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SECTION FOUR

Quick Read Synopsis

QUICK READ SYNOPSIS

NAFTA and Beyond: Alternative Perspectives in the Study of Global Trade and Development

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SECTION ONE: POLITICAL AND ECONOMIC DIMENSIONS OF FREE TRADE

Neoliberalism as Creative Destruction

David Harvey, CUNY Graduate Center

Background

Neoliberalism is a theory proposing that human well-being can best be advanced by the maximization of entrepreneurial freedoms within an institutional framework characterized by private property rights, individual liberty, unencumbered markets, and free trade.

- The role of the state is to create and preserve an institutional framework.
- If markets do not exist (in education, health care, social security, or environmental pollution), they must be created by state action.
- State interventions in markets (once created) must be kept to a bare minimum—the state cannot second-guess market conditions.

NOTE: The creation of neoliberal systems has entailed much destruction, not only of prior institutional frameworks, but also of divisions of labor, social relations, welfare provisions, technological mixes, ways of life, attachments to the land, habits of the heart, ways of thought, and the like.

Why Neoliberalism?

Toward the end of the 1960s, global capitalism was falling into disarray.

- The embedded capitalism of the postwar period was no longer working.
- The crisis of capital accumulation of the 1970s affected everyone through the combination of rising unemployment and accelerating inflation and discontent was widespread.
- U.S. neoliberal imperialist strategies were articulated through a global network of power relations, which was to permit the U.S. upper classes to exact financial tribute and command rents from the rest of the world as a means to augment their already hegemonic control.

NOTE: Neoliberalism has not proven effective at revitalizing global capital accumulation but it has succeeded in restoring class power—in a conflict between the integrity of financial institutions and bondholders and the well-being of the citizens, the former would be given preference.

Support for Neoliberalism

In spite of a dismal record of failures, many have been persuaded that neoliberalization is a successful solution for several reasons.

- Neoliberalization has been accompanied by increasing volatility within global capitalism.
- It has been a huge success from the standpoint of the upper classes.
- With the media dominated by upper-class interests, a myth grew saying that certain sectors failed because they were not competitive enough, thereby setting the stage for even more neoliberal reforms.

Class Power

The practices that restored class power are best described as an ongoing process of accumulation by dispossession that grew rapidly under neoliberalism. There are four main elements:

- privatization—the transfer of assets from the public and popular realms to the private and class-privileged domains;
- financialization—deregulation allowed the financial system to become one of the main centers of redistributive activity through speculation, predation, fraud, and thievery;
- the management and manipulation of crises; and
- state redistributions—it does this via privatization schemes and cutbacks in government expenditures meant to support the social wage.

NOTE: The neoliberal state also seeks redistributions through a variety of other means such as revisions in the tax code to benefit returns on investment rather than incomes and wages, promotion of regressive elements in the tax code (such as sales taxes), displacement of state expenditures, and free access to all by user fees (e.g., on higher education) and the provision of a vast array of subsidies and tax breaks to corporations.

Opposition

Neoliberalism has spawned a swath of oppositional movements, many of which are radically different from the worker-based movements that dominated before 1980.

- These movements shift the terrain of political organization away from traditional political parties and labor organizing to a less focused political dynamic of social action across the spectrum of civil society.

- Conclusion* It is the profoundly antidemocratic nature of neoliberalism that should surely be the main focus of political struggle.
- Many of these diverse currents now come together at the World Social Forum in an attempt to define their shared mission and build an organizational structure capable of confronting the many variants of neoliberalism and of neoconservatism.
 - Institutions with enormous leverage, like the Federal Reserve, are outside any democratic control.
 - Internationally, the lack of simple accountability let alone democratic control over institutions such as the IMF, the WTO, and the World Bank, to say nothing of the great private power of financial institutions, makes a mockery of any real concern about democratization.
 - The more clearly oppositional movements recognize that their central objective must be to confront class power that has been so effectively restored under neoliberalization, the more they will be likely to cohere.

Liberalism and the Good Society in the Iberian World

Miguel Angel Centeno, Princeton University

- Background* Two basic questions motivate this article.
- Has the Iberian political economic legacy been an uninterrupted failure?
 - To what extent did Latin America “fail” liberalism?
- Liberalism* We can separate the central tenets of liberalism into those having to do with behavioral assumptions and those dealing with institutional expectations.
- Liberalism is based on the primacy of the individual and the rights thereof over and above any collective claims.
 - Liberalism assumes cognitive rationality, not necessarily in its extreme microeconomic form, but as a guiding principle for social analysis.
 - Liberalism rejects the perfectibility of human beings. The same individuals who are held to be the center of all things are also seen as potentially opportunistic.
 - The central problem of liberalism is to secure individual freedom while also allowing social interaction in a world of possible malfeasance.
- Creating Order* How does one create order from the various desires and acts of individuals who cannot always be counted upon to be virtuous?
- The solution for liberalism is mutual dependence: we interact with each other because we want something from one another.
 - People become specialists to be able to deal with others and extract the highest possible profit for their efforts.
 - The role of the state is essentially to serve as a guarantor of contracts.

