LATIN AMERICA BUREAU
Research, publishing and education on Latin America and the Caribbean

- Introductions to Latin America and Caribbean Society, culture, economics and politics
- Country Guides - Bolivia, Venezuela, Jamaica, Cuba, Colombia, Mexico and Argentina are the first in the series
- A series on Latin American women's lives and experiences
- Latin American authors in translation

Also

Silent Revolution: The Rise of Market Economics in Latin America by Duncan Green, who will be writing in the next issue of Soundings.

For a free LAB Books catalogue, write to LAB, Dept. S, 1 Amwell Street, London EC1R 1UH or Call 0171 278 2829, quoting this advertisement.

THE STATE
PSYCHOANALYSIS
IS IN

Friday 22nd November 1996, 2.00 - 8.00pm
and Saturday 23rd, 10.00 - 5.30pm

Conference Centre, Duncan House, High Street, Stratford, University of East London, London E15

Sponsored by the Free Associations Journal, The Human Nature Trust and the Department of Human Relations, University of East London

Fee: £75 two days
£45 one day
£45 concessions

PLEASE APPLY TO THE ADDRESS ABOVE OR, FOR FURTHER INFORMATION, RING JOAN TREMBLE ON 0181 849 3460

Speakers will include:
- David P. Levine
- Gary Winship
- Anthony Elliott
- Sue White and
- John Stancombe
- Phyllis Creme
- David Kennard
- Ivan Ward
- Anna Vidal
- Larry Hirschhorn
Globalisation

Ten frequently asked questions and some surprising answers

Paul Hirst and Grahame Thompson

This article challenges the fashionable view that globalisation has now created a new kind of international economic system.

Globalisation is the greatest threat to the existence of the pragmatic reforming left since 1945. What is at stake can be seen from a recent influential pamphlet by John Gray. He claims that economic globalisation has developed to the point that social democratic policies of national economic regulation and egalitarian redistribution are no longer viable. National governments and organised labour are powerless when faced with international marketisation, neo-liberal deregulation and global economic integration. These changes are irreversible and social democratic national strategies have become so ineffective that they will have to be scrapped in favour of other methods of ameliorating the effects of capitalist markets.

This claim seems plausible, not least because social democratic parties have been politically unsuccessful and conventional strategies of reflationary macroeconomic management have proved ineffective. It needs to be firmly resisted. Firstly, because many of the sources of failure of the reformist left have domestic rather than global causes, and because many of the left’s problems have been created by the left itself. Secondly, because the notion of globalisation is just plain wrong.

The idea of a new, highly-internationalised, virtually uncontrollable global economy based on world market forces has taken root very strongly. It is being used to tell workers and the poor that they must accept whatever is left when their lives and hopes have been sacrificed on the altar of international competitiveness. Fortunately, the story is very different in fact and our options much greater. In what follows we will concentrate on marshalling the evidence to answer ten frequently-asked questions about the world economy and thus show why the rhetoric of the globalisers is wide of the mark. The answers are surprising and we hope that in most cases the surprises are welcome too.

Is globalisation new?

If we interpret globalisation to mean an open international economy with large and growing flows of trade and capital investment between countries, then the answer to the question is clearly negative. The international economy has a complex history of relative openness and closure, since a truly integrated world trading system was created in the second half of the nineteenth century. Submarine telegraph cables from the 1860s onwards connected inter-continental markets. They made possible day-to-day trading and price-making across thousands of miles, a far greater innovation than the advent of electronic trading today. Chicago and London, Melbourne and Manchester were linked in close to real time. Bond markets also became closely inter-connected, and large-scale international lending - both portfolio and direct investment - grew rapidly during this period.

The economy of the belle époque from 1870-1914 was remarkably internationalised, and we have only begun to return to those levels of openness today. First we will consider merchandise trade. The key measure is exports and imports combined as a proportion of gross domestic product (GDP). In 1913 the UK’s trade was 44.7 per cent of its GDP; after a dramatic fall in the inter-war years, it had risen to 39.3 per cent in 1973 and still had not equalled its pre World War I level in 1993 at 40.5. France and Germany offer a similar picture: France has still not returned to 1913 levels of openness (35.4); in 1973 its ratio stood at 29.0 per cent, in 1993 at 32.4 per cent; for Germany the figures are 1913 35.1 per cent, 1973 35.2 per cent, 1993 38.3 per cent, a modest increase but hardly enough to sustain the notion of massive ‘globalisation’ in recent years. In Japan’s case the figures show a marked decline from 31.4 per cent in 1913, to 18.3 per cent in 1973, to 14.4 per cent in 1993. Clearly, Japan has been reducing its imports,
but it still exports a relatively low percentage of its GDP - 8.8 per cent in 1991-3, down from a high of 11.8 per cent in 1979-81. For exports alone, we find that Western Europe exported 18.3 per cent of its GDP in 1913, 17.4 per cent in 1970 and 21.7 per cent in 1992; the USA exported 6.4 per cent in 1913, 4 per cent in 1970 and 7.5 per cent in 1992 and Japan 12.5 per cent in 1913, 9.7 per cent in 1970 and 8.8 per cent in 1992. Thus, apart from the increased openness of the USA in both exports and imports since the 1970s, the economies of the major developed countries are not markedly more open in trade-to-GDP ratio terms than they were before 1914 - although the volume of trade has increased massively.

