton.

Thirdly globalization can be seen as a far more recent process, dating from the 1980's. Deng's Open Door Politics since 1979, Gorbachev's Glasnost and Perestroika from the middle of the 80's, the economic growth in some important former Third World states (the Asian tigers), the discovery and use of integrated systems of Information and Communication Technology (ICT) and the collapse of Communism signal the beginning.

Obviously all three of these positions are interesting and important to consider in attempting to understand globalization. One of the great values of the second position is that it helps to remind us that the present conversation about globalization is in many respects a continuation of conversations about free trade economic policy, colonialism and imperialism which have been fixtures in our political worlds for more than two centuries. In fact, since the end of the Cold War, it often seems that the 70 years of the Soviet Union were only a long intermission in these conversations, as they obviously were also in the case of nationalism. My own position is closest to the first one, however, with a qualification that will become clearer when I speak about the invention of agriculture. In any case, I want to offer some examples which I hope will clarify the

interaction between the movements of globalization and the associated movements of localization.

In northwestern China there is a group of manmade caves called the Yungang caves. These caves are recognized as among the artistic masterpieces of the world. They date from the period a little less than 2000 years ago when Buddhism was first being received into China. They were started during the Six Dynasties period, when China was suffering one of its episodes of disunity. All of the caves contain depictions of the Buddha along with other human figures, but the artistic styles changed in striking ways during the time that the caves were being constructed. The most remarkable fact, at least for my present purpose, is that in the oldest of these caves the artistic treatment of the fabric, of the clothing and also the figures is unmistakably based on Greek art. Why in the world would you find Greek artistic patterns in China in the 4th or 5th century AD? The most plausible explanation is this: In the 4th Century BC, as almost everyone knows, Alexander the Great conquered a considerable amount of what is now Pakistan and Afghanistan. After Alexander's death there was a Hellenistic kingdom now called by historians the Bactrian Kingdom which continued to exist and govern after a fashion for another century or two. The Bactrian Kingdom was succeeded by an Indian state called the Gandaran Kingdom which took over the Greek-derived artistic patterns of the Bactrian Kingdom. Although Buddhism originated long before the Gandaran Kingdom existed, its period of expansion did not occur until a considerable time later, and it just happened that the period of expansion began during the Gandaran period. As a result the artistic traditions which were taken from India to China by the first Buddhist missionaries were, at least in part, those traditions which had been received several centuries earlier from the Greeks.

However, if you study the later caves, which were constructed over the next 50 to 100 years at this Yungang site, what you see is that the same religious structures, the same structures of symbolism, became progressively more Chinese in style. And it appears – there is historical evidence -- that during this period China was experiencing a growing degree of unification and an increasing degree of cultural self-consciousness was developing among the Chinese, so, while people continued to accept Buddhism, they rejected the Greek (and Indian) elements of the artwork.

The point of this story is twofold. First, it shows that the Hellenistic expansion is one example of a kind of cultural globalization – which evidently retained some of its force centuries after the political power of Alexander's empire had ceased. Clearly the Roman Empire is another example of such globalization in the sense that one can travel for thousands of miles in Europe and in this part of the world finding not only relics of Roman architecture but also linguistic and cultural remains of the Roman empire. So to the extent that we understand by globalization the universalization of one set of cultural attributes, this is a phenomenon that has occurred over and over again in the history of the world. But the second point relates to the fact that the Chinese archetypes reasserted themselves in the midst of the Buddhist symbolism. This too is something that has occurred repeatedly, in that there have been repeated episodes of what we might call relocalization in which various local traditions reasserted themselves.

My second example is one of the great episodes of relocalization, which occurred at about the same time as the first example, but in Europe. I am referring to the development of the Romance languages. The Romance languages are, of course, localized dialects of vulgar Latin. They came into being over a period of centuries beginning, it appears, about the 4th Century AD. While the cause of this linguistic differentiation is not entirely clear, the most plausible hypothesis is that it resulted from the administrative reorganization of the Roman Empire which occurred at the end of the 3rd and the beginning of the 4th Century. The effect of this reorganization was that administration of the empire was decentralized and the administrative organs came to include a much larger representation of local people than had been the practice in the earlier years of the Empire. Now here is the relevant part: This reorganization of the empire was occasioned by a period of stagnation which seriously threatened the integrity of the Empire, and the reorganization, which, on the whole, was quite successful, involved a localization of many of the administrative functions which previously had been more centralized. Thus the localization was not directly a result of the weakening of central authority, although one might suppose it so, but was part of a strategy which, for a time, actually strengthened and revitalized the authority of the Empire as a whole. We see from this example that localization, in addition to giving rise to the regional differentiation of Latin dialects which we call the Romance languages, was actually a source of power for the empire.

The power of localization is something which tends to be neglected in the conversation about globalization. When we hear people being resentful about globalization, treating globalization as a problem, we tend to suppose that globalization represents what is powerful and that localities are the helpless, powerless victims of globalization. Before we can fully distinguish the power of localization, however, we need to ask a preliminary question, which is: Do we understand what lies at the foundation of the power of the free market economy, or the globalized free market economy?

