

## Globalisation, (de)civilization and morality

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Veröffentlichungsversion / Published Version

Arbeitspapier / working paper

### Empfohlene Zitierung / Suggested Citation:

Schrader, H. (1996). *Globalisation, (de)civilization and morality*. (Working Paper / Universität Bielefeld, Fakultät für Soziologie, Forschungsschwerpunkt Entwicklungssoziologie, 242). Bielefeld: Universität Bielefeld, Fak. für Soziologie, Forschungsschwerpunkt Entwicklungssoziologie. <https://nbn-resolving.org/urn:nbn:de:0168-ssoar-424122>

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## **WORKING PAPER N° 242**

**Globalisation, (De)Civilisation and Morality**

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ISSN 0936-3408

# GLOBALISATION, (DE)CIVILISATION AND MORALITY

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## 0. Introduction<sup>1</sup>

This paper is concerned with the question what happens to morality/ethics in the course of globalisation. A background theory that I apply is Norbert Elias's civilisation theory. In the civilisation process, argues Elias, a number of parallel processes occurred. The shift from pre-modern to modern society was characterised among other things as a shift in internally pacified institutions, laws, constraints and morality/ethic. The nation-state was in Elias's analysis the largest such unit which held the monopoly of force and marked an important boundary between an inner and outer morality.

Sociologists, however, have identified a further transgression from modern to post-modern society, some of them having the vision of 'world society'. The questions to me are obvious: What happens to the nation-state in the course of globalisation, to its monopoly of force and to the suppression of at least internal violence? To put it in colloquial language: How far is morality affected by globalisation?

The first part of this paper discusses the bundle of globalisation processes. I will argue that globalisation challenges the nation-state. On the one hand, supra-national economic and political units emerge. On the other hand, globalisation is more than homogenisation. It is simultaneously localisation and fragmentation.

The second part considers the importance of morality at the nation-state level in a kind of equilibrium analysis. The important issue for philosophers, social scientists and economists has always been what constitutes the glue of society (or - to use John Elster's [1989] metaphor: its 'cement'). I argue that a stable market society requires the composite of the three control principles: market, state and morality. What, however, happens when the importance of the state as a counter-control principle to the market decreases in the course of globalisation?

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<sup>1</sup> An earlier version of this paper was submitted to the Eidos-Conference 'Globalisation and Decivilisation' at University of Wageningen in Dec. 1995.

The third part of my paper takes up this question from two sides. One side is a pessimistic scenario: The monopoly of force that was held by the nation-state cannot be shifted to supra-national organisations for a number of reasons. This results in an increased potential of infra- and supra-national violence. A more optimistic view is that morality gets increasingly important in the course of globalisation. I do not believe in a newly emerging global morality. However, in a globalised world individual and collective actors aim at reducing the risen complexity of life, the risk and uncertainty involved. I argue that even at the highest transnational level personalised networks structure the social and economic fabric and these are characterised by a high degree of morality. The seeming paradox occurs that globalisation and personalisation are closely related to each other.

### 1. Globalisation Processes

Globalisation is a bundle of parallel processes. According to Archer (1991: 133) they engender a 'growing world-wide interconnectedness of structure, culture and agency'. For Margaret Archer globalisation means that societies are no longer the prime units of analysis of sociology. Albrow (1990: 9, 11) argues that societies can no longer be considered as a system in an environment of other systems but also as subsystems of the larger inclusive world society.

On the level of political economy globalisation is closely linked with the weakening of the nation-state as the prime decision maker and identity marker. Neoliberal economists argue that growing competition in the Third World requires to reconstruct the economy as a more efficient regionalised, supra-national space in the West with an internal free flow of means of production and commodities. They simply transnationalise the neoclassical market model. From the point of view of national politics this implies to dissolve trade impediments at the national boundaries (e.g. national customs policies, currencies, labour laws, settlement regulations, environment laws, etc.), and shift certain seigniorial rights from the nation-state to supra-national institutions and organisations. These aim at homogenising national laws, rights and obligations. A final aim of these attempts is the emergence of certain supra-national spaces with a common policy in economic and non-economic spheres.

The idea of such supra-national spaces is not new, and there were a number of trade associations in the post-war era such as EEC, EFTA, ASEAN or COMECON. Some of

them have survived, some of them disappeared with the collapse of the command economies, and some of them have been absorbed by further advanced associations. The vision of the EC is the creation of an economic and political 'supermarket'. The recent APEC meeting in Jakarta pronounced to develop a similar market in the Asian-Pacific region.<sup>2</sup> A major difficulty to set up, maintain and even further advance such economic and political spaces is that it requires the nation-states involved to drop certain autonomy and shift control from the nation-state to the supra-national level.

