
ECONOMIC DIMENSION OF GLOBALIZATION

GLOBALIZATION AND FINANCE: FOUR PARADIGMATIC VIEWS

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Any adequate analysis of globalization and finance necessarily requires fundamental understanding of the worldviews underlying the views expressed with respect to globalization and finance. This paper is based on the premise that any worldview can be associated with one of the four basic paradigms: functionalist, interpretive, radical humanist, and radical structuralist. It argues that any view expressed with respect to globalization and finance is based on one of the four paradigms or worldviews. This paper takes the case of globalization and finance and discusses such a relationship from four different viewpoints, each of which corresponds to one of the four broad worldviews. The paper emphasizes that the four views expressed are equally scientific and informative; they look at the phenomenon from their certain paradigmatic viewpoint; and together they provide a more balanced understanding of the phenomenon under consideration.

Keywords: globalization, finance, worldviews, diversity, paradigms.

1. Introduction

In order to understand the relationship between globalization and finance one should understand the worldviews underlying the views expressed with respect to globalization and finance. Worldviews can be associated with one of the four basic paradigms: functionalist, interpretive, radical humanist, and radical structuralist. Any view expressed with respect to globalization and finance can be related to one of the four paradigms or worldviews. This paper discusses the relationship between globalization and finance from four different viewpoints, each of which corresponds to one of the four broad worldviews. The paper emphasizes that these four views are equally scientific and informative; they look at the phenomenon from their certain paradigmatic viewpoint; and together they provide a more balanced understanding of the phenomenon under consideration.

These different perspectives should be regarded as polar ideal types. The work of certain authors helps to define the logically coherent form of a certain polar ideal type. But, the work of many authors who share more than one perspective is located between the poles of the spectrum defined by the polar ideal types. The purpose of this paper is

not to put people into boxes. It is rather to recommend that a satisfactory perspective may draw upon several of the ideal types.

The ancient parable of six blind scholars and their experience with the elephant illustrates the benefits of paradigm diversity. There were six blind scholars who did not know what the elephant looked like and had never even heard its name. They decided to obtain a mental picture, *i.e.* knowledge, by touching the animal. The first blind scholar felt the elephant's trunk and argued that the elephant was like a lively snake. The second blind scholar rubbed along one of the elephant's enormous legs and likened the animal to a rough column of massive proportions. The third blind scholar took hold of the elephant's tail and insisted that the elephant resembled a large, flexible brush. The fourth blind scholar felt the elephant's sharp tusk and declared it to be like a great spear. The fifth blind scholar examined the elephant's waving ear and was convinced that the animal was some sort of a fan. The sixth blind scholar, who occupied the space between the elephant's front and hind legs, could not touch any parts of the elephant and consequently asserted that there were no such beasts as elephant at all and accused his colleagues of making up fantastic stories about non-existing things. Each of the six blind scholars held firmly to their understanding of an elephant and they argued and fought about which story contained the correct understanding of the elephant. As a result, their entire community was torn apart, and suspicion and distrust became the order of the day.

This parable contains many valuable lessons. First, probably reality is too complex to be fully grasped by imperfect human beings. Second, although each person might correctly identify one aspect of reality, each may incorrectly attempt to reduce the entire phenomenon to their own partial and narrow experience. Third, the maintenance of communal peace and harmony might be worth much more than stubbornly clinging to one's understanding of the world. Fourth, it might be wise for each person to return to reality and exchange positions with others to better appreciate the whole of the reality (this parable is taken from Steger 2002).

Social theory can usefully be conceived in terms of four key paradigms: functionalist, interpretive, radical humanist, and radical structuralist (for the original discussion of these four paradigms see Burrell and Morgan 1979). The four paradigms are founded upon different assumptions about the nature of social science and the nature of society. Each generates theories, concepts, and analytical tools which are different from those of other paradigms.

The functionalist paradigm has provided the framework for current mainstream academic fields, and accounts for the largest proportion of theory and research in academia.

In order to understand a new paradigm theorists should be fully aware of assumptions upon which their own paradigm is based. Moreover, to understand a new paradigm one has to explore it from within, since the concepts in one paradigm cannot easily be interpreted in terms of those of another. No attempt should be made to criticize or evaluate a paradigm from the outside. This is self-defeating since it is based on a separate paradigm. All four paradigms can be easily criticized and ruined in this way.

These four paradigms are of paramount importance to any scientist, because the process of learning about a favored paradigm is also the process of learning what that paradigm is not. The knowledge of paradigms makes scientists aware of the boundaries within which they approach their subject. Each of the four paradigms implies a different way of social theorizing.

Before discussing each paradigm, it is useful to look at the notion of ‘paradigm’. Burrell and Morgan (this work borrows heavily from the ideas and insights of Burrell and Morgan 1979) regard the:

...four paradigms as being defined by very basic meta-theoretical assumptions which underwrite the frame of reference, mode of theorizing and *modus operandi* of the social theorists who operate within them. It is a term which is intended to emphasize the commonality of perspective which binds the work of a group of theorists together in such a way that they can be usefully regarded as approaching social theory within the bounds of the same problematic.

The paradigm does ... have an underlying unity in terms of its basic and often ‘taken for granted’ assumptions, which separate a group of theorists in a very fundamental way from theorists located in other paradigms. The ‘unity’ of the paradigm thus derives from reference to alternative views of reality which lie outside its boundaries and which may not necessarily even be recognized as existing (Burrell and Morgan 1979: 23–24).

Each theory can be related to one of the four broad worldviews. These adhere to different sets of fundamental assumptions about the nature of science (*i.e.* the subjective-objective dimension) and the nature of society (*i.e.* the dimension of regulation-radical change), as in Fig. 1 (see Burrell and Morgan 1979 for the original work; Ardalan 2008; and Bettner, Robinson, and McGoun 1994 have used this approach).

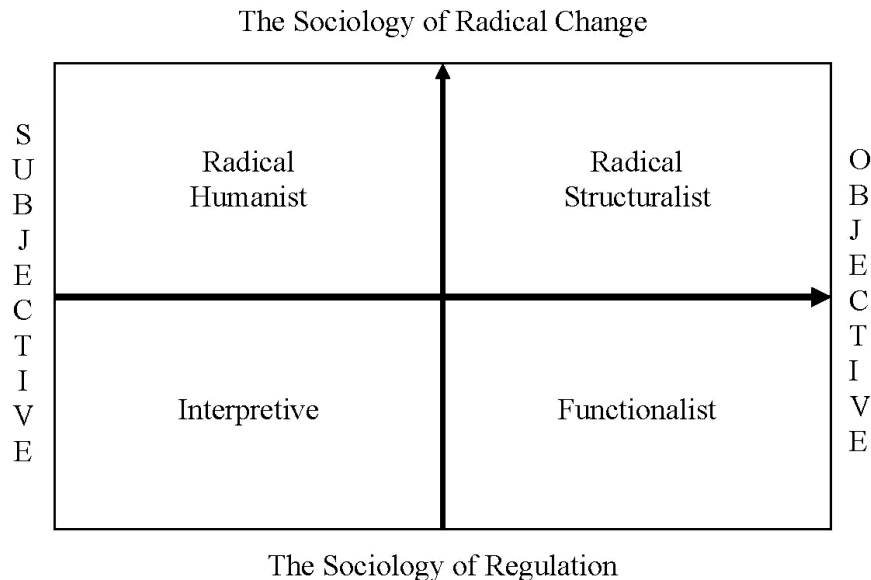


Fig. 1. The Four Paradigms

Each paradigm adheres to a set of fundamental assumptions about the nature of science (*i.e.* the subjective-objective dimension) and the nature of society (*i.e.* the dimension of regulation-radical change)

Assumptions related to the nature of science are assumptions with respect to ontology, epistemology, human nature, and methodology.

