

Assaying the Frontiers of Globalization: Explorations in the New Economy

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In April of 2000 I dined at a trendy (“hot”) San Francisco restaurant with a senior vice president of an Internet company. A NASDAQ “darling,” the company’s stock had increased in value 2,800 percent over a few years and had split several times. A man of enormous energy, trained with a doctorate in a traditional academic field, but working far from its subject matter creating new web products, he is probably typical of the new breed: completely enthusiastic about his work; doing it 80 hours a week; dashing around the globe developing clients and partners; constantly extending the reach of the firm and then madly expanding its capacity to catch up with its new commitments. In short, a player in the new economy.

“You’re a globalization guy too,” he observed, as we were meeting for the first time through the invitation of a third party. I opined as if that might be true, but perhaps of a different sort than he. “What’s this all about?” I asked. “The land grab,” he replied. “You stake as many claims as you can think of, and then work to nail them down.” “Who is in charge?” I asked. “*No one*” he replied.

Thus spake a denizen of the new economy. For him, globalization is a condition, fully arrived upon the world, not so much to be questioned, as it is an inevitable or necessary outcome of our current world. Once—the story seems to go—there was the old economy, and now there is the new. For him the new economy is inseparable from the information and telecommunications industry: globalization is the new economy and the new economy *is* IT (Information and Telecommunications)! And San Francisco is but a boom town on the frontier of the new economy, along with Seattle and Austin, Helsinki, Taipei, and Bombay

and other locales, with hundreds of thousands of “players” seeking equity in the new companies, “laying claims” and seemingly making and watching vast fortunes accumulate hourly. The day after our dinner the *San Francisco Chronicle* carried a story indicating that Cisco Systems, an Internet hardware company, had, on the value of its stock, become the richest company in the world, supplanting Microsoft.

The new economy is one globalization story, the preferred story of its current practitioners. It bears a remarkable resemblance to the nineteenth-century American liberal story of progress within which land—western land—figured so prominently. It is a story of opportunity and gain for the bold. The land was new to the claimant, and nearly costless as a result of governmental policy that promoted settlement and the creation of a new economy based on agriculture and extraction. Today, it is information, a commodity nearly costless to those who understand its essential codes and applications, and which lives within an industry made possible largely by government policy that promotes bandwidth acquisition and application, allows relative freedom of entry to the market, and is sensitive to demands that the new economy be free from governmental regulation.

The practitioner story of globalization is increasingly counterbalanced by another, one that might be labeled the “victim” story, or less dramatically, the “effects” story. As Robert Reich early said about globalization, it produces winners and losers, and the effects story focuses on the costs paid by some in an ever more globalized economy and society (Reich 1991). Locating the effects story in the overall context of the many emergent dimensions of globalization has become the work primarily of scholars and a left-leaning press. Major parts of this story had been framed by the debates over the North American Free Trade Act (NAFTA) and the revisions of the General Agreement on Tariffs and Trade (GATT) in the early 1990s. To a remarkable degree a full debate over the value of globalization within the United States was largely absent from public discourse prior to the first Clinton election, even though unions, which bore the major burdens of the remaking of the older industrial economy by the export of manufacturing jobs overseas, had sought in vain to make it so (Bluestone 1982).

Bill Clinton’s very candidacy framed the discourse with a hint of how globalization would reshuffle political loyalties and positions. As a Democrat and “left centrist” he was of necessity the choice of unions against President George Bush, but, as a supporter of what would become the new economy, he (and vice presidential candidate Albert Gore) would also advocate extending free trade as an essential ingredient of economic growth, arguing that the outcomes realized would eventually benefit all.

Not until the 1999 World Trade Organization meetings in Seattle did the full force of an organized opposition to globalization burst on the stage provided by—ironically—a highly globalized media establishment, and through a mobilization process facilitated by the Internet. “Seattle,” as it is now referred to with the confidence that the reference will be fully understood, represents a new stage in

the confrontation between the story of progress as one text of globalization and those that promote another designed to identify and illustrate its negative and destructive effects across a wide range of human endeavor.

The opposition coalition that emerged in Seattle was made possible by an explosion of globalization study that has taken place over the past decade. An examination of any major research library will reveal an almost geometric rise in titles devoted to the subject. Placing the “globalization” order on your favorite Internet search engine will net you thousands of items and hundreds of pages of citations.

The opposition “effects” literature on globalization is matched by another set of disputes that contest the very meaning of the term, and that holds the position that the “things” current globalization phenomena represent are not in any real sense novel. This continuum of contestation is anchored at one end by those who view globalization as a novel force, arguing that profound forces of cultural, economic, and technological integration have been present in the world for hundreds of years and perhaps thousands. In this view a significant form of globalization has been in existence since people began moving around the planet (Bentley 1998). Holders of this view are often joined by those who date globalization from the beginning of intense European exploration of the globe and the early formation of multi-state capitalism, a perspective often linked to the notion of the development of a global capitalist system over the past five centuries (Stavrianos 1981). From this perspective the current attention to globalization speaks to an intensification of structural attributes of social, economic, and political organization in existence for a very long period of time. At the other end of the continuum are those who, like Manuel Castells, see in globalization something unique in our time, a fundamental structural realignment of how the world’s work is done, its collective processes organized, and its individual identities formed and lived out (Castells 1996-7). In between is an extraordinary range of emphasis and nuance.

