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Globalisation, financialisation and power

In the mid-1980s, I spent time as a ministerial adviser in Old Parliament House in Canberra, the capital of Australia. One day, the Expenditure Review Committee (ERC) of Cabinet (it determined the Budget) broke for lunch, and my boss, a member of that committee, asked me to walk with him through the Parliamentary Rose Garden. A few weeks earlier, the government had announced some seemingly esoteric and somewhat symbolic changes to the treatment of international capital flows.[1] These would have closed off some exemptions to interest-withholding tax (a tax payable on behalf of overseas lenders to Australian firms or residents, based on the interest paid on the loan); these were relevant to the then debate about takeover activity but somewhat symbolic in that Treasury saw them as the least bad way of dealing with the issue. After the announcement, the Australian dollar had slid on global financial markets, not just for a day but for several weeks—from US$67.8 on 1 July to US$57.3 when the ERC broke for lunch on 28 July.[2]

It was not the first time the Australian dollar had dropped over the preceding year—falling commodity prices had already taken their toll. However, some ministers now feared potential intervention by the International Monetary Fund.[3] There was clearly a sense of panic and it

1 Paul Keating, 'Interest Withholding Tax Exemptions'. News release, Canberra, 1 July 1986.
2 Jim Killaly, 'Fair Game: Is Australia Vulnerable or Getting Its Fair Share?'. *Journal of Australian Taxation* 19, no. 3 (2017): 1–194.
3 Paul Kelly, *The End of Certainty: The Story of the 1980s* (Sydney: Allen & Unwin, 1992), 207; Milton Cockburn, 'Beware Those IMF Minders: Walsh'. *Sydney Morning Herald*, 13 August 1986.

came through in that walk. ERC ministers had seen what the 'Reuters screen jockeys' (as the Treasurer called them) had done to the dollar in the morning, and felt powerless. The meeting resumed. At 3 pm that day, the Treasurer announced not only the reversal of the earlier withholding tax decision, but also a series of other measures aimed at liberalising investment flows.[4]

The announcement was universally applauded by press and financial commentators.[5] The dollar recovered. The deterioration in the exchange rate had owed more to inexperience with the floating exchange rate regime than to market fundamentals,[6] but there were to be no more attempts at tightening rules on investment flows. Instead, the government buckled down to the task of reducing the Budget deficit beyond market 'expectations', and any residual ideas of an expansionary fiscal policy were, for two decades, erased. This not only set the scene for economic policy and the erasure of barriers to neo-liberalism, it also set the scene for workplace policy over the next decade. Perhaps more than any other, this was the day improvements in the 'social wage'—government spending on health, education, housing and welfare that directly boosted workers' living standards—fell off the government priority list. Under the Accord with trade unions, the social wage had been near the top of that priority list,[7] but no more. Through the remainder of the 1980s savings were made to social wage programs, product markets were deregulated, 'competition policy' reforms were introduced, and public assets were privatised.[8] It all said a lot about financialisation, globalisation and power.

To explain developments in work and workplaces, and indeed in economies, since the 1980s, reference is often made to these concepts. The relationships between *globalisation*, *financialisation* and *neo-liberalism* are so strong that sometimes the concepts get conflated. Sometimes one gets the blame for what is rightly the responsibility of another. Sometimes the concepts end up as buzzwords or just thrown around as objects of

4 Paul Keating, 'Foreign Investment Policy Relaxations'. News release, Canberra, 28 July 1986.

5 Christopher James Pokarier, 'Politics of Foreign Direct Investment in Australia 1960–96' (PhD diss., The Australian National University, 2000), 205.

6 David Gruen, Brian Gray, and Glenn Stevens, 'Australia'. In *East Asia in Crisis: From Being a Miracle to Needing One?*, ed. Ross H. McLeod and Ross Garnaut (London and New York: Routledge, 1998), 207–23, cited in Pokarier, 'Politics of Foreign Direct Investment'.

7 Gwynneth Singleton, 'Corporatism or Labourism?: The Australian Labour Movement in Accord'. *Journal of Commonwealth and Comparative Politics* 28, no. 2 (1990): 162–82.

8 John Quiggin, 'Social Democracy and Market Reform in Australia and New Zealand'. *Oxford Review of Economic Policy* 14, no. 1 (1998): 76–95.

abuse. So in this chapter we look at what these concepts each mean, and what they explain. But before we do that, we look at *power*—what power is, how we observe it, and how it relates to these three concepts. We do this because, in the end, these three concepts are critical in shaping the power of workers and employers in the world of work.

Power

'Power tends to corrupt, and absolute power corrupts absolutely.' So said Lord Acton.[9] Acton was not just making stuff up. Experiments have shown that, compared with the powerless, the powerful condemn other people's cheating more, but also cheat more themselves; and that the powerful are more strict in judging other people's moral transgressions than in judging their own transgressions.[10] Even *illusions* of power make a difference: other experiments showed that environments that increase the space people command (such as larger desks) can inadvertently lead people to feel more powerful, and these feelings of power can cause dishonest behaviour such as stealing money, cheating on a test or committing traffic violations.[11]

However, power is not important simply because it induces bad behaviour. Power is an important object of study in understanding work. Power shapes who has resources and who goes without. Workers want more of it, management wants to keep what it has to and expand it. Power is an important part of what happens in the workplace.

How power is exercised: The faces of power

Power has been written about in several ways. Some authors have focused on the origins of power, and talk about 'power resources'. Some have looked at the way power is exercised as a way of identifying who has power. Thus, discussions about 'reputations' concerning power were succeeded by discussion about the 'faces' of power and what they tell us

9 Technically, he was John Emerich Edward Dalberg Acton, first Baron Acton (1834–1902).

10 Joris Lammers, Diederik A. Stapel, and Adam D. Galinsky, 'Power Increases Hypocrisy: Moralizing in Reasoning, Immorality in Behavior'. *Psychological Science* 21, no. 5 (2010): 737–44.

11 A Yap et al., 'The Ergonomics of Dishonesty: The Effect of Incidental Posture on Stealing, Cheating, and Traffic Violations'. *Psychological Science* 24, no. 11 (2013): 2281–89.

about who has power. Others have written about the effects of power. We refer to that in the latter half of this chapter, but before that we focus on the sources and manifestations of power.

The first face of power and decisions

Over half a century ago, Robert Dahl wrote *Who Governs?*, based upon a study of New Haven in Connecticut, USA.[12] He was inspired to conduct this research in response to two earlier books: C. Wright Mills's study of the power of people in key positions in the USA and a study by another 'elitist' theorist, Floyd Hunter, about reputations of power within a local community.[13] Dahl argued that one could not measure power on the basis of whether somebody was in a particular position, or had a reputation for power. Instead, the only way power was measurable was if the researcher examined actual decisions, to see whether the preferences of the ruling elite were expressed in the outcome of decisions. To test the theory, Dahl had constructed an important *definition of power*:

> A has power over B to the extent that he can get B to do something that B would not otherwise do.[14]

A and B could be individuals, groups or organisations.[15] It owed much to Max Weber's original definition, which, by one translation, was 'the possibility of imposing one's will upon the behaviour of another person'.[16]

Dahl's was a simple, theoretically coherent approach that satisfied 'Occam's razor',[17] but it had substantial limitations. For example, looking at workplace relations, assessing a simple thing like who 'won' a strike is actually quite hard, especially in Australia as strikes have been used to 'signal' power. This occurred through 'unconditional' strikes whose duration was predetermined at the commencement of action (and hence

12 Robert A. Dahl, *Who Governs? Democracy and Power in an American City.* Yale Studies in Political Science, 4 (New Haven: Yale University Press, 1961).
13 C. Wright Mills, *The Power Elite* (New York: Oxford University Press, 1956); Floyd Hunter, *Community Power Structure: A Study of Decision Makers* (Chapel Hill: University of North Carolina Press, 1953).
14 Robert A. Dahl, 'The Concept of Power'. *Behavioral Science* 2 (1957): 201–15.
15 The use of 'he' in this and subsequent quotes reflects the gender ideologies of the time.
16 Reinhard Bendix, *Max Weber: An Intellectual Portrait* (New York: Anchor Books, 1962), quoted in Isidor Wallimann, Nicholas Tatsis, and George V. Zito, 'On Max Weber's Definition of Power'. *Australian and New Zealand Journal of Sociology* 13, no. 3 (1977): 231–35. There are a number of different translations of Weber's original (German) definition, discussed in the paper by Walliman et al.
17 Occam's razor holds that, other things being equal, the simplest explanation to something should be preferred (as it is most easily tested). Attributed to the fourteenth-century English Franciscan friar William of Ockham.

it was never expected that the employer would immediately capitulate before the end of the strike).[18] The Bureau of Census and Statistics in Australia once attempted to identify the result of each strike in terms of whether the employer or workers won (its data suggested that the employer won the great majority of disputes) but it abandoned this in 1951, the findings not aligning with common perceptions of the outcomes of conflict or union power.[19] Ambit claims have historically played such a significant role in industrial relations in Australia that it is important to be able to look into the motivations of the parties, not just what is laid on the table. And any analysis of power cannot just look at a small part or snapshot of the decision-making process.

