

Master Thesis

Actions and Reactions

The Dialectic Formation of Sustainable Capitalism In the Industrial Age and Globalization

Author: Kimberly M. Maher

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Advisor: Professor Margarete Grandner

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0.0 Introduction

In reading the topic and thesis of this paper, one may question how I propose to analyze capitalism and its reactionary movements in two different eras over the past 200 years in a mere sixty pages. To an accomplished historian, choosing the young era of globalization alone would probably seem too ambitious. Admittedly, just as the drafting of a comprehensive global history is likely to be an impossible task, so is the history of capitalism and its reactionary forces in the Industrial Age and in globalization. However, in study of globalization, the intricate details of such events—although without question, they are important and indispensable—are not the primary focus. Instead, the trick to studying globalization is to rely on the existing histories of previous scholars for the fine details of historical events.

The job of a global studies scholar, then, is to step back and recognize how the detailed histories interact to form larger systems and processes on regional and global levels. It is to question, for example, if or how one economic transaction in China affects investors in London, and how the actions of those investors affects the social, economic, and political conditions of the world. It is to see the world as the function of overlapping systems, where nothing is isolated nor left untouched, yet all is affected differently.

The *goal* of a global studies scholar is then to contribute meaningful interpretations of such intra-systemic processes to the field of globalization, with the ultimate goal being to understand globalization. Understanding how globalization operates will, hopefully, allow the world to control and manage it in order to diminish its imperfections and to propagate its benefits. It is my belief that the misunderstanding or simply the lack of understanding of globalization is one root cause of anti-globalization movements. Perhaps if politicians or international organizations learned how to manage globalization, people would not be experiencing the negatives impacts that instigate defensive reactionary movements. And on the other hand, if people understood the root of their plights, they may see that globalization itself may not be their enemy, and that it could potentially operate for their own benefit if managed carefully. But I am getting ahead of myself. These goals are hopeful and optimistic, but thus far unsubstantiated as probably ends. This paper means merely to contribute knowledge of globalization and its counterpart in the

global capitalist system to the academic discourse.

Capitalism has long been studied, debated, acclaimed, denounced, and studied some more. In my own study of industrialization, I was fascinated by the seemingly inevitable blossoming of capitalism in its ability and tendency to proliferate and expand. Concurrently, the damage incurred by this process to both the environment and humanity alongside great improvement, progress, and success for others was an alluring yet troubling paradox to me. The further I studied capitalism during the Industrial Age, the more I saw similarities in the contemporary world. It appears that the formative years of globalization are paralleling those of the Industrial Age. Proliferation, lack of governance, success and poverty, power and exploitation: the process of the implementation of capitalism of large scale during industrialization is being repeated in globalization. What is more, globalization and industrialization are not independent, isolated systems but, rather; they lie on the same historical trajectory of modern capitalism.

From this perspective then, it appears that there is a repetitive element to the evolution of capitalism, through which society witnesses the recurrence of certain conditions, only to varying degrees. In industrialization, the degree of capitalism and its effects can be said to be primarily on the national or regional degree. It remained confined for some time to England and the United States before unevenly extending itself throughout Europe and the world. In this period, much of capitalism penetrated deeply into society, but not all societies and certainly not all individuals. In globalization, the degree of capitalism is on the international degree from the outset. Global capitalism is penetrating societies and affecting virtually each and every individual and thus distinguishes itself from its predecessor. The repetitive element of the proliferation of the system caused problems in that it overreached the scope and functions of political entities in industrialization. Similar problems related to governance have arisen today.

Specific histories reveal differing forms of capitalism. A look at the Northern European versus the American systems demonstrates the stark differences in the level of government regulation and socialist influence. Comparing these capitalist systems to economic systems of certain Asian countries (e.g. Singapore and Japan) reveals additional differences, from the implementation processes to the role and character of government, etc. Most national systems reveal some sort of

hybridization of the socialist and capitalist ideologies—a situation that, as will later be discussed in the dialectic nature of sustainable capitalism, resulted from successful attempts to manage capitalism through government regulation (a process that only the earliest capitalist countries needed to experience in order for succeeding capitalist economies to learn). However, the national economic distinctions do not negate the shared experience of capitalism on the global market. So while distinctions between national economies exist, indicating differing types of capitalism, all exist within a larger system based upon principles of liberal market economics.

Throughout industrialization in England and the United States, capitalism and socialism interacted as action and reaction. This relationship arose when new events in the progression and proliferation of capitalism—like the instigation of factory labor production as a result of the Industrial Revolution—produced undesirable externalities. Observing and experiencing the insufferable conditions, defensive reactionary forces emerged and sought protection through change. These reactions manifested themselves in many ways, but of particular concern was their manifestation as demands for labor regulations which pushed for government regulation of the economy and social equity. Regulation achieved through the efforts of grass roots labor rights movements instigated first by the Chartists, and which were then continued by the Socialists. Because many of the main pillars of socialism are pivotal components of the platform of the labor rights movement, and because capitalism depends on the productivity of labor, socialism consequently plays a significant, albeit ironic, role in the sustainability of capitalism. It is this interplay between capitalism, socialism, and labor rights that shapes the labor rights movement of the Industrial Era.

The period of globalization is experiencing a similar process of action and reaction. Today, the global capitalist system is witnessing mass anti-globalization movement that has arisen to combat the way in which economics are conducted and the social injustices that result. In terms of labor, this movement expresses a renewed interest in the plight of the worker, and the capitalist system is responding to these reactions by implementing international labor laws and corporate social responsibility initiatives.

This paper explains the dialectical relationship between capitalism and its reactionary forces

during the Industrial Era and in globalization in England and the United States. It then observes the effect that this relationship has on labor in the two periods. Chapter 1 discusses how, during the Industrial Era, this reactionary force manifested itself in the ideology of socialism. Socialist initiatives arose in response to the social conditions that accompanied the capitalist system. When confronted by the threat of socialism, capitalism adapted. By “adapted” I mean that the system accepted labor laws and regulations externally imposed upon it by the government. It consequently became tolerable to the working class, and thus it was sustained rather than replaced by its opposition.

Chapter 2 explains how, during globalization, capitalism further evolved due to the globalizing trends—such as the removal of trade barriers—that accompanied the end of the Cold War. This occurred as a result to the fall of the Soviet Union, and symbolized the end of the rivalry between socialism and capitalism in the race for universal domination as the global socio-economic system. With the fall of the Soviet Union, both the physical and metaphorical walls between the "first world" and the "second world" were torn down, allowing international trade to spread nearly unabated. However, this evolution caused new problems. Economies without proper infrastructure or institutions were thrown into the throngs of the capitalist system because excitement resulting from potential financial opportunities in the newly acquired markets translated to international investment, speculation, and new production opportunities. Of these occurrences, the new production opportunities are of the greatest importance to this paper, for they meant an increase in foreign production sites, where corporations found cheap labor in these developing economies. New reactionary forces have arisen in opposition to the injustices that overseas production has instigated, injustices such as inequality and exploitation of individuals and regions for the purpose of capitalist accumulation. Contemporary reactionary forces take the shape of public discontent against global economic practices, under the general umbrella of anti-globalization. However, just as in the Industrial Age, institutions within capitalism are again adapting to the demands of the masses, this time by implementing programs promoting corporate social responsibility and by attempting to establish global labor standards.

The paper ultimately concludes that the interplay between capitalism and its reactionary forces since the Industrial Revolution has served to sustain capitalism by making it tolerable for its

participants, and especially for its working classes.

To be clear, the reactionary movements of the Industrial Era and that of the era of globalization are not exclusive of one another. Rather, the labor rights movement that began during the Industrial Revolution has perpetuated throughout the centuries and is a foundation for the labor initiatives within the anti-globalization movement. Labor rights have accumulated and changed as time and history have progressed, and thus the current reactionary movement—which began in the late 1980s to early 1990s with onslaught of the most recent wave of globalization—is the culmination of generations of anti-capitalist initiatives, often deriving from the socialist tradition. There are no fundamental differences between the two, as one is merely an evolved extension of the other. That said, much time has elapsed and many changes have occurred so despite the obvious connections between the movements—the most interesting of which is the persistence of the socialist tradition in both reactionary movements—the temporal, spatial, and contextual distinctions between the initial reactionary movement and the current movement are real and relevant to the interpretation and contextualization of the contemporary world. Since these unique elements are illustrated by the current anti-globalization movement’s corporate social responsibility (CSR) and global labor law initiatives, analysis of both topics is necessary in order to explain how the current reactionary movement is distinguished from its predecessor, as well as to properly describe and assess it. For this reason, Chapter 3 deals with the functions, forms, and problems of CSR, as it is a corrective tool for the imperfections of global capitalism employed by the private sector at the demand of NGOs and human and environmental rights activists within the anti-globalization movement. In conjunction with the CSR analysis, a discussion regarding global labor law as a proposed solution to the problems of labor in the era of globalization will follow.

0.1 Methodology & Epistemological Approach

This paper employs an analytical approach to determine and explain the economic situations that cause the reactionary movements in each era. The first part is an historical analysis of the rise of early socialist labor rights movements throughout the Industrial Age, followed by an analysis of the emergence of the anti-globalization movement in globalization. Considering the relative

newness of the corporate social responsibility movement as well as its significance, descriptive analysis of corporate social responsibility is necessary in order to highlight certain features of the contemporary situation.

In addition to introducing corporate social responsibility, this portion of the paper serves to highlight the distinctive personalities of the two movements in their respective eras. It will observe the labor oriented initiatives that arise from the dialectic interplay of capitalism and its reactions. This final analysis proves how this dialectic relationship determines the condition of labor in each era.

The goal of this analysis is, first, to establish a foundation and comprehensive overview of the reactionary movements and their accompanying relevant opposing ideologies. Second, this analytical approach exhibits how capitalism has created the social and economic structures of society through its own mechanisms—for example the determining principle of supply and demand—as well as through its subsequent reactionary and corrective ideologies—such as the socialist labor rights movements and environmental protectionism—that arise due to the negligence of the condition of humanity and the environment in the ideology of capitalist accumulation. It is through this dialect relationship between capitalism and its reactions that society takes its shape. To do this, I largely review literature, primarily in the form of books and journals, to obtain the historical background as well as to be aware of the most current developments in the progression and study of globalization.

In reading the introduction alone, there is a functionalist tendency in my understanding socio-political economics. As a functionalist, I view the current conditions of society and modern political systems are the products of historical events, built according to arising needs. In both industrialization and globalization, political entities and governing bodies (or at least those with good intentions) are adjusting to the circumstances of society. In this study, I show how during industrialization, the government began to regulate capitalism in the form of labor rights. In globalization, authorities are again adjusting to curb the complaints of the masses through international labor law and corporate social responsibility.

0.2 Limitations to Research

This paper attempts to address the reactions responding to the problems—more specifically in the area of labor—resulting from the capitalist system. That said, due to the intra-systemic processes of globalization, the specific economic backlashes of capitalism are difficult, if not impossible, to extrapolate from the sea of social problems the world is currently experiencing. The G8 Summit in Heiligendamm (2007) discussed in Chapter 2 demonstrates this point, which looks to be a persisting problem in the contemporary system.

In addition, it is difficult at this point in time to identify and to discern whether or not there exists an overarching ideology that encompasses the reactionary forces to global capitalism in globalization. Nor is it possible to determine the extent to which they will impact global economic systems, or for that matter, national economic systems. These problems stem from the infantile age of globalization—the most recent wave of globalization, having begun around 1989 with the end of the Cold War, has really only just begun in historical terms. Nevertheless, considering the impact globalization has on the world today, it is important to explore and understand it so as to manage it. It is my hope that this paper contributes to the understanding of globalization, for ignorance of such a system causes fear and insecurity—two emotions that, as history reveals time and time again, have the power to cause unforeseeable harm.

0.3 State of the Literature

The concepts of this paper are of high interest to academics, as warranted by the almost superfluous amount of literature. So although finding relevant literature was not a difficult issue, filtering the information was. However, the biggest challenge I faced was reading literature against other literature in order to discover how, where, when, and why these different topics overlapped and what they affected or created in this process.

The discourses dealing with industrialization and capitalism are quite extensive. The most challenging obstacle in researching these topics was, first, finding texts that discussed the relationship between industrialization and capitalism, including those directed towards the

implications these systems had on labor during the time. Second, due to the overwhelming amount of literature on these topics, filtering information was difficult. In the end, I relied on two recent historical interpretations that shall be discussed later in this section.