My position is more the latter than the former. Contemporary globalization, I will argue, while owing much in important respects to the development of key elements of the industrial economy and its resultant society, is also fundamentally novel in other respects. Some activities, such as the pattern being taken by contemporary global capital, grow directly out of preceding practices, but display important differences. Some, like the development of flexible production, have become basic features in the transformation of the older national-based industrial economy into the contemporary global economy. Yet others are completely novel, such as the basic practices of the informational economy and the society it is rapidly producing.

The Point of Departure: The Multinational Corporation

Arguably, the “thing” we can identify as contemporary globalization enters the world stage in the 1960s with the emergence of the multinational corporation

(MNC). More than any other development, the multinational corporation—termed subsequently and variously the transnational corporation or the global corporation—has been globalization’s primary engine. In *Global Reach: The Rise of the Multinational Corporation* (1974), their path-breaking book on multinationals, Barnet and Muller rebutted the claim that these emergent companies were essentially no different from familiar “international” companies that had been operating on the world stage for decades. There was an essential difference. The well-known international company was basically a national firm that either obtained materials, or distributed its products internationally. In form and structure it was little different from any other nationally based firm operating basically for a domestic market.

Barnet and Muller argued that, by contrast, the multinational corporation embodied a capacity to utilize all the factors of production on a global basis. While usually continuing to maintain some strong identities with its country of origin, MNCs increasingly became characterized as located in global capital markets, employing labor forces outside their country of origin, merging and aggregating with other national producers, and pursuing marketing strategies that envisioned the entire globe as potential customers (Barnet and Cavanaugh 1994). From the beginning, observers saw the ability to shift key aspects of the productive process to lower cost labor markets without a decline in quality as a central feature of these developments. More complexly, while located within the “old” property spaces of nations and their social and governmental settings, the global corporations were in the process of redefining policy space within our entire discursive landscape through the creation of global “sites”, such as markets and within national production and distribution zones that made economic “sense” only within the developing norms of globalization (Neubauer and Shapiro 1989).

More recently Manuel Castells has emphasized the role of MNCs in the transformation of corporate structures from “steep vertical hierarchies” of the highly centralized command and control organizations characteristic of large industrial corporations to flatter, more horizontal organizations in which decision making is effectively distributed through semi-autonomous units; or in his terms, the beginning of a network society. In the late 1960s and into the 1970s multinational corporations began to restructure the world of business by increasingly changing the role that information and knowledge played in their organization, especially with respect to the production and distribution of their goods or services (Castells 1996).

In retrospect three technological developments—jet aircraft, especially the jumbo jet, the container ship, and computer/satellite based telecommunication—were centrally important to the new organizational structure of MNCs, permitting the development of a real-time control structure that allowed distant manufacture at economical costs. Not surprisingly, two of these involve transportation and the third provided a means for effectively organizing the goods and processes required to use such transportation. Together they resulted in a radical shrinking

of time and space, a condition David Harvey identifies as the central marker of a postmodern globalized world (Harvey 1990).

These technological innovations occurred in the context of three other factors that, together, created the context for contemporary globalization. One additional factor was the presence of *de facto* global currency, the U.S. dollar, which permitted a common standard for the evaluation of assets and commodities. A second was the growing prevalence of English as the dominant language of world trade and ultimately of cultural change as English-language media expanded throughout the globe. A third involves changes in the regulatory environment taking place in various national and multinational settings that promoted the opening of the world trade environment (sometimes called “liberalization”) and other regulatory restraints that assisted the growth of global capital in national settings and thus the development of MNCs as actors on the transforming global scene (Barnet and Muller 1974). In some parts of the world, e.g., parts of Asia and Australasia, globalization is synonymous with “Americanization,” signaling the powerful role of U.S. policy and presence in articulating globalization.

Jumbo jets permitted significant increases in the number of people traveling internationally at reasonable cost. Distant travel was rendered ordinary and with it new acceptances of the distant-foreign-exotic-other, perhaps a necessary precondition to the homogenization of tastes characteristic of a globalized market place (Barnet and Cavanagh 1994; Barber 1995). Between 1980 and 1995 tourism air traffic doubled (Juan 1997). Equally important, however, was the vast expansion and routinization of the air shipment business. The idea of “the fastest ship in the shipping business” signaled the widespread acceptance of paying routinely a small premium to obtain the rapid transmission of goods, opening entire new markets not only for perishables but also for products that had previously been deemed excessively heavy for air shipment. That one thinks almost nothing of ordering books from an on-line book company and having them shipped second-day air makes the point and also emphasizes the development of niche markets, of which more below.

Containerization significantly reduced the labor force of both ships and docks, lowering labor costs once transitional contracts were extracted by labor unions. They also vastly increased shipping capacity over a relatively brief historical period and revolutionized ship port turnaround. The result was that a far greater volume of goods could be shipped internationally, more quickly, and at costs that make economic sense. As Toby B. Gooley rhapsodizes:

Simply put, containerization has raised the standard of living worldwide. Without containers, the prices we pay for consumer goods would be significantly higher—or the goods might not be available at all. Without containerization the globalization of manufacturing could never have

happened. Asia would not be the economic giant that it is today. . . . (Gooley 1997)

The extension of this principle to oil tankers ensured that the developing global economic system would have an abundant fuel supply. Ship containerization in turn led to parallel developments in rail and motor transit to link primary transportation of goods to their distribution.

