

The Global Division of Labour

Development and Inequality in
World Society

Richard Münch



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Development and Inequality in World Society

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The Global Division of Labour

Development and Inequality in World Society

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Preface

Global free trade is one of the most controversial powers of our time. The protagonists of economic liberalism expect it to provide growing affluence for all regions of the globe. Globalization critics consider it the driving force behind increasing inequality, societal disorganization and ecological destruction. These are indeed the two faces of free global trade. This book contributes to a better understanding and supplies an explanation of these two faces. To this end, the subject in question has been studied with the help of a theory of society and has also been subjected to a detailed empirical examination. Christian Dressel has executed the required statistical analyses. Without his collaboration, the empirical part of the research could not have been carried out. I am very grateful to him for his readiness to set up the data, to extend it continually and to try out, amend and improve various analyses.

The history of writing this book dates back to 2002, when the doctoral programme Markets and Social Systems (funded by the German Research Foundation between 2002 and 2011) was established at Otto Friedrich University in Bamberg, Germany. I was happy to serve as speaker for the programme over the years. During that time, this book has received a wealth of stimuli and inspirations from the doctoral programme that have contributed to extending and intensifying the study. I should like to take this opportunity to thank all colleagues and doctoral students for their comments and suggestions.

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Abbreviations

ASEAN	Association of Southeast Asian Nations
CSR	corporate social responsibility
EU	European Union
FDI	foreign direct investment
FE	fixed effect
FEM	fixed effects model
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GE	government expenditure
GNP	gross national product
HDI	Human Development Index
ILO	International Labour Organization
IMF	International Monetary Fund
INGO	international non-governmental organization
IO	international organization
MAI	Multilateral Agreement on Investments
MFA	Multi-Fibre Arrangement
MLD	mean log deviation
NAFTA	North American Free Trade Association
NGO	non-governmental organization
OECD	Organisation for Economic Co-operation and Development
OLS	ordinary least squares
PPP	purchasing power parity
PR	poverty rate
RE	random effect
REM	random effects model
TTIP	Transatlantic Trade and Investment Partnership
UN	United Nations
UNDP	United Nations Development Programme
UNU/WIDER	UN University World Income Inequality Database
WTO	World Trade Organization

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Introduction: The Dynamics of Global Labour Division

The globalization of societal life looks back upon a long history (O'Rourke and Williamson 2002; Osterhammel and Petersson 2006; Stearns 2009). Our present time excels, however, in having made globalization a first-rate topic of social science research, public debate and politics. Among many other themes, the distribution of affluence in the world is of special importance. The unequal distribution of affluence worldwide has become an ever more significant problem for global politics since the end of the Second World War at the latest (Sen 1992, 1999). A variety of territorial and cross-national conflicts can be ascribed to the unequal distribution of affluence worldwide (Senghaas 2004). For the time being, international terrorism is fed to a considerable extent by the worldwide inequality as regards participation in global affluence. In the course of time, an extremely unequal level of development has been attained in the world's different regions (Shorrocks and van der Hoeven 2004; Kanbur and Venables 2005; Nederveen Pieterse and Rehbein 2009; Peet and Hartwick 2009; Kremer et al. 2010). Compared with 1950, the global gross national product (GNP) per capita increased to 250 per cent its value by 1992 (adjusted by purchasing power). In the USA, Canada, Australia and New Zealand taken together, it reached slightly more than double its previous value; in Western Europe more than triple; in Latin America approximately double; in Eastern Europe slightly less than double; and in Asia and Oceania combined slightly more than triple the value of 1950. In Africa, in contrast, it rose by a mere 50 per cent on the globally lowest level. While the richest group of countries generated an approximately 11 times as high gross domestic product (GDP) per capita in 1950 compared with the African countries, that result was almost 20 times as high by 1992. The tremendous catch-up movement in Asia and Oceania is a generally known fact (Bornschieer

2002b: 49). From the 1950s until the mid-1960s, economic development theory and modernization theory suggested that alongside an increase in the educational level, an extension of the necessary infrastructure and the emergence of a viable middle class, the developing countries will be enabled to catch up and approach the affluence level of the industrialized countries (Rostow 1960/1990). One necessary prerequisite of this development should be a sufficiently large formation of capital and targeted modernization fuelled by a modernizing elite. After all, the distance between the developing and the industrialized countries has hardly diminished over a longer period of time. Instead, the distance between rich and poor countries has grown. Moreover, the number of people living in poverty in the developing countries has increased not only in absolute terms but also in percentage terms as a result of population growth. Hence, in the mid-1960s, the situation changed in favour of theories looking at the causes of permanent underdevelopment, and growing instead of shrinking inequality worldwide. The newly emerging Dependencia theory and the world systems theories saw the reason for this phenomenon in the relationship between the industrialized and the developing countries and, hence, in the extension of global trade (for a critical assessment, see Weede and Tiefenbach 1981).