The assumptions about ontology are assumptions regarding the very essence of the phenomenon under investigation. This means, to what extent the phenomenon is objective and external to the individual or it is subjective and the product of individual's mind.

The assumptions about epistemology are assumptions about the nature of knowledge – about how one might go about understanding the world, and communicate such knowledge to others. That is, what constitutes knowledge and to what extent it is something which can be acquired or it is something which has to be personally experienced.

The assumptions about human nature are concerned with human nature and, in particular, the relationship between individuals and their environment, which is the object and subject of social sciences. In other words, to what extent human beings and their experiences are the products of their environment or human beings are creators of their environment.

The assumptions about methodology are related to the way in which one attempts to investigate and obtain knowledge about the social world. More specifically, to what extent the methodology treats the social world as being real hard and external to the individual or it is as being of a much softer, personal and more subjective quality. In the former, the focus is on the universal relationship among elements of the phenomenon, whereas in the latter, the focus is on the understanding of the way in which the individual creates, modifies, and interprets the situation which is experienced.

The assumptions related to the nature of society are concerned with the extent of regulation of the society or radical change in the society.

Sociology of regulation provides explanation of society based on the assumption of its unity and cohesiveness. It focuses on the need to understand and explain why society tends to hold together rather than fall apart.

Sociology of radical change provides explanation of society based on the assumption of its deep-seated structural conflict, modes of domination, and structural contradiction. It focuses on the deprivation of human beings, both material and psychic, and it looks towards alternatives rather than the acceptance of *status quo*.

The subjective-objective dimension and the regulation-radical change dimension together define four paradigms, each of which share common fundamental assumptions about the nature of social science and the nature of society. Each paradigm has a fundamentally unique perspective for the analysis of social phenomena.

The aim of this paper is not so much to create a new piece of puzzle as it is to fit the existing pieces of puzzle together in order to make sense of it. First, each of the sections (2 to 5) lays down the foundation by discussing one of the four paradigms. Subsequently, each examines globalization and finance from the point of view of the respective paradigm. Section 6 concludes the paper.

2. Functionalist Paradigm

The functionalist paradigm assumes that a society has a concrete existence and follows a certain order. These assumptions lead to the existence of an objective and value-free social science which can produce true explanatory and predictive knowledge of the reality 'out there'. It assumes scientific theories can be assessed objectively by reference to empirical evidence. Scientists do not see any roles for themselves, within the phenomenon which they analyze, through the rigor and technique of the scientific method. It at-

tributes independence to the observer from the observed. That is, an ability to observe 'what is' without affecting it. It assumes there are universal standards of science, which determine what constitutes an adequate explanation of what is observed. It assumes there are external rules and regulations governing the external world. The goal of scientists is to find the orders that prevail within that phenomenon.

The functionalist paradigm seeks to provide rational explanations of social affairs and generate regulative sociology. It assumes a continuing order, pattern, and coherence and tries to explain what it is. It emphasizes the importance of understanding order, equilibrium and stability in a society and the way in which these can be maintained. It is concerned with the regulation and control of social affairs. It believes in social engineering as the basis for social reform.

The rationality which underlies functionalist science is used to explain the rationality of society. Science provides the basis for structuring and ordering the social world, similar to the structure and order in the natural world. The methods of natural science are used to generate explanations of the social world. The use of mechanical and biological analogies for modeling and understanding the social phenomena are particularly favored.

Functionalists are individualists. That is, the properties of the aggregate are determined by the properties of its units.

Their approach to social science is rooted in the tradition of positivism. It assumes that the social world is concrete, meaning it can be identified, studied and measured through approaches derived from the natural sciences.

Functionalists believe that the positivist methods which have triumphed in natural sciences should prevail in social sciences as well. In addition, the functionalist paradigm has become dominant in academic sociology and mainstream academic fields. The social world is treated as a place of concrete reality, characterized by uniformities and regularities which can be understood and explained in terms of causes and effects. Given these assumptions, the individual is regarded as taking on a passive role; his or her behavior is being determined by the economic environment.

Functionalists are pragmatic in orientation and are concerned to understand society so that the knowledge thus generated can be used in a society. It is a problem orientated to an approach as it is concerned to provide practical solutions to practical problems.

In Fig. 1 the functionalist paradigm occupies the south-east quadrant. Schools of thought within this paradigm can be located on the objective-subjective continuum. From right to left they are: Objectivism, Social System Theory, Integrative Theory, Interactionism, and Social Action Theory.

Functionalist paradigm's views with respect to globalization and finance are presented next (see, for example, McKinnon 1973; Pagano 1993 and Shaw 1973. This section is based on O'Brien 1992).

The end-of-geography is a concept which is applicable to international financial relationships. It is a stage of financial development in which geographical location does not matter, or does not matter as much as it did before. In this stage, state financial markets regulators do not have full control over their regulatory territory. That is, rules do not apply to specific geographical areas, such as the nation-state or other typical jurisdictional territories. This allows financial firms to have a greatly widened choice of geographical location, provided that they make an appropriate investment in information and computer systems. Consequently, they can have their back office functions in one

location, their sales forces spread widely across the marketplace, and the legal domicile of their firm in still another location. The firm can simultaneously operate in many different locations depending on where the markets and factors of production happen to be. Stock exchanges cannot monopolize trading in the shares of companies located in their country or region. Stock trading cannot be confined to a specific city or stock exchange. Stock trading is increasingly based on computer and telephone networks, rather than on trading floors. Indeed, markets are not fixed to a specific place. The end-of-geography means that the consumers of financial services are offered a wider range of services in addition to the traditional services offered by local banks. The consumers of financial services will have a global choice. The end-of-geography means an increased competition that threatens cartels and clubs as new goods and services enter protected markets. The interest rate – the price of capital – becomes the same everywhere, at least in wholesale markets. The end-of-geography challenges all the world economy participants: developing and developed economies, public and private policy-makers, and producers and consumers of financial services. It promotes the debate over: the role of the nation-state, the integration of nations, and the disintegration of existing federations.

Money has an informational role. It conveys information, whether as a debt, a store of value, or a medium of exchange. Its universality derives from the fact that all people know what money means, or can mean, even if their skills vary in managing, manipulating, and using it. Money has a physical appearance, but its essence is one of information, such as a record in a ledger, or even in an unwritten understanding between people or organizations. It is by going beyond its physical state that its information characteristics become apparent. Its informational role gives money its flexibility and its fungibility, *i.e.* the ability to be transferred from place to place, to be moved from purpose to purpose.