Little transformation in the global economy, seemingly, would have been possible without the development of satellite-based telecommunications, which has had the primary effect of supplying linkage between capital, management, production, distribution, marketing, and consumption—all in real time. That which is but a component, albeit an important one, in the older international system, namely information, undergoes a variety of changes in the emergent global economy fashioned by the MNCs. Information comes increasingly to play the central role in the entire system, giving notice to the very possibilities for capital availability and use, and supplying the essential means for control and coordination. A useful example of this phenomenon are the television commercials of the United Parcel Service (UPS) that have been running on American television since the mid-1990s. Depicting often humorous situations, they make the point that UPS can locate any package in its care at any time through a worldwide information-based tracking system. UPS is an exemplar of the information/control model characteristic of much emergent global commerce.

Fordism and Flexible Production

Fordism defined the corporations of the older manufacturing economy. As a set of practices, Fordism gave rise to mass production as experienced through much of the twentieth century. Early industrial corporate proliferation in the United States and Europe had been quickly followed by the market consolidations of the new giant, oligopoly corporations (triggering the “age of monopoly”). These firms obtained and maintained their advantages largely through size, and the various forms of power that size permitted to be aggregated and exercised (Gramsci 1971).¹ The Fordist factory represented the massing of large amounts of capital, including human capital, especially engineers. As some producers became larger, their superior productive capacity and resulting profits allowed them to dominate their markets. Typically, they were able to organize “vertically,” developing monopoly supply channels (thereby minimizing their costs), and horizontally, by driving other competitors from the field, thereby assuring high profits from sales. In their heyday Fordist-style corporations succeeded in altering many of the basic operations of market societies, developing what some economists saw as a market competition based on style and managed prices rather than having their markets driven by price competition as neo-classical economics would predict.

The mass production of Fordism, especially of large, capital intensive products such as autos, ships, and machine tools, required large and concentrated supplies of capital and resulted in sizable inventories on both the pre- and post-production sides of manufacture. Operating at the limit of existing information systems, large Fordist enterprises tended to be steep organizational hierarchies dominated by an authoritarian center and a clumsy and often outright dysfunctional decision system (Harvey 1990).

Henry Ford and his Model Ts and As gave his name to the process, but General Motors perhaps came best to embody its mature form in the late-1970s and early-1980s. While still the largest U.S. manufacturing corporation in dollar value, GM was slow to respond to changing markets, suffering very serious profit reductions and was seemingly unable to develop the appropriate organizational changes heralding the coming of the new information society. In a celebrated version of Fordism, GM bought Ross Perot's Electronic Data Systems Corporation (EDS) seeking to leapfrog into the information data processing market while simultaneously leveraging the corporation into modern information practices. The well-known result—other than making Perot a billionaire—was Perot's increasingly public and typically noisy critique of the corporation from his position on the board. He was astonished at the extent to which GM had become prisoner to its Fordist bureaucracy and its inability to make the organizational changes required of the new marketplace. Eventually, GM bought Perot off the board, but that act coincided—at last—with the corporation's internal reorganization away from many aspects of Fordism and toward flexible production.

Flexible, or just-in-time production, re-positions capital in relation to manufacturing processes, utilizing new information tools, and the new commerce of transportation makes production more effective. Capital is dedicated equally to production and to effective, timely distribution. Production is organized to adapt to changes in market demand (through re-engineering of production technique). Flexible production allows the development of rapid product line design changes and the development and servicing of niche or specialty markets. Its central feature, however, is the minimization of inventory ("sunk capital"). Rigorous planning is utilized to bring production elements to bear just prior to the point of assembly, and production levels are continually adjusted to correspond to demand. Production is decentralized through a network of suppliers, thereby significantly limiting the direct capital investment of the assembler. Combined, the savings to capital are significant, resulting in much higher levels of effective capital application than under the regime of Fordism (Harvey 1990).

Flexible production is perhaps of most interest in its organization and deployment of capital. Fordism was inseparably associated in practice with the growth of what Neomarxist economists came to call the monopoly sector of advanced industrial economies, and what liberal economists like John Kenneth Galbraith termed the "core" of what had become a dual economy (Galbraith 1973). The giant industrial corporations of the core sector, operating as oligopo-

lies, were able effectively to control demand, which in term permitted extensive price management and large, sustainable profits. Capital came to be aggregated in these firms—the U.S. Steel, General Motors, Ford, Chrysler, General Electric, Westinghouse, Exxon, and Texacos of the older economy. Perusing the annual listing of the fifty largest U.S. firms in the 1950s and 1960s, one identified these firms as the largest of the large. In terms of the economy as a whole the top fifty firms accounted for more than 50 percent of the wealth generated by all American corporations.² Closer inspection revealed that these firms closely tied to the largest of financial organizations as well, through large block stock holding and inter-locking board membership (Froman 1984).

The move toward a global economy built around flexible production is associated with a dispersion of capital to new locations *and* a shift in its forms of concentration. One pattern is that followed by the automobile companies. The amount of capital required to produce automobiles (and trucks) is, of course, enormous. The development of global markets in the 1960s and 1970s hastened the consolidation of producers within nations as the test of success in the market came to be some capacity to compete and survive in international markets. Simultaneously, automobile firms in the older economies, especially American firms, moved to consolidate their product lines outside the home countries, e.g., wholly owned GM or Ford lines in Europe, Latin America, or Australia, utilizing global organization to gain significant economies through part and engineering sharing (Barnet and Muller 1974). Limited steps were taken, again primarily by the American firms, to purchase stakes in foreign-owned firms, e.g., Chrysler's stake in Mitsubishi, or Ford's in Mazda. The fruits of these investments were realized during the slump in the U.S. economy in the late-1980s and early-1990s when Ford, for example, achieved greater earnings from its holdings outside the United States than from its domestic operations.

