



# What Is Globalization?

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**Ulrich Beck**

*Translated by Patrick Camiller*

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# Preface

The purpose of this book is to offer a trenchant introduction that will assist readers facing the thorny paths of the globalization debate: to clarify its ambiguities of fact and value, and to distinguish more clearly than is usually the case between its various dimensions. Another aim is to warn of a number of conceptual pitfalls, but the most important of all is to open up the horizon for political responses to globalization. Two questions, then, each difficult in its simplicity, will be at the centre of attention. What does globalization mean? How can it be moulded politically?

In connection with this essay, two Readers have been produced in German in which the various arguments, conclusions and controversies regarding globalization are documented and presented with the help of 'classical' and more recent texts. The titles of these volumes are: *Politik der Globalisierung* [Politics of Globalization] and *Perspektiven der Weltgesellschaft – Kontroversen, Konflikte, Paradoxien* [Perspectives for World Society: Controversies, Conflicts, Paradoxes].

I began work on these volumes two years ago, and their completion was made possible above all by a Distinguished Research professorship that I took up at the University of Wales, Cardiff, in the winter semester of 1995–6. Without the extremely stimulating discussions I had with Barbara Adam, Martin Albrow, Jörg Dürschmidt, Anthony Giddens, David Held, Scott Lash, John Thompson, Robin White-Grove, Helen Wilkinson, Brian Wynne and many others – but most of all, as ever, with Elisabeth Beck-Gernsheim – this book would never have seen the light of day. I would like to express here my deepest gratitude to them all.

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# Introduction

## Virtual taxpayers

With the peaceful fall of the Berlin Wall and the collapse of the Soviet empire, many thought that the end of politics was nigh as we entered an age beyond socialism and capitalism, utopia and emancipation. In the years since then, however, the ceremonial farewells to politics have become rather more subdued. The current scare-word 'globalization', seemingly unavoidable in any public statement, points not to an end of politics but to its *escape* from the categories of the national state, and even from the schema defining what is 'political' and 'non-political' action. For whatever the referent of the new globalization rhetoric (economy, markets, job competition, production, goods and services, financial flows, information, lifestyles), the political consequences of the stage-managed *economic* globalization risk stand out in sharp relief. Institutions of industrial society which seemed shut tight can be 'cracked' and opened up to political intervention. The premises of the welfare state and pension system, of income support, local government and infrastructural policies, the power of organized labour, industry-wide free collective bargaining, state expenditure, the fiscal system and 'fair taxation' – all this melts under the withering sun of globalization and becomes susceptible to (demands for) political moulding. Every social actor must respond in one way or another; and the typical responses do *not* fit into the old left–right schema of political action.<sup>1</sup>

We may say that what used to be the class question for the workers' movement in the nineteenth century is the globalization question for transnationally active enterprises at the turn of the twenty-first century – but with the crucial difference that the workers' movement acted as a *countervailing* power, whereas global enterprises have for a long time *not* been challenged by any other (transnational) power.

Why then does globalization mean politicization? It means this because the staging of globalization permits employers and their associations to disentangle and recapture their power to act that was restrained by the political and welfare institutions of democratically organized capitalism. Globalization makes possible things which, though perhaps always there, remained hidden during the stage of the welfare-democratic taming of capitalism. It means that corporations, especially globally active ones, can play a key role in shaping not only the economy but society as whole – if 'only' because they have it in their power to withdraw the material resources (capital, taxes, jobs) from society.

The global operation of the economy is sapping the foundations of national economics and national states, unleashing subpolitics on a quite novel scale and with incalculable consequences. The next objective will be to shunt the old adversary, 'labour', out of harm's way, but above all to serve notice on the 'ideal aggregate capitalist' (as Marx called the *state*) so that it is freed from the entanglement with labour and state that developed in the course of the nineteenth and twentieth centuries.

