

# **Globalization and the Crisis of Sovereignty, Legitimacy, and Democracy**

*by*  
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The late-twentieth-century phenomenon often referred to as globalization involved a drastic reshaping of the overall structure of world politics—a shift from rigid bipolarity to diffuse unipolarism. The East-West divide was replaced by a hub-and-spokes configuration whose center was the United States and the other Group of 7 nations and whose periphery was a heterogeneous conglomerate of underdeveloped Third World and former Second World nations. The conventional view of three worlds of development, with an East-West and a North-South axis, had been replaced by a single but highly stratified structure. This neoimperial system, which President George Bush Senior christened the “New World Order,” meant a fundamental rearrangement of international regimes. It increased the ongoing erosion of national sovereignty, reducing the scope of the UN system and multilaterality in general, and enhanced the hegemonic role of the global financial institutions that make the rules of world politics, economics, and culture in terms of Western interests.

This shift had profound implications for the nature of interactions both among and within nation-states and for civil society itself. A crucial effect of globalization upon the nation-state, related to the above-mentioned loss of sovereignty, is the growing irrelevance of democracy as a means of asserting the popular will and majority rule in policy making. This commentary will attempt to trace the factors, processes, and implications of the crisis of democracy in the so-called global age.

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### THE UNDERLYING FACTORS

Historically, globalism is by no means without precedent. Leaving aside the Hellenistic project of Alexander of Macedonia and the Pax Romana, since the emergence of the modern world system in the seventeenth century we have been living, one way or another, in a “shrinking” and increasingly integrated world. What makes the present conjuncture special is the intensity and the peculiar configuration of its driving forces. Its structure and dynamics are rooted in changing and interconnected circumstances that could be grouped into three main categories: (1) One is the far-reaching changes brought about by expanding technology (Nef, Vanderkop, and Wiseman, 1989)—the multiple and profound innovations that have occurred since the end of World War II, resulting in a reduction in time, space, and cost of communications. (2) Another is changes in the ideological-political matrix defining the cultural polarities in the system—the sudden disappearance of the Marxism-Leninism of the cold war and the emergence of the hegemonic discourse of neoliberalism. (3) The third is changes in the economic fabric of the world order—the shift from essentially international transactions among countries and states to *transnational* transactions among firms.

1. *Technology*. In the past 50 years, the development of technology has been exponential, and it has affected the nature of the world system in two ways. One is the impact of technological innovation upon the instruments of war, both hard (weapons) and soft (organization and operations). The other is the dramatic improvement in the speed and reach of communications and transportation, accompanied by an equally dramatic reduction of their cost. Information, finance, goods, and people have become more mobile than in any previous period of human history. The development of military and industrial technology since World War II has reduced the time and space limits of world politics. What once were international relations, understood as “politics among nations,” have progressively and unavoidably become global politics (Blake and Walters, 1976). In this context, domestic concerns have become so intertwined with “external” factors as to make the distinction between “national” and “global” merely semantic. The long-range effects of technological permeability on the territoriality of nation-states and upon the very idea of sovereignty have been far-reaching.

2. *Ideology*. Perhaps more important than the technological changes just mentioned have been transformations in ideology. The period between 1945 and 1989 was defined by a clash of two cultures: liberal capitalism and state socialism. The semantic foundations of this binary worldview conveyed an inescapable logic: alignment as either friend or foe. Its corollary was a rigid

ideological bipolarism between two incompatible camps that permeated national boundaries.

The emergence of Third World nationalism in Bandung in 1955 was a reaction against this sharp ideological schism, but nonalignment and attempts to separate North-South issues from East-West confrontations paradoxically increased a proclivity for clientelism, entangled alliances, and ultimately facilitated the transnationalization of peripheral states (Nef, 1986). Foreign aid—the international transfer of technology, manpower training, planning, and administration, as well as the all-pervasive presence of military assistance—during the cold war increased reliance on external constituencies. Peripheral elites were integrated into a global structure by means of manifold linkages of complex dependency—military, ideological, political, and economic (Nef, 1983).

A patron-client structure was developed by both power blocs, creating structural conditions that survived the demise of the USSR. Bilateral dependency relations, irrespective of who occupied the center, have had a tendency to persist. External constituencies have become an intrinsic part of the political alliances that take part in the internal public policy process. There have also been multilateral forms of transnationalization that result from the development and expansion of international law and international organizations. Furthermore, the legacy of collective defense and collective security, not to mention a complex body of international contract law based on trade, has further limited territorial sovereignty. Elite nationalism has been displaced by elite internationalism.