- The State* It is no accident that both liberalism as a doctrine and the state as a political institution arose simultaneously.
- In a variety of ways they are dependent on each other; one makes the other one possible.
 - Liberalism relies on the nation-state to balance the recognized economic inequalities that would result from the market with a politically based equality based on citizenship.
- The Iberian World* To what extent can we say that such an outlook as liberalism has been applied in Latin America and the rest of the Iberian world?
- Beginning in the 1970s, the classic tenets of liberalism became increasingly accepted throughout the Iberian world.
 - The repeated victory of liberalism in the Iberian world may have much to do with the validity of its ideas and concepts.
 - Influencers adopted the leading theories bandied about in the wake of the Enlightenment and the Age of Revolution.
 - The appeal of liberalism was also fueled by the success of the United States contrasted with the fortunes of Latin America.
- Global Pressures* Beginning in 1973, massive global lending allowed almost all countries later to have neoliberal policies to borrow beyond their wildest dreams.
- Such assets were unavailable unless the same countries could maintain their viability as international debtors.
 - As debtor nations, they were judged accountable if they were seen as moving toward a neoliberal alternative. In that case, they would be rewarded with more loans.
 - As countries opened their markets to satisfy the conditions of their continued access to international cash, they saw previous domestic suppliers of a variety of goods and services disappear.
 - Neoliberalism not only justified itself but also appeared to make its adoption irreversible.
 - One trend is clear: the erosion of the middle class.
- Failure* Overall, the author posits the imposition of Liberal policies a qualified failure.
- *Inequality*—Latin America is the most unequal region on the planet.
 - *State incapacity*—that the absence of a legitimate order made the balance between political and economic power, mediated through the law, impossible in the region.
 - *Global marginality*—the dependence of most of the Iberian nations rests on external forces.
- Conclusion* Pulling the state out of the market, and even public activity, without putting into place a legitimate system to hold rulers and ruled accountable to the same norms, has had perverse consequences in the Iberian World.
- Liberalization on its own does not stabilize or protect property rights although it transfers ownership from the public domain and places more collective decision making in private hands.

- Latin America suggests a need for legal and social reform, not just technocratic solutions.
- Absent strong liberal states we witness the failure of neoliberalism in most Iberian countries: wealth without well-being, governments without laws, markets without contracts, and citizens without rights.

Migration, Development, and Segmented Assimilation: A Conceptual Review of the Evidence

Alejandro Portes, Princeton University

Background

The development model adopted in the immense majority of labor-exporting American countries has not generated opportunities for growth nor economic or social development.

- It has meant the emergence of regressive dynamics: unemployment and job risk, greater social inequalities, loss of qualified workers, productive disarticulation and stagnation, inflation, and greater economic dependency.

NOTE: As a consequence, we experience a convergence between depopulation and the abandonment of productive activities in areas of high emigration. The study of international migration and development has been wracked by the controversy between perspectives that see the outflow of people not only as a symptom of underdevelopment but also as a cause of its perpetuation and those that regard migration both as a short-term safety valve and as a potential long-term instrument for sustained growth.

Consequences of Migration

Certain assumptions and conclusions about the consequences of migration that seem to be agreed upon by proponents of all perspectives are as follows:

- On one hand, the move abroad is economically beneficial for most migrants and their families, and remittances from major labor-exporting countries become a key source of foreign exchange.
- On the other hand, migrant investments in direct productive activities in their home countries have, at best, a modest effect on national economic growth.
- Then, when migrants bring their families with them, the process of depopulation accelerates, as return migration becomes less probable and in the new country the downward assimilation of youths reinforces negative stereotypes about the migrant population, raising the probability of its conversion into an impoverished caste-like minority.

National Development

Theories of national development, in Latin America and elsewhere, have seldom paid much attention to international migration.

- At best, these flows have been treated as a marginal phenomenon—a reflection of the problems of underdevelopment.
- That position is no longer sustainable—the size of expatriate communities and the volume of the remittances that they send home have prompted a

reorientation of theoretical models in which the massive resources put into motion by immigrants take center stage.

- For some authors, remittances can play a key role in resolving past financial bottlenecks and furnishing the necessary resources for long-term development.

Remittances

The author argues that the above rosy predictions are exaggerated—there is no precedent that any country has taken the road toward sustained development on the basis of the remittances sent by its expatriates.

- Depending on remittances, migration can lead to vastly different consequences—economic stagnation, the emptying out of sending places, and the massive loss of talent versus the energizing of local economies, new productive activities, and significant contributions for scientific and technological development.
- While migration inevitably produces a settlement process in the host country, the extent to which the normative pattern is return after temporary stays abroad governs the potential of the movement for strengthening local economies and preventing depopulation.
- Cyclical migrations work best for both sending and receiving societies—returnees are much more likely to save and make productive investments at home; they leave families behind to which sizable remittances are sent.
- More important, temporary migrants do not compromise the future of the next generation by placing their children in danger of downward assimilation abroad.

The Role of the State

In this area, as in all others pertaining to national development, the role of the state is decisive.

- The positive relationship between migration and development is not automatic—market forces alone will not establish the connection.
- The proactive intervention of the state to create productive infrastructure in rural areas and scientific/technological institutions capable of innovation are necessary conditions for the developmental potential of migration flows to materialize.
- Countries that simply open their borders, hoping that the “magic” of the market will do the rest, will not reap these benefits.

Borders for Whom? The Role of NAFTA in Mexico-U.S. Migration

Patricia Fernández-Kelly and Douglas S. Massey,
Princeton University

Background

The authors give attention to the main factors that resulted in the passage of NAFTA to then investigate Mexican immigration to the United States during approximately the same period that the bilateral treaty has been in effect.