The basic theorem of Dependencia theory, which has its roots in Latin America, is that the exchange of raw materials for industrially manufactured goods between developing and industrialized countries proceeds along unequal terms of trade in as far as it does not take into account the volume of “societally necessary” labour invested in these goods (Sunkel 1969, 1972). In other words, the high productivity of the industrialized countries coupled with the low productivity of the developing countries results in the industrialized countries becoming ever richer and investing ever less labour, and the developing countries becoming ever poorer and investing ever more labour. Hence Dependencia theory recommended the decoupling of developing countries from the industrialized countries by building up their own industrial production and thus breaking free from imports.

World systems theory, which has essentially been developed by Immanuel Wallerstein, sees the cause for the permanent and rather increasing inequality between industrialized and developing countries above all in the shift of exploitation from the industrially fully employed workforce in the industrialized countries, which is protected by strong trade unions, to people in the developing countries who are not protected by trade unions and who are employed only partially in plantation agriculture. The latter are employed in the extraction of

raw materials and in labour-intensive, simple production alongside their activity in the subsistence economy (Wallerstein 1974; Hopkins and Wallerstein 1982). Marx's theorem (1867/1970) of the growing inequality between capital and labour is, in this way, being transferred to the relationship between the industrialized countries in the centre and the developing countries at the periphery of the world system.

Since the 1980s, however, the discussion has taken yet another turn. The success of the South-East Asian tiger states in their catch-up movement, which brought along far higher growth rates than in the industrialized states along with related achievements in reducing poverty, has drawn attention to the endogenous development conditions of the developing and newly industrialized countries. A development-promoting role is once again being ascribed to growing global trade and the global labour division it supports. The same goes for the role of transnationally operating businesses. The reasons for the persistent underdevelopment of developing countries and the inequality between developing and industrialized countries are now first and foremost attributed to the former's lack of adjustment to a smoothly running market economy. Such adjustments would be limited public debt, enhanced economic competition, privatization of industry production and services, and legal security. On the part of the industrialized nations, their lack of openness of their markets to agricultural and labour-intensive products from the developing countries is taken as a barrier to the latter's development (Bhagwati and Hudec 1996; Nederveen Pieterse and Rehbein 2009). In this transformation of the theoretical explanation of underdevelopment and global inequality, the triumph of the neoliberal paradigm in economic theory can be clearly recognized. It has affected essentially the policy of the World Bank and the International Monetary Fund (IMF), but increasingly also the negotiations of the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO) since the 1980s. Since the mid-1990s the corresponding policy of trade liberalization has inched into the focus of globalization critics who consider this trend a danger not only to the industrialized countries' welfare-state achievements but also to the developing nations' chances of further development. In this context, attention is being paid, above all, to the "creative destruction" (Schumpeter 1983, 1994) of given economic structures, which is fuelled in particular by global free trade. It involves phenomena of social disorganization such as loss of jobs, loss of income, increasing inequality, poverty and rising delinquency (Menzel 1992, 1998, 2004; Kiely 2005, 2010; Weinstein 2005; Findlay and O'Rourke 2007;

Rodrik 2007, 2011; Shaikh 2007; Blaney and Inayatullah 2009; Ebenau et al. 2015).