Any change in the technology of processing and delivering information affects the role of money. The current radical and irreversible change in information technology (IT) has a strong impact on the role of money in the world economy. It has a pervasive effect throughout the financial world. New technologies will continue to be used, even though they are not uniformly applied. The existing technologies become rapidly outdated as newer inventions and applications, involving the development of both hardware and software, are introduced. New technologies reduce costs and revise the economics of financial services. New IT enters the financial services industry and affects communications systems; the speed of calculation and computation; and relationships between client and producer, among traders, and between markets. The new technology that makes information move faster around the globe in new forms, it also makes money move faster and in more mysterious ways. In general, the end-of-geography depends on technological progress, and in particular, the end-of-geography depends on the computerization of finance.

Improvements in communication technology have always had a profound effect on all aspects of life, including finance. For instance, the laying of the transatlantic cable in 1866 is regarded as one of the most influential undertakings in the history of international economic integration and interdependence. More recently there have been revolutionary changes in the dimensions of communication – the speed, quality, and depth of communication – that is now possible worldwide.

These dimensional changes have made possible powerful applications of the new technology in both wholesale finance and retail finance. In wholesale finance markets are switched from trading floors to computer screens, which changes both the physical dimen-

sion of the marketplace; and the relationships among traders, and among the regulators of the markets. In retail finance, the introduction of automatic transfer machines (ATMs) and electronic points of sale (EPOS) adds an important new dimension for the delivery of financial services and leads to a complete reassessment of the physical bricks and mortar requirements of banks, which have been known for their extensive branches and their impressive halls. In addition, the introduction of telephone banking and interactive screen communications between bank, retail seller, and customer, gives rise to screen-based shopping. Moreover, the use of debit cards and smart cards – which store information in a micro-chip located in the card – add an extra dimension to the widely-used plastic money.

One of the most important dimensions of communications that has changed is its speed. In the context of the end-of-geography the impact of instant communication on the relevance of location is particularly important. Market participants can be located in different countries or can be on different continents and still be able to trade with each other. Even though there are primarily three major time zones in the world, technology has enabled the development of 24-hour trading in more and more areas. For instance, foreign exchange dealers pass their books around the world on a continuous 24-hour basis.

The speed of communications also has an important impact on settlement risk or exposure risk. Transactions that are regarded as spot transactions and therefore do not involve settlements risks are re-examined even if the delay is only a few seconds. This is because any settlement delay, especially in transactions involving millions of dollars of potential exposure, is watched and defined carefully and the measurement of the exposure is a complex task. At the same time, faster settlements systems turn long periods of exposure into short, almost spot, transactions. At the core of settlement procedure is the timing of settlement because it is the critical factor that influences the size and scope of risk.

Advances in communication technology also bring markets and positions closer together. In the growing swap markets, assets and liabilities – involving a wider range of companies, transactions, currencies, and markets – are matched more rapidly across countries. With greater communication speed, access to instant information becomes a critical competitive advantage because the value of information deteriorates rapidly with the passage of time. Never has the old adage been more apt: time is money. Although with the increased speed of communication the possibility of credit-card fraud has increased, the speed at which creditworthiness and identities can be checked has also increased. All businesses have been affected and changed by the improvement in the communication technology, such as image processing and teleconferencing.

With the improvement in communication technology there has been an accelerated spread of computing power among people. Advances in the power of communicating information are the root cause of the growth of securitization in financial services. Whereas formerly information could be kept and processed by only a limited group of market participants (*i.e.*, banks), the ability of more market players to process the information has reduced the barriers to entry into banking. The widespread computing power, together with the ability to manipulate and communicate information faster, has made it possible for more players to be involved. Generally, more players mean a deeper, more effective, and more competitive market. Investors have the technology to follow the markets and require their financial advisers to be more sophisticated financial analysts. Futures and options markets depend on the ability of financial economists to use

large amounts of rapidly changing market data to calculate futures and options prices and to balance risks and returns. Stock indices are dependent on the instantaneous collection of their constituent stock prices. Derivative markets require stock indices to be instantly transmitted elsewhere in order to develop other financial products from it. These changes move activities away from exchanges and basic cash markets. Indices of stock exchanges can be traded on other markets as a consequence of the advancement in technology.

Advances in technology have changed the method and speed of communications and computation that have impacted financial markets. But, despite the brand new world of instant communications across the globe and the drive towards the end-of-geography, progress can be slowed by traditions, inertia, and the problem of applying technology properly. In addition, advancement in technology requires entrepreneurial-minded people to invest time, money, and reputations in technology. It is these considerable investments that lead to reductions in costs.

Innovations take some time before they are introduced in the financial industry. For instance, a smart card was available for a long period of time but it was finally slowly introduced to the financial markets. Innovations must be acceptable to the users as they have consequences with respect to economic, social, and political issues (*e.g.*, privacy of information). The use of new technology hinges on their acceptance by customers and service providers, and it requires a change in operating habits, regulations, and market structures. In financial relationships trust plays a central role. Therefore, technological applications must be seen to enhance and not to place barriers between parties.

Competition accelerates the market's use of both new technology and investment in new technology. In the fast-moving world of technology no competitor can fall behind the competition or can invest in technology that is incompatible with that of the competition. Once the application of a new technology to a new market is made, then the move can quickly become very extensive and cost effective.

The IT revolution has impacted the structure of financial markets and firms. In the globalized financial system the national banking systems interact differently with their corporate clients. A key difference among national financial systems is the way information flows in the market, involving different approaches to corporate governance and insider trading.

In short, advances in information technology have reduced the barriers to entry into core areas of banking and other financial activities by enhancing the market's ability to process information and at a lower cost. These changes have brought about the issues of: bank/client relations, corporate governance, and the conduct of business vis-a-vis the sharing of information.

3. Interpretive Paradigm

The interpretive paradigm assumes that social reality is the result of the subjective interpretations of individuals. It sees the social world as a process which is created by individuals. Social reality, insofar as it exists outside the consciousness of any individual, is regarded as being a network of assumptions and intersubjectively shared meanings. This assumption leads to the belief that there are shared multiple realities which are sustained and changed. Researchers recognize their role within the phenomenon under investigation. Their frame of reference is the one of participant, as opposed to observer. The goal

of the interpretive researchers is to find the orders that prevail within the phenomenon under consideration; however, they are not objective.

The interpretive paradigm is concerned with understanding the world as it is, at the level of subjective experience. It seeks explanations within the realm of individual consciousness and subjectivity. Its analysis of the social world produces sociology of regulation. Its views are underwritten by the assumptions that the social world is cohesive, ordered, and integrated.

Interpretive sociologists seek to understand the source of social reality. They often delve into the depth of human consciousness and subjectivity in their quest for the meanings in social life. They reject the use of mathematics and biological analogies in learning about the society and their approach places emphasis on understanding the social world from the vantage point of the individuals who are actually engaged in social activities.