Ethnic identities may fall along nation-state boundaries like in the old world, particularly in countries with a long tradition of civil society such as France or the UK. As a matter of fact citizens and politicians of former empires with strong national identities are not as easy to drop their autonomy and certain identity markers such as country-specific weights and measures, currencies, etc. as countries with a more critical look at their imperialist histories. Furthermore, in political and economic crises the national identity is a useful tool to draw upon and conceal certain internal constraints. However, globalisation does not necessarily imply that we all live in the same social world. Local priorities and interests still constitute our social worlds. This means first of all that heterogenisation and homogenisation are both consequences of globalisation (Smart 1994: 153).

The process of globalisation requires an opening of the boundaries and increasingly questions the unit 'nation-state'. A commonly held view is that globalisation produces uniformity and standardisation through technological, commercial and cultural synchronisation. However, the other side of the coin of globalisation is a hybridisation of cultures that gives rise to a global *mélange* (Nederveen-Pieterse 1994, see also Featherstone 1990). The weakening of national identities in the course of globalisation may cause a decline of patriotism. The other way around, however, migration movements within the process of globalisation, may strengthen patriotism and long-distance nationalism.<sup>3</sup>

However, more common is that national and ethnic identities fall asunder. State boundaries are political and not ethnic boundaries, and national identities are constructs.

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<sup>2</sup> The Southeast Asian attitude towards Westernisation (represented by the United states) decisively hampers this project.

<sup>3</sup> Recent statements of American rightist Jews to the murder of Rabin provide an example of this.

According to Bamyeh (1993: 2ff.) the strength of the nation-state is based on a superior organisation capacity, in which everything is identified with the nation.<sup>4</sup> Anderson (1988) even speaks of the nation-state as an 'imagined community' (see also Cassirer 1979). This is particularly visible in weak nation-states (I define weak states in the Weberian sense of having no monopoly of force).<sup>5</sup> In a number of Third World states and former socialist countries in Eastern Europe a national identity is very weak and vulnerable and nationalist symbolism cannot overcome this weakness. Ethnic processes can lead to the break-up of a nation-state into smaller, ethnically marked units. This is what happened in Yugoslavia and the former Soviet Union. To put it another way, globalisation may produce both unification and fragmentation, common identity and awareness of political difference, both supra-national and sub-national regionalism.

From world-system perspective regionalised, transnational politico-economic spaces cut across the emergence of a world-society and instead lead to particularisms. From the point of view of political economy they may engender

(i) competition between supra-national blocks that lead to the emergence of new boundaries (e.g. US-EC customs duties, quotas for Japanese imports into the EC etc.). At the moment we can observe a growing mercantilism on this transnational level. Trade statistics already demonstrate that the bulk of trade takes place within such boundaries and not across them (such as the US economy or the EU).<sup>6</sup>

(ii) An uneven distribution of wealth and economic power within these supra-national spaces provides a development slope (such as between Germany and Portugal) that may raise tensions between the nation-states and citizens involved. The ongoing discussion in

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<sup>4</sup> "The lesson of Europe, which the rest of the world began to digest fully with the colonial period, was that one of the essential prerequisites for prevailing over the other was neither richness nor formal governance by themselves, but superior cultural organisation capacity, whereby everything within the domain of 'country' is made serviceable to the designs of the state through its appropriation of 'national' endowment" (Bamyeh 1993: 14, quoted by Korff 1995: 6).

<sup>5</sup> With regard to weak states the often seeming paradox occurs that they have strong state apparatuses and suppression mechanisms. A characteristic of weak states is, furthermore, an economic protectionism.

<sup>6</sup> The proportions of total trade that were intraregional rose between 1980 and 1989 from 51 to 59 percent in Europe, 33 to 37 percent in East Asiam and 32 to 36 percent in North America (Huntington 1993: 27).

the EU on the introduction of the currency union for hard-currency countries only provides such an example. Furthermore, citizens of the richer countries are afraid that a transfer of wealth occurs from their home region to the less developed countries within the union, while the other way around these expect such a transfer.