Literature on globalization is also quite vast. However, unlike industrialization, the most recent wave of globalization is in its infantile stages. Thus, the challenge in analyzing capitalism in globalization required me to determine the legitimacy of certain works without having the benefit of retrospection. In addition, theories of new capitalism are fragile and debated. So while some scholars may insist that new capitalism would describe the economic system under globalization, I do not go so far as to claim a new sort of capitalism. For the purposes of this paper, capitalism is to be understood as an evolving, adapting system. Hence, under globalization, capitalism is the continued economic system of that witnessed in the industrial era, only it has adapted to the conditions of globalization. Literature on capitalism in this period is utilized to merely describe these adaptations and particularities, in the end only revealing the intensification of previous characteristics.

The last item to mention before delving into the significant texts themselves is corporate social responsibility (CSR). Seen as a synthesis of globalization and its counter anti-globalization movement and subsequently paralleling the role of labor rights in industrialization, corporate social responsibility is an important concept. For this reason, I have devoted the final chapter to description and analysis of CSR. Literature on this topic is proliferous considering its age, and consequently a bit difficult to filter as well. I have chosen a sober, rather economic oriented article (discussed below) to provide information regarding benchmarks and history of CSR.

The most significant work, and the most recent work used in my research of corporate social responsibility is an article from the January 19th, 2007 Economist News Magazine. As an article published in one of the most reliable and prestigious news magazines in the world the article, entitled “Just Good Business: A special report on corporate social responsibility,” I am certain that it is trustworthy in the accuracy of content. In addition, the fact that this article was published so recently indicates the relevance and interest of the topic in contemporary academic and economic circles.

A close reading indicates that the article is a concise and thorough overview of corporate social responsibility. Its organization into chapters and subheadings allows for an easy read. The article covers everything from history, definitions, debates, evolution, and critiques of corporate social responsibility. The author was careful to point out his mild argument in the early pages, allowing the reader to interpret the article accordingly. This article is especially useful to me as material for the overview of corporate social responsibility. It also acts as a benchmarking tool, indicating the current trends in and the understanding of the state of CSR.

Another important and recent publication is John Gerard Ruggie's "The Theory and Practice of Learning Networks: Corporate Social Responsibility and the Global Compact." Published in 2002 for the *Journal of Corporate Citizenship*, Ruggie's article concisely discusses the United Nations' corporate citizenship initiative, entitled the *Global Compact* (1999), which addresses sustainability and socially responsible business behavior. To do this, Ruggie describes globalization and its debates in order to supply the reader with historical context. Ruggie's article draws upon several important documents to support his interpretation of the Global Compact and the circumstances surrounding it. He also warrants his findings by citing significant organizations and corporations that are involved in corporate social responsibility.

Ruggie's article is particularly useful due to its practical perception of corporate social responsibility. His writing and arguments are sound and descriptive in nature. He does not propose an extraordinary thesis. Instead he defines and describes events and documents in terms of their historical position and relevance to the topic corporate social responsibility and globalization. In addition, Ruggie is a dependable, respected academic on the subject of corporate social responsibility with a prestigious position at Harvard University in the field of government and an honorable publishing house to warrant the legitimacy of his works. His works are frequently drawn upon by scholars to support academic contributions to CSR and related discourses.

Thus for the purposes of my paper, Ruggie's article warrants my argument as well as provides supplemental historical data. It is crucial in highlighting my explanation of the governance

deficit in a global world. In addition, his synopsis of the Global Compact is the crux of my data supporting discussions on the United Nations' involvement in corporate social responsibility.

In their book *The Human Web: A Bird's-Eye View of World History*, J.R McNeil and William H. McNeil give a comprehensive account and just interpretation of the facts, especially considering the brevity of the passage and the amount of information they cover. Not only do I believe that the authors concisely tackle a difficult, multi-faceted topic with precision, but I also feel that they did so without tainting the subject with their own objectives, perspectives, or historical position. In other words, to my knowledge the authors delivered the historical facts with an unbiased historical interpretation. For this reason, I rely heavily on the text for the historical background of industrialization in Chapter 1 of this paper.

Michelle Ishay's book *The History of Human Rights: From Ancient Times to the Globalization Era* is a major work on which this paper rests. As an account of the history of human rights, this book provides great insight into the social movements in the Industrial Age, as well as those during globalization. Because Ishay discusses both the ideological and historical progression of human rights movements, this piece is especially useful in my ideological understanding of the dialectic formation of sustainable capitalism, as well as in articulating the socialist foundations from which each antithesis movement grows. The history of modern capitalist development in relation to the history of social movements for human rights can be synthesized when this book is read alongside McNeil & McNeil's text; although Ishay's historical understanding is quite useful on its own as well.,

0.4 Definitions of Key Terms

This paper addresses many concepts whose definitions and implications are largely debated in academia. For the sake of clarity, the following sections provides definitions and explanations of critical terms discussed throughout the paper.

Modern capitalism is the socio-economic system that became institutionalized in England around the nineteenth century, although other forms of capitalism existed prior to that time. Capitalism

encourages private ownership of the means of production and operates according to liberal market economics and the Protestant Ethic of the accumulation of wealth through continued reinvestment of profit. The core aspects of modern capitalism are private ownership, private enterprise, and commodification and, theoretically, these aspects must operate within a free market with fair competition where prices are determined by inherent market mechanisms, often referred to as the invisible hand (Smith).

Since capitalism thrives on liberal market ideology, where the economy is operated for the purpose of the accumulation of capital and regulates itself according to internal mechanisms (i.e. supply and demand), fundamentalists reject government intervention due to its inhibiting nature to free market economics. Capitalists maintain that the invisible hand will guide the market and produce the most desirable conditions if left to its own internal devices. However, in practice, capitalism depends upon institutional and legislative infrastructure through government intervention in order to provide the necessary conditions on which a capitalist market is based (e.g. legislation protecting private property and preventing monopolies).

Globalization tends to refer to the spread of global capitalism. In the social science literature it is usually defined as growing interconnectedness in political, social, and cultural spheres as well as the economy, something which has been greatly facilitated by travel and communication (see Held et al. 1999). It is also sometimes used to refer to growing global consciousness, the sense of a common community of mankind (Shaw 2000; Robertson 1990)" (Anheier et al. 7). In contemporary economic terms, globalization refers to the incorporation of national economies into the international economy through the removal of trade barriers and other economic practices that desegregate national economic spaces (e.g. foreign direct investment).

The era of globalization is experiencing an evolved form of capitalism that can best be understood as an intensification and universalization of the same capitalism which was proliferated during the Industrial Era. *Globalization* is to be understood in its economic sense, as the removal of trade barriers since the fall of the Berlin Wall, the breakdown of Bretton Woods, and the end of the Cold War (Sennet 6-7). That said it is by no means a new phenomenon in either its economic nor its socio-political and cultural sense. In fact, globalization has existed to

different degrees throughout the centuries, some argue even as far back as 1571 with the founding of the port of Manila, which connected the Old World and New World (Flynn and Giráldez 53). Others, like economists Kevin O'Rourke and Jeffrey Williamson, argue that globalization "only became meaningful" (O'Rourke and Williamson 109) in the nineteenth century with the integration of international commodity markets marked by price convergence. Still other theories reach back to the salt trade, or the silver trade, to Columbus, or to civilization.

I do not deny the relevance nor the significance of these events to the process of globalization, but for the purpose of this paper, *globalization* and *era of globalization* refer to the most current wave of globalization that began around 1989. This periodization is not meant to imply that this is the only period of globalization; it merely highlights the drastic concentration and intensification of global economics that has undisputedly affected the world since 1989 primarily through the universalization of liberal market economics and the technological revolution. It is an extension and intensification of the free trade trend that began after World War II, as well as from the end of the Cold War as marked by the fall of the Berlin Wall.

As for *global capitalism*, this term is used to describe the contemporary stage of capitalism in the era of globalization. By this definition, is often interchangeable with globalization, when globalization is considered only in its economic sense. However, unlike global capitalism which is strictly an economic system, globalization implies cultural, social, religious, and environmental integration processes that accompany economic integration, and that sometimes cause economic integration as well.

Sustainable capitalism refers to the continuing existence of a capitalist system where society and the economy function harmoniously. This concept is based upon a balance between economic prosperity and the condition of society. Where capitalist accumulation occurs at the cost of the state of humanity, balance is disrupted and is often manifested in social strife and/or subsequent mass discontent. Reciprocally, the economy must be properly managed and encouraged (in practice, this is the role of the government) in order to maintain and improve the material existence of society. Placing social issues above the economy at all costs has, thus far in history, only served to damage society because the economy cannot withstand the weight of heavy social

programs. Economic crisis translates into social strife as well. Thus, sustainable capitalism depends upon a balance between capitalist economic aims and social protection, all mediated by government.

Reactionary forces to capitalism and globalization describe ideologies and social movements (usually instigated by activists, academics, NGOs, etc.) that seek to correct the injustices incurred by the imperfect capitalist system through raising awareness and putting pressure on institutions. They indicate social strife and demand change for the sake of sustainability. The reactionary movements to the imperfections of capitalism during industrialization manifested as labor movements influence heavily by socialism. In globalization, reactionary movements to global capitalism can be seen in the anti-globalization movement.

Global capitalism refers specifically to the global economic system within globalization. Global economics operate according to capitalist principles, despite the diversity of national economic systems that comprise global economics.

Socialism is an economic and political theory of state and social organization. Although different sects of socialists advocate different doctrine, main tenants of socialism tend to involve collective or state ownership of the means of production and property, and distribution of wealth, goods, and services within a centralized politico-economic system. The injustices of poverty and inequality produced by the industrial revolution spawned the emergence of socialism as a popular concept in the 19th century workers movements of Europe and the United States.

Corporate social responsibility describes, according to David Vogel's definition, "practices that improve the workplace and benefit society in ways that go above and beyond what companies are legally required to do" (2). These practices often involve the creation of internal programs or departments within corporations or the hiring of external companies to oversee labor and environment conditions throughout a corporation's supply chain. This paper perceives CSR as a constructive response to the mass reactions against the imperfections of globalization by private capitalist institutions, and as encouraged by the public sector while instigated by the third sector (NGOs).

Developing countries refers to, at its most basic definition, countries that are currently industrializing and developing the industrial foundations and the modern infrastructure of their economies. These countries generally specialize in low value-added products.

Developed countries, on the hand, have industrialized or even post-modern economies. Their economies are characterized by tertiary or quaternary sectors, as opposed to low value-added sectors of developing countries. Both developing and developed country categories are determined by, for example, measurements of income per capita, the human development index, and gross domestic product.

Chapter 1

The Dialectic Formation of Labor Rights: An examination of capitalism and socialism in the formation of labor rights in the Industrial Era and Globalization

The following chapter provides a brief perspective of the rise of industrialization in England and the United States. It does so in order to articulate the effects the proliferation of capitalism had on society, and more specifically, on labor in the factory system. It then describes how the harmful, unjust impacts resulting from industrialization under the capitalist system instigated counter reactions that arose in the form of Chartist and Socialist labor rights movements. The final portion of this chapter explains how, as a result of the dialectic relationship between capitalism and socialism, a synthesis emerged from government regulation of the economy in the form of labor rights.

1.1 Industrialization: Economic and Social Impacts

The late-eighteenth century marked the beginning of the Industrial Revolution in England, which was followed closely by industrialization in the United States and continued to spread to select parts of Western Europe. In the case of England, the instigation of industrial production stimulated an economic and social transition from the traditional feudal system. Before capitalism, Europe was an agrarian society based on small scale, subsistence agricultural production. There was virtually no trade during this period, and in the words of historian Robert Brenner, was a "natural economy" (Brenner 49). The structure of such an economic system was built upon lordly manors and serfs, without specialize production and without a division of labor. Under this system, stagnation thrived.

There are many contributing factors to the end of the feudal system and the rise of industrialization. One of the most significant changes, however, involved the liberation of labor from the bonds of feudalism in England. This freedom, believed to have occurred due to restrictions protecting producer interests that moved society from urban craft production controlled by guilds in the late fifteenth to early 16th centuries into the rural cottage industry of the mid-sixteenth to mid-eighteenth centuries, indicated the breakdown of the feudal system. It incorporated a transition to urban centers for production in the late eighteenth century, attributed to the dynamics of industrialization (Wong 33). Freed serfs were crucial to this process in that they became the wage-labor class in industrialization.

The proto-industrial putting-out system can also be seen as a contributing factor to the rise of industrialization. Within this system, there was specialization for market exchange and trade, in addition to commercial agriculture. Thus, the proto-industrial period revealed characteristics of capitalism that were later implemented universally throughout industrial societies.