The social problem of the market economy is negotiated anew (Berger 2009). The neoliberal praise of global free trade and of the free market economy, and the radical globalization criticism, oppose each other unforgivingly. This conflict is blatant evidence of the fact that the questions of inequality, poverty, exclusion and social disintegration are, meanwhile, no longer questions of national politics but have become questions of a global dimension. It expresses at least a partial overlap of national politics with international relations. Also, we can recognize an overlap of the solidarity of delimited national collectives with the transnational solidarity growing in the wake of global trade and the global labour division it supports. This change in solidarity is mirrored by the fact that participation in growing global affluence is being distributed among developing and newly industrialized countries according to the level of their inclusion in the global economy and the level of their seizing of development chances the latter offers by way of harmonizing foreign direct investment (FDI) and the development of their own economy (Herkenrath 2003). Accordingly, the inclusion in global trade is no longer based merely on being a member of the group of industrialized countries or of the group of developing countries, but increasingly also on the achievements made in open competition with more equal opportunity. This urges the previously privileged collectives of the industrialized countries towards stronger internalization of global competition in their own economy. Another consequence of this development is the gradual shift of inequality of market achievement from the level between national collectives to the level within nations. We can thus anticipate an even stronger drop in living standard of the non-participating developing countries as a result of the intensification of global trade. Furthermore, the affluence divide between the countries included in the global economy is diminishing along with the higher growth rates of the follow-up countries. At the same time, affluence produced within both the follow-up countries and the highly developed states is distributed in a far more unequal way than at times when important branches of the economy were protected more strongly against competition on the world market.

Hence the question of inequality requires a differentiated answer. We can assume that it decreases between the countries included in the global economy as a result of the higher growth rates in the catch-up countries, but that it increases within these countries (Firebaugh 2003). Also, it rises between the countries included in the global economy and

the countries excluded from it. In the wake of growing global trade and the advancing global labour division, the pattern of participation in global affluence is therefore changing, as is the corresponding pattern of inequality. The victory of the neoliberal paradigm in the global economic discourse contributes to this development. Nevertheless, its contribution is only part of a more comprehensive transformation in whose framework a profound change in solidarity and, along with it, a change in the idea of justice occur on the tracks of global trade. Solidarity is the basis of the specific formation of participation in the globally produced affluence. The principles of justice and the standards relevant to the access to welfare rest on this foundation. We can look best into the emerging change in solidarity and justice in the framework of world society that develops at the core of the global trade when we scrutinize the meaning of the principles and rules of the world trade order. Such a strategy of investigation allows us to follow up a classical contribution to explaining the transformation of solidarity and justice in the process of modernization: Emile Durkheim's (1964) study on the division of labour, which needs to be transferred to the global division of labour. To make it clear right from the start and to avoid any misunderstanding, I would like to point out that this study understands "global labour division" in Emile Durkheim's sense of an interrelationship between economic specializations within and across countries. It means "labour" in the technical sense of a specific competence brought into the market of exchanging goods and services and not directly in the sense of a productive force, which unites workers and opposes them to capitalists in the Marxian sense. The Durkheimian division of labour includes capitalists, managers, professionals, employees and workers in the specialization on supplying specific goods and services on the market. In labour division across borders, capitalists, managers, professionals, employees and workers in one branch or sub-branch of industry specializing in a certain product are in the same camp of specialization. Nevertheless, this primary perspective does not neglect to look at labour division and corresponding class divisions across and within industrial branches from a secondary perspective – for example, when we realize that global labour division in the Durkheimian sense involves the transformation of class divisions between capitalists, managers, professionals, employees and workers across and within nations in a Marxian or broader Weberian sense.

A further model for explaining the change in solidarity and justice, which we can rely on in this context, comes from Max Weber (1927: 356). His contribution concerns the removal of the differentiation

between in-group and out-group morality and the formation of equal moral standards within and between nations in the development of modern capitalism (Münch 2001a, 2001b). Weber addressed this change as a retreat from primordial and traditional links and from the separation of the ethics of brotherliness within the household and utilitarian behaviour outside the household. We can transfer this model of thought to the change from the world's segmentary differentiation into nation states that are united in solidarity inside but separated from one another by the lack of solidarity, to a world society featuring transnational solidarity and justice, which is differentiated in terms of both labour division and functionality. This contribution to understanding global society, which is fuelled by this classical tradition of sociology, wants to supply a description and explanation of the influence of the world trade order on the formation of the global society that is going to develop at its core. This analysis proceeds not only beyond the ideologically determined debate between neoliberalism and globalization criticism but also beyond the debate on the welfare state's capacity to survive in the global economy. The new entanglement of economy and politics in the context of global trade determines the structure of world society. In this sense, the world society's political economy forms the subject of our research (on "society/world society", see Heintz, Münch and Tyrell 2005; Tyrell 2005).

We understand and explain the emerging global order (1) as a struggle about the moral construction of the world economic order among international non-governmental organizations (INGOs), NGOs and transnational corporations; (2) as a legal construction of world trade by the WTO; and (3) as a dynamic process of global labour division along the tracks constructed in symbolic struggles about the moral and legal construction of the global order. In Max Weber's (1920/1972: 252) terms, the interdependence of ideas and interests drives historical development. In our study, ideas and interests interact as the moral and legal construction of the global order merges with the dynamic force of global labour division.