(iii) Finally, the emergence of regionalised supra-national economic and political spaces may engender changes in centre-periphery constellations within the world economy. Some scholars dared the prognosis of a fall of the old centre into the periphery and the rise of a new centre in the Asian-Pacific region. Frank and Gills (1993) argue that within history a number of hegemonial shifts occurred, so that another shift is at least possible, if not probable. Neoliberal economists add some fuel to the fire by arguing that the old industrial countries had the high cost of invention, whereas in the course of globalisation technological transfers have made the NICs link up with the West and even overtake it due to lower cost of production and only small costs of invention.

From the sociologist's point of view the policy of new transnational spaces aims at creating new transnational identities with homogenised rights and liabilities within the boundaries, joint ID-cards, currencies, flags, hymns, etc. At the same time, however, this policy excludes all those who are outsiders to these spaces. Two-class identities emerge: the 'neighbour' and the 'stranger'. Neighbours obtain privileged conditions in a number of economic and political matters, while strangers are kept outside by introducing new settlement and visa regulations, asylum laws, etc. Simultaneously the emphasis of the media is put to the inner space, and the outer space is increasingly loosing ground in the consciousness of the people. Development sociologists discuss the 'End of the Third World' (Menzel 1992). This does not only address the loss of the meta-development theories of the seventies but also an increasing exclusion of the Third World from transfer payments, from entry to the West at the outer walls of these spaces, and from the consciousness of the insiders. The 'stranger', however, has always been easily identified with the potential enemy (see Simmel 1908).

Summarising this point: Contemporary sociology has extended beyond the forms of social life which are found within the boundaries of the modern nation-state to consider transnational and/or global forms. However, the term 'global society' implies that all people are incorporated into a single, global world. I tried to show so far that this is only one side of the coin which emphasises aspects of global technology, information society or consumer culture. The other side of the coin is a heterogenisation and even fragmentation in a number of fields as a consequence of globalisation. We are far from

living all within the same social world. Local and regional priorities and interests still continue to exist, providing a number of parallel social worlds that we inhabit. Homogenisation and heterogenisation are both consequences of processes of globalisation. To express this some scholars already suggested to replace the term 'globalisation' with 'glocalisation'. On the one hand, the latter term signifies the diversity of processes that simultaneously take place, on the other hand, it again neglects the newly emerging boundaries on this meso-level: regionalised transnational spaces.

Having so far described globalisation processes I turn to another issue: market, state and morality, the three control principles of society.

## 2. The Control Principles of Society

Elsewhere I addressed the relation of market, state and morality in social science and economics (Schrader 1994a). The discussion was more or less confined to the closed society or the nation-state. I analysed what happened to the three control principles in the transformation (or civilisation) process from traditional (or pre-modern) to modern society. For the sake of my arguments in this paper I would like to summarise some important issues and concepts before turning to the question what happens to morality in the second 'Great Transformation' (to paraphrase Polanyi) from modern to post-modern or globalised society.

Theories of economics and social science approach the relation of the three control principles of market, state and society in a kind of equilibrium analysis. Literature usually applies the terms **market** and **morality** in a normative way. From the bourgeois perspective the market is a synonym for rationalism, freedom and democracy, from the romantic and Marxist point of view it is an expression of alienation, egotism and loss of values. I provide three traditions differently interpreting the transformation process which read as follows:

(1) According to economic liberalism the modernisation process has freed the individual from communal constraints and morally legitimised traditional structures of domination by the way of liberalising the means of production and by economic integration. Bringing this interpretation to the point, during the process of socio-economic change morality was increasingly substituted by the market. Development, however, went further from industrial society or modernity to post-industrialism (Bell 1985) or post-modernity



(Lyotard 1986). From such a perspective globalisation of the economy is the emergence of a world-wide market that dissolves international impediments of the free flow of production factors, goods and services. A by-product of this process is the homogenisation of culture and consumer patterns.

(2) Another description of change was provided by Karl Polanyi (1978) and the Substantivist School (Polanyi et al. 1957). They argued that until the emergence of the self-regulating market the economic sphere was embedded in society. Only in the course of the Great Transformation, the emergence of the self-regulating market as **the** control principle of capitalism, the economy was disembedded from and even began to dominate society and to re-structure it according to its requirements. However, so the argument, the self-regulating market that operated on an international scale, provoked the introduction of governmental and social mechanisms of protection against its destructive (and self-destructive) consequences - measures that aimed at re-embedding the market. In summary, the Great Transformation caused the following consequences: Morality, the traditional control principle of society, was substituted by the market principle. However, the state and a number of associations have taken certain functions of protection against the disruptive forces of the market. A continuation of writing 'The Great Transformation' for post-modern society might suggest the necessity of even a stronger interference with the free market by international control organisations and, as some neo-substantivists suggest, a re-embedding of certain interactions into social structures (e.g. Hettne 1990; Schrader 1995).