I remember back in the days when I was studying with Jurgen Habermas and Hannah Arendt, both of them – especially Habermas and his colleagues of the Frankfurt School -- used to talk about the “Post-Industrial State” Their view of the post-industrial state was that the modern world economy had proved Marx wrong insofar as Marx had predicted the inevitable decay of capitalism. These theorists of the “post-industrial state” were impressed by the apparent alliance between big corporate capitalism and state welfare policies designed to achieve a moderate redistribution of income from the wealthier to the poorest classes. The result of this alliance, they thought, was, by blunting the sting of poverty, to remove the threat of socialist revolution without altering the spiritually alienating character of capitalism. This deprived them of the hopes for revolutionary liberation which Marx had pinned on the supposedly inevitable immiseration of the masses and left them looking at a bleak future in which a combination of vulgar material prosperity and political/spiritual enslavement could be sustained indefinitely.

Such predictions turned out to be strikingly mistaken. This began to be revealed in a scientifically demonstrable way in the United States about 1980 by an economic researcher named David Birch who published a widely quoted study about the sources of

new employment in the US economy over the preceding decade. What he found is now almost a cliché, but it was very shocking twenty years ago: Essentially 100% of all the new job growth in the US over the preceding 10 years had been due to the growth of small, new businesses, and not to the growth of large businesses. In fact it turned out that the large corporations, considered by themselves, were contributing a net negative amount to the job growth over that period of time, so that if the economy had consisted only of the large corporations there would have been a significant contraction of employment during that period, rather than considerable growth.

Yet a significant amount of economic globalization was occurring at that period of time. Huge amounts of capital were being exported by American corporations to foreign countries. And much of that capital export was for the purpose of moving production facilities away from the US to lower labor cost areas. But it can now be seen that much of that capital and labor export did not represent the success or growth of these large corporations. Instead it reflected desperate measures to stave off the decline of those businesses. In short, it is very far from clear that the multi-national corporation model that we think of when we think of globalized economies is successful on purely economic terms.

The reason for the failure of the multi-national corporation model is that the long-term prosperity of an economy depends on new-firm formation, and new firm formation is something which occurs locally, not globally. This is illustrated by examples from the domain of biology. Think about fish. Many people think that ocean fish just live in the ocean – little ones, big ones – they eat each other and other things, they swim around and they live. But the interesting thing which has been discovered by environmentalists as wetlands on the margins of the continents have been drained or polluted is that most fish do not reproduce in the middle of the ocean. They reproduce in little protected places, usually in shallow water close to land. In some cases, most famously in the case of salmon, ocean fish actually swim upstream to reproduce in freshwater streams and rivers. So the places where reproduction occurs are often very small, distinct localities.

There are two lessons available from this. One being that the reproductive aspect of activity, at least in the biological realm is often much smaller than the range of the species in its adult life. The second lesson is that the entire life cycle seems to involve an interaction between this very localized requirement for reproduction and a much larger range for sustaining the development of the adults. And damaging or destroying the reproductive locality, even though it seems to be relatively small, can be disastrous for the survival of the species.

Now I want to offer a third historical example, this one from about 10,000 years ago. I want to suggest that the first important example of globalization was the invention of agriculture. The account of the origins of agriculture that I am about to describe was developed by Jane Jacobs in her book *The Economy of Cities*. It is fair to say that it runs very sharply against the current of conventional wisdom on this subject. Conventional wisdom about the origins of agriculture is that somehow or other during the Neolithic period people living in villages discovered how to grow plants and to develop the new

species of plants which were very productive, and that on the surplus allowed by this very productive process of food production cities were formed. This idea of the origins of agriculture – that agriculture developed in rural villages, produced a surplus, and that on the basis of that surplus cities were founded – is a perfect image of the 19th century idea of capital formation based on savings. The British economist Nassau Senior was famous for the idea that capital is the result of saving and that, therefore, capitalists are to be admired because they are thrifty and they do not spend what they have, but instead save it, thereby forming capital. It was the great merit of the Austrian economist Joseph Schumpeter to show (*Theory of Economic Development*, 1934) that this concept of capital formation is incorrect.

The idea that agriculture originated in villages, and that cities were only formed after agriculture, was not challenged until Jane Jacobs published her *Economy of Cities* in 1970. What Jacobs showed is that it was impossible for the genetic modifications of cereal grains to have occurred in the circumstances that would have existed in Neolithic villages. She showed that it was necessary for the first cereal grains to have involved cross-breeding different genetic strains which would have had to have come from remotely separated places. The point of this is that in order for the necessary genetic modifications that led to the development of agriculture to have occurred there had to have been some way in which products from remote places could come together under conditions of careful observation. So what she argued is essentially that cities are places where you have a combination of local activity and activity connected with people at a distance which produces some kind of extraordinary cross-fertilization. In other words, cities serve as the reproductive localities, not only for the novelties that we call agricultural products, but generally for the development of new firms and new types of economic activity.

