

No More Inside/Outside: Transnationalism and the New Political Economy

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To understand things, we divide them into smaller pieces. We draw boundaries and then try to understand what we can make of the smaller units. Then we try to infer what these smaller units say about the larger unit. In the same way the books under consideration here draw boundaries so that we can make sense of what is happening to the world. In his now famous 1992 book *Inside/Outside: International Relations as Political Theory*, Robert Walker argues the same with regard to the notion of sovereignty in international relations. For Walker, the boundaries of sovereignty of modern nation states are markers of the division of what is inside and what is outside. Under the most widely accepted theoretical paradigm in international relations—Realism—what is inside the boundaries is supposed to be rational and what is outside is supposed to be irrational. It is, without doubt, a Hobbesian notion of what the world is like. In a somewhat similar fashion to Walker's division of inside/outside, the books under consideration try to establish some sort of order out of the contradictory and complex knowledge of the happenings out there; they are trying to make a proposition about the nature of social reality. If there is a theme that unifies these disparate readings, it is this: the old boundaries that were drawn to make sense of the world are not holding up well; therefore, we need to draw new boundaries. I will argue in this review that the books in consideration are arguing for a redrawing of boundaries so as to focus our attention on the interconnections among social processes that

flow across nation state boundaries. All these books, then, draw attention to the transnational plane of inquiry—but in different ways.

As different as their ways of organizing these boundaries might be, all the authors under consideration are concerned with space as an organizing mode of global political economy. Manuel Castells organizes his narrative around the concept of network society. For him, the present phase of capitalism is marked by the annihilation of space through time. Where in the previous phase of capitalism, time was in control of space; now the space dominates time. There exists now, according to Castells (pg.101), a global economy. This global economy is distinct from world economy. A world economy—defined as “an economy in which capital accumulation proceeds through the world” (Castells, 101)—has existed in the West for a long time. Now, with the coming of the network society, the world economy has become a global economy. “A global economy is something different: it is an economy with the capacity to work as a unit in real time, or chosen time, on a planetary scale” (Castells, 101). This is because the ‘spaces of flows’ have displaced the ‘spaces of place’. There is then a sense in Castells work that the centrality of space, an important precept of the organization of world economy, has now been displaced by the centrality of ‘spaces of flow’. At one level, this statement seems so true. Yes, there is the organization of production that is not held in check by whether the sun is out or whether it is night. If it is nighttime in the United States, it is still daytime in India and the shift work will go on. Even the United Parcel Service people will work around the clock. But at another level, where Castells postulates that all the people excluded from the network are “structurally irrelevant,” this statement does not ring true. It is my contention that all of networks that Castells explicates in detail are based on the work of billions of people—like those who grow the grains that, presumably, make up Castells cereal—who are grounded in space, a space

that is very important to the existence of human beings; and their farther actions of these human beings are built upon this dependence on food—a necessity for material reproduction.¹ Place is not as important as it used to be, according to Castells, because the information network and the innovations flowing from them have made it possible to overcome the constraints of place. For Castells, “space organizes time in the network society” (pg. 407). All this being said, Castells does not dismiss the importance of place outright. In fact, he recognizes that “regions and localities do not disappear, but become integrated in international networks that link up their most dynamic sectors” (pg. 412). But still, if one were to make a conclusion from Castells argument, it would not be off the mark to say that Castells is pointing to the decreasing centrality of place in the economy.²

Where Castells forwards a network society paradigm that tends to underplay the centrality of place, most of the other authors reviewed here tend to emphasize the importance of place, while at the same time pushing for a redefinition of what we usually assume to be place. In contrast to Castells focus on the “spaces of flows,” Peter Dicken focuses on the importance of “spaces of places” while addressing the changes taking place in the economy. For Dicken, the oft-quoted quip “location, location, location” still holds water. It is not that the “space of places” is the same as they were before the increasing internationalization of economy. Rather, the globalizing forces at work have impacted it, without however producing a fully globalized space. For Dicken “the most significant development in the world economy during the past few decades has been the increasing internationalization—and, arguably, the increasing globalization of economic activities” (pg.1). It is interesting to note that Dicken draws a boundary between the processes of internationalization and globalization. While internationalization processes, for him, “involve the simple extension of economic activities across national boundaries” (a quantitative

process) (pg.5); the globalization processes represent a qualitative difference, with the increasingly functional integration of internationally dispersed activity at the heart. Both of these processes coexist and flesh out Dicken's idea of a new "geo-economy." For Dicken the new definition of this new and developing space involves an examination of the multi-dimensional movement in the patterns of economic activity, from predominantly national to international, transnational and global levels that, though still territorially based, are undergoing a new transformation. This new transformation, for example, is present in Dicken's advancement of agglomeration as a more appropriate way of conceptualizing the economic relations than the historically common notions of core, periphery and semi periphery.