- The application of neoliberal economic policies throughout the hemisphere was a solution to perceived financial crises precipitated by Latin America's external debt of the 1980s.

*The Two Sides
of NAFTA*

- U.S. banks supported NAFTA to transform risk into opportunity.
- The tacit purpose of the accord was to improve conditions for the expansion of financial capital, not merely to facilitate trade.
- In the second part of the article, the authors explore the unintended consequences of NAFTA.

Critics of the North American Free Trade Agreement tend to portray it as a tool of American domination.

- From the point of view of U.S. businesses, NAFTA was a concerted attempt to further preeminence at the hemispheric level.
 - Free trade was an opportunity to reshuffle capitalist forces by defining conditions for the profitable deployment of assets.
- From the point of view of Mexico, the treaty signified an attempt at integration into the global economy through liberalization and the reconfiguration of Mexico's authoritarian state.
 - Free trade represented a breaking away from earlier models of development based on import-substitution industrialization.
- In both countries, NAFTA may be seen as an outcome of earlier attempts to find a solution to the debt crisis of the 1980s.
 - The position taken by U.S. financiers clarifies to a large extent the divided structure of NAFTA, which quickened and codified a twenty-year-long process of economic liberalization during which companies had relocated much of their production to Asia and the U.S.-Mexico border.
 - Mexico's commitment to neoliberalism and free trade was part of a larger vision for national development.

NOTE: The narrow interests of finance capital and the misdirected approach of Mexico's government did less for workers on both sides of the border than for the consolidation of a powerful binational class of professionals, investors, and politicians.

*Immigration
Policy in the
United States*

U.S. immigration policies and practices took into account the realities of economic interdependence and the expanded demand for Mexican labor.

- By the end of the twentieth century, two-thirds of all Mexicans knew someone who had been to the United States, and almost 60 percent were socially connected to someone living on American soil.
- Immigration policies started to tighten in 1986, the same year that Mexico entered the General Agreement on Tariffs and Trade (GATT).
- With the passage of the 1986 Immigration Reform and Control Act, the U.S. Congress criminalized the hiring of unauthorized workers by U.S. employers and increased funding for the U.S. Border Patrol.
- In 1993, when the passage of NAFTA was making headlines, the U.S. Border Patrol launched Operation Blockade and Operation Gatekeeper to intercept Mexican workers at two critical entry points.
- The tendency in the years following NAFTA's passage has been toward the growing fusion of all markets, save one: labor.
 - After 9/11, the newly established Department of Homeland Security further tightened immigration measures using the Immigration and Customs Enforcement police (ICE).

- Anti-immigrant fervor reached a climax on December 16, 2005, with the so-called Sensenbrenner Law, which would turn into felonies not just the unauthorized crossing of the border but also the hiring of and provision of services and humanitarian aid to undocumented immigrants.

*Border
Militarization*

The unilateral militarization of the border has been successful in achieving one outcome: it has dramatically increased the costs and risks of border crossing.

- Perhaps the most important but unexpected effect of current immigration policies has been to decrease the likelihood that unauthorized workers will return to their home country.
- Proposed specific measures that would reconcile U.S. immigration policy with the realities have been brought about by the growing economic integration that NAFTA facilitated.

Conclusions

The refusal on the part of the architects of NAFTA to consider labor flows as part of the neoliberal project has given rise to several unintended consequences, all of which are counter to the stated goals of the treaty.

- The reduction of public spending in Mexico, the removal of subsidies to subsistence agriculture, the opening of feed and seed markets, and the commercialization of arable land have had a displacing effect, leading peasants to seek economic opportunities in the United States.
- Increased migration flows have been met in the United States with growing attempts at curtailment.
- Tighter migration policies have grown a finely tuned machine of people smugglers and false document manufacturers.
- The harsher character of U.S. immigration policy is leading to the expansion of the Mexican population in the United States.

SECTION TWO: NAFTA, LABOR AND THE NATIONAL STATE

The Strategic Role of Mexican Labor under NAFTA: Critical Perspectives on Current Economic Integration

Raúl Delgado Wise, Autonomous University of Zacatecas;
and James M. Cypher, California State University, Fresno

Background

In this article, the authors present a new theoretical formulation of the Mexican economy under the North American Free Trade Agreement (NAFTA)—*the cheap-labor export-led model*.

- Mexico's new role consists of exporting its cheap labor, not in achieving new high-value-added forms of production through enhanced specialization.

NAFTA

- NAFTA was presented as an antidote to emigration, but what we see is the export of cheap, largely poorly trained labor.

NOTE: The result is a lack of economic continuity, autonomy, and dynamism where the productive apparatus has been dismantled and reassembled to fit the structural requirements of the United States, leaving Mexico in control of certain low-value-added resource-based activities and a range of other pursuits in tourism, finance, and real estate.

NAFTA has exhibited the following effects:

- It has been a losing proposition for workers, small and medium-sized businesses, and, particularly, peasants.
- In the United States, for the working class and portions of the middle class, and for some sectors of business, the impact of NAFTA has been negative.
- At the same time, NAFTA has directly benefited a small set of interests on both sides of the border, especially U.S.-based transnational corporations (TNCs) and Mexico's largest conglomerates.
- The sweeping changes in policy have correlated with massive waves of emigration. This injection of cheap labor has served to indirectly lower reproduction costs and, therefore, the wages of U.S. workers.