The interpretive paradigm views the functionalist position as unsatisfactory for two reasons. First, human values affect the process of scientific enquiry. That is, scientific method is not value-free, since the frame of reference of the scientific observer determines the way in which scientific knowledge is obtained. Second, in cultural sciences the subject matter is spiritual in nature. In other words, human beings cannot be studied by the methods of the natural sciences, which aim to establish general laws. In the cultural sphere human beings are perceived as free. An understanding of their lives and actions can be obtained by the intuition of the total wholes, which is bound to break down by atomistic analysis of functionalist paradigm.

Cultural phenomena are seen as the external manifestations of inner experience. The cultural sciences, therefore, need to apply analytical methods based on 'understanding', through which the scientist can seek to understand human beings, their minds, and their feelings, and the way these are expressed in their outward actions. The notion of 'understanding' is a defining characteristic of all theories located within this paradigm.

The interpretive paradigm believes that science is based on 'taken for granted' assumptions; and, like any other social practice, must be understood within a specific context. Therefore, it cannot generate objective and value-free knowledge. Scientific knowledge is socially constructed and socially sustained; its significance and meaning can only be understood within its immediate social context.

The interpretive paradigm regards mainstream academic theorists as belonging to a small and self-sustaining community, which believes that social reality exists in a concrete world. They theorize about concepts which have little significance to people outside the community, which practices social theory, and the limited community which social theorists may attempt to serve.

Mainstream academic theorists tend to treat their subject of study as a hard, concrete and tangible empirical phenomenon which exists 'out there' in the 'real world'. Interpretive researchers are opposed to such structural absolutism. They emphasize that the social world is no more than the subjective construction of individual human beings who create and sustain a social world of intersubjectively shared meaning, which is in a continuous process of reaffirmation or change. Therefore, there are no universally valid rules of science. Interpretive research enables scientists to examine human behavior together with ethical, cultural, political, and social issues.

In Fig. 1 the interpretive paradigm occupies the south-west quadrant. Schools of thought within this paradigm can be located on the objective-subjective continuum.

From left to right they are: Solipsism, Phenomenology, Phenomenological Sociology, and Hermeneutics.

Interpretive paradigm's views with respect to globalization and finance are presented next (see, for example, Cox 1997; Hirst and Thompson 1996; Martin 1994; and Thrift 1994. This section is based on Watson 1999).

The globalization hypothesis has created a new common-sense 'truth', based on which the social world is organized. It restricts the parameters of the socially, politically, and economically possible. This constrained choice is so pronounced in people's lives that they are increasingly confronted with the logic of no alternative as the globalization's image, which is predicated on the assumption of perfect capital mobility. Capital is regarded as being so rational with the condition that it takes advantage of enhanced exit options from one country as soon as its interests are better served by moving to another country. Global markets are assumed to have such fully exploited contemporary technological developments that they clear instantaneously and allow capital to follow its interests anywhere in the world where new higher profit opportunities arise. Throughout the West, globalization is presented as follows: unless the market is allowed to function and restore a competitive global equilibrium, capital will exit high-wage, high-cost Western economies and move to lower-wage, lower-cost, newly-industrializing economies. Consequently, globalization is commonly presumed to inevitably have a job displacement effect as capital leaves the advanced industrialized economies.

Thus, capital mobility is most frequently framed in spatial terms. Capital's profit-seeking rationality forces it away from high-cost national economies and moves it towards lower-cost national economies. This image of capital hyper-mobility is then used to discipline the Western labor force, which is believed to be relatively static compared to capital, because socialization processes lock the labor force into distinct national economic spaces. The globalization of capital markets is assumed to reduce the ability of national governments to regulate capital and have control over the movement of capital in and out of national boundaries. The physical barriers among national economies are assumed to play almost no role in the world of hyper-mobile capital. This image is enhanced by the relaxation of the statutory barriers among national economies and the systematic withdrawal of capital controls. It is assumed that in a globalized world there can be no institutionalized set of rules capable of controlling the restlessness of the capital markets. In other words, geography is commonly thought to be only a marginal constraint on the activity of capital; and capital can no longer be trapped within specific geographical frameworks, such as the nation-state or other territorial regulatory jurisdiction.

It is easy to see that a whole host of consequences emerge from the formulation of knowledge about globalization. Therefore, it is important that such knowledge reflects accurate understandings of the global system and what are claimed to have been instrumental in its creation: *i.e.* economic transformations. These transformations, *i.e.*, capital's claimed hyper-mobility, are the focus of the rest of this section. In order to examine the relationship between capital mobility and globalization, two particular distinctions are emphasized. The first one is the distinction between productive capitals and financial capitals. These different components of capital have conceptually different functions, logics of action, and mobility options. For the mobility of productive capitals, the reality of international capital flows for the most part does not substantiate the rhetoric of globalization. That is, far from the rhetoric of globalization that the interests of pro-

ductive capital use the new-found mobility to establish a global capital, the empirical evidence shows that these interests have maintained their national character.

Furthermore, a similar conclusion holds with respect to the mobility of financial capitals. More specifically, the mobility of financial capital is routinely overstated. This finding illustrates that the spatial mobility hypothesis is an exaggeration of the reality of contemporary capital flows. It disputes the claim that economic globalization implies the logic of no alternative. The extent to which policy alternatives are restricted by the current structure of international finance, it is the result of the neoliberal financial policies and interventions. The neoliberal relaxation of the previously-institutionalized controls on the short-term movement of financial funds has provided new profit opportunities for trading short-term financial assets. Consequently, an increasing portion of available funds has been channeled to financial markets, which has caused a shortage of capital in productive sectors. There is a disparity between the volume of funds allocated for productive purposes and the volume of funds allocated for non-productive purposes. Therefore, the heightened incidence of productive capital shortage is not explained by the logic of globalization, which states that capital leaves the high-wage, high-cost Western countries and moves to lower-cost industrializing peripheral countries. In other words, the shortage of productive capital is not explained by the spatial mobility of capital. Instead, it is explained by the global neoliberal financial regime that has provided incentives for rationally acting, profit-seeking investors to allocate an increasingly larger portion of their investments to financial assets. Thus, the dynamics of productive capital shortage are understood with reference to the functional mobility of capital, rather than spatial mobility of capital.

The highly liberalized global financial environment, which has been created over the past several decades, has shifted the liquidity preferences of capital holders. Trading of short-term financial assets involves virtually no transactions costs. This has made it possible for investors to satisfy their high liquidity demands by taking certain speculative positions in the market. The increasing costless trading in financial assets has offered investors with sufficient incentives to liquidate their long-term productive assets in order to release funds to make financial investments. These financial funds are often deployed to speculate with respect to forward movements in interest rates and exchange rates, leading to instabilities in these rates. This negatively feedbacks on investment in new productive capacity and, therefore, exacerbates the significant capacity shortfalls in productive sectors prevailing throughout much of the West.