The second face of power and nondecisions

Dahl's definition of power was rigorous but inadequate. As Bachrach and Baratz noted,[20] Dahl had uncovered one face of power, but a second face of power was exercised when:

> A devotes his energies to creating or reinforcing social and political values and institutional practices that limit the scope of … consideration of only those issues which are comparatively innocuous to A.[21]

The first face of power is observed decision-making. The second face of power, *nondecision-making,* is sometimes referred to as 'controlling the agenda'. Nondecision-making is *not* about deciding not to act, or deciding not to decide. Procrastination is *not* nondecision-making. Nondecision-making is a process of creating a 'nondecision'—that is, of suppressing or thwarting a challenge to the values or interest of the decision maker that would arise if a particular matter came onto the agenda for decision-making. It may do this through 'suffocating' demands

18 David Peetz, 'Industrial Conflict with Awards, Choices and Fairness'. In *Rediscovering Collective Bargaining: Australia's Fair Work Act in International Perspective*, ed. Anthony Forsyth and Breen Creighton (New York: Routledge, 2012), 159–81.

19 Australian Bureau of Statistics data consistently suggested that employers won almost all disputes. Yet in published opinion polls in the second half of the twentieth century a plurality or, more commonly, a majority of Australians considered that unions had too much power. Commonwealth Bureau of Census and Statistics, *Labour Report* (Melbourne: various years). David Peetz, 'Sympathy for the Devil? Attitudes to Australian Unions'. *Australian Journal of Political Science* 37, no. 1 (2002): 57–80.

20 Peter Bachrach and Morton S. Baratz, *Power and Poverty: Theory and Practice* (New York: Oxford University Press, 1970).

21 Peter Bachrach and Morton S. Baratz, 'Two Faces of Power'. *American Political Science Review* 56, no. 4947–952 (1962).

for change before they are voiced, or preventing them from gaining access to the decision-making arena, or maiming or destroying them in the implementation phase.[22] Bachrach and Baratz identified several forms of nondecision-making, including using a norm, precedent, rule or procedure to squelch a threatening demand; using sanctions, force or violence to prevent demands from entering the political process (such as threats against activists); 'co-opting' critics (such as promoting activists up the ranks); or reinforcing or establishing additional procedures or barriers ('mobilising bias').[23]

The third face of power, unrecognised interests and hegemony

A few years later, Stephen Lukes sought to specify a third face of power.[24] He provided a much broader definition:

> A exercises power over B when A affects B in a manner contrary to B's interests.[25]

It followed that a third face of power existed. That involved the shaping of people's preferences so that neither overt nor covert conflicts exist; conflict is only latent. This placed a focus on analysing efforts to create particular attitudes or ideologies that maintain the position of those in power. Lukes asked:

> Is it not the supreme and most insidious exercise of power to prevent people, to whatever degree, from having grievances by shaping their perceptions … and preferences in such a way that they accept their role in the existing order of things, either because they can see or imagine no alternative … or because they see it as natural … or … divinely ordained and beneficial. To assume that the absence of a grievance equals genuine consensus is simply to rule out the possibility of false or manipulated consensus by definitional fiat.[26]

22 Bachrach and Baratz, *Power and Poverty*, 44.
23 Ibid.
24 Steven Lukes, *Power: A Radical View* (London: Macmillan, 1974).
25 Ibid., 27.
26 Ibid., 28.

This radical approach was closely related to the concepts of 'false consciousness' elucidated by Marx and of 'hegemony' discussed in more detail by Gramsci and, later, by Connell.[27] Lukes criticised the term 'false consciousness' as it 'sounds patronizing' but, really, it is talking about much the same thing as Lukes. Lukes conceded it was useful to refer to 'the power to mislead', and that Marx and his successors highlighted the third dimension of power by pointing to 'the capacity to secure compliance to domination through the shaping of beliefs and desires, by imposing internal constraints under historically changing circumstances'.[28] Gramsci used 'hegemony' to encompass influence, leadership and consent, as opposed to violent domination.[29] The state, to him, is force plus hegemony (which covers most of the ground of the three faces of power discussed here).

The problem with Lukes's approach was the difficulty in identifying the real interests as opposed to the expressed preferences of people.[30] In a second, much-expanded edition of his book, Lukes modified some of his positions, arguing, for example, that his initial analysis focused on the *exercise* of power, whereas power was a *dispositional* characteristic identifying an ability or capacity, which may or may not be exercised, and that it also needed to consider multiple and conflicting interests people may have.[31] He also commented that:

> Power's third dimension is always focused on particular domains of experience and is never, except in fictional dystopias, more than partially effective. It would be simplistic to suppose that 'willing' and 'unwilling' compliance to domination are mutually exclusive: one can *consent* to power and *resent* the mode of its exercise.[32]

Another writer on power—and much else—was Michel Foucault, a key figure in the 'postmodern' paradigm. He spoke of how power was not something possessed or able to be willingly used by particular individuals or classes, but rather refers to complex patterns of domination and

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27 Antonio Gramsci, *Selections from the Prison Notebooks* (London: Lawrence and Wishart, 1971); Raewyn Connell, *Ruling Class, Ruling Culture* (Cambridge: Cambridge University Press, 1977).

28 Steven Lukes, *Power: A Radical View*, 2nd ed. (London: Palgrave, 2005), 49, 143–5.

29 Anne Showstack Sassoon, ed., *Approaches to Gramsci* (London: Writers and Readers Publishing Cooperative Society, 1982), 13.

30 A discussion of how these three different faces of power can be applied to understanding individual contracting and collective bargaining is contained in David Peetz, *Brave New Workplace: How Individual Contracts Are Changing Our Jobs* (Sydney: Allen & Unwin, 2006), 75–80 (and also 87, 114).

31 Lukes, *Power.*

32 Ibid., 150.

subordination that exist whenever social relations exist. To him, power produced subjects, 'normalising' them and forming their character. Norms become the 'soul'. The person who is the subject of power is 'constituted' through their subjection to power, power is ubiquitous and so everyone is in some way formed by the effects of power. It was not possible to be free of power, nor to judge between ways of life, and each society imposes its own 'regime of truth'.[33] For Lukes, Foucault posed no 'analysis of the extent to which the various modern forms of power he identified actually succeed, or fail, in securing the compliance of those subject to it'.[34] Others are less kind. The famous linguist Noam Chomsky hasn't 'a clue' what Foucault and other postmodernists mean in their writings.[35] Christina Cregan criticises postmodernists for producing a bourgeois ideology that is a 'critique of neo-liberalism for the purpose of preserving it … [I]ts concern is for cultural forms with no reference to an underlying infrastructure'.[36] In my view, there is some merit to these arguments but the potential relevance of postmodernism to genuinely understanding the realities and futures of work lies not in what it says about power, but in helping provide insights into aspects of language and discourse at work, for example through writers such as David Knights and Hugh Willmott,[37] some of which are discussed in Chapter 3.

Power, dependence and power resources

Other writers have focused on the sources of power, and this affects how they define it. For example, Keenoy and Kelly (1998) define power as 'the capacity to get someone or some people to do something they otherwise would not do' (very close to Dahl's definition) but they refer to 'power resources' that go beyond Dahl's focus and emphasise power in social relations rather than merely in decisions.[38] Their work should be seen in the context of resource dependency theory and power dependency

33 Michel Foucault, *Power/Knowledge: Selected Interviews and Other Writings 1972–77* (Brighton: Harvester, 1980), cited in Lukes, *Power.*

34 Lukes, *Power*, 98.

35 Chomsky cited in David N. Gibbs, 'Is There Room for the Real World in the Postmodernist Universe?'. In *Beyond the Area Studies Wars: Toward a New International Studies*, ed. Neil L. Waters (Hanover: Middlebury College Press, 2000): 11–28.

36 Christina Cregan, 'Book Review: Understanding Work and Employment: Industrial Relations'. *Journal of Industrial Relations* 46, no. 1 (2004): 137–40.

37 David Knights and Hugh Willmott, *Management Lives: Power and Identity in Work Organizations* (London: Sage, 1999); Hugh Willmott, 'Strength Is Ignorance; Slavery Is Freedom: Managing Culture in Modern Organizations'. *The Journal of Management Studies* 30, no. 4 (1993): 515–52.

