



Global Change and Uncertainty: The Paradox of Our Time

A Research Report on Sovereignty and the Magnetic Power of Interdependency

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Abstract

The purpose of this Report is to investigate the magnetic power of interdependency and the reasons why the global order remains so volatile, unstable and unpredictable. Its principal finding is that the global landscape has been transformed by widespread structural change. Much has been state centric but much has been driven by other factors. The top four tectonic forces reshaping the global economy for this Report include: the 'rise of the rest' of the global South market economies, the precarious growth of the global middle class, the disappearance of private sector unions from the workplace throughout the industrialized world, and the instrumentalization of soft power by global publics deeply skeptical of the 'there-is-no-alternative' to the market mindset.

These long historical processes have intensified after the 2008 financial meltdown. With the implosion of the WTO Doha Round and the global banking crisis, the neoliberal global governance vision has faded from view as the uncontested public policy goal. Global governance of course is defined by the values, rules and practices of international cooperation and competition. For a stable governance world order, a principal reason for the breakdown in the multilateral consensus is that states and multinationals are, by instinct and self-interest, rule-benders rather than stringent adherence to legal ordering as an absolute. They do not want to be constricted by stricter legal ordering, particularly at a time of crisis and uncertainty.

Executive Summary:

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Globalization's Sketchy Record of Predicting Outcomes

The globalization Grand Narrative made many bold promises about the self-regulating market and the efficiency of the price system. But despite its gold-plated attraction, liberal cosmopolitanism has not become the dominant feature of globalization with its overarching vision of transnational governance. Nor has the state withered away as many believed was an inevitable consequence of market liberalism. These powerful claims ideas seems preposterous in retrospect,

considering the engine of the BRICs economic miracle is due to the rowing and steering and investing by the leading states in the global South. Instead the rising tide of inequality across all continents is the new core element in the narrative (Rodrik, 2012;Piketty,2014)) (See Figure 9: Core Concepts of Globalization: Taking Stock for a more detailed examination). The purpose of this Report is to investigate the magnetic power of interdependency and the reasons why the global order remains so volatile, unstable and unpredictable.

Tectonic Structural Change: Four Game-Changers

The principal finding of this Report is that the global landscape has been transformed by widespread structural change. Much has been state centric but much has been driven by other factors. The top four tectonic forces reshaping the global economy for this Report include: the 'rise of the rest' of the global South market economies, the precarious growth of the global middle class, the disappearance of private sector unions from the workplace throughout the industrialized world, and the instrumentalization of soft power by global publics deeply skeptical of the 'there-is-no-alternative' to the market mindset.

These are long historical processes that have intensified after the 2008 financial meltdown. With the implosion of the WTO Doha Round and the global banking crisis, the neoliberal global governance vision has faded from view as the uncontested public policy goal. Global governance of course is defined by the values, rules and practices of international cooperation and competition. A principal reason for the breakdown in the multilateral consensus is that states and multinationals are, by instinct and self-interest, rule-benders rather than stringent adherence to legal ordering as an absolute. They do not want to be constricted by stricter legal ordering, particularly at a time of crisis and uncertainty.

Constructing the Ur-Narrative Book-by-Book

Looking at the spectrum of globalization theorists from a variety of disciplines, it is possible to organize them into four epistemic families: Architects of the New World Order, Varieties of Capitalism, Global Governance and Legitimacy and the Global Skeptics (To see these different clusters of thinkers more clearly, we have created Figure 7 - Growing the Globalization Narrative Big and Strong). What leaps out is the wide scope of ideas and conceptual frameworks by these leading contributors. Though the globalization narrative has claimed universality, there are in fact many missing elements that remain sub-themes in a larger story such as the climate change, food security, and global health. Is it too far-fetched to imagine that any one of these themes could be globalization's defining element of tomorrow?

Globalization has a history of altering course driven by its own needs and contradictions. Today what happens inside countries has become the turning point of the globalization narrative, reshaping and redirecting global dynamics towards

new forms of interdependency.¹ Governments are not standing still and see the international economy as an extension of domestic need. In a state-led system of self-interest, highly polarized societies use the international economy for short-term electoral positioning and domestic coalition building (Slaughter, 2005). National politics now intrude into every effort to move global governance forward while the benefits from one size fits all view of globalization have often remained contested and publics unconvinced (Hirst and Thompson, 1996).

Diverse and Conflicting Varieties of Capitalism: A Shaky Pillar of World Order

We have conceptualized global governance in the last four decades as a speedometer. Through this exercise, we are able to track how far the needle has swung away from inter-war free market capitalism to Bretton Woods multilateralism, once its immovable anchor (See Figure 1). Today the needle is in free fall, having left behind a post-war global system of embedded market liberalism with its large footprint of economic oversight and support for the welfare state (Ruggie, 1982). Since the global meltdown in 2008, the retreat from liberal internationalism has pushed the global governance needle into new territory, even away from the free market deregulatory rules of Washington Consensus.

Figure 1: Conceptualizing the Evolution of Global Governance



Source: Drache and LeMesurier, 2014

¹ There is some debate in the literature about the need to distinguish integration from interdependency because it is alleged that integration refers to regulatory questions arising out of economic pressures to enhance market incentives while interdependency describes a process whereby national economic systems become intertwined and inseparable. For present purposes, this is too narrow a concept and we see the relationship as a spectrum and often the words are used interchangeably because the concepts are in fact interchangeable.

On the speedometer, the governance needle fluctuates between messy-multilateralism with the vanishing core consensus, every nation for itself, global G politics and the rise of the BRICs, with their diverse and conflicting varieties of capitalism. Today, global multinationals profit from a fragmented international order and they are able to operate with fewer restraints globally. It is difficult to dislodge the needle and push it backwards to revive golden age multilateralism in some new form because powerful business coalitions have not taken up the issue to realize this goal. In light of this, global governance institutions have not become more functional as Slaughter (2005) argues, but in fact are overwhelmed by the challenge of polarized domestic politics. The sovereign needs of China, the US and the EU are so different that it is impossible to envision a system of equilibrium and balance. Now more than ever, countries look towards ad hoc regional trade agreements rather than multilateral formal treaties. In these agreements, accountability remains minimal and voluntary.

Consequently, it is a misperception to regard the torrent of changes as creating a world of quirky ambiguity and ill-defined hybridity without fixed goals. The truth is, that in a time of great change and uncertainty, states have their eye on the prize, optimizing sweeping political and economic leverage over others. The fragmentation and pluralism in the global arena presents new opportunities and spaces for innovation, dramatic change and forms of governance particularly at the national and local level. But so far these geopolitical shifts have not reduced the plight of the economic losers in this winner-take-all world (Stiglitz, 2014). In the pursuit of self-interest, volatility, acute imbalance defines the international order of our era.

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² This report commissioned by CEIM – UQAM is part of a research project titled ‘Gouvernance globale : économie politique des trajectoires institutionnelles de régulation’ from a SSHRC grant held by Professor Michèle Rioux. Special thanks to Harry Arthurs, Roger Keil, Yanick Noisieux and Michèle Rioux for their critical comments.

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Rethinking Globality: Tectonic Change and the Search for Rationality

Globalization is thought to be everywhere, everything and unstoppable and it is not surprising that the proto-narrative of our time continues to amaze and puzzle critics and proponents alike by its sheer complexity. The purpose of the report is to investigate and reflect on the magnetic power of interdependency and the reasons why the global order remains so volatile, unstable and unpredictable.

To take stock and to gain perspective on the nature of transformative change requires new tools and concepts. Globalization is a paradoxical phenomenon on many levels. A paradox is defined as oppositions that coexist uneasily within a social order and are not readily resolved. They always require analysis and watching because sometimes these exceptional differences intensify and the world shifts on its axis. As we will see later in this Report, this is particularly true when one tries to make a checklist of how well theory has been a guide to predicting outcomes.

This report examines, firstly, the dramatic evolution of the globalization narrative over two decades and how it is pushed and pulled in many directions by widespread structural change. The fragmentation and pluralism in the global arena presents new opportunities for new forms of governance some of which are dangerously threatening to democratic politics. With nations bound together in a myriad of ways, structural change is driven by a technological information revolution and an equally powerful commercially driven revolution, prying open markets for exports across the globe. Global capital is out ahead and emboldened in its efforts to capture the global governance agenda. But as we shall see, the paradox is that global elites control much less of it after the 2008 financial crisis, adding yet another element of change and uncertainty.

Our list of the top four tectonic changes challenging the governance agenda post 2008 financial crisis are: the 'rise of the rest' shifting global economic power,

the precarious growth of the global middle class, the disappearance of private sector unions throughout the advanced countries, and the instrumentalization of soft power by global publics deeply skeptical of the there-is-no-alternative-to-the-market mindset. Increasingly these international challenges of governance are more and more rooted in domestic issues, and it is our starting point to begin the conversation about the trials posed by the magnetic pole of deeper integration and stronger need for democratic policy spaces (Drache and Jacobs, 2014).

Key Misperceptions and Interpretations

The issues we are now confronting are deep trends that have intensified after the 2008 global financial meltdown. Many of the ideas about neo-functionalism, neo-realism, neo-institutionalism, are being rethought by leading practitioners and theorists (Cerny, 2014). The exercise of reframing 'the international' is bound to go on for quite some time. This report examines the genealogy and tensions within the globalization narrative itself by looking at the new wave of globalization theories largely drawn from what we call the 'theory-practitioner-commentator,' itself a dramatic development in this period. Much of the literature on globalization today is written by academics turned policy makers, turned critics. Their 'big bam' global best sellers increasingly shape the public's' views, anxieties, and hopes of what is to become of the global order. Many of the best are about the long term structural impacts of globalization on communities and regions. Others zero in on the micro conjunctural factors that force high structural adjustment costs on industries, vulnerable groups and the environment.

The major conclusion that their research supports is that first, states respond to globalization pressures in such different ways that there is no single rationality evident despite the power of markets to decenter governments everywhere. International institutions no longer reflect the present balance of world power; the system is being pushed towards a dangerous disequilibrium. Secondly, a combination of new developments explains the dramatic shift of what we call appropriately enough, the global governance speedometer (see Figure 1). The needle has swung sharply from ordered multilateralism to competitive polycentric governance, towards every nation for itself (Bremmer, 2012). If this conclusion is somewhat pessimistic, the reason is at a time of multilayered structural change, uncertainty rather than stability is the operative standard.