NOTE: The widely disseminated vision portraying Mexico's restructuring as a resounding success stands in sharp contrast to the continued growth of emigration, to the degree that Mexico has now become the principal country of emigrants in the world.

Export Model

Analysis serves to show that the export-led model employed in Mexico is characterized through its low capacity to create national employment, the counterpart of which is the blooming of the informal sector, which has accounted for roughly 50 percent of the *growth* in employment in recent years.

- As a direct result of the failure of the model, between 1984 and 2004, the number of households registering at either the poverty level or the extreme poverty level rose from 12,970,000 to 15,915,000.
- This situation has been the nurturing ground for the explosive international migration process that currently characterizes Mexico.

NAFTA
Support

The vast restructuring of the Mexican economy via NAFTA could not, and did not, occur without the consent and active participation of Mexico's political class and its industrial elite.

- The business class supported the indiscriminate opening of the economy, and the large conglomerates or *grupos*, particularly those based in Monterrey, had always held a neoliberal/antistate view.
- Economic stagnation in the 1980s had forced many of them to seek growing markets in the international economy. The closest and cheapest option was to export to the vast U.S. market.
- The largest conglomerates eventually became convinced that a new bilateral trade agreement (NAFTA) could circumvent the legal hurdles blocking the U.S. market.

*Implications
for Mexico*

There are many implications for Mexico:

- The labor export-led model gives rise to a process of disaccumulation as the economic surplus is transferred abroad, depriving Mexico of potential multiplier and spread effects.
- Substantial levels of spending by Mexico on education and health care are subsidized inputs into the U.S. transnational production system via the mass of illegal immigrants working in the United States.
- To the above should be added the subsidies and lost tax revenues that the Mexican government has permitted to continue up to the present.
- In Mexico, the labor export-led model has involved collateral costs in terms of deindustrialization and rising unemployment, along with deskilling as industrial workers are forced to shift to the informal sector or to underemployment—dismantling much of the productive apparatus.
- Economic integration under NAFTA, rather than promoting convergence in the development levels of Mexico and the United States, has deepened the asymmetries that exist between the two countries:
 - Whereas in 1994, per capita GDP in the United States was 2.6 times that of Mexico, by 2004 the ratio had increased to 2.9.

NOTE: In the final analysis, socioeconomic development has never been achieved by a nation as a result of exogenous forces. The history of economic development shows that the responsibility for initiating and maintaining a process of economic development depends on endogenous social forces, particularly on the ability of the state to mount and sustain a national project of accumulation rather than searching out and adopting policies that are generators of asymmetric accumulation processes such as NAFTA.

Resistance and Compliance in the Age of Globalization: Indian Women and Labor Organizations

Rina Agarwala, Johns Hopkins University

Background

This study examines the changing relationship between the state and labor as countries throughout the world liberalize their economies and integrate with one another, causing an increase in informal workers, who by definition receive no guaranteed benefits from either an employer or a state.

- States support companies in their decision to use unprotected labor by initiating incentive programs that encourage formally protected workers to leave their jobs, creating free trade zones where firms are not held to labor laws, and contracting public sector services to private sector firms that can hire informally.
- Economic reforms that encourage free trade, increase capital and labor mobility, and heighten global competition have pushed labor movements into a crisis characterized by declining union density and a diminishing ability of workers to influence the state.

- This study attempts to better understand workers' role in shaping the current phase of economic and political transitions.
- In a larger sense, this is a study about the changing nature of the relationship between the state and society as nations liberalize their own economies and integrate with others.

NOTE: The main difference between informal and formal workers is that the latter are protected and held accountable by state legislation. Informality disperses production through home-based work, complicates employer-employee relationships, and atomizes labor relationships by eliminating the daily shop floor gathering of workers.

Implications

Informal workers' organizational strategies provide important clues about how they can mobilize in a system with little regulation and blurred employer-employee relations.

- Informal workers are forcing government authorities to acknowledge that they simply cannot live on the below-subsistence wages and unstable employment into which they are currently being forced.
- The study's findings call for a qualification of the prevailing definition of the informal sector.
- This study reasserts class as an important analytical tool with which to examine differences in life chances and resistance against exploitation.
- The findings warrant rethinking state-society relations in the modern era.
 - On one hand, the theoretical framework tested in this study shows that informal workers are most successful in states that have a populist leadership.
 - On the other hand, traditional left-oriented political parties that strive to meet workers' needs, such as the Communist Party of India-Marxist, were found to be least helpful to informal workers.
- This study gives new insights into the role women play in linking the public and private spheres in contemporary labor movements.
- This study makes important contributions to the growing literature on global cities.

Research Needed

This study raises several questions for further research.

- First, how prevalent are these trends in the non-Indian context?
 - The findings from India should be compared in a cross-national perspective to other informal workers' movements around the world.
- How do informal workers' movements vary by sector and industry?
 - Studies across more sectors will provide further insight into how pervasive informal workers' movements are and how they may differ according to conditions of work.
- Future studies should examine workers' movements among the self-employed.
 - Further research into informal workers' movements in a liberalization context is essential to understanding the myriad of problems arising in the implementation of state benefits for workers and differences in organizational structures.