The global division of labour as the driving force of the transnationalization of solidarity?

The development of the world trade order can be understood as the functional differentiation of the economy from the segmentary differentiated system of nation states. In the following paragraphs I will elaborate on this idea following up Emile Durkheim's aforementioned

basic teaching concerning the development of modern labour division, and complement it with Max Weber's thesis on the removal of separating in-group and out-group morality in modern capitalism. The emergence of the world trade order can be understood as a new step of development of labour division beyond the system of the nation states. What needs to be analysed in this context is a fundamental change to solidarity and justice. This change is not understood properly in the current controversy about whether globalization steamrolls the welfare states and brings along a triumph of the liberal regime (Altvater and Mahnkopf 1996; Strange 1996), or whether the different types of welfare state are in a position to live up to the challenges of globalization along their own development path without having to undergo a fundamental change (Swank 2002; Weiss 2003).

Both positions are too limited in their explanatory power because they direct their attention exclusively to the nation state's capability to act in view of the flow of global capital and goods. In doing so, they ignore the fundamental structural change to solidarity and justice in the process of globalization beyond the segmentary differentiation into nation states. The controversy has got stuck in the dual model of the relationship between economy and state, and it does not see that neither of them operates in a vacuum but, instead, is embedded in social structures of solidarity and cultural structures of meaning. These structures change so much in the course of globalization that both economy and politics work under a new framework of social solidarity and cultural identity (Münch 2001c, 2008a, 2008b, 2009b, 2010a, 2010b).

It is not simply the question as to how the globally "unfettered" capitalism can be "re-embedded" in terms of both solidarity and morality that matters here, nor is it the question as to whether the nation state or the European Union (EU) or a sort of world republic form the adequate level for regulating the economy (Habermas 1998). Instead, the question is how solidarity and morality change in the wake of globalization and what character they assume in the multilevel system of the sub-national, national, European and global formation of society, thus structuring economic exchange and state activity (Nagel 2002; Singer 2002). Furthermore, Karl Polanyi's (1944/2001) teaching regarding the disembedding and re-embedding of the economy does not fully cover this matter. The same goes for the systems-theoretical concept of the functional differentiation of the economy as an autopoietically operating system (Luhmann 1988). According to this concept, the functionally differentiated economy is free from any normative structuring working exclusively in line with its own code of paying/not paying. From this

point of view, it is not understandable that the functional differentiation of the economy itself is being generated only by the emergence of a new, normatively regulated transnational economic order. Hence it does not refer to the detachment of the economy from any kind of normative structuring, but rather to the substitution of an old form of normative structuring of economic activities with a new form of structuring having a changed meaning. Understanding the meaning of the structural change to the economic order, which occurs in this way, is the job of an explanation of the functional differentiation of the economy (see Beckert 2009a, 2009b).

Only when compared with the nationally regulated economy is the globalization of the economy a process of disembedding and liberation from normative regulation. Nevertheless, it unfolds from the very beginning in a direct internal link with the emergence of a new structure of solidarity and a new idea of justice, which are expressed in the world trade order. Without a world trade order there is no world trade, since it would meet barriers of national regulations (tariffs, subsidies, product safety guidelines) far too frequently. Accordingly, global trade can develop only in the framework of the world trade order, which accommodates a model of transnational solidarity and trading justice (Bhala and Kennedy 1998). This model is realized to the extent to which national solidarity and justice lose in power. Transnational integration and national disintegration are two sides of the same coin. Both processes together converge in the erosion of the mechanically embedded organic solidarity and the far-reaching equality of results being the principle of justice in the nation state. They are coupled with transnational unbrotherliness, and inequality of results and opportunities. This separation of in-group and out-group morality in the system of nation states is replaced by a sort of network solidarity and a stronger emphasis on equal opportunity in the emerging multilevel system of local community, subnational region, nation, transnational regional associations and world society. The new solidarity and the new justice penetrate all levels of this multilevel system. However, they are more powerful towards the top, while relics of mechanical solidarity and equality of results remain within segmentarily differentiated units towards the bottom.

In his study of the division of labour, Emile Durkheim (1964) developed a theoretical tool that can be used for a genuinely sociological explanation of the causes, concomitants and consequences of the international division of labour. First of all we can recognize along with Durkheim (1964: 257–260) the causes of the progressing global labour division when looking at the shrinking distances between people.