The emphasis is placed on the understanding of capital's functional mobility rather than the received wisdom of capital's spatial mobility, which is dominant in the discourse of globalization. The conventional wisdom of spatial mobility is based on the marginal approach of neoclassical economics. This suggests that an autonomous sphere of market relations governs the firm's location decision through the cost-benefit analyses. The alternative focus on functional mobility emphasizes the construction of financial market relations. It stands in direct opposition to the neoclassical analysis of the means of choosing between competing ends under conditions of scarcity, which is embodied in the spatial mobility hypothesis. It concerns the social basis of markets and invokes the functional mobility hypothesis.

Capital mobility is conceived in spatial terms and assumes capital to be free to move around the world in search of the most profitable opportunities. Accordingly, globalization is assumed to have set national governments in competitive dynamic so that they are directly struggling against one another for supremacy in international markets. Consequently, the globalization hypothesis declares its blueprint for governmental action: get

ready and do whatever is necessary for the survival in global economic competition. This blueprint is paradoxical in the sense that over time government will matter less and finally not at all. Governments in the Western world have quickly acted on this assumption and dampened the expectations of any remaining feasible governance strategies, and have repeatedly announced that they have no choice but to reverse the welfare gains made by people before globalization.

However, there are two main objections to the globalization's logic of no alternative. The first objection is empirical. It focuses on globalization's claim that all capital markets now clear perfectly and questions the assumption that productive capital roams the whole globe in search of new, higher profit opportunities. The assumption is brought under question because there is no evidence that capital markets clear perfectly in this way. Indeed, empirical evidence points to a totally different conclusion. This is because flows of capital and technology must eventually land in concrete places. Therefore, the mobility of productive capitals is limited. Indeed, the realities of economic production illustrate that coordinated disinvestment by productive capitals is not possible. This is because as soon as financial assets are concretized into productive investments all future mobility options become severely curtailed. Moreover, the vast majority of productive investments are made by local sources, rather than by spatially footloose capitals. Domestic producers continue to be the dominant suppliers of domestic consumption markets.

The second objection to the globalization's logic of no alternative is also based on questioning its assumption that global capital markets perfectly clear. It focuses on the functional mobility of capital rather than the spatial mobility of capital. This view goes beyond the assumption that capital mobility has immediate effect upon people's lives through global investment flows that seek new, higher profit opportunities and cause devastation and unemployment. Instead, it focuses on the circuits of capital, *i.e.* the way financial assets are made concrete into productive investments. According to standard textbook analyses, the financial system intends to coordinate the monetary and investment aspects of the economy. One would expect that the increasing sophistication of the financial system would make this task more straightforward. However, the surge in international financial markets activity has made it increasingly disembodied from the real economy. The progressively dislocated circuit of capital has impeded productive investments. International financial markets have increasingly attracted capital in the functional form of money and have resulted in increasing capacity gaps in an increasing number of Western economies. It is this dynamic, and not the one implied by the globalization hypothesis, that explains the lack of stable, high-quality employment in Western labor markets.

Globalization hypothesis assumes that governments are powerless in lowering their national interest rates below a trend level in order to boost national productive investment. That is, increasing financial market integration has made the expansionary option for national governments ineffective. This is because domestic interest rates are assumed to be determined by instantaneously-clearing international financial markets. Therefore, it is commonly assumed that the spatial mobility of capital ensures that all domestic interest rates converge. However, the empirical evidence regarding domestic interest rates provides little support to this claim. In the world's financial centres, the current correlation between short-term interest rates is no higher than it was 100 years ago. Even under communication revolution, these interest rates have tended no more to converge than they did when their adjustment required for gold to be physically transported between

the world's financial centers on ocean liners. Therefore, in contrast to the claims of the financial globalization hypothesis, financial markets exhibit interest rates differentials. In addition, the globalization hypothesis exaggerates both the extent of capital's spatial mobility and the extent of its effect on the autonomy of national economic policy makers.

4. Radical Humanist Paradigm

The radical humanist paradigm provides critiques of the status quo and is concerned to articulate, from a subjective standpoint, the sociology of radical change, modes of domination, emancipation, deprivation, and potentiality. Based on its subjectivist approach, it places great emphasis on human consciousness. It tends to view society as anti-human. It views the process of reality creation as feeding back on itself; in a way that individuals and society are prevented from reaching their highest possible potential. That is, the consciousness of human beings is dominated by the ideological superstructures of the social system, which results in their alienation or false consciousness. This, in turn, prevents true human fulfillment. The social theorist regards the orders that prevail in the society as instruments of ideological domination.

The major concern for theorists is with the way this occurs and finding ways in which human beings can release themselves from constraints which existing social arrangements place upon realization of their full potential. They seek to change the social world through a change in consciousness.

Radical humanists believe that everything must be grasped as a whole, because the whole dominates the parts in an all-embracing sense. Moreover, truth is historically specific, relative to a given set of circumstances, so that one should not search for generalizations for the laws of motion of societies.

The radical humanists believe the functionalist paradigm accepts purposive rationality, logic of science, positive functions of technology, and neutrality of language, and uses them in the construction of 'value-free' social theories. The radical humanist theorists intend to demolish this structure, emphasizing the political and repressive nature of it. They aim to show the role that science, ideology, technology, language, and other aspects of the superstructure play in sustaining and developing the system of power and domination within the totality of the social formation. Their function is to influence the consciousness of human beings for eventual emancipation and formation of alternative social formations.

The radical humanists note that functionalist sociologists create and sustain a view of social reality which maintains the *status quo* and which forms one aspect of the network of ideological domination of the society.

The focus of the radical humanists upon the 'superstructural' aspects of society reflects their attempt to move away from the economism of orthodox Marxism and emphasize the Hegelian dialectics. It is through the dialectic that the objective and subjective aspects of social life interact. The superstructure of society is believed to be the medium through which the consciousness of human beings is controlled and molded to fit the requirements of the social formation as a whole. The concepts of structural conflict, contradiction, and crisis do not play a major role in this paradigm, because these are more objectivist view of social reality, that is, the ones which fall in the radical structuralist paradigm. In the radical humanist paradigm, the concepts of consciousness, alienation, and critique form their concerns.

In Fig. 1 the radical humanist paradigm occupies the north-west quadrant. Schools of thought within this paradigm can be located on the objective-subjective continuum. From left to right they are: French Existentialism, Anarchistic Individualism, and Critical Theory.

Radical humanist paradigm's views with respect to globalization and finance are presented below (see, for example, Baker, Hudson, and Woodward 2005; Hoogvelt 1997; and Strange 1994. This section is based on Langley 2002).

There is a need to challenge the predominance of neo-liberalism as a mode of knowledge about contemporary world finance. This is because it neglects the social and political bases of world finance and regards as harmful the consequences of change in world finance. This challenge can be met by constructing an alternative mode of knowledge that critically incorporates a society and politics. One way to implement this is through an historical approach that analyzes the modern world finance since the 17th century and regards it as a succession of structurally distinct hierarchical social orders. A comparative historical approach to modern world finance reveals the unique characteristics of the contemporary order. This order embodies new forms of credit practices, decentralized and de-territorial spatiality, change in the nature of financial power, unprecedented multilateral governance arrangements, and contradictions that threaten its future.