Capital mobility was as marked a feature of the belle epoque international economy as it is of the world economy today. Bairoch and Kozul-Wright comment, for example, that the stock of foreign direct investment (FDI) in 1913 reached over 9 per cent of world output and note that this figure was still not surpassed in the early 1990s. They also point out that between 1870-1913 foreign portfolio investment grew faster than trade, FDI and output. Plus ca change. The UK, France and Germany were the major capital exporters - the UK exporting an average of 4 per cent of national income per annum in 1870-1914 and an astounding 9 per cent at the end of the period.

World trade has a complex and chequered history. It was severely damaged by the Great Depression of the 1930s, when countries with high trade-to-GDP ratios like Britain and Germany suffered devastating losses of about 40 per cent in their foreign trade. The open international economy restructured by the Pax Americana after 1945 promoted rapid growth in world trade. Between 1950-73 trade grew at an average annual rate of 9.4 per cent as against an average of 5.3 per cent for output. The figures for 1973-84 were 3.6 per cent for trade and 2.1 per cent for output. In the period 1872-1914 trade grew at an average of 3.5 per cent and output at 3.45 per cent. If there was a period of rapid internationalisation it was

6. P Hirst and G. Thompson, Globalisation in Question, Polity, Cambridge 1996, Table 2.4, p22.
the managed multi-lateralism of the Keynesian era. Growth in world merchandise
trade only returned to the levels of the Great Boom in 1994 at 9.5 per cent (trade
grew between 1983-1990 at an average annual rate of 9 per cent). 7

The more naive advocates of rapid and recent 'globalisation' have short
memories and they tend to see the international economy in post 1973 terms. A
longer perspective is sobering, not merely for what it reveals about the pre-1914
world economy, but because it shows how volatile, how subject to conjuncture
change, and how vulnerable to the effects of political conflict the international
economy is. No major regime has lasted for longer than 30-40 years and periods of
considerable openness and growth have been replaced by closure and decline. It
would be naive, therefore, to project current trends towards openness and
integration forward as if they are inevitable or irreversible.

A
n open international economy is worth preserving. To support free trade
against a return to generalised protectionism does not mean that we are
thereby tied to all the institutions and circumstances of the present world
economy with all its inequalities and unfairness. An unregulated free-market
international economy, organised solely for the benefit of the richest nations and
largest companies, is unlikely to be socially or environmentally sustainable. Genuine
economic openness requires multilateral regulation to prevent unfair competition,
to redress the debt burden on the poorest countries, to distribute investment more
equitably, and to compensate poorer countries for declining terms of trade. Such a
policy requires new priorities on the part of the advanced countries and international
institutions like the IMF, the World Bank, and the World Trade Organisation. Alarmist
rhetoric about 'globalisation' is counter-productive in this context because it makes
people afraid of an open trading economy and more inclined to support protectionism.

Is capital mobility a threat to jobs and living standards?
Is capital now chasing low wages?

These questions can be more accurately, if ponderously, be re-phrased thus: Is the
new international capital mobility made possible by the de-regulation of financial
markets and the removal of exchange controls in major advanced economies in
the early 1980s leading to a significant loss of employment and output in the
advanced nations as production shifts to exploit the benefits of low wages in the

Table 1.5, p7.
Globalisation

newly industrialising countries (NICs)?

This is a fear that unites sections of the left and the populist right. For example, prior to the conclusion of the North American Free Trade Agreement, both sections of the US trade union movement and Ross Perot argued that it would result in a massive loss of jobs in the USA as firms shifted south of the Mexican border to exploit low wages.

The evidence flatly contradicts the notion of a massive flight of capital from the advanced nations to low-wage countries in the Third World since the early 1980s. In 1993 capital flows from advanced nations to the NICs totalled over $100 billion. Surely this staggering figure must represent a massive loss of potential investment? One of the great bugbears of 'globalisation' talk is the quoting of apparently large numbers out of context. As Paul Krugman points out the combined GNP of North America, Western Europe and Japan (the Triad) in 1993 was $18 trillion, their investment $3.5 trillion and their capital stock about $60 trillion: $100 billion thus represents 3 per cent of investment in the rich Triad countries and 0.2 per cent of their capital stocks. Even if such foreign investment had no other effect than reducing Western employment and output, the figures are just not big enough to generate the kind of panic one currently sees in the West. Given the pitiful levels of foreign aid provided by most rich countries, these transfers of capital could be seen as a modest contribution to reducing the vast disparities in wealth and industrial output between the First and Third Worlds. Foreign direct investment in Third World countries is not necessarily negative for western workers, it may also create demand for western goods by promoting output and national income elsewhere - just as Britain's foreign investment generated expanded commerce with the exports to countries like Argentina and Uruguay before 1914.