In addition to the liberation of labor, industrialization arose on the heels of Britain's agricultural and scientific revolutions, which broadened the capacity of production and opened doors for continuous innovation. Another significant revelation that lifted Europe from its state of Malthusian stagnation and opened the doors for perpetual innovation was the discovery and

employment of inorganic energy sources (Wrigley). Coal mining, in other words, allowed for the harnessing of energy and relieved society of much of its organic dependency. Artificial energy stores were then used to fuel new forms of machinery. Improvements in agricultural production powered by new forms of energy created less labor-intensive methods. Disease control and the increased availability of food fueled due to these new methods a rapid population growth after 1750. In effect, Britain experienced the birth of a superfluous labor force. But the increase in population, the decrease in labor demand from mechanization, and the scarcity of land resulting from the land privatization in the Enclosure movement meant that this surplus needed to find employment in non-traditional areas of society in order to maintain a decent standard of living. People, and usually young people, moved to the industrializing cities, instigating a rapid urbanization that created metropolises in cities such as Birmingham and Berlin by 1880 (McNeil & McNeil 248). As a result of these geographic and operational shifts, a great social revolution accompanied the industrial revolution as society began to function differently at the family, labor, and village levels.

From this point on, industrialization snow-balled. Gradually, scientific and technological innovations intensified and expanded industrialization throughout Europe and North America, beginning in the textile and iron industries. Improved methods of transportation, for example James Watt's version of the steam engine in the latter part of the eighteenth century, greatly enhanced this process.

The Industrial Revolution served as a vehicle for the proliferation of capitalism. While European economics were previously limited to feudalism and small scale farming, industrialization introduced modern systems of mass production and further expanded networks of trade, where the international implications of capitalism can be observed. Slavery, colonialism, and imperialism fed capitalist economic endeavors abroad, and although these practices were not caused by industrialization, they were all perpetuated by it (McNeil & McNeil 253). Bounded by the resources within their borders, the capitalist drive for wealth and power encouraged colonial expansion. In their historical overview, McNeil and McNeil explain how industrialization impacted imperialism in that it made imperialism more affordable. They maintain that cheap, easy (relatively speaking) imperialism occurred through the mechanization of standardized,

factory production and improved technology in the arms industry. The novelty of superior weaponry meant aggressive responses to rather mundane offenses such as "a diplomatic slight, an unpaid debt, or a failed negotiation for a commercial treaty" (McNeil & McNeil 238)

New markets and fresh resources were also unavoidable temptations for capitalists and prompted expansion through imperialism. This also fed slave labor, as seen most poignantly in the United States throughout the nineteenth century, which was the epitome of the exploitation of human labor for the accruelement of profit and peaked during this time. Imperialism and slavery fed industrialization by providing resources and labor, and industrialization reciprocated this generosity by perpetuating the need for these resources.

Competition between countries and the possibility for wealth also drove rapid industrialization at the imperial or national level; as did the threat of vulnerability should one be left out (McNeil & McNeil 244). Free trade was an additional factor in the international realm of capitalism, as the Qing dynasty was forced to learn in the Opium trade with Britain (McNeil & McNeil 245).

These economic changes of industrialization induced social changes on the local level. Physically, industrialization affected the infrastructure of British society by augmenting urbanization through the displacement of Britain's surplus population from rural areas to urban, industrial centers. The new factory lifestyle also affected domestic life in that it changed family dynamics by creating separated spaces between home and work. Further, the roles of women and children both in the home and in the workplace changed. Factory owners came to prefer employing women and children, whom they found to be dependable, cheap labor in relation to their male counterparts (McNeil & McNeil).

In addition, industrialization created definitive class distinctions between laborers and capitalists, which became new classifications for the stratification of society based upon ownership of the means of production. Self-made capitalists found themselves in positions among wealthy bourgeois, redefining the traditional birthright aristocratic structure of power. Peasants, on the other hand, transformed into free laborers through the dissolution of the old feudal order. They sought jobs in factories and mills, but suffered under unregulated production as cheap wage-

labor. The imbalance between labor conditions and compensation was regrettably supplemented by an increasingly wealthy and prosperous bourgeoisie, whose wealth failed to trickle down to the working classes in spite of revolutionary attempts in England, France, and Belgium in the early 1830s. However, these revolutions served to give the capitalists social status equal to or over the traditional aristocracy (Ishay 123). This process explains the social reconstruction taking place, and the imbalanced distribution of wealth that accompanied it. The novel and unregulated modes of production were changing the social stratification of society by making capitalists rich while simultaneously producing hazardous, strenuous labor conditions for the new wage-earning working class. Poverty afflicted the bottom rungs of society, while the wealthy bourgeois were getting richer.

1.2 Analysis and Description of Capitalism in Industrialization

The process of industrialization did not create the ideology of capitalism, but it did institutionalize and proliferate it to the point that individual lives were changed and began to operate according to capitalist principles. Modern capitalism during this period was characterized, in Smithian terms, by "a systematic, continuous, and quasi-universal drive on the part of individual direct producers to cut costs via specialization, capital accumulation, and the transformation of production in the direction of greater efficiency" (Brenner 56). For Smith, this transition occurred on the basis of two conditions: self-interest and competition. Both conditions are founded on the idea that microeconomic practices were determined by the individual based upon how one interpreted macroeconomic operations. Peasants, thus, began to specialize in order to give themselves advantage in trade, where competition forced one to be innovative by "weed[ing] out high-cost low-profit units" (Brenner 57).

Brenner, on the other hand, attributes the involvement of the masses in the market and the subsequent rise of capitalism to a change in social-property relations where producers are independent and separated from their means of subsistence (which was often land):

unintended consequences of lords or peasants seeking to reproduce themselves as feudal-type actors in feudal-type ways. In other words, the emergence of capitalist social-property relations resulted from attempts by feudal individual actors to carry out feudal rules for reproduction and/or by feudal collectivities to maintain feudal social-property relations, under conditions where seeking to do so had the unintended effect of

actually undermining those social-property relations. Only where such transformations occurred did economic development ensue, for only where capitalist social-property relations emerged did economic actors find it made sense to adopt the new rules for reproduction imposed by the new system of social-property relations (Brenner 89).

For him, the transition to capitalism necessitated the restructuring of the relationship between property and workers, and between workers and their lords.

What both Smithians and Brenner have in common is their emphasis on free labor in the transition to capitalism. The break from the feudal system was a necessary component to this transition. Once free, individuals were able to independently make economic decisions based on their own self-interest. Specialization and commercialization then arose for the purpose of trade, which is yet another essential element to the capitalist system.

As capitalism secured its hold as the economic system in the early decades of the Industrial Revolution, existing political institutions did not know how to react or did not react accordingly. Lordly influence was dying out along with the feudal system, requiring a reassessment of the roles of the government. The speed, novelty, and breadth of the transition meant that the economy evolved while the government remained the same. Unrestricted, unmanaged capitalism in its purest form ran rampant throughout England and the United States. Capitalism's emphasis on laissez-faire economics proved to be a misconception during the Industrial Era as the spread of capitalism left the masses of workers defenseless in the face of powerful, greedy capitalists. Bent on the relentless accumulation of profit, capitalists disregarded the humanity of workers, who were forced to work long hours for meager wages in harsh environments since the population increase created an endless supply of labor. This created a situation of insecurity and frustration, where disgruntled labor had no alternative but rebellion and protest.

1.3 The Cotton Industry: An Example of the Industrialization's Impacts

A brief look at the cotton industry can explain industrialization in terms of its commencement and evolution, and its connection to agricultural and scientific innovation, its factory orientation, and its international nature. The culmination of all these aspects within the cotton industry exemplifies the deterioration of the lifestyle of the newly formed working class and the

subsequent need for change through labor regulation.

Prior to the Industrial Revolution, India was the primary supplier of cotton products. But over the course of the eighteenth century and into the early nineteenth century, Britain's continual advances in cotton spinning technology increased its productivity to the point that it became the number one supplier of cotton goods. The McNeils describe how "In 1700, the world's only great exporter of woven textiles was India. But by 1860, Indian weavers could not match British competition, because they did not have the cheap energy, or the standardization and quality control, of the factory system" (McNeil 236). Innovations in cotton production propelled British production into a realm of its own. Once finished, goods were then transported by way of newly acquired or improved networks of waterways, canals, roads, and railways. International trade was also an important factor in the cotton industry as slave-harvested raw cotton was imported from and finished goods were then exported via ships.

The new mechanization of cotton spinning and weaving produced greater output, which was further maximized by the factory system and the practice of commercial production. Cotton production subsequently absorbed Britain's surplus labor-force. People migrated to cities where the factories were located and thus employment could be found, such as the cotton factories of Manchester, creating urban, industrial spaces. As in many factories to follow, conditions were dismal, hours were long, and wages were scant. It was under conditions such as these that laborers began to feel the frustration and desperation of working class life and the reactionary forces began to take shape, as was manifested in the formation of the anti-industrialization rebel group known as the Luddites in the early to mid-nineteenth century.

1.4 Reactions: The Emergence of the Chartists and the Socialists

By the mid-nineteenth century, the stark distinctions between classes in capitalist societies caused by industrialization and capitalism were seen and felt by all. The working class ached for change, and in a society that was structured based on one's relation to the means of production, theories for social change developed accordingly.

The reactions to the changes instigated by the Industrial Revolution include the rise of socialism and communism in the nineteenth century. Though these ideologies did not or have not succeeded as global socio-political economic systems and were considered threats to capitalism, they did prove to be essential in the struggle against the woes of capitalism and influential in its global success.

Arguably the first influential, unified attempt to relieve the plight of the working class was instigated by the Chartists in Britain. The Chartist movement was instigated by a group composed of working class citizens who formed after the Reform Act of 1832 failed to enfranchise the working class. Named after the People's Charter of 1838, the Chartists believed that social and political change could be achieved through universal suffrage. Thus, in the mid-nineteenth century, Chartists sought political representation and rebelled against the British House of Commons. Sometimes resorting to violence, strikes, or sabotage, the Chartists' most significant contribution was the active stance they took in fighting for workers' rights, which served as the foreground for the succeeding socialist movement.

Beginning in 1848, when London witnessed the publication of the *Communist Manifesto* by Karl Marx and Friedrich Engels, the Chartist movement was eventually replaced by socialism. Chartism can be understood as the foundation of to the Socialist movement in that was "a working-class movement radicalized by its political experience, and hence can be seen as a precursor to what would later become the modern socialist labor movement" (Ishay 123). It argued for voting and social rights, and was oriented towards working class interests. This movement gained political salience, and during its time, and thus set the stage for the rise of socialism.

1.5 The Rise of the Socialism and Marxism

The theory of socialism operated through the instigation of class consciousness and conflict. Highlighting the injustice of social inequity within the capitalist system, the communists called for a world-wide proletarian revolution that would overthrow of the bourgeois, establish collective ownership of the means of production, and abolish private property and wealth. Over

time, theorists like Marx maintained that the trajectory of history meant communism—a stateless utopia—would evolve from a socialist system.

The rise of the socialist and Marxist ideologies was a reaction to industrialization. Ishay writes, “Karl Marx’s prediction that history would end with the withering of the state and the birth of a classless society emerged from a deepening struggle against the abuses of early industrialization” (Ishay 6). This relationship is reflected in the rhetoric and character of the ideologies. Marxism and ideologies stemming from Marxism envisioned social change that dismantled the existing production relations and, consequently, redefined social stratification in industrialized societies by eliminating classes. The McNeils describe the connection between the changing labor environment produced by industrialization and ideological vulnerability: “These basic shifts in working conditions and social life created new intellectual and emotional needs, met by new faiths including various revolutionary creeds, the most influential of which was Marxism” (McNeil & McNeil 249). Thus, in an attempt to regain humanity, Marx and subsequent theorists devised ideologies that encouraged the equality and community through communal, equal ownership of production and the removal of class distinctions since one’s status was determined by one’s relation to production. The proliferation of these ideologies threatened capitalism and produced mass awareness of the injustice, paving the way for effective labor regulation.

1.6 The Socialist Labor Rights Movement in the Industrial Age: Sustaining Capitalism

We have now seen how industrialization proliferated and intensified capitalism, and how socialism arose as a reactionary ideology to the negative consequences of capitalism during the industrial age. The following section discusses the emergence and character of the labor rights movement in the nineteenth century. Analyzing the movement reveals its intimate ties to the socialist tradition, whose harsh criticism and revolutionary fervor inadvertently caused the maintenance and, more importantly, the improvement of capitalism by making it sustainable.