Finally, the report concludes that in an increasingly competitive and anarchic global order, power and political advantage is rooted surprisingly in the sovereignty of the state - until recently many thought a porous construct. What can be seen is something quite new in terms of interstate relations. The integration of economies and the deepening of global economic space have gained momentum, unexpectedly reinforcing the strategic role of national governments in the increasingly interconnected and volatile global order. There are two parts of the puzzle to keep in mind: first, the causes of structural change and second, the unintended consequences from it. No sane person should try to predict the fallout

from massive long-term structural change but when the rules get re-written and power shifts occur on a global scale, something else is apparent. New policy spaces emerge as well as social actors with fresh agendas. We will have to leave it to the historians to explain the many diverse ways structural change reordered the world in our time and this report hopes to begin the discussion.

Part I - A Time of Unprecedented Transition

Tough and Pertinent Questions

Analysts and students of globalization are right to ask a series of probing questions. Is equilibrium possible between globalization and markets or between states and mega-markets? Can transformative change be tamed and re-directed? The second probing issue is to discover whether we have reached the limit to global integration, or whether there is a limit? Thirdly, is there a learning curve to neoliberalism enabling states to become more sophisticated managers of transnational global governance? Fourthly, at this time of financial reform such as the Dodd-Frank Bill, Basel III and the Bank of England's recent efforts to prevent another financial meltdown, will the global capitalist system remain at its core neoliberal? And finally, as for the international order, are we entering a world where every nation is for itself, every corporation for itself, and every social actor is looking to maximize their impact?

With so many cross cutting pressures on the state sponsored international order, it is a plausible hypothesis that the global system is evolving towards a more pluralistic structure. Some experts think this is evidence of 'fragmentation' or a functional ambiguity. But at the heart of the forces leading to a fundamental reshaping of world politics is the multilevel, complex and often contradictory dynamics of structural change. In 1980, Fernand Braudel, the founder of the *Annees* School of History put his finger on the processes that occur when society's institutions are trapped by both 'traditionalism and rigidity.' They find themselves unable to respond to the new political and structural realities and existing institutions enter into decline incapable of regaining their focus, let alone altering more fundamental norms, values, and practices.

It would be a mistake to see such crises of power as an opportunity for mainly positive kinds of innovations. Often a structural crisis is the result of a systemic breakdown in employment, finances, environment and security. Instead cascading events intensify turmoil and increase instability around the world. These are manifestations of longer-term trends in the international system, flashpoints that if sufficiently powerful and intense, destabilize the global order.

Schumpeter described a similar process as one of creative destruction, but in the aftermath of the global 2008 financial meltdown, so far Europe and the United States have not recovered from the 'Great Recession.' This kind of shock therapy has not lit the fires of innovation and positive reorganization of global industry. Post-2008, the so-called 'competition neoliberal state' faces a series of

altered conditions, the development of what Gramsci called contested hegemony or the decline of 'legitimation' (Gramsci, 1971/2011). This legitimation crisis is not simply about favourable public opinion numbers, but about the decline of authority and the willingness of publics to challenge and question major decisions made by their political leaders.

A cynic would say that political leaders govern by opinion polls and increasingly lead from behind. This kind of zigzag diplomacy reliant on public opinion's latest findings is reflected in the execution of foreign policy. There is a very long list of leaders who find themselves check-mated by social media and counter publics.³ Public opinion does not have a veto over every decision but in many ways they do set boundaries and parameters, which limit the choices of major political leaders. What is new is that polarized domestic politics and new public diplomacy increasingly drive the global order, replacing formalized agreements in a rules-based WTO model of governance. Countries maneuver for advantage internationally creating new regional and strategic alliances of governance.

What happens inside countries has become the turning point of the globalization narrative reshaping and redirecting global dynamics towards new forms of interdependency. Governments are not standing still and see the international economy as an extension of domestic need. In a state led system of self-interest, highly polarized societies use the international economy for short-term electoral positioning and domestic coalition-building (Slaughter, 2005). National politics intrude into every effort to move global governance forward when the benefits have often remained contested and publics unconvinced (Hirst and Thompson, 1996). The sovereign needs of China, the US and the EU are so different that it is impossible to envision a system of equilibrium and balance.

Richard N. Haass, president of the US Council on Foreign Relations correctly termed this the new world of 'messy-multilateralism' with much weakened international institutions (Baker, 2014). If we conceptualize global governance in the last four decades as a speedometer, we are able to track how far the needle has swung away from multilateralism, once its immovable anchor (See Figure 1).

³ Germans were opposed to a bailout for Greece and Merkel and the Bundesbank could not defy them (Kirschbaum, 2012). They used public opinion to their own advantage to justify their hard line against Greece.

Figure 1 - Conceptualizing the Evolution of Global Governance



Source: Drache and LeMesurier, 2014

When The System is in Free Fall: The End of Liberal Internationalism

Today the needle is in free fall having left behind a global system of embedded market liberalism with its large footprint of economic oversight and support for the welfare state (Ruggie, 1982). Since the global meltdown in 2008, this retreat from liberal internationalism has pushed the global governance needle into new territory even away from the free market deregulatory rules of Washington Consensus with demand for an overhaul of global financial industries.

It is important to recall that liberal internationalism had a broad and structured vision of the international order. At its core was the conviction that trade between multinational firms based in sovereign states would provide the momentum and the glue to solidify an international regime, which compartmentalized the economic and the political spheres. The idea of walling off the economic from the political was designed to facilitate hierarchical decision-making and dispute settlement through global governance institutions, particularly the WTO (Bhagwati, 2008). Liberal internationalism's other powerful attraction was that hierarchical decision-making between states and the absence of engaged publics opened the possibility and, indeed, the irreversibility of some kind of global governance transnational system to emerge successfully. New forms of international cooperation would be needed because the fate of one country and that of others had become more intertwined than ever (Held, 1998).

For Held and many like-minded theorists, the increasing transnationalization of power is seen to weaken the capacity for governments to act autonomously. The WTO, transnational governance's crown jewel, was to have everyone play by the same rules with obligatory compliance and enforcement. But so far, this vision has proven to be problematic as the global governance institutions have failed to build a new consensus on pivotal 21st century big picture items: development, climate change, human security, and commerce.

With the implosion of the WTO Doha round and the global banking crisis, this global governance vision has faded from view as the top public policy goal. A principal reason for the breakdown in the multilateral consensus is that states and multinationals are, by instinct and self-interest, need to bend the rules regularly interpreting rules for narrow ends. They do not want to be constricted by legal ordering particularly at a time of crisis and uncertainty. Few should be surprised that for the 'G-3,' the United States, China and the EU, commercial rules are made to be interpreted, often broken, or simply ignored when conditions demand it. Grand theory is not helpful here when the rulebook is in such a state of flux.

Take a case in point. A simple neo-realist view would not be able to explain Germany's imposition of sanctions on Russia. According to the neo-realist rulebook, it was never supposed to be possible that Germany would take measures that would put German business and its recovery at risk (Smale, 2014). To recall the obvious, exports are the backbone of Germany's export driven economy and with the imposition of economic sanctions, trade with Russia has already dropped 20% since January 2013. In the words of the former German deputy Foreign Minister and now Commissioner for Russia and former Soviet states, Gernot Erler, "Russia is not naming its goals and has suddenly become unpredictable. And being unpredictable is the greatest enemy of partnership" (cited in Smale, 2014).

Such a politicization of the international economy brings with it a series of acute problems and challenges. For instance, the importance of borders to national sovereignty, as in the Merkel-Putin showdown, cannot be underestimated in Africa, Latin America and most certainly not in the United States with its obsession with illegal Mexican and Central America immigrants with no prospect for a regularized status. What seems obvious, but bears repeating, is the notion that there does not seem to be any transition or trajectory toward Held's vision of states playing by the same governance rules. This is due to the fact that there is differential access to globalization's benefits with many negative externalities (Held, 2010). On one hand, cheap Chinese goods have been a safety net for American consumers; however, on the other, these same competitive pressures to open markets have led to the forced migration of hundreds of thousands of marginalized Mexican agricultural producers into the US since NAFTA was signed.

Put in plainer language, what is different is that domestic politics has become the centre of gravity in the post-crisis order in the making and exercise of foreign policy. For instance, in the US the 'Tea Party' is increasingly in 'control of US foreign policy' through the media and by its obstructionist tactics in Congress. In the EU, the rising tide of unemployment has become a game changer in European foreign policy, a kind of radioactive cloud that hovers over unwavering commitment to austerity policies. In India, in his first 80 days in office, new Prime

Minister Narendra Modi has been more interested in domestic stability than radical economic reform. All this is to say is that in the context of technological change and deeper access to markets, national self-interest is winning over the universalism of more global free trade.

Impasse or opportunity?

Where international cooperation is headed remains the polarizing question. When states are confronted with new sets of power relations, they are most likely to look to the array of instruments of the nation state rather than the low intensity institutions of the international order. All this seems quite abstract as a way of thinking and does not go to the core issue as identified by the global governance speedometer. The governance needle fluctuates between low ambition messy - multilateralism, every nation for itself policies, global G politics and the rise of the rest, with its diverse and conflicting varieties of capitalism.

The dynamics between international organizations in the global order and state sovereignty have taken a surprising turn. Today, national capitalism in its different variants has become the leading authority at the expense of strengthening international organizations' functional role in regulating many far-reaching issues from trade to industrial policy to labour relations to cultural policy to investment. This can be seen in the way superpowers of the moment are less interested in strengthening international organizations to govern their activities. China, the US, the EU, and India are all quite content to jurisdiction shop between the World Bank, the IMF, the ILO, the WHO and the UN to suit their interests.

These cascading multiple crises reflect larger trends, according to Haass. While the Cold War made for a clear relationship, there is no such structure anymore, "So what you have are relationships where you may cooperate with certain countries on certain issues on certain days of the week, while on other issues on other days of the week, you may compete or simply go your own way" (Haass cited in Baker, 2014).

The consequences for politics, information, business, security, food, air and water are most evident in what we previously noted as the prevalence of extraordinary Braudelian kinds of structural change that unhinge existing institutional arrangements and create the space for new governance policies and practices. Zizek might call this unpredictable world a kind of dialectical moment of great amplitude, and he would be right (Zizek, 2012). There can be no return to the 1990s kind of multilateral world order after the 'Great Recession.' It is difficult to dislodge the needle and push it backwards to revive multilateralism in some new form because the social forces are not present. The reason is self-evident. Neither the corporate elite nor activist publics are ready to own the issue. The core pillars of the international order that, once guaranteed its functional stability have gone wobbly from a global architecture badly in need of repair.

Let us look in greater detail at the top four tectonic forces reshaping the global landscape. They are: the 'rise of the rest', global south market economies that have rewritten rule book of development, the precarious growth of the global

middle class, the disappearance of private sector unions from the workplace, and the instrumentalization of soft power by global publics deeply skeptical of the logic, there-is-no-alternative to the market mindset. These are long historical processes that have intensified after the 2008 global financial meltdown.

