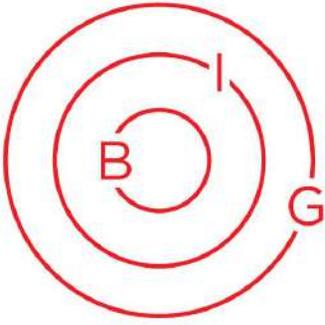




**BORDERS IN  
GLOBALIZATION**





## **Borders in Globalization Research Project 19**

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# **On Globalization, Borders and Nation-States: Some Historical Musings**

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## Historical Phases of Globalization: 1492-1989

Although many associate globalization with the post-WW II period,<sup>1</sup> a view enforced by the perception that the world has become “smaller” as a result of technological innovations such as the computer revolution, there are others who argue that the current spread of influence of culture, language, religion, transportation, communication, media, technology, trade, business practices, and interrelated government and corporate finance is just the latest phase of this process.<sup>2</sup> Indeed, some maintain that globalization began on October 12<sup>th</sup>, 1492 when Columbus discovered America, signalling the start of European colonialism that “sustained interaction in a manner that deeply linked [different parts of the world] through global trade.”<sup>3</sup> Others argue that revolutionary economic and social theories developed during the late 18<sup>th</sup> and early 19<sup>th</sup> centuries propelled the world into the first real stages of globalization. The fundamental tenets of the then prevailing mercantilist doctrine were being questioned by theorists such as Adam Smith, David Ricardo and David Hume and politicians, including British Prime Minister Lord Shelburne and John Adams. Mercantilism is not a coherent body of thought but it reflected a common view that that the prosperity and strength of a nation depends on its supply of capital, particularly gold, and that such a supply is best insured by exploiting staple resources from colonies and protecting domestic industry from import competition.<sup>4</sup> Led by the somewhat naive belief that unfettered commerce could bring an end to conflict and encourage amity among nations, Smith and his

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<sup>1</sup> In fact, there are those such as Tom Friedman who argue that globalization did not really begin until the early 1990s, triggered by the end of the Cold War and the explosion in the use of the Internet. See: T. Friedman, *The Lexus and the Olive Tree: Understanding Globalization* (New York: Farrar, Straus & Giroux, 1999).

<sup>2</sup> See P. Stearns, *Globalization in World History* (London: Routledge, 2010); D. O’Flynn and A. Giraldez, “Cycles of Silver: Globalization as Historical Process,” *World Economics* 3, 2 (2002), 1-16.

<sup>3</sup> See: D. Flynn and A. Giraldez, “Cycles of Silver: Globalization as historical process,” *World Economics* 3, 2 (2002), 4.

<sup>4</sup> See: Ed Darrell, *Words and Phrases of the American Revolution* (2008), accessed July 12, 2010, <http://molinaworldhistory.wordpress.com/2008/01/30/vocabulary-words-and-phrases-of-the-american-revolution/>

contemporaries instead argued for a ‘laissez-faire’ system of free trade, believing that such a practice would expand the extent of the market and bring about added productivity advantages in terms of the division of labour.<sup>5</sup> This argument among many others paved the way for the eventual emergence of capitalism, an economic system that requires a free market, competition, and private, as opposed to governmental, ownership of the means of production. In the opinion of Michael Hardt and Antonio Negri, it was capitalism rather than international trade that resulted in the first real phase of globalization.<sup>6</sup>

National governments during the first half of the nineteenth century were generally protective but the implementation of laissez-faire trade policies following the repeal of the Corn Laws resulted in a rapid internationalization of the world economy, before the United States led the movement back to more protective regimes during the last two decades of the century. It was this kind of sustained interaction and resultant integration of world regions via large-scale immigration, free trade and capital mobility that has prompted some to believe that a rudimentary form of globalization was at work. Christopher Bayly asserts that many of the themes associated with this stage of modernity were not particular to North America and Western Europe.<sup>7</sup> In his opinion, increasing global uniformities in economic production, state practices, political ideologies and cultural tastes during the latter part of the 19<sup>th</sup> century served to *decrease* the distance between “the West” and “the rest”, thus creating an even smaller world. However, such interdependencies, similarities and connections could also reinforce a sense of

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<sup>5</sup> For a detailed explanation of free trade versus mercantilism, see: Douglas Irwin, *Against the Tide: An Intellectual History of Free Trade* (Princeton, N.J.: Princeton University Press, 1996); Andrew Hamilton, *Trade and Empire in the Eighteenth-Century Atlantic World* (Newcastle upon Tyne, UK: Cambridge Scholars Publishing, 2008).

<sup>6</sup> A. Negri and M. Hardt, *Empire* (Cambridge: Harvard University Press, 2000), 14.

<sup>7</sup> C.A. Bayly, *The Birth of the Modern World 1780-1914: Global Connections and Comparisons* (Malden, Mass., Blackwell Publishing, 2004).

difference. Thus, places and regions could simultaneously hold on to both local specificities and global uniformities.

By this point in time, the United States emerged as a major player on the global scene. The late 19<sup>th</sup> century witnessed the contradictory coexistence of liberalistic and protectionist approaches in the U.S. Tariffs established during the Civil War were intended to raise revenue for the federal government and keep out foreign goods in order to protect American labour and business. After the war, tariffs remained high to service the huge debt burden that resulted from the war. Yet even though much of the debt had been paid off by the mid-1880s, federal revenues were outstripping expenditures by as much as fifty percent. This generated two very different responses from the major political parties. “Democrats advocated cutting tariff rates in an effort to reduce revenue. Arguing that this would simply encourage imports and raise even more revenue, Republicans proposed higher tariff rates to reduce fiscal revenue.”<sup>8</sup> Since the Republicans were in power for most of this period, the high tariff wall remained in place, a strategy that, Democrats claimed, benefited big business to the detriment of ordinary citizens. Yet it was also a policy that many viewed as being compatible with basic liberal commitments to creating an environment supporting the economic independence of the United States and adopting a laissez faire policy toward exports.<sup>9</sup>

The end of the frontier, the economic recession of the 1890s, and the internationalization of investment stimulated a change in direction in the U.S. Increasingly “it was believed that expanding overseas markets could remedy sagging domestic demand (though expansion need not be by military force), while ‘social imperialists’ argued that expansion abroad could deflect

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<sup>8</sup> D. Irwin, “Historical Perspectives on U.S. Trade Policy,” *The National Bureau of Economic Research Reporter Online* (Summer 2006). (accessed October 27, 2011)

<sup>9</sup> D. Lake, “International Economic Structures and American Foreign Economic Policy, 1887-1934,” *World Politics* 35, 4 (1983), 518.

domestic class and ethnic conflicts into a common patriotism.”<sup>10</sup> “After 1887,” David Lake contends, “the United States began actively to promote exports through bilateral reciprocity treaties and duty-free raw materials while maintaining the essential structure of protection.”<sup>11</sup>

Even while supporting protectionism, the U.S. successfully engaged in the process of acquiring power both within the hemisphere and elsewhere. An outward diffusion of political ideals, cultural values, investment, and trade consolidated its’ paramount position in the hemisphere and eventually led the country to a position of dominance among global powers. A generous resource base combined with production and technological innovations and capital exports to ensure that the country was well positioned to compete with Europeans in the international marketplace. Towards the end of the 19<sup>th</sup> century, new technologies improving the efficiency of steam engines allowed ships to carry more freight than coal, resulting in increased volumes of international trade and a greater degree of world economic connections.

No country was better placed to take advantage of this new order than the United States. Improvements in communications made possible by transatlantic cables and telegraph links allowed American businesses to expand their markets. The inexorable movement towards globalization combined with America’s imperialistic designs and leadership in industry, technology and intellectual property to increase support for trade liberalization and a more open economic system. In 1870, the United States’ export trade amounted to \$471 million. This figure increased to almost \$1.4 billion in 1900 and \$8.3 billion in 1920. By the turn-of-the-twentieth-century, the United States had passed the United Kingdom as the preeminent trading nation in the world.

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<sup>10</sup> Michael Mann, “American Empires: Past and Present,” *Canadian Review of Sociology* 45, 1 (2008), 15.

<sup>11</sup> Lake, “International Economic Structures,” 518.

During the next seventy years, a period of paradigm-shifting developments, including the mass production of automobiles and trucks, the extension of telecommunication networks, the invention of the computer, space exploration, and the extension of life made possible by improvements in health care and food production, among others, profoundly altered the lives of all peoples. Immense changes in political, economic and social structures, intertwined with technological developments, also served to transform societies. The spread of industrial capitalism and the growth of the multinational corporation, the rise of imperialism in variant forms leading to further global conflict and regional disputes, massive population increases and rapid urbanization, decolonization, the questioning of ideas of progress and cultural change, social revolution, and the resurgence of nationalism and regionalism in the face of an accelerated globalization all occurred during this period.

When discussing globalization, the choice of themes to explore is almost endless but three interrelated topics in particular inform my interpretation: the realignment of time and space through technological changes fuelled by capitalism; the triumph of territoriality as manifested in the rise of the sovereign nation-state early in the 20<sup>th</sup> century, juxtaposed against the later de-territorialization of such political organizations resulting from the proliferation of international economic and technological interdependencies; and the rise and relative weakening, if not decline, of the American empire. J. Bradford DeLong, commenting on Joseph Schumpeter's theory of "creative destruction", points out that capitalism is inherently unstable.<sup>12</sup> While critics see globalization as the worldwide extension of capitalism, it is more correctly viewed as an overall process of social change, including economic, political and cultural dimensions. Through globalization, the set of asymmetrical and unequal processes inherent in capitalism produces

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<sup>12</sup> J. DeLong, "Creative Destruction's Reconstruction: Joseph Schumpeter Revisited," *The Chronicle of Higher Education*, 54, 15 (2007), B8.

both winners and losers. But as the rules of the game and conditions change, so does the relative position of societies in this global hierarchy transform. This fundamental shift, which would manifest itself much more clearly at the end of the 20<sup>th</sup> century, nevertheless had its roots during the period under inspection.