As previously discussed, the social reconstruction that accompanied the economic transition in industrialization was not at all without its impact on labor. The movement arose in the form of the Chartist revolts of the 1830s. It was comprised of frustrated workers in Britain as a response

to the insensitivity of capitalism to the impoverished lifestyle and insufferable working conditions of the work force. The unambiguous distinctions between the capitalists and the working class meant that the promotion of labor-rights could not be separated from its social class orientation, and part of socialism's success lay in exploiting this frustrating reality. "Frustrated by harsh working conditions, insecure jobs, and exclusion from political participation, after 1830 the working class turned increasingly to socialism" (McNeil & McNeil 124). Despite these early revolts and rights initiatives, the movement did not gain momentum until socialist theorists erected cohesive theories of revolution and change.

One of the most important characteristics of labor rights movements during industrialization is their union activity. Forged by guilds, workers in the late eighteenth century enacted change by forming trade unions. Unions sought to maintain or improve labor conditions through collective bargaining power. The role of unions has since been elaborated to include political activities that aim to establish favorable political conditions for the trade.

Another characteristic of the labor rights movement during the Industrial Age is its national limitations. Although there is plenty of evidence of international influences and attention to the international plight of workers, especially in the Marxist labor movement that encouraged the unification of proletarians around the world (Marx), meaningful union activity and labor regulation remained within a national context until the International Labor Organization was formed in the early twentieth century. Colonial labor, although global in scope, remained within this national context in that any relevant legislation was predominantly derived from the metropole.

In light of the significance of socialist ideals, why then did not socialism become the dominant political economic system? The constant socialist call for revolution worked, only not the way intended. Under the stressful threat of strikes and revolutions and realizing they were outnumbered and dependent on the contentedness of their labor force, capitalists negotiated with workers' demands. The apparent forfeit of power by the capitalists can be understood as a practical business maneuver based upon the acknowledgement that their own survival rested upon the surrender of certain concessions to labor unions to prevent rebellion, and that their

success was determined by the efficiency of their work force. Therefore, appeasing workers' demands was in their best interest. Concessions often took the form of “safe conditions, shorter hours, higher pay” (McNeil & McNeil 250). Such regulations relieved tensions, and consequently diminished the desire to revolt. Government also played a role in this process by establishing protective legislation for the benefit of the worker in response to the labor movements and union activities (McNeil & McNeil 250).

Gradually, the plight of the laborer in industrialized countries improved within the capitalist system. So instead of causing an international, unified proletarian revolution, socialism and reformism that encouraged forms of market socialism improved the condition of the working class by forcing the outnumbered capitalists to compromise under the threat of revolution. And while socialism as a socio-economic system was not adopted in its entirety politically, the values of worker empowerment and an active state in the regulation of economics were adopted by the labor rights movement and incorporated into political ideologies to different extents.

In addition, rival ideologies were rearing their heads. As Ishay explains, “By the end of the nineteenth century, nationalism was on the rise everywhere, challenging the socialist human rights project, stimulating the colonial appetites of newly consolidated states (such as Italy, Germany, and Japan), and contributing to the imperial rivalries that precipitated World War I” (Ishay 121). Improved living standards under regulated capitalism paralleled by the rise of nationalism seemed to temporarily muffle the call for revolution. But as nationalism reared its ugly head throughout Europe in World War I, the world witnessed a resurgence of socialism. Lenin and Totsky mobilized the proletarian and led a successful socialist revolution in 1917, followed by other socialist and communist revolution around the world that were theoretically based upon working class interests while hostile towards capitalism. The establishment of socialism as a socio-economic system, however, was short-lived, for the ideology of socialism was overcome in practice by totalitarian governments who violently opposed workers' rebellions or strikes—actions that the socialist ideology respects as a fundamental means to better conditions and more power for the common worker.

Socialism's initial rise during this period does in fact indicate the existence of proletarian

frustrations in certain locales. However, absence of such successful socialist revolutions in the developmentally advanced capitalist countries of Europe and the United States indicates that discontented workers in those countries were not looking to overthrow capitalism in favor of socialism in the countries that experienced the process of industrialization and labor movements during the first Industrial Revolution of the nineteenth century. Take the United States, for example. Even despite the dismal circumstances for the working class in the United States during the economic crises in 1873 and 1893, and despite the attempts to mobilize workers, socialism was not established. It was indeed present in American political life—the Socialist Labor Party was established in 1876, and many socialist experiences were carried out in communities—but never took hold, well before political suppression ensued after World War I. One explanation is that the popular socialist experiments in the United States incorporated democratic principles, like elections over revolutionary tactics, and some of the core issues were adopted by into the existing democratic political system in capitalism—e.g. universal suffrage, labor unions, and collective bargaining.

In the end, the most important contributions of socialism to the labor rights movement lie in its criticism of the negative externalities of capitalism and its attempts to correct them through the improvement of labor conditions and empowerment of the worker. These contributions were achieved through the consolidation and unification of working class interests (i.e. by giving the working class “consciousness”), its emphasis on the humanity of workers, and the recognition and criticism of the injustice of labor conditions and social inequity. The shared commitment to production and subsequent significance of labor to the survival of both capitalism and socialism perhaps provides a common ground on which such the reception of such contributions were made possible. Although socialist demands reached far beyond these contributions especially in the 20th century, and although socialism as a socio-economic system has failed until now to be successfully employed in its fundamental form in many respects, it remains a significant—if not the most significant—influence in the labor rights movement.

1.7 Chapter Summary

To conclude, in the Industrial Age witnessed the penetration of capitalism to even the most

remote areas of society. This change pushed these societies into a new socio-economic system: capitalism. Society, on the other hand, did not structurally adjust to these changes. Hence, the Chartists, followed by the socialists, emerged in reaction to the social atrocities growing alongside the flourishing capitalist market. The capitalist system then reacted accordingly. It did so by adopting certain Socialist principles and adhering to government regulations, thus creating a more tolerable economic system where the worker, in theory, received better compensation under better labor conditions. These changes reflect both the capitalists' pacification of workers through concessions and the victory of labor movements. This period showed that capitalism was flexible enough to sustain opposition and—contrary to the principles of free market capitalism—to operate in a national framework under government restrictions.

Chapter 2

Actions and Reactions in Globalization

Chapter 2 provides a closer look at how global capitalism has caused or perpetuated negative social and economic impacts. It then discusses how these effects affect labor in globalization. This section is followed by an analysis the subsequent anti-globalization movement, which is considered the reactionary movement to the imperfections of global capitalism. Additionally, it briefly looks at three anti-globalization movements in order to exemplify the form and character of current movements. Dissecting the sample movements serves to highlight the root causes of public discontent. It finally concludes that global capitalism and its antithesis are synthesizing to create a more stable global economic system through the implementation of corporate social responsibility and attempts to establish global labor laws.

2.1 Analysis of Globalization: Socio-economics Impacts of Global Capitalism in Globalization

In globalization, capitalism has become global. Just as in the Industrial Age, capitalism is penetrating societies through globalization and technology (Chan 12), affecting all people whether it is directly or indirectly—and this time on a global scale. International economic relationships have drastically increased since the fall of the Berlin Wall, accompanied by the multiplication of international production chains, thus instigating a race-to-the-bottom not unlike that witnessed during industrialization, except on a global scale.

With this new expansion and new depth, old problems have proliferated and new problems have arisen for labor that cannot be addressed by the same national laws instituted in select countries during industrialization. Inequality, exploitation, environmental degradation—these problems that accompany the race-to-the-bottom extend beyond the traditional borders of the nation-state. They are now global problems caused by global economics. So, whereas during industrialization national regulations superseded corporate authority, in globalization there is no superior government agency to enforce such regulations despite the increasing volume of people looking for humanitarian protection from global capitalism. Nor are there enforceable regulations that have been unanimously agreed upon on a global level, thus leaving the world without a global government and without global law, yet with global economics. Negative externalities have once again resulted from this governance deficit, and Reactionary forces have begun to emerge in response to the negative effects of this evolved form of capitalism. These reactionary mechanisms to global capitalism today are manifested in the anti-globalization movement, and in terms of labor, the response to these reactions is taking two forms: attempts to establish international labor law and ethical programs reflecting corporate social responsibility.

The most significant aspect of liberal market economics that affect labor is the dissolution of economic boundaries (Sennet 6-7). Aimed at the reduction and/or elimination of trade tariffs (Ishay 254), agreements following the legacy of Bretton Woods (e.g., the 1991 Maastricht Treaty and the 1992 North American Free Trade Agreement) reinforce this new trend that characterizes the period since 1989. As the past couple decades reveal, this cross-border mobility of

production processes has drastically affected labor. Countries that experienced industrialization earlier and the subsequent labor rights movements have found alternative production locations in developing countries that are not yet industrialized which, therefore, do not have significant standardized labor laws.

2.2 Capitalism in Globalization

Capitalism in globalization exhibits certain particularities. Significant among these are the characteristics of labor and capital flexibility, and non-unionization that are connected to differing degrees of development and the integration of these various economies. Since reactionary labor movements oppose the situation labor under the conditions of global capitalism, their complaints are also determined by these characteristics.

Developmental Disparities in a Global Economy

The distinction between industrialized and industrializing countries in globalization is critical due to the implications it has for labor. As previously explained, labor rights movements during the Industrial Era occurred as reactions to the outcomes of industrialization. Without industrialization, the establishment of labor rights and unions either did not take place, or did not occur effectively or completely in developing countries. Thus, overseas or trans-border outsourcing to *industrializing*, as opposed to *industrialized*, countries without stringent protective labor laws or union activities has become a popular method of cheap, easy production for transnational corporations since the mid-1980s, and increasingly in the 1990s.

This situation has many implications, one of which involves the production environment of the global economy. The distinction between industrialized and industrializing countries has created a production environment in developing countries similar to that witnessed in the beginning stages of industrialization in countries that are now developed. These environments are characterized by inhumane labor conditions to feed capital accumulation. However, unlike the labor rights movement during the industrial age, contemporary anti-globalization movements that deal with labor concerns are not only comprised of poor, exploited, or working class people.

Rather, many anti-globalization initiatives, especially those concerning labor and environment, are arising amongst the populations of *industrialized* countries whose personal labor rights unions are strongly protected and encouraged by the government (although perhaps they have become threatened in recent years due to outsourcing and the flexibility of multinational corporations, workers' rights still remain strong in industrialized countries compared to industrializing countries). These activist groups, for instance ethical consumerists and NGOs in the United States and Britain, are protesting the production behaviors of multinational corporations and the inactivity of government to correct the subsequent injustices. The interesting aspect is that they are protesting on behalf of workers in foreign developing countries despite the irrelevance labor rights have in their own lives. It appears that contemporary movements are humanitarian in their nature, and sometimes even paradoxical to the economic self-interest of consumers in industrialized countries.

There are numerous reasons simultaneously acting in the promotion of labor rights abroad. The first reason is altruism or guilt, depending on how one perceives the situation. The argument goes that portions of industrialized populations—usually comprised of human rights activists and concerned consumers—support the rights of workers in far off countries due to the realization that they are perpetuating the exploitation and degradation of people through their consumption of goods produced in outsourced factories. However, activists' personal rights are not directly improved by the establishing of labor rights abroad. The labor rights of these activists from industrialized countries, especially in the United States and England, are already firmly established—though, of course, never perfect and perpetually under scrutiny—and are largely secured through government legislation and union activities. Establishing labor rights abroad, from this perspective, only serves the interests of the laborers and can be considered an altruistic endeavor on the part of activists.

What is more, establishing labor rights can potentially increase costs of products consumed by activists. This occurs through the establishment and enforcement of the minimum wage, which prevents corporations from undercutting competition by decreasing wages and subsequently lowering prices of products on the market. Thus, the promotion of labor rights abroad can be contrary to the economic interests of activists as it has the potential to raise costs of products

they consume.

The second argument against altruism or guilt is that activists of developed countries are selfishly advocating labor rights abroad out of fear for the potential (or actual) loss of production-oriented jobs within their own borders. Loss of jobs translates to unemployment, which threatens their own well-being, if not directly then indirectly through social strife and the consequences they induce on the rest of the domestic society and economy.

A third explanation for the industrialized world's promotion of labor rights abroad is the theory that the condition of the world in the era of globalization depends upon the security of people everywhere—not just within one's borders. This explanation reinforces the globalizing element of globalization which creates an integrated global civil society.

It is not unheard of for people to fight for the rights of others in labor issues. In England, Western Europe, and North America around the mid-eighteenth century, for instance, humanitarian movements seeking abolition of the slave trade and slavery spread (Haskell 1), and many of the early abolitionist groups were often instigated by Quakers. Yet still, today the breadth and volume of movements is on the increase. Most demonstrations seek to raise awareness of the plight of laborers in foreign factories. And the promotion of safe, healthy, and just working conditions in distant or overseas factories by has become the new trend.