Resistance and Identity Politics in an Age of Globalization

Deborah J. Yashar, Princeton University

Background

Throughout the Americas, indigenous movements have emerged and deployed discourses opposing neoliberalism, condemning privatization, the sale of public lands to private interests (oil, logging, cattle, etc.), and the decline in social services.

- This article is a cautionary tale about the scope of globalization arguments.
- Contrary to the idea that national states may have lost prominence in the age of globalization, the author contends that indigenous movements have emerged where there are
 - challenges to preexisting corporate identities,
 - transcommunity networks to provide the resources for mobilization, and
 - associational spaces to facilitate collective expression.

Social Movements

The burgeoning globalization literature has underscored significant changes in recent years:

- a greater interpenetration of economic markets,
- technological changes that increase the speed and density of global communications,
- a growth of international organizations and networks, and
- the emergence of new norms that span borders.

Globalization Arguments

The author takes up four types of arguments and highlights their limited ability to explain the emergence of Latin America's indigenous mobilization:

- economic globalization,
- globalization of resources and networks,
- globalization of norms, and
- political globalization

NOTE: Each of the above globalization approaches is at first compelling and aptly describes movements that have gained substantial press. There appears to be a descriptive fit between certain aspects of globalization and the campaigns launched by some social movements, but these globalization approaches remain blunt instruments to address the regionwide politicization of ethnic cleavages in general and indigenous movements in Latin America in particular.

Alternative Arguments

The author's own research has led to a set of alternative arguments about the emergence of ethnic politics in Latin America.

- Indigenous movements are claiming and demanding a series of *state-based reforms* to reconfigure citizenship.
- These demands form part of a postliberal challenge since indigenous people demand both respect and incorporation as individual citizens (the liberal promise) and legal recognition as collectively autonomous units (the postliberal challenge).
- To pursue these goals, indigenous movements have voiced their demands through social movement politics.

Supporting Arguments

- As of late, they have also turned to electoral politics to introduce their demands into formal politics.

NOTE: The point to emphasize here is that indigenous people are organizing and articulating ethnic-based agendas that contest the definition and terms of *national* citizenship, both insisting on greater inclusion in the national state and greater autonomy from it.

To elucidate these new patterns of claim-making, the author argues that contemporary indigenous movements in the Americas emerged in the last third of the twentieth century when three factors were at play:

- challenges to local autonomy from changing citizenship regimes,
- transcommunity networks, and
- political associational space.

NOTE: Only where these three factors were present did indigenous people have not only the motive but also the capacity and opportunity to forge regional and national movements.

Conclusion

This article addresses the significance of globalization and the changing international environment as we witness an ever more integrated world economy, transnational networks, international norms, and global hegemony.

- States have modified their restrictions on free markets, reformed international political alliances, confronted new actors that pressure states to reform their relations with citizens, and come up against (de)legitimizing discourses to which they are expected to respond.
- Globalization arguments portray striking developments that are occurring at the expense of state sovereignty over domestic affairs.
- In looking comparatively at collective action, we see that the international arena does not simply shape social movements, nor does globalization explain the timing or intensity of movements that emerge.
- Finally, globalization does not provide a handle on which identities become the salient basis for collective action.

NOTE: Though changes are taking place in the international economy, networks, and norms, one should not assume that these descriptive developments have causal significance. For it is unclear why, when, and where these changes do or do not generate collective action or which form collective action is likely to take. The theoretical task for studies of collective action then is to articulate better the structured and contingent relations among international processes, states, nongovernmental organizations, and actors.

Rethinking Civil Society in the Age of NAFTA: The Case of Mexico

Jon Shefner, University of Tennessee

Background

This article offers an analysis and critique of the concept of civil society and its relationship to neoliberalism as an economic and political project.

- It explains why analysts have so embraced the idea of civil society.

- It discusses the variety of usages to which it has been put, especially in regard to popular action in Latin America.
- It suggests that its analytic utility has been damaged by its overuse and describes a case that argues for a more careful application of the concept.
- It argues that specific analysis of social sectors will prove both more rigorous and revealing for useful theorizing and empirical application.

Civil Society

Civil society has been used to designate social movements of every kind, any respondents to a survey, and a multiplicity of political organizations not directed or dependent on governments.

- There has been little effort to standardize the use of the concept.
- Strengthening civil society became synonymous with reducing the role of the state.
- Civil society poses varying responses to neoliberalism, depending on the analysts' political perspective. Many see civil society as providing important sources of resistance to neoliberal policies.
- A strong civil society directly supports democracy by widening participation in several ways, including educating and mobilizing citizens generally to exercise their right to participate.
- Civil society can also alter the balance of power between state and society in favor of the latter.

Class

The de-emphasizing of class in most studies of civil society is a mistake for many reasons.

- Different social sectors have varied relationships to neoliberalism: social assistance groups, for example, facilitate neoliberalism by providing, minimally, for the welfare of vulnerable populations.
- Some of these civil society groups are held in favor by the state, as their work facilitates state thinning, on one hand, and provides rationale for the commercialization or marketization of social welfare, on the other.
- The reality is that neoliberalism has exacerbated class divisions in Latin America.

The PRI in Mexico

In the 1920s in Mexico, the Partido Revolucionario Institucional (PRI) created an organization that united disparate groups ranging from urban middle-class professionals to squatter communities.