The 1980s witnessed the first fruits of wide-scale flexible production in the auto industry, the proliferation of models (designed to serve more “customized” markets) produced by a diminishing number of global firms. In part this development was due to the industry's capacity to move capital from its owned-production capacity (which in relative terms was diminishing) to purchasing stakes in other firms, in the process expanding the range of choices offered consumers. The recognizable firms in the industry increasingly stood at the apex of a structure of suppliers, linked to the top firms by production contacts, but operating out of their own capital sources. The end of the 1990s has seen fulfillment of this logic of consolidation, as the top firms have expanded aggressively in the take-over of established national brands. Examples of this extraordinary consolidation include Ford's purchase of Jaguar and Volvo and the mergers and expanded stakes in existing companies (e.g., Daimler's merger with Chrysler or GM's expanded stake in Nissan [with responsibility for its ever-increasing debt, estimated in March of 2000 as approaching \$16 billion]).

Some commentators estimate that by the year 2005 the world will see perhaps only five surviving automobile companies, perhaps all linked in various

ways to novel financial, production, and marketing agreements. (For example, Ford, GM, and Chrysler were in the spring of 2000 jointly building an e-commerce site for the direct sale of automobiles.)

The shift to flexible production, making intense use of the globalized transportation and communication system, has allowed some of the premiere firms of the older economy to use their enormous capital resources to restructure themselves and their markets. They can produce more vehicles with fewer workers and less directly applied capital because these responsibilities are moved upstream in the production process. Capital liberated from inventory investment, improved capital-to-profit ratios, and the huge cash flows derived from very high volume allow these firms to act as investment engines. Reduced government regulation eases constraints on their investment decisions. (The U.S. automobile firms became consumer financial firms in the 1930s, lending directly to purchasers of vehicles who had difficulty obtaining loans from traditional financial sources like banks. These operations continue to be a major source of capital and cash flow for the producers.)

From this example, which with appropriate modifications has its analogues in other industries such as communications, we can see that the overall dynamic of the global economy mirrors in many respects the consolidations and market strategies of early industrial national markets as the largest firms moved to consolidate control through superior capital access and deployment. From this perspective, we should be able to predict, as seems quite clearly the case with automobiles and communications, a consistent movement toward market domination by the largest firms in the global economy. Ellis Juan, for example, holds out this future for both the aircraft and airline industries (Juan 1997). Charles Levinson in a prescient early treatment of multinational corporations argued in the early-1970s that by the year 2000 perhaps as much as 80 percent of the world's productive capacity would be accounted for by about 2,000 global firms (Levinson 1971). His prediction was not far off in the sense that the number of firms supplying the world's goods and services represents a steady movement toward merger and consolidation. The nature of flexible production, however, suggests a somewhat different meaning to this outcome than that presaged under a lingering Fordism, because each headliner firm in a large industry is supported by its network of suppliers, the structure of which can be quite dispersed in ownership and capital control.³

Virtual and Near Virtual Corporations

The logic of flexible production is also at the base of many virtual corporations. The term has come to have multiple meanings. The core concept is a corporation that literally has no "brick and mortar" structure: no buildings, no production facilities, few employees. The virtual corporation locates its productive capacity, of either goods or services, in contract relations with other suppliers. It is they in turn that organize the capital to produce brick and mortar

sites (for example, for the production of goods), or capitalize their endeavors by leveraging local capital with production contracts. By contrast, “old” economy oligopoly firms—e.g., the automobile and oil companies—acquired huge stocks of fixed assets. The term, *virtual corporation*, can also be used instructively to refer to “real manufacturing” corporations that own virtually no productive capacity and whose activity is focused on the creation of a product and its organization from design through production to market.

These firms are perhaps more accurately described as information companies than as producers of goods. The garment industry was an early convert to globalized flexible production, divesting itself of structure and its attendant obligations by creating a vast network of suppliers that transformed centrally generated designs into finished products produced at multiple sites, each performing some part in the creation of the eventual garments, which are then transported to “end user” sites—i.e., customers. To make such a system work requires not only the creativity of the initial design, but a system of rules, conventions, standards, engineering methods, etc. that can assure a relatively close match between demand and supply. Huge amounts of information must be generated and controlled within highly disciplined time frames.⁴ The essential form of this production and distribution system has been widely replicated throughout the garment industry, allowing it to operate globally to reduce production costs, especially of hand labor.⁵ Compared with Fordist modes of production, capital risks are distributed throughout a large and complex system of contract relations. The key responsibility of the “core” group within the organization is identifying suitable production partners and negotiating contracts that will assure timely delivery of quality product.

Some firms wedded to older styles of production and distribution have revived their market niche simply through rigorous inventory control. Ryder, a long-time maker of jeans, has staged a comeback in this highly competitive market by linking daily outlet inventory with production. Each retail outlet utilizes a direct-inventory computer link to report daily sales by type and size. Daily sales are aggregated into demand profiles that drive production. Relatively small orders are shipped frequently to outlets by overnight suppliers. The practice results in mutually beneficial results for the seller, who has a ready supply of items that are actually moving off the shelves, and for the supplier, who needs only produce goods for which there is a ready market.