Distances shrink as a result of population growth, urbanization, and/or denser and faster ways and means of transport and communication. Drawing on Marx (1867/1970) we can add capitalist accumulation as a major driving force behind breaking down borders. The correspondingly increased material density increases competition for scarce resources. This enhanced competitive pressure can be coped with in various ways (functional alternatives) (Durkheim 1982: 122):

- increased mortality rate;
- emigration;
- augmented crime rate;
- war;
- specialization.

In modern history, all five functional alternatives have been realized up until today. Nevertheless, the fifth alternative – namely, specialization – has increased in volume. The more it keeps on doing so, the more the four other alternatives lose significance.

Contradicting Durkheim's explanation of the progressing labour division as a result of the competition for scarce resources growing along with material density, Dietrich Rueschemeyer (1982: 582ff.; cf. also 1985: 170–171) argues that it is based on a mistaken application of Darwin's theory of natural selection. He claims that while Darwin explained specialization in the animal kingdom through the competition of "consumers" for food, which is avoided by specializing the demand for food on varying foodstuffs, Durkheim speaks of a specialization of competing "producers". This competition, he says, can be compensated for by a progress in productivity and/or growing demand so that specialization would not be necessary. I do not think that Rueschemeyer's argumentation is really convincing. We have to bear in mind that producers offer something in order to turn the yields into consumption or renewed production. If they do not find a purchaser, they lack earnings to secure their living standard. Hence producers compete for scarce resources (consumer spending) in the same way as animals do for scarce food. There is no fundamental difference. Moreover, all people are producers in the sense of suppliers of products or services. This includes a workforce offering their performance on the labour market. A growing offer of simple job qualifications on the labour market, for instance, will lower their remuneration – unless job market regulations counteract this development – and will exercise pressure towards specialization by way of higher/additional qualifications and

special knowledge. Of course, a boost in demand for simple production work can relieve the situation on the world market – for example, by rising demand in populous countries such as China, unless that country can meet the demand completely with domestic production. Nevertheless, this relief can only be of a temporary nature. If Rueschemeyer's argument held true, demand for similar products or services would have to be able to be increased at will. This assumption contradicts the law of diminishing marginal utility. Beyond the point of saturation, no offer will find any purchaser. Rising productivity will also meet this limit of effective decrease in competition. Hence a growing offer of identical products will find fewer and fewer purchasers along with diminishing marginal utility. Growing demand and rising productivity can therefore attenuate competition over a limited period of time only and make specialization superfluous. By the way, such has long been the path taken by strongly export-oriented, highly productive industrialized nations such as Germany. In the meantime, however, they have learned that this path has met its limits so that renewed specialization in top technology is required in order to avoid competition from nations with lower unit labour costs. Rueschemeyer's argument against Durkheim's idea is refuted by this development. Furthermore, in line with Durkheim's thoughts, rising demand and progress in productivity represent functional equivalents for specialization such as increased mortality, emigration and war. Nevertheless, these are counteracted by the law of diminishing marginal utility.

In this context we also have to understand Durkheim's (1964: 233–255) argument correctly, which says that the progress of labour division cannot be explained by the growing happiness of people, because this cannot be foreseen by the people and because, in contrast, giving up old habits and learning new activities would create constraints inching to the fore. Durkheim thus claims that specialization and labour division involve enormous transaction costs; therefore, most actors would not specialize by choice. Durkheim's argument implies that it is not possible to predict increasing profits originating from global labour division. This argument runs against the law formulated by Adam Smith (1776/1952), which postulates cost advantages for all nations involved in trade resulting from global labour division, as does David Ricardo's (1817/1977) law of comparative cost advantages. Transaction costs appear in neither the classical nor the neoclassical paradigm of economic theory. Nevertheless, they determine fundamentally what actually happens. Hence a particularly strong competitive pressure and the elimination of functional alternatives are required to trigger a boost in specialization and labour division. This insight of Durkheim, which

challenges economic theory, is lost again when we argue that the demand for specialized products motivates corresponding offers with profit maximization in mind. This economic argument neglects the fact that innovations can certainly be stimulated by chances of profit maximization, but that this blocks existing chances to other suppliers. Such a development ultimately forces suppliers to turn to renewed specialization, although they have to bear costs in doing so, which they would not have wished to incur prior to the change in their situation. The crucial elements of the explanation are therefore external transformations – namely, increasing material density that intensifies competition, which in its turn forces people to turn away from old traditions and thus weakens the powers of persistence (Durkheim 1964: 256–282).