The first half of the twentieth century witnessed what one might describe as the implosion of Europe as former empires crumbled in the face of massive political, social, economic, and technological developments that were transforming the globe. Great Britain, which had previously established its supremacy in finance, commerce and industry, particularly after it made the transition to free trade in the middle of the nineteenth century, shortly thereafter faced a growing military and industrial challenge from new rivals, both in Europe and abroad. America's system of private enterprise and its growing domination of technology combined with new mobilities to provide the platform from which American investment and trade could spread throughout the world.

This transition in global hegemony was already well underway at the beginning of the new century, a period of exceptional international capital mobility. Yet the onset of World War I and the subsequent political and economic instability of the 1920s, followed by the collapse of the world economy during the 1930s, and the return of global conflict during the early 1940s, all combined to interrupt the process of global interdependence that appeared to be in full throttle earlier. This instability precipitated the general decline of Europe and facilitated the road to financial hegemony for the United States. "Between 1924 and 1930, for example, the United States assumed 60 percent of global capital flows, estimated at US\$9 billion, and possibly as much as US\$11 billion, while US\$1.3 billion and US\$1.34 billion came from Britain and France

respectively.”<sup>13</sup> The U.S. would continue in this role as ‘banker of the world’ and major net capital exporter “until the early 1980s when it started to run persistent current account deficits, importing savings from the rest of the world to finance a level of expenditure above its real output.”<sup>14</sup>

To a considerable degree, political and economic instability at the global level and particularly within the European arena prior to the collapse of 1929 worked to the advantage of the United States. “World War I accelerated the expansion of U.S. business overseas [and] created a soaring U.S. demand for raw materials, especially copper, iron, and other key mineral products.”<sup>15</sup> America further expanded its global economic and cultural reach during the 1920s, taking advantage of advancements in transportation (e.g. airplanes) and communication (e.g. radio, cinema) technologies. But the onset of the Great Depression and World War II would dampen the efforts of all globalizers, even American ones, for many years to come.

Nation-states reverted to protectionism during the 1930s as governments focused on dealing with internal problems resulting from the global economic collapse. This gave rise to Keynesian liberalism which supported the principle of a free market but also recognized that because the market did not always work in the best interests of those from the lower socioeconomic strata of society, it was incumbent upon the state to protect these groups from the harshest consequences of capitalism. Yet even while Keynesian liberalism remained the dominant paradigm over the next few decades, it “existed alongside the American government’s desire to move towards the vision inspired by FDR’s Secretary of State Cordell Hull: global free

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<sup>13</sup> A. Solimano and N. Watts, *International Migration, Capital Flows and the Global Economy: A Long Run View* (New York: United Nations Publications, 2005), 23-24.

<sup>14</sup> *ibid*, 28.

<sup>15</sup> T. Zeiler, “Globalization,” in A. DeConde, R. Burns, and F. Logevall, eds., *Encyclopedia of American Foreign Policy, Vol. 2, 2<sup>nd</sup> edition* (New York: Charles Scribner’s Sons, 2002), 139.

trade and an expansion of the long-standing American policy of the open door to foreign investment.”<sup>16</sup>

World War II further retarded international trade and investment but it did serve to set up the United States as an even more powerful force upon its completion. As Thomas Zeiler argues, the war played a huge role in the development of America’s military-industrial complex by forging “an enduring partnership among business, government, and science” that afterwards “would sustain America as an economic and military superpower, develop endless frontiers for scientific discovery, and speed the globalization process.”<sup>17</sup> Of course, American power was restricted by the Cold War but most of the world was increasingly drawn within the United States’ economic and cultural orbit. Regional conflicts persisted but a period of relative peace and prosperity, at least for the developed West; expanded investment in and exploitation of the developing world; the establishment of the Bretton Woods global financial institutions (including the International Monetary Fund and the World Bank); the economic reconstruction of Europe; and the rebuilding of trade and investment relations through the General Agreement on Tariffs and Trade (GATT) gave rise to a period that has been labelled both as the “golden age of capitalism” and “Pax Americana.”<sup>18</sup> Further strengthening America’s rise to global prominence was the close relationship with Saudi Arabia established by Franklin Roosevelt in 1945, a connection that ensured the United States would take control of much of the Middle Eastern oil supply.<sup>19</sup>

The thirty-year period from the end of the war until the mid-1970s was also synonymous with Fordism, an economic and social system in which national economies based on domestic

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<sup>16</sup> S. Gill, *American Hegemony and the Trilateral Commission* (Cambridge: Cambridge University Press, 1990), 96.

<sup>17</sup> Zeiler, “Globalization,” 140.

<sup>18</sup> Solimano and Watts, *International Monetary Flows*, 24-25.

<sup>19</sup> P. Hugill, “The American Challenge to British Hegemony, 1861-1947,” *Geographical Review*, 99, 3 (2009), 423.

mass production and consumption and responsive to the needs of disadvantaged consumers was seen to be best regulated by welfare states following the tenets of Keynesian economics. The development of international trade was viewed to be a key element in achieving the goal of strengthening the nation-state and increasing the national internal market.<sup>20</sup> In this regard, the International Monetary Fund (IMF), the World Bank, and the GATT played an essential role in the global spread of Fordism by establishing a system of fixed rates of exchange which accommodated and sometimes reduced differences in economic development between states, thus leading to a reduction in trade barriers. Multinational, or perhaps more correctly, transnational, corporations, based primarily in the United States created vertically integrated structures that served to promote a liberal economic and political order throughout the world and provide a tax base that allowed American governments to pay for their military expenses overseas.

The Bretton Woods system, designed to strengthen foreign economies through increased trade, a situation that would consequently extend American economic power, lasted until 1971. It required world currencies to be linked to the American dollar rather than gold. This allowed the U.S. to run trade deficits as long as “confidence in the dollar remained stable and national gold reserves remained high enough to satisfy demands by foreign countries to convert their dollar holdings to gold.”<sup>21</sup> But by the end of the 1960s, it was clear to many that the inability of the United States to balance its trade and payments at the prevailing fixed exchange rates during the Vietnam War meant that changes would have to be made. The continuing weakening of the U.S.

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<sup>20</sup> M. Aglietta, *A Theory of Capitalist Regulation* (London: Verso, 1979).

<sup>21</sup> T. Evans, *Understanding the Political Economy of Enforced Dependency in the Globalized World: A Springboard for Sustainability-oriented Action* (2011), 34. [http://www.feasta.org/documents/enforced\\_dependency/enforced-dependency.pdf](http://www.feasta.org/documents/enforced_dependency/enforced-dependency.pdf) (accessed May 9, 2012).

dollar led to the decision of the Nixon administration in 1971 to cease the exchanges of dollars for gold, a measure that effectively ended the Bretton Woods gold exchange standard.

Leo Panitch and Sam Gindin claim that by taking responsibility for the creation of a world of liberal trade and capitalist accumulation, the American state was pursuing the historical path of imperialism that can be traced back to what Thomas Jefferson called ‘extensive empire and self-government.’ The construction of the military-industrial complex, they contend, enabled the United States to develop sufficient capacity to globalize its imperial reach.<sup>22</sup> It was through foreign investment that America was able to establish networks of integrated production across borders. Figures 1 and 2 clearly show the changes occurring between 1914, when the United Kingdom still held the position as the world’s dominant financial center of global investment, and 1967, with the U.S. occupying that position. Yet unlike the U.K. in 1914, the U.S. in 1967 was both a major source and destination for global capital flows.<sup>23</sup>

History shows that imperial hegemons eventually decline and some believe that the beginning of such a descent for the United States occurred during the mid-1970s when American economic power weakened relative to the rise of the Japanese and Western European economies, those regions that, ironically, were rebuilt with U.S. assistance. There is sufficient evidence to support the contention that even before OPEC decided in 1973 to restrict oil output, thus driving up the price of oil, causing inflation, and triggering a recession that lasted throughout the 1970s and extended into the next decade, the primacy of the United States in the global economy was

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<sup>22</sup> L. Panitch and S. Grindin, “Towards a Theory of the Capitalist Imperial State,” *Marxsite* (June-September 2005), 4. <http://www.marxsite.com> (accessed May 5, 2012).

<sup>23</sup> These maps are included in: K. Harris, “Continuity and Change in Global Capital Flows Since 1914,” unpublished paper presented at the conference Bridging Disciplines, Spanning the World: Approaches to Development, Diversity and Democracy, Princeton Institute for International and Regional Studies, Princeton University, April 7-8, 2006, 2-3. I wish to thank Kevan for allowing me to use his maps.

already diminishing.<sup>24</sup> Certainly it was during the Vietnam War that the U.S. quickly expanded both its' national debt and the amount of dollars accumulating abroad, a trend that has continued largely unabated since that time.