Job losses and unemployment in the advanced world are just too big to be explained by trade with low-wage countries. It has been calculated that if the USA had enjoyed balanced trade in manufactured goods rather than a large deficit, the decline in manufacturing as a share of GDP between 1970-1990 would have been from 24.9 per cent to 19.2 per cent - the actual figure was from 25 per cent to

18.4 per cent. The USA became a far more open economy after 1970, suffering massive import penetration, mainly from advanced economies like Japan. If a relatively small part of US job losses is represented by import penetration, then a tiny fraction of those losses in turn are due to Third World imports of manufactured goods. Manufacturing exports from low-wage countries are only a small part of the market for manufactured goods in the advanced countries: 4.3 per cent in the USA in the second half of the 1980s, approximately 3 per cent in the major EU countries and 2.6 per cent in Japan. The main causes of job losses are domestic to the advanced countries.

Foreign direct investment (FDI) has since the early 1980s been growing at over 3.5 times the rate of merchandise trade (1983-1990 34 per cent p.a. vs 9 per cent p.a.). FDI is an alternative to trade in manufactures; it creates branch plants and assembly operations, and it is also the main way in which countries can 'export' marketed services, such as hotels or retailing. FDI and trade remain massively concentrated within the advanced countries. Closer integration is above all between the three major blocs of the Triad. In 1992, including inter-EU trade, the Triad represented 70 per cent of world trade and, excluding inter-European trade, the figure was still 60 per cent. The ten most important recipients of FDI among the developing countries represented 18.2 per cent of total world trade (excluding inter-EU trade). In the case of FDI flows, between 1981-91 North America, Western Europe and Japan represented 75 per cent of the total. The Triad's members invest mainly in each other and in other advanced countries. The ten major developing country recipients of FDI absorbed 16.5 per cent of the total flows during this period; representing with the Triad 91.5 per cent of total FDI. In population terms the Triad, the nine most important developing countries in respect of FDI, and the eight coastal provinces of China, plus Beijing, are 28 per cent of the world's population. This leaves the other 72 per cent, most of whom are very poor, with less than 10 per cent of total FDI. If FDI is changing the world it is to make the rich richer, and to propel a small number of developing countries, like Taiwan, close to advanced country status.

In the developing world foreign direct investment is highly concentrated. Of the total of $126.1 billion of FDI going to the ten largest recipients in 1988-92,

$47.3 billion went to just two countries - China and Singapore - and $78 billion (or roughly two-thirds of the total) went to just four countries. Africa and the poorest countries in Asia like Bangladesh have been all but excluded from the 1990s boom in FDI. Moreover, the figures for investment do not just represent western firms investing in low-wage manufacturing sectors abroad. Foreign investment in China has surged from around $5 billion per annum in 1990 to over $25 billion in 1993. But the IMF notes that much of FDI comes not from the West but from near neighbours (Hong Kong, Macau and Taiwan), that it is highly concentrated in the coastal provinces, and that it is highly concentrated in certain sectors like real estate and natural resources.

If Western capitalists are moving capital abroad to take advantage of low wages in order to produce cheap manufactured goods in order to export them to the West, then they are making a bad job of it.

**Is Third World competition destroying First World jobs? Must wages in newly industrialised countries remain low?**

Alarmists are not just concerned by capital mobility but by Third World industrialisation in general. Countries like South Korea and Taiwan have industrialised primarily by domestic capital formation, rather than by high levels of FDI or international borrowing. The fear is that Third World newly industrialising countries will be able to exploit low wages to gain competitive edge and penetrate western markets, and that a combination of relatively well-educated workers and technology transfer will enable them to match western quality in manufacturers. The result will be a collapse of manufacturing employment and output in the West.

But how is this scenario possible? Falling output and employment would restrict demand in the West, and a loss of tradable manufacturing goods would restrict the advanced countries’ ability to trade. Trade is not like inter-company competition. If company A outsells company B and drives it to bankruptcy that is the end of the matter. But international trade requires some rough approximation of balance overall; other things being equal, a country must have goods it can trade with others if it is to continue to import. Manufactured goods are central to trade between the advanced countries and also a key-component of their trade with the developing world. Low-wage exporters can

only displace this trade if Western countries find other things to make and sell abroad. Exporters who are highly competitive but have low domestic demand because of low home-country wages can only exist in particular niches. If they came to dominate trade in manufactures then world markets would begin to collapse. Some elementary trade theory and macro-economics will show why. Output and employment are falling in the advanced countries. Output is rising in the low-wage exporters but not domestic demand. Trade will not balance and there will be a massive shortage of effective demand. This is madhouse economics on a world scale and need not be taken seriously.

The only sustainable option for international trade is the win-win outcome, in which rising output and employment in newly industrialising countries lead to rapid growth and rising real incomes, with growing markets for Western goods. Of course, certain sectors are displaced in the advanced countries and others face intensified competition and therefore have to improve productivity and innovation. Thus western countries continue to have a range of goods to trade internationally, and emerging markets in which to sell them. This may seem optimistic, covering over a good deal of possible dislocation and job losses, but in the end trade is driven by the crude logic that countries must have goods that others want.