Another argument, which Rueschemeyer (1982: 584–585) raises against Durkheim, is not fully convincing either. Rejecting Durkheim's claim that labour division can develop within a society only, he argues with Max Weber that market exchange originally takes place among strangers, but that gradually a normatively regulated market order can develop from it. Basically, this is a way from habitualization to institutionalization and to the legitimation of an order in the sense elaborated by Berger and Luckmann (1966). Nevertheless, Durkheim definitely does not rule out this possibility, as is proved by his statements about the international and, above all, the European labour division (Durkheim 1964: 281). Durkheim (1964: 276–277) claims that a "material connection" generates "bonds" of a moral kind, "if only it is lasting". This means nothing but the way from habitualization to institutionalization and to legitimation. Durkheim is particularly interested in establishing that this is by no means an automatic process occurring according to functional needs or the expectation of some profits in the future. In contrast, an explicit cross-national development of institutions and the inherent transnationalization of societal ties are necessary, when global labour division should be placed on solid grounds:

For one people to be penetrated by another, it must cease to hold to an exclusive patriotism, and learn another which is more comprehensive. Moreover, this relation of facts can be directly observed in most striking fashion in the international division of labour that history offers us. It can truly be said that it has never been produced except in Europe and in our time. But it was at the end of the eighteenth century and at the beginning of the nineteenth that a common conscience of European societies began to be formed.

(Durkheim 1964: 281)

Predicting to some extent the breakdown of global labour division in the wake of the New York stock market crash in October 1929, he writes: “Inversely, any return to a strict nationalism always results in a tendency of peoples to isolate themselves from one another economically and morally” (Durkheim 1964: 281).

This statement proves the significance Durkheim attributes to the fact that an institutionally ordered global labour division does not originate automatically from increasing economic exchange through functional spillover. He underlines this expressly in the lines following the above quotation. While Rueschemeyer’s argument pays far more attention to this functional dynamics, Durkheim points out that this dynamics does not suffice to generate an institutionally ordered global labour division.

In his *Rules of Sociological Method* (1982), Durkheim states that there is a trend towards a congruency between the material density of transport and communication networks on the one hand, and the dynamic density of the “moral closing of ranks” in “common life”, which includes a common sharing of moral convictions. There is no dynamic density without material density. Yet material density can basically proceed without anyone being able to predict if and how far it is complemented by increasing dynamic density:

For, since purely economic relationships leave men separated from each other, these relationships can be very active without people necessarily participating in the same collective existence. Business ties which span the boundaries which separate peoples do not make those boundaries non-existent. The common life can be affected only by the number of people who effectively co-operate in it.

(Durkheim 1982: 136–137)

Global labour division – whose development Durkheim (1964: 281) notes – creates opportunities for transnational solidarity, but not its factual emergence. The latter is countered by the fact that relationships of solidarity are organized in a national way. In view of the precarious character of this solidarity in the industrial class society, in the preface to the second edition of his study on the division of labour, Durkheim (1964: 24–31) allocates a crucial role in forming this solidarity to professional groups. He expects them to serve as mediators between the state and the individuals. What emerged later on as neocorporatist cooperation between state, employers and trade unions (Streeck 1999) is fully in line with Durkheim’s idea of collectively organized solidarity. In his own terms, the organic solidarity embodied in labour division is

being regulated by a kind of mechanical solidarity carried out in the cooperation between state, employers and trade unions. The state is in charge of representing the universalism of human and civil rights, which goes beyond its limits, and of helping it spread globally by way of international cooperation (Durkheim 1973a, 1973b, 1983: 72–75). For Durkheim, an internationalization of solidarity that goes even farther is only feasible in the form of a European society for the time being:

But what is possible is that societies of the same type may come together, and it is, indeed, in this direction that evolution appears to move. We have already seen that among European peoples there is a tendency to form, by spontaneous movement, a European society which has, at present, some idea of itself and the beginning of an organization.

(Durkheim 1964: 405; see also 281–282)

Taking into account the fact that the European nations had to cope with two world wars to arrive on the path foreseen by Durkheim, this statement must be considered excessively optimistic. In the long run, however, we have to concede that he predicted the course of European history in an astonishingly far-sighted way. As far as the emergence of a world society is concerned, he was less convinced. What can, however, be determined clearly according to his theory is the path that will exclusively lead towards such a society:

The ideal of human fraternity can be realized only in proportion to the progress of the division of labour.