38 Tom Keenoy and Di Kelly, *The Employment Relationship in Australia,* 2nd ed. (Sydney: Harcourt, 1998).

theory.[39] The core idea of this body of thought is that whoever controls resources has power over those who need access to those resources, such that (as explained by Nienhüser):

> the greater the dependency of actor B upon actor A, the more power actor A has over B; and the dependence of an actor B upon actor A is (1) directly proportional to B's amount of motivational investments in goals mediated by A and (2) inversely proportional to the availability of those goals to B outside the A–B relation.[40]

Thus workers in strategic positions in an industry (e.g. those holding specialist technical skills or a central role in a production process) have more bargaining power if they strike than low-skilled workers, because the company is more dependent upon their resources. This idea has been applied in theorisation about power in industrial relations.[41] You will often hear of particular workers possessing, or not possessing, 'labour market power'. Those who possess it have skills or knowledge that an organisation may need. Sometimes it might be 'external' labour market power—their skills are in high demand from many employers but in short supply. Many have extensive 'specific' knowledge—'corporate history'—that the employer they work for values and is dependent upon, even if other employers may not feel the same way. They possess 'internal' labour market power. Either way, whether they negotiate individually or bargain collectively, those with high labour market power will be in a better position to extract gains from their employer.

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39 Jeffrey Pfeffer and Gerald R. Salancik, *The External Control of Organizations. A Resource Dependence Perspective* (New York: Harper & Row, 1978); Richard M. Emerson, 'Power-Dependence Relations'. *American Sociological Review* 27 (1962); Werner Nienhüser, 'Resource Dependence Theory—How Well Does It Explain Behavior of Organizations?'. *Management Revue* 19, no. 1–2 (2008): 9–32.

40 Nienhüser, 'Resource Dependence Theory'; Emerson, 'Power-Dependence Relations', 32, as explained in Nienhüser, 'Resource Dependence Theory', 13. Careful readers of the original texts will have noted a bit of letter switching here: powerless A in the original has now become powerful A, and vice versa with B, the opposite of their use in the original source. This is to maintain continuity with previous definitions in this chapter. My apologies to Professor Nienhüser for swapping the letters.

41 Mick Marchington, 'Shop-Floor Control and Industrial Relations'. In *The Control of Work*, ed. John Purcell and Robin Smith (London: Macmillan, 1979); see also Adrian Wilkinson et al., 'Total Quality Management and Employee Involvement'. *Human Resource Management Journal* 2, no. 4 (1992): 1–20; Jeffrey Pfeffer, *Power in Organizations* (Pitman, 1981); Beverly J. Silver, *Forces of Labor: Workers' Movements and Globalization since 1870* (Cambridge, UK: Cambridge University Press, 2003). The notion of power resources has been usefully deployed (with different elements) in the analysis of union power in Christian Levesque and Gregor Murray, 'Local Versus Global: Activating Local Union Power in the Global Economy'. *Labor Studies Journal* 27, no. 3 (2002): 39–65, and to the analysis of women's access to power within unions in Geraldine Healy and Gill Kirton, 'Women, Power and Trade Union Government in the UK'. *British Journal of Industrial Relations* 38, no. 3 (2000): 343–60.

The concept of power resource dependency is most closely related to the first and second faces of power discussed earlier: A can make decisions disliked by B, or prevent matters B wants from being determined, by using resources that B is dependent upon. The application to the third face of power is less obvious but still valid: if B is dependent on A (or on those who act in A's interests) for the resources that provide information, education or beliefs, then A clearly has power over B.

For Keenoy and Kelly, power resources are 'any means through which one actor can influence the attitude and behaviour of another'. These include state power resources (having influence or control over or through government, the judiciary or other state agencies); economic power resources (ownership of capital, land, skills in short supply, etc.); associational power resources (the ability to combine and exercise collective power—so collective bargaining is an attempt to turn low resource dependency by the other side into high resource dependency); and ideological power resources (the ability to successfully promote a set of ideas or values, to shape policy, strategy and social practice).[42] The last of these is closely linked to Lukes's third dimension of power and Gramsci's 'hegemony'; in effect, it identifies the resources used to exercise hegemony.

So, while the 'faces of power' approach looks at how power is *exercised*, the 'resources' approach looks at what it is that *gives power* to A or B in the first place. There are advantages from using both approaches, as one can tell you things that the other might not. For example, if an employer or union wins a dispute over an enterprise agreement, you know that is the first face of power but you still want to know which resources both sides used to produce that outcome. Another example: if a worker suddenly abandons a claim for restitution of some type, it might not be surprising in light of the employer's larger resources, but looking at Bachrach and Baratz's theorising on the second face of power may shine more light on: What happened? (Was the worker co-opted? Were they threatened? Were the rules changed? and so on.) Our interest in the rest of this chapter, however, is broader, as it concerns the big forces at work that have shaped, or at least allegedly shaped, power at work and its future.

42 Keenoy and Kelly, *Employment Relationship.*

The meanings of globalisation, neo-liberalism and financialisation

We now turn to the other key concepts of interest, beginning with three basic definitions.

Globalisation is the process by which an increasing proportion of *economic activity* has been occurring between or across nation-states, rather than within them. It is the trend towards increasing integration of trade and investment flows between nations. So, economic activity is often thought of in terms of trade in goods or services, but it is also conceived in terms of capital flows (i.e. flows of money between countries). It may also be thought of in terms of human flows—increased international passenger transport, for work or tourism purposes, or temporary or permanent migration, often for work purposes—but inevitably the flow of capital is much freer than that of labour.

Neo-liberalism is a term used, often pejoratively, to describe a set of *public policy* settings that prioritise participants in private markets over individual workers or citizens. The most common manifestations of it are policies for privatisation of public services or assets, deregulation of product or labour markets, and the running of public sector agencies along 'corporate' lines that promote financially expressed objectives or 'competition'. While it is normally seen as promoting free market solutions to economic problems in any circumstance, this interpretation is contested and we return to it shortly.[43]

Financialisation is the process by which increasing command over economic activity is taken by the financial sector—banks, insurance companies, hedge funds and other financial institutions. The preferences and decisions of these organisations play an increasingly important role in shaping the behaviour of the other economic actors in society.

Neo-liberalism is thus a policy process, while globalisation and financialisation are economic processes. Globalisation and financialisation, are both often seen as resulting from the policy decisions of neo-liberalism.

43 Because of its pejorative implications, writers like Quiggin had avoided the term 'neo-liberalism', instead preferring 'market liberalism'. But I (somewhat reluctantly) use 'neo-liberalism' because, as discussed later, it goes beyond 'market liberalism' into policies that are not necessarily 'market liberal'. So 'market liberalism' is a subset of 'neo-liberalism'.

Alternatively, and perhaps more often, neo-liberal policies are portrayed as being driven by the economic imperatives of globalisation ('If we don't do X, then globalised markets will force us to') along TINA-esque lines ('There Is No Alternative', being a line made popular by Margaret Thatcher of the UK in the 1980s).[44] However, the reality is a bit more complex than either of these depictions.

Globalisation and contingency

Globalisation has been the buzzword since the 1970s or 1980s. It has been used to provide justification for many policy moves, mostly aimed at liberalising markets in one way or another, or in providing more favourable terms for foreign investment. It has also been highly controversial—partly because of those policy justifications I mentioned, and partly because some people have questioned it as a concept.

For example, some note (persuasively) that globalisation has been going on since the major European powers established empires across the globe and shipped massive amounts of primary commodities from the colonies to the home country (and secondary manufactures in the other direction).[45] The Hanseatic League of the sixteenth century can be seen as an early example of cross-border governance of trade.[46] It is only technological developments, greatly increasing the velocity and hence potential volume of financial transactions since the 1980s, that have enabled globalisation to 'step up a gear'. Some argue that globalisation has passed its peak, and the trend to ever-greater global integration has slowed down. For example, renowned Canadian philosopher John Ralston Saul authored a book as long ago as 2005 called *The Collapse of Globalism*.[47] Since then, others have seen the global financial crisis, the 'Brexit' vote or the election of Donald Trump as signifying a reversal of the trend to globalisation.[48]

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44 Claire Berlinski, *There Is No Alternative: Why Margaret Thatcher Matters* (New York: Basic Books, 2008).

45 Jeffrey A. Frankel, 'Globalization of the Economy'. In *Governance in a Globalizing World*, ed. Joseph S. Nye and John D. Donahue (Washington DC: Brookings Institution Press, 2000), 45–71.

46 Ingo Take, 'The Hanseatic League as an Early Example of Cross-Border Governance?'. *Journal of European Integration History* 23, no. 1 (2017): 71–96.

47 John Ralston Saul, *The Collapse of Globalism: And the Reinvention of the World* (London: Atlantic, 2005).

48 John Rennie Short, 'Globalization and Its Discontents: Why There's a Backlash and How It Needs to Change'. *The Conversation*, 29 November 2016.