Moreover, there is evidence that the most successful newly industrialising countries are experiencing rapid growth faster in South Korea than in any advanced industrial country - in 1979-83 21.6 per cent, 1983-84 39.5 per cent, 1987-89 73.1 per cent and total growth over the period 1979-89 of 193.7 per cent. The comparable rates of growth in the UK and Japan over the same period were 88.2 per cent and 71.4 per cent respectively.\textsuperscript{14} This is of course growth from a very low base, but the following table shows the likely outcome of Korea's successful industrialisation and its rising incomes on its cost structure.

\begin{equation}
\text{Table 1: Extrapolated total labour costs per employee 1989-99 in $US} \\
\begin{array}{cccccccc}
\text{Year} & \text{France} & \text{Germany} & \text{Italy} & \text{UK} & \text{US} & \text{Japan} & \text{S. Korea} \\
1989 & 29,423 & 31,857 & 28,630 & 21,301 & 30,829 & 30,963 & 12,464 \\
1999 & 37,600 & 47,785 & 59,006 & 40,088 & 44,918 & 53,071 & 36,607 \\
\end{array}
\end{equation}

Source: Thompson (1995) Table 2, p103

Globalisation

This is a relatively crude extrapolation from rates of change that could easily alter, but it makes the point that South Korea could be nearly as expensive a producer as France and the UK early in the 21st century. It will thus have to follow a variant of the Japanese path, a route made harder by the fact that its home market is much smaller than Japan's (44 million against 124 million people in 1992). Japan has had a favourable balance of trade for a considerable time, but its exports are a small percentage of GDR. The greater part of Japan's output is consumed domestically.

Countries like Singapore and Hong Kong are seen as economic miracles in the West and silly politicians imagine that they are the new 'models' for the 21st century, but there is little that is surprising in their economic success. Both are entrepots with high ratios of re-exports to exports in merchandise trade. Singapore exported $58.3 billion of domestic goods in 1994 and re-exported $38.5 billion and Hong Kong exported $28.7 billion of domestic goods in 1994 and re-exported $122.7 billion. In both cases domestic imports at $64.2 billion and $43.2 billion respectively were greater than domestic exports. Neither conforms to the high-export, low-import, low-wage producer that some western politicians and commentators fear. But western 'Tiger watchers' are afraid of an almost impossible entity; the economic equivalent of the frictionless machine.

Do multinationals now dominate world output and trade?
Are such companies becoming trans-national and ceasing to have national loyalties?

Many people are concerned that a globalised economy means the dominance of uncontrollable world market forces and that multi-national companies will become the dominant actors in such markets, having escaped from the scope of national regulation. Such firms will locate wherever economic advantage dictates. They will seek to dump costs on local governments and taxpayers, they will threaten to move if challenged, and they will seek to drive down both wages and social overhead costs.

Multinational companies can be defined as those with subsidiaries and affiliates in more than one national jurisdiction. The question is whether output and employment in the internationally-traded sectors of the world economy and in the major industrialised nations is becoming dominated by such companies. The

Soundings

answer seems to be not. The most exhaustive recent survey of the evidence concludes:’.. the share of internationalised production (i.e. production by multi-national firms outside their home countries) in world output was only about 7 per cent of world output in 1990.’16 The authors of this survey generate various measures but calculate the share of output from multi-national affiliates as a percentage of world GDP as follows (estimated from home country data): 1970 4.5 per cent; 1977 5.4 per cent; 1982 5.7 per cent; 1988 6.6 per cent; and 1990 6.8 percent.17

These figures show steady growth in production by multi-nationals, but hardly a share of world output that would dominate world markets in the way the more pessimistic proponents of the globalisation thesis would claim.

Capital mobility and free trade are not creating footloose companies either. Most companies remain rooted in distinct national bases, even if they produce and trade in more than one country. Winfried Ruigrok and Rob van Tulder have produced a good deal of evidence to support their conclusion that ’none of the world's largest companies in 1993 could truly be called “global”’. Most companies continue to have the bulk of their productive assets in one national location - Daimler Benz and British Aerospace generated 57 per cent and 65 per cent of their sales abroad but only 19 per cent and 18 per cent of their respective assets were located abroad. Most major companies’ top management boards are dominated by main location nationals. Most of the top 100 international companies in 1993 had gained at some time from public policies - as Ruigrok points out at least 20 of them would not have survived without some form of government assistance in the relatively recent past.18

Our own evidence bears out this scarcity of truly transnational companies. Multinational companies typically have about two thirds of their assets in their home region/country, and sell about the same proportion of their goods and services in their home region/country. Germany and Japan both seem to have concentrated their sales of manufactured goods in their home region/country between 1987 and 1992-3, the respective percentages being 72 per cent to 75 per cent in the case of

Globalisation

Germany and 64 per cent to 75 per cent in that of Japan; the figures for the UK and USA in 1992-3 were 65 per cent and 67 per cent. In 1992-3 Japanese multi-nationals held 97 per cent of their manufacturing assets in Asia; the figures for UK and US multinationals home assets were 62 per cent and 73 per cent respectively. Multinational firms thus operate from distinct national bases, and, although export sales and levels of foreign competition in their home markets are significant for their strategies and operations, they are not rootless capital. In particular they cannot ignore their central home region/country markets. They are, therefore, not beyond the scope of national regulation, nor can they be indifferent to national public policy. Hence they can both be influenced by and will try to influence national governments. This does not make companies benign. National companies can just as easily try to bully their governments and labour forces, but the image of transnational companies beyond all governance is largely false.