(Durkheim 1964: 406)

This argument sets the task for our further investigation. We have to find out whether, why and in how far we can say – more than at the turn to the 20th century – that a world society with its own solidarity overruling national solidarities will evolve from global labour division that is fuelled by free global trade. This means we have to find out whether dynamic density follows close on the heels of material density on a global level. We also have to answer the question as to what are the reasons that suggest such a development more strongly than Durkheim could assume at his time. After all, global trade had attained an extent at the turn to the 20th century which was only reached again in the 1970s after the breakdown of the world market in the wake of the New York stock market crash in October 1929. Beyond global trade, there were

also approaches to its institutional regulation and embedding by international agreements such as the internationalization of patent law and the universal postal union (Murphy 1994). The Socialist International could have advanced the global dissemination of social standards as an embedding of global trade in the network of solidarity. However, international cooperation aimed at regulating global trade had not been developed far enough to prevent the relapse into national protectionism after the New York stock market crash in October 1929. It is precisely at this point that we face the difference between that period of global trade and the situation after the Second World War. National protectionism inhibited economic development and involved the breakdown of the international system of states in the Second World War. To escape from this dead end of international relations, a structure of international institutions was created under the hegemony of the USA, which made an essential contribution to securing stability and development of the world economy. This structure took its origins in Bretton Woods in 1944, creating institutions such as the IMF in 1944, the World Bank in 1944 and the GATT in 1947. The stabilizing role of these institutions has lasted even beyond 1973, when the system of fixed exchange rates tied to the US dollar came to an end, a development that has weakened the USA's hegemonic position (Cohn 2002). As regards the development of "moral relationships" from the growing global labour division, there are considerably more lasting institutional foundations in the sense of Emile Durkheim as compared with the period 1870–1914. This study is going to demonstrate that the GATT and the WTO as its successor can be considered the nucleus of a world society evolving from global trade and of a corresponding superimposition of transnational solidarity on national solidarities.

In the framework of the increasing global labour division, a transnational organic solidarity superimposes itself on the mechanical solidarity of the nation states. We should better regard this transnational solidarity as an open-ended network solidarity. That kind of solidarity must be distinguished from the mechanically embedded organic solidarity of the welfare states, which are relatively closed units of solidarity. Durkheim (1964: 283–303) has established that the collective conscience becomes more abstract in this transformation process, while the scope available for individual conscience and the unfolding of individuality by specialization are growing. The segmentarily differentiated but internally homogeneous nations become more similar to each other by increasing transnational labour division and their accompanying inner differentiation (Durkheim 1964: 136, 300). In Max Weber's

(1927: 356) terms we might say that the separation of in-group and out-group morality tends to be abandoned on a new development level of the world society beyond the system of nation states. The coupling of nation-state brotherliness and cross-national unbrotherliness is being replaced by the assimilation of national and cross-national network solidarity and equal opportunity. Along with transnational societal association, the universalization of solidarity and justice is growing, which also involves a boost of individualization. The single individual is at the core of universal network solidarity and equal opportunity, irrespective of its national affiliation. In this sense, the world society is indeed a society of individuals to an ever increasing extent (Elias 1988; Münch 2001a), and a society of nation states to an ever decreasing extent. The international organizations (IOs) and NGOs, which build up the evolving transnational civil society, are the essential carriers of transnational societal association (Boli and Thomas 1999; O'Brien et al. 2000; Kean 2003; Barnett and Finnemore 2004; Hasse and Krücken 2005). The transnationally operating civic associations have undergone exorbitant growth since the 1970s as regards their numbers and membership levels. In contrast, the traditional national associations and churches are losing members and influence on political and societal life. Hence solidarity is increasingly organized on a transnational level and less on a national one. The transnational civic associations are the crucial tools for detaching the individual from its national origins and for making it open to transnational cooperation (Gerhards 2008; Gerhards and Hessel 2008; Mau et al. 2008; Mau 2010). When we claim that world society tends to superimpose itself on the international family of nations with a transnational association of individuals, we have to highlight, in particular, the role of transnational civic associations as the driving force behind this movement. Without these associations, the individuals are unable to free themselves from the stranglehold of their nation. Correspondingly, trust in other nations varies along with the individuals' number of transnational contacts (Delhey 2007).