Some people see the effects of globalisation as overwhelmingly good.[49] Some see them as overwhelmingly bad. Some (like Tony Blair) see globalisation as 'a force of nature' and 'a fact'.[50] The key point is: the effects are contradictory and contingent. Take, first, a pathway through the impact of globalisation on industrialisation. For many Third World countries, particularly in Asia, globalisation has enabled them to expand manufactured exports and thereby build up a manufacturing base. That is, globalisation has promoted industrialisation. Industrialisation has, in turn, promoted economic development and, as a result, *growth* in real wages, reductions in poverty and greater job security.[51]

Then, look at another pathway, through the impact of globalisation on competition. Globalisation leads to greater competition between international and domestic firms. Increased competition in turn puts pressure on firms to *reduce* wages and reduce the stability of jobs and thereby makes poverty alleviation harder. This is an opposite tendency to the one that I mentioned in the preceding paragraph. Regarding the impact on wages, job security and poverty, then, globalisation has contradictory effects.

But wait, there's more. Higher wages from that first pathway (through industrialisation) may lead firms to seek ways of offsetting their higher labour costs by getting more flexibility in how they deploy their labour. At the same time, increased competition (the second pathway) leads to considerable pressure for firms to find greater flexibility in how they deploy their labour. And so, on that point, both pathways are leading to the same outcome: a greater search for flexibility. And then the push for higher flexibility will lead firms to find ways of reducing wage costs and job security. So that reinforces the effects via competition, but moderates the effects via industrialisation, on those things.

Whether the net effect is that globalisation improves or worsens real wages, poverty and job security is an empirical question. But it is not one that is decided in isolation. This is because its effects are contingent on what

49 For example, Mark Vaile, 'The Practical Benefits of Globalisation and the New Economy'. Trade Minister's Luncheon, Business Club Australia, Darling Harbour, 22 September 2000. trademinister.gov.au/speeches/2000/000922_globalisation.html.

50 Blair, quoted in Ryan Bourne, 'Tony Blair Is Right—Globalisation Is a Fact Not a Choice'. CATO Institute, 1 March 2019, www.cato.org/publications/commentary/tony-blair-right-globalisation-fact-not-choice.

51 Though Harrison points to conditionality here. Ann Harrison, *Globalization and Poverty*. NBER Working Paper 12347 (Cambridge, MA: National Bureau of Economic Research, 2006).

parties do. For example, how much globalisation leads to industrialisation in any particular country will depend on the policies taken by the state in that country to encourage that outcome. How much industrialisation in turn leads to higher wages also depends on the policies of the state—if policies prohibit or inhibit active trade unionism, then higher real wages are much less likely to flow from globalisation, or at least they will flow more weakly.

Similarly, the actions of unions themselves influence how much industrialisation leads to higher wages (compliant or weakly organised unions would be less successful in obtaining wage increases for members than widely organised, activist unions). The state, even a totalitarian one, cannot ignore unions: the maintenance of hegemony requires that it makes 'certain compromises with them in order to gain their consent for its leadership in society as a whole',[52] though these compromises, as Gramsci points out, 'cannot touch the essential'.[53]

How much increased competition leads to pressure for more flexibility, and for lower wages, will also depend on the actions of governments and unions. It will also depend on the historically shaped 'culture' of a country, as 'culture' influences laws and corporate behaviour: in East Asian countries such as Korea and Malaysia, workers were less easily laid off during the Asian financial crisis, or given greater redundancy pay when they were laid off, than workers in many industrialised countries.[54] Indeed, at just about every step along the pathway, the link between globalisation and a particular outcome is contingent upon some third factor or factors.

So, globalisation has contradictory pressures on wages, unionism and poverty. It creates competitive pressures on employers for increased flexibility, but whether and how this is translated into practice is contingent on local factors, including the state, labour and cultural factors. 'Culture' limits globalisation's push for flexibility (e.g. in much of Asia, notions of hierarchy, paternalism and security promote resistance to increased flexibility). The effects of globalisation on employment relations are contingent, and the net effect depends on the interplay of a number of forces. Worker organisation influences resistance, as well as state and

52 Sassoon, *Approaches to Gramsci*, 13.
53 Gramsci, *Selections from the Prison Notebooks*, 161.
54 David Peetz and Trish Todd, *Globalisation and Employment Relations in Malaysia* (Bangkok: International Labour Office, 2000), www98.griffith.edu.au/dspace/bitstream/10072/7320/1/13955_1.pdf.

employer strategies. State strategies are also influenced by domestic considerations: the state relies increasingly on international capital, but it is constrained by the need for domestic legitimacy and stability, and even unions help shape that legitimacy. This is an example of the point made in the previous chapter: that the outcomes of the forces acting upon our futures are not things entirely outside our control, but instead depend on decisions that we, as societies, make.

Globalisation also has complex impacts on income distribution and inequality. Increased trade does not always lead to wider inequality, for example. Economic growth in Taiwan, Japan and Korea during the 1960s and 1970s was associated with reduced inequality, as it improved prospects for low-income individuals.[55] More recently, however, the trend *within* most countries (especially the USA, but also many others) has been for widening inequality.[56] At the same time, though, inequality *between* nations has, overall, reduced, mainly because of higher growth in low-income countries such as China and India than in the high-income countries of the OECD (though poor growth in Africa weakens the average performance of low-income countries). Hence the net pattern of changing inequality over the past two decades has been complicated.

Some of the best work on this has been done by Branko Milanovic, whose famous 'elephant chart' (so named because mapping income growth by income percentile resembled the shape of an elephant lifting its trunk) using over 500 income surveys showed that, since the 1980s, income growth has been highest for the middle and upper classes of Asia, especially China, and for the very highest income groups in Western countries, especially the USA; these groups occupy the middle and the top of the global income distribution.[57] Income growth is weakest for denizens of many African countries, who occupy the bottom end of the global income distribution, and for the Western working classes, again especially in the USA, who occupy around the 70th or 80th percentiles of the global income distribution. Thus trends in global income inequality

55 Wang Feng, *The End of 'Growth with Equity'? Economic Growth and Income Inequality in East Asia*. Asia Pacific Issues, 101 (Honolulu: East-West Center, June 2011).
56 Ibid.; Thomas Piketty, *Capital in the Twenty-First Century* (Cambridge, MA: Harvard University Press, 2014); Georgina Murray and David Peetz, 'Plutonomy and the One Per Cent'. In *Challenging the Orthodoxy: Reflections on Frank Stilwell's Contribution to Political Economy*, ed. Susan Schroeder and Lynne Chester (Sydney: Springer, 2013), 129–48.
57 Branko Milanovic, *Global Income Inequality by the Numbers: In History and Now*. Policy Research Working Paper 6259 (Washington DC: Development Research Group, World Bank, 2012).

are more complex and less adverse than trends in income inequality within individual nations, and this again reflects the complex and contingent nature of the effects of globalisation. It appears that the effects of globalisation on inequality are often 'overstated', as 'globalisation is simply the international manifestation of the swing towards neo-liberal policies of market-oriented reform that has taken place throughout the world since 1970. Increased inequality is the result of the neo-liberal reform program as a whole'.[58]

That said, survey data have limitations, not the least being the way in which very high incomes are reported in 'grouped' data, leading to a potential understatement of incomes at the top. The work of Thomas Piketty, whose book *Capital in the Twenty-first Century* reignited debate about inequality of both income and wealth, relied more on administrative data (mostly from tax returns), which did not suffer the 'grouped' data problem.[59] Analysis of administrative data across a large number of nations by several of his colleagues in the *World Inequality Report 2018* showed a different picture of trends in global inequality since 1980: still a greater rise for those in the middle—workers in 'emerging' countries—than for those in the 70th or 80th percentiles—working class people in advanced countries—but with all of these eclipsed by spectacular rises for the highest 0.01 per cent and especially the top 0.001 per cent.[60] The top 1 per cent captured 27 per cent of income growth over the period, while the bottom 50 per cent captured just 12 per cent. The resultant chart mapping income growth by income percentile was described by one person as more closely resembling the shape of the Loch Ness monster than an elephant.[61]

It is possible that this method also understates inequality, if the wealthy are able to lie to tax authorities by a greater amount than the less wealthy. Likewise, wealth inequality is understated by the use of tax 'shelters'.[62] So if the opportunities for doing so have increased, then the

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58 John Quiggin, 'Globalisation, Neoliberalism and Inequality in Australia'. *Economic and Labour Relations Review* 10, no. 2 (1999): 240–59.

59 Piketty, *Capital in the Twenty-First Century.*

60 Facundo Alvaredo et al., *World Inequality Report 2018* (World Inequality Lab/WID.world, 2018); Dylan Matthews, 'The Global Top 1 Percent Earned Twice as Much as the Bottom 50 Percent in Recent Years'. *Vox*, 2 February 2018. www.vox.com/policy-and-politics/2018/2/2/16868838/elephant-graph-chart-global-inequality-economic-growth.