Nike is a fascinating example of a company that started with an idea and developed it into a multi-billion dollar global corporation without benefit of capitalizing its own production facilities. Beginning initially as an importer of a Japanese-made shoe, Tigers, and as the Blue Ribbon Company, the company founded by Philip Knight became the Nike company entering the “sneaker wars” as a decidedly minor player to Converse, which controlled perhaps as much as 90 percent of the U.S. basketball shoe market and Adidas, which dominated the European athletic shoe market. The Nike model of designing shoes and having them produced off-shore, initially primarily in Korea, and focusing its consider-

able energies in the development of different and effective advertising linked to ever more aggressive distribution, became the standard of the industry (Strasser and Becklund 1993).

Early on, Nike linked shoes as product to the image of the athletes who used them, a strategy that was altered both quantitatively (in terms of the amount of money provided the athlete and put into the advertising campaign) and qualitatively when basketball superstar Michael Jordan came under contract. Nike developed an entirely new shoe line for Jordan who would, of course, go on to become arguably the best player ever to play the game. The Air Jordan line grossed \$130 million in its first full year of sales. Through a unique series of commercials featuring the emergent film director and actor Spike Lee, Nike transformed Jordan from a basketball player, albeit on his way to becoming the best, into a global icon (Halberstam 2000). Jordan's commercial success with Nike would create a pattern imitated by others in which selected athletes earned more from the companies whose products they advertised than from the teams or events for which and in which they competed.

The actual shoes that found their way to people's feet were produced throughout Asia in a wide variety of factories in multiple countries as Nike constructed a supplier network based on centralized design and specification. Production contracts shifted from country to country in search of ever favorable capital arrangements and labor costs. Headquartered in Beaverton, Oregon, the site of the initial company started by Philip Knight in the 1960s and developed into a running shoe company in the 1970s, the firm grew to global reach in the late-1970s. The number of Nike direct employees even in its widest estimation of 16,000 (4,000 of which work at the Beaverton headquarters) is significantly small for a global corporation grossing \$9 billion.⁶ It was the core node in an information system extending throughout the world, transforming images of an athlete into their shoe and apparel representations and creating a virtual media form in the process while coming to dominate the market. And, all through contract relations.⁷ The Jordan formula of image creation was later transferred to another great and charismatic athlete, Tiger Woods, with not dissimilar results. Now, it is "news" in the sporting pages to read that Tiger has changed from the Titleist golf ball to the Nike.

Creating and Distributing Value

With the transformation of the older, industrial economy into its contemporary global form, shedding Fordism along the way and adopting a regime of just-in-time production, it was a relatively simple matter to specify how value was being created and distributed. Preeminently, more expensive labor in the older industrial economies was being replaced by cheaper labor in the developing economies, and products were transported with sufficient economy that distance was not a barrier to increased profit. This defines value, of course, in simple economic terms—the return on capital is increased and sustained. Globaliza-

tion—as development advocates also emphasize—also produces value to the society supplying the new labor applications. Such societies (the four Tiger economies of Korea, Taiwan, Hong Kong, and Singapore were for a long time the most cited examples) benefit through the development of modern consumer societies with all the attendant infrastructure.

Impact analysts have disputed these claims on value terms. In the older industrial nations, the shift to globalized manufacturing resulted often in lost jobs, reduced labor forces, an evisceration of public services, and growing income inequality (Giddens 1999; Kim et al. 2000).⁸ Analysis of income patterns in the United States in the late-1990s, for example suggests that working class income has been flat since the late-1960s, precisely the onset of significant globalization in the American economy (Maggs 2000). In the developing economies, the creation of a new wealth class based on the new manufacturing results in societies being ruled by small elites that have appropriated the political system (aspiring in many instances to being democratic), freeing them from the political restraints of previous regimes and opened them to the various products and processes that attend globalization—e.g., cultural products, liberalized trade regimes, etc.

One result is often some form of cultural impact as the values of the “local” culture are contested by those accompanying globalization. Many local critics of the globalization process come to view it as little more than American/western cultural and economic imperialism. An all too frequent attendant result is a steady environmental degradation that depletes nationally held resources. An accompanying distress is a dependent linkage of national currencies to the global system that renders the newer economy vulnerable to impacts that it cannot control. A Mexican currency crash of 1996 or an Asian currency collapse such as that of 1997 can wipe out huge amounts of national wealth almost in the blink of an eye. This combination of factors, impact analysts argue, creates a value mix that advantages only the relatively small percentage of the world’s population being rewarded by globalization at the expense of almost everyone else.⁹ These critiques have been the stuff of the recent demonstrations in Seattle and Washington, D.C., against the World Trade Organization (WTO) and World Bank. This concentration on Winners and Losers in the globalization process is at the heart of what impact analysts seek to illuminate.¹⁰

Sorting out where one is in the debate over value and its distributions is rendered significantly more complicated when one adds the new economy to the globalization equation. If, as my IT vice-president associate suggests, the new economy really is a land grab, then who are the swift to whom the game is likely to go? It may be wise to remember that the opening of the frontier in the American West resulted in a politics of large landholders, timber, and mineral extractors who allied with the railroads to develop an oligopoly economy in which the rich got very rich, and the very rich sought to create a system that would assure the perpetuation of their wealth. It is also wise to remember that they required the good services of the United States Army to make the continent safe for such

economic exploitation against its original inhabitants and later comers such as the Spanish. Will this happen to the new economy as well? Is globalization simply a process by which more and more of the world and its activities are controlled economically by a smaller number of actors?