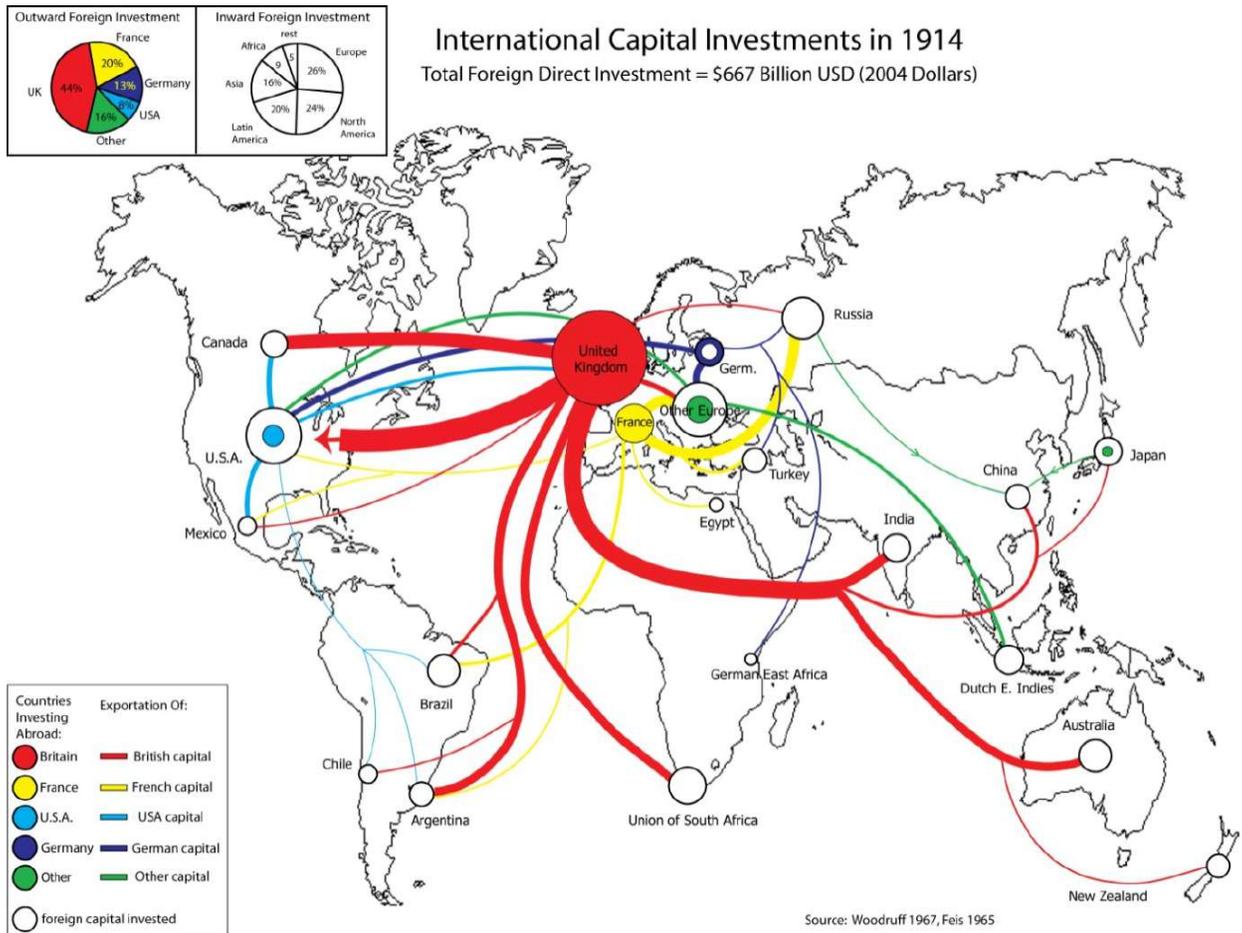


Figure 1. International Capital Investments in 1914

<sup>24</sup> A. Bergesen and C. Sahoo, "Evidence of the Decline of American Hegemony in World Production," *Review (Fernand Braudel Center)*, 8, 4, Quantitative Studies of the World-System (1985), 595-611.

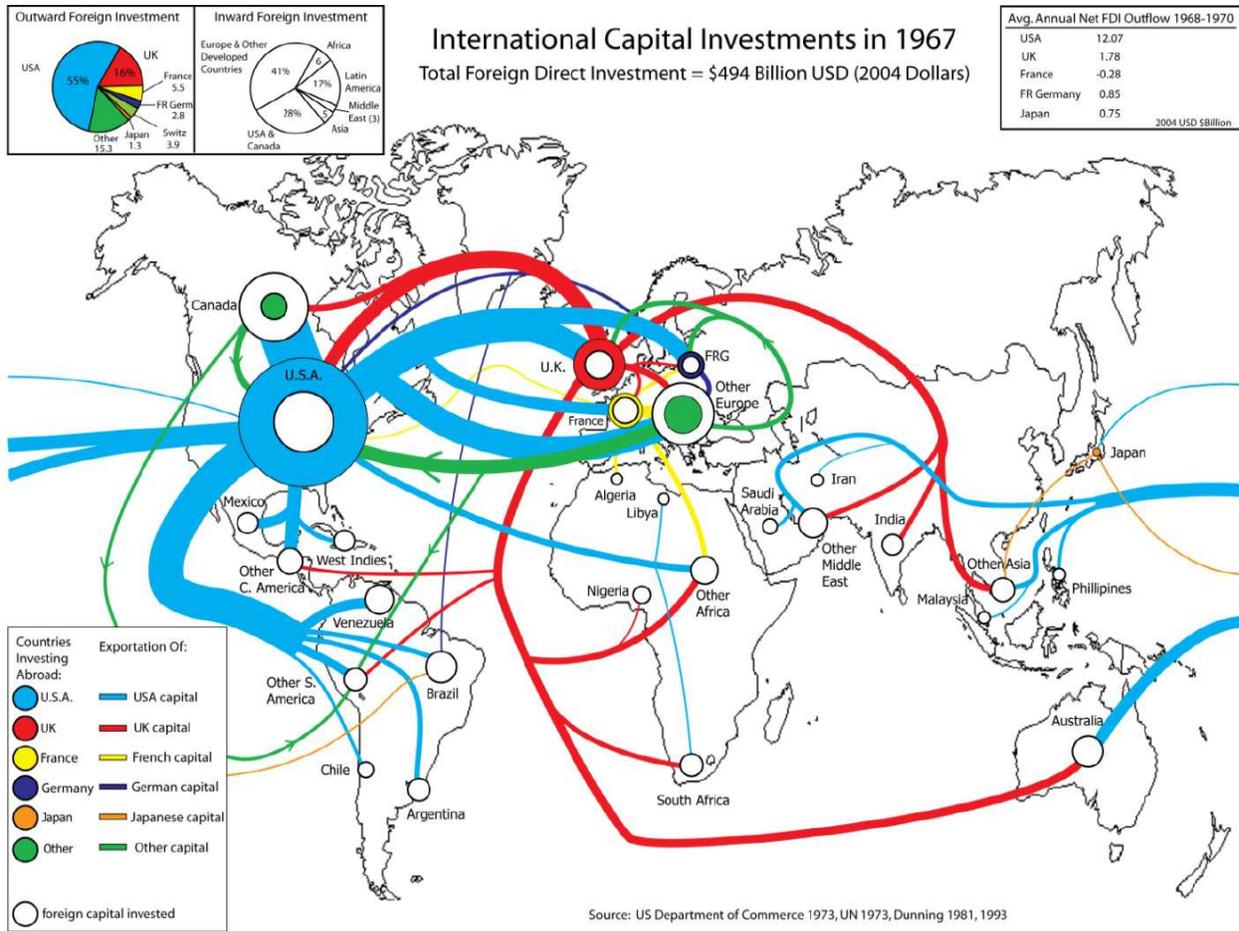


Figure 2. International Capital Investments in 1967

An increasing trade deficit, a declining dollar, and the collapse of supportive international regimes such as the Bretton Woods system also served to weaken U.S. pre-eminence in the 1970s, even though America continued in its position at the top of the economic ladder. Yet its’ grip on that rung was starting to slip somewhat. Albert Bergesen and Chintamani Sahoo provide evidence that American dominance of the world’s largest industrial firms declined dramatically between 1956 and 1981:

“In 1956, 42 of the top 50 firms were American. By 1980, this number had dropped to 23... As late as 1971, Europe had only half

as many firms in the top 50 as the United States (15 to 30) but, by 1980, the American lead was reduced and Europe almost equalled the United States (20 to 23). Japan's appearance on the list occurred quite dramatically in 1970, when it suddenly had 5 firms among the top 50.”<sup>25</sup>

And while the U.S.’s debt-to-GDP ratio was very low before 1980, James Crotty argues that this changed after Ronald Reagan took office. He contends that:

“by 1980, the country had come to a crossroads. The existing set of government institutions and policies, in combination with the increasing globalisation of production, investment and finance that brought rising foreign competition, were no longer generating the widespread prosperity the public had come to expect. Either we had to reconstruct and reinvigorate our social democratic model or replace it with an alternative model. Rightwing forces had a clear vision of the alternative model they wanted—a modern version of the 1920s economy situated in a globalised economic system—and had vastly increased their political clout.”<sup>26</sup>

Instead of implementing temporary wage-price controls to deal with inflation, Crotty argues, the federal government initiated a number of policies that included deregulating financial markets and businesses, lowering corporate tax cuts, attacking unions, and increasing military spending, which together led to rising interest and exchange rates that triggered massive trade deficits. Furthermore, he maintains that accelerated capital mobility resulting from globalization increased the threat that firms would shift production outside the country unless workers accepted lower wages and benefits.<sup>27</sup> In fact, it was the United States, Crotty argues, that led the movement to remove barriers to the movement of goods and money across borders so that American multinational corporations could take advantage “of rapidly growing economies and cheaper labour in countries whose technology was advancing, in part due to rising U.S.