- By channeling participation into mass organizations, the party created structures to address popular needs and maintain legitimacy.
- During the postwar period, the PRI pursued economic modernization by implementing import substitution industrialization (ISI) policies.
- Politically, ISI reinforced corporatism and clientelism by producing significant economic growth and rewarding Mexico's working and middle classes, generating both the skills to manufacture new goods and the economic wherewithal to consume them.

Democratization As Mexico's economy worsened in the 1970s, PRI legitimacy waned.

- As the economy contracted and more state resources were devoted to debt service, economic inclusion through favorable labor policy and neighborhood patronage became untenable.

- The imperatives of neoliberal globalization prioritized debt payment, privatization, and dismantling protectionist industrial policy.
- The results of such policies impoverished the PRI's social base.
- Neoliberal policies left Mexicans with lower wages, limited access to social welfare benefits, lower physical quality of life, fewer jobs, and increasing levels of inequality.
- Protest against electoral fraud joined middle-class and poor activists. Middle-class NGOs continue to seek issues and venues on which they can work with the organized poor.
- No single sector in Mexico could have achieved democratization; it had to be a product of struggle by multiple groups.
- The government was extremely effective in keeping challengers at bay through strategies that weakened the opposition by creating small parties that favored the PRI, or by buying off individual leaders.
- The strategy of democratization will not resolve economic grievances as fully as political grievances—democratization is about distribution of political power, but if political power mirrors economic power to a large extent, little genuine change may occur.

Conclusion

The conclusion summarizes the shortcomings of the concept of civil society.

- First, many researchers forget that civil society must be understood as equally stratified as other ways of conceptualizing society.
- Second, recognizing the strata of civil society may help us understand the dynamics and outcome of strategic efforts at unified struggle.
- Third, recognizing the strata of civil society suggests that we carefully examine coalition strategies.
 - Recognizing the strata of civil society forces us to understand that the successful accomplishment of a coalesced strategy will still yield differential impacts on the members of civil society.

SECTION THREE: REGIONALIZATION AND THE FORAY ON PRIMARY GOODS

The Globalization of Capital Flows: Who Benefits?

Barbara Stallings, Brown University

Background

Global change has brought multiple issues into high profile, including sharper economic and geographic polarization, heightened levels of inequality within developed and developing nations, and new patterns of regionalization.

- Globalization and liberalization have led to greater mobility of capital—not all regions, countries, or firms have been recipients in equal measure.
- If the benefits of globalization are to be preserved, the complex problems

Why Liberalize?

created or exacerbated by globalization must be substantially mitigated. Most governments liberalize because they think they will benefit by greater access to capital, which can help increase growth through higher investment rates, better technology, and entrée to foreign markets.

- Equally important, however, globalization involves the spread of norms and institutions.
 - In the financial area, better regulation and supervision have been promoted as have more independent central banks.
 - More generally, improved corporate governance of both financial and non-financial firms brings benefits to shareholders and the general public alike.
- Set against these potential benefits are costs that can also be large.
 - One cost is increasing inequality across and within nations.
 - Increased inequality, in turn, not only leads to wasted resources but also is likely to increase instability.
 - Volatility makes it difficult to manage an economy, and in the worst of cases, it can result in extremely damaging crises.

NOTE: These two problems—inequality and volatility—can potentially undermine globalization itself if they are not dealt with adequately.

Access to Foreign Capital

Who is getting access to foreign capital and of what kind?

- The largest recipient by dollar amount is Eastern Europe, but Sub-Saharan Africa obtains nearly twice as much as a share of GDP.
- Foreign direct investment (FDI) flows are highly concentrated—eight countries alone get more than two-thirds of all FDI.
- Eight countries receive about half of all remittances.
- In an assessment of capital flows, it is important to consider production units, where size is a crucial determinant of access to finance.
 - Large firms have easy access to foreign capital, both through FDI and the international capital markets.
 - Medium-sized firms may be able to tap local financial markets, depending on how individual countries' markets are structured, what kinds of norms regulate the allocation of capital, and the existing resources available to mobilize investments.
 - Small and micro firms are limited to finance from banks and other local lenders, in addition to retained earnings.

Volatility of Capital Flows

Volatility is a second aspect of capital flows that has been heavily criticized by those who question the benefits of globalization.

- Funds can move in and out of countries with great rapidity, making it difficult for the authorities to manage macroeconomic policy.
- This is a problem in developing countries since their economic size tends to be small compared to the large flows of international finance.
- In the worst of cases, this volatility can contribute to financial crises that can be devastating for developing economies.

Policy

The policy question in this article is how to spread benefits in ways that are more equitable and more productive than those existing at present—public officials and policy makers can do things to make their countries more attractive.

- Political stability is a top item on the list.

Problems

• More transparency in financial transactions is another priority. The skewed distribution of foreign finance among regions and countries embodies two different sets of problems.

- For those countries with ready access to private flows, debt buildup as well as volatility are serious concerns.
- While grants have been increasing, public-sector loans have been falling and, as noted above, are now negative in net terms.

Conclusion

This article contends that it is not enough to worry about which countries gain access but also about the kinds of firms that have access to capital. This is a question of both social justice and employment and economic growth.

- New theories of banking decry the continued existence of public-sector banks, suggesting that the way to get finance to the people who really need it is to rely exclusively on private institutions.
- All of the issues—the productivity of foreign capital in terms of increasing growth, the problem of volatility, and the question of who has access to capital—are in urgent need of solution.
- If positive responses cannot be found, globalization benefits, not just financial globalization, may be called into question.