(3) A third perspective is Norbert Elias's (1981, 1988, 1993) description of the process of civilisation. Civilisation, according to Elias, means the reduction of force, violence and external control through the establishment of institutions and self-control. With the integration of larger units, new institutions emerge. These strengthen internal pacification which, in turn, enforces integration. While internally the use of violence is negatively sanctioned, violence along the boundaries is allowed and quite often increases, partly due to the power potential of larger units to apply violence, partly as a means to conceal internal problems and strengthen cohesion. The control of force through institutions allows and demands the transformation of previous 'external constraints' into 'self-constraints'. So far, the nation state is the largest such unit in which a monopoly of force has been established. The application of Elias's view to my perspective suggests the

following interpretation: Morality, market and state are interdependent. Their importance as a control principle increases in the course of social differentiation.<sup>7</sup>

Elias's analysis stops at the nation-state level. However, as shown in the first part of this paper, the globalisation process and political attempts to supra-national integration challenge the pivotal position of the nation-state as the combination of a territorial, political, social, economic and military unit. The deconstruction of the nation-state for the sake of higher aggregates poses the question what happens to the monopoly of force and morality. Are there any hints for the emergence of a new, global morality that prescribes to be everyone's brother or sister and dissolves conflicts associated with boundaries? Are we so civilised (morally constrained) that we regret violence against 'strangers' (whatever marks their 'otherness') potential enemies? Or, are we so barbarian that the newly emerging transnational boundaries mark the new boundary between inner and outer morality, whereas inner morality can only be maintained by jointly attacking outsiders?

Let us take a closer look at the term 'morality': I understand this term functionally as an internalised control principle. It sets certain limits to selfish action for the sake of social life that have been determined by society or ruling power. According to Rupert Lay (1991: 27-9) moral action is bound to a weighting between the realisation of self-interest and the avoidance of psychical conflicts (feeling guilt or shame, loss of self-esteem, etc.) and social sanctions (loss of reputation or social security). Morality regulates interaction by means of generally accepted and usually adhered standards such as norms, rules or customs, attitudes, prejudices and orientations of value (Lay 1991: 91). Furthermore, what is important here, morality may constitute an unquestioned guideline for collective action. An example provides the attitude towards Jews throughout the European, and particularly German, history. Important for this paper is that morality underlies social change and certain real or imagined boundaries.<sup>8</sup>

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<sup>7</sup> Whereas Elias refers to shame that particularly has been questioned (Duerr 1988), I believe that internalised self-control and its mechanisms can be circumscribed with morality and ethic, respectively.

<sup>8</sup> Max Weber distinguished inner and outer morality. Furthermore, according to Durkheim there are a number of particular moralities in different social contexts (such as family, job, neighbourhood, citizenship).

With regard to the relation of the three control principles 'market, state and morality' I argue that the normatively legitimised, free market game à la Hayek is an insufficient control principle for the functioning of society. However, it is also short-sighted to call for the state as a counter-balancing control principle: the state as an entrepreneur, where the market becomes disequilibrated and where private provision of goods and services is ineffective, or as **the** regulative institution in state capitalism to set market forces out of force. Rather morality as a guideline for individual and collective action seems to be important too. Economists have realised that market and morality are not necessarily mutually exclusive and may even be complementary. This has been called 'functional ethic'. In business administration the concept of corporate ethics/corporate identity has gained increasing importance. It is seen as a tool to reduce transaction costs compared to alternative regulations and institutions that can oblige people to act in a certain way and not another. These imply strong and costly control and sanction mechanisms.

However, in my opinion some degree of self-restriction beyond a functional ethic is necessary for the stability of a market society. Such a self-restriction is set by a post-conventional morality,<sup>9</sup> 'meta preferences' (Hirschman 1993) and 'ethical preferences' (Harsanyi 1985), respectively.<sup>10</sup> I want to emphasise that such a post-conventional morality is based on reflection, discourse and insight (see Ulrich 1990) rather than on unquestioned, collective guidelines. Weak states (among which are a number of developing countries), on the other hand, lack three basic requirements for the establishment of a stable market society: (1) the legitimacy of control; (2) the moral (or with Elias, civilisatoric) self-restriction for the functioning of a market society (such as the individual renunciation of violence and acknowledgement of human rights, but also renunciation of corruption), and (3) a certain degree of ethical basic values and social security. To put it another way: a market society requires the interplay of market, legitimacy of the state and post-conventional morality of the economic agents (Schrader 1994a).