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<sup>25</sup> *ibid*, 597.

<sup>26</sup> J. Crotty, “The great austerity war: what caused the U.S. deficit crisis and who should pay to fix it?,” *Cambridge Journal of Economics* 36 (2012), 84.

<sup>27</sup> *ibid*, 85.

investment.”<sup>28</sup> This move towards, or more accurately, return to laissez-faire liberalism took place within an international environment transformed by quantum-shifting transportation and communication technologies. Also important was the increasing pressure that rapidly rising economies in China, India, and various eastern Asian countries put on the United States.

As a consequence, the United States and other western industrial countries adopted the view that Keynesian economic policies should be abandoned in favour of neoliberal strategies that privileged the market and facilitated the flow of capital and goods. The development of unrestricted trade and the open flow of financial capital across borders, facilitated by postmodern time-space compression/space extension technologies, increased the relative strength of western-based multinational corporations and international economic and technological interdependencies, leading many to believe that a process of deterritorialization was taking place at the expense of the nation-state. Such a development can be judged to be revolutionary in light of the argument which holds that “modern territorial states, and then nation-states, emerged as an integral part of the rise of capitalism.”<sup>29</sup> As Mark Berger elaborates: “between the mid-1940s and the mid-1970s the dominant development discourse was grounded in the assumption that nation-states were homogenous and natural units of a wider international politico-economic order and that state-mediated national development could, should and would lead to economic, and eventually even political, outcomes beneficial to, or at least in the best interests of, virtually all citizens.”<sup>30</sup> This confidence in the inviolability of the nation-state was given a further boost as former colonies fought for independence. Yet at the same time, Paolo Cuttita points out, “the great economic and technological developments [gave] ... more solid bases for the multiplication

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<sup>28</sup> *ibid*, 86.

<sup>29</sup> M. Berger, “The Nation-State and the Challenge of Global Capitalism,” *Third World Quarterly*, 22, 6, The Post-Cold War Predicament (2001), 893.

<sup>30</sup> *ibid*, 889.

of international subjectivities and of their interdependencies, as well as for the de-territorialization of power relations and for the end of the international state-based order. The crisis of such an order, based on nation-states and on territoriality, becomes evident only in the last part of the century, in the years after the end of the Cold War, but it actually started long before...<sup>31</sup>

Scholars view this change in terms of a movement from the epoch of Fordism to that of post-Fordism, characterized by economic relations based on flexible accumulation, the decentralization of production, global sourcing, and a transformation, which some view as an erosion, of the nation-state. In such a system, the deregulation of global finance and the flight of capital to newly industrialized and developing world states in order to avoid the higher costs of doing business in the developed world supports the interests of transnational corporations and results in the decline of the welfare state.<sup>32</sup> All of this, of course, is buttressed by a neoliberal philosophy. Barney Warf makes the interesting point that post-Fordism “appeared, not accidentally, at the particular historical moment when the microelectronics revolution began to revolutionize manufacturing; indeed, the changes associated with the computerization of production in some respects may be seen as capitalists’ response to the crisis of profitability that accompanied the petrocises and deindustrialization.”<sup>33</sup>

### **Current Phase of Globalization: 1990-present-day**

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<sup>31</sup> P. Cuttitta, “Points and Lines: A Topography of Borders in the Global Space,” *Ephemera: theory and politics in organization* 6, 1 (2006), 28.

<sup>32</sup> For further discussion of post-Fordism, I refer the reader to the work of Alain Lipietz. See: “Towards Global Fordism?” *New Left Review* (March-April 1982). 33-47; “The Globalization of the General Crisis of Fordism, 1967-84,” in J. Holmes and C. Leys, eds., *Frontyard/Backyard: The Americas in the Global Crisis* (Toronto: Between the Lines) 1987; *Towards a New Economic Order: Postfordism, Ecology and Democracy* (New York: Oxford University Press) 1992. David Harvey also tackles the subject in *The Condition of Postmodernity* (Cambridge: Basil Blackwell Ltd., 1990) as do Scott Lash and John Urry in *The End of Organized Capitalism* (Madison: University of Wisconsin Press) 1987.

<sup>33</sup> B. Warf, *Time-Space Compression: Historical Geographies* (New York: Routledge, 2008), 170.

This newest phase of global capitalism took shape during the 1970s and 1980s and became the dominant paradigm in the 1990s. The globalizing impulse could be seen as trending towards greater homogeneity, unified culture, and what V.S. Naipaul termed a universal civilisation.<sup>36</sup> Theorists including Arjun Appadurai<sup>35</sup> and Homi Bhabha<sup>36</sup> were telling their audiences that we are all borderlanders and, because of this fact, borders are largely inconsequential. For Appadurai, nation-states and, by implication, regions and borders, are increasingly irrelevant in a postmodern, post-colonial and soon to be post-national world where electronic communications have resulted in networks replacing traditional geographical spaces as the major frames of affiliation. Bhabha believes that because we all are liminal beings – that is, we all are interstitial creatures living in spaces of "in-betweenness" – the traditional notion of territory and associated identity as defined by borders is no longer pertinent. Their message was further spread by academics, journalists and others who argued for the "end of geography"<sup>37</sup> and the "end of history,"<sup>38</sup> the "death of distance,"<sup>39</sup> the "borderless world,"<sup>40</sup> a "flat world,"<sup>41</sup> the "vanishing of distance,"<sup>42</sup> and the "spaces of flows" replacing the "spaces of places."<sup>43</sup>

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<sup>34</sup> V.S. Naipaul, "Our Universal Civilization," in P. Mishra, ed., *Literary Occasions: Essays* (London: Picador, 2003), 503-17.

<sup>35</sup> A. Appadurai, *Modernity at Large: cultural dimensions of globalization* (Minneapolis: University of Minnesota Press, 1996).

<sup>36</sup> H. Bhabha, *The Location of Culture* (London: Routledge, 1994).

<sup>37</sup> R. O'Brien, *Global Financial Integration: The End of Geography* (London: Royal Institute of International Affairs, 1992).

<sup>38</sup> F. Fukuyama, *The End of History and the Last Man* (New York: Avon Books, 1992).

<sup>39</sup> F. Cairncross, *The Death of Distance: How the Communications Revolution Will Change Our Lives* (Boston: Harvard Business School Press, 1997).

<sup>40</sup> K. Ohmae, *The Borderless World: power and strategy in the interlinked economy* (New York: Harper, 1990).

<sup>41</sup> T. Friedman, *The World Is Flat: A Brief History of the Twenty-First Century* (New York: Farrar, Straus and Giroux, 2005).

<sup>42</sup> R. Reich, *The Future of Success: Work and Life in the New Economy* (London: William Heinemann, 2001).

<sup>43</sup> M. Castells, *The Information Age: Economy, Society, and Culture: Volume I: The Rise of the Network Society, Volume II: The Power of Identity, Volume III: End of Millennium* (Oxford, England, and Cambridge, Massachusetts: Blackwell Publishers, 1996, 1997, 1998).

The opening up of vast spaces beyond the local, the regional, and the national made possible during the late-20<sup>th</sup> century through new information and communication technologies such as the television, the satellite, the personal computer, and the internet have created what Barney Warf calls a “postmodern time-space compression”<sup>44</sup> and what Fredric Jameson terms a “postmodern hyperspace.”<sup>45</sup> The mobilities created by these new technologies have reconfigured borders and borderlands, diversifying and accelerating the circulation of peoples, goods, investment, and information and creating an even more integrated global entity. All of these factors which contribute to economic and other kinds of integration operate within global networks that have expanded in variable and uneven ways. They also operate within the framework of trading blocs accompanying the spread of global capitalism in the latter part of the 20<sup>th</sup> century (e.g. the European Economic Community, later rebranded and reshaped as the European Union, and the association created when the United States and Canada signed the Free Trade Agreement in 1988).

However, the results of the last 25 years, especially those occurring after the events of September 11<sup>th</sup>, 2001, show that borders have not disappeared, even in the European Union. As Gilles Deleuze, Félix Guattari, Gearóid Ó Tuathail, Timothy Luke and others have noted, processes of deterritorialization, caused by globalization, are always connected to movements of reterritorialization which attempt to cope with the impacts of globalization and its associated spatialities and temporalities.<sup>46</sup> Presently, there are many kinds of deterritorialization and reterritorialization processes at work. One evident trend is that which involves the relocation of

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<sup>44</sup> Warf, *Time-Space Compression*.

<sup>45</sup> F. Jameson, *The Cultural Turn* (London: Verso, 1998).

<sup>46</sup> See: G. Deleuze and F. Guattari, *Anti-Oedipus*, Trans. R. Hurley, M. Seem, and H. Lane (Minneapolis: University of Minnesota Press, 1983); G. Ó Tuathail and T. Luke, “Present at the (Dis)Integration: Deterritorialization and Reterritorialization in the New Wor(l)d Order,” *Annals of the Association of American Geographers* 84, 3 (1994), 381-389.

some components of state sovereignty to supranational bodies both located in and oriented towards specific cross-border regions.<sup>47</sup> Central to this process is the implementation of various cross-border cooperation schemes aimed at re-defining and extending traditional connections and developing new economic linkages and cross-border governances that on one hand recognize state sovereignty but on the other hand understand the greater need for communities and regions to cooperate with their counterparts along and across common borders in the face of increasing global competition.