61 Matthews, 'The Global Top 1 Percent'.

62 This increased usage of shelters appears to have happened in several countries. Alvaredo et al., *World Inequality Report 2018.*

rise in inequality is understated. Changing inequality, then, has a complex pattern, with redistribution within the global working and middle classes but the starkest element being strong redistribution towards a very small, wealthy elite. Even if globalisation has been responsible for the redistribution within the global working and middle classes, the redistribution towards a very small, wealthy elite appears to reflect much more the effects of financialisation (and perhaps, as discussed below, neo-liberal policy).

Complexity is also seen in the writing, in 1986, of prominent industrial sociologist Steve Frenkel, who made five key points about workplace relations.[63] First, he said, contemporary workplace relations are reproduced and changed in the context of a set of constraining factors that only rarely permit these relations to be newly created from scratch. Second, three principal factors tend to shape dominant patterns of workplace relations: large enterprises, the labour movement and the state. Third, the basic pattern of workplace relations is mostly inscribed at critical historical junctures. Fourth, arising from such crises and consequential action by major collectives, there is a process of institutional change in the regulation of industrial conflict—the new accommodation structures are an important influence on the character of workplace relations. Fifth, across countries, there will be differences in the way the major collectives institutionalise conflict and workplace relations, but there are common threads in the experience arising from the rise of the large corporation, state intervention, and the tendency towards greater integration in the world economy. Those factors that shape workplace relations shape the reality and future of work.

The importance of large, rather than small, enterprises, as highlighted by Frenkel, is one reason why this book spends more time discussing developments and futures in large rather than small enterprises. The former are much more important in influencing policy-makers, and their own demands often affect the practices of smaller enterprises. The behaviour of a few owners or managers of large corporations could have reverberations throughout the economy; the behaviour of a few owners or managers of small businesses will likely disappear without trace in national economic affairs.

63 Stephen J. Frenkel, 'Industrial Sociology and Workplace Relations in Advanced Capitalist Societies'. *International Journal of Comparative Sociology* 27, no. 1–2 (1986): 69–86.

The growing unpopularity of globalisation has even been recognised by the OECD.[64] Globalisation is seen as increasing the power of capital and reducing the power of labour, but this is not always true. Sometimes the rhetoric of globalisation, and the TINA idea, shift power in that direction. But the real effects of globalisation are complex and vary between groups. It may, for example, reduce the power of the working class in the developed West, but increase it for the working class in developing countries, by virtue of changes in trade and employment patterns.

If somebody says ‘X happened at the workplace because of globalisation’, that is usually just part of the story—because globalisation has complex, contradictory and contingent effects on workplace relations. The state, unions, large employers and their agents all shape how globalisation affects workplace relations, work and inequality.

Neo-liberalism

At the core of economic policy in many countries since the 1980s has been neo-liberalism, which has also been described as ‘economic rationalism’, ‘economic fundamentalism’, ‘economic liberalism’ and ‘market liberalism’.[65]

While neo-liberalism emerged as a dominant philosophy among elites in the late twentieth century, it is not a philosophy that ever attained widespread acceptance in the community at large.[66] For example, opinion polls have typically shown the majority of Australian voters support

64 Angel Gurria, ‘Globalisation: Don’t Patch It up—Shake It Up’. News release, Organisation for Economic Co-operation and Development, Paris, 6 June, 2017; Organisation for Economic Co-operation and Development, *Making Globalisation Work: Better Lives for All*. Key Issues Paper, Meeting of the OECD Council at Ministerial Level (Paris: OECD, 7–8 June 2017).

65 Michael Pusey, *Economic Rationalism in Canberra: A Nation-Building State Changes Its Mind* (Cambridge, UK: Cambridge University Press, 2003); Fred Argy, ‘Beware of Economic Fundamentalism (or What Makes a Good Policy Adviser?)’. *Australian Review of Public Affairs Digest* (31 March 2003), www.australianreview.net/digest/2003/03/argy.html; Frank Stilwell, *Political Economy: The Contest of Economic Ideas* (Melbourne: Oxford University Press, 2002); John Quiggin, *Zombie Economics* (New Jersey: Princeton University Press, 2010). In specific national contexts, terms like ‘Rogernomics’ (New Zealand), ‘Thatcherism’ (UK) and ‘Reaganism’ (USA) have been used along with, internationally, the ‘Washington Consensus’.

66 Michael Pusey and Nick Turnbull, ‘Have Australians Embraced Economic Reform?’. In *Australian Social Attitudes: The First Report*, ed. Shaun Wilson et al. (Sydney: UNSW Press, 2005): 161–81; Shaun Wilson, Gabrielle Meagher, and Trevor Breusch, ‘Where to for the Welfare State’. In *Australian Social Attitudes: The First Report*, ed. Shaun Wilson et al. (Sydney: UNSW Press, 2005): 101–21.

import quotas and oppose privatisation.[67] In the realm of industrial relations, sympathy towards unions has increased over the past three decades (despite major falls in union membership) and voters consistently opposed the 'WorkChoices' reforms of Australia's Howard government.[68]

Neo-liberal policies often involve replacing state regulation with markets, and these can be described as 'market neo-liberalism'. But this is not always the case. Sometimes state intervention merely changes or even increases. An example is the Australian WorkChoices legislation of 2006. It increased restrictions and penalties on unions undertaking industrial action, imposed major limitations on union officials' right to enter workplaces, took away many remaining powers of the independent tribunals, sought to make state jurisdictions redundant, abolished protection against unfair dismissal for the majority of workers, and enabled individual contracts to undercut most minimum provisions in awards without compensation. While on the one hand espousing the rhetoric of enabling employers and employees to determine enterprise-level outcomes for themselves absent of third-party intervention, its 1,388 pages of legislation, 414 pages of regulations, and 890 pages of explanatory memoranda—2,692 pages in total—sought to intervene in microlevel relations in a partisan fashion to an unprecedented degree. If an agreement contained provisions that the federal minister found objectionable—for example, provisions for unfair dismissal protections or union training—the parties were liable to heavy fines.

One corporate lobbyist likened it to the 'old Soviet system of command and control, where every economic decision has to go back to some central authority and get ticked off'.[69] Hence this variant can be described as 'Stalinist neo-liberalism', in stark contrast to 'market neo-liberalism'. There are many variants in between.[70] The common theme is not laissez-faire markets, but the rewriting of rules (market or otherwise) in favour of

67 Georgina Murray and David Peetz, 'Ideology Down Under and the Shifting Sands of Individualism'. In *Labour and Employment in a Globalising World: Autonomy, Collectives and Political Dilemmas*, ed. Christian Azais (Brussels: PEI Peter Lang, 2010); David Peetz, 'Are Collective Identity and Action Being Squashed by Individualism?'. In *Work and Identity: Contemporary Perspectives on Workplace Diversity*, ed. Shalene Werth and Charlotte Brownlow (New York: Palgrave, 2018).

68 Murray and Peetz, 'Ideology Down Under'.

69 Quoted in 'IR Laws like "Soviet-style command"', *Sydney Morning Herald,* 27 March 2006.

70 For some examples in Australian industrial relations, see David Peetz and Janis Bailey, 'Neoliberal Evolution and Union Responses in Australia'. In *International Handbook on Labour Unions: Responses to Neo-Liberalism*, ed. G. Gall, A. Wilkinson, and R. Hurd (Cheltenham: Edward Elgar, 2011), 62–81.

capital. So it is that even think-tanks that describe themselves as advocates of free market policies end up supporting interventionist policies that favour capital or conservative political parties.[71]

The class-based nature of neo-liberalism was most effectively articulated by geographer David Harvey, who described 'accumulation by dispossession'—a series of ways (other than through the exploitation of labour) in which value was taken from ordinary people under neo-liberalism and given to the wealthy owners of capital.[72] These included privatisation of public assets; laws that facilitated mergers and acquisitions, Ponzi schemes, foreclosures and other financial rorts; the creation and manipulation of crises to impose emergency 'structural adjustment programs' of the International Monetary Fund or the like (what Naomi Klein calls 'disaster capitalism' or 'shock therapy');[73] and redistribution through taxes and public expenditures. Harvey drew similarities between 'accumulation by dispossession' and what Marx had referred to as 'the so-called primitive accumulation' by which peasants had been dispossessed of their land and property prior to the full emergence of capitalism.[74]

Another meaning that is given to 'neo-liberalism' is more about ideas than policies—what Bloom and Rhodes call 'the extension of market-based values to all dimensions of human endeavour'.[75] Thus neo-liberalism promotes 'managerialism', meaning that 'the management of market-based organisations is the preferred way to manage all other types of organisations'.[76] As a belief system, according to these authors, neo-liberalism has two major tenets: market efficiency and individualism.[77]

71 For example, in Australia the Institute of Public Affairs, the most prominent neo-liberal think-tank, has supported government intervention on industry superannuation fund boards to make them less competitive with bank-owned funds, warned that 'Gay Marriage Could Reduce Freedom', supported a subsidised 'special economic zone' in part of Australia, pushed for culturally conservative policies on issues such as 'race' and crime, supported Brexit, lamented 'If Only Trump Were Australian' and that the government 'Must Learn From Breitbart', though most extensively it has advocated climate change denial, including by promoting brown coal and nuclear energy, opposing carbon trading schemes and criticising private banks for not lending to possible new coal mines. See various entries at www.ipa.org.au. Further information on think-tanks in various countries is in A. Salas-Porras and G. Murray, eds, *Think Tanks and Global Politics: Key Spaces in the Structure of Power* (Singapore: Palgrave Macmillan, 2017).