NOTE: It is important for developing country governments to work together with their counterparts in developed countries and with international organizations to look for creative solutions.

Trading Impressions: Evidence from Costa Rica

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Background

The impressions that global buyers have about different countries have important implications for international tourism and local cultural industries.

- This article demonstrates that culture cannot be used as a tool by all countries in the same way.
- International buyers have to believe that the roles local tourism and cultural industries play are suitable for the players and their stage.
- This problem of belief in the part that local cultural agents play explains, in part, the difficulties encountered by indigenous artisans in Costa Rica trying to succeed in the global markets for handicrafts and international tourism.

NOTE: Although Costa Rica leads Central America in the revenues generated from international tourism, indigenous Costa Rican artisans find themselves in receipt of few tourist dollars and little government support because most tourists do not know that these artisans exist.

*Public
Narratives*

The nation-state's public narratives affect its own social identity compared with the social identities of other nation-states and shapes commercial opportunities for handicrafts and other local products in such countries as

Ecuador, Mexico, and Costa Rica.

- The public narratives condition the likelihood that a country's capitalists will pursue the global handicraft market and that international actors will validate those pursuits with purchases.
- Not only are the former agricultural workers being pushed out of farm, factory, and protected government employment, but both the workers and the capitalists "see" the production of some types of cultural commodities as a means to protect cultural traditions and to validate a favorable public identity narrative for themselves.

Costa Rica

To climb out of the periphery of the world system, the Costa Rican state obscured indigenous contributions to the national identity and thereby disabled handicraft artisans and others who might have benefited from the market for ethnic commodities.

- Costa Rica lacks neither the indigenous peoples nor their crafts, but rather their recognition by international operators.
- The Costa Rican state pursued economic strategies framed by its public narratives of social democracy, its cultural similarities to Western European norms and practices, and its obligations to and affinities with the international financial institutions.
- In the rush to leave the reputation of backwardness behind, Costa Rica did what it could to become a fully industrialized country in both a material and ideational sense.
- As the economy failed in 1981, Costa Rica asked the IMF for help.
 - The conditions of the loan exceeded the expectations of the Costa Rican electorate, and the president refused the loans.
 - In 1982, Luis Alberto Monge took control, imposing the orthodox economic stabilization measures required by the IMF.
- The country's import substitution strategy had exhausted its possibilities, and the nation turned to export-oriented industrialization.

Knowledge Economy

Instead of relying on low-cost labor (with which Costa Rica could not compete), the national economy turned to the lucrative knowledge economy.

- When Intel entered Costa Rica, the country's position in the global economy fundamentally changed.

International Tourism

In addition to becoming a knowledge economy, Costa Rica had already transformed itself into a tourist economy. With the few resources the state had at its disposal, it could promote tourism by simply offering tax breaks to tour operators within the country.

Conclusion

This article has explored the historical construction of the impressions that Western buyers as well as Costa Rican citizens have about their country's cultural character.

- These definitions of the situation orient the course of the country's economic development and reinforce the other sources of state power.
- In Costa Rica, the government's fear of being associated with a stigmatized identity has sometimes diverted economic development energies away from those stocks of symbolic capital associated with indigenous

- peoples that might have been easily appropriated.
- Therefore, to understand the success of artisans in global markets, it is not enough to think about the individual qualities of the artisans or of the particular cultural contributions of their group to world culture; one must also think about the public culture that makes the promotion of particular cultural sectors of the economy thinkable.
 - How a nation's identity is framed affects the likelihood that capital, labor, and knowledge will be mobilized in the service of particular cultural and noncultural productions.

Globalizing Restricted and Segmented Markets: Challenges to Theory and Values in Economic Sociology

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Background

Efforts by the world's most powerful corporations to develop global markets have spawned literature on how transnational markets form, what stages characterize market development, and what rules of exchange are most effective.

- Studies of globalization and immigration will benefit by taking into account the relationship between goals, means, and outcomes.
- Vital public goods and services should be made distinct from technical public goods so that the dangers of pernicious competition in markets that benefit dominant suppliers or buyers can be identified and the concept of a moral economy can be developed.

Unintended Consequences

Blindness to unanticipated consequences can result from strongly held convictions and unexamined beliefs, for example, that the globalization of markets is inherently good and benefits all parties.

- The growing integration of markets on a world scale and the parallel implementation of neoliberal economic policies have had uneven effects.
- It appears the number of people living in extreme poverty has increased recently, and world income distribution has become more unequal.

NOTE: Wade (2004) showed how the World Bank changed measures and calculations to "prove" that its convictions about competition and benefits resulting from globalization were accurate. The World Bank case shows that consequences can not only be unanticipated but also denied or buried.

Globalization Research

Merton (1936) identified several factors that merit consideration in research on a topic such as globalization.

- One should not assume that actions are clearly purposive; often the aims are "nebulous and hazy."
- Post facto rationalizations that crop up after unanticipated consequences occur in order to make them appear intended.
- One should not assume that consequences are clear, for they are affected by the interplay of the action, the objective situation, and the conditions of action.

- Policies* Policies may have latent functions in producing results other than what actors intended or they may serve alternative and covert purposes.
- There is the latent function of purposive action in ordering the world to serve the interests of dominant political and economic groups.
 - Portes (2000) observed that the resulting outcome of a given purposive action may emerge from revisions, concessions, and improvisations of means and thus be different from the initial goal.