The devolution of some powers to and the support of transnational regions, along with the greater support for cross-border cooperation, is evidence that all levels of governments and business groups recognize that the bordered territorial state is struggling to meet the requirements of a world of flows and networks and that a new kind of *spatial fix* recognizing other types of territorial organizations is needed. Yet while the spatial fix of the postmodern era may mean that the nation-state may be giving up some traditional powers of control, it is not dying.<sup>48</sup> Communication and transportation technologies play a particularly important role by shaping the boundaries within which power and knowledge in their variant economic, political and social manifestations operate. As the boundaries of power change, so does the nature of borders and borderlands. There is evidence to suggest that the development of new technologies has in a variety of ways increased the need for highly specialized regions, places and localities for the production and use of those technologies. Indeed, it may be argued that underneath modern consumer culture a significant, and, perhaps, an increasing degree of localism exists. The state has proven to be flexible enough to adjust to deterritorialization tendencies and cope with

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<sup>47</sup> Saskia Sassen, "Embedding the global in the national: implications for the role of the state," in *States and Sovereignty in the Global Economy*, ed. David Smith (London: Routledge, 1999), 160.

<sup>48</sup> Ronnie Lipschutz, "Crossing Borders: Global Civil Society and the Reconfiguration of Transnational Political Space," *GeoJournal* 52, no. 1 (2000): 17-23.

the changes that have occurred. In this context, flows may serve as instruments in creating new kinds of territorial units and therefore new types of cross-border regions and borderlands. But at the same time, the state will continue to direct development, manage networks, and interpret and provide essential context for the new political, economic and cultural realities of globalization.

This brings to the fore the connection often made between transnationalism and globalization, two closely related concepts. Many scholars, the most prominent being Saskia Sassen,<sup>49</sup> have argued that the extension of human activities and social institutions across borders (transnationalism) facilitated by the removal of barriers to free trade and the closer integration of national economies (globalization) results in the increasing irrelevance and obsolescence of the nation-state. While there are strong arguments supporting the position that globalization has further empowered the position of multinational corporations at the expense of nation-states through their increasing ability to integrate national economies into global networks, there are also formidable grounds supporting the view that nation-states, at least the more powerful ones, still have the means by which they can control their responses to globalization. Through negotiation, nation-states develop regulatory frameworks that both enable and limit transborder flows of capital and goods. Indeed, one could argue that neoliberalism requires the nation-state to establish the conditions necessary to implement neoliberal policies. While neoliberalism promotes the extension of markets and criticizes collectivist strategies, it is neither monolithic in form nor universal in effect; rather it exists in historically and geographically contingent forms and so can be interpreted and acted upon in divergent ways.<sup>50</sup>

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<sup>49</sup> See: Saskia Sassen, *The Global City: New York, London, Tokyo* (Princeton: Princeton University Press, 1991); Saskia Sassen, *Losing control? Sovereignty in An Age of Globalization* (New York: Columbia University Press, 1996); Saskia Sassen, *Globalization and its discontents. Essays on the New Mobility of People and Money* (New York: New Press, 1998).

<sup>50</sup> S. Springer, "Neoliberalism as discourse: between Foucauldian political economy and Marxian poststructuralism," *Critical Discourse Studies* 9, 2 (2012), 133-147.

The hyperglobalist thesis argues for the annihilation of space as well as the end of the nation state. However, space still matters, just as borders and nation-states continue to be relevant. Technology may reduce distance but it does not place us all into one location. There are many kinds of spaces just as there are multiple distances, and they all differ according to scale and degree of connectivity. *Because differences exist in space, space cannot be annihilated by time.* In fact, one could argue that while time has been compressed, space has been *extended*, at least for those who live in circumstances in which it is more likely that they can take advantage of such technologies.<sup>51</sup> Technology has created a *space paradox*: it has reduced distance, thus shrinking space, and expanded the scope of interaction, thus extending space. Space is elastic and its elasticity varies among different groups and across different places over time. Processes of *time-space compression/space-extension* have reconfigured nations, regions, communities and individuals, but the nature of such transformations has varied because they have occurred in different settings. Globalization has not produced a “homogeneous plain,” an “isotropic surface,” or even a “flat world.” Uneven geography ensures that such differentiation exists even in the face of economic, cultural and social mobilities that reshape but do not eliminate territories, and by association, borders.

## **Conclusion**

In the current context of globalization, boundaries have indeed evolved into “third spaces” as traditional barriers have come tumbling down. Yet territories and, as a consequence, borders, both formal (*de jure*) and cultural (*de facto*), still matter; they always have and they

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<sup>51</sup> Time-space compression/extension is an idea that is closely related to the concept of *time-space distancing* advanced by Anthony Giddens. Time-space distancing describes the process whereby remote interaction has become an increasingly significant feature of human life, and through which previously distinctive social systems have become connected and interdependent because of technological advances in communications and transportation. See: Anthony Giddens, *The Constitution of Society: Outline of the Theory of Structuration* (Berkeley: University of California Press, 1984).

always will. In fact, since 9/11 dialectical conditions of globalization and increased demands for security mean that borders are evolving into new forms and as such are taking on new functions. The borderless world hypothesis has been rejected as theorists have come to view borders and mobilities as complimentary rather than antithetical concepts. Contemporary borders are more differentiated than ever and the current phase of globalization is characterized by unprecedented flows and mobilities that transcend but do not eradicate borders or eliminate nation-states. Just as before, today's borders are fluid, constantly remade by technology, new laws and institutions, security requirements and the realities of international commerce. There are specific social and spatial contexts where borders have evolved and continue to exist, albeit in forms and functions that have changed and will continue to transform into the future. Perhaps it can be said that borders today are more opaque than transparent. One thing for certain is that the significance of borders in all contexts must be measured in ways that take into account both geographical complexity and historical variation. The fact remains that globalization does not eradicate spatial differentiation.

## **Conference version:**

### **Historical Phases of Globalization: 1492-1989**

Although many associate globalization with the post-WW II period, there are others who argue that this is just the latest phase of this process. Indeed, some maintain that globalization began when Columbus discovered America, signalling the start of European colonialism that sustained interaction in a manner that deeply linked different parts of the world through global trade. Others argue that revolutionary economic and social theories developed during the late 18<sup>th</sup> and early 19<sup>th</sup> centuries propelled the world into the first real stages of globalization. The fundamental tenets of the then prevailing mercantilist doctrine were being questioned by theorists such as Adam Smith, David Ricardo and David Hume and politicians, including British Prime Minister Lord Shelburne and John Adams. Led by the somewhat naive belief that unfettered commerce could bring an end to conflict and encourage amity among nations, Smith and his contemporaries instead argued for a ‘laissez-faire’ system of free trade, believing that such a practice would expand the extent of the market and bring about added productivity advantages in terms of the division of labour. This argument among many others paved the way for the eventual emergence of capitalism, which, in the opinion of Michael Hardt and Antonio Negri, led to the first real phase of globalization.

National governments during the first half of the nineteenth century were generally protective but the implementation of laissez-faire trade policies following the repeal of the Corn Laws resulted in a rapid internationalization of the world economy, before the United States led the movement back to more protective regimes during the last two decades of the century. By

this time, the United States emerged as a major player on the global scene. The late 19<sup>th</sup> century witnessed the contradictory coexistence of liberalistic and protectionist approaches in the U.S. Tariffs established during the Civil War were intended to raise revenue for the federal government and keep out foreign goods in order to protect American labour and business. After the war, tariffs remained high to service the huge debt burden that resulted from the war. Yet even though much of the debt had been paid off by the mid-1880s, federal revenues were outstripping expenditures by as much as fifty percent. The Republican party, in power for most of this period, argued that higher tariff rates would reduce fiscal revenue. They and others also believed that this policy was compatible with basic liberal commitments to creating an environment supporting the economic independence of the United States and adopting a laissez faire policy toward exports.

The end of the frontier, the economic recession of the 1890s, and the internationalization of investment stimulated a change in direction in the U.S. Increasingly “it was believed that expanding overseas markets could remedy sagging domestic demand, while ‘social imperialists’ argued that expansion abroad could deflect domestic class and ethnic conflicts into a common patriotism. After 1887, the United States began actively to promote exports through bilateral reciprocity treaties and duty-free raw materials while maintaining the essential structure of protection. Even while supporting protectionism, an outward diffusion of political ideals, cultural values, investment, and trade consolidated its’ paramount position in the hemisphere and eventually led the country to a position of dominance among global powers. A generous resource base combined with production and technological innovations and capital exports to ensure that the U.S. was well positioned to compete with Europeans in the international marketplace. The inexorable movement towards globalization combined with America’s imperialistic designs and

leadership in industry, technology and intellectual property to increase support for trade liberalization and a more open economic system.

The first half of the 20<sup>th</sup> century witnessed what one might describe as the implosion of Europe as former empires crumbled in the face of massive political, social, economic, and technological developments that were transforming the globe. Great Britain, which had previously established its supremacy in finance, commerce and industry, particularly after it made the transition to free trade in the middle of the nineteenth century, shortly thereafter faced a growing military and industrial challenge from new rivals, both in Europe and abroad. America's system of private enterprise and its growing domination of technology combined with new mobilities to provide the platform from which American investment and trade could spread throughout the world.

This transition in global hegemony was already well underway at the beginning of the new century, a period of exceptional international capital mobility. To a considerable degree, political and economic instability at the global level and particularly within the European arena prior to the collapse of 1929 worked to the advantage of the United States. World War I accelerated the expansion of U.S. business and created a soaring American demand for raw materials, especially mineral products. America further expanded its global economic and cultural reach during the 1920s, taking advantage of advancements in transportation (e.g. airplanes) and communication (e.g. radio, cinema) technologies. But the onset of the Great Depression and World War II would dampen the efforts of all globalizers, even American ones, for many years to come.