Do international financial markets dictate national monetary and fiscal policies?

Some advocates of the globalisation thesis might concede all that we have claimed so far, and yet argue that the central difference between the post-1945 era and now is the scale and power of integrated world financial markets. It is perfectly true that under the Bretton-Woods - GATT system, trade was liberalising but that capital movements were controlled. The aim of semi-fixed exchange rates was to ensure stability and, therefore, to give certainty to actors' expectations, thus promoting growth. Foreign exchange transactions were linked principally to trade and to long-term capital investments. This system was not without constraints. Throughout the Bretton Woods era the UK operated under a balance of payments constraint and this helped to contribute to the 'stop-go' cycle of UK growth.

The scale of short-term transactions in the international foreign exchange markets - one trillion dollars a day - dwarfs the flows of foreign trade and direct investment. It also means that the major central banks just do not have the reserves (singly or collectively) to defend a given exchange rate if the markets have made up their mind that it will move up or down. Traders and commentators undoubtedly

19. Hirse and Thompson, *Globalisation in Question*, Ch. 6 and 4, esp. Tables 4.1 and 4.2 p96.
Soundings

have prejudices; they favour low inflation, ‘sound money’ public policies. There is little conflict with national governments of the major industrial powers here because most central bankers and national economic policy makers think the same way. These policies undoubtedly inhibit growth and they establish the short-term interest of major financial institutions as the supreme economic wisdom.

This is not a satisfactory situation. The advanced world is trading jobs and growth for low inflation - the price is the growth of unemployment and poverty in the major industrial nations. But this is not quite the disaster of volatile casino-like financial markets wrecking real economies that the most alarmist counsels of the danger of unregulated international markets claim. Moreover, the markets are no longer that volatile or unregulated - they are probably governed just about enough to prevent meltdown. After the break-up of the Bretton Woods system in the early 1970s and the 1973 and 1979 oil price hikes, there was a period of floating and highly volatile exchange rates. The turbulence was gradually brought under control; with the Plaza accord of 1985 and the Louvre Accord of 1987 governments restored some minimal stability to the international monetary system. Throughout the 1980s, the dismantling of exchange controls has been accompanied by the re-regulation of financial institutions and markets through the Bank of International Settlements and other agencies. This sets the rules for such activities but does not attempt to steer or alter the price-making functions of markets.  

This is not enough, but it shows that governance is possible. The vast majority of actors in the financial markets have an interest in a minimum degree of calculability in the international system too - not just exporters and long-term international investors. Incalculable risks undermine expectations, and thus extreme volatility is a growth and investment killer. Markets and institutions accept this for the turbulence caused by high inflation; they need to be made to realise that the turbulence created by exchange-rate crises will do this, but attitudes are slowly changing. Most international trading is done by major financial institutions that have definite expectations to meet - those of pensioners, bulk depositors, maturing policy holders, and not least, those of their own shareholders for dividends. They have used the markets to make profits on short-term dealing and to hedge against risk. The Barings and Sumitomo scandals

may well force the senior managements of the major institutions to seek greater regulation within their companies and also greater regulations of the major international markets. In the long run the markets will only be further re-regulated if the major actors in them see the benefits of doing so or if a combination of powerful governments decides to act in a co-ordinated way. At present neither of these things is likely. The world financial markets are not inherently ungovernable. The problem is the will to govern them, not the want of means. Given the will there is a variety of possible options, like James Tobin's turnover tax on short-term international financial movements.

**Will globalisation drive down both wages and welfare provision in the advanced countries?**

Again this needs to be re-phrased somewhat more ponderously, as follows: do wages, levels of welfare provision and rations of public spending to GDP in the advanced nations have to converge to the lowest possible level as a result of competition between them and with the developing nations to attract and retain capital?

Consider wages first. There is some evidence that for unskilled wages in manufacturing Third World competition does have a depressive effect. This is strongly argued by Adrian Wood.\(^21\) However, in most major economies in the developed world, such low-wage manufacturing sectors are not large enough to affect overall wages for the unskilled - most of whom work in low-productivity service jobs in sectors that are not internationally tradable. In the case of the USA imports from low wage countries (less than 50 per cent US wage levels) were a mere 2.8 per cent of GDP - far too little to affect overall wage rates significantly.\(^22\) Trying to compete with the Third World in wage costs in manufacturing is impossible - from China to Indonesia workers are available at a tiny fraction of the hourly rate for western manufacturing employees whether skilled or unskilled.

Cutting wage costs may restore comparative advantage against other comparable advanced country producers, offsetting productivity differentials. The UK has recently followed a strategy of wage-cutting and competitive devaluation.

---

mainly against its European Union partners. This is a short-term strategy that might make some sense if the UK were at the same time attempting to address by other means the problem of differential productivity. But, it it becomes a substitute for sustained productivity enhancement (and in the UK's case it seems to be) then it locks the country in question on a low-wage path and into having to export a larger proportion of its output to match imports. It appears that wages are not being greatly depressed by Third World competition and that the strategy of low-wage competition against other advanced countries is not sustainable in the long term except at the price of falling ever further behind in relative standards of living.