The Rise of the Rest

In 2003, *The Economist* published one of the most iconic tables documenting with such dramatic clarity the BRICs rising share of global GDP. Brazil, Russia, India and China rocketed past the US and the EU's Big Four (O'Neill, 2012). Globalization theorists were taken by surprise in this global shift of economic power. The trend line had become irreversible – 25% of global GDP was produced in the South, the US share was shrinking to less than 20% and the EU was a distant third accounting for approximately 10% of global GDP at purchasing power parity. It is important to recall that dependency theorists of an earlier period never thought in their wildest dreams that the global South in all of its diversity would escape the chains of dependency. Nor for that matter did Liberal theorists predict the future, namely the breakout of resource rich by poor economies acquiring industrial clout. The story does not end here. A decade later, China became the largest economy in the world, overtaking the US. Perhaps still more striking is that in the strategic area of global export dominance, the American century came to a quiet end in 2012 when China became the world's largest exporter.

It is often difficult to grasp the magnitude of the Chinese decade. China is a rising regional hegemon challenging the universality of the American model of liberal democracy and free-market capitalism. American policy makers are affronted by the Chinese success and as a declining hegemon, the speed of China's growth is a constant concern. In a polycentric world the 19th century's theory of a balance of power is attractive but unworkable without a balance of power mechanism in place. When so much intense change occurs in such a short time it is a rare phenomenon in itself. Derek Burney and Fen Osler Hampson (2014) have captured the speed and velocity of this transformation.

Due to the unwinding of macro stimulus spending and weakening exports, China's GDP growth slowed to 7.6 per cent last year. However, China's GDP has spiraled from \$500-billion (U.S.) in 1982 to more than \$9-trillion in 2013 – and its massive trade and investment footprint continues to increase. Capital spending in 2012 was 27 per cent of the G20 total – \$3.9-trillion v. \$2.5-trillion by the United States. China is now the world's largest manufacturing nation, producing twice as many cars as the U.S., 75 per cent of all mobile phones; 87 per cent of computers, 52 per cent of colour TVs and half the world's semiconductor outputs. Some predict that China's economy will surpass that of the U.S. within ten years.

But even this eye-popping account hardly captures China's dramatic ascendancy and its remarkable achievements. What captures many critics is China's insatiable demand for natural resources – 45% of the world's lead, 43% of zinc, 40% of aluminum and 60% of ocean shipped iron ore. This extraordinary tableau has yet to be really understood in its fullness. On one hand, its educational and health standards are strained to the breaking point by the massive movements of people from rural to urban areas and the one child policy is slowly being abandoned. The picture that Martin Jacques (2009) paints is eerily prescient because often in the Chinese 'miracle,' the political and the economic are out of sync or there is such a time lag between the enormity rapidity of structural change and the state's ability to row and steer.

The world is theoretically, for policy purposes, upside down in terms of the geographic distribution of power (Jacques, 2009). By 2050, the three largest economies in the world will be China, followed closely by the US and India quite a distance behind, followed by Brazil, Russia and Indonesia. Bremmer (2012) is insightful in his popular account of the geopolitical impact of structural change. He calls this new world the G-Zero, where each nation is for itself and domestic politics intrudes into every attempt to move the goal of global governance forward. Despite all the corruption and authoritarianism of the Communist party, its model of building the world's newest model of capitalism is unique, just in the way the British industrial revolution created the factory system and the American hegemonic ascent perfected a mass production, consumerist society.

This story is hardly finished. And it challenges, of course, the globalization narrative of neoliberalism. China could never have succeeded without this strange and unpredictable and arbitrary interface between the state and the market (Bremmer, 2011). And while China is on centre stage, it is not the only leading actor unfolding. The BRICs, despite their individual self-interests are conscious of US global power and influence in the international arena. The US has blocked the redistribution of voting power inside the IMF to reflect the current balance of economic power, and this has been a trigger for the BRICs to set up an alternative to US hegemony in the words of Chinese leader Xi Jinping (Harding et al., 2014).

China along with its Asian neighbours and countries from Africa and Latin America is pushing for a BRICs Bank as an alternate to the IMF embracing their shared development needs. They committed \$100 billion into a development bank and pools of currency swaps, which will give them not only leverage, but political voice. They "are seeking to use their clout to create institutions that reflect their new status" (Harding et al., 2014). If they find other ways to cooperate on development and the environment, does this type of special deal making set a precedent to abandon multilateralism for a new institutional creature yet to be named?

Troubled Destinies of the Middle Classes: An Island in a Tidal Wave of Inequality

In about 2000, global experts made a 'remarkable' discovery that worldwide, free trade and open markets had not lifted hundreds of millions out of poverty as envisioned. The Millennium Development Goals, even though they remained the targets for the global community, the high standard to eradicate poverty for the 'bottom billion,' to 'empower' women and to deliver basic health care have not been met. Nonetheless it did have a remarkable achievement in making global poverty a major issue for governments worldwide. We have seen the rise of poverty and the extraordinary emergence of an international middle class. But below-par growth threatened the most vulnerable of the world's citizens and for them; the escape from poverty to the middle class was out of reach. Optimistic accounts called the emergence of the new middle class the lucky 'winners' in the global economy (Milanovic, 2011); but it would be more accurate to say they are part of the 'fragile middle,' in which 4 in 10 of the world's people are now members (Donnan & Murdoch, 2014).

The issue that continues to elude a global recovery is the absence of durable, sustainable high levels of growth (World Bank, 2014). Analysis showed that there was a strong correlation between poverty reduction and the growth among countries with higher GDP growth rates. The BRICs and MINT economies showed the strongest expansion of middle class income as a share of their population and annual real income growth prior to the 2008 crisis grew at a remarkable 5.5% or more in India, China and Indonesia. Yet the biggest threat is that slow growth, which we are now entering into, can erode the gains of recent decades particularly for the middle class of the BRICs and emerging nations (Donnan & Murdoch, 2014). Paradoxically, the greatest gains have come in India and China but in many ways, they are overstated.

What the World Bank argues in a recent report is that much of the new middle class are in small business whose well being depends upon strong global and local recovery (World Bank, 2014). For a majority of Indians who live outside of India's teeming cities, incomes are largely influenced on favourable weather conditions and individuals march in and out of poverty at the mercy of the monsoons. The above average growth of the last 20 years is unlikely to continue and it will make it impossible for the developing world to eliminate extreme poverty by 2030. Experts are now concerned that those who have risen out of poverty may well slide back into it.

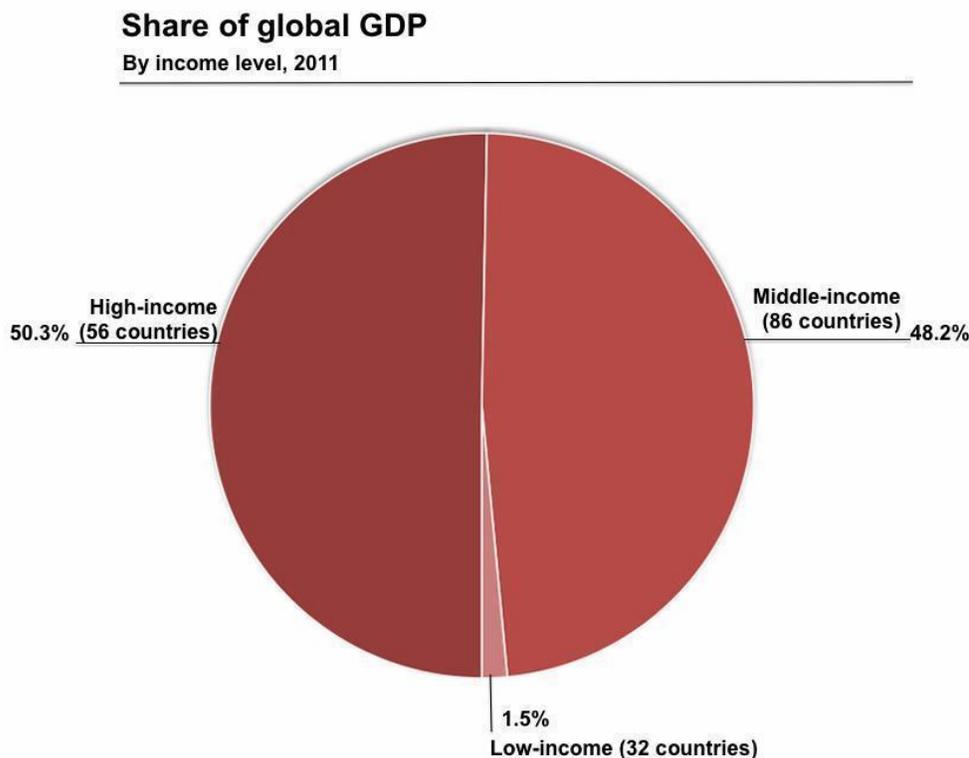
In the United States, we are currently witnessing the erosion of the once prosperous middle class as inequality has reached its highest levels since the 1960s (Stiglitz, 2012). The foreign policy mood in the US Congress is a go-it-alone temperament displaying a lot of hostility to the ideal of global governance agenda that makes demands on US sovereignty and corporate power. While it continues to be a supporter of the WTO, its commitment to the institution has much diminished since the WTO is not able to show any progress on dismantling widespread use of food subsidies in countries like India or major concessions to lift foreign

investment restrictions that keep US investors at bay. Washington's greater enthusiasm is for doable regional trade deals, instead of the Doha Round's collapsed big tent agenda. For the moment, in such a protectionist climate even these mega-deals remain little more than 'bold plans on paper' (Donnan, 2014).

Who is on First?

Still, plagued by growing poverty and income polarization, the US remains the world's leader for the time being even as it enters into relative decline. Economists use a measure of comparison that captures the capacity of the world's largest economies to catch up to US GDP high standard. Jim O'Neill who conceived the term BRICs as a global economic entity, despite their sharp differences, believes that countries that have devoted a significant amount of time in giving people a significant education and adapting new technologies are in a position to close the income gap. "The BRICs have been adding the equivalent to a new Italy to their combined GDP each year. China by itself has been adding another Spain annually while the contribution to world growth from the BRICs and other emerging countries in the past decade exceeds that of all of Europe and the United States put together" (O'Neill, 2012: 43). O'Neill highlights that since 2010, the 8 largest emerging economies have increased their value of GDP by more than 3.5 trillion dollars or the equivalent of adding a new Germany to the world economy.

Figure 2 - The Global Income Divide: Embedded Systemic Inequality?



Source: World Bank, 2014

According to the World Bank's calculations, income level is highly fragmented in the global economy (World Bank, 2014). In 2011, low-income countries, 32 in all, have only 1.5%. 86 middle-income countries together share 48.2%, while the wealthiest 56 countries take home 50.3%. If current growth trajectories continue, other things being equal, emerging market economies and their citizens influence on the world can only increase, significantly demanding different rules in the global economy for their citizens. According to Brookings expert Homi Kharas, by 2030, the global middle class will more than double in size from today's 2 billion to 4.9 billion (Kharas, 2010).