Nation-states reverted to protectionism during the 1930s as governments focused on dealing with internal problems resulting from the global economic collapse. This gave rise to

Keynesian liberalism which supported the principle of a free market but also recognized that because the market did not always work in the best interests of those from the lower socioeconomic strata of society, it was incumbent upon the state to protect these groups from the harshest consequences of capitalism. Yet even while Keynesian liberalism remained the dominant paradigm over the next few decades, it existed alongside the American government's desire to move towards the vision inspired by Franklin Roosevelt's Secretary of State Cordell Hull – i.e., global free trade and an expansion of the long-standing American policy of the open door to foreign investment.

World War II further retarded international trade and investment but it did serve to set up the United States as an even more powerful force upon its completion. The war played a huge role in the development of America's military-industrial complex by forging a partnership among business, government, and science that afterwards would sustain America as an economic and military superpower and speed the globalization process. In spite of the Cold War most of the world was increasingly drawn within the United States' economic and cultural orbit. A period of relative peace and prosperity, at least for the developed West; expanded investment in and exploitation of the developing world; the establishment of the Bretton Woods global financial institutions (including the International Monetary Fund and the World Bank); the economic reconstruction of Europe; and the rebuilding of trade and investment relations through the General Agreement on Tariffs and Trade (GATT) gave rise to a period that has been labelled both as the "golden age of capitalism" and "Pax Americana."

The Bretton Woods system lasted until 1971. It required world currencies to be linked to the American dollar rather than gold. This allowed the U.S. to run trade deficits as long as confidence in the dollar remained stable and national gold reserves remained high enough to

satisfy demands by foreign countries to convert their dollar holdings to gold. But by the end of the 1960s, it was clear to many that the inability of the United States to balance its trade and payments at the prevailing fixed exchange rates during the Vietnam War meant that changes would have to be made. The continuing weakening of the U.S. dollar led to the decision of the Nixon administration in 1971 to cease the exchanges of dollars for gold, a measure that effectively ended the Bretton Woods gold exchange standard.

It was through foreign investment that America was able to establish networks of integrated production across borders and globalize its imperial reach. Figures 1 and 2 clearly show the changes occurring between 1914, when the United Kingdom still held the position as the world's dominant financial center of global investment, and 1967, with the U.S. occupying that position. Yet unlike the U.K. in 1914, the U.S. in 1967 was both a major source and destination for global capital flows.

An increasing trade deficit, a declining dollar, and the collapse of supportive international regimes such as the Bretton Woods system served to weaken U.S. pre-eminence in the 1970s, even though America continued in its position at the top of the economic ladder. In response, the Reagan government, influenced by the neoliberalism philosophy of the Chicago School, initiated a number of policies that included deregulating financial markets and businesses, lowering corporate tax cuts, attacking unions, and increasing military spending, which together led to rising interest and exchange rates that triggered massive trade deficits. The U.S. led a movement to remove barriers to the movement of goods and money across borders so that American multinational corporations could take advantage of rapidly growing economies and cheaper labour in countries whose technology was advancing, in part due to rising U.S. investment. This move towards, or more accurately, return to laissez-faire liberalism took place within an

international environment transformed by quantum-shifting transportation and communication technologies.

As a consequence, the United States and other western industrial countries adopted the view that Keynesian economic policies should be abandoned in favour of neoliberal strategies that privileged the market and facilitated the flow of capital and goods. The development of unrestricted trade and the open flow of financial capital across borders, facilitated by postmodern time-space compression technologies, increased the relative strength of western-based multinational corporations and international economic and technological interdependencies, leading many to believe that a process of deterritorialization was taking place at the expense of the nation-state. Many scholars viewed this change as an erosion of the nation-state. In such a system, the deregulation of global finance and the flight of capital to newly industrialized and developing world states in order to avoid the higher costs of doing business in the developed world supports the interests of transnational corporations and results in the decline of the welfare state.

### **Current Phase of Globalization: 1990-present-day**

This newest phase of global capitalism became the dominant paradigm in the 1990s. The globalizing impulse could be seen as trending towards greater homogeneity and unified culture. For Arjun Appadurai, nation-states and, by implication, regions and borders, are increasingly irrelevant in a postmodern, post-colonial and soon to be post-national world where electronic communications have resulted in networks replacing traditional geographical spaces as the major frames of affiliation. Homi Bhabha believes that because we all are liminal beings – that is, we all are interstitial creatures living in spaces of "in-betweenness" – the traditional notion of territory and associated identity as defined by borders is no longer pertinent. Their message was

further spread by academics, journalists and others who argued for the “end of geography” and the “end of history,” the “death of distance,” the “borderless world,” a “flat world,” the “vanishing of distance,” and the “spaces of flows” replacing the “spaces of places.”

The opening up of vast spaces beyond the local, the regional, and the national made possible during the late-20<sup>th</sup> century through new information and communication technologies such as the television, the satellite, the personal computer, and the internet have created what Barney Warf calls a “postmodern time-space compression” and what Fredric Jameson terms a “postmodern hyperspace.” The mobilities created by these new technologies have reconfigured borders and borderlands, diversifying and accelerating the circulation of peoples, goods, investment, and information and creating an even more integrated global entity. All of these factors which contribute to economic and other kinds of integration operate within global networks that have expanded in variable and uneven ways. They also operate within the framework of trading blocs accompanying the spread of global capitalism in the latter part of the 20<sup>th</sup> century (e.g. the European Union, NAFTA).

However, the results of the last 25 years, especially those occurring after the events of 9/11, show that borders have not disappeared, even in the European Union. As a number of scholars have noted, processes of deterritorialization, caused by globalization, are always connected to movements of reterritorialization which attempt to cope with the impacts of globalization and its associated spatialities and temporalities. Presently, there are many kinds of deterritorialization and reterritorialization processes at work. One evident trend is that which involves the relocation of some components of state sovereignty to supranational bodies both located in and oriented towards specific cross-border regions. Central to this process is the implementation of various cross-border cooperation schemes aimed at re-defining and extending

traditional connections and developing new economic linkages and cross-border governances that on one hand recognize state sovereignty but on the other hand understand the greater need for communities and regions to cooperate with their counterparts along and across common borders in the face of increasing global competition.

The devolution of some powers to and the support of transnational regions, along with the greater support for cross-border cooperation, is evidence that all levels of governments and businesses recognize that the bordered territorial state is struggling to meet the requirements of a world of flows and networks and that a new kind of *spatial fix* recognizing other types of territorial organizations is needed. Communication and transportation technologies play a particularly important role by shaping the boundaries within which power and knowledge in their numerous economic, political and social manifestations operate. There is evidence to suggest that the development of new technologies has in a variety of ways increased the need for highly specialized regions, places and localities for the production and use of those technologies. Indeed, it may be argued that underneath modern consumer culture a significant, and, perhaps, an increasing degree of localism exists.

Yet while the spatial fix of the postmodern era may mean that the nation-state may be giving up some traditional powers of control, it is not dying. The state has proven to be flexible enough to adjust to deterritorialization tendencies and cope with the changes that have occurred. In this context, flows may serve as instruments in creating new kinds of territorial units and therefore new types of cross-border regions and borderlands. But at the same time, the state will continue to direct development, manage networks, and interpret and provide essential context for the new political, economic and cultural realities of globalization.

While there are strong arguments supporting the position that globalization has further empowered the position of multinational corporations at the expense of nation-states through their increasing ability to integrate national economies into global networks, there are also formidable grounds supporting the view that nation-states, at least the more powerful ones, still have the means by which they can control their responses to globalization. Through negotiation, nation-states develop regulatory frameworks that both enable and limit transborder flows of capital and goods. Indeed, one could argue that globalization actually depends on inequalities that are supported by borders of all types. While neoliberalism promotes the extension of markets and criticizes collectivist strategies, it is neither monolithic in form nor universal in effect; rather it exists in historically and geographically contingent forms and so can be interpreted and acted upon in divergent ways.

### **Conclusion: The Relevance of Space**

The hyperglobalist thesis argues for the annihilation of space as well as the end of the nation state. However, space still matters, just as borders and nation-states continue to be relevant. There are many kinds of spaces just as there are multiple distances, and they all differ according to scale and degree of connectivity. *Because differences exist in space, space cannot be annihilated by time.* Technology has created a *space paradox*: it has reduced distance, thus shrinking space, and expanded the scope of interaction, thus extending space. Processes of *time-space compression/space-extension* have reconfigured nations, regions, communities and individuals, but the nature of such transformations has varied because they have occurred in different settings. Globalization has not produced a “homogeneous plain,” an “isotropic surface,” or even a “flat world.” Uneven geography ensures that such differentiation exists even in the face of economic, cultural and social mobilities that reshape but do not eliminate territories, and by

association, borders. In fact, since 9/11 dialectical conditions of globalization and increased demands for security mean that borders are evolving into new forms and as such are taking on new functions.