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<sup>9</sup> Homann (1990: 114) distinguished conventional and postconventional morality. The former is based on belief, authority, fear of punishment in this or the next world etc. (i.e. Elias's external constraints). Such a morality was replaced by postconventional forms in the course of modernisation. They are based on an interpersonal insight into the legitimacy of norms or the expectation at least that a legitimisation may be provided.

<sup>10</sup> John C. Harsanyi (1985) distinguishes personal and ethical preferences, and Amartya K. Sen (1977) claims that an economic theory should integrate several orders of preferences of an individual and meta preference orders.

### 3. Globalisation, Postmodernity and Morality

If indeed a stable market society requires the composite of the three control principles market, state and morality, as I suggested in the previous part, how then is this equilibrium affected by the globalisation process? According to Elias the integration of the nation-state resulted in a dissolution of lower levels of integration. So what happens in the course of decrease of importance of the nation-state and the subsequent three-fold process of globalisation, localisation and fragmentation? I outline three potential scenarios.

(i) The first scenario is that the shift of control from the nation-state level to international and transnational organisations and associations can compensate for former state interference in the market against unintended consequences of the functioning of the supply-demand-price mechanism. However, I guess that this is not very probable for the following reason: the international and transnational agencies have much less power than national ones because every political action requires a consensus between the member countries and their conflicting interests. Therefore most progressive and far-reaching ideas and implementations result in compromises and minimum changes (if not a conservation of the status quo).

(ii) The second scenario is that the loss of the monopoly of force at the nation-state level increases the probability of warfare - not so much between nation-states rather than along, first of all, infra-national boundaries. Instead of the 'civilised' world-war of nation-states, violence can take the form of 'barbarian' civil wars within former nation states. The past decades provide sufficient examples from all over the world (even from 'civilised' Europe) to prove this, so that I instead turn my attention to another potential 'demarcation line': newly emerging boundaries on the supra-national level.

There is, first of all, the potential of trade 'wars' between economic blocks. The recent showdown between the United States and Japan provides such an example. The Far East so far was the most promising, but at the same time most suspect economic region for the West. However, a new potential conflict area emerges. The continuously strengthened position of the EU provides a challenge for the USA. Both regions have different economic structures and divergent interests (the EU, contrary to the USA, strongly depends on exports) that might result in a US protectionism and trade war.

There is, secondly, the vision of the rise of the developing countries against the industrial countries that has been taken as an issue in the science-fiction movie 'The Long March'. What was in the film at the beginning a peoples' movement from Africa into South Europe because of hunger and a lack of job opportunities, ended in a massacre among the migrants by European military that defended the European boundaries and wealth against outsiders. A variation of this topic is Huntington's hypothesis of 'cultural clashes' between civilisations that I want to consider now. While during the cold-war era the rule of different inner and outer morality and control of force followed the ideological pattern of politico-economic blocks (which from the point of view of the West was reduced to freedom versus communism, from the perspective of the East to decadence versus communitarism) and potential warfare for these values, this pattern got lost with the collapse of the socialist countries. However, Huntington discovers a new danger: Islam that even congregates with Confucianism. He argues that cultural entities form a large grouping which is based on the broadest level of cultural identity: civilisations. Huntington mentions the following reasons for these clashes: a basic difference between civilisations, a growing awareness of these differences, a religious fundamentalism which intensifies this distinct feeling, a shift of the orientation of cultural elites from the West to their own cultural context (indigenisation of elites), the deep roots of cultural identity, and an increasing economic regionalism with its bias on cultural terms.

As a counter-strategy for the west Huntington suggests to form an alliance with Latin America and Eastern Europe against the Muslim world, to slow down Western rearmament and retain military supremacy, to stop local conflicts which could escalate into larger wars, and to practice a policy of *divide and impera* to finally find a deeper understanding.