Flexible Production

Another effect of development disparities between industrialized and industrializing economies in an integrated global economy is mass, flexible production. Ishay explains the ways in which labor is flexible in today's economy:

While exploiting opportunities created by new information technologies, the post-Fordist economy also represented an effort to respond rapidly to unexpected changes in labor and diverse market conditions, including demographic changes, by emphasizing labor flexibility (e.g., the growing use of part-time workers), infrastructure mobility (e.g., leased office space rather than company-owned buildings), production flexibility (e.g., extensive use of machines rather than human labor), institutional flexibility (e.g. organizations that managed contracts rather than products), and political flexibility (e.g., state encouragement of privatization) (Ishay 258).

As she explains, today's economy is generally more flexible. Flexibility is beneficial to corporations in that it provides them the option of easily restructuring according to market demands. In particular, the labor market has become flexible through practices like part-time or temporary laborers known as "mobile labor" (Turner xi), which allows corporations to sidestep labor laws pertaining to benefits, among other things.

The characteristic of labor flexibility is significant to labor conditions because it undermines the bargaining power of labor unions in labor rights movements. Here, we see repercussions of the political orientation of unions that began in industrialization. In globalization, political clout has the potential to weaken the effectiveness of unions because it ultimately encourages corporations to look abroad for more lucrative, alternative production opportunities. The flexibility of contemporary corporations lends easily to restructuring, and the outsourcing of labor to industrializing countries is one common way of reorganizing labor and production chains. Outsourcing and taking advantage of this cheap, overseas "peripheral labor" (Turner xi) allows corporations to virtually bypass unions and the restraining conditions they create through their political demands.

The effect of non-unionized labor is problematic because non-unionization, especially of mobile and peripheral labor, has become the foundation of the most advanced and prosperous sectors of contemporary economics. More specifically, the high-tech sector is based upon the flexibility of labor, whose "labor-intensive distribution system" rests upon low-wage, temporary labor (Fantasia & Voss 5). This, in turn, perpetuates the race-to-the-bottom of international production, where the upper echelons of corporate businessmen who comprise the unionized "core labor" force (Turner xi) receive the bulk of the profit while mobile and peripheral laborers receive extremely low wages, especially in relation to that which the core earns. The result is the maintenance of the status quo of developmental differentiation: inequality based on geographic separations of the core and periphery, and perpetuation of the race-to-the-bottom.

But how, exactly, is labor so flexible? National laws influenced by big corporations in industrialized countries that seek to expand economic freedom through deregulation. In the late

1990s, for example, high-tech companies in the Silicon Valley pressured the United States' Congress to adopt legislation that allowed double the amount of visas for educated, specialized immigrants seeking temporary positions in the U.S. computer industry (Fantasia & Voss 6). These laws allow for the flexibility that characterizes the current labor market in the U.S, where there is only a small handful of permanent employees receiving salaries, stock options, job security, pension, etc. (Fantasia & Voss 6). This small group of permanent employees is supplemented by temporary or part-time employees and outsourced labor. This labor structure seen in the Silicon Valley also includes an immigrant contingent in the U.S. Under this structure, immigrants are granted an extended visa, yet they have drastically different compensation packages than permanent employees with full citizenship. Their temporary positions are again part of labor flexibility and allow for the minimization of production costs, thus keeping permanent employees extraordinarily well-paid. The U.S. Congress passed legislation allowing for 195,000 of these temporary H-1B work visas under corporate pressure and convincing high-tech companies' offers. The number of these visas was raised from 115,000 set in 1998, which itself rose from 65,000 in 1997 (Fantasia & Voss 6). Additional visa legislation has been passed (such as the L-1 program) that serves to allow more flexibility in labor for the benefit of these companies, but it also restricts the immigrants to the conditions in which they enter. This translates to immigrants entering the country, working for the specific company that granted them the entry visa, and later finding themselves under prohibitions restricting them from switching employers. Fantasia and Voss explain the consequences of this legislation:

The effect of these laws is to depress wages and to further impede the growth of unionization in an industry that until now has been virtually union-free. In addition to being able to hire and fire, employers now have the power to affect the immigration status of their workers, because the law permits them to facilitate the deportation of any worker on a temporary visa who might seek to organize a union, who might file discrimination charges, or who might simply refuse to work overtime (Fantasia & Voss 7).

In the end, production and capital flexibility provide corporations the opportunity to minimize resources traditionally spent compensating permanent, full-time employees.

McNeil and McNeil's explanation of the plight of workers before organization in the Industrial Age helps to explain why this flexibility is a problem for society: "Until industrial workers organized themselves into trade unions, they worked hard in unpleasant conditions for low wages. They were poor, suffered bad health and stunted growth, and developed strong grievances

against their employers” (McNeil & McNeil 249). This world is experiencing these sentiments on a global scale. As seen during industrialization, labor union activity today is undermined by the scope of international production. Non-unionized labor is exploited by multi-national corporations for production purposes through the flexibility of labor and capital. Mass discontent and bitterness result, and in turn, threaten the security of society.

National Hierarchies in Globalization

In analyzing capitalism in globalization, it is apparent that national hierarchies of power and wealth exist. Ironically, as the world is becoming more intimately connected, it is also becoming more polarized. The discrepancies between national labor rights laws highlight the differences in the levels of development of countries because, as previously discussed, labor rights laws are often connected to the industrialization and globalization processes. Countries that have not yet experienced industrialization frequently lack adequate labor laws. As a result, it is developing countries tend to be exploited by corporations as they are the primary providers of low-wage labor. Developing economies often cannot fend off multinational corporations due to the power of corporations, the vagueness of laws, or their own internal weakness. Other governments of developing countries may choose not to implement labor laws in order to reap economic benefits that multi-national corporations can bring to the country. These benefits come in the form of wealth or development, and are incurred at the expense of their populations. However, some governments argue that the West developed on the backs of laborers as well, whether they were slaves or the early working class in industrialization, and that they have a right to develop as well. Whatever the reason for avoiding labor rights laws, these situations perpetuate the plight of the workers who are continually exploited as cheap, unregulated labor while corporations take the lion’s share of the profit back to their homelands.

Governance Deficit

The success of multi-national corporations in overcoming national interests leads to the final characteristic of today’s society: the governance deficit. In the era of globalization, national governments have, according to John Ruggie, “played a key role: moderating the volatility of

transaction flows across borders and providing social investments, safety nets and adjustment assistance—but all the while pushing liberalization. In the industrialized world, this grand bargain formed the basis of the longest period of sustained and equitable economic expansion in human history, from the 1950s to the present” (Ruggie 3). National governments remain the primary actors in political and social terms in globalization, but they have an increasingly more complicated role in economics as nation-states are experiencing pressure from multinational corporations. This is due to restrictions on power and sovereignty that derive from strictly defined national borders in conjunction with the virtually limitless expanse of multinational corporations throughout the world. So while nation-states are geographically restricted, multinational corporations spread throughout the world, creating the need for laws that incorporate regions rather than just nations. National jurisdiction means different laws in different countries. In a global market, the combination of differing law systems and differing levels of development between countries creates situations ripe for economic opportunity, as well as for exploitation. Transnational or cross border labor issues, such as migrant labor and outsourcing, are thus exacerbated by the lack of effective global labor legislation.

In attempt to fill the void of global governance, regional and international bodies of political and economic cooperation are arising. Politically, we can see this phenomenon in regional bodies of the European Union (EU) and North America Free Trade Agreement (NAFTA). In the realm of labor rights, cooperative measures for international labor regulation are manifested in the International Labor Organization (ILO). These bodies are making progress in their attempts to standardize regional or international relations, but they are regionally confined, they do not have supreme authority over national governments, and much of their success remains confined to rhetoric or is dependent upon national cooperation. Although the ILO has been a successful and an effective body in raising awareness of the significance of labor law to some extent, labor rights regulation remains in the national domain. Documents such as the International Labor Code of the ILO Conventions and Recommendations are taken as suggestions and recommendations rather than as enforceable laws. So while the ILO is a good start in the process of standardizing labor laws, in practice, labor remains precariously regulated and there remains a total absence of a global political body.

The following two sections address the mass movements during globalization that reflect the persevering injustices of global capitalism despite the existence of international organizations.

2.3 Reactions: Anti-globalization Movements of Seattle and Heiligendamm

There are several distinctive characteristics of the contemporary reactionary movements to globalization. These distinctions are: the composition of the reactionary group; the objectives of the reactionaries; the geographical scope of the movement; the problem of the legislative authority (due to restrictions of national power and sovereignty in globalization); and power imbalances between countries and corporations. However, there are also parallels, including: the perpetuation of the capitalist system and its exploitive nature; the class component of labor issues; the role of the socialist tradition in current reactionary movements; the emphasis on safety, health, and dignity of humans; the persistence of Western imperialism; contradictory interests between civil society, the private sector, and the state; and finally, the adaptive nature of capitalism.

Nowhere can contemporary anti-globalization movements be as visible and blatant as the protests witnessed at the WTO Ministerial Conference in Seattle in 1999 and, more recently, at the G8 Summit in Heiligendamm in 2007. These two events exemplify several characteristics of the contemporary era: the governance deficit; the incomprehensibility of the globalization at this moment in time; mass discontent; the significance of regional, international, or supranational organizations in globalization; the governance deficit; and the unique composition of the reactionary masses. Most importantly, however, these movements reveal the solidifying complaint in multinational production operations—a point that proves particularly significant when considering the syntheses of the dialectic.

Before the 2007 G8 Summit in Heiligendamm even began there were estimates that up to 100,000 people would gather to protest the event. A €12.4 million fence was built around the perimeter of the Kempinski Grand Hotel to protect the site and the Summit participants from violent outbreaks. 16,000 policemen and 1,000 soldiers were employed as crowd control. Student and interest groups chartered buses to the Rostock, the main location of the demonstrations due

to the remote location of the Kempinski, not to mention the hundreds of joint demonstrations occurring throughout the world. And the city of Heiligendamm organized additional transportation to get fearful locals out of the area as well.

Thankfully, the situation was overestimated. Less protestors arrived than expected. Violent outbreaks were few and far between and mainly transmuted to vandalism such as the black and red paintballs directed towards the façade of the Kempinski. However, the situation of Heiligendamm—no matter how exaggerated it was by the extravagant pre-Summit precautions, the media, and protestors alike—exemplifies the uncertainty and tension that characterizes the contemporary reactionary movement to globalization. Activists used the G8 Summit as an arena where they could raise concerns over anything from inequality to global capitalism. What is interesting is that all of these global concerns were placed under the broad banner of anti-globalization in the media and the succeeding literature, meaning that no matter what topic the specific complaint dealt with—labor, cultural imperialism, inequality—all complaints were united under the banner of anti-globalization.

The use of the term anti-globalization to describe the protests is telling. First, it demonstrates that there is difficulty in the identification of problems that are arising in the current system of global capitalism. Part of this confusion arises from the intra-systemic nature of globalization which convolutes the processes causing harmful consequences. It is difficult to precisely determine the root causes of injustices when so many forces concurrently operate to create the situations where these injustices arise. As a result, activists who reject the concept of neoliberalism or against the Iraq war, for two particular examples from Heiligendamm, are voicing their concerns under the umbrella of anti-globalization, yet globalization does not represent either neoliberalism or the Iraq war.

One commonality of most anti-globalization protests is the critique of multinational corporations. Both Seattle and Heiligendamm reveal a strong demand for the reassessment of corporate behaviors involving production processes. Conscious consumers reject the child labor practices, sweatshop environments, or unregulated maximum working hours. Exploitation of labor is primary complaint issued by protestors.

Placing all protests under the title of anti-globalization is also misleading in that it implies that all protests see a solution in the eradication or minimization of globalization. For many protestors, this is not the case. Many people at Heiligendamm, for example, sought to manage globalization so as to minimize its negative effects and equalize the potential benefits on a global scale. In addition, many activists have specific demands directed toward one particular injustice or concept, as was the case of activists protesting the behaviors of multi-national corporations at Heiligendamm, rather than towards anti-globalization as a concept. Narrowing the focus of such complaints would better serve in that specific solutions could be recommended, but rejecting the war in Iraq and calling it anti-globalization prevents the emergence of constructive solutions.