'All fixed, fast-frozen relations, with their train of ancient and venerable prejudices and opinions, are swept away' – Marx, already in the *Communist Manifesto*, hardly kept secret his celebration of the revolutionary potential of capital. Today the 'fixed and fast-frozen' is the welfare-state and trade-union organization of labour, while the 'ancient and venerable' are the bureaucratic prescriptions and fiscal exactions of the (national) state. Efficiency and neatness, then, will result from a novel politics based upon the 'material constraints' of globalization.

All around, one hears the assertion that it is not corporate interests but 'globalization' which forces this or that painful break with the past. One of the 'laws' of the global market is that not-A must be done in order to achieve A: for example, that jobs must be axed or relocated in order to keep jobs safe where they are. Precisely because labour can and must be downsized to boost profits, current policies are twisted until they appear as their opposite. Thus,

to stimulate economic growth is ultimately to 'produce' unemployment; and to cut taxes so that profit opportunities improve might possibly also 'produce' unemployment. The political and social paradoxes of a transnational economy – which must be lured and rewarded with the 'removal of barriers to investment' (meaning the removal of ecological, union, welfare and fiscal constraints), so that more and more labour can be *shed* and output and profits simultaneously increased – still have to be scientifically analysed and politically tackled.

Globalization policies featuring an orchestrated global scare are thus intended to shake off the fetters not only of trade unions but also of the national state, to deprive national politics as such of its power. The rhetoric hurled at welfare-state policies by major figures in the economy makes it as clear as one could wish that the final aim is to dismantle the existing responsibilities and apparatus of the state, to bring about the anarchistic market utopia of a *minimal* state. Paradoxically, however, it is also the case that globalization is often answered with *re-nationalization*.

Politicians from various parties do not realize that the very substance of politics and the state, as well as of the trade unions, is at stake in the globalization campaign. Surprised and fascinated by the power of globalization to 'soften up' institutions, they are only just beginning to suspect that – as Marx put it long ago – they are supposed to become their own gravediggers. It cannot but seem ironical, to this author at least, that some politicians call for ever freer markets without even noticing that this threatens their own lifeblood, the very source of their money and power. Has such a thing ever been seen before at an act of public suicide?

What is the basis of the new power of the transnationals? How is it that their strategic potential is growing larger?

Without a revolution, without even any change in laws or constitutions, an attack has been launched 'in the normal course of business', as it were, upon the material lifelines of modern national societies.

First, the transnational corporations are able to *export jobs* to parts of the world where labour costs and workplace obligations are lowest.

Second, the computer-generation of worldwide proximity enables them to break down and disperse goods and services, and to produce them *through a division of labour in different parts of the world*, so that national and corporate labels inevitably become illusory.

Third, they are in a position to play off countries or individual locations against one another, in a process of 'global horse-trading' to find the cheapest fiscal conditions and the most favourable infrastructure. They can also 'punish' particular countries if they seem too 'expensive' or 'investment-unfriendly'.

Fourth and last, in the manufactured and controlled jungle of global production, they are able to *decide for themselves their investment site, production site, tax site and residence site*, and to play these off against one another. As a result, top executives can live where it is nicest to live, and pay taxes where it is cheapest.

All this has come to pass without any complaint or discussion in parliaments, without any decision by governments and without any change in the law; nor has any public debate been necessary. This justifies us in speaking of a 'subpolitics'<sup>2</sup> – not to suggest some conspiracy theory, but to indicate that corporations acting within the framework of world society have gained additional scope for action and power *beyond* the political system. Over the heads of government and parliament, public opinion and the courts, the balance-of-power contract that characterized the first modernity of industrial society is now being terminated and transferred to the *independent realm* of economic action. The transition to a politics of globalization has crept in on velvet paws, under the guise of normality, rewriting the societal rules of the game – with the legitimacy of a modernization that will happen come what may.

The national state is a territorial state: that is, its power is grounded upon attachment to a particular place (upon control over membership, current legislation, border defence, and so on). The world society which, in the wake of globalization, has taken shape in many (not only economic) dimensions is undermining the importance of the national state, because a multiplicity of social circles, communication networks, market relations and lifestyles, none of them specific to any particular locality, now cut across the boundaries of the national state. This is apparent in each of the pillars of sovereignty: in tax-raising, police responsibilities, foreign policy and military security. Let us take the example of taxes.