Huntington's hypothesis has been rejected. According to Hartmann (1995) the particular problem of Huntington's view is whether indeed culture or civilisation may be the variable which permits cohesion and produces a potential of conflict between East and West. Another problem which Huntington only shortly addresses is the linkage of conflict and confrontation. Albert O. Hirschman (1993, quoted by Hartmann 1995) distinguishes two classes of conflict: conflict over more-or-less versus conflict over either-or. While the first class of conflicts can be solved without confrontation (positive conflict), the latter represents a cut-throat conflict. Even either-or conflicts do not necessarily lead to an elimination of either of the parties involved. Temporary solutions can be found. Or, certain elements in the conflict can be negotiated. Hirschman suggests

that either-or conflicts should be resolved as more-or-less conflicts. Furthermore, I believe that such high-level identity markers such as inhabitant of the same civilisation or periphery do not constitute a joint basis for collective action because this view overlooks the structural heterogeneity of civilisations or the Third World.

(iii) Instead of further addressing the question of violence I would like to again turn my attention to the third scenario. As outlined, globalisation is first of all linked with the decline of the importance of the nation-state as a control principle and an increase of the importance of regionalised transnational markets and political units. It is the assumption that the new disequilibrium of the control principles market and state in the course of globalisation may be compensated by an increase of the control principle morality. This is what I want to consider in the last part of my paper. For the sake of argument I want to separately discuss the levels of individual and collective action.

(a) individual actors

On the individual level the transition to post-industrial or post-modern society has been described as a loss of identity and disorientation. The information society requires the decision either to get out on the data highway and surf in the internet or to be cut off from the world. The data revolution seems to have speeded up the globe's rotation and people have got dizzy. The limits to growth (Hirsch 1977) and the contradictions of capitalism (Bell 1991) and the welfare state (Offe 1984) have become visible, obvious and painful for the citizens. What we previously had to struggle for in the post-war industrial society, namely consumer goods and a certain living standard, has been obtained by a large number of people in the West and is therefore less attractive. Markets of industrial societies have been saturated, a consumer crisis has emerged. Neo-conservative politicians and employers deny such a structural crisis. They think in terms of trade cycles, still believe in growth models and expect a solution to the temporary growth crisis in a global, deregulated market and a deep cut in the social costs of production.

From the sociological point of view post-modernism is characterised by a process of de-legitimisation heated by the demand of legitimisation itself. According to Lyotard (1990: 335) we no longer have recourse to the grand narratives. History is no longer a chronological process. The belief in progress has been de-constructed. As for a number of people consumerism is no longer meaningful, they search for individual strategies of sense-giving such as religious or ecological movements.

Ulrich Beck (1993, 1994) concludes that the industrial society has further transgressed to the individualised risk society. The individual's coping with the loss of identities has been described as a recourse on ethnic, kinship and neighbourhood grounds and on individualised networks. Beck identifies a decreasing importance of collective structures of the industrial societies such as memberships in political parties or labour unions or that 'citizen' as a meaningful pattern is questioned with the emergence of new issues such as 'world society'. Nowadays the individual is the important unit for claims and liabilities and increasingly dependent from labour market and welfare state.

However, Beck does not stop at the level of a deconstruction of identities. He argues that individualisation is not a synonym for atomisation, isolation or loneliness, rather than an active design of the own future and individual biographies. The process of individualisation is the simultaneous disembedding and re-embedding of life-styles, the dissolution of traditional and construction of new forms of solidarity, which are based on individual networks.

Neo-substantivists suggest to re-embed certain economic action and interaction. Stanfield (1990) provides a very idealistic view arguing that the main problem in the current economic and ecological crisis involves the interaction of economy and society. The structural crisis of capitalism provides the chance to restructure the economy according to the requirements of the lives it should serve. This means that one should drop the egocentric, eurocentric and econocentric perspective of the neoliberals and instead take a substantivist perspective of social reproduction and unfoldment. Right-wing politicians turn this argument into a justification that certain obligations and claims on public goods and services in the welfare state should be privatised again and provided by self-organised means, if not sold via the market.

I do not want to go into too much detail here. However, I want to emphasise that with the increase of importance of the control principle market and the loss of importance of the nation-state in the course of globalisation, ideologies and individuals take recourse on an increase of the control principle morality. Frank Parkin has emphasised the development of subordinate value systems in the 'moral density' of local communities. They are based on localised social knowledge and personalised relations (Parkin 1971: 90). Berner's (1995) studies on localities in Manila slums confirm this.