# On Globalization, Borders and Nation-States: some historical musings

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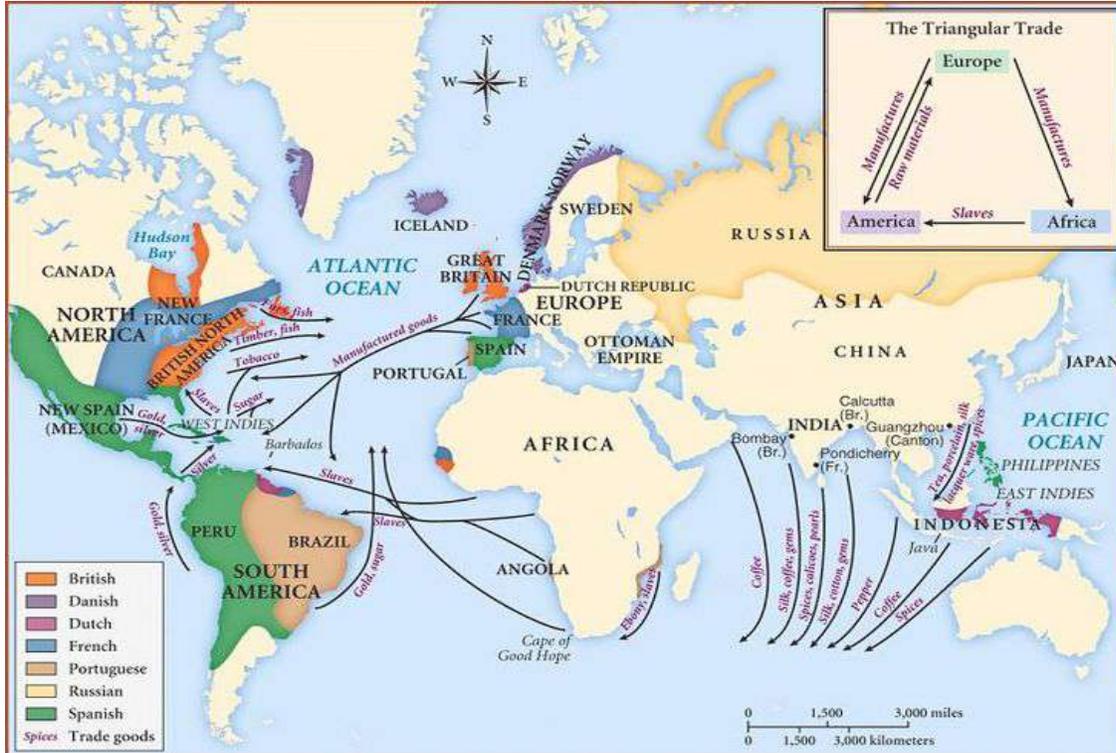
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# Historical Phases of Globalization: 1492-1989

- Debate over phases of globalization
  - associated with beginnings of colonialism



The Mercantilist Argument for Colonial Expansion



Source: Philip Dorf, *Our Early Heritage: Ancient and Medieval History*, Oxford Book Company (adapted)

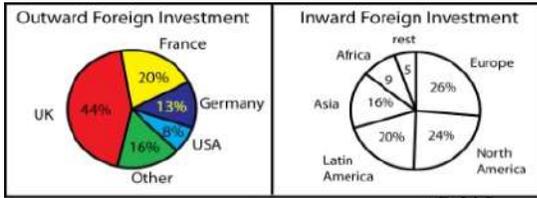
- challenges to mercantilism (Smith, Ricardo, Hume, Lord Shelburne, Adams)
  - paved way to for emergence of capitalism (Hardt and Negri, 2000: 14)
- Implementation of laissez-faire trade policies following the repeal of the Corn Laws (1846)

# Historical Phases of Globalization: 1492-1989

- Emergence of United States as major player
  - contradictory coexistence of liberalistic and protectionist approaches
  - belief that protectionism was compatible with basic liberal commitments to creating an environment supporting the economic independence of the United States and adopting a laissez faire policy toward exports
- Changes in direction of U.S. policy
  - bilateral reciprocity treaties and duty-free raw materials
  - path to hegemony
- Implosion of Europe
  - decline of Britain's hegemony
- Transition in global hegemony
  - expansion of U.S.'s global reach
- Impact of Great Depression and WW II
  - rise of Keynesian philosophy
  - U.S. taking advantage of wartime economy (the military-industrial complex)

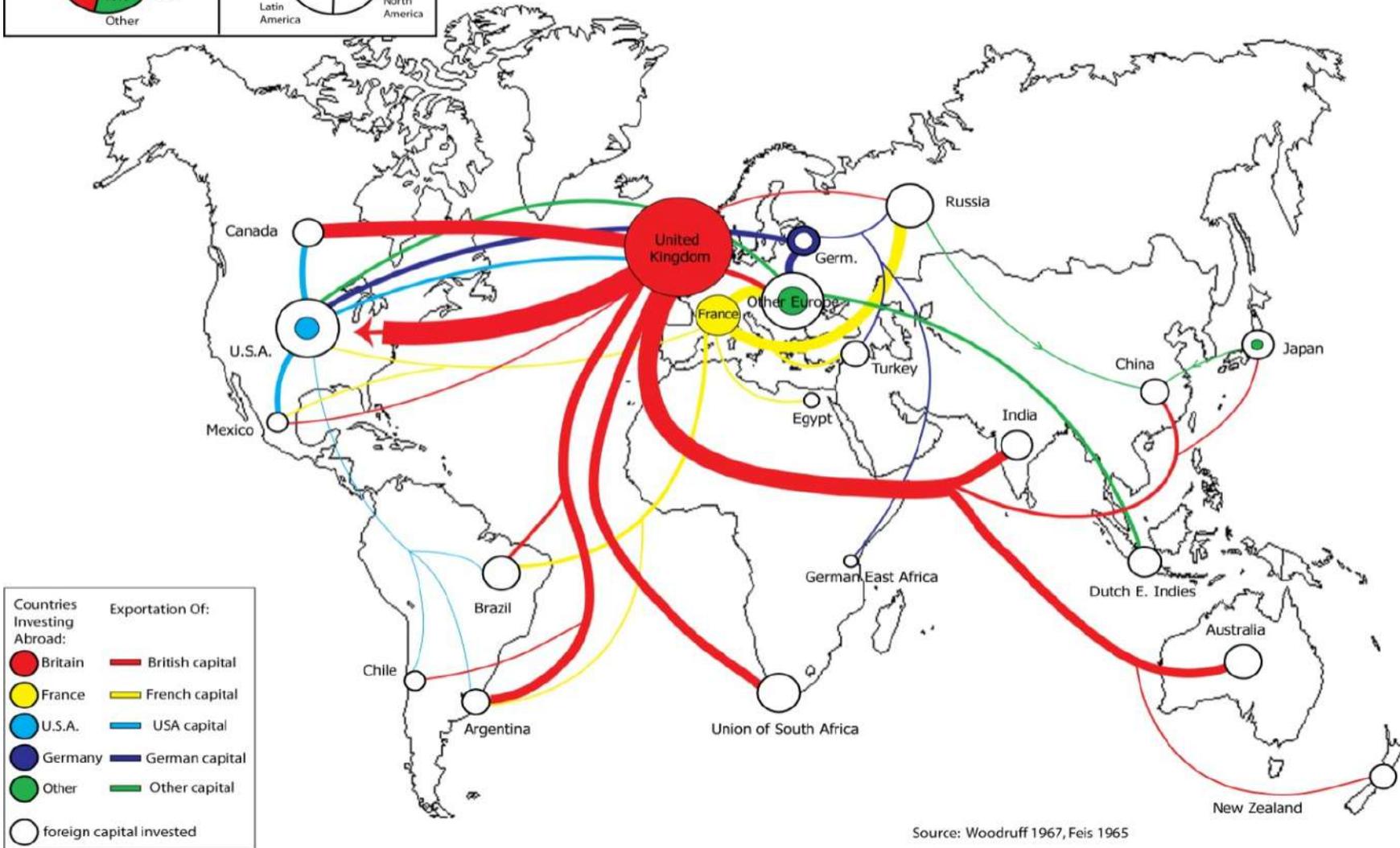
# Historical Phases of Globalization: 1492-1989

- Post-war developments and American hegemony
  - a period of relative peace and prosperity, at least for the developed West; expanded investment in and exploitation of the developing world; the establishment of the Bretton Woods global financial institutions (including the International Monetary Fund and the World Bank); the economic reconstruction of Europe; and the rebuilding of trade and investment relations through the General Agreement on Tariffs and Trade (GATT)
  - the “golden age of capitalism”/ “Pax Americana”
  - collapse of the Bretton Woods system (1971)

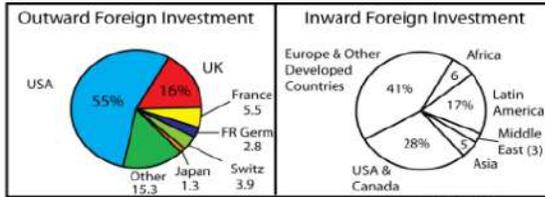


# International Capital Investments in 1914

Total Foreign Direct Investment = \$667 Billion USD (2004 Dollars)