Correspondingly, in an increasingly unipolar world, a global ideology with hegemonic pretensions has gained predominance among the core sectors within the Group of 7 (now, with the inclusion of Russia, Group of 8) countries. This ideology is trilateralism (Sklar, 1980)—another name for neoliberalism. Substantively, the cultural software of this “New International” is distinctively conservative, elitist, and monistic. The trilateral view has wide appeal for the affluent, globally integrated, and modern elite sectors in what used to be called the Third and Second Worlds. Its intellectual antecedents lie partly in nineteenth-century Social Darwinism and partly in the messianic universalism of neoclassical economics.

3. *Economy.* The two central polarities that emerged after World War II among *national* actors—between North and South and between East and West—have been replaced since 1989 by a single core-periphery axis of relations. The Western core, the First World, remained as it was—an interdependent and stratified bloc of dominant trading partners—but the other two worlds collapsed into a complex set of actors, including the “newly industrializing,” “developing,” “poor,” and “transitional” societies of the former

socialist camp. The core-periphery conflict persists as a form of interaction, but it occurs mainly *between social sectors* within both developed and less-developed societies. It takes place between transnationally integrated and affluent elites and their related clienteles and a large and fragmented “mass” of subordinate sectors at the margins of the modern and integrated global society (Sunkel, 1973).

### ORDER AS STRATIFIED DISORDER

The sociopolitical consequences of this new order are quite visible. Poverty is spreading dramatically in the most prosperous age in human history, and the problem is squarely not one of production but of distribution. While there were 157 billionaires and about 2 million millionaires in 1989, there were also 1.2 billion inhabitants of the planet living in absolute poverty, including 100 million living without shelter (Brown, 1993). A 1993 United Nation Development Program report noted that the wealthiest 20 percent of humanity received 82.7 percent of the world’s income. The historical trend is even more revealing. While in 1960 the income differential between the better-off 20 percent of the world population and the bottom 20 percent was 30 to 1, in 1991 the distance had more than doubled to 61 to 1 (UNDP, 1992: 34; 1994: 35).

As of 1991, the same global elite also controlled 80 percent of world trade, 95 percent of all loans, 80 percent of all domestic savings, and 80.5 percent of world investments. It consumed 70 percent of the world’s energy, 75 percent of its metals, 85 percent of its timber, and 60 percent of its food supplies. In this context, the global middle sectors have been shrinking persistently and considerably, since the 20 percent of what could be called the world’s middle class receives only 11.7 percent of the world’s wealth (Robinson, 1994). Between half and two-thirds of the African population lives in a state of permanent destitution. It has been estimated that in the 1980–1990 decade “average per capita incomes fell by about three percent per year in Sub-Saharan Africa and by about 1.3 percent in the highly indebted countries” (IDRC, 1992). The cumulative figures of economic decline for the decade are 25 percent for Africans and 10 percent for Latin Americans.<sup>1</sup> In addition, there is the drastic restructuring of the “transitional” Eastern European economies. The movement to capitalism in the formerly centrally planned economies of the East has resulted in declining productivity, dropping living standards, and an extremely unequal distribution of income (UNDESP, 1993). About one-half of the poor in the North now live in Eastern Europe and the territories of the former Soviet Union and include social categories virtually nonexistent

scarcely a decade ago: homeless people and beggars. In North America, where a radically regressive distribution of income has been under way, the proportion of the American population living below the poverty line was 13.5 percent in 1990 and had risen to 14.2 percent in 1991, a 5.2 percent increase in one year. In Canada, between 1973 and 1997 the ratio in orders of magnitude between rich and poor reportedly jumped from 31 to 1 to 314 to 1 (*Toronto Star*, October 22, 1998).<sup>2</sup>

### THE MYTH OF THE GLOBAL SOCIETY

There has never been a real global society. What does exist is a social construction: an image of social interactions encapsulated in terms such as the "global village." There is, however, a process of globalization expressed in an increased velocity of elite circulation and communications across national boundaries conveying and strengthening that image. Perceptions of the global village are grossly distorted by unique First World experiences. For most of the world population, despite claims of an emerging cosmopolitanism, the globalization of social life means hardly more than the virtual reality of canned media and the advertising of products. Thus, when we talk about the global village, we are referring to a relatively small portion of humanity: the affluent, the powerful, and the informed, who do really possess a transnational character. The bulk of the world's population, while affected by the planetary character of communications, production, distribution, and accumulation, does not partake of the benefits of a new social regime. The negative consequences of internationalization have a greater impact on the lives of most people than the promises of a unified and nurturing global social order. Francis Fukuyama (1999), asked "Is globalization really a euphemism for Americanization?" candidly replied,

I think that it is, and that's why some people do not like it. I think it has to be Americanization because, in some respects, America is the most advanced capitalist society in the world today, and so its institutions represent the logical development of market forces. Therefore, if market forces are what drives globalization, it is inevitable that Americanization will accompany globalization.