For our present purpose it is important to note that the fertility of cities as incubators of economic development is due to the fact that, as large settlements that are the foci of long distance trade, cities are essentially combinations of local activity and global activity. What I am pointing to, what I would like to invite you to consider along with any laments you may have about globalization, is that small localities which are open to the rest of the world, have extraordinary advantages in being the sources of new things and, as such, play a critical role in the process of economic development. If Jacobs is right about this, then urbanization is an important counterpart to globalization, and has been for a very long time.

Urbanization is connected with globalization in a rather complex way. First, if it is the case that the development of cities was responsible for the invention of agriculture, then we can see that this development led to a very widespread – nearly global – transformation in the way human beings live and sustain themselves. And this first instance of globalization was not without its casualties. From the point of view of the hunter-gatherer societies which preceded the agricultural revolution, the development of agriculture was a disaster. There is little evidence that many of the hunter-gatherer societies adopted agriculture. Mostly they retreated into inaccessible places or simply died out. The people we call peasants are not the descendants of primitive societies who

adopted agriculture. They are the remnants of agricultural settlements, colonies essentially, created by the cities in an early phase of “production outsourcing”. As such, the agricultural settlements spun off by cities remained dependent on their cities for their own development and when the parent city was extinguished, as must have occurred now and then, the dependent settlement would survive in a state of economic stagnation – such as we find in peasant villages.

Second, it can be seen that urbanization was an important force in the “second birth” of globalization mentioned in the above quotation from Lubbers and Koorevar. To be sure, they mention only the expansion of trade capitalism in the 15th and 16th centuries. But a study of the economic history of that period would reveal the essential role played in that process by the development of European cities.

But, third, much of modern urbanization, especially the growth of extremely large cities in the third world, is not an example of the productive economic development role of cities so much as it is a consequence of economic colonialism and the way in which a colonial economy destroys the local economy and, by making it impossible for people to survive on the land, causes vast numbers of indigent people to flood into the cities. To the extent that these large urban settlements are not organized to function as incubators of new economic activities and products they are not true cities in the precise sense of the word. Such modern urbanization stands as an example of the damage done by globalization which lacks the complement of positive localization.

I have suggested that the problem presented by the conversation about globalization is that the prevalent theories about the multinational capitalist economy fail to provide an adequate understanding of the causes of its success and therefore fail to recognize what policies are necessary to prevent its ultimate failure.

Earlier I called attention to the fact that globalized modernism reduces time to now and space to here, and I noted that, in this respect, globalized modernism closely resembles the classical idea of a market. As is well-known, standard, marginal utility economics has no temporal dynamic. The attempt to create a kind of dynamic by means of the business cycle, as Schumpeter did, is interesting but largely unsuccessful and certainly not well-integrated into the main body of economic theory. For the most part temporality in economics is expressed in terms of a discount rate, which allows one to express in monetary terms the present value of a future transaction. The treatment of space in standard economics is similar. That is, distance is translated into a cost function, while the economic advantages of being in a “central place” are translated into a “rent gradient” in which the cost of land is normally highest in the central place, sloping downward as one becomes more remote from the center.

Chapter 3 of Book I of Adam Smith’s *The Wealth of Nations* argues that the division of labor is limited by the extent of the market. Since, according to Smith, the source of economic advantage is the combination of the principle of exchange and the division of labor, this argues that any restraint on the extent of markets will limit economic prosperity. Consequently, Smith’s book was taken as a very powerful manifesto in favor

of international free trade, in favor, in essence, of removing the economic significance of national boundaries. In other words, *The Wealth of Nations* might be taken as the first manifesto of globalization.

In a significant way the standard view of economics is very similar to the standard conception of physical science: The prevailing view of natural science is that every individual thing or complex of things is to be understood as determined by the external forces which have affected and shaped it. As such, a scientific explanation is an explanation of things as effects, results, of previous and external influences. This view expresses itself in economics in the form of the invisible hand. That is, if everything is determined by the market, then everything everywhere is the resultant of economic forces outside itself, and no individual thing or place can choose its own economic destiny.

In the sphere of economic development this notion shapes the view that local economic development policy is impossible – because, one is told, localities are essentially passive with respect to national economic policies and conditions. But the people who hold this view fail to reach the obvious conclusion, which is that, on their assumptions, economic development policy is impossible at any level.

The conclusion which seems inescapable to me is that the pure theory of economics must be incomplete. It is incomplete because it fails to explain the conditions for entrepreneurship. For pure markets it may be sufficient to ignore both space and time and consider only price, supply and demand. But to understand – and promote – entrepreneurship it is necessary to take account of localities and networks of interaction. Economists may think that localities have no ability to generate economic development, but the evidence suggests very strongly that the most economically successful places in the world are those localities in which there is a strong interaction between the local economy and the distance trade economy.

I am hopeful for the future of Georgia because Georgia is precisely that sort of locality where there can be a strong and complex relationship between the local economy and the foreign trade economy. Developing that possibility is precisely what I mean by “pro-localization, yes.”