Source: Woodruff 1967, Feis 1965

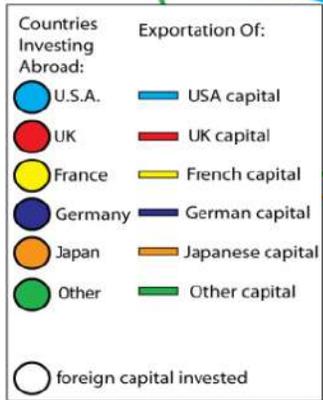
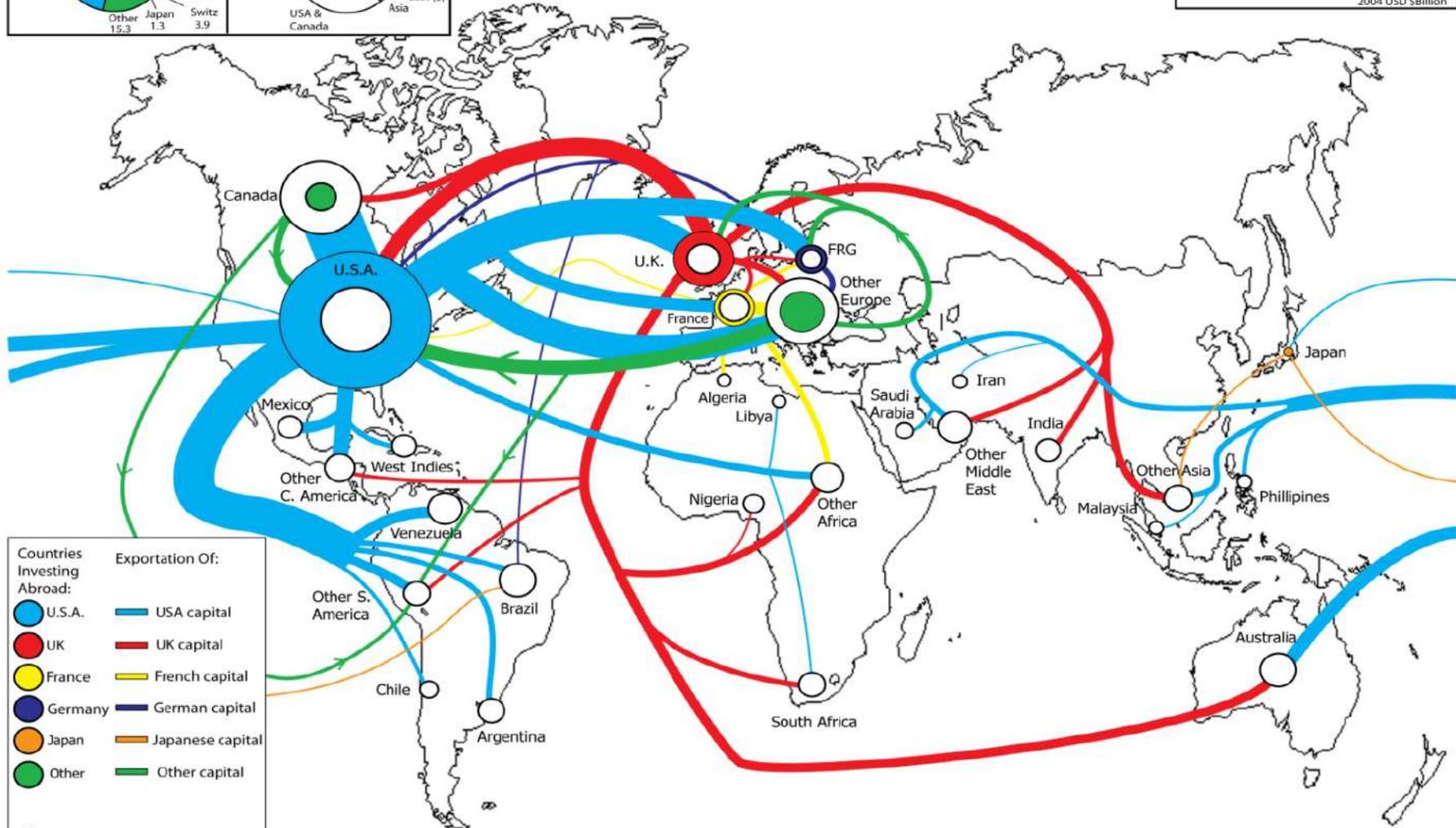


# International Capital Investments in 1967

Total Foreign Direct Investment = \$494 Billion USD (2004 Dollars)

Avg. Annual Net FDI Outflow 1968-1970	
USA	12.07
UK	1.78
France	-0.28
FR Germany	0.85
Japan	0.75

2004 USD \$Billion



Source: US Department of Commerce 1973, UN 1973, Dunning 1981, 1993

# Historical Phases of Globalization: 1492-1989

- 1980s policies (Reagan administration)
  - deregulating financial markets and businesses, lowering corporate tax cuts, attacking unions, and increasing military spending
  - U.S. led a movement to remove barriers to the movement of goods and money across borders so that American multinational corporations could take advantage of rapidly growing economies and cheaper labour in countries whose technology was advancing, in part due to rising U.S. investment
  - return to laissez-faire liberalism
  - United States and other western industrial countries adopted the view that Keynesian economic policies should be abandoned in favour of neoliberal strategies that privileged the market and facilitated the flow of capital and goods

# Historical Phases of Globalization: 1492-1989

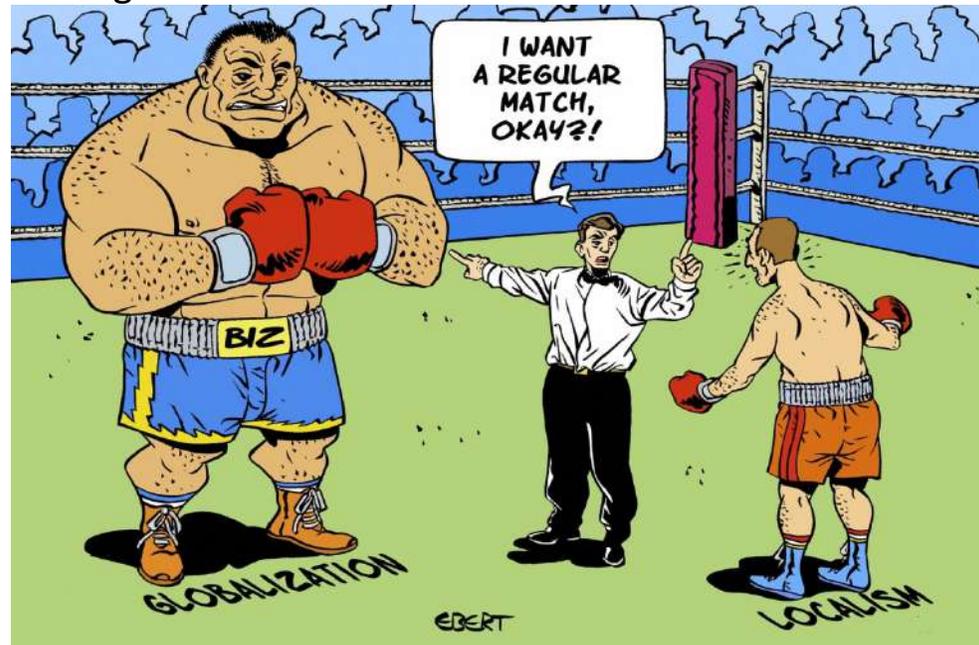
- Deterritorialization at the expense of the nation-state
  - movement from the epoch of Fordism to that of post-Fordism, characterized by economic relations based on flexible accumulation, the decentralization of production, global sourcing
  - deregulation of global finance and the flight of capital to newly industrialized and developing world states in order to avoid the higher costs of doing business in the developed world supports the interests of transnational corporations and results in the decline of the welfare state

# Current Phase of Globalization: 1990-present-day

- Hyperglobalist arguments
  - Appadurai (1996), Bhabha (1994)
  - the “end of history” (Fukuyama, 1992)
  - the “end of geography” (O’Brien, 1992)
  - the “death of distance” (Cairncross, 1997)
  - the “borderless world” (Ohmae, 1995)
  - a “flat world” (Friedman, 2005)
  - the “vanishing of distance” (Reich, 2001)
  - the “spaces of flows” replacing the “spaces of places” (Castells, 1996-1998)

# Current Phase of Globalization: 1990-present-day

- time-space compression and reconfiguration of borders and borderlands
- Barney Warf (2008) : “postmodern time-space compression”
- Fredric Jameson (1998): “postmodern hyperspace”
- trading blocs accompanying the spread of global capitalism (e.g. the European Union, NAFTA)
- 9/11 and forces of reterritorialization
  - processes of deterritorialization, caused by globalization, are always connected to movements of reterritorialization (Deleuze and Guattari 1980; Ó Tuathail and Luke, 1994)
    - relocation of some components of state sovereignty to supranational bodies both located in and oriented towards specific cross-border regions



# Current Phase of Globalization: 1990-present-day

- *spatial fix*
- while the spatial fix of the postmodern era may mean that the nation-state may be giving up some traditional powers of control, it is not dying
- it has proven to be flexible enough to adjust to deterritorialization tendencies and cope with the changes that have occurred
- flows may serve as instruments in creating new kinds of territorial units and therefore new types of borderlands
- state will continue to direct development, manage networks, and interpret and provide essential context for the new political, economic and cultural realities of globalization
- nation-states develop regulatory frameworks that both enable and limit transborder flows of capital and goods
- globalization depends on inequalities that are supported by borders of all types
- neoliberalism is neither monolithic in form nor universal in effect; rather it exists in historically and geographically contingent forms and so can be interpreted and acted upon in divergent ways

# Conclusion

- space still matters, just as borders and nation-states continue to be relevant
- *because differences exist in space, space cannot be annihilated by time*
- *space paradox*
- processes of *time-space compression/space-extension* have reconfigured nations, regions, communities and individuals, but the nature of such transformations has varied because they have occurred in different settings
- uneven geography ensures that differentiation exists even in the face of economic, cultural and social mobilities that reshape but do not eliminate territories, and by association, borders
- since 9/11 dialectical conditions of globalization and increased demands for security mean that borders are evolving into new forms and as such are taking on new functions