## (b) collective actors

Let us change the perspective to the level of firms, enterprises and organisations. The technical revolution in the information society has further internationalised the exchange relations.<sup>11</sup> A general argument is that time and space have become less important as factors for production and distribution from the point of economics: market places have become disembodied, and social relations disembedded from space and time (see Giddens 1990). Due to the law of supply and demand space in the metropolises has become unaffordable, and labour in the West too costly. Therefore, so the argument, whole branches have been shifted to other countries or at least upcountry such as important software production to Bangalore or chip production to Silicon valley. However, status and corporate culture require large, particularly international, firms to run impressive offices at the nodal points of the world economy, the world cities (Sassen 1994) that symbolise the firms' importance. The perhaps most advanced international market is the financial market. Laymen can hardly understand the types of businesses that take place in this market, particularly the trade in futures. Significant, however, is that already during the period of Keynesianism, but particularly now, the international financial market is the market *par excellence* that does not fit the neoclassical model. Concentration occurred during the past two decades, the market is susceptible to speculation, and therefore developments are hardly prognosticable. For example, nobody can explain the present undervalued dollar price. Furthermore, the important indices (Dow Jones, Dax and Nikkei in Wall Street, Frankfurt and Tokyo, respectively) on actual developments in the financial market do not necessarily fluctuate in conjunction because they reflect expectations rather than actual developments, which are still dependent on national politics in these regions or nation-states.

To make this description short: What seems to me important is that the globalisation of business has led to a strong increase of complexity of economic life, uncertainty and risk for the enterprises involved.<sup>12</sup> The free domestic market meant an increase of chances and alternatives of action because of the depersonalisation of market relations. The

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<sup>11</sup> Korff and Heidenreich (1991) identified a transformation of international into transnational firms. International firms rely on the utilisation of differently priced means of production. Transnational firms, on the other hand, aim at setting up a world-wide network to use synergy effects and reduce transaction costs.

<sup>12</sup> System theory distinguishes between uncertainty and risk. Uncertainty means that the outcome of a situation is open, while risk involves the probability of an outcome.



traditional disciplinary mechanisms of securing business, namely (internal and external) morality, personal knowledge of the exchange partner, long-established business relations (experience), public opinion, personal threat etc. were supplemented by an efficient framework of national law and justice and a monopoly of force to apply disciplinary mechanisms - a high degree of certainty in planning and justice. In international markets, however, it is not so easy to fall back upon the law in case of difficulties in the fulfilment of agreements to force the businesspartner on the opposite side of the globe to pay, deliver timely or at all or fulfill certain standards. International law is highly complicated. There are different national laws, there is a transnationalisation of firms, there is a very ponderous international justice, and there is a distinction between inner and outer morality of economic actors.

How then does transnational business cope with such difficulties? Research has shown that a trans-nationalisation of enterprise is not simply a shift of national competition to a higher level or - what is usually associated with it - a concentration process by eliminating weaker firms. Rather it is a specialisation of enterprise in certain niches in which they get an advantageous, sometimes quasi-monopolistic position due to lack of competition. Trans-nationalisation is a differentiation process, a transnational division of labour that creates dependencies between the highly specialised enterprises (Korff and Heidenreich 1991). An example provides the production of air crafts in the future. Investment is so high and know-how so specialised that even the competitors Boeing and Airbus co-operate in the development of this aircraft generation.

However, I want to go a step further in my analysis. I think, for an understanding of globalisation of business and finance it is useful to remember how market integration took place in the course of emergence of merchant capitalism and long-distance trade (see Braudel 1984, Schrader 1994b). One solution to these problems of uncertainty and risk was and is the falling back on personalised relations. I propose that a number of international networks of firms. Each network is characterised by close, personalised relations. Internationalisation and personalisation, globalisation and localisation are processes that happen at the same time. And, what seems to me important, both processes threaten the nation-state and citizenship as meaningful levels of identity (see Korff 1995).

My statement requires some more reflection. For that reason I provide a short discourse on the phenomenon of business groups. With business groups Granovetter (1994: 454) means 'a collection of firms bound together in some formal and/or informal

ways'. He refers to an intermediate level of binding, which can take various forms: conglomerates,<sup>13</sup> holdings companies and trusts,<sup>14</sup> stable cartels or loose coalitions of firms.<sup>15</sup> Strachan (1976: 2, quoted by Granovetter 1994: 456) emphasises the great diversity of enterprises in a group and an atmosphere of loyalty and trust which is normally associated with family or kinship groups.