It has become apparent in protests such as these at the G8 Summit that people feel that they do not have avenues to articulate their concerns. Had activists had a more constructive avenue to voice their complaints, they would most likely not have relied on camping outside the gates of a luxury hotel while holding posters, when the sheer number of issues raised drowned the particular concerns.

This situation reflects an even greater problem in the era of globalization: people feel pressured and frustrated by seemingly unstoppable globalizing forces. In response, some opt for unconstructive methods of obtaining attention to their concerns. An extreme example of this process lies in terrorism, where religious fanatics violently lash out against innocent people in attempt to draw attention to their cause. Although terrorism itself is not a new concept, its criticism of globalization, as manifested by the September eleventh attacks on the World Trade Center in 2001, is a recent development.

2.4 The Chiapas Region

Although one of the unique aspects of today's reactionary movements in the leading role of developed countries in today's labor rights movements, that is not to say that laborers in developing countries are passive bystanders in anti-globalization movements. The role of the worker in the movement against free-trade zones is the Chiapas region (as will be discussed in

the following section) proves this point. But that does not negate the paradoxical position of the activists in developed countries in labor movements abroad through their promotion of corporate social responsibility and global labor law.

Let us now take a look at the situation in the Chiapas region in the 1990s. Although the Zapatistas do not profess to stand for anti-globalization in general, they do protest economic globalization in their rejection of NAFTA. So, while the Chiapas region may only be addressing their specific interests, they are, by default, exemplifying the greater anti-globalization struggle. This movement is therefore useful in the analysis of current anti-globalization movements, especially since it reveals the specific elements that are unique to movements in the period of globalization.

The rebellion against NAFTA in the Chiapas region exhibits three important truths: the significance of international integration resulting from globalization, and dialectical nature of labor rights movements. Let us begin with a brief passage from Michelle Ishay where she describes a mass based rebellion in the Chiapas region:

One act of resistance against this neo-liberal pact [NAFTA] was almost immediate as peasants of the impoverished Chiapas region of Mexico, led by the mysterious Subcomandante Marcos, launched a rebellion. For them, NAFTA did not mean the return of their land or their autonomy, but the prospect of even less power to shape their lives as they faced transnational economic forces. Their rebellion ignited instantaneous domestic and international support. The speed with which the news of an indigenous struggle circulated and the rapidity of the resulting mobilization of support were unprecedented. Global communication had penetrated the countryside of Mexico and become a recognized tool for human struggle, forestalling any temptation on the part of the Mexican government to crush the uprising and fueling the demands of indigenous movements in Brazil, Chile, and elsewhere (Ishay 254).

The international economic integration encouraged by free trade agreements like NAFTA threatens the livelihood of developing countries and often creates harmful dependencies and reinforces national hierarchies. This occurs when developing economies are forced to develop luxury agricultural goods rather than putting their resources towards basic agricultural needs. These countries are then forced to import necessities. In addition, energy and resources are then taken away from sectors that would make developing countries more competitive internationally, sectors like technology and engineering.

The Chiapas region also exemplifies the dialectical nature of global capitalism and its

reactionary movements in globalization and the international composition of actors. The powerlessness the Chiapas felt at the hand of NAFTA led to an immediate labor rebellion. This movement involved domestic and international encouragement, and also supported similar movements in the South American countries, such as Brazil and Venezuela.

Despite the prevalence of activism amongst developing populations as exemplified by the Chiapas region, the depth to which international bodies are a part of the current movement is unique to the period of globalization. The influence of international bodies in both protecting and threatening labor is a critical component of globalization. The global scope of the movement in both its mass-based element and the international bodies that govern these issues is further addressed by Ishay:

The human rights movement against globalization would later take on a new shape as thousands upon thousands of people turned out to protest a succession of International Monetary Fund (IMF), World Bank, World Trade Organization (WTO), and major world power (Group of Eight, or G8) meetings. The new anti-globalization movement [...] would soon spread throughout the world. In May 2000, 80,000 protesters gathered in Argentina to confront the IMF as over seven million workers joined a twenty-four-hour strike to protest IMF anti-labor measures (Ishay 254-255).

As Ishay describes, decisions of international bodies have large impacts on the people. The International Monetary Fund, for example, has the power to lend money under strict conditions. The ability to lend or not to lend, and the power to choose those conditions has large effects on industrializing populations, as Argentina and Russia learned during the 1990s (Stiglitz).

This passage explains another characteristic of contemporary movements that is also shared by the labor movement in industrialization: movements in both periods are grass-roots, defensive movements seeking to promote the protection of people from an organized, higher power that is perceived to have conflicting interests. During industrialization, the masses were the workers fighting the factories and the government for labor rights. In globalization, the masses are often citizens of developed nations seeking protection from international economic institutions and corporations.

The situation of the Chiapas also illustrates how movements are ideologically rooted. Like the Industrial Era, where the labor rights movement of the Industrial Era utilized the Socialist ideology as a method to fight for concrete issues like universal suffrage, today's movements

insist upon the implementation of the regulations as outlined by the International Labor Organization. The continuation of these quantifiable regulations is accompanied by the rejection of neoliberal fundamentalism of global financial institutions—like the International Monetary Fund—and corporations that prevents these measures from becoming a reality. The fight is not only against the practice of bad labor conditions, but the neoliberal ideas driving that practice in global capitalism as well.

2.5 Global Labor Law & Corporate Social Responsibility: Sustaining Capitalism

At the moment, it appears that the reactions to global capitalism are resulting in initiatives to sustain capitalism by making it adapting to particularities of present time. These initiatives seek the establishment of (or attempts to establish) potent international standards and rules for international economics, especially when it comes to international labor. Corporate social responsibility and global labor standards are two trends exemplifying these initiatives that seek to correct the imperfections of the capitalist system in globalization. Both CSR and global labor law will be discussed in detail in the following chapter.

2.6 The Persistence of Socialism

Capitalism may have triumphed as the dominant global ideology of the late 20th and early 21st century, however socialist values continue to play an important part in today's reactionary movement, as well as in the capitalist system itself. The anti-globalization movements dealing with labor exemplify the continuation of socialist values. In practice, socialism can be seen in the areas of market regulation and public policies. On the theoretical level, socialism is significantly influential in crucial human rights documents, such as the Universal Declaration of Human Rights.

The persisting socialist values in today's world vary according to culture and location. However, to one degree or another, market regulation and public policies exist to protect people from the exploitation similar to that experienced during the early decades of the Industrial Age. Market regulation involves government promotion of fair competition and the prevention of monopolies

through economic policies and law. These regulations can pertain to wages, prices, employment, or standards of goods, among other things. Although government regulation is contrary to the ideology of neoliberal market economics, it is generally accepted by producers and consumers that many the extant basic macro-economic regulations are necessary and beneficial to the sustainability of the economy. Public policy regulations pertain to issues such as socialized medicine, welfare, public schooling, etc. Whether or not a country practices socialized medicine in its entirety, most governments have established health care plans that reflect elements of such a concept. In the United States, current debates over the health care system involve the very question of socialism very neoliberalism—i.e. should the government be providing health care for its citizens, or should health care be a privately funded and provided as a commodity? Likewise, countries with socialized medicine such as Austria are experiencing the toll that such a massive endeavor takes on the government. Both situations reveal the conflicts surrounding the implementation of socialism in capitalist economies.

Theoretically, the persisting intimate relationship between socialism and labor rights is emphasized by evidence that “the struggles for universal suffrage, social justice, and workers’ rights—principles endorsed by the Universal Declaration of Human Rights (articles 18-21) and in the two International Covenants adopted by the United Nations in 1966—were socialist in origin” (Ishay 9). These documents are fundamental to current perceptions of labor rights and, as the title suggests, they are considered universal standards for human rights. Based on the prevalence of these documents and their socialist ties, the degree to which socialism persists as an influence in labor rights issues is profound.

2.7 Chapter 2 Summary

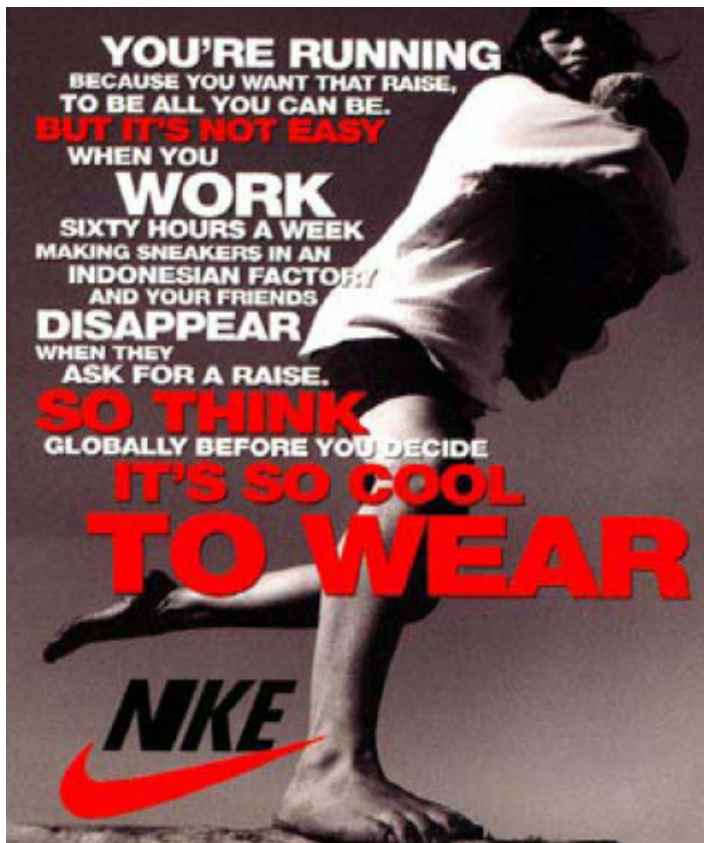
To summarize, capitalism has gone global. It has done so at a speed that could not be matched by societies. Thus, the structure of societies, and perhaps global society, cannot support global capitalism in a tolerable fashion. As a result, the world is witnessing anti-globalization movements to protect societies from the injustices created by insufficient regulations on global capitalism. These forces echo the preceding socialist labor rights movements in their concern with the situation of labor.

Once again, capitalism appears to be responding to its opposing forces, yet in different forms. Now, multi-national corporations are being held responsible for the woes of global economics. This highlights how the economy is affected by the governance deficit of the international political system—a deficit that cannot be, or at least has not been resolved under the existing international system. In other words, the evolution of capitalism is forcing governments to reconsider the existing power structure. Thus, under global capitalism there is an increase in the necessity for international labor legislation, as the power of national governments has proven to be inadequate in protecting certain labor markets in the global capitalist system. Although the establishment of labor laws is by no means a simple endeavour, it shows the continued adaptability of capitalism in contemporary times. Adaptation in the era of globalization is occurring in the private (corporate) and public (institutional) spheres, though at varying degrees. At the corporate level, the private sector is beginning to adjust its role in society by adopting socially (and environmentally) responsible behaviors, following the current trend of corporate social responsibility. Institutions in the public sector are adapting, though incrementally, by emphasizing CSR policies in official documents, and by formulating precursors to global legislation in shape of recommendations and declarations, with the hope that effective labor laws are on the horizon.

Chapter 3

Corporate Social Responsibility & Global Labor Law

As responses to the anti-globalization movement, many capitalist and political institutions are implementing corporate social responsibility programs and policies, and many are attempting to standardize global labor law. In light of the governance deficit, these programs are independently implemented, yet are strongly encouraged by political organizations and, even more strongly by NGOs. This chapter examines both CSR and global labor law in globalization.



"Reebok, Adidas, Fila, Asics, LA Gear, Puma, Converse, Keds, K-Swiss, and Nike (in other words most of the industry) seek the best deals they can find among competing contract manufacturers. The subcontractors, in turn, depend on the overall immiseration of places like Indonesia as a means of securing cheap labor and disciplining workers. Given this set of circumstances, it comes as no surprise that in the brutally competitive athletic footwear and apparel industry, companies would have an interest in pitting subcontractors against one-another in their contract bids. When this occurs, strict capitalist arithmetic tells us that South Korean and Taiwanese contract suppliers will seek to pass along their costs to their workforce by squeezing out longer hours and lower wages." (Goldman/Papson 1998, S. 10 f.)

A 1998 awareness campaign emphasizing corporate responsibility for labor practices, as well as the role of the masses activating change through proactive, consumer consciousness.

3.1 Corporate Social Responsibility?

Due to the significance of corporate social responsibility as a solution to the contemporary anti-globalization movement in conjunction with the mass amount of literature and publicity the concept has received in the past few years, it is necessary to describe and analyze CSR in order to eradicate presumptions and misunderstandings.