Yet the term 'middle class' is ambiguous and has many meanings all tied one way or another to be part of a culture of mass consumption. You need money to spend money. Still, it is difficult to measure only by income or by the growth in consumerism. For those who had so little, the ability to buy goods and services is a radical transformation in their lives and for their children. Narrowly conceived, much has been made of the fact that the rapid growth in China, India, Indonesia, Vietnam, Thailand and Malaysia will see Asia's share of the new middle to double from its current 30%. For corporations hungry for exports, this is a vast market for their goods (Challaney, 2010).

Middle-classness also refers to access to education, health, environmental care and personal security. For the fragile middle, there is no guarantee that increases in income will be linked to a monumental shift in social wellbeing. This is

the case for India today where hundreds of millions live just above the poverty line and education and health services, not to speak of environmental degradation, remain out of reach. The recent 2012 census found that 54% of Indians did not have electricity and about the same number did not have indoor plumbing. With so many mountain-sized challenges, global governance is at a crossroads. The dilemma is one that Piketty has insightfully identified being that returns to capital exceed growth in many parts of the world. The elite's share of wealth is growing faster than the poor move out of poverty. He brings us to a very pessimistic conclusion that investors cannot address the social consequences of global capitalism and slow growth (Piketty, 2014).

Will global middle class aspirations embrace more globalization and the magnetic demands of integration? Or, will they become hard-fisted skeptics, critics of WTO big-picture mega deals and gun-shy of diplomatic efforts to take the edge off a winner-take-all world? When cascading events hit the global order, they roil the system. If they are deep enough, long-term and affect enough people, the rules get rewritten. For the new middle classes, it is ambiguous where their hearts and minds are with respect to the narrow ideal of economic globalization. They desperately need stability above all else. What they face in their daily lives is something radically different.

Labour without Labour

Since 2000, hypercompetitive labour markets have had a relentless downward pressure on wages, working conditions and benefits because the workforce is increasingly seen to be a disposable commodity rather than a valuable asset. Open economies had their biggest impact on the setting of prices for goods and services but not labour markets; they were to be shielded by collective bargaining and other regulatory practices of industrial relations. But now, global hypercompetitive labour markets are shaping employment growth quite directly with the decline in collective bargaining leaving much of the workforce highly exposed to global competition. This volatility has had a major impact on middle-income families, as we have already seen. The institutional mechanisms that citizens once relied on, such as collective bargaining and safety nets have been much weakened while labour-friendly political parties no longer have a constituency of support.

As labour relations have become globalized, non-standard employment practices have been adopted throughout OECD countries. Germany is one country that once set the high standard for full time, high skill employment with regular negotiated pay increases. What now defines the German labour market is that 1 in every 5 workers are now working in what they call "minijobs," an employment practice that reduces labour costs and perpetuates a flexible labour force (Weinkopf, 2009).

In the United Kingdom, like in other countries, the growth of part-time work in hospitality and services is job number one as Britain has lost much of its manufacturing sector in the last four decades. During this period, jobs have been concentrated in London and the south, while unemployment in the north has remained in the double digits (Office for National Statistics, 2013). Furthermore, an extreme example of Britain's flexible labour practices is witnessed by the "zero-hour contract," an 'on-call' arrangement between an employer and employee where the employee has no set hours and is only paid for hours worked. Reportedly, these zero-hour contracts are used by one quarter of companies in the UK, with between 250,000 to up to as many as one million workers involved in some kind of "zero-hour contract," though there has been some controversy over the official figures (Office for National Statistics, 2013). Nevertheless, it is a non-standard employment practice that is becoming more prevalent.

The United States is a trendsetter in this area where precarious work has gone further at a faster pace. The percentage of working poor families rose from 28% to 32% between 2007 and 2011, while the total number of people in working poor families is approximately 47.5 million (Roberts et al., 2013). The ideological absence of government, leaving terms and conditions of work up to the market, and the obsessive drive for competitiveness all contribute to the explosion of precarious conditions of employment.

Evidence points to the fact that non-standard work offers employers a flexible, cheap work force with little training. Non-standard employment has always been part of the labour market, but now it has become a predominant feature. Its two main characteristics are little or no job security and highly flexible hours and conditions of work set by employers according to their specific needs.

Defined in the broadest sense, non-standard work is employment that differs from the full-time, permanent, standard employment relationship (SER) involving continuous employment under direct supervision on an employer's premises (Vosko and Clarke, 2009). The decline of the manufacturing industries combined with outsourcing, decreased rates of unionization and the increase of precarious forms of employment for women and youth are redefining the labour market. The growing eclipse of full-time employment shows how part-time, non-standard work is replacing the standard employment relationship and all that went with it. Throughout the industrial world we are witnessing a transformation of employment as service industries now make up 80% of total employment. And job tenure - the number of years a person holds her job, and one of the best measures of stable employment - has dropped precipitously for mid-career workers over forty (Stone & Arthurs, 2013). At the same time, short-term employment has increased significantly everywhere.

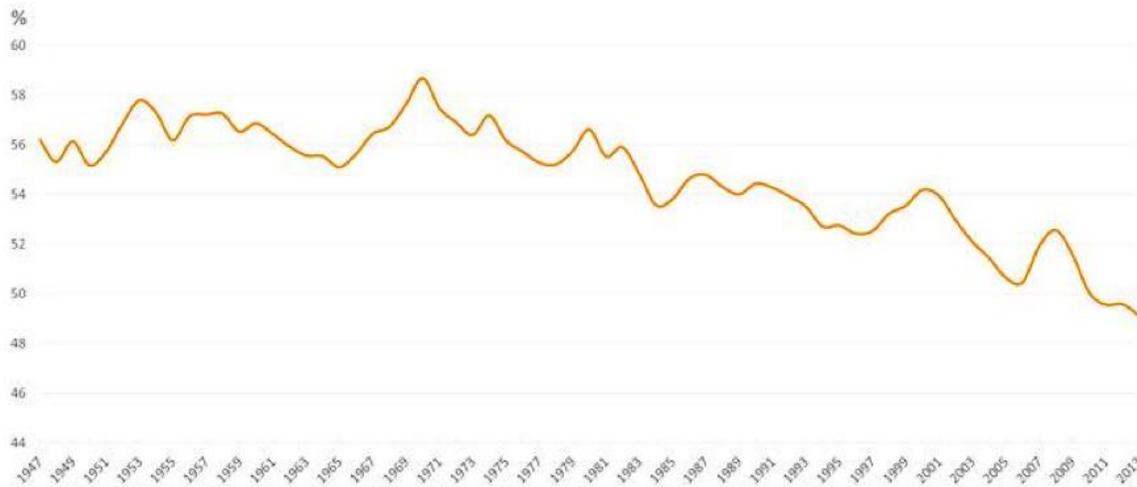
With unemployment levels not having recovered from the 2008 global financial crisis, particularly among youth, single mothers and low-skilled, it is easily understood that hypercompetitive labour markets act as a disciplinary break on the collective aspirations of today's workforce. Not surprisingly, without the statutory presence of government, employers support these cost-saving practices out of short-term self-interest profit taking. The enormity of this fundamental realignment between business and labour has been captured in the accompanying

table by Rogoff (Figure 3). In the US, the share of national income going to labour has declined from almost 60% in 1970 falling to a precipitous low of 49% today. The economic system was once perceived today be fundamentally fair because the share of income going to labour grew decade by decade after the Second World War. Now the trend line is persistently downwards as labour is working harder for less and non-standard employment is the exacerbating factor.

Institutionally, labour has less leverage in advanced capitalist countries than any time previously and the shift of income going to labour has been declining for almost four decades, accelerating downwards post-2008. Collective bargaining and industrial relations as an institution was from many points of view unique. It was a system where business and labour actually generated the legal and social norms and practices. They achieved this not only with the collective bargaining agreement itself but also through the industrial relations system that permitted capital and labour to establish labour law within a framework set by the state. It is this exceptional property to generate labour law practices which has become a faint shadow of its former self.

Figure 3 - Workers' Declining Share of Income in the United States

Working For Less: Wage Share of US National Income



Source: Rogoff, 2014

What needs highlighting is the great loss of institutional power labour has experienced globally. Labour has less clout in advanced capitalist countries than in any time previously and the shift of income going to labour has been declining for almost four decades, accelerating downwards post-2008. Among 16 developed economies, the average labour share of GDP dropped from 75% of national income in the mid-1970s to 65% in the years just before the economic crisis. In a group of 16 developing and emerging countries, this share decreased from 62% of GDP in the early 1990s to 58% just before the crisis (International Labour Organization,

2013). This precipitous decline is further evidence that the concentration of large incomes at the top of the hourglass effects wage-setting mechanisms in every country. What is not widely recognized, since the 1990s, is that the minimum wage has been uncoupled from a rising middle income resulting in a kind of 'wage rot' (Chu, 2013).

For many experts, there is a correlation between the decline in union membership and the shrinking share of income for the middle class (See Figure 4). Labour's share of income is much diminished as it becomes less of a partner in an era where part-time, temporary, or contractual work reduces labour's bargaining power both in the remaining unionized workplaces and non-unionized settings. The category of labour seems anachronistic with a working class that is disappearing, or at least being transformed into something very different than what it was in the last 100 years. Labour's solidarity has crumbled in the face of the global assault on its rights and social standing. It would appear we are entering a world where labour has been relegated to the status of a 'precariat' - a world of labour without organized labour (Stone & Arthurs, 2013).

These changes highlight the way power is being diffused away from organized labour, no longer an institutional partner in a neo-liberal global order. Labour as a constitutive category has lost members, economic and political power in recent decades and most of all "cultural salience" (Stone & Arthurs, 2013). The question is do workers any longer answer to that identity? Andre Gorz in his controversial and lucid 1980 book, *Adieux au prolétariat* argued that this once powerful category had lost its force as a sociological descriptor and conceptually was hollowed out by the rise of the service economy (Gorz, 1980). In its place globalization supports transnational labour markets across the globe where labour's disappearance as a collective actor has set in motion a new dynamic (Bauman, 1998). Workers are marginalized by hypercompetitive labour markets and the emergence of non-standard work has become the prevalent form of employment around the world.



Source: Stone and Arthurs, 2013

The Soft Power of Ideas and Their Salience

Soft power can tell us many things, but not all things, about social media. There is no single explanation to account for the shift in global activism, defying authority, and learning by doing. It appears that practice has overtaken theory in the production of new ideas about society and markets and this is not accidental. Hundreds of million users have access to the fastest, most interactive, most accessible, and in Castells' words, "self-expanding means of communications in history" (Castells, 2012). For Zizek, these counter-movements have acquired hard-earned gravitas. They have become a 'hegemonic' social force playing a key emblematic and structural role in many countries (Zizek, 2012). His original idea is that the digital age has spawned a new species of social movements organized for 'on the ground,' bottom-up push back. The latest wave of global protest has turned its hope and rage against the domestic agents responsible for the long, harsh years of neoliberal policies at the domestic level.