In a world where political and economic well-being is measured by the vagaries of the Dow Jones Index (as shown on major news media), and political decision-making is increasingly intertwined with decisions made in world financial centers – such as London, New York, and Tokyo – one needs to take a broad historical and critical perspective to the world finance and treat it as historically contestable. The historical study of the rise and fall of the Dutch, British, and American World Financial Orders and their respective World Financial Centers – Amsterdam, London, and New York – over the last four centuries is of particular interest in a period that has lastly seen the end of the post-Second World War American Financial Order and the emergence of a powerful Global Financial Order defused in London, New York, and Tokyo. This historical study looks not only at the continuities in the structures and mechanics – credit movements, financial regulation and liberalization, multilateral governance agreements such as Bretton Woods – of past world financial orders but also at how and why the contemporary neo-liberal financial order differs from those that preceded it.

The neo-liberal notions of what constitutes governance of financial markets, domestic and international monetary policies, and social relations are historically embedded. Therefore, they are contested and contestable, rather than unquestionable.

The recognition of the contemporary ascendancy of the neo-liberal frame of understanding of world finance reveals the ideological connotations of globalization. Neo-liberals' trans-historical and teleological frame of understanding of the restructuring is spread by the use of globalization as a metaphor for preventing change. They effectively naturalize the emergence of twenty-four hour global financial markets, which is represented as a benign and inevitable result of the expansionary rational logic of the market mechanism and implemented by advances in information and telecommunications technologies. Consequently, the structural transformation of world finance gives rise to 'global finance', which is then taken as given. The theories, practices, and policies of economists, financiers, politicians, and societies are based on the assumption that 'globalization is in place', which requires rational responses to this new reality. Therefore,

the predominant neo-liberal mode of knowledge requires people to focus their concerns on 'the immediate effect of passing events', rather than the legitimate consideration of the social and political dynamics of world finance.

One way to build a robust alternative to the predominant neo-liberal mode of knowledge of contemporary world finance is to employ an historical approach. This approach uses history as an anchor to construct knowledge of world finance. Its principal categories for inquiry include: structured social practices, social change, social space, social time, and social orders. Each category is theoretically improved with the reference to the work of other scholars and social scientists. When applied to the study of world finance, the focus of inquiry can become the world financial orders. More specifically, to study the changing organization of modern world credit practices since the seventeenth century in the context of the structures of power and governance of successive social orders. The comparative historical study of successive financial orders stresses a structural change from one order to another in the context of the continuities of modern world finance. World financial centres can then take the centre stage as the key social spaces in world finance, where world credit practices, power, and governance are centralized. The patterns of centralization and decentralization among world financial centres that reflect the changing situations of ascendant and descendent social forces can be noted to play a decisive role in the production and reproduction of world financial orders.

The concrete study of modern world finance can begin with the Amsterdam-centred Dutch financial order (1600–1815) and the London-centred British financial order (1815–1931). Under both orders, world credit practices were spatially uni-polar, *i.e.* centralized in Amsterdam and then in London representing the world financial centre of the period. The social forces of Amsterdam and London were pivotal to the making of the Dutch and British financial orders. Such social forces were largely due to favorable power relations and partly due to structures in the wider world order that enhanced their interests. The growth in the power of London's social forces was critical to the fall of the Dutch financial order. Both Amsterdam and London were the governing bodies in their respective orders. They forged the organizational principles and institutionalized their authority for relative stability and reproduction. However, there was an important structural discontinuity in the transition from the Dutch to the British financial order. The rise of London was based on the consolidation and centralization of the British national economy that brought about an increasing role for public institutions in the governance of world credit practices.

The rise of the New York-centred American financial order (1931–1974) was associated with the fall of the British financial order. In the same way that the rise of London formed an essential dynamic in the fall of the Dutch order, the rise of New York after the Great War deteriorated the authority of London's social forces in the reproduction of British order after 1918. The American order was slow to emerge. Its relative stability and broad-based governing organizational principles were established after the Marshall Plan of 1947. The subsequent American financial order had three principal characteristics which were structurally different from the previous orders. First, the significance of New York-centred world credit practices was diminished by the massive long-term inter-governmental and corporate capital outflows that originated in the US. Second, in terms of making the order, the secondary position belonged to New York's social forces, which were set by industrialists, organized labour, and state managers based on organ-

izational principles that promoted free trade and exchange rate stability and at the expense of financial interests. Third, as a complex of governance New York had a subordinated standing within a state-based structure of financial governance, as national economies became consolidated further and American state institutions and American-dominated inter-state institutions played the crucial roles in the formal governance and the reproduction of the order.

The reflection on the contemporary world financial order (1974 to the present) can begin with an analysis of the fall of the American financial order. Similar to the unraveling of the Dutch and British orders, the deterioration in the New York-centred American order was associated with decentralization and, in particular, the rise of London financial centre. However, what distinguished the fall of the American order is that the rising British world financial center was not based on a prominent geographical shift in power relations. Rather, the rise of London rested on its reinvention as an offshore space, which was created with the acquiescence of American and British state managers and the support of New York's social forces.

After the fall of the American order, contemporary world credit practices have undergone a structural transformation, which is usually referred to as 'global finance'. This historical analysis leads to the rejection of the efficacy of the global finance explanation and emphasizes distinctive contemporary credit practices in terms of the credit instruments employed, patterns of institutionalization, speculative excess, and spatiality. The spatiality of contemporary practices combines two elements. First, the asymmetrical decentralization of practices among New York, London, and Tokyo – *i.e.* a 'triad' of world financial centres which is formed for the first time in modern world finance – appears to be more than a temporary experience during the fall of one order and the rise of another. Second, the consolidation of offshore as a space of world credit practices contributes to the distortion of the centralization-decentralization-(re)centralization dynamic that in previous periods characterized modern world finance.

The distinctive organization of the contemporary world credit practices can be explained in terms of the power relations that have formed the contemporary world financial order. There are several important aspects to the structural discontinuity of the contemporary financial order. In contrast to previous world financial orders, the social forces of none of the newly emergent world financial centre have played a crucial role in shaping the boundaries of the contemporary order. This is because the asymmetrical power relations and conditions in the wider world order affected the social forces of long-established New York and London – and not those of recently ascendant Tokyo – that have been playing a crucial role in framing the organization of credit practices. This structural discontinuity reflects a fundamental change in the nature of power relations in world finance. The new offshore space has ruptured the patterns of material power that previously led to the successive rise of national financial centres to world status. While contemporary power relations have become less hierarchical, world credit practices have become more decentralized. Furthermore, the competitive liberalization and deregulation dynamic initiated by the US has had a crucial effect on the form of contemporary credit practices and their institutionalization. In the contemporary world order, the politics of economic slowdown, inter-state struggles for market shares, and the continued importance of the US to world security and consumption have intensified competition and drastically limited the ability of states and social forces to resist this dynamic.