The last two books—*the Global City*, and *Globalization and the Post colonialism World*—also advocate alternatives to the notions of core, periphery and semi periphery, arguing that the changes underway in the global economy challenge the old ways of conceptualizing social reality. In *the Global City*, Saskia Sassen argues that two contradictory currents define the space in this new historical juncture. On the one hand, there is an increasing territorial dispersion of economic activities; on the other hand, this increasing dispersal of economic activities necessitates an increasing need for central control and management. Therefore, manufacturing activities have been spatially dispersed while at the same time production-related services such as finance, accounting, and management have been spatially centralized. These two competing forces define the new transnational space that is coming into being. This space is concentrated, more than anything else, in a few key cities—called global cities—that act as the coordinating and controlling centers of this new configuration of economic forces. Just as Dicken's argues for paying attention to the increasing role of production chains—defined as "a transactionally linked sequence of functions in which each stage adds value to the process of production of goods or

services” (pg.7)—Sassen also argues for paying attention to the new agglomeration facilitated by the developments in telecommunications. In addition to being the points of coordination, global cities are also points of production. These cities are the sites for production of 1) “specialized services needed by complex organizations” and 2) financial innovations (pg.5). The developments in the financial sectors have challenged all the conventional notions of boundaries that were supposedly thought to control them³. The expansion of finance capital has completely changed the spatial notion of capital transactions present before. As much as the changes in finance capital has changed the notion of space, the movement of populations across the nation state boundaries has also changed the nature of labor markets in the global cities. There has been an increasing movement of immigrant labor into the informal and casualized sectors of market in the global cities⁴. The global city is split along occupational and income polarization, with a large number at the top and even a larger number at the bottom. In between, the supposed middle classes are shrinking. This polarization is represented in the increasing informalization and gentrification in the global city. There is a sense from this work that the global cities—New York, London and Tokyo—are undergoing parallel changes that are part and parcel of the changes in the global economy. But if one were to be critical, it could be asked whether the changes are really neatly parallel in these disparate cities, which have their own historic specificities? There is, however, no denying the polarization that Sassen finds in the global cities.

The polarization in the global city is also present in and across most of the globe. In *Globalization and the Postcolonial World*, Ankie Hoogvelt examines the historically important and well-marked division between the Third World and the advanced industrial countries. Hoogvelt claims that the periphery, as traditionally conceptualized, is no longer necessary. As the Third World disappears, it is rapidly being replaced by a diversity of postcolonial

formations.⁵ Hoogvelt sees four major paths emerging at the intersection of globalization and the particular experience of different peripheral regions: the path of “exclusion and anarchy” (Africa); of state-led “developmentalism” (the East Asian NICs); of “antidevelopmentalism” (fundamentalist Islam); and of “postdevelopmentalism” (Latin America). For Hoogvelt the process of globalization has “rearranged the architecture of world order” (pg.258). Economic, social and power relations have been recast to not resemble a pyramid—as was the case previously—but to resemble a three-tier structure of concentric circles. All of these circles cut across national and regional boundaries. Overall, then, Hoogvelt draws attention to a new architecture of the global system that is complex and multifaceted—it is defined by its fluid nature, one that easily passes the boundaries of nation states and regions.

Transformation of Capitalism: The Underlying Unifier

While the authors under consideration are drawing boundaries to make sense of what is happening out there, the main unifying theme for them is capitalism. All the efforts here are directed at making sense of what is happening to capitalism as an economic system. Even when Marx and Engels were writing about capitalism in 1848, they could easily see that the system is markedly different from anything else before, because:

Constant revolutionizing of production, interrupted disturbance of all social conditions, everlasting uncertainty and agitation distinguish[ed] the bourgeois epoch from all the earlier ones. All fixed, fast frozen relations, with their train of ancient and venerable prejudices and opinions are swept away, all new-formed ones become antiquated before they can ossify. All that was solid melts into air, all that is holy is profaned (Marx and Engels in McLellan 2000: 218).

It is the pace of change under capitalism and the resulting fragmentation of social life that makes it difficult for people even to make sense of what is happening out there. On top of that, with the rise of postmodernism⁶, in the academy there is a growing distaste for anything that comes across as a metanarrative. This foolishness has reached an epidemic proportions, so much so that even something as central to human life as capitalism is not supposed to be an object of knowledge because it too represents a metanarrative.⁷ It is then the task of political economist, who deals in the totality of the social and economic relations, to make some sense of what is happening to the economic system that defines the life of all of us. All the books under consideration deal with different facets of capitalism; taken together they form a very complex and often contradictory picture of the capitalist system. The debates that go under different guises are, in the last instance, tied to determining where capitalism as a system stands today.