In Gerbaudo's words, "these physical acts of assembly combined with the virtual sphere of discursive autonomous communities are responsible for creating an unlikely variety of emotional space for all kinds of collective action" (Gerbaudo, 2012). The rich diversity of these movements and the much-in-evidence pluralism, in which no one ideology or approach has the necessary instruments to prevail against all others, speaks to the core quality of the new information age. What has become apparent is that the autonomy of the social actor and the technological platform of 'mass self-communication' have given citizens influence both in their neighborhoods' and around the world. The public used to be stereotyped as a 'phantom,' à la Lippmann's classical formulation, but the process of socialized

Figure 5 - Game Changers Learning by Doing or Practice Before Theory

A Period of Intense Cumulative Change Since the 1999 Battle for Seattle

1999-2007 Anti-globalizers organize dozens of mass demonstrations against World Bank and IMF meetings, WTO Ministerial and G20 Summits in Geneva, Washington, Genoa, Cancun and Quebec

2008 Obama elected as the first Facebook President relying on social media to turn out the vote

2010 Arab Spring topples authoritarian regimes

2010 WTO Doha Round Implodes- Mark 1 for anti-globalizers We are 99%

2011 Occupy Wall Street 800 Occupations in the name of the 99%

2012 200,000 Quebec students strike against higher tuition fees and actually win- Jean Charest loses his seat- Couldn't be Done

2011 Ana Hazare rallies hundreds of thousands across India in support of his hunger strike demanding anti-corruption legislation

2012 US presidential slug fest- Mobilizing the base using big data to target the 'voter like consumer'- two million volunteers/800 paid organizers

2012 100,000 strong 'Idle No More' movement of Indigenous Canadians demands a new relationship with Ottawa and their own leaders inspired by the hunger strike of Attawapiskat Chief Theresa Spence

2012 Israel's We Have a Future movement wins 24% of the vote campaigning on social justice

2013 Brazil's spontaneous BBQ protests rallying thousands to have civic authorities enact local reforms

2013 In India, mass protest rallies demanding tough reforms to protect women from rape and domestic violence in their country

2013 Beppe Grillo's Five Star party wins 25 % of the Italian vote and holds balance of power in minority government. Social media and mass messaging turned out supporters in record numbers-- but Italy's political system remains deadlocked and the Five Star Party is marginalized by internal quarrels and much strife.

2014 Social media plays a pivotal role in the Scottish Referendum on Independence but the Yes campaign peaks too early and the No side wins the referendum handily with 55 percent of the votes cast.

Source: Drache, 2014

communication and the production of meaning made possible by the information economy takes us well beyond the realm of interpersonal communication (Drache, 2008). The universal right left axis has been challenged from below as hundreds of millions of social media activists have redefined the idea of political participation to fit their diverse views of the world. In doing so, the line between public and private has been blurred to an unprecedented extent; the universalization of the personal is the Political today more than ever. The upshot is that the personal subjectivity and interconnectedness of the multitude have changed the ordinals on the political compass of conformity and dissent.

Still there is much we do not understand about how this big idea of contesting power and challenging authority. It has sunk its roots into such diverse environments – from the Wall Street Occupiers to the mobilized, alert and angry Arab street. Nor do we know a lot about social media and how it connects people and how people take the huge step from engagement on-line to action off-line. Nor are we able to explain the rise of extreme insurgent publics from the National Front to the Golden Dawn, whose xenophobia, nihilism and anti-immigrant policies are poles apart from insurgent left publics. Nor why others choose to remain disengaged as citizens? Finally, why does e-activism with such a fluid organization and few leaders in the conventional sense of the term become the primary institution for mass mobilization in modern society?

It would be erroneous to believe that the new broadcast model only has a democratic gene. New information technology has supported the expansion of the security state into every aspect of communicative life. The modern state has become a ‘super spy shop’ far from LeCarre’s depiction of covert operations against Cold War enemies. Security has been prioritized over citizenry. The revelations of Assange and Snowden have lifted the veil of secrecy under which it operates without accountability or transparency. Corporate power has acquired a new source of power in its access to the personal and private information of consumers. While consumer information has become more accessible than ever through public and private data mining, citizens are not able to access the information being collected about them. While interactive social media has given us greater communicative power than ever, it has also increased the ability of others to monitor and control our actions.

The new broadcast model takes us into uncharted territory. It is a vast global system based on point-to-point messaging, you click you talk; structurally, it is decentralized, it is interactive by design, talk to anyone anywhere; it is open to all, no user authentication needed. Critically, its hierarchy is super flat, every user is a bootstrap broadcaster and it has two defining characteristics, it is dialogical and organizational. When talk and boots on the street are in-sync, social movements get a hard bounce to innovate and change the conversation in public. When there is no bounce, everyone just does his or her own thing in cyberspace. It is a planetary babble talk shop with a hundred million conversations waiting to be heard.

The rapid diffusion of new information technology correlates very closely with Castell’s original insight that capitalism is under fire from transnational networks, coalitions and advocacy campaigns with their own iconic heroes and ideas (Castells, 2012). A culture of networked individualism along with rights-based models of citizenship has empowered groups to organize and mobilize across state boundaries in unprecedented ways (See Figure 5). Our modern idea of being in public requires the act of strangers coming together for a common purpose to achieve a set of shared ends. These assemblages of unscripted actors, in Gerbaudo’s illustration, are testing the purpose and rationale behind governments’ austerity measures and cutbacks. Social media activists are always focused on building community at the local level as well as searching for global support and recognition. Every instance is so different from the last. It can be used for mass mobilization when young, unarmed, black teenager Michael Brown was shot in

Ferguson, Missouri or for rallying support or opposition for the Scottish independence referendum. Soft power is both plastic and fluid skillful for reinventing itself to confront political authority under the most very conditions.

Figure 6 - The Great Information Transformation

A Massive Amount of Intense Innovation in a Very Short Amount of Time

- 1990 Tim Berners-Lee It's Free Hypertext
- 1997 Page's and Brin's Google Search Engine Revolutionizes The Information Revolution
- 1992 20 million on internet
- 2012 1.8 billion web subscriber
- 1992 35 million cell phone users
- 2012 2.0 billion plus cell phone users
- 1998- Steve Job's Apple Smart Technology Consumer Revolution More Than A Decade Long Revolution from the IPod, iPhone, Ipad
- 2012 and iTunes Store
- 2004 Mark Zuckerberg et al create prototype Facebook- 4000 initial subscribers
- 2012 Facebook's 'Life without Curtains' exceeds 1 billion plus users
- 2003 Skype developed from Swedish and Danish software
- 2012 Skype-Microsoft daily 660 million users
- 2006 Jack Dorsey's Twitter launched 140-character tweet
- 2012 Over 500 million users handling over 1.8 billion tweets daily
- 2012 YouTube surpasses the 1 billion viewer threshold
- 2012 Amazon eBooks account for more than 50% of book sales

Source: Drache, 2013

Globalization's Trilemma: Deep Integration, the Nation State, and Democracy

In the dynamic interplay between institutional and market reordering, states respond to globalization pressures in such different ways that there is no single rationality evident despite the power of markets to decenter governments everywhere. According to Wolf, the latest transformation of capitalism remains untested (Wolf, 2007). It is a truism that democratic spaces are always present as Hirschman (1991) stresses, but inevitably fragile. The 'the dangerous classes', 'the masses' and 'other insurgent history makers' are always close to centre stage, angry and disillusioned with orthodox solutions to growing poverty, inequality, and climate change. Between destiny and fate, the spirit of the enlightenment with its belief in the forward march of history remains a powerful incentive to change and improve society (Hirschman, 1991:9). Does this mean that social publics need to become a citizen beyond the state? It is what Arendt in 1951 called 'a guarantee of

the right to have rights,' a concept she first articulated in the aftermath of the Nuremberg trials (Arendt quoted in Benhabib, 2004). Still today the digital subject remains, for all intents and purposes, a truncated citizen with little effective power at the international level.

The citizen faces an intractable set of choices. For democracy to succeed, apparently we must choose between the nation-state and deep global economic integration. If we choose deep integration, the trade-off is between participatory politics and the high politics of the nation-state. In a winner-take all world, to keep a strong competitive nation state we allegedly must choose between the universalism of the market and the deepening of democracy (Rodrik, 2007). Is there a logical way out of this impasse?

Evidently, the assault on the economic and social policies that make up the modern welfare state has only made a small dent in globalization's hegemonic ambitions. We appear then to be moving step by step to a place of economic stasis, with states less committed to coherent global problem-solving. How did we arrive at this impasse? With the globalization narrative having been stretched and stitched by so many different hands, how has it been transformed, what have we learned?

Part II - Globalization: The Overlapping and Multiple Dimensions of a Big Idea

Beyond Globalization's Deterministic Beginnings

Four decades ago, the boundless globalization narrative entered the popular mind as an over deterministic belief that it was principally an economic phenomenon. The globalization idea also captured something more fundamental, namely, global regulatory practices with its ideals of legal ordering (Stone & Arthurs, 2013; Trebilcock & Howse, 2005). The legal rules codified in the WTO prioritized free trade governance at the apex of a world order organized for commercial mercantilist need. It promised a rules-based order but over time, today's polycentric world has evolved past supply-side traditions, demand-side clusters, and aggregate-side growth as emerging economies moved up the value-chain of comparative advantage. For emerging market economies, a combination of market forces and state strategies has empowered these countries, once marginalized by the universal rules and procedures of the WTO (O'Neill, 2012).

It is not to be forgotten that the notion of the academy was the optimal place to critique and problematize globalization has turned out to be false. The most influential theorists had enormous impact and shaped the narrative through their global 'big bam bestsellers.' These academics turned critics ,turned policy experts followed in the footsteps of Thomas Friedman's global success with *The Lexus and the Olive Tree*. There was a public thirst to understand and absorb the world of globalization people were experiencing in their daily lives, in their workplaces, and

in the home. His journalistic style of writing gave the idea of globalization an instant immediacy.

The Internet created a unique global platform for the ideas of theory-practitioners like Paul Krugman, Joseph Stiglitz, Fareed Zakaria, Naomi Klein, and Amartya Sen. Carmen Reinhart and Kenneth Rogoff's article comparing the 2008 crisis to the 1929 crash had over 400,000 online readers. By then globalization had grown so large that it transcended the world of individual disciplines and had become an interdisciplinary phenomena not only in the university library, but also through social media.