While internationalization has meant increased freedom of movement for capital and for those who possess it, labor mobility is not an intrinsic characteristic of the present system. For most workers and for the unemployed, globalization means hardly more than the old notion of an international divi-

sion of labor: capital “shopping” for cheaper wages in various national markets and relocating there as a function of lower costs. It is much more likely for the affluent to go South than for those in the periphery to visit the center or even be allowed in other than through the fortuitous routes of illegal immigration and exile. A myriad of economic, political, legal, regulatory, and security factors militates against their doing so. Thus, the idea of global social order is, at best, an ideological illusion. However, there are a number of interconnected factors that constitute global trends affecting the quality of social life in otherwise eminently national and subnational societies. This globalization manifests itself in a number of interrelated trends: population growth, hyperurbanization, the decline of communities, migration, and refugee flows.

What seems to be taking place all over the world is a transnationalization of elites side by side with an increasing disintegration of national societies and local communities. The internationalization of the “low-wage economy” has increased the marginalization, polarization, and social disintegration of the wage-earning and salaried sectors while, conversely, facilitating the formation of a new global elite. Besides the manifold linkages provided by international networks, international integration is facilitated by the aforementioned developments in communications technology, global finance, trade, and transportation.

On the other side of the equation there is the decimation of organized blue-collar labor. This tendency follows a generalized pattern of deindustrialization of the center and internationalization of a new form of transnationally integrated manufacturing. Meanwhile, as the pressures for restructuring the administrative state, the educational establishments, and the workplace multiply, white-collar sectors are also declining. To a large extent, the processes of globalization and structural adjustment have brought about the demise of the middle class and the mesocratic values associated with it: the centrality of the family, nationalism, and “civic duty.” Paraphrasing Antonio Gramsci, the crisis consists in that the old is dying and the new cannot be born. The implications and causes of social breakdown are global, though their manifestations are quite specific to each local society. Acute disintegration of existing structures and the weakening of solidarity make smooth social adaptation to externally induced changes extremely difficult. The legacy of economic restructuring is an acute social decomposition with profusion of symptoms in the center and the periphery: marginalization, addiction, alienation, and crime. For those unable to acquire extraterritorialities, the quality of life tends to decline substantively: poverty and personal insecurity become endemic.

### THROUGH A GLASS DARKLY

The historical and structural circumstances of the neoliberal economic order are defined by three fundamental structural features, the common denominator of which is global macroeconomic restructuring. The first is the end of the cold war and the collapse of the socialist "Second World," construed as a victory for transnational capitalism. The second is the disintegration and further marginalization of the Third World. The third is economic globalization on a scale unprecedented in human history. The most crucial ideological trait, which underpins the present global regime, is the pervasiveness of neoliberal ideology as a hegemonic and homogenizing discourse. At the heart of this discourse there is a distinctive ethics of possessive and predatory individualism with very few moral constraints, consequential or otherwise, that effectively justifies any means to maximize profits. Whether under the spell of monetarism or of the so-called trilateral doctrine, conventional economic thinking has displaced not only socialism but also practically all manifestations of structuralism, Keynesian and populism. Most important, however, are the entrenchment of inequality and the devaluation of labor as guiding principles of economic life.

The formal decision-making structures of the emerging global economic regime are clearly recognizable. They encompass the General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organization (WTO),<sup>3</sup> the IMF, the World Bank, the various regional banks, the Organization for Economic Cooperation and Development (OECD), the Group of 7, and the already established major trading blocs: the European Union (EU), the Association of South East Asian Nations (ASEAN), the North American Free Trade Agreement (NAFTA), and MERCOSUR. The Multilateral Agreement on Investment (MAI) (Clarke, 1998), derailed by massive protests in 1998, was meant to be another complementary set of rules: a charter for finance capital. This global structure finds its correlate in the internal mechanisms of macroeconomic management within nation-states: ministries of finance, treasury boards, and central banks. The formal linkage between global and domestic management is provided by international agreements and external conditionalities attached to fiscal, monetary, and credit policies, especially those for debt management. In turn, this linkage is reinforced by common ideology and professional socialization on the part of national and international experts. Through these devices, world economic elites manage their interests and negotiate regulatory structures to serve their common interests and maximize profits. As Huntington (1993: 16) rather cynically put it:

Decisions . . . that reflect the interest of the West are presented to the world as . . . the desire of the world community. The very phrase “the world community” has become the euphemistic collective noun (replacing “the Free World”) to give global legitimacy to actions reflecting the interest of the United States and other Western powers. . . . Through the IMF and other international economic institutions, the West promotes its economic interests and imposes on other nations the economic policies it thinks appropriate.

