

# research snapshot

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## Governments Are Key Players in Globalization

### What is this research about?

Our era of 'free trade' has been marked by the unrestricted flow of capital across financial markets in different countries – a process that is often called 'globalization'. Trade barriers have become increasingly porous and labour standards, in many countries, have begun to dissolve as more and more markets open up. Much of the research to date suggests that globalization has, in some ways, 'sidelined' the once-powerful state. In other words, as private corporations have gained power, public bodies, like governments, have lost power. The flow of capital, it is argued, now often 'bypasses' the state altogether. As a result, many have called for social democratic parties and labour movements to adopt the strategy of 'progressive competitiveness' – to basically just accept globalization and conform to its principles. But are states really the passive victims of globalization? Or do governments play a key role in this process?

### What did the researcher do?

Leo Panitch, Senior Canada Research Chair and Distinguished Research Professor at York University in Toronto, set out to develop a better

### What you need to know:

Labour unions, and not states, are the real victims of globalization. States play a key role in making globalization happen. Social democratic and labour parties are increasingly trying to adapt to the process of globalization.

understanding of the role that governments and labour movements play in the process of globalization. Panitch collected and read an immense body of literature on globalization. He studied how, through treaties like the North American Free Trade Agreement (NAFTA), governments have changed the way they work to help accommodate globalization. He analyzed the special role that the US has played in promoting globalization as well as how other states like Chile have actively sought to be included in treaties like NAFTA. He also looked at how the labour movement has responded to all of this.

Ultimately, Panitch's goal was not to make an exhaustive summary of the subject but, rather, to reinterpret some of the work that has already been done. In the process, he talked to many key players in the drama of globalization, from policymakers to bankers, as well as other scholars. He did some of his research in New

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York City – the center of the international financial world and a key site for globalization.

### What did the researcher find?

Panitch found that the labour movement has been much more a victim of globalization than an active player in it. But while trade unions have lost power, social democratic and labour parties have tried to adapt themselves to the process of globalization through strategies of progressive competitiveness. As a result, they have only helped to open up labour markets and undermine long-established rights and protections for workers.

Governments are more active than labour unions in developing globalization. In fact, the leading capitalist states in Europe and North America are leading the way. States are increasingly trying to coerce the labour movement into embracing globalization. The US Treasury and the Federal Reserve have played a crucial in all of this, as has the American state. The US has worked to make Western European states more open to globalization.

### How can you use this research?

Many of the current ways that labour unions try to ‘get a seat at the table,’ when states negotiate the terms of treaties like NAFTA, have not worked. The labour movement needs to take new steps to get states to cooperate and restrict unregulated trade. However, trade unions need to make their own changes. They need to reassess their policy priorities, internal democracy, and organizing and education capacities.

### About the Researcher

Dr. Leo Panitch is Distinguished Research Professor and Senior Canada Research Chair at York University. This Research Snapshot is from his study, “State, Labour, and Globalization.” A number of research papers resulting from this study were published in a variety of scholarly journals including *Monthly Review*, *Studies in Political Economy*, *New Left Review*, and *Historical Materialism*.

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