Every group of social scientists, of course, has their own globalization story to tell and their own mapping to do. Economists, geographers, environmentalists, cultural theorists, sociologists, corporate strategists, demographers and human rights advocates all weighed in by making signal contributions to the globalization Grand Narrative. This effect was cumulative and transformative. Some groups predominated, but at the end of the day, it was not always the orthodox economists who had the most influence and impact on what skeptical publics believed.

When you look at the spectrum of theorists that are most compelling and insightful, globalization theory organized itself into four families: Architects of the New World Order, Varieties of Capitalism, Global Governance and Legitimacy and the Global Skeptics. To see these different clusters of thinkers more clearly, we have created Figure 7 - Growing the Globalization Narrative Big and Strong – Book by Book. What leaps out is the wide scope of the ideas and conceptual frameworks by leading contributors. These groupings constitute what specialists refer to as 'epistemic communities' and are, as we shall see are quite porous. Notably they have played a pivotal role in shaping the many strands of globalization theory. This exercise is a useful corrective to the idea that the meta-narrative of our time was largely reductionist in its framing of the globalization phenomenon. Instead, what leaps out from the literature is the great diversity and conflicting accounts driving its principal ideas through different phases and stages.

**Figure 7 - Growing the Globalization Narrative Big and Strong
Book by Book**

The Four Families of the Globalization Narrative



Source: Drache and LeMesurier, 2014

From Drucker to Piketty and Back Again

In the eighties, Drucker was the first to demonstrate the powerful vision of the new world monetarist order that advanced capitalist economies had embraced. He analyzed the uncoupling of finance from capital, employment from production and the price of resources from manufactured products (Drucker, 1982). Keynesian fundamentals revolved around mass production and the link between profit and wages. The transformative elements were collective bargaining and technological change which, through a virtuous continuing growth cycle, led to higher family incomes and remarkable productivity growth for the triad of the US, Europe and Japan. When Drucker theorized the structural shift in the global economy

Keynesianism had been abandoned in favour of a Hayekian view of markets and economic growth. In his seminal 1982 contribution Drucker captured this long-term trend just as it was beginning and his articulation of it constitutes one of the bookends of the globalization narrative (Blythe, 2013).

What Drucker never really factored into his analysis is that there is an incompatibility between deep economic integration, the nation state, and democratic politics in which reliance on market fundamentalism principles and policies could not correct but only make it worse (Rodrik, 2007). In a Druckerian universe, he thought it fit-and-proper that super elite boards of experts resolve sharp differences between conflicting public policy agendas of economic management and promote 'best practice' for the management of the international economy. But his management ideas were no match for the rapid development of new opportunities for profit that created global structural imbalances between the world's financial new elite and powerful political coalitions. It would shock many to discover that democratic politics were on a collision course with the concentration of wealth in fewer hands.

Still it may be a surprising fact and an important truth that neoliberal thinkers have always had to share center-stage with the penetrating analysis and critique by the global skeptics. What appeared to be a monolithic wall of relentless economic determinism was a distorted view of the larger picture. Not only had economic drivers of globalization altered, but also how millions perceived it the world over. Powerful anti-globalization critiques from Naomi Klein, Arturo Escobar, and Arundhati Roy, gave more persuasive answers about the link between business, trade, developmental governance and the origins of power and poverty. What is critical is the way political and economic institutions interact that accounted for economic success, which is far from the neoclassical preoccupation of simply getting the price right.

Though substantial, the dominant story did not come from the global skeptics. The arch theorist of neoliberalism, Thomas Friedman, and his 'golden straightjacket' captured the public's imagination explaining in a way an economist could not that global market forces were flattening the world's inequalities and creating an equal playing field for all. But less than a decade later publics were asking, where does the *idée fixe* of the golden straightjacket and the myth of the self-regulating market take us? It takes us directly to the global skeptics, forward to Krugman, Klein and Sen among a long list of anti-Hayekians.

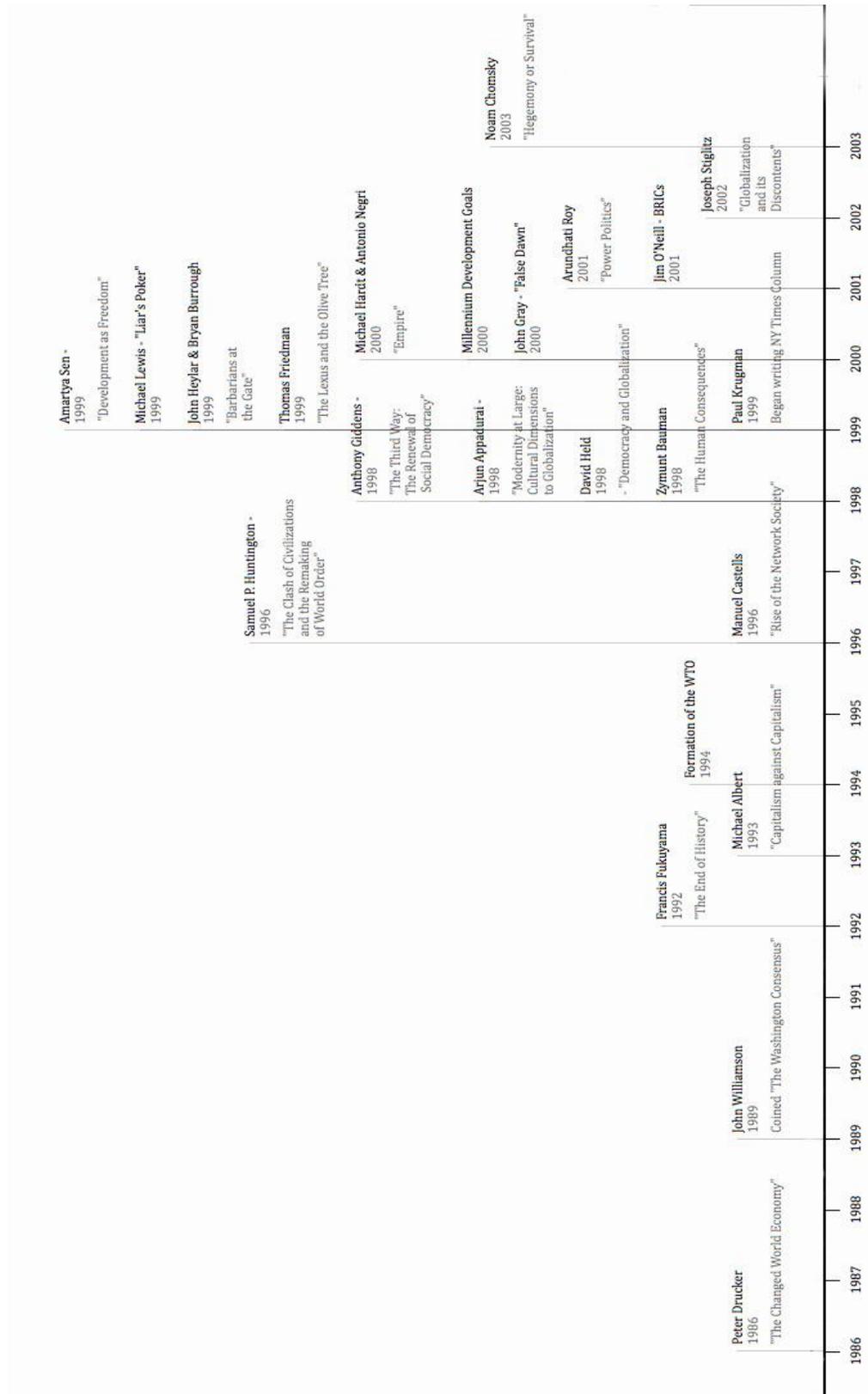
It is something of a jolt to remember that leading globalization theorists have altered their initial premises. Whole-hearted supporters became outspoken skeptics. Stiglitz was the chief economist of the IMF, an insider, and chose instead to become an outsider. Fukuyama's controversial *End of History* powerfully defended neoliberalism as the penultimate step of human history. He turned against the neoconservative view of history when Bush's rationale for the invasion of Iraq turned out to be a lie. There were no weapons of mass destruction in Iraq. These single instances point to something more profound. There have been many people who have changed places in the globalization narrative and what is significant is that the number of epistemic skeptics continues to grow more influential and visible.

The big story is that globalization theory, as part dogma and fact, has many thematics not bounded by the primacy of the universalism of markets. The mainstream ones revolved around: a transcendent and robust cosmopolitanism, the idealized vision of export-led trade, the positive externalities of integration and finally the dark side of neo-mercantilism and protectionism. Certain concepts promised a lot such as the gold-plated attraction of cosmopolitanism but delivered little. Others about the critical role of the state for 'rowing and steering the economy' that were initially underestimated became game changers. It is important to make an inventory of the contentious claims of the Genealogy of the Grand Narrative: By the Big Book (Figure 8).