But harmony and predictability at the level of the transnational core do not necessarily translate into security at the base. As production, finance, and distribution in a rapidly globalizing economy become transnationalized, so does mass economic—and political—vulnerability. After the worldwide prosperity of the 1960s and the 1970s, instability and exposure have become endemic. The effects of economic insecurity, manifested in poverty, unemployment, and sheer uncertainty, are felt by the bulk of the population in both the center and the periphery. Economic globalization under the neoliberal formula has deprived people of the fulfilling their basic human needs, namely, access to food, housing, health, and employment. It has caused social polarization within and across national boundaries. It has contributed to the emergence of a new center and periphery based not on geography but on politics and economics. On one hand, there is the highly transnationalized core of those affluent, mobile, and influential in the First, Third, and former Second Worlds. On the other, there is the heterogeneous and fragmented majority of the inhabitants of the planet—in all the “worlds of development”—who are effectively marginalized and disenfranchised from the global village. As globalization under the banner of neoliberalism advances, the proportion of those in the “other world” increases, and so does the probability of human insecurity and mutual vulnerability.

There is a great deal of optimistic triumphalism among those who espouse the current neoliberal mode of globalization. From the perspective of its supporters, the inherent universal superiority of this project has been demonstrated by the collapse of Eastern Europe, the disintegration of African societies, and Latin America’s “lost decade.” Yet, the sharp schism between two worlds—“this” and “the other”—and the conflict between an expanding Western civilization and an increasingly fragile, unstable, and besieged global and domestic periphery offers a scenario of violent confrontation: a new phase of World War III. The growing squalor of the many that makes possible the prosperity of the few has intrinsically destabilizing effects; it is a direct threat to everyone’s security.

The world’s reciprocating and multiple—environmental, economic, social, political, and cultural—dysfunctions point in the direction of a new global crisis potentially much larger and deeper than the global meltdown of



the 1930s. This time its gravity is determined by a condition of mutual vulnerability: in a highly interdependent world, the strength of the total configuration is largely conditioned by its weakest links. The evidence gathered so far on the unfolding Asian, East European, and Latin American crises indicates that the world core nations, especially those sectors of them that lack the power and the resources to shelter themselves from unemployment, are very much at risk. Since social safety nets, already stressed by budget cuts and structural adjustment, are insufficient to accommodate the white- and blue-collar workers who are falling by the wayside, this means that the overwhelming majority of the population is exposed. The “Fordist” social contract of labor relations has finally broken down.

At the same time, the prevailing cultural software, with its fixation on automaticity and “natural” self-correction, precludes decisive intervention to prevent and reverse the tide. The antiplanning bias is an ideological cul-de-sac, one that privileges and serves the interests of those espousing the kind of short-term Social Darwinism that brought about the crisis in the first place. It also serves as an ideological justification for the ultimately self-destructive proclivities of a predatory and unproductive speculative sector.

The paradox is that there exist intelligence and planning mechanisms—a “hardware” of sorts—at the national and international level for policy and program planning that would help to overcome the crisis. What does not seem to exist, and this is likely the Achilles’ heel of the present global order, is the conceptual “software” and political determination to take the bull by the horns. It seems that in their enthusiasm for tearing down the authoritarian enclaves of “really-existing-socialism” those who talked about freedom and the open society demolished the foundations of democratic planning and social equity. In so doing, they brought about another kind of triumphalist economic determinism: “really-existing-capitalism.” It is against these tendencies that the antiglobalization movement from Seattle to Genoa has to be understood, as well as the reactions of the global elites challenged by an emerging international civil society.

## NOTES

1. World economic growth per capita for 1990–1992 declined on the average 1.1 percent per year. This hides extreme differences in performance in various regions. For instance, while the aggregate world gross domestic product declined 0.5 percent, the developed market economies grew 0.8 percent and the developing economies (including Asia) 3.4 percent. However, the “economies in transition” in Eastern Europe declined by 16 percent (see UNDESP, 1993: xvi).

2. For a global comparison of income disparities, see Ellwood (2001: 101). According to this author, the coefficient of disparity between rich and poor has steadily increased, from a ratio of 30 to 1 in 1960 to 74 to 1 in 1997.

3. The WTO was established at the 1993 Geneva meeting of the GATT to substitute a monitoring, regulatory, and enforcement agency for the GATT conference itself. This is tantamount to the establishment of a formal mechanism for the regulation of world trade, thus formalizing the leading role of trade—especially that of “invisibles”—in both the global economic regime and the overall global order.

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