"There is, in our view, a profound revolution under way in the global business world—one that goes by many names: corporate responsibility—corporate citizenship—sustainability—people, planet, profits—business in society."
– Gavin Power, Senior Advisor to the United Nations Global Compact (1)

Corporate social responsibility can be viewed as a grass roots and NGO movement that encourages the management of globalization by the private sector, and more specifically by multinational corporations due to the lack of governmental protection over laborers and the environment in global economics. The problem of governance is highlighted by CSR in that, in the face of government ineffectiveness in

managing global economics and its consequences since the 1950s but more poignantly in last years of the 20th century until today, corporate social responsibility (CSR) programs has emerged to fill the void (Carroll 1999) through what is commonly known as corporate governance. CSR is a movement created to address certain negative externalities resulting from the imperfections of global liberal market economics—problems such as poor or dangerous labor conditions and exploitation, environmental degradation, and increasing inequality. These effects are largely occurring due to the function of current economics, where production occurs in overseas factories, through subcontracted labor, or throughout extended supply chains. This international structure of production provided loopholes through which multinational corporations were able to cut production costs at the expense of labor without incurring legal repercussions.

CSR has become the hottest trend in corporate internal and external affairs, but where did it come from?

The arousal of social concerns among corporations can be attributed to a combination of several

factors according to a special report analyzing CSR entitled "Just Good Business" in the *Economist*. The first contributing factor is past scandals and accidents that were highlighted by the media and NGOs, and which proved damaging for business for those companies through bad rapport. The second involves mandatory reporting on nonfinancial and financial performances that increased transparency and created informed, conscious consumers. The third is an increase in whistle blowing from watchdog organizations. Fourth, an increase in concerns regarding climate change and the knowledge of corporate impressions made on the environment through production. Fifth, an increase in investor interest in socially responsible behaviors brought about by humanitarian and environmental concerns, as well as claims (although debated) that long-term financial performance can also be enhanced through CSR. And finally, an internal demand has arisen among employees seeking more than financial compensation for their work ("Just Good Business" 4).

Over the past couple decades, CSR has evolved. The first form of CSR practices was limited to philanthropic donations where corporations would donate about one percent of their pre-tax profits to charities or to local communities. These actions were seen as public relations maneuvers aimed at improving a company's reputation through generosity. But following instances such as the Exxon Valdey spilling 1989, the pharmaceutical companies' retention of high prices for HIV/AIDS antiretroviral drugs for dying people in developing countries, and the Nike and Gap child labor scandals in the 1980s, CSR manifested for the purpose of risk management. Risk management, of course, also operated for the purpose of improving a company's image, in addition to improving efficiency. In other words, companies began to monitor their behaviors more closely to avoid disasters such as these. At this point, Codes of Conduct, transparency, and joint endeavors to voluntarily establish standards within the industry emerged. Finally, the newest form of CSR derives from the idea that CSR projects are opportunities to increase value, and are thus good for business ("Just Good Business" 4). And the most recent trend in CSR activities involves the institutionalization of CSR. In 2006, for example, the British government introduced The Companies Act, which required "public companies to report on social and environmental matters" ("Just Good Business" 3), and business schools have incorporated specialized CSR departments to cope with its rising prevalence ("Just Good Business" 4).

The CSR movement reflects the global governance deficit in that it demands corporate governance. Corporations are expected to become socially and environmental conscious—a job previously delegated to governments. While the private sector has always managed globalization in the sense that it has manipulated and steered globalization through economics—mergers, outsourcing, international trade, etc—CSR requires corporations to devise constructive social and environmental policies that seek to diminish the negative impacts that they induce as critical participants in globalization, both externally upon the environment and society and internally upon its employees. This results from the geographical scope of global capitalism. Multinational corporations operate internationally, yet the few, loose international laws that do exist under the United Nations regarding the violation of human rights only pertain to nation-states. Corporations are not held accountable by international law.

Although it is still infantile and experimental, the CSR movement has been making large strides for change. Its success can be measured in the amount of companies who are adopting and integrating CSR programs into their every day business activities. George Tsogas explains ways in which corporations are responding to the CSR demands:

leading companies in the United States, a number of large and influential companies in the United Kingdom, and some pioneers in the rest of Europe are now attempting to manage this turbulence by understanding and managing their supply chains; producing codes of conduct on employment standards for their operations and those of their vendors; appointing specialist staff to set up and monitor codes of conduct or deploying existing specialists—primarily with sourcing or environmental management experience; engaging with NGOs and other organizations to address the issues; and by establishing means of verifying the implementation of their codes and initiating remedial action. Garment companies and sportswear brands have been in the forefront of addressing these issues—with varying degrees of success. Developing an internal function to handle employment and human rights issues is becoming the norm for many U.S. companies and, increasingly, in the United Kingdom. Many major brands in the United States now accept that they have a corporate responsibility for the working conditions not only of their own employees but also of those engaged on the premises of their vendors. (Tsogas 13)

The public outcry for change has driven many corporations to reconsider the state of their labor supply chains by developing internal social auditing departments to regulate labor conditions of outsourced labor. The issue of supply chains is quite problematic for corporations. Nike, for example, has eight hundred thousand contracted workers. Managing and regulating such a large supply chain is challenging to say the very least ("Just Good Business" 12).

Projects demonstrating corporate social responsibility take different forms, and address three different areas of business: human and labor rights; environmental standards; and social and community impacts. The first, and the highly criticized form of CSR, implies corporate involvement in philanthropic activities for the purpose of giving back to the communities in which it operates and improving the company's reputation among consumers. This philanthropic form of CSR is believed to give corporations an edge in competition through positive publicity and also functions as a method of risk management by helping to stabilize the community, while keeping consumers and workers

"Corporate responsibility is how you make money, not what you do with it after is it made."
—anonymous. (Power 2).

"There is, to be sure, a powerful convergence under way between the interests and objectives of the UN and the private sector. At its core is the emerging understanding that in order for markets and communities to thrive and be sustainable, social and environmental pillars must be part of the globalization process—and, equally, that globalization itself must deliver benefits to the world's marginalized in addition to the fortunate few." – Gavin Power (5).

satisfied as well. The second facet involves corporate behaviors that serve to enhance sustainable globalization as well as social, economic, and environmental development. Within each of these categories, there are additional emphases. For instance, in Nike's 1998 Revised Code of Conduct, the company lists six areas in which they evaluate their supply chain: child labor; employee benefits and compensation; hours of work & overtime; health and safety; environment; documentation and inspection. Socially responsible behaviors in the realm of economic behaviors regarding labor are of import to this paper. The labor oriented behaviors of particular concern include the improvement of labor conditions through corporate policies and regulation, and through international

agreements committed to standardized labor regulations—i.e. global labor recommendations, like the UN's Global Compact, instituted by regional or global actors.

Both forms of CSR involve the improvement of responsiveness and transparency to consumers and stakeholders, not unlike a political entity. The World Business Council for Sustainable Development defines corporate social responsibility as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large." (WBCSD 1999) The rhetoric used reveals expanded expectations of corporations beyond those

expected from their traditional roles in society as mere private capitalist businesses. This definition expresses a change in attitude towards corporations that has accompanied economic, political, and social changes resulting from the mismanagement, or lack thereof, of globalization by national governments. The attitude exhibits a new emphasis on *corporate* responsibility to society. It demands corporations to adopt behavior that has historically been expected of, or enforced by, national governments, not from the private sector. John Ruggie emphasizes that “governments should govern. Voluntary initiatives in corporate social responsibility are no substitute for effective action by governments, alone or in concert. Indeed, governance failures—the willingness or inability of governments to live up to their own commitments—are among the main reasons that the consequences of globalization are so painful” (Ruggie 9).

During his term in office, former secretary-general of the United Nations Kofi Annan established the Global Compact to address the governance deficit in globalization. The original Compact was first proposed by Annan in Davos, Switzerland in 1999. It was created as a learning model—not a regulatory or legislative model—that encourages the private sector’s cooperation in establishing universal policies for sustainable, moral corporate business practices relating to both social and environmental issues. As a voluntary network, the Compact promotes the private sector and other social actors to engage in responsible corporate citizenship in order to curb the challenges posed by globalization. There are now four main subjects addressed by the Compact: labor, human rights, environment, and anti-corruption. Each subject contains fundamental principles found in universally accepted agreements on human rights, labor, and the environment.

Although there are many skeptics of CSR—and many for just cause—CSR is becoming a necessary element for economic success in developed economies. As Nike experienced in the late 1990s, NGOs have been successful in creating conscious consumers who are educated on such issues as sweat-ships, child labor, and exploitative production practices due to the proliferation of such information in the media and internet. So, while cynics maintain that the goal of CSR is a luxury afforded only by the most advanced and wealthy companies of the world, on the other hand, there is also an acceptance that further neglect of the state of the environment and the condition of the world's laboring class will only serve to harm the current

global economic system. Hence, making changes that serve to sustain a healthy environment and a content humanity will consequently serve to sustain the system as a whole.

It is also worth mentioning that governments and international or regional bodies are also paying attention to CSR. Organizations like the European Union, the Organization of Economic Cooperation and Development, and the United Nations possess recommendations particularly regarding CSR and corporate governance. In 2005, the EU drew up an opinion paper, declaring that "The European Economic and Social Committee attaches considerable importance to CSR which it wishes to see become one of the driving forces in a global sustainable development strategy" (Official Journal of the European Union C 286/12). Since this opinion paper was released, the EU has continued discussions on CSR through recommendations and reports, paying particular attention to new Member States. The prevalence of the topic in discussions is evidence that, although the power to enforce such recommended standards is still lacking, interest at the governmental level is increasing, and thus the CSR movement is succeeding though incrementally.

The concept of CSR comprises a portion of the response to current anti-globalization movements concerned with the condition of labor in globalization. This process in globalization is mimicking that witnessed in industrialization. In both eras, the penetration and proliferation of capitalism to its respective degrees outreached the former reach of governments. In both eras, labor experienced painful exploitation due to the lack of protective legislation. In both eras, mass discontent with the conditions of society, and especially of the worker. In industrialization, the capitalist system was able to adjust to socialist initiatives that encouraged government controls and regulations, thus surviving as the economic system and, finally, lightening the plight of the working class and producing a sustainable capitalist society. In globalization, global capitalism is facing strong counter movements taking the form of anti-globalization movements. The capitalist system is again adapting, and these adaptations are manifested in corporate social responsibility programs and global labor law initiatives. Thus far, it is too early to determine whether these initiatives will serve to sustain capitalism, but nonetheless, many transnational corporations are responding to the reactionary movements and adjusting through CSR programs, while governments argue over effective global labor laws.

3.2 Global Labor Law

As international free trade increases, global labor law, or rather *attempts* at establishing collective labor laws, have become one method of corrective measures witnessed in the globalization era. Similar to the institution of labor rights during industrialization, countries as well as international or supranational organization realize that there is a need for labor legislation and standardization in today's global economics. However, this process has proved to be difficult.

Should global labor laws be established, the labor oriented policies of corporate social responsibility would be irrelevant. Self-incurred codes of conduct would no longer be necessary, as global law would require and guarantee good business practices. From this perspective, global labor law operates as the desired outcome of labor oriented anti-globalization initiatives.

The following sections will look at the recent history of global labor law initiatives as responses to anti-globalization movements in the era of globalization. It finds that, in discussions of global labor law of relevant institutions like the European Union, the Organization for Economic Cooperation and Development, and the United Nations, corporate social responsibility is inextricably intertwined due to its emphasis on codes of conduct for multinational corporations. Thus, CSR and the standardization of labor go hand in hand. Since the push for CSR was initially a grass roots movement that aimed to convince companies to conduct themselves in a socially responsible manner or else suffer the consequences induced by media publicity, it forces the elite and powerful to consider the repercussions of their actions through social pressures. Recently, however, corporations, institutions, and governments have adhered to these demands and adopted into their own policies, but in order for actual, long term change to occur, initiatives such as the UN's Global Compact, the OECD's Guidelines for Multinational Enterprises, and the ILO's Conventions and Recommendations necessitate government compliance and the adoption of such initiatives into standardized codes punishable by law.

3.3 Recent Advances in the Establishment of Global Labor Law

The inclusion of social clauses in regional trade agreements, such as the Social Charter of the European Union and the side agreement to NAFTA entitled the North America Agreement on Labor Cooperation (Tsogas 14) proves at the very least that it is normative behavior in international agreements to give explicit attention to labor practices. But many international and regional bodies are going beyond this by foraging the path toward global labor laws, which often come in the form of CSR or corporate governance policies.