The relative stability in the contemporary order has not been significantly hampered by the lack of a single world financial centre that acts as a complex of governance as was the case in previous world financial orders. However, the relative stability in the contemporary financial order remains narrow in terms of the cooperation among states and societal forces involved. There is limited stability across a transnational financial community of interests. The relative stability based on the neo-liberal discourse of governance has, nonetheless, entailed major financial crises that have plagued the contemporary financial order. These major crises are grounded in speculative shifts in subjective market sentiment that are a structural feature of contemporary world finance.

5. Radical Structuralist Paradigm

The radical structuralist paradigm assumes that reality is objective and concrete, as it is rooted in the materialist view of natural and social world. The social world, similar to the natural world, has an independent existence, that is, it exists outside the minds of human beings. Sociologists aim at discovering and understanding the patterns and regularities which characterize the social world. Scientists do not see any roles for themselves in the phenomenon under investigation. They use scientific methods to find the order that prevails in the phenomenon. This paradigm views a society as a potentially dominating force. Sociologists working within this paradigm have an objectivist standpoint and are committed to a radical change, emancipation, and potentiality. In their analysis they emphasize structural conflict, modes of domination, contradiction, and deprivation. They analyze the basic interrelationships within the total social formation and emphasize the fact that a radical change is inherent in the structure of society and the radical change takes place through political and economic crises. This radical change necessarily disrupts the *status quo* and replaces it by a radically different social formation. It is through this radical change that the emancipation of human beings from the social structure is materialized.

For radical structuralists, an understanding of classes in a society is essential for understanding the nature of knowledge. They argue that all knowledge is class specific. That is, it is determined by the place one occupies in the productive process. Knowledge is more than a reflection of the material world in thought. It is determined by one's relation to that reality. Since different classes occupy different positions in the process of material transformation, there are different kinds of knowledge. Hence class knowledge is produced by and for classes, and exists in a struggle for domination. Knowledge is thus ideological. That is, it formulates views of reality and solves problems from class points of view.

Radical structuralists reject the idea that it is possible to verify knowledge in an absolute sense through the comparison with socially neutral theories or data. But, emphasize that there is a possibility of producing a 'correct' knowledge from a class standpoint. They argue that the dominated class is uniquely positioned to obtain an objectively 'correct' knowledge of social reality and its contradictions. It is the class with the most direct and widest access to the process of material transformation that ultimately produces and reproduces that reality.

Radical structuralists' analysis indicates that the social scientist, as a producer of class-based knowledge, is a part of the class struggle.

Radical structuralists believe truth is the whole, and emphasize the need to understand the social order as a totality rather than as a collection of small truths about various parts and aspects of a society. The financial empiricists are seen as relying almost exclusively upon a number of seemingly disparate, data-packed, problem-centred studies. Such studies, therefore, are irrelevant exercises in mathematical methods.

This paradigm is based on four central notions. First, there is a notion of totality. All theories address the total social formation. This notion emphasizes that the parts reflect the totality, not the totality the parts.

Second, there is a notion of structure. The focus is upon the configurations of social relationships, called structures, which are treated as persistent and enduring concrete facilities.

The third notion is that of contradiction. Structures, or social formations, contain contradictory and antagonistic relationships within them which act as seeds of their own decay.

The fourth notion is that of crisis. Contradictions within a given totality reach the point at which they can no longer be contained. The resulting political, economic crises indicate the point of transformation from one totality to another, in which one set of structures is replaced by another of a fundamentally different kind.

In Fig. 1 the radical structuralist paradigm occupies the north-east quadrant. Schools of thought within this paradigm can be located on the objective-subjective continuum. From right to left they are: Russian Social Theory, Conflict Theory, and Contemporary Mediterranean Marxism.

Radical structuralist paradigm's views with respect to globalization and finance are presented next (see, for example, Harris 1999; Hilferding 2006 and Magdoff 1969. This section is based on Lenin 1969).

The most important characteristic features of capitalism are the enormous growth of industry and the increasing concentration of production in increasing larger enterprises. At some point in its development concentration leads to monopoly. This is because a few giant enterprises can easily arrive at an agreement; and the huge size of the enterprises generates the tendency towards monopoly that hinders competition. The process through which competition transforms into monopoly is one of the most important – if not the most important – phenomena of modern capitalist economy. When a competition transforms into a monopoly, the result is an immense progress towards the socialization of production. In particular, the process of technological invention and improvement becomes socialized.

But this does not mean that in every branch of industry there are large-scale enterprises. Combination of production is one of the very important features of capitalism in its highest stage of development. Combination is a single enterprise consisting of a group of different branches of an industry, which are either the consecutive stages in the process of production or complementary to one another.

The rise of monopolies, caused by the concentration of production, is a general and fundamental law of the development of capitalism. In the history of monopolies, there are three principal stages: (1) the highest stage of the development of free competition 1860–1870, when monopoly is in embryonic stage and barely discernible; (2) the period after the crisis of 1873, when cartels slowly develop such that they are a transitory, not durable, phenomenon and they are still the exception; (3) the boom at the end of the nineteenth century and the crisis of 1900–1903, when cartels become one of the foundations of the economic life and capitalism transforms into imperialism.

Monopoly is the most important characteristic of imperialism as the latest phase of capitalist development. However, the real power and the significance of modern monopolies are very insufficiently, incompletely, and poorly understood if the part played by banks is not taken into consideration.

The principal and primary role of banks is to serve as intermediary in the making of payments. In this way they transform inactive money capital into active capital, which yields profit. They collect different types of money revenues and place them at the disposal of the capitalist class. As banking develops and becomes concentrated in a few institutions, banks transform from simple middlemen into powerful monopolies. They have command over the money capital of almost all the capitalists and small businessmen. They also have command over the larger part of the means of production and sources of raw materials in any country and in a number of countries.

The concentration of capital has changed the significance of banks. Scattered capitalists have formed a single collective capitalist. When a bank carries the accounts of a few capitalists, it performs a purely technical and exclusively auxiliary operation. However, the enormous growth of this operation leads to the situation that a handful of monopolists take control of all the commercial and industrial operations of the capitalist society. This is because their banking connections, their customer accounts, and their other financial operations have enabled them first, to know exactly the financial position of the capitalists; then to control them and to influence them by decreasing or increasing, facilitating or hindering credits; and finally to decide on their fate, determine their income, deprive them of capital, or increase their capital rapidly and substantially, *etc.* The distribution of means of production is private. It conforms to the interests of the monopoly capital, which operates the conditions under which the masses live, in which the development of agriculture hopelessly lags behind the development of industry.

There is also a personal connection established between the banks and the biggest industrial and commercial enterprises. That is, in addition to the merger of one with another through the acquisition of shares, there is an appointment of bank directors to the Supervisory Boards (or Boards of Directors) of industrial and commercial enterprises, and *vice versa*. Moreover, the personal connection between banks and industrial and commercial enterprises is supplemented by the personal connection between both of them and the government. Seats on Supervisory Boards are freely offered to persons of title, or ex-civil servants, who are able to 'greatly facilitate' relations with the authorities. The development of a monopoly and the consequent control of thousands of millions, inevitably leads to its penetration into every sphere of public life.