One place to focus this question is the university, clearly a transitional institution in the new economy. The modern university emerged as an institution required to satisfy the knowledge needs of the then emergent industrial society. The creation of knowledge essential to industrial organization gave rise to the modern professions in the late-nineteenth century, engineering among the first to so organize. The professions in turn gave shape to the contemporary university, resulting in its organization into hierarchies of achievement with strict procedures for professional reproduction. Universities became organized around the performance of three historic knowledge activities: knowledge creation (the research mission), knowledge transmission (the teaching mission and especially in state universities the service mission), and knowledge retention (the library and faculty). The significant expansion of universities in the immediate post-World War II period expanded the scope of this reproduction function without fundamentally altering it. Into the late-1980s universities continued to perform this function either as private institutions or as public ones, claiming a form of autonomy presumptively necessary for the free pursuit of scientific knowledge.

Several developments have challenged this role. One is the relative reduction of state support for universities. Another is the generalized pressure for universities to “partner” with industry in the pursuit of science and technology. An offshoot of this is the academic entrepreneur, often in the biological sciences, who moves to the private sector to pursue the commercial application of some invention or discovery developed within university laboratories. A third is the exploration of some of the world’s largest information companies, such as Time Warner, Disney, and Microsoft, to link with research universities such as the University of California, Berkeley, the University of Michigan and Columbia University to create teaching materials for distant learning and to supply their necessary technology. The distant learning market—seen in global terms—is currently estimated to have a potential of \$300 billion a year.

The race is on to see who can survive or dominate such an enormous market. British universities have viewed the challenge of these largely American universities and corporations increasingly in commodity terms. Howard Newby, vice-chancellor (chief executive officer) of Southampton University, for example, likens the current plight of British universities to its automobile industry in the 1960s. Like that industry, “we have a sector which is under-invested and structured to meet a national need rather than compete within a global marketplace.” But, it must also be argued that the English language, the language of choice of world youth culture, stands the United Kingdom in good stead in this global competition. Still, he worries, the core issue is one of quality and credibility. “Why,” he asks, “should a mature part-time student sign up for an

MBA at a mediocre British institution when, possibly supported by an employer, he or she could do an MBA from Harvard or MIT over the Internet?" (Kingston 1999). In April 2000 six prestigious universities and cultural institutions—Columbia University, the London School of Economics and Political Science, the British Library, Cambridge University Press, the Smithsonian Institution, and the New York Public Library, announced that they have formed a company to sell knowledge and education. It is intended to be a model for "life long learners" (*Honolulu Advertiser* 2000). The commercialization "text" of these endeavors is made powerfully clear by the choice as CEO of the former head of marketing for the National Football League. (A person, it should be pointed out in the spirit of postmodern convergence, who also has a Princeton humanities Ph.D.)

In our terms, this globalization of higher education, even simply that portion represented by distance education, is, as Newby suggests, merely another activity of the older economy transformed through its extension to a global arena. What is new is the inclusion of higher education, an activity not previously commercialized in this form, within a framing that renders it little different from automobiles, or soap, or athletic gear (Inayatullah and Gidley 2000).

Of far greater challenge to the university, in my view, is the extent to which the new economy will lay claim to the knowledge creation activities of the university, its transmission to practitioners, its retention, and the reproduction of knowledge agents. Universities are notoriously conservative, slow to change, and organized to reward their faculties in terms most relevant to the professional associations that are their strongest reference groups. The new economy is organized around a dizzying dynamic of change. The simple but compelling question about universities is whether their previously dominant role in knowledge creation, or in its transmission to new student/workers of the new economy can be sustained. The rise of corporate universities may be a sign that new structures are emerging to challenge traditional universities in these roles. The enormous remuneration offered to entry-level workers in some portions of the IT industry, many of them moving to industry directly from high school, suggests a pathway into the industry for which university training is unnecessary and may suggest a direct "education" role for corporate universities that are prepared to "unbundle" typical B.A. level work to emphasize only the acquisition of those skills deemed relevant to the industry, as Western Governor's University is doing.¹¹

Taking recourse again to the frontier metaphor, if IT is the frontier, it remains to be seen how much the institutions of the old economy have value in the new economy where frontier morality, ethics, and the dynamics of change work to establish value codes deemed essential for survival and success on the frontier. And, lest the point be lost, the new economy views itself as at the core of globalization, suggesting that to the extent that this is true, this new value code will be projected on the world as a whole.

Governing (and Regulating) Globalization

These transformations in the nature of the contemporary university are consistent with the tenets of neoliberalism that emphasize the introduction of market relationships into the operation of institutions wherever possible. As Robert J. Antonio and Alessandro Bonanno point out in the succeeding article, considerable disagreement exists over whether as philosophy and analysis it “works” to create a world in which effective wealth creation can take place (the position of its promoters), or whether it is merely a political vehicle for dismantling the welfare state and allowing the free flow of capital throughout the globe irrespective of its consequences (the common view of anti-globalists). Anchored in Thatcherism and Reaganism, neoliberalism desires a “weak” state that would promote reduced state expenditures, especially for welfare; a reduction in key state-supported activities such as health care, and education, and a shift to individual-based and market-oriented structures; overall reduced taxation; reduced regulation, especially with respect to restraints on corporate investment; and the promotion of international trade and investment (Kotz 1998). It is also the case that as an institution “the state” has not been able to keep pace with corporate/global restructuring and has, thus, freed corporations from government regulation.