It is certainly true that the states are the contract or dispute partners of the WTO's agreements or dispute-settlement procedures. Assuming that world trade order is nothing but a "government of governments for governments" (Rieger and Leibfried 2001: 161) would, however, divert attention from the resulting effects that involve an increasing superimposition of the functionally differentiated system of an emerging world society on the segmentarily differentiated system of nation states. This fundamental transformation involves a change in solidarity away from the mechanically framed organic solidarity of the nation states towards

a transnational network solidarity, which fits the actions of national governments in a new multilevel system of solidarity relationships. In this multilevel system, questions of income distribution and social security can no longer be decided within the national framework alone. Due to shrinking distances, national governments are forced to open up their markets so as to seize the opportunities for economic growth in that way and to mitigate transnational and national conflicts of distribution. The strategy to compensate for economic structural change, which has been enforced by the opening of markets, with transfer payments to non-competitive branches of the economy and their employees, is doomed to fail. Maintaining the high living standard of a growing inactive part of the population at the expense of a shrinking active part is no longer considered justified by the requirements of national solidarity. This failure is due to the fact that the increasing transnationalization of solidarity of the active part of the population involves a decreasing readiness to consent to transfer payments in the sense of mechanical solidarity. Accordingly, the number and intensity of conflicts concerning the appropriate level of nation-state social policy are rising. In the meantime, all welfare states are forced to turn away from deactivating kinds of social policy and related transfer payments and, instead, apply activating social policies in order to raise the employment level.

In the past, economic structural change in the wake of globalization could be avoided to a considerable degree by tariff walls and subsidies or compensated for by transfer payments. Positive correlations between the openness of national markets and the government share in the GDP and the social budget (Rodrik 1998; Agell 1999; Rieger and Leibfried 2001: 113–130) do not confirm that this kind of social policy can be successful in the future, too. Above all, it cannot be maintained against transnational pressures aiming at the removal of market barriers. It does not work under the terms of shrinking national mechanical solidarity and growing transnational network solidarity. Hence national governments are increasingly less able to exercise the “conservative welfare function” (Corden 1974/1997: 74–76; Rieger and Leibfried 2001: 95–97), especially as the threat of shrinking competitiveness calls for social policy reforms. Therefore particularly profound crises of adjustment triggered comprehensive reforms, especially in the UK, the Netherlands, Denmark and Sweden, which were aimed at raising the employment quota. In Germany, too, strains have become big enough to force the government to undertake corresponding measures even against persistent protests, as in the case of the reform of unemployment compensation.

Economic structural change – as it is accelerated by growing globalization – exercises a certain pressure on national governments to reduce insecurity by adopting social policy measures in the interests of maintaining their power. Up to that point we can agree with the argumentation presented by Rieger and Leibfried (2001: 93–112). However, the globalized economy narrows down the opportunities for protection, transfer payments and deactivating social policy, while constraints on opening markets and a complementary activating social policy increase. This structural change is being ignored by the thesis claiming a compensatory function for national social policy in the globalized economy. Overlooked by this thesis is the fact that the system of segmentarily differentiated nation states with their internal brotherliness and external unbrotherliness is increasingly being subjected to the structures of an emerging world society. This new society is differentiated in terms of labour division and function, and founded on network solidarity in the wake of growing global trade that advances in the framework of the world trade order. Although national governments are contractual partners of the world trade order, we must not ignore that a fundamental change in solidarity occurs behind their backs, which subjects their actions to quite different conditions of success than a system of more sharply separated national economies.

It is not only the social policy debate but also the moral-philosophical one that suffers from an insufficient understanding of the change in solidarity fuelled by world trade, and the inherent change in justice. In the moral-philosophical debate, the interdependence of transnational integration and national disintegration, and of the transformation of national justice in the framework of transnational justice, is not recognized sufficiently. Hence the debate is confronted with the fruitless struggle regarding whether the understanding of national justice will also apply to the transnational level. While one side is rejecting this idea (Rawls 1999), the other side is looking for reasons to develop a strong concept of transnational justice (Moellendorf 2002: 7–44, 2009; Pogge 2002: 91–117; Beck and Grande 2004). From a sociological viewpoint, we can interpret the plea for a strong concept of transnational justice, which earns more and more consent, as an indicator of the actual structural change to justice. Indeed, Rawls' support of nations (peoples) as the moral units of the segmentarily differentiated world society is being replaced by the enthronement of the individual as a moral unit of world society against the latter's affiliation to nations and/or nation states. Hence this is confirmation of the thesis that world society is increasingly less a society of nations and more a society of