72 David Harvey, 'The "New" Imperialism: Accumulation by Dispossession', *Socialist Register* 40 (2004): 63–87. David Harvey, *The New Imperialism* (Oxford: Oxford University Press, 2003).

73 Naomi Klein, *The Shock Doctrine: The Rise of Disaster Capitalism* (Toronto: Knopf, 2007).

74 Karl Marx, *Capital: Volume 1* (London: The Electric Book Company, 1887, repr. 1998), Chapters XXVI–XXXII.

75 Peter Bloom and Carl Rhodes, *CEO Society: The Corporate Takeover of Everyday Life* (London: Zed, 2018), 19.

76 Ibid.

77 Ibid., 20.

On the surface, this meaning seems quite at odds to the policy regime described above, which can also encompass some non-market, authoritarian policy tendencies in the interests of capital. But shortly after, Bloom and Rhodes expand the meaning to encompass 'corporate values associated with authoritarianism, self-determinism and rationality'.[78]

Perhaps, though, this is not an expansion of meaning. Deferring to the logic of markets essentially involves deferring to the logic of power. Neo-classical economics (the theoretical foundation for neo-liberal policy ideas) has no way of accounting for power in market transactions: it allows for the potential that 'rents' (surpluses) might be extracted through monopoly positions, and uses this to justify the need for government monopoly services to be privatised, but has no formal role for power in private markets. So the outcomes of all market transactions become the neutral outcomes of the laws of supply and demand, which, while very important, do not tell the whole story of markets, and do not tell the role of power in explaining why, for example, workers in some industries might be victims of 'wage theft', and of why CEOs end up overpaid, according to a consensus across many countries.[79] There is, after all, nothing especially democratic about markets: while democracy is based (in theory at least) on 'one vote one value', in markets power increases proportionately with financial resources, and, in at least one telling, 'politics and democracy are simply a hindrance on the way to efficiency and competitive advantages'.[80]

What Bloom and Rhodes are talking about, then, is the ideology that supports the policy practices described here. The main reason for using the term in this book to describe a set of *policies* is simply that it is not an *ideology* that commands, or has ever commanded, majority support among citizens. While some aspects of it have had widespread support, others, as mentioned, have not, even while as a belief system it has been widely adopted by senior policy cadres in many governments[81]—though even then it battles against political realities. It is because neo-liberalism is more often manifest in policy behaviour than as popular ideology—and its role in policy behaviour is what has shaped the realities of work—that the former meaning is given to it here.

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78 Ibid., 39.

79 David Peetz, 'An Institutional Analysis of the Growth of Executive Remuneration'. *Journal of Industrial Relations* 57, no. 5 (2015): 707–25.

80 Thomas Klikauer, 'What Is Managerialism?'. *Critical Sociology* 41, no. 7–8 (2015).

81 Pusey, *Economic Rationalism.*

Public policy in most countries, including but not only most developed countries, has been heavily influenced by neo-liberal ideas since the 1980s. However, the take-up of neo-liberal ideas has varied between countries. Even before the 1980s, there were major differences in the broad policy approaches that countries took, ranging from the very market-dominated USA to the interventionist states in Scandinavian countries. One way of characterising the differences in approaches has been the 'varieties of capitalism' literature.[82] The key writers on this topic, Hall and Soskice, originally suggested two key varieties: countries with a higher commitment to equality ('coordinated market economies', such as Germany, Sweden and Japan, with a stronger welfare net, higher protections for workers and a more unionised labour force) and countries with a higher commitment to the market—'liberal market economies', such as the USA and UK, with relatively low protections for workers and a low welfare safety net. Others have argued there is more of a continuum, with many nuances.[83]

The precise origins of neo-liberalism are debated, but the US Reagan government and the UK Thatcher government, which dominated the 1980s in their countries, are seen as driving forces. As important as real-world actions were, credit must also be given to developments in the economics profession itself, with Keynesian economics falling out of favour and monetarist economics, spearheaded by Milton Friedman, coming to dominate economics thinking and teaching at universities. In that sense, it may be better to date the origins of neo-liberalism to the collapse of the Bretton-Woods international currency agreement in 1971 or the OPEC oil price rise of 1973 and the subsequent widespread phenomenon of 'stagflation' (simultaneous high unemployment and inflation), as these undermined the credibility of Keynesian economics. Although monetarism as a serious body of theory has long disappeared (something of that name is no longer commonly taught), for a long time free-market theorising dominated economic thinking, as its mathematical elegance (regardless of real-world applicability) made for ready publications and the comforting belief that economists were studying a hard 'science' with simple rules that meant it could be treated as a serious academic discipline.[84] Dating its origins to the early 1970s also makes it

82 Peter A. Hall and David W. Soskice, *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (Oxford: Oxford University Press, 2001).

83 Colin Crouch, *Capitalist Diversity and Change: Recombinant Governance and Institutional Entrepreneurs* (Oxford: Oxford University Press, 2005).

84 Quiggin, *Zombie Economics.*

easier to recognise that the violent coup in Chile, on 11 September 1973, was the beginning of the first nationally imposed neo-liberal regime. As a project in which, as Connell points out, global market relations aim to penetrate every sphere and become the dominant rationality of life, it also has major implications for the global South as a new development strategy, involving, as she also says, reshaping of class relations within the South and a reconstruction of global trade.[85] Neo-liberalism only gained ascendancy in the global North, however, with the Thatcher and Reagan governments of the 1980s.

Its solutions were found wanting, and it was totally discredited with the global financial crisis (the 'great recession') of the late 2000s, when financial markets, operating in the closest thing yet to a 'perfect' market with 'perfect information', entirely failed to predict the collapse of key financial products and indeed largely created the crisis themselves. As nothing rose to take the place of neo-liberalism, however, ideas discredited by the global financial crisis—such as the efficient markets hypothesis, the benefits of privatisation, and 'trickle down' notions—still underpin the thinking of many policy-makers. The ideas are, as John Quiggin argues, like zombies: 'neither alive nor dead'.[86]

To some extent, the rise of 'behavioural economics' (which seeks to integrate some of the lessons from psychology about irrational behaviour into economic modelling) has been a response, albeit only partial, to the gap between theory and reality. Yet, despite the fatal flaws, neo-liberal beliefs persist, zombie-like, in economic theorising and, more importantly, in public policy-making, evident especially in the strength of 'austerity' politics in Europe. This suggests that the endurance of neo-liberal ideas is not so much a result of their merit but of the groups in whose interests it is that these ideas persist.

This is not to deny that some market liberal policies have benefited labour by tackling the high transfer of income to parts of capital through former protectionist policies (e.g. reductions in tariffs on highly protected imports used by working-class consumers benefited them—this was a policy

85 Raewyn Connell, 'Understanding Neoliberalism'. In *Neoliberalism and Everyday Life*, ed. Susan Braedley and Meg Luxton (Montreal, QC, & Kingston, ON: McGill-Queen's University Press, 2010): 22–36; Raewyn Connell and Nour Dados, 'Where in the World Does Neoliberalism Come From? The Market Agenda in Southern Perspective'. *Theory and Society: Renewal and Critique in Social Theory* 43, no. 2 (2014): 117–38.

86 Quiggin, *Zombie Economics.*

initiated in Australia by the Whitlam government, well before the onset of neo-liberal policy dominance).[87] It would indeed be surprising if every market liberal policy from the 1980s onwards unambiguously favoured capital—this outcome would rely upon every policy initiative before the 1980s being to the advantage of labour, an unlikely outcome in the light of labour's inability to seize total control of the state apparatus through the post–World War II era. And some market neo-liberal policies that, in relative terms, favour labour (such as, in Australia, the 1985 introduction of capital gains tax and abolition of deductions for entertainment expenses) may even be seen as the concessions that capital must make, without touching 'the essential', to maintain hegemony.[88] Other liberal market policies that would benefit workers and society generally (such as a carbon price) may be strenuously resisted by parts of capital. More often than not, though, market liberal policies favoured capital and thus the neo-liberal project embraced the market agenda, except where that agenda produced the 'wrong' results.