The International Labour Organization and the European Union are arguably the most influential international organizations in the world. That said they both possess forms of conventions or recommendations meant to standardize labor relations and minimize exploitation. Although many lack weight or interest in actually enforcing these initiatives, as trendsetting, significant international bodies, we can expect that the creation and increasing relevance of such initiatives in international relations is indicative of the direction in which the labor law is headed. This section serves to identify recent initiatives of these specific organizations so as to display the current level of development of global law in formal terms.

International Labor Organization

Established in 1919 in the Treaty of Versailles, and adopted into the United Nations in 1946, the International Labor Organization (ILO) is the oldest and possibly the most crucial body interested in global labor concerns. The ILO creates conventions, recommendations, and legislation regarding labor according to the needs that arise in the global economy. The primary document upon which these suggestions and laws are based the 1998 ILO Declaration on Fundamental

“Since 1919, the International Labour Organization has maintained and developed a system of international labour standards aimed at promoting opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and dignity. In today's globalized economy, international labour standards are an essential component in the international framework for ensuring that the growth of the global economy provides benefits to all.”-Introduction to International Labor Standards of the ILO

Principles and Rights at Work. The following issues are addressed in the ILO's International Labour Standards: Freedom of association; Collective bargaining; Forced labour; Child labour; Equality of opportunity and treatment ; Tripartite consultation; Labour administration; Labour inspection; Employment policy; Employment promotion; Vocational guidance and training; Employment security; Wages; Working time; Occupational safety and health; Social security; Maternity protection; Social policy; Migrant workers; Seafarers; Fishers; Dock workers; Indigenous and tribal peoples; Other specific categories of workers (www.ilo.org).

The conventions and recommendations by the ILO operate according to a ratification system, where member states promise to uphold the standards that they ratify. The International Labour Standards Department of the ILO then reviews the operations of the member states through mechanisms such as surveys (in the case of the Multinational Enterprises Declaration). If they are not upholding their commitments, the ILO helps the members through dialogue and assistance. However, the ILO has no method of enforcing labor standards. Ratification is a voluntary process, and adherence to the standards is as well. There are no sanctions or repercussions for straying from the application of the standards.

In reading the recommended policies of each institution, one can see how corporate social responsibility and global labor laws frequently overlap in their goals and even in their approaches to standardized labor conditions. The ILO, for example, possesses within its international labor standards literature what is called the Multinational Enterprises Declaration. These policies are enforced according to the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policies. Principles include "the fields of employment, training, conditions of work and life and industrial relations which multinational enterprises, as well as governments, and employers' and workers' organizations are recommended to observe" (<http://www.ilo.org/ilolex/english/multie.htm>).

The main distinction, then, between the CSR and global labor law in their attempts to standardize labor is the method they utilize to achieve this goal. While CSR demands proactive policies involving auditing and regulation by corporations themselves, international institutions like the ILO seek to provide the framework by which international business is to be conducted.

The European Union

As an international body with a common currency and common market, the European Union is a fascinating experiment in the art of harmonizing national distinctions with international legislation. Though regional in scope, the international labor law initiatives of the EU can be regarded as a microcosm of attempts at global labor legislation as practiced by the UN.

A brief look into labor laws of the EU immediately reinforces the significant influence of the UN and ILO in the legislation of international institutions. EU labor legislation (among other forms of legislation and policy) is primarily influenced by documents founded by the Council of Europe as well as three interrelated institutions: the UN, UNESCO, and the ILO. Aside from its own European Convention on Human Rights (1950) and European Social Charter (1996), the EU utilizes UN documents such as the Universal Declaration of Human Rights (1948), the International Convent on Civil and Political Rights (1966), and the International Convent on Economic, Social and Cultural Rights (1966) as guidelines for its own regional policies. This explains the common thread that exists among the UN and EU labor law initiatives, especially in light of both institutions' dependencies on the ILO conventions which, since 1919, remain the foundation of international labor law.

3.4 Obstacles in Establishing Labor Laws

Initiatives calling for CSR and global labor laws are not proposing that the same laws be instituted in every country. Scholars, politicians, and activists alike agree that part of the difficulty in establishing international standards derive from the significant inequality between countries and within countries in today's world. For this reason, vagueness characterizes many of the documents dealing with the topic of global labor legislation. What is more, the world lacks global governing institutions through which laws could be enforced. Once again, unsustainable economics during globalization finds its roots in the governance deficit.

3.5 Chapter Summary

CSR and global labor laws are ways in which institutions are responding to the anti-globalization movement. Among these institutions, the ILO is the prominent actor in policy and legislation. The trend towards global standardization of economic behaviors seek to minimize discontent through attention to the conditions of labor, yet problems exist due to the national structure of global politics that prevents extant recommendations from becoming legally binding, effective realities.

Chapter 4

Conclusion and Continuing Research

The reactionary movements in globalization reflect deep foundations in the socialist labor rights movement of the Industrial Era, yet at the same time, it exhibits its own specific characteristics that reflect its distinct historical position in global capitalism. Due to its global scope, it is no surprise that the anti-globalization movements are non-unionized and comprised of international, mass-based activists. Following the ideological warfare of the Cold War, the anti-globalization movement reveals concerns for international financial systems and ideologies due to the international nature of economics and, more precisely, of international trade and production processes that are producing undesirable effects for those at the bottom of production chains within the global economy. The primary concerns of the current reactionary movement reinforce the problem of international order and the problem of governance in globalization where inequality between countries and subsequent resentment and fear may persist and even amplify if the system does not change.

Since the turn of the century, however, it seems as though capitalist as well as political institutions are adapting to the demands of the anti-globalization movement. Through the establishment of CSR programs and global labor law initiatives, existing institutions are engaging in humanitarian and environmental initiatives, but still more potent political institutions are in demand to address the problems that are causing the mass backlash against globalization. If these endeavors continue to succeed in alleviating the volatility of the masses by eradicating the negative externalities of economic globalization, a more sustainable capitalist system could be on the horizon.

To conclude, both the Industrial Era and globalization reveal the formation of movements arising from the masses that seek to diminish the negative effects of the capitalist system or, in some cases, to even eradicate the existing system of capitalism. However, thus far, both sets of reactionary forces have served to sustain capitalism through adaptation rather than erase or replace it. In both circumstances, the processes that are causing harm to society are altered or changed, thus easing the stress that poses the threat. In that sense, capitalism is a responsive system—if not in theory, than in practice—that listens to and incorporates the features of its oppositionary forces.

Industrialization irreversibly changed societies of England and the United States by industrializing production. Globalization, on the other hand, has changed society by proliferating and intensifying capitalism on a global scale through geographic shifts to multinationally structured production processes and the results that accompany those shifts. The evolution of capitalism experienced in both periods maintains a common goal: the perpetual accumulation of wealth. It is the principle aspect of capitalist ventures following in the liberal market economic tradition. This emphasis on laissez-faire economics resulted in the exploitation of labor and the subsequent rise of initiatives to protect the worker from the capitalists during industrialization. It is this relationship between the values of capitalism and those of socialism that created labor rights. This dialectic relationship has not ceased. As capitalism persists, so do its reactionary counterparts. They continue to fight one another, resolving problems arising from the evolution of capitalism along the way. In the end, capitalism achieves more balance and longevity by acquiescing to demands to restrict unabated capitalism and protect society and labor. It has proved that it can improve and adapt with the changing conditions of the world, but new problems continue to surface with time and the evolution of societies, and thus a perfect balance between economic interests and humanity has yet to be experienced.

As time unravels, further observations of the syntheses resulting from the dialectic of global capitalism and anti-globalization movements will be needed in order to determine whether or not capitalism can continue to adapt by harmonizing humanitarian and environmental concerns with economic ones. In addition, attention to socialism and its influences on labor and politics will also prove important.

Further research into anti-globalization movements is necessary. The direction in which demonstrations continue will help indicate where the problems develop in the system of global capitalism. The future of CSR and global labor law also requires further research. The direction they are headed is unpredictable, and in the current international system, it is difficult to imagine a global political institution possessing the potency to overrule national sovereignty. However, the rise of regional bodies like the European Union indicate that this is not an impossibility, as does the increasing demand for global standards for labor.

Abstract

This paper examines capitalism in the early years of the Industrial Revolution and in the current wave of globalization as it took its course in England and the United States. In both periods, the evolution of capitalism proceeded without the evolution of adequate regulation by political institutions. Encouraged by this void and abiding by the fundamental principles of the capitalist ethic, capitalists exploited labor. Yet within both periods reactionary forces arose in opposition to the exploitation and inequality that ensued from unabated capitalist ventures. The interplay between capitalism and these reactions created a dialectic process that culminated in sustainable capitalism. During industrialization, reactions manifested in the socialist labor rights movement that ultimately forced compromise and the institutionalization of national labor laws. In globalization a similar process is occurring. Opposition forces have taken the form of anti-globalization movements protesting poor labor conditions resulting from global capitalism. Corporate social responsibility and global labor law are two methods through which the dialectic is finding a synthesis. Although a sustainable level of capitalism has yet to be achieved, these initiatives reveal that capitalism appears to be adapting in a more humane fashion once again.

Diese Publikation vergleicht die Entwicklung des Kapitalismus in der Frühzeit der industriellen Revolution mit jener im aktuellen Globalisierungstrend in England und in den Vereinigten Staaten. In beiden Zeitabschnitten entwickelte sich der Kapitalismus außerhalb eines regulativen Rahmens politischer Institutionen. Dieses Manko ermutigte Kapitalisten, Arbeitskräfte gemäß den grundlegenden Prinzipien des Kapitalismus auszunutzen. In beiden erwähnten Zeitabschnitten bildeten sich oppositionelle Kräfte, die sich gegen die Ausbeutung und Ungerechtigkeiten der ungebremsten kapitalistischen Praktiken zur Wehr setzten. Das Zusammenspiel zwischen uneingeschränktem Kapitalismus und die Reaktionen darauf erzeugte einen dialektischen Prozess, der in einen nachhaltigen und sozial erträglichen Kapitalismus mündete. Während der Industrialisierung bildeten sich als Reaktion auf den Kapitalismus sozialistische Arbeiterbewegungen die letztendlich Kompromisse und die Institutionalisierung nationaler Gesetze für den Schutz des Arbeiters erzwangen. Im Zeitalter der Globalisierung nimmt ein ähnlicher Prozess seinen Lauf. Widerstandsgruppierungen in Form von Anti-Globalisierungsbewegungen protestieren gegen schlechte Arbeitsbedingungen, als Folge von

uneingeschränktem Kapitalismus. Soziales Verantwortungsbewusstsein von Unternehmen (Corporate Social Responsibility) und globale Arbeiterschutzgesetze sind zwei Entwicklungen, durch welche die gegenläufigen Bewegungen eine Synthese finden. Obwohl ein sozial erträgliches Niveau des Kapitalismus erst erreicht werden muss, zeigen diese Initiativen, dass sich Kapitalismus wieder in eine menschlichere Richtung zu entwickeln scheint.

Curricula Vitae

Kimberly Maher was born on January 9th, 1984 in California in the United States of America. She has a Bachelor of Arts in Global Studies with a regional emphasis in Europe in a political, cultural, and ideological context from the University of California of Santa Barbara. She is currently a candidate for the Global History Masters degree from the University of Vienna, Austria and the University of Leipzig, Germany in the Erasmus Mundus Global Studies program that concentrates on globalization from a European Perspective . Her individual research involves political economics and globalization, and more recently she has incorporated the field of corporate social responsibility into her studies. Previous published works include an article in the 'Global Health and Human Rights' issue of the Michigan Journal of International Affairs regarding controversial cultural traditions.

Kimberly Maher war am 9. januar 1984 in Kalifornien in den Vereinigten Staaten von Amerika geboren. Sie ist Bachelor of Arts der Global Studies der Universität von Kalifornien in Santa Barbara mit dem regionalen Schwerpunkt Europa, betrachtet aus einem politischen, kulturellen und ideologischen Blickwinkel. Gegenwärtig studiert sie für einen Master-Titel für globale Geschichte der Universität Wien und der Universität Leipzig im Rahmen des Erasmus Mundus Global Studies Programm, das sich auf die Entwicklung der Globalisierung aus einer europäischen Perspektive konzentriert. Sie forscht auf dem Gebiet der politischen Ökonomie und Globalisierung, ebenso wie im Bereich der corporate social responsibility. Unter ihren Publikationen findet sich unter anderem ein Beitrag in der 'Global Health and Human Rights'-Ausgabe des Michigan Journal of International Affairs über gegensätzliche kulturelle Traditionen.

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