The levying of taxes concerns not just one principle but *the* principle underlying the authority of the national state. This right to levy taxes is linked to the supervision of economic activities within a certain territory, but it is becoming an ever more fictitious basis as the scope increases for operations at the level of world society. Companies can produce in one country, pay taxes in

another and demand state infrastructural spending in yet another. People too have become more mobile. If they are rich, they prove more adept at exploiting holes in the fiscal nets of the state; if they have sought-after job skills, they deploy them where they stand to gain most; and if they are poor, they set off for places where milk and honey beckon. On the other hand, national states become increasingly entangled in contradictions if they try to shut themselves off from the rest of the world. For they must all attract capital, people and knowledge in order to survive the competition in world society.

The gladiators of economic growth who are so courted by politicians erode the authority of the state by demanding its services whilst denying it tax revenue. The point is that it is precisely the super-rich who become *virtual taxpayers*, and their riches rest not least upon this virtue of the virtual. In ways that are (mostly) legal yet illegitimate, they undermine the democratic public good of which they take advantage.

*Fortune* magazine, which regularly publishes a league table of the world's top 500 companies, jubilantly reports that these have been 'pushing across frontiers to capture new markets and swallow up the local competition. Their guiding idea is: the more countries, the greater the profits. And indeed the profits of the top 500 have risen by 15 per cent, with an increase in turnover of only 11 per cent.'<sup>3</sup>

'Profits up, jobs out,' runs an article title in *Der Spiegel*: 'A special kind of economic miracle is striking fear into the nation. A new generation of corporate bosses have taken over and are embracing American-style share worship. Worst of all, the stock market is rewarding job killers.'<sup>4</sup>

Businessmen have discovered the road to riches. The new magic formula is: capitalism *without work* plus capitalism *without taxes*. Between 1989 and 1993, the tax yield from corporate profits fell by 18.6 per cent, and by nearly a half as a proportion of total fiscal revenue.

André Gorz argues:

The social security system must be reorganized, and new foundations put in its place. But we must also ask why it seems to have become impossible to finance this reconstruction. Over the past twenty years, the EU countries have become 50 to 70 per cent richer. The economy has grown much faster than the population. Yet the EU now has twenty million unemployed, fifty million below the

poverty line and five million homeless. What has happened to the extra wealth? From the case of the United States, we know that economic growth has enriched only the best-off 10 per cent of the population. This 10 per cent has garnered 96 per cent of the additional wealth. Things are not quite as bad in Europe, but they are not much better.

In Germany since 1979 corporate profits have risen by 90 per cent and wages by 6 per cent. But revenue from income tax has doubled over the past ten years, while revenue from corporate taxes has fallen by a half. It now contributes a mere 13 per cent of total tax revenue, down from 25 per cent in 1980 and 35 per cent in 1960. Had the figure remained at 25 per cent, the state would have annually netted an extra 86 billion marks in recent years.

Developments have been similar in other countries. Most transnational corporations like Siemens or BMW no longer pay any taxes at home. [...] Unless there is some change here [...] people will rightly not accept cuts in their social services, pensions and take-home pay.<sup>5</sup>

Transnational corporations (TNCs) are securing record profits – and a massive downsizing of labour. Chairmen's annual reports present one dream balance after another. But politicians who have to justify scandalous levels of unemployment push for further tax cuts, in the mostly vain hope that at least a few jobs will be squeezed from the new wealth of the rich.

The social barometer is therefore showing a rise in conflicts, including between virtual and real taxpayers. Whereas TNCs can escape the clutches of inland revenue bureaucracies, small and medium-sized companies (which create a large share of new jobs) have to cough up more and more as the screws are turned on them. It is an irony of history that the very *losers* of globalization will in future have to pay for everything – from the welfare state to a functioning democracy – while the *winners* of globalization post dream profits and steal away from their responsibility for future democracy. It follows that, in the age of globalization, the major issue of social justice will have to be handled in a new way, both theoretically and politically.