Financialisation

Financialisation has been described by Palley as 'a process whereby financial markets, financial institutions and financial elites gain greater influence over economic policy and economic outcomes' such that financialisation 'transforms the functioning of economic systems at both the macro and micro levels'.[89] Financialisation did not create globalisation, but it ensured that the globalisation would operate in a particular way, enhancing the mobility and mobilising power of capital but restraining that of labour, leading to a structural shift in income distribution away from wages towards profits and executive remuneration.[90] As, globally, 'patient capital' was replaced by 'agile capital', the focus of share markets became increasingly short term and corporate managers increasingly focused on achieving short-term profit goals, growth through acquisitions

87 David Peetz, 'Protection and the Labour Movement'. *Journal of Australian Political Economy* 12/13 (1982): 62–73.

88 Sassoon, *Approaches to Gramsci*, 13; Gramsci, *Selections from the Prison Notebooks*, 161.

89 Thomas I. Palley, 'Financialization: What It Is and Why It Matters'. Working Paper No. 525 (Annandale-on-Hudson, NY: Levy Economics Institute, 2007), papers.ssrn.com/sol3/papers.cfm?abstract_id=1077923.

90 Frank Stilwell and Kirrily Jordan, *Who Gets What? Analysing Economic Inequality in Australia* (Cambridge: Cambridge University Press, 2007).

and mergers, and the booms in executive remuneration thereby brought.[91] The logic of financialisation was that 'perpetual restructuring' becomes the norm 'as firms seek ways of cutting costs and managing assets to meet capital market requirements'.[92]

Financialisation may be thought of as being mainly seen in the rising share of the finance sector in the economy.[93] However, it is often specifically about the rising share of *finance capital income* in the economy. It is often only financial capital, not workers in the finance sector, that has benefited from financialisation, and this has contributed to rising inequality.[94] The labour time (as measured by relative employment) taken up by the finance sector has changed little.[95] The widely recognised shift in income from labour to capital can be predominantly a shift in income to finance capital.

Greater emphasis on maximising short-term financial returns makes managers in industrial capital more focused on minimising costs, including by cutting labour costs such as wages and money spent on training or worker development. The more that opportunities were provided for profits by what Harvey called 'accumulation through dispossession'—that is, the more money could be made by mergers and acquisitions, privatisation or numerous other such devices—then the more pressure would in turn be placed on corporate managers to go further and faster down this cost-cutting path in the race for competitive short-term returns.

Financialisation and power

Not only is financialisation important for understanding trends in inequality, it is also important in understanding trends in the forces that shape work. I will first illustrate how resource dependency is central to the reproduction of power, then canvass trends in the power of labour and capital.

91 William Carroll, *The Making of a Transnational Capitalist Class* (London: Zed Books, 2010).
92 Paul Thompson, 'The Capitalist Labour Process: Concepts and Connections'. *Capital and Class* 100 (2010): 7–14.
93 Richard B. Freeman, 'It's Financialization!'. *International Labour Review* 149, no. 2 (2010): 163–83.
94 David Peetz, 'The Labour Share, Power and Financialisation'. *Journal of Australian Political Economy* 81 (2018): 33–51.
95 Ibid.

Power resources and credibility

A good approach to looking at the ways in which power is produced and reproduced is to ask how it is that some (but not all) discredited institutions maintain power. The financial ratings agencies—which assess the creditworthiness (likelihood of default) of various financial products or organisations offering them—made huge and repeated errors in the lead-up to the global financial crisis, consistently overestimating the creditworthiness of numerous securities, such as collateralised debt obligations. If any part of finance capital was to lose its position of power after the financial crisis, it would be the ratings agencies. In effect, ratings agencies were paid by bond issuers to give them a good rating.[96] One agency's defence, when sued, was that their assertions (that they used 'transparent and independent decision-making' to produce 'independent and objective analysis') were 'mere commercial puffery'.[97] Yet no one in the ratings agencies went to gaol for their role in the global financial collapse and their ratings continue to be influential—even among those who should know better.

Objectively, one would expect such institutions to have lost their influence. After all, if a government agency makes a major blunder, or an organisation that is accountable to government does so, their loss of credibility may be followed by their being seriously restructured or even abolished. Yet here we have an example of institutions that have survived with little damage despite being discredited. The ratings agencies operate in a market context, so we cannot blame the lack of market exposure for the problem.

A feature of such resilient organisations is that they control resources that others are dependent on and that others cannot get through alternative means. As part of this, they are not dependent on coordinated others (unlike, say, government agencies who destroy their own credibility, but who are accountable to a coordinated entity—the government). The ratings agencies could be subverted and replaced if governments and investors were internationally coordinated, but the latter lack the will or capacity to do so. Absent international coordination, governments

96 Jesse Westbrook, 'SEC Ratings Probe Reveals Conflicts in Grading Debt'. *Bloomberg*, 8 July 2008; Matt Stoller, 'S&P—"Our Ratings in the Mortgage-Backed Securities Area Were Not Venal"'. *Naked Capitalism*, 12 August 2011.
97 Kevin Drum, 'S&P Admits in Court That Its Ratings Are Ridiculous and No One Should Ever Take Them Seriously'. *Mother Jones*, 8 July 2013.

(and investors) rely on the informational and reputational resources controlled by ratings agencies, as flawed as they may be. This power can also be likened to Bachrach and Baratz's second face of power: the idea of replacing the ratings agencies is not on the agenda of any decision-making process, due to the reliance of decision makers on the resources possessed by those agencies and the lack of an institutional process (coordination) that could address it.

Power and workers

Two different trends can be seen in employees' ability to have more say at work. Both are influenced by financialisation. The first is the decline in union membership over the past three decades. It has fallen from around 30 per cent of employees across the OECD in 1985 to 17 per cent in 2015, and fell in all but three OECD countries over that time.[98] Unions were the workers' 'voice' at work. At times they forced managers to take account of, even accede to, what workers wanted. Lower union membership and lower union power mean less worker say at work. Internationally, high rates of union membership had been linked to lower inequality, and better gender equity.[99]

The second trend affecting employees' ability to have a say at work concerns how managers handle employees. It is about the appearance of power. Some managers are seen by employees as tightening their grip over them. Barcode measurement of warehouse task times, scan rates in supermarkets and timing of gaps between calls in a call centre are all illustrations of that. But some managers are seen as giving workers *more* say. It is hard to tell, but the latter group seems to outnumber the former. Quality circles,[100] open-door policies, consultative committees and the like promote that perception. Sometimes it is for real. Sometimes employers do it in order to discourage workers from joining a union. Often, though, it is a mirage,

98 Organisation for Economic Co-operation and Development, *Employment Outlook* (Paris: OECD, 2017).

99 Ünal Töngür and Adem Yavuz Elveren, 'Deunionization and Pay Inequality in OECD Countries: A Panel Granger Causality Approach'. *Economic Modelling* 38 (2014): 417–25; Jonas Pontusson, 'Unionization, Inequality and Redistribution'. *British Journal of Industrial Relations* 51, no. 4 (2013): 797–825; Bruce Western and Jake Rosenfeld, 'Unions, Norms, and the Rise in U.S. Wage Inequality'. *American Sociological Review* 76, no. 4 (August 2011): 513–37.

100 A quality circle is a group of employees (typically 6 to 12 from the same work area) that meets regularly to solve problems affecting its work area. Edward E. Lawler III and Susan A. Mohrman, 'Quality Circles after the Fad', *Harvard Business Review*, January 1985, hbr.org/1985/01/quality-circles-after-the-fad.

and only lasts until the next round of redundancies. Starbucks called its employees 'partners' until it sacked 685 of them.[101] Walmart calls its employees 'associates' unless they start using words like 'grievance' or 'seniority'—that could make them ex-'associates'.[102] We'll see more about this in Chapters 4 and 7. One can try to stop employees thinking about their rights as employees by calling them 'members' or something else, but that does not make much difference when the pink slips[103] go around. And therein lies the problem with management-driven initiatives to give employees more say at work. What the boss giveth, the boss can take away.

The problem goes deeper than this, in fact. Within the workplace, there are major concerns about working hours, work intensity, work–life balance, pressures on women, 'overemployment' and underemployment, demands on employees for flexibility, insecurity, micromanagement of time and managerial efforts to control 'culture'. Most would likely not be happening if power was shifting *towards* workers. Another sign of low worker power is the low rate of wages growth, along with the fall in the labour share of national income that is evident in around three-quarters of OECD countries for which data are available.[104] Whatever employers have voluntarily done about employee say, there is little doubt that the underlying trend is for less worker power in the workplace. But, as mentioned, internal and external labour market power available to some individual employees, and the associational power available to workers who collectively organise, mean that the power of labour is unevenly distributed: some still have considerable power, even if most have very little. The combined negative effects of financialisation on workers' power in turn would help explain an observed correlation between financialisation and inequality in the USA since 1970 and across the OECD since 1990.[105]

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101 David Emerson, 'Starbucks Axes 61 Stores and 685 Jobs'. *Sydney Morning Herald*, 29 July 2008.

102 Militantcentrist, 'Union-Busting & You: Wal-Mart's Handy Guide to Preventing Union Organization'. *Daily Kos*, 25 September 2012. www.dailykos.com/stories/2012/9/25/1136113/-Union-Busting-You-Wal-Mart-s-Handy-Guideto-Preventing-Union-Organization.