NOTE: For example, contrary to its explicit mandate, NAFTA did not open labor markets; instead, it segmented them, with surprising and sometimes deleterious effects such as eliminating jobs, increasing unemployment, fomenting inequality, stirring crime, and weakening the capacity of small businesses to participate in international markets.

- Competition* The term *competition* embodies the radical proposition that if all parties pursue their own best interests, the results will benefit everyone.
- As used by many economic sociologists and economists, market competition tacitly assumes that it is beneficial.
 - Competition, however, can only benefit society under strict conditions designed to limit the clever, untrustworthy actions of opportunistic individuals and channel them to the benefit of others.
 - There must be many buyers and sellers whose relations are independent from one another so that market transactions cannot be influenced by one or more parties to the detriment of others.
 - Information on everything buyers need to know to buy smart and drive the value chain must be complete and free.
 - Transactions must clear quickly. Easy entry of new competitors and prompt exit of unsuccessful competitors are essential.

NOTE: Even if all these conditions are met (and they usually are not), caveat emptor rules the market, and competitive actions require constant monitoring.

- Corporate Control* Examples of market segmentation and control by multinational corporation are the expanded terms for patents in the Central American Free Trade Agreement (CAFTA), especially as they apply to seeds, agricultural pesticides and fertilizers, and prescription drugs.
- A hidden goal of large corporations and conservatives behind globalization—even a requirement under World Trade Organization rules and governance—is to privatize public services and thus to open up huge new markets in privatized public services.

- Research* Sociology can make a valuable contribution by doing research to show how most public goods and services are not inherently so but are rather socially and culturally constructed realities adhering to norms and conventions shared, often informally, by the collectivity.
- Research can identify how different societies have defined and organized the same goods to have more or less of the technical attributes that economists claim are characteristic of public goods.
 - Societies make subtle distinctions between goods shared by the many to promote efficiency and those that benefit only a few—research on such distinctions should be complemented with studies of what goods and services are vital to a fair and just society.

Renegotiating Transnational Alliances in the Production of Asian Timber: From Managed to Free(r) Markets

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Background

The Asian crisis of 1997 to 1998 and structural adjustments imposed by the International Monetary Fund (IMF) radically transformed Indonesian producers' options, diminishing their capacity to compete, even as China emerged as a major producer of wood-related products.

- The Indonesian case illustrates processes of market remarginalization resulting from the implementation of neoliberal policies.
- During the crisis, the Indonesian government signed onto an IMF structural adjustment package consisting of \$43 billion.
 - This Washington Consensus approach included a tightened monetary policy and the liberalization of trade and investment aimed at economic recovery.
- Investment and growth have not been sufficient to overcome the serious debt and unemployment problems plaguing Indonesia.

Globalization

Globalization currently entails not only the opening of markets but also a reconfiguration of production patterns joining disparate areas of the world.

- Neoliberalism and changes in the scale of governance affecting commodity trade and markets continue to be of the utmost significance.
- Nuanced studies have begun to recognize the limits, resistances, and frictions that prevent the full extension of neoliberal ideas and practices.
- Illiberal forms of governance are coming to dominate countries such as Indonesia even as economic liberalization takes place.
- This article explores the impact of liberalization on a politically organized and regimented commodity chain.
 - The disquieting conclusion of this article is that the end of the plywood era in Indonesia will likely lead to expanded forest conversion and more intense processes of "accumulation by dispossession."

Patterns of Governance

Analyses of commodity chain governance should pay closer attention to institutional and structural environments of uneven development.

- Recent governance experts focus on three factors: complexity of transactions, codifiability of information, and the capabilities of suppliers "regardless of the institutional context in which they are situated."
- This revised theoretical approach offers a more nuanced understanding of value chain governance in which there are complex dependencies between buyers and sellers to market transactions where the costs of switching partners are lowered.

Regional Governance

Although this momentous change has consequences for economic development, the role of the state and interstate agreements on trade liberalization have garnered scant notice.

- The changing governance structure needs to be seen also in the context of broader shifts in regional governance.

- In addition to the benefits of market access and the risks of exclusion, there are risks of access and even benefits of exclusion.
- Bilateral and multilateral free trade agreements are reconfiguring access to raw materials in Asia.

*Realignment
of Power*

The financial crisis of the late 1990s created a window of opportunity for international development organizations like the IMF to realign the balance of power among Asian nations and reconfigure access to natural resources.

- The neoliberal process has greatly eroded the capacity of Indonesia to compete at the regional level.
- Paradoxically, the opening of markets has given an advantage to China, a country that now emerges as the dominant power in Asia, not solely because of its large territory and population but also because of its willingness to adopt the ruthless logic of the market.
- Indonesia's capacity to compete had depended on managed structures of governance over timber production; China's influence is predicated upon the sheer exploitation of natural resources.

Conclusion

It is worth emphasizing that neoliberalism both in Asia and Latin America has entailed the reconfiguration of access to agricultural and mining resources.

- Indonesia is now poised to illustrate what David Harvey calls "accumulation by dispossession."
- Regrettably, the dispossession is local while the accumulation occurs abroad.

NOTE: The effects of this process upon the natural resources that once made Indonesia the envy of the region may be unimaginable. Then again the benefits for those controlling the neoliberal agenda are immeasurable.