Of all the buzzwords making the academic rounds, globalization is the most common one. While there are different conceptions of globalization out there in the academic marketplace, with some (such as Arjun Appadurai) stressing the cultural aspects and others (such as Wallerstein) stressing the economic underpinnings, it can be said without hesitation that it is the most widely debated phenomenon. While it might feel like globalization is a whole concept by itself, from the debates in political economy—as they come across in these readings—it is quite clear that globalization is a new way to talk about capitalism.⁸ In one sense globalization—or, shall I say, capitalism—has been around for quite a while. Even Marx's description of capitalism in *The Communist Manifesto* (1848) is completely applicable to what is described as globalization today. Still, that being said, there have been major changes—both qualitative and quantitative—in the nature of capitalism. On one side, it has expanded geographically; on the other side, it has deepened its grip on all parts of human life, so much so that almost everything

now is commodified.⁹ But as it has expanded in both of these directions, it has also worked out a number of contradictions and has come across some new contradictions. In their various fashions, different authors in this course take stock of these contradictions and advance their own conceptualizations of how these contradictions have been worked out.

Fordism and Postfordism represents two different junctures of how capitalism works out its contradictions. Underneath most of the contemporary literature of political economy is the crucial distinction between Fordism and Postfordism. David Harvey in *The Condition of Postmodernity* locates the beginning of Fordism in Henry Ford's introduction of "five-dollar, eight-hour day as a recompense for workers manning the car-assembly lines" in Dearborn, Michigan (pg.156). Fordism as a rigid system of production worked for a long time. After the end of World War II—in what is described as the "golden age of capitalism"—Fordism deepened. Increasing rationalization of production, large-scale and long term planning, rigid hierarchal structures, massive industrial expansion, commodification of culture—all these were the characteristic of Fordism. But this regime of accumulation and its associated mode of regulation came to an end in and around 1973. The rigid nature of the Fordist arrangement—held in place by a Keynesian policy framework—came under increasing stress as capital looked for new ways to be profitable. Here then began the quest for what has been called flexible accumulation. Companies began shifting their production operations overseas in search of cheap labor and this set in motion a whole new way of economic arrangement which—combined with the changes in the financial system after the oil crisis and the banking crisis—made capital more mobile. Now capital was able to take off to where ever it could maximize surplus. This new phase of capital mobility was also helped by the changes in the telecommunications. Given that the production was done in far away places, there was a need for a coordinating mechanism. This

was provided by the developments in telecommunications. The arrival of the Internet has led to even a higher degree of ease with which production and other economic activities can be coordinated from a distance. Instantaneous stock speculations in any part of the world became possible for the first time. At the same time electronic money—with the opening of the financial systems—made it possible to move large amounts of money with the flick of a wrist. These transformations have defined the course of economic activities since the early 1970s.

All the different books under consideration address the nature of this transition—from Fordism to Postfordism—in different ways. In one-way or another they all attempt to redraw the boundaries on what is happening to economy. One of the important themes here is the transition from modern to postmodern. This idea of transformation is applied not only to the cultural aspects of post-1973 life but also to the structure of economic changes. Economy, it is argued, is too fragmented and decentralized to be thought of in any comprehensive fashion. All of us are entrepreneurs out there, trying to have fun while making a living. We can create a pastiche of work opportunities that will fulfill our desire for meaningful work. The telecommuting opportunities and part time work has revolutionized our work life. And on and on it goes, this heavenly picture that these head-in-sand ostriches chalk out for us. This version of the transition from modern to postmodern is usually paralleled with change from industrialism to post industrialism. According to Daniel Bell, “whereas industrial society was a goods-producing society, postindustrial society is organized around knowledge for the purpose of social control and the directing of innovation and change” (1973, 20). With the ascent of knowledge to the center of economy—which Robert Reich captures in his concept of “symbolic analysts”—there is enough affluence in the society that we have reached, according to Bell, a post-scarcity stage (1973, 176). This stage signifies the end of social conflict and social divisions. The books under

review give us both supporting and opposing evidence for this kind of formulation. In Castells extensive section on the labor market and in Sassen's section on the social polarization, there seems to be a division of labor market into those who are knowledge workers¹⁰ and those who work at the bottom end of scale. As far as the rise of knowledge workers is concerned, it is true; Castells work is all about them—the network worker. But then again, Castells shows that the labor markets in different places are different. In Europe and Japan especially there is still a large number of people in the middle who are still dependent upon the public sector. And in Germany there is still a large manufacturing sector. The story gets even more complex if one moves the unit of analysis from nation-state to the world economy, as Wallerstein does in his approach. There the picture gets even grimmer as the ratio of knowledge workers in relation to workers in manufacturing shrinks.