Another novel institution of the global economy has been the global consulting firms, outgrowths of the older accounting firms that have performed as active agents in the celebration and transmission of neoliberalism as ideology. Their early role in the emergence of contemporary globalization was to develop accounting practices for multinational corporations. In part this professional service served much the same function that accounting always has, namely, to obscure corporate wealth from governmental scrutiny and to frustrate the ability of national governments to fully assess and tax multinational wealth. By the mid-1970s, however, these firms had begun to develop themselves as global corporations while adopting an extended role as consulting organizations to both business and government. Their core consulting message has been a kind of market-based neoliberalism that has sought to unmake the welfare states of the post-World War II period into entities both receptive to globalization as an economic growth strategy and instruments of its normalization (Pinault 2000).

The role of global consulting has been to translate neoliberalism principles into practice and to assist both corporations and governments in their application. The wave of corporate restructuring of the older economy of the 1980s and early-1990s sprang from and was legitimized by these practices. The promotion of governmental reforms, both inside and outside the United States, to bring market mechanisms to countries formerly characterized by strong state regulation has been their mission of the 1990s and the current decade. In some nations—one thinks particularly of New Zealand and Australia—the restructuring of society on the basis of neoliberal principles is well advanced (Burbules and Torres 2000).

By making this point, I do not want to argue that these firms have been the sole agent of a powerful and expansive neoliberalism. The World Bank, for example, has arguably been even more effective in promoting “reform” of national economies in the embrace of market restructuring. I emphasize the emergent role of the consulting firms as highly legitimate voices in the policy process as governments increasingly allow them to define critical issues of public policy, especially those associated with revenue and expenditure, and for proffered solutions to what has become the defining public problem of post-welfare state politics: determining how to do more (meeting the educational challenges of globalization, restructuring industry for global competitiveness, meeting the health care needs of expanding populations in an era of ever expanding and expensive medical technology, etc.) with fewer governmental revenues (Saint-Martin 1998; Kitay and Wright 1999). The force of neoliberalism is such that even when national economies have become highly productive as has the American economy over the past five years, it continues to produce a policy agenda organized around reducing taxation.

For the firms of the new economy or “frontier,” seeking their “land grabs” and stakes, neoliberalism is often a comfortable ideology and framing for public policy. As events over the past five years suggest, new economy firms on the whole want little truck with public regulation of the Internet economy, either for content, business practices, or taxation. But, as the Microsoft anti-monopoly suit illustrates, when convenient to their purposes, some firms of the new economy will seek to strategically employ governmental intervention. Without pushing the analogy too far, early land grabbers of the American West sought to create a strategic position vis-à-vis the national government in which it could employ and deploy some of its resources—e.g., land grants and the protection of the army—and avoid others—e.g., regulation of their behaviors and taxation. As nineteenth-century liberalism is the noun to which the contemporary prefix “neo” applies, such similarities are perhaps to be expected.

Conclusion

It is tempting to see the movement toward globalization in the familiar terms of late-nineteenth-century capitalist expansion. Indeed, there are many points of similarity. As new industries developed within what would be the Fordist industrial economy, they displaced those organized around craft skills. The population shifts from rural to urban that accompanied the economic changes from an agricultural to an industrial society took place within the development of new media of communication that vastly speeded up communication process, shrank time and space, and assisted in the development of new identities, especially across gender roles. Capital quickly concentrated, bringing the organizational dynamics of oligopoly to industry after industry. This created a politics known to subsequent decades as the “politics of regulation,” as government was called on to intervene in markets to preserve their competitive character. The

laissez faire liberalism of the nineteenth century gave way in time to another version of liberal society and government in which intervention was conceded as necessary. In time a national economy was built that subordinated regional differences and brought rationalization to all major areas of economic development. A small number of very large firms dominate most of the important markets in agriculture and industry. A parallel small proportion of the society owns the majority of the wealth and income. Large-scale government, even while under perpetual attack in any number of regulatory spheres, continues to buffer the contestation of wealth forces and wealth seekers and creates a politics of the center that perpetuates a generalized conservatism of limited change.

Contemporary globalization, as I have suggested above, threatens some aspects of this historical movement toward late-twentieth-century governance and social structure. Neoliberal ideology aspires to a smaller state with less regulation, the better to permit the aggregation in size and power of the economic firms that contest for global position and domination. The current national states of the developed nations now have a dual burden. They must bear the legacy of long-term sustained industrial development and the maturation of their consumer-dominated societies. And, simultaneously, they must play host to the emergent firms of the global economy that provide continuing wealth for society as they also seek to gain global position and domination through persistent merger and aggregation activity. It is clear that the game will go to the large as well as the quick in the organization of the world's economy in the twenty-first century.

The firms of the new economy share both similarities and differences with the giants of the older industrial economies that have grown into dominant global corporations. The huge firms of the IT economy and the communications industry (some of them "older firms") are playing in a game with no fixed horizons and where "value" is created, lost, and often regained with dizzying rapidity, as the recent gyrations of the stock markets demonstrate. Yet, as the Microsoft monopoly case seems to suggest, our social and political worlds are trapped in "mid-category." One of the interesting aspects of this high level political and juridical contest is Microsoft's and Bill Gates' seemingly genuine bewilderment in why anyone, let alone a government of a society in which this particular global firm has been the source of enormous wealth creation, would seek to limit the power of the IT revolution, of the new economy, for a principle of social organization developed at the end of the nineteenth century to satisfy the particular needs of the American nation-state at that historic point of development. It is as if Gates is trying to tell the Justice Department and Judge Thomas Penfield Jackson that they just do not seem to understand the stakes of this particular game. What is at stake, Gates and Microsoft's army of attorneys and spokespersons seem to be saying, is a frontier without limits, one that has barely been glimpsed, let alone charted and mapped. To define this venture in terms of the industrial economy, to impose the values and markers of the "old east" on the "new west," is to fail the test of vision.