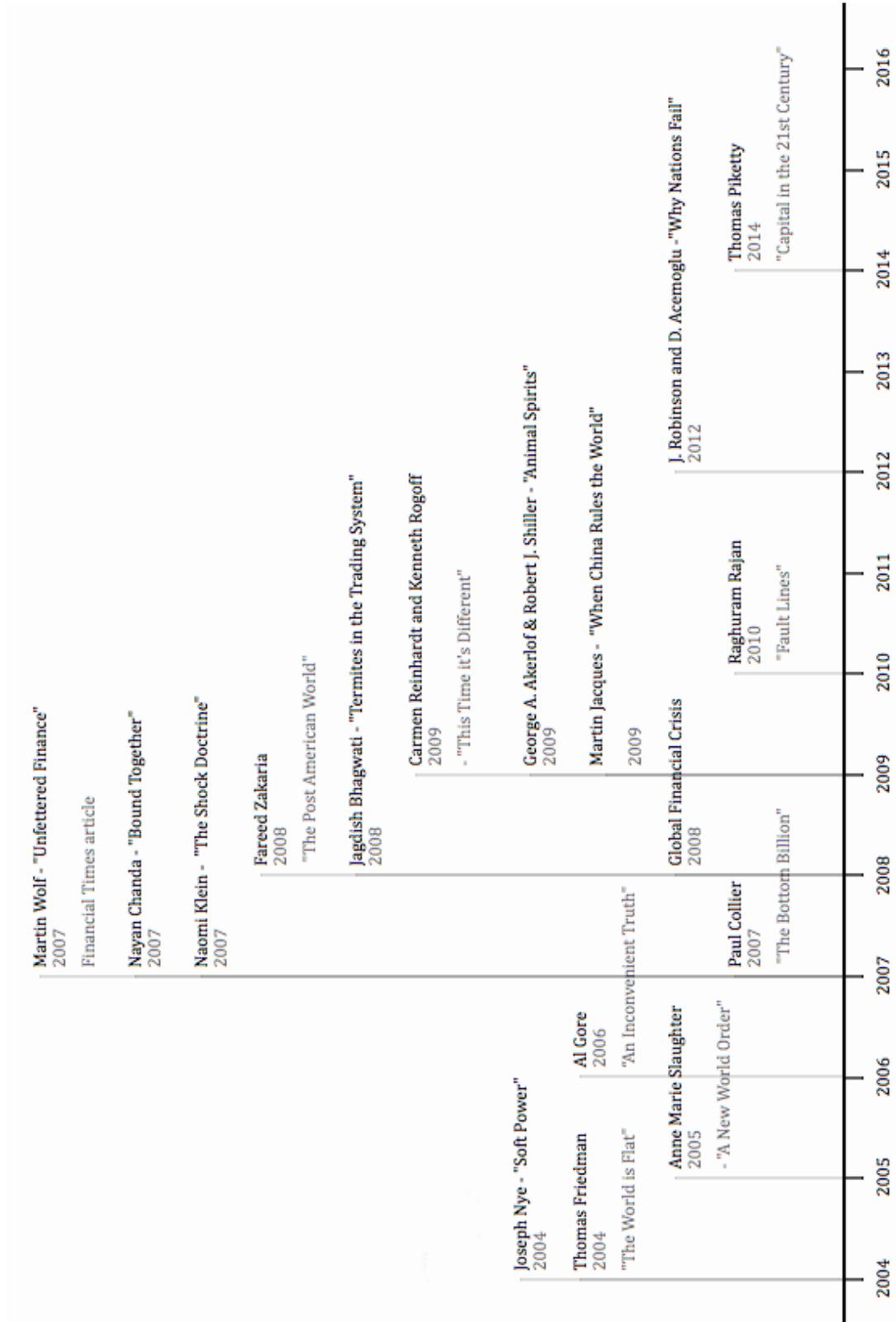
This chronology is constructed to identify the thinking and ideas of principal contributors and those whose work has crossed over from the academic world of public policy or the disciplines of law and economics into the public realm. These books have somehow caught the attention of people, social activists, and unscripted publics. Many of these high profile studies were aimed for the American market and the best sellers' lists compiled by the global mass media. Outside of the US, it is difficult to gauge with precision their impact on public policy.

The methodological test we used is to identify writers whose contribution is both 'insightful', 'influential' and has 'impact', either on the general public or the world of governments and policy experts. Our list serves the additional purpose of capturing the antecedents, origins and phenomenon of the global structural crisis of capitalism. Thirty-four titles made our 'Triple-I Index,' though we could have easily chosen another twenty. While many of these contributions are pioneering in their own right, one school of thought is that the globalization narrative has been appropriated and dominated by the sheer size of the American cultural sphere. Though not all contributors are evidently of equal importance or American academics, the genealogy demonstrates how the world has been interpreted increasingly through the American realpolitik lens.

**Figure 8 - The Genealogy of the Grand Narrative: By the Big Book
Part I: 1986-2003**



Part II: 2004-2014



The Zigs and Zags of the Globalization Narrative

For the 'Architects of the New World' who framed the globalization discourse, we can think of their work as consisting of four packages: First was a global integration package characterizing the way markets, people and governments were bound together uneasily through mega-markets (Fukuyama, 1999). Second, there was an institutional regulatory package of convergence through a system of global rules, which has since broken down (Petersmann, 1997). Third, there was a developmental package advocating that through access to markets, the global South would develop and catch up with the global North, which was highly contested (Friedman, 2005). While for Williamson who coined the term the iconic term the 'Washington Consensus,' it had a fourth dimension, namely poverty alleviation for short the goal of poverty eradication (Williamson, 1990). The goal of the exercise was that the powerful stimulus of export-led growth and open markets would 'lift all boats' in the jargon of the times. It is a great irony of history that for the emerging market economies, the engine that pulled the train lifting millions out of poverty was not the IMF model of development but their own statecraft.

It is often overlooked that from the get-go, globalization has had overlapping multiple dimensions. Its trajectory began with the globalization of finance and capital, and then extended its arc to globalize markets and went on to establish trade blocs for deep integration (Wolf, 2007). The second-front of the globalization revolution in the late 90s was kicked off by new information technology that riveted markets, states and consumers into one of the most dynamic constellations of globalized consumption and systems of production (Appadurai, 1998). Radically reduced communication and transportation costs created spectacular new opportunities for the world's telecommunication giant industries. Telecommunications industries reshaped the corporate landscape, offering investors unparalleled opportunity as hundreds of millions of consumers went online and bought cell phones. Banks pioneered new financial products that underplayed risk and escaped regulatory oversight (Blinder, 2013).

Now in this third new front, global finance has exceeded even the most optimistic expectations that regulatory reform would demand higher standards so that in the worst case scenario banks could fail in some orderly fashion. Post-2008 US and European banks have become more concentrated and powerful than ever. Not only did they escape regulatory oversight from national authorities on both sides of the Atlantic, but also since 2008, reform remains incomplete and partial with banks aggressively trying to roll back new tough standards for greater accountability and transparency (Blair, 2014). So despite paying over \$70 billion in fines no banker has gone to prison for malfeasance. The reform of the global financial order looms large on the international policy horizon but in a polycentric world, inter-state cooperation remains an elusive goal when there is no agreement between Washington and EU on core financial standards and best practices.

Trade, Toil and Trouble

What ultimately defines global relationships for those who are in the camp of the Architects of the New World is the transformative role played by trade in the world's economy. It is a realistic proposition that trade can be neither absolutely free nor perfectly fair in a world economy of capitalistic asymmetries. When it is far from the ideal, of course, reciprocity is the first victim. The ideal of the modern multilateral trading system is non-discriminatory; but discriminatory trade in all of its many forms from subsidies to anti-dumping is on the rise. The explosion of regional free trade areas eagerly supported by powerful, organized business groups is an immediate threat to a system premised on free trade and trade liberalization. Of course, trade that is free and fair represents a theoretical world wherein all variables and actors are held equal. But since the collapse of financial markets in 2008, the world trading order has suffered collateral damage (Drache and Jankovic, 2012).

The authority of the WTO is contested on many fronts. New actors and social movements have gained a significant voice with respect to agriculture, public health, and food security, the new fault lines of trade negotiations (Anderlini, 2014). Indeed, politics vie with economics in agenda setting, which creates recalcitrance, and rigidities in the trading system. Many specialists believe there is a mismatch between objectives to broaden market access, to forge a grand bargain, and to promote development. It is difficult for the layperson, let alone policy experts, to make sense of so much change and division in a system that is supposed to be driven by the benefits of trade multilateralism.⁴

It is dizzying to contemplate the range of ideas, prescriptions and strategies that the globalization theorists identified as primary causes of the structural crisis. Is it any wonder that globalization is so confusing to understand and contradictory to grasp? Stiglitz (2012), Sen (1999), Acemoglu and Robinson (2012), and Krugman (2013), have competing agendas about the best way to manage the imbalances in the globalized world order. Blinder (2013), Blythe (2013) and Blair (2014) single out the massive dominance of banks in modern economies today as the rotten apple of the system. Collier (2007), Milanovic (2011), Piketty (2014), and Gray (2000), highlight the failure of the neoliberal growth model as the primary factor in the growth of income inequality and wage polarization. O'Neill (2012), Bremmer (2012), and Jacques (2009) recognize that emerging market economies have put the state at the centre of their development breakthrough that contradicts the orthodox view that the market is the most powerful driver of prosperity. Sassen (2001), Slaughter (2005), Castells (2012) and Chanda (2007) have mapped what is

⁴ Practically, it is challenging to make sense out of these cross-currents. One thought is that the WTO should be redesigned making it smaller and a more focused trade organization which is an attractive idea for many social movement actors. Another global public believes that the WTO should acquire a new model of governance with its competencies focused on development, poverty eradication, and global fair trade. The third idea is to abandon the institution altogether and reinvent a World Trade Organization that strikes a balance between trade and 'everything else.' The institution's ironclad culture of invariable geometry, inflexible trade-centrism and institutional overreach does not reflect the transformed macroeconomic reality of globalization (Wade and Vestergaard, 2012).

Figure 9 - Core Concepts of Globalization Theory: Taking Stock

Principal Aspect

Predictions and Outcomes

Globalization of finances and capital	The deregulation of financial markets, increased capital mobility, massive cross border flows, mergers and acquisitions and foreign direct investment flows have reconfigured the world economy. Global finance exceeded even the most optimistic expectations and banks have become more concentrated and powerful post-2008 than ever.
Globalization of markets and strategies	Trade blocs have given business new rights of establishment of national presence and the removal of investment barriers has dramatically increased foreign direct investment flows. The explosion of regional trade agreements sees no end in sight and has contributed to destabilizing the multilateral trading system.
Globalization of technology flows and R&D	The rise of new information technologies has radically reduced communication and transportation costs as well as creating new private sector opportunities in the world’s telecommunication and computing industries. Facebook, Twitter and the World Wide Web have created a global public sphere of more than 2 billion. Social media has become a major force for mobilization against “authority” in a way that no one could have predicted.
Increased globalization of local consumption patterns and culture	Foreign-branded consumer products have taken local markets by storm often becoming hybrids, reflecting local tastes and values. The ‘McDonaldization’ of the world has proven to be an unattainable goal, but for the emerging middle class, Western goods define success and status. Since China has captured the top spot as the low-cost manufacturer of the world, mass consumerism is within the reach of hundreds of millions of people. Today even China is farming out parts of its production chain to lower-cost Asian regional economies.
Global governance and regulatory practices	National governments increasingly face the issue of double accountability – on one hand to the national electorate and on the other, to supranational organizations like the WTO. With the collapse of the Doha round, there is no consensus on food security, state subsidies, intellectual property rights and wide open market access. For the moment, the WTO’s neoliberal agenda is on permanent hold with little prospect of being revived.
Globalization as a political agenda	The claim used to be that US policies and practices increasingly set the norms and practices for economic integration for all countries. Today countries are less committed to a ‘grand WTO bargain’ and American Congress is increasingly hostile to multilateral decision-making requiring concessions on its part. The political agenda based on the Washington Consensus is frayed and in the new polycentric global order, it is every country for itself.
Globalization as identity and cross cultural politics	Globalization, so narrowly focused on the economic, underestimated the importance of identity politics and the cultural dimension of interdependency. Despite the promises of massive job creation, millions have found themselves in the ranks in the unemployed or working in the grey economy without rights and benefits. The rising tide of inequality across continents is the new core element in the narrative. Environmental dumping, citizen rights, gender equality, poverty eradication strategies are game changers and have empowered local actors as the major agent of change.

new, compelling and worrisome about global cities, citizenship, commerce, and communication that bind us together.