The twentieth century is the turning point from the old capitalism to the new, from the domination of general capital to the domination of finance capital. Gradually, an increasing proportion of financial capital invested in industry no longer belongs to the industrialists who employ it. This financial capital is obtained from the banks, which represent the owners of the capital. The banks are forced to invest an increasing share of their funds in industry. Thus, increasingly a banker becomes transformed into an industrial capitalist. This bank capital is called 'finance capital' and is the capital in money form which is transformed into industrial capital. In other words, finance capital is the capital which is controlled by banks and is employed by industrialists. In addition, finance capital should be regarded in the context of capitalist monopolies. That is, the increasing concentration of production and capital that has led to monopolies and the merging or coalescence of the banks with industry.

The two general conditions of commodity production and private property guarantee that the operations of capitalist monopolies lead to the domination of financial oligarchy. In the 'holding system', the head of the concern controls the principal company (the mother company), which in turn controls the subsidiary companies (the daughter companies), which in their turn control other subsidiaries (the grandchild companies), and so on. This process makes it possible for a relatively small amount of capital to dominate immense spheres of production. For instance, if holding 50 per cent of the capital of a company is sufficient to control the company, then the head of the concern needs only one million to control eight million in the second subsidiaries. By further extension of this 'interlocking' process, then it is possible for the head of the concern to use one million in order to control sixteen million, thirty-two million, *etc.* In practice, it is sufficient to own 40 per cent of the shares of a company in order to control its affairs. This is because, in practice, small, scattered shareholders find it very difficult to attend general meetings and actively participate in the control of the affairs of the company. The 'democratization' of the ownership of shares, or the 'democratization of capital', *i.e.* the strengthening of the role and significance of small scale capital, indeed, leads to increasing the power of the financial oligarchy. The 'holding system' not only increases the power of the monopolists enormously, but also enables the directors of the 'mother company' not to be legally responsible for the 'daughter company'. Through this medium directors can trick the public with impunity, because the 'daughter company' is an 'independent' entity.

Under capitalism the ownership of capital is separated from the application of capital to production. At that highest stage of capitalism, *i.e.* imperialism, the supremacy of finance capital over all other forms of capital means the predominance of the financial oligarchy, and it also means that a few 'financially-powerful' states stand out by owning most of the world's financial capital. The rest of the world is the debtor to the few international banker countries. The export of capital plays an important part in creating the international network of dependence on the finance capital. Typical of the era of competitive capitalism was the export of goods. Typical of the latest stage of capitalism, *i.e.* monopoly capitalism, was the export of capital.

In capitalism commodity production is at its highest stage of development and even labor-power is a commodity. The growth of exchange, both nationally and internationally, is a characteristic feature of capitalism. Under capitalism, the uneven development of individual enterprises, individual branches of industry, and individual countries is inevitable. Since the turn of the twentieth century, in all capitalistically developed countries monopolist associations of capitalists have been formed, and in a few very rich countries the accumulation of capital has reached such gigantic proportions that an enormous 'surplus of capital' has arisen in the advanced countries.

Under capitalism this surplus capital will not be utilized to raise the standard of living of the masses. This is because it will result in a decline in profits for the capitalists. In fact, the surplus capital will be used to increase the profits of capitalists by exporting capital abroad to the backward countries. In these backward countries profits are usually high, because capital is scarce, the price of land is relatively low, wages are relatively low, and raw materials are relatively cheap. The export of capital is made to those backward countries that have joined the world capitalist intercourse and having built main railways, having created basic conditions for industrial development, *etc.* The export of capital reached enormous dimensions only at the beginning of the twentieth century.

This formed the basis for the imperialist oppression and exploitation of most of the countries and nations of the world. This is the result of the capitalist parasitism of a few wealthy states. The export of capital has greatly accelerated the development of capitalism in the recipient countries, and has intensified further development of capitalism throughout the world.

Whereas capital-exporting countries figuratively divided the world among themselves, finance capital has actually done so. Under capitalism the national market is inevitably bound up with the international market, and this is how capitalism created a world market long time ago. Capitalists have to expand to other countries partly because at home the problems and difficulties that are imposed on the masses of the workers and the middle classes result in the accumulation of impatience, irritation, and hatred that threaten the public order and have to be channeled abroad in order to prevent an explosion at home. The capitalists divide the world because the degree of concentration has reached such a high level that they do not have any other alternative if they want to continue obtaining profits. They divide the world 'in proportion to capital' and 'in proportion to strength'. In the imperialist struggle among the big monopolists for the division of the world, private and state monopolies are interwoven. Among political alliances and states certain relationships develop on the basis of the territorial division of the world and the struggle for spheres of influence. The economic and political division of the world gives rise to diverse forms of dependent countries that are typically formally independent, but in fact are enmeshed in the net of financial and diplomatic dependence. But the division of the world among powerful trusts does not preclude a re-division because the relation of forces may change as a result of factors such as uneven development, war, and bankruptcy.

To sum up, imperialism is capitalism at such a high stage of development that: (1) the concentration of production and capital has developed so much that it has created monopolies that play a vital role in economic life; (2) the merging of bank capital with industrial capital becomes 'finance capital' that provides the basis for the creation of financial oligarchy; (3) the export of capital, as distinct from the export of commodities, acquires exceptional importance; (4) the formation of international monopolist capitalist associations that divide the world among themselves; and (5) the territorial division of the entire world among the biggest capitalist powers is completed.

6. Conclusion

This paper briefly discussed four paradigms (as it is summarized in Table 1) and their views with respect to the nature and the role of globalization and finance (as it is summarized in Table 2). The functionalist paradigm believes that advancement in information technology has turned the whole world into a global financial marketplace. The interpretive paradigm believes that there are different components of capital that have conceptually different functions, logics of action, and mobility options. The radical humanist paradigm believes that 'globalization' is an ideology that neglects the social and political bases of world finance and it regards as harmful the consequences of change in world finance. The radical structuralist paradigm believes that the merging of bank monopoly capital with industrial monopoly capital has become 'finance capital' that has provided the basis for the creation of financial oligarchy that has led to the territorial division of the world among its members.

Table 1

Comparisons of the four paradigms

		Functionalist	Interpretive	Radical Humanist	Radical Structuralist
Nature of Science	Ontology	Phenomena are objective and external to the individual	Phenomena are subjective and are the product of individual's mind	Phenomena are subjective and are the product of individual's mind	Phenomena are objective and external to the individual
	Epistemology	Knowledge has to be acquired and science is value-free	Knowledge has to be personally experienced and science is value-laden	Knowledge has to be personally experienced and science is historical	Knowledge has to be acquired and science is class-specific
	Human Nature	Humans are the product of their environment and are viewed as individuals	Humans are the creators of their environment and are viewed in their socially-determined relationships with other humans	Humans are the creators of their environment and are viewed as dominating other humans through society's ideological superstructure	Humans are the product of their environment and are viewed as members of antagonistic classes
	Methodology	The social world is real hard and external to the individual. One needs to find the universal relationships among elements of the phenomenon