Economists use to interpret business groups in a functionalist way as adaptations to specific economic problems. In the transformation process of economy and society business groups were characterised by kinship, religious, ethnic or minority ties. These were, so the argument, impediments in the emergence of modern enterprise, however, only a middle-run phenomenon that was expected to disappear in the process of modernisation. However, reality shows that business groups have continued to be important. I argue in accordance with supporters of New Institutional Economics that business groups are expected to arise in situations where they provide some type of economic advantage. To my mind they are important for every society because they provide the advantage to reduce the complexity of economic life, uncertainty and risk, but they are particularly relevant for the international context as well as in states with high risks in planning and a corrrptive bureaucracy and judicial system. According to Goto (1982: 53, quoted by Granovetter 1994: 457) a firm 'can economise on the transaction costs that it would have incurred (...) through the market, and at the same time, it can avoid the scale of diseconomies or control loss which would have occurred if it had expanded internally and performed that transaction within the firm or through the market, the firm has the incentive to form or to join a group'.

Granovetter rejects such a functionalist view as too narrow. He emphasises the degree of social solidarity and social structure among component firms. According to Leff (1978: 663) members of business groups are linked by relations of trust, based on a

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<sup>13</sup> According to Strachan (1976: 20) in a conglomerate 'a common parent owns the subsidiaries but generally few operational or personal ties exist among the sister subsidiaries. On the other hand, within business groups, (...) there are generally personal and operational ties among all the firms'.

<sup>14</sup> Holding companies and trusts are business groups in which the constituent firms keep their own management and identity.

<sup>15</sup> Such coalitions have no legal status and in which no single firm or individual holds controlling interests of the other firms (e.g. Mitsubishi). These groups may be kept together by mutual stockholding or frequent meetings of the management.

similar personal, ethnic or communal background. With regard to trust I would argue that in contemporary international business the element of trust is substituted to some degree by other risk-reducing mechanisms, for example, by testing the business partner, and finally by establishing long-term trading relations, which are based on experience rather than trust. On the level of society Heinemann (1987) called this reduction of risk and uncertainty 'social certainty', an expectation in the contingency of behaviour of others (see Schrader 1994c).

Another link of business groups is according to Granovetter the interlocking directorate, in which group companies have common members in the boards of directors, or - and this seems to me very important for international relations - cross-stockholding arrangement, i.e. the acquiring of shares of the other firms of the business group. Granovetter adds another factor for business group cohesion: 'moral economy'.

"For business groups, my intention here is to make moral economy a variable, by asking for given groups to what extent their operations presuppose a moral community in which trustworthy behaviour can be expected, normative standards understood, and opportunism foregone (...) More generally, among business groups the world over, there are clear demarcations in the extent to which members see themselves as part of a moral economy" (Granovetter 1994: 466-7).

To my mind these 'sociological' characteristics of business groups are not necessarily opposed to the transaction cost approach. Rather this concept is useful because of its broad understanding of cost components. From the point of view of a business group membership means a reduction of complexity of economic life by solidarity links, moral economy, personal knowledge, corporate identity, etc. Also economists agree that trust and solidarity are important when this provides economic benefits. This is a functional ethic.

I think that it makes sense to link the moral economy approach with the corporate ethic/corporate identity concept. Not only that a corporate ethic engenders an identification of the employees with their firm or business group, an atmosphere of moral economy so that personal well-being and that of the enterprises are felt as the same and everybody tries his or her best. Furthermore, a corporate ethic is a functional tool to attract attention in an intricate market (North 1990, Wieland 1994). It symbolises personal values in business relations such as trustworthiness, morality, honour, justice, responsibility, etc. Firms are a network of contracts which generate ex ante and ex post

transaction costs. Corporate ethic/corporate identity is a tool to lower transaction costs (Williamson 1981, 1985).

To summarise my argument: business groups have so far largely been discussed with regard to certain transition periods in which personalised relations provided advantages to impersonalised ones. To my mind the globalisation of economy and society is such a period. It once again enlarges the possible alternatives of action. However, due to the complexity of economic life firms aim to reduce uncertainty and risk of economic action. Therefore networks of personalised relations are very important in business relations. This creates the seeming paradox that globalisation of business and personalisation of business relations form a couplet. The disembodied, global market is in reality constituted by a large number of business networks and business groups. Nodal points of these networks and groups are the world cities, central places for business groups. This is the second seeming paradox: the structure of global markets and market-places that anthropologists discuss, is from such a perspective very similar.

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