Figure 9 reveals quite starkly the degree to which the promises made by the theory of globalization did not materialize. Colloquially, it could be said that the goals and outcomes are miles apart. Does this lead to the precipitous conclusion that systemically the globalization narrative is in a permanent state of meltdown? It is to this query that we now must turn.

Part III - Paradox and Uncertainty: Post-2008 Fiscal Meltdown

The Creation of Another World Order?

This Report has raised the hard question of whether equilibrium is possible between globalization and markets or between states and mega-markets? One of the consequences of deep structural change is that it divides countries, rather than pushes them towards forming new cooperative arrangements. New institutions eventually emerge to address a vacuum in the system. The last great transformative moment came at the end of the Second World War and the Bretton Woods Institutions established a framework for global governance in the post-war order. Today leading IOs find themselves out of step with the geopolitical realities of our times both in terms of their mandate and decision-making processes. It will take a decade or more for countries to learn to manage the new realities of a polycentric world of decision-making.

Historians would insist that in every period of massive, chaotic, contradictory change, countries learn to address the new realities (Mazower, 2012). E.H. Carr's classic *The Twenty Years' Crisis* still has valuable lessons for our own period. He saw something invaluable in identifying the failings of the inter-capitalist order where protectionism, appeasement and draconian cuts to wages and employment were the orthodoxy of his time (Carr, 1939). Today one needs a similar perspective. Governing the world offers many lessons to counter-publics and policy experts.

This research Report believes that we have not reached the limit to globalization and integration and that the new frontiers of global governance are likely to be in the area of the environment, human rights, and social media. Within these new frontiers, new ideas are most likely to come from the 'big bam bestseller' and social media activists working in sync. The environmental question is absolutely central and commands attention by governments and international organizations. How can we afford a political economy that relegates climate change to a second tier issue? The globalization narrative needs to become a lot smarter and more balanced. One of the most influential global skeptics is Naomi Klein who redefined the discourse with her groundbreaking books *No Logo* and *The Shock Doctrine*. In 2014, will her new book *This Changes Everything: Capitalism vs. the*

Climate lead from out front? Not every bestseller is a clarion call for social activists but her ideas have a clear message: get involved, and change the agenda.

Today it appears that the move towards cosmopolitan institution building and standard setting is on a sharply downward slope. The magnitude of the 2008 financial crisis has soured many governments on the idea that transnational governance should be deepened. Instead, neo-mercantilism, where every nation uses its full policy arsenal against every other nation, is making something of a comeback. Neo-mercantilism has a compelling quality because in the eyes of conservative politicians, it puts the interest of the nation before international cooperation.

Neo-mercantilism and Sovereign Wealth Funds

Empirically there is very little evidence that neo-mercantilism has pushed states towards the protectionist end of the spectrum in their commercial relations. Less than 1% of the global GDP has been affected by quotas and other protectionist instruments (Drache, 2010). It is a hard bargaining tool to wave the protectionist flag as part of a hard-fought trade dispute but running it up the mast has little effect on the world's leading trading nations. Strategically, the use of state-owned enterprise, sovereign wealth funds and subsidies are, by far, the new potent instruments of state power (Roubini, 2014).

At this time of slow moving financial reform, it is also clear that the global speedometer takes us into uncharted territory. In another more fundamental way we are present at the creation of another world order in which the global multilateral system of governance is in a long strategic retreat (Acheson, 1987). Still, the case for this neo-mercantilist global system is a strange one because it is largely based on the national fear of losing competitive ground rather than of being a winner in the global sweepstakes. Winning requires active state policy - job strategies, green initiatives, industrial policy, and business has to be a partner rather than the commander in chief. As the world trading system enters into a period of transformative rehabilitation, change is glacially slow. Still, vast change is in the pipeline as states are facing a system that is broken. Stiglitz has captured the zeitgeist of chaotic systemic change in the following words: "Economic globalization has proceeded faster than political globalization. The system of global governance is a patchwork of institutions, agreements, and arrangements that might be called global governance without global government" (Serra et al., 2008)

The Zeitgeist of Systemic Change

Every model of trade governance has to have rules and vision to address asymmetries, market volatility, and uncertainties of market competition to a lesser or greater degree. Our point is that from the ITO to the GATT to the WTO each relied to a critical extent on built-in safeguards to protect industries, workers, and governance from the uncertainty of international markets. These safeguards took many forms as historians have documented and the key idea both legally and practically is that it permitted derogation from the rules.

In simpler terms, the rules were bent to satisfy the sovereignty of nation building and policymaking (Mazower, 2012). Too many escape valves destabilize the system and too few delegitimize it. This is particularly true after the 2008 global financial crisis. It showcased how the present system is an anachronism in a new world economy where regulation deficits create shadow economies of systemic contagions (Drache and Jankovic, 2012).

One of the issues this Report raises only indirectly is the growth in power and influence of de-territorialized multinational corporations (Strange, 1996). Since the 2008 crisis, banks and near-banks have been subjected to new regulations to prevent a repeat of the 2008 financial meltdown. But it is far from clear whether the proposed rules on stable funding and liquidity coverage have resulted in a more stable financial order capable of dealing with the too-big-to-fail syndrome. The global financial reform agenda is far from complete and banks are sounding the alarm about funding themselves more prudently.

Significantly, the reorganization of mass production across the world has, as we have shown, had a direct impact on work and employment as well as the growth of inequality and the fragile middle. Across the world, millions of jobs have been created but millions more have been destroyed. In the interface between citizens and their governments, multinationals, it often appears, are 'citizens from another planet.' However analytically and empirically, there is much work that needs to be done in documenting the way the structural changes we have identified are redefining the strategy and behavior of the world's multinationals.

What is their precise role in these new regional trade agreements? What impact does it have on a firm strategy? Are the models used to calculate the benefits of deep integration scientifically robust? There are also new actors such as state-owned enterprises, regional industrialists and national capitalists. For Bremmer (2012) and O'Neill (2012), the politicization of comparative advantage constitutes a new chapter in managed trade and these state-sponsored actors are now competing head-to-head against global corporate rivals. This fast changing landscape of global capitalism demands attention in its own right as the subject of a second major research report.

A Final Word About the No-Man's-Land of Governance

It would be remiss not to remind our readers of one of the primary questions we posed at the beginning of the Report: what is globalization's post-crisis vision to manage international interdependence?

Globalization's Grand Narrative made many bold promises about the self-regulating market and the efficiency of the price system. But despite its gold-plated attraction, the international order increasingly reflects winner-take-all domestic politics. Growing inequality has led domestic and global politics to extremes with Rightist anti-immigration parties gaining electoral support. In light of this, global governance institutions have not become more functional as Slaughter (2005) argues, but in fact are overwhelmed by the challenge of polarized domestic politics.

Now more than ever, countries look towards ad hoc regional trade agreements rather than multilateral formal treaties. In these agreements, accountability remains minimal and voluntary and the voice and presence of business large and threatening.

Market forces have a larger theatre to operate and are strategically placed to profit from a world of competing models of capitalism. When the boundaries between major players are redrawn, many contradictions arise. For the moment, not all the contradictions are manifest. Being bound together has magnetic qualities for global cooperation. But there is also a very large and powerful corporate agenda that, if anything, is becoming more belligerent. Are we on the cusp of an era of reaction? Between the triumphalism of neoliberalism and the rhetoric of pessimism à la Hirschman (1991), we should not underestimate the strategic importance that there is a large unmapped no-man's-land for new governance strategies and citizen practices from the ruptures and continuities of global structural change.

In the emerging order, multinational business has its own agenda often indistinguishable from governments' policy goals. Business groups form the backbone of the US-EU proposed economic cooperation agreement as well as the monster-sized Trans-Pacific Partnership. Still many commentators have noted that business coalitions today speak with many voices, championing industry interests at the expense of big picture goals, and remain unprepared to go to the wall to get what they want. Compared to NAFTA and the massive European effort to form a monetary agreement, regional free trade agreements do not have the muscle and the razzle-dazzle of prior initiatives.

Even more dramatically and visibly, international institutions no longer reflect the present balance of world power. The global South defines itself as an outsider in the World Bank and IMF, underrepresented and marginalized in decision-making. When it comes to this power vacuum, transnational governance and international cooperation come at a premium because there is no 'enforcer' in a polycentric world order. The American century has ended and the Chinese has hardly begun. The global order has of course leading players but is missing the most important – a single sponsor.

For the 85 countries comprising the least developed in the world, they remain poor and marginal actors in the world economy and many are mired in stagnation. They are the forgotten states of the integrated world order. Few if any have left their ranks (Acemoglu and Robinson, 2012). It seems axiomatic to say that those who are on top or in the middle, except a small group of nations who are on a BRIC-like trajectory, largely remain where they were 50 years ago with few exceptions. Acemoglu and Robinson (2012) did not mince words in answering their question *Why Nations Fail*, being that for the majority, countries have the wrong, weak or barely functioning key institutions such as adequate health and education as well as the rule of law and property rights.

A Theory of Lightness and Darkness

In every era of tumultuous transformative change the contemporary attitude has to wrestle with the perversity thesis which Hirschman so powerfully explains in *The Rhetoric of Reaction*, "Policy will always fall short of its goal or will occasion unexpected costs of negative side effects" (1991:11). The dramatic impact of long-term structural change is to push society in one direction but the outcomes are as likely to move it in the opposite direction. The scales are always tilted aggressively against social movements with their soft power tool kit and yet, nonetheless persistent green shoots appear, many fail, but some take hold in the soil of civic society. This is the framework of our time, light and darkness are intertwined in the very idea of globalization and its many layered meanings. It is worth repeating that global capitalism is now more brazen, but, arguably, is less in control of the global governance project since the 2008 financial meltdown.

Whatever the future, the global economy has been transformed by the 'rise of the rest,' the fragile middle, labour without labour, and the soft power of ideas, each one pushing and pulling the narrative in unexpected, cross cutting directions. In the pursuit of myopic self-interest, volatility rather than balance defines the international order of our era. The multilateral system of global governance is designed for a world with hegemonic powers counterbalancing each other with the US assigned to be the world's policeman and principal intervener. A polycentric world does not have a natural balance of power mechanism to support a tightly focused theory of collective action in global diplomacy. Not so long ago it used to be a world of global giants assuming to speak on behalf of the world polity. Now there are many competing players who believe they are entitled to a voice in setting the global governance agenda. Today, non-scripted actors are deepening and broadening the globalization narrative in new ways that demonstrates once again that the social universe is unpredictable.

Developing inclusive global governance institutions to address the collective needs of the planet has not begun in earnest. It will take a generation or more for global diplomacy and insurgent publics to get out front of the sweeping geopolitical changes roiling the system. This is a daunting prospect.

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