103 Redundancy notices.

104 Jim Stanford, 'The Declining Labour Share in Australia: Definition, Measurement, and International Comparisons'. *Journal of Australian Political Economy* 81 (2018): 11–32.

105 Oscar C. Soons, 'Inequality and Financialization'. Senior Honors Projects. Paper 492, University of Rhode Island, 2016. digitalcommons.uri.edu/srhonorsprog/492?utm_source=digitalcommons.uri.edu%2Fsrhonorsprog%2F492&utm_medium=PDF&utm_campaign=PDFCoverPages. Pasquale Tridico, 'The determinants of income inequality in OECD countries'. *Cambridge Journal of Economics* 42, no. 4 (2018): 1009–42.

Power and capital

Before the global financial crisis, members of the financial elite openly spoke of the rise of 'plutonomy', an economy 'powered by the wealthy'.[106] This illustrated clearly how much more capital had prospered than labour. Yet, while over the past three decades labour has become weaker, it does not follow that employers everywhere have become more powerful. The actions of corporations now are increasingly driven by the movements in stock or share prices, and their results are assessed on quarterly results, making planning over longer time periods increasingly precarious and responding to social considerations more difficult. Hence firms with higher volatility in share prices are less likely, for example, to commit to mechanisms associated with action on climate change.[107] The main owners of stocks (especially in the USA, but also globally, including in Australia) are now finance capital.[108] So the decisions of finance capital to buy and sell shares shape corporate behaviour. Finance capital is increasingly becoming the 'core' of capital, into which a growing amount of profit is being funnelled. Much of capital outside of the finance sector is 'peripheral' to this activity.

This does not mean, however, that all capital outside finance (call it 'industrial capital')[109] is peripheral. Within most industries, the trend over the past three decades has been towards increasing concentration of power, with a higher proportion of sales accounted for by a small number of corporations.[110] It is not only due to financialisation. We see a tendency for some parts of capital (finance capital and large firms dominating industries) to experience a growth in power, while other parts of capital,

106 Ajay Kapur, Niall Macleod, and Narendra Singh, 'Plutonomy: Buying Luxury, Explaining Global Imbalances'. *Citigroup Equity Strategy Industry Note* (Citigroup Capital Markets, 2005), 16 October; Ajay Kapur, Niall Macleod, and Narendra Singh, 'Revisiting Plutonomy: The Rich Getting Richer'. *Citigroup Equity Strategy Industry Note* (Citigroup Capital Markets, 2006), 5 March.
107 David Peetz and Georgina Murray, 'Financialization of Corporate Ownership and Implications for the Potential for Climate Action'. In *Institutional Investors' Power to Change Corporate Behavior: International Perspectives, Critical Studies on Corporate Responsibility, Governance and Sustainability*, ed. Suzanne Young and Stephen Gates (Bingley, UK: Emerald, 2013), 99–125.
108 G. Murray and D. Peetz, 'The Financialisation of Global Corporate Ownership'. In *Financial Elites and Transnational Business: Who Rules the World?*, ed. G. Murray and J. Scott (Cheltenham: Edward Elgar, 2012); Georgina Murray and David Peetz, 'Restructuring of Corporate Ownership in Australia through the Global Financial Crisis'. *Journal of Australian Political Economy* 71 (2013): 76–105.
109 'Industrial' is the term used in the stockmarket for non-finance firms.
110 Murray and Peetz, 'Financialisation of Ownership'; Murray and Peetz, 'Restructuring Corporate Ownership'.

acting in response to the demands of those with growing power, exhibit less power—and often place pressure on labour in an attempt to maintain profitability in some form.

Just as there are divisions within industrial capital, so too there are divisions within finance capital. For example, some parts have an increasingly short-term orientation; others need to maintain or even increase their long-term orientation.[111] We will look more closely at this in Chapter 9, in the context of responses to climate change, but the purpose in raising it here is to point out that financialisation is also a nuanced phenomenon. Finance capital is also quite unlike labour in that it is not interested in collective action. Even on matters of common concern—like the future of the planet—climate-interested investors may sign statements demanding action from governments, but they will not act in unity to invest in, or divest from, anything.[112] To do so would be both unnecessary (finance capital does not need associational power) and inconsistent with the competitive ideology that permeates finance capital. However, finance capital following a common logic sometimes gives the false appearance of conscious collective behaviour.

One more point about financialisation needs to be made in this chapter, and it concerns the link to neo-liberalism. The greatest beneficiary of neo-liberal policies has been finance capital. Privatisation has principally enriched the investors (financiers) who were able to purchase the organisations or licences for running previous government services. Cuts in wages and conditions have benefited share prices and shareholders, who are predominantly finance capital. It is the interests of finance capital, not the external validity of any findings, that maintain the primacy of neo-liberal policy. The economics profession itself is suffering from a hostile takeover by the finance sector: academic commentators who appeared on the media in the 1970s to comment on economic news have long since been replaced by professional economists on the payroll of financial corporations; enrolments in university economics courses are in decline, subverted by 'management', 'business' and 'finance' studies; and the profession is reeling from criticism of its treatment of gender issues and

111 David Peetz and Georgina Murray, 'Conflicts within Transnational Finance Capital and the Motivations of Climate-Interested Investors'. In *Globalization and Transnational Capitalism in Asia and Oceania*, ed. Jeb Sprague (Routledge, 2015), 163–79.
112 Ibid.

female economists.[113] Several prominent studies by economists used to justify neo-liberal policies have been subsequently found to be on weak or even erroneous foundations, their publication seemingly reflecting 'confirmation bias' among editors and/or reviewers.[114]

The theoretical logic of market solutions is more threadbare than ever in the light of policy failings, but finance capital itself was not weakened by the financial crisis it created; if anything, centralisation within finance capital increased, at least right at the top.[115] The reproduction of that power has, itself, facilitated the continuing importance of neo-liberal policies. Hence, for example, European finance capital played a crucial role in the perpetuation of 'austerity' policy in that continent after the global financial crisis, despite the illogic of market solutions. This in turn had implications for pay and conditions in many European countries, particularly those near the Mediterranean. Neo-liberal policy ideas are important for maintaining the power of finance capital, and the power of finance capital helps explain why neo-liberalism remains important.

In the garden

Finally, let's go back to that walk in the Parliamentary Rose Garden. The issues that prompted it tell us a lot about what shaped the next three decades of policy and may shape it for years to come. Globalisation was the backdrop for what happened, but not the driving force. Finance capital had gained new power through the deregulation of financial markets over two years earlier. It intimidated a Labor government, perhaps unwittingly—we should not assume a conspiracy to undermine the dollar, and the erratic nature of financial markets probably owed more to inexperience than anything else. However, it created the illusion of collective punishment by finance that heightened the insecurity of those in Cabinet. The government responded by strengthening neo-liberalism

113 Justin Wolfers, 'Even Famous Female Economists Get No Respect'. *New York Times*, 11 November 2015; Alice H. Wu, 'Gender Stereotyping in Academia: Evidence from Economics Job Market Rumors Forum'. SSRN, August 2017. pdfs.semanticscholar.org/5eb3/f36b34a9d6379a4de6923ceed99a9bc22a77.pdf?_ga=2.156327803.1957153287.1567424486-1023833107.1567424486.

114 Servaas Storm, *Labor Laws and Manufacturing Performance in India: How Priors Trump Evidence and Progress Gets Stalled.* Working Paper No. 90 (New York: Institute for New Economic Thinking, January 2019), www.ineteconomics.org/uploads/papers/WP_90-Storm-Labor-Laws.pdf.

115 Murray and Peetz, 'Financialisation of Ownership'.

almost each year thereafter (for which it was later rewarded by the media and conservatives through being retrospectively called a great 'reforming government').[116] There was a sense of powerlessness in the government in the face of financial markets—as if it had no alternative. Whether there was a viable alternative to the announcements of late July 1986 is a moot point. But for many of the policies that followed there were almost certainly viable alternatives. No two governments follow the same policy paths, each makes decisions that affects how it responds to globalisation and financialisation. The future, too, will be shaped by those responses.

The future of globalisation, and indeed of capitalism around the world, is unclear. Several scenarios suggest themselves, including further market liberal policies, strengthening the role of markets and the hand of capital; more authoritarian policies favouring capital, possibly weakening the role of markets but strengthening the hand of capital; or a shift in power towards labour. In the rest of this book we will consider factors shaping the current realities of work and the choices that will be made from now, and that determine which of the potential futures becomes a reality—and revisit these scenarios in the final chapter.

116 Laurie Oakes, 'An Overlooked Hero of Reform'. *Daily Telegraph*, 20 June 2014; Troy Bramston, 'Hawke Model Could Serve as a Pick-Me-up for Next-Gen Labor'. *Australian*, 4 March 2013.

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