Both Sassen and Hoogvelt also draw attention to these transformations, though in their own unique ways. While Sassen notes the increasing importance of conceptualizing economic change in relation to role of certain cities as global nodes, Hoogvelt recharts the map of development studies, concluding that the idea of core and periphery does not hold as it used to a few decades back. There are now cores in periphery and peripheries in core. Or, as someone else has said, there is Third World in the first world and first world in the Third World. For Sassen the best way to conceptualize the field of economic change is to prefer global cities model to the core/periphery model. For Hoogvelt, there is no Third World anymore. With the demise of the Soviet Union (where the second world literally collapses) and the relative change in the position of some of the former Third World countries (NICs), it seems the term Third World is not relevant anymore. Furthermore, the differences within the Third World—the utter decimation of sub Saharan Africa and the relative upward mobility of some East Asian countries, for

example—have been increasing, and therefore it does not make sense to lump them all under the same rubric. The social division between elites and the impoverished masses is, according to Hoogvelt, more sensible way of understanding the world system than the old geographical division. Though I do not completely disagree with Hoogvelt, I am a bit disappointed in her use of terms such as elites and impoverished masses. How does she account for this division? While I know she is sympathetic to Marxism, is it not expected that one should be a bit more historically specific. Further, I am still not completely prepared to give up on the old geographical notion of core/periphery. I still think that there is still some mileage in that term—and not solely in an ideological form, either. I refuse to believe that the poor in the periphery and the poor in the core are at the same level of desperation. If we compare the mortality rates globally, there is a clear division between core and periphery.¹¹

Summing Up: Transnationalism and Restructuring

So is there a single message that stands out for me in these readings? Yes. The message is that the transformations underway in the economy are part and parcel of the restructuring of capitalism globally. There is a clear message here that our old models, based as they are upon the notion of hermetically sealed nation state boxes, are not very applicable to what is happening to capitalism today. We need to keep in mind that the capitalism is a totality and, whatsoever the postmodernists might say, we have to analyze and meet it on its own terms. This means paying close attention to the transnational plane of inquiry. It also means paying attention to the rising global infrastructure that surrounds this endeavor to stabilize the new phase of capitalism. It is time to focus on the nodes of what has been called “global governance,” institutions such as the IMF, WTO, APEC, and the recently concluded FTAA. This needs to be combined with a focus on the increasing coordination among the elites in foras such as the World Economic Forum

(WEF), and other venues. All of this has to be done while keeping in mind the complex and contradictory currents even within these foras and institutions. Part of this research might also involve the examination of what transnational social movements are doing—presumably, aiming their contention at “multilateral institutions”—in relation to the actions of the global elites

Part of the novelty of this new phase of restructuring of capitalism is that it is more global than anything before it. This means that we have to reexamine and rethink our tools to grasp what is happening out there. The use of nation state as a unit of study is not sufficient for studying the new transnational processes. We need to move beyond these boundaries. Most of the available data is measured with nation state as the unit of measurement. It is no more feasible to study the complex economic and social processes of our time with this data. Part of the problem with the studies done with this data is that the results reached with them are not that applicable to what is really going on at the transnational plane. But at the same time, if one is using a lot of international data and then making claims that apply to nation state level, it could be problematic. Castells, for example, reaches conclusion at the aggregate level and then applies them at much smaller units. I do believe that a political economy approach is very necessary to do away with a lot of confusion that is inherent to the capitalist system. It is almost all too well known, especially in the United States and the other advanced countries, that the sphere of consumption is becoming very detached from the economic base. There is a proliferation of symbols, images, advertisement, and propaganda, etc. It is in face of this, and perhaps because of this, that we need political economy to give us a sober sense of where we really stand—globally. Rather than depending upon the usual feel-good programs on the TV, we need a grounded picture of our lineage and our future trajectory. And this could only be done by analyses that come out of political economy