This does not stop illiterate politicians and ideologically-crazed economists claiming that the UK will become more 'competitive' if the wages of British office cleaners are reduced to starvation levels. How they are 'competing' with their equivalents in Jakarta or Shanghai is not clear, since most unskilled services will never be internationally tradable. This low-wage strategy is best described as seeking competitive advantage by sweating - but it is mad. In the tradable sector we cannot compete on wages with very low-wage countries - what are we going to pay? 50p or 30p an hour? In the non-tradable sector trying to force down unskilled wages to poverty levels will mainly have the effect of shifting income from labour to profits. Moreover, a generalised strategy of wage-cutting will depress domestic effective demand, output and employment. Public officials who believe they are 'saving' public money by such strategies ought to be sacked; ultimately they are undermining the national economy to line the pockets of bottom-of-the-bucket cheapskate employers. The sources of such policies are not 'global' pressures, but a mixture of domestic interest groups using this rhetoric to feather their own nests and a failure of nerve by those who should be offering clear alternative policies, a timidity reinforced by the belief in global competitive threats. Radical reflationary policies face serious domestic constraints at the moment, but that is no reason to further inhibit domestic performance by self-defeating attitudes on wages and working conditions. 23

23. See Hirst and Thompson, 'Global Myths and National Policies', for an attempt to spell out why these constraints are domestic.
Many globalisers see current European levels of welfare and public expenditure to GDP ratios as unsustainable. Robert Skidelsky argues, for example, that public expenditure ratios need to be pushed back to the 30 per cent of GDP that they were in most cases in the 1960s. Andrew Marr contends that high ratios of public spending to national income are a reflection of economic failure and unemployment. The state will have to tax and spend less in the long run; it will have to take the medicine imposed by global competitive pressures or face capital flight.

Such arguments are not supported by either economic theory or evidence. Why 30 per cent, why not 10 per cent or 48 per cent? Who says current levels of public expenditure in Europe are unsustainable? The Economist, not noted for its opposition to the notion of globalisation, recognises that there are wide and persisting variations in the percentage of GDP devoted to public spending - in 1994, 20 per cent in Singapore, 33 per cent in the USA, 49 per cent in Germany and 68 per cent in Sweden. Table 2 gives comparative data on government expenditures as a percentage of GDP. All the countries listed show a growth in the ratio, despite, in the case of the UK and USA, attempts to cut government expenditure in the 1980s.

Table 2: General Government Total Expenditure 1960-1995 (% GDP at market prices)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>35.6</td>
<td>39.2</td>
<td>48.8</td>
<td>49.3</td>
<td>52.7</td>
</tr>
<tr>
<td>France</td>
<td>34.6</td>
<td>38.9</td>
<td>46.6</td>
<td>50.5</td>
<td>54.1</td>
</tr>
<tr>
<td>W. Germany</td>
<td>32.5</td>
<td>38.5</td>
<td>48.0</td>
<td>45.3</td>
<td>49.1*</td>
</tr>
<tr>
<td>Italy</td>
<td>30.1</td>
<td>34.2</td>
<td>41.9</td>
<td>53.2</td>
<td>53.5</td>
</tr>
<tr>
<td>Japan</td>
<td>n/a</td>
<td>19.4</td>
<td>32.6</td>
<td>32.3</td>
<td>34.9</td>
</tr>
<tr>
<td>Sweden</td>
<td>43.7</td>
<td>61.2</td>
<td>60.7</td>
<td>69.4</td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>32.2</td>
<td>37.3</td>
<td>43.2</td>
<td>40.3</td>
<td>42.5</td>
</tr>
<tr>
<td>USA</td>
<td>27.0</td>
<td>31.6</td>
<td>33.7</td>
<td>36.7</td>
<td>36.1</td>
</tr>
</tbody>
</table>

Notes: * - United Germany; Source: European Economy No. 60 (1996)
Derived from Table 61, pp212-213

The data also shows persistent differences in ratios of government expenditures to GDP between states over the last twenty-five years. Austria has been at the high end and the USA at the bottom end throughout, for example. Moreover, there has been no consistent effect on growth rates. Thus Japan and the USA both have low GDP ratios for public expenditure but very different rates of growth. Slemrod (1995) in a thorough survey of the relationships between taxation and government expenditure on the one hand and GDP growth rates and prosperity on the other, found no systematic or robust empirical relationship between high government expenditure and poor economic performance. This is not so say there is no level of public expenditure to GDP that would not be growth-inhibiting, but that the opponents of the current levels have yet to make a coherent case for such a general effect.

Moreover, it is by no means clear that public expenditures are driven primarily by welfare spending or that such spending varies markedly over time or that current levels are unsustainable. The table on the following page measures social protection—health, pensions, unemployment benefits and other income support—it shows considerable stability rather than relentless and insupportable growth.