The political scientist Murray Edelman, writing of post-World War II American politics, was fond of pointing out that our politics are inherently complicated by the necessity of facing the present and the challenges of the future with a language and concepts wrought from the cauldron of our past political struggles (Edelman 1964). To some extent we are always imposing the past on the present and the future because we don't know how to act otherwise. This would appear as reasonable a view as any to bring to the complex task of assaying the new frontiers of globalization.

Notes

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1. Gramsci's initial formulation of the term referred to the particular organization of mass production workers in Ford's factories. A particular concern was whether the relatively high wages paid by Ford as opposed to other industrialists was to be typical of this factory style, or whether it was a temporary aberration. Over time the reference has come to include the more general structure of mass production manufacturing. Interestingly, Gramsci saw Fordism as particularly American and he was uncertain about the over generalizability of creating this type of worker (Gramsci 1971, cf. 310-313).

2. How one measures "wealth" determines how different corporations will rank in any such listing. Gross revenues will produce a different list from asset value. Even during the 1970s and 1980s, that is, before the roots of the "new economy" were in place and beginning to create novel corporations based around information activity, financial institutions had far greater asset value than industrial corporations. Progressively through the 1980s one can notice the rise of "integrated financial" firms and the displacing of all but the very largest of the manufacturing firms in the list of the top 50 or 100 U.S. firms. See the *Forbes* 500 listings for May 1975 (155-196), April 29, 1985 (159-364) and April 24, 1995 (208-381).

3. Important differences, however, exist. The Japanese automobile firms are a good example. When Honda and Toyota located plants in the American south, seeking relief from U.S.-imposed import restrictions on automobiles and the lower wage rates of weakly labor-organized states, they quickly constructed a supplier network of Japanese-owned firms for their own upstream component supplies. American suppliers quickly complained to Congress and state legislatures that they were being squeezed out of access to a significant part of the American automobile market.

4. An illustrative example may be found in Doris Kincade's discussion of the Quick Response Management System (QR). "For apparel manufacturer, QR is a business strategy which focuses on the linkage between apparel manufacturer and retailer. This linkage is designed to deliver a product which is desired by the consumer. EDI, CAD, bar coding, forecasting, and flexible manufacturing are examples of technologies used most often by apparel manufacturers to deliver product in a timely, efficient, and effective manner" (1995, 249).

5. Ian Taplin discusses the dark side of reducing production costs. "Contrary to what proponents of 'flexible specialization' argue, technological innovation here has actually deskilled high-functional tasks and has led to job losses in these areas. Work reorganization meanwhile has embedded the control of semiskilled workers into group-based norms of self-exploitation, further routinizing such work tasks. Together both changes have enabled firms to speed the flow of goods through the manufacturing process" (1995, 432-433).

6. For the fiscal year ending May 31, 2000, the Nike Corporation posted net income of \$579 million on revenues of \$9.0 billion. This is a two percent increase compared with their fiscal 1999 revenues of 8.8 billion (<http://www.nikebiz.com/invest/index.shtml>).

7. Spike Lee's talent as a filmmaker would no doubt have manifested itself in more conventional ways over time, but the decision of Nike's off-beat ad agency to combine Lee and Jordan in a series of unusual commercials helped launch the media career of each. At that time Lee's cinematic accomplishments were limited to his initial self-financed film (Halberstam 2000, 177-184).

8. "In 1960, the poorest 20 percent of the world's people received 2.3 percent of global income. By 1991, their share had sunk to 1.4 percent. Today, the poorest 20 percent

receive only 1.1 percent of global income. The ratio of income of the wealthiest 20 percent of the people to that of the poorest 20 percent was 30 to 1 in 1960. By 1995, that ratio stood at 82 to 1. The 20 percent of the world's people who live in the highest-income countries account for 86 percent of total worldwide private consumption expenditures; the poorest 20 percent, only 1.3 percent" (Kim et al. 2000), 14.

9. This list of negative factors can be easily extended. Indeed, much of the globalization literature is devoted to just that. One can develop a "globalization and . . ." list: globalization and health, globalization and culture, globalization and national rights, etc. as a vehicle for taking stock of the possible balance between the presumptive gains for various participants and their possible losses. Sometimes the results are surprising. One can posit, for example, that the downfall of the Soviet Union is in part a result of the globalization of the world economy. Internal corruption and a crushing internal bureaucracy had rendered the Soviet system incapable of providing goods and services at acceptable levels, even in the crucial military sector where by the end it was consuming an extraordinary amount of GDP. For another interesting perspective on some of the complexities of globalization, please see Anthony Giddens, BBC Reith 1999 Lectures, "Lectures 1-5—Globalisation," http://news6.thdo.bbc.co.uk/hi/english/static/events/reith_99/week1/week1.htm.

10. As with much argumentation about globalization and the new economy, this notion is highly contested, especially when the concentration is on the reshaping of the older industrial economies by the new economy. A useful source of scholarship on the new economy is the Progressive Policy Institute. See their new economy index at: www.neweconomyindex.org.

11. Western Governor's University is a distance education institution chartered by fourteen western governors, the initial purpose of which was to meet work force needs by bundling courses from universities in the 14 western states into degree and certificate programs for on-line students. It has no faculty or courses of its own. It is purely an information bundling operation.

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