But the contradictions of 'jobless capitalism' are also becoming easier to perceive. Managers may transfer the administration of transnational companies to southern India, yet send their children to the top publicly funded European universities. It never crosses their mind to move to where they are building up jobs and paying low taxes. For themselves they demand high-cost political, social

and civil rights as a matter of course, while torpedoing the public finances that support them. They go to the theatre. They enjoy well-cared-for nature and landscape. They romp around the still relatively crime-free cities of Europe. But their profit-oriented policies are doing a lot to ensure that this European way of life will fall apart. Might we know where they or their children want to live when the state and democracy can no longer be paid for in Europe?

What is good for the Deutsche Bank has for a long time not been good for Germany. The TNCs are bidding farewell to the framework of the national state and refusing further loyalty to its actors. This, however, lowers the degree of *internal* social integration, all the more so as its basis was purely economic. It is precisely the well-endowed welfare states which are facing the worst predicament. They have to provide statutory benefits for an ever higher number of registered unemployed (fast approaching five million in Germany), and at the same time they lose control over taxes because the TNCs deal themselves a quite unparalleled hand in the poker game over their local ties and obligations. Or, to change the metaphor, they have four bites at the cherry: first, by gaining the best possible access to quality infrastructure; second, by picking up various subsidies; third, by reducing their tax burden to a minimum; and fourth, by externalizing the costs of the unemployed.

The downward pressure on the welfare state, then, results not only from a combination of dwindling resources and rocketing expenditure, but also from the fact that it lacks the means to satisfy demands upon it at a time when the gulf between rich and poor is growing ever wider. As the national framework loses its binding force, the winners and the losers of globalization cease to sit at the same table. The new rich no longer 'need' the new poor. And so it becomes increasingly difficult to even out the differences between them, because there is no framework in which this overarching conflict could be represented and regulated.<sup>6</sup>

It is not hard to see what this entails. The conflictual logic of the capitalist zero-sum game has been re-emerging and growing sharper, while the state has been losing its customary means to pacify and conciliate by increasing the size of the economic cake available for distribution.

A question mark thus appears over the model of the first, national modernity, which was conceived and organized within a particular cultural identity (a 'people'), a territory and a state. At

the same time, however, no new unity of humanity, planet earth and world state has become visible or even desirable to large numbers of people.

### **The national state caught between world economy and individualization: what is to be done?**

The conclusion seems to suggest itself that the project of modernity has failed. The philosophers of 'postmodernism' were the first to issue a spirited death certificate for the rationality claims of science, arguing that what passed itself off in the West as the universalism of Enlightenment and human rights was nothing other than the voice of 'dead old white males' who had trampled on the rights of ethnic, religious and sexual minorities by absolutizing their own partisan 'meta-narrative'.

It is further argued that the social cement has grown porous through the secular trend of *individualization*, that society has been losing its collective self-consciousness and therefore its capacity for political action. The quest for political responses to the great issues of the future no longer has any subject or any locus.

In this pitch-dark view of things, economic globalization merely completes what has been driven forward intellectually by postmodernism and politically by individualization: namely, the collapse of modernity. The diagnosis points towards a *capitalism without work* that will *create unemployment on a huge scale*; the historical association between market economy, welfare state and democracy, the Western model that integrated and legitimated the nation-state project of modernity, is thus destined to break down. According to this scenario, neoliberals are the liquidators of the West – even if they set themselves up as its reformers. As far as the welfare state, democracy and a public sphere are concerned, they are pursuing a course of modernization to the death.

But decline begins in the head. Fatalism is also a language disorder. And before jumping off the Eiffel Tower, one really ought to consult a language therapist. 'Concepts are empty: they no longer grip, illuminate or inflame. The greyness lying over the world [...] may also come from a kind of verbal mildew.'<sup>7</sup> What appears as collapse might, if it succeeds in overcoming the fatal orthodoxies of the first modernity, open out into a second modernity.<sup>8</sup>