If this is the case, why is there so much concern about social spending? In part because governments in the bulk of the advanced world have been running more or less substantial budgetary deficits and social expenditures seem easier to freeze and cut than some other programmes. The figure of 3 per cent of GDP as a desirable upper limit for government net borrowing in the Maastricht criteria for EMU is exerting a clear depressive pressure on government expenditures in the EU. It certainly helps to try to justify the cuts thus imposed by appealing to the needs of international competitiveness, even if the real reason is the consequence of seeking to make economies with divergent performances converge in order to pursue the goal of monetary union with low inflation. Government receipts have fallen relative to expenditure in many countries. In some cases this is a result of tax-cutting strategies, or because of poor macro-economic management and miscalculations about the timing and strength of economic recoveries. But these are domestic choices and policy errors by national economic managers, not the relentless and direct pressure of global markets. Provided a country remains competitive in the goods and services it trades

internationally, it can still choose high levels of social spending and collective consumption. There is no clear evidence that public expenditure *per se* undermines growth or economic performance.

**Table 3: Total Public Expenditure on Social Protection (% of GDP)**

<table>
<thead>
<tr>
<th>Year</th>
<th>EC COUNTRIES</th>
<th>Norway</th>
<th>Sweden</th>
<th>United Kingdom</th>
<th>United States</th>
<th>Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>25.4 27.4 28.1 28.4 27.9 27.5 27.2 26.6 25.2</td>
<td>20.6 21.1 22.5 23.5 23.0 23.1 23.3 22.5 21.9 21.3 22.3</td>
<td>23.4 24.2 24.1 24.4 24.4 24.8 25.1 25.4 25.3 25.1</td>
<td>23.0 23.6 24.0 24.0 24.1 23.9 22.9 21.9 21.3 22.3</td>
<td>14.1 14.3 15.0 15.3 14.3 14.4 14.4 14.4 14.5 14.6</td>
<td></td>
</tr>
<tr>
<td>1981</td>
<td>26.0 27.6 28.1 28.0 26.8 26.0 24.8 25.7 27.8</td>
<td>20.9 21.1 22.5 23.5 23.0 23.1 23.3 22.5 21.9 21.3 22.3</td>
<td>21.4 22.1 23.3 24.2 24.6 25.9 26.3 26.7 25.6</td>
<td>19.0 18.4 18.7 18.5 19.0 18.4 18.2 18.8 18.8 19.3</td>
<td>17.3 17.5 17.1 17.1 17.7 17.4 17.0 17.2 18.8</td>
<td></td>
</tr>
<tr>
<td>1982</td>
<td>23.9 25.4 26.5 27.3 27.8 27.9 27.4 27.0 26.4</td>
<td>19.1 20.1 20.6 20.8 20.9 20.9 20.9 20.9 20.9 20.9</td>
<td>13.6 15.2 14.1 13.6 13.6 13.6 13.8 14.3 14.9 14.9</td>
<td>10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0</td>
<td>17.3 17.5 17.1 17.1 17.7 17.4 17.0 17.2 18.8</td>
<td></td>
</tr>
<tr>
<td>1983</td>
<td>25.4 26.3 26.6 25.8 25.4 25.2 24.7 25.0 24.1</td>
<td>19.7 20.1 20.6 20.8 20.9 20.9 20.9 20.9 20.9</td>
<td>13.6 15.2 14.1 13.6 13.6 13.6 13.8 14.3 14.9 14.9</td>
<td>10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0</td>
<td>17.3 17.5 17.1 17.1 17.7 17.4 17.0 17.2 18.8</td>
<td></td>
</tr>
<tr>
<td>1984</td>
<td>13.4 14.9 17.9 18.4 20.1 20.6 20.8 20.9 20.9</td>
<td>19.7 20.1 20.6 20.8 20.9 20.9 20.9 20.9 20.9</td>
<td>13.6 15.2 14.1 13.6 13.6 13.6 13.8 14.3 14.9 14.9</td>
<td>10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0</td>
<td>17.3 17.5 17.1 17.1 17.7 17.4 17.0 17.2 18.8</td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>14.9 14.9 17.9 18.4 20.1 20.6 20.8 20.9 20.9</td>
<td>19.7 20.1 20.6 20.8 20.9 20.9 20.9 20.9 20.9</td>
<td>13.6 15.2 14.1 13.6 13.6 13.6 13.8 14.3 14.9 14.9</td>
<td>10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0</td>
<td>17.3 17.5 17.1 17.1 17.7 17.4 17.0 17.2 18.8</td>
<td></td>
</tr>
<tr>
<td>1986</td>
<td>16.8 17.9 18.0 18.7 18.5 19.0 18.4 18.2 18.8</td>
<td>19.7 20.1 20.6 20.8 20.9 20.9 20.9 20.9 20.9</td>
<td>13.6 15.2 14.1 13.6 13.6 13.6 13.8 14.3 14.9 14.9</td>
<td>10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0</td>
<td>17.3 17.5 17.1 17.1 17.7 17.4 17.0 17.2 18.8</td>
<td></td>
</tr>
<tr>
<td>1987</td>
<td>19.7 20.1 20.6 20.8 20.9 20.9 20.9 20.9 20.9</td>
<td>19.7 20.1 20.6 20.8 20.9 20.9 20.9 20.9 20.9</td>
<td>13.6 15.2 14.1 13.6 13.6 13.6 13.8 14.3 14.9 14.9</td>
<td>10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0</td>
<td>17.3 17.5 17.1 17.1 17.7 17.4 17.0 17.2 18.8</td>
<td></td>
</tr>
<tr>
<td>1988</td>
<td>20.6 21.1 22.5 23.5 23.0 23.1 23.3 22.5 21.9 21.3 22.3</td>
<td>19.7 20.1 20.6 20.8 20.9 20.9 20.9 20.9 20.9 20.9 20.9</td>
<td>13.6 15.2 14.1 13.6 13.6 13.6 13.8 14.3 14.9 14.9</td>
<td>10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0</td>
<td>17.3 17.5 17.1 17.1 17.7 17.4 17.0 17.2 18.8</td>
<td></td>
</tr>
<tr>
<td>1989</td>
<td>24.5 25.1 26.6 26.6 26.6 26.6 27.3 27.3 27.3 27.3 27.3</td>
<td>19.7 20.1 20.6 20.8 20.9 20.9 20.9 20.9 20.9 20.9 20.9</td>
<td>13.6 15.2 14.1 13.6 13.6 13.6 13.8 14.3 14.9 14.9</td>
<td>10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0</td>
<td>17.3 17.5 17.1 17.1 17.7 17.4 17.0 17.2 18.8</td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>25.2 25.2 25.2 25.2 25.2 25.2 25.2 25.2 25.2 25.2 25.2</td>
<td>19.7 20.1 20.6 20.8 20.9 20.9 20.9 20.9 20.9 20.9 20.9</td>
<td>13.6 15.2 14.1 13.6 13.6 13.6 13.8 14.3 14.9 14.9</td>
<td>10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0 10.0</td>
<td>17.3 17.5 17.1 17.1 17.7 17.4 17.0 17.2 18.8</td>
<td></td>
</tr>
</tbody>
</table>