Lastly, it seems to me that the internationalism that the communists preached for such a long time is becoming very important in our time. If things go okay, more and more people will realize that their destinies are tied to the destinies of others, most of whom are working and living a hell on this very earth. But that is the idealistic part of me, the one that wants justice to be done; I guess that is not much to ask for either. But at the same time, analytically I know that this is going to be an uphill task—nationalism is very much alive, and it seems to grow into a whole new being with the changes in global economy. Racism, xenophobia, dehumanization, hate, murder, and genocide—all of these have intimate connection with capitalism, a connection that we need to bring into sharp relief for those who are still in thrall of this system. To recapitulate what I have argued in this paper: The scholars studying global political economy are pointing us in the direction of the transnational plane, which is where capitalism is moving to resolve its old contradictions; but it is also facing new contradictions at this plane. To study the dynamic global economy it makes sense to pick up a strand of the economy at its global nodes. This is in fact what the authors under review did: coming from different side—from network morphology, from global city, from geo-economy, from postcolonial world—they all converged on the importance of transnational plane for this new phase of capitalism.

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NOTES

¹ And to say nothing about the aesthetics of lived life that millions of these people live in. More concretely, I am thinking of some of my own relatives, who happen to be farmers in India. Having spent my summer holidays in these villages, I was struck by the organic dependence that village life holds. There is a specific ambience, context—whatsoever one may call it—that makes that whole way of life possible. The sense of local history, which gets celebrated in the local fairs and celebrations; the sense of the local gods, who are propitiated in village ceremonies—all this and more form the sense of place, and this is important to the whole way of life in the village.

² One thing about Castells work is that he is saying so many things simultaneously. He often contradicts himself, and although I have heard often that “a man who does not contradict himself is not a dependable man,” I would have appreciated a more committed Castells. One who was not afraid to come out and say what he felt like in a succinct fashion. I get the feeling that he beats around the bush for a long time and then deftly, with a sleight of hand, slips in something he wants to say but is afraid to say.

³ The Asian Crisis from 1997 onwards was a product of this madness of the finance capital. This was the worst market crisis that has happened since I became politically conscious. I used to follow the ups and downs of the market in Asia—Hong Kong and Tokyo, primarily. There were many times I remember when I was more than sure that the Japanese were fudging numbers, showing a much higher growth rate than was expected. They (MITI and its head at time Elise Sakakibara) used to go back and revise their figures every few months. Sure enough, these allegations came out in open during the crisis, and I remember seeing some evidence supporting them. Mahathir Mohammad, the Malaysian President, has been an outspoken critic of currency speculators—including George Soros, whom he holds responsible for the runs on the currencies of Asian countries. It was in fact Malaysia that survived the crisis the best and all because Mahathir, going against the advice of the IMF, put curbs on the speculators. The most famous quip that I still remember from the time came from Ali Atalas, the Indonesian finance minister. It went, “can some one get me an economist who knows what is going on?”

⁴ Mike Davis’s *City of Quartz* depicts the social and economic polarization of Los Angeles at its worst.

⁵ However much the word postcolonial might make sense for Hoogvelt, there are some serious problems with it too. What is postcolonial? Does it apply to anything that has lived through colonialism? As some have pointed out, it does not make sense to give Canada and Australia—which also lived through a period of colonial control—the same stature as, say, India and Ghana.

⁶ Fredric Jameson argues in his famous book *Postmodernism, or, The Cultural Logic of late Capitalism* that postmodernism is the cultural logic of late capitalism, where late capitalism is a term derived from Ernest Mandel’s conceptualization of the concrete form of capitalism in the post-war period.

⁷ It is beside the point for a lot of postmodernists that postmodernism is itself a kind of metanarrative on steroids. The claim that there are no metanarratives is itself a metanarrative.

⁸ Sometimes I feel that academics feel very uneasy talking about politically charged stuff like capitalism. They cop-out and go for less controversial vocabulary. Globalization, in my mind, belongs to this category. In the aftermath of

1989 it is difficult to talk about capitalism in a negative way—so why not come up with a new vocabulary? This, in my mind, is the approach of these academics.

⁹ Last summer I was talking to friend of mine in Canada and he informed me that he has taken up the hobby of running. He told me that it has not been cheap; that he had to spend 90 dollars to buy “proper shoes”; and that he paid money to join a running group. I laughed out loud and told him: “Man, how the hell did human beings run 100 years ago? What would they say about what we have come down to?”

¹⁰ Though what one means by “knowledge worker” seems to be a controversial issue. Do the workers at McDonalds who take your order at the drive through count as knowledge workers? After all, they too are working with knowledge, and they even look like as if they have stepped out of one of those futuristic movies, with their headsets and all that.

¹¹ Though I realize that the child mortality rate in Cuba is lesser than in the United States. This, I believe, is an exception rather than a rule in the overall pattern.