* - data not available

Source: OECD Social Protection database Table 4.7 pi 51

OECD Employment Outlook July 1994
Is the world economy now ungovernable and must global market forces inevitably overwhelm and subvert distinctive national projects of governance?

It should be clear by now that globalisation has not swept away national economies. The political and business elites of advanced western nations have found globalisation a convenient cloak for the domestic policies they have chosen to follow - especially in the UK and USA. There are many reasons why full employment is difficult to attain, why social solidarity and social welfare are under severe pressure, why electorates are tax-averse, and why organised labour has much less power than it once did. But these changes are common to the social structures of many advanced societies and are not primarily the consequence of international competitive pressures. It is equally true that, while a great deal can be accomplished by national policies for economic management and social renewal, the national is merely one level in a complex division of economic and social governance.

Regional and local government has become more salient as industry has become more diversified and has moved away from the Fordist norm of large-scale standardised mass production. Those societies that have exploited the new trends best are those in which national and sub-national governments have achieved, whether deliberately or by happenstance, an appropriate division of labour. Equally, national governance is not in itself adequate for economic management; co-ordinated national action, and international agencies and regimes, are crucial for control of the world economy. This is not new. After 1945 effective national economic management in the advanced countries rested on a firm framework of international institutions underpinned by US hegemony. The true era of national policies, the 1930s, was one of trade crises, bitter rivalry, economic depression and militarism.

The need for regulation of market economies at national level and the requirement for an appropriate system of management of the international economy are linked. Globalisers try to convince us that the international economy is inherently ungovernable and that it is absorbing and subsuming national economies; projects of regulation are thus futile. This is just not true, but national governance does require an effective international framework and the advanced nations must cooperate to provide it. The central problem here is not global markets but divergent national interests - those of the USA, Japan, and the major European
Interview FAQ - Tell me something about yourself, Why do you think should we take you for this job?, What is your greatest strength?, What is your greatest weakness?, What is your greatest achievement?, Are you ambitious? Go prepared for this question, as this is the most frequently asked question in the interview. Why do you think should we take you for this job? Don't panic if you are asked this question. Make sure that you have understood the job profile well. Why do you want to leave your present job or why did you leave your last job? The reasons for switching the job could be numerous. The best answer to offer for this question is to say, for better prospects. What is your greatest strength? Interpret this question as, what is your greatest relevant strength? This subreddit is for asking questions or discussing current issues in regards to immigrating to Canada. Rules: Nothing Illegal. My teacher had suggested to ask some teachers in our school or some family members but I'm not able to. So I came to Reddit. My questions are as follows: Who did you immigrate with? Who did you leave behind? If not, what do you like most about Canada? If you answered these questions, thanks for taking your time! I really appreciate it :) 2 comments. These frequently asked questions touch on the essentials hiring managers want to know about every candidate: who you are, why you're a fit for the job, and what you're good at. You may not be asked exactly these questions in exactly these words, but if you have answers in mind for them, you'll be prepared for just about anything the interviewer throws your way. 1. Tell Me About Yourself. Instead, give a pitch—one that's concise and compelling and that shows exactly why you're the right fit for the job. Muse writer and MIT career counselor Lily Zhang recommends using a present, past, future formula. Talk a little bit about your current role (including the scope and perhaps one big accomplishment), then give some background as to how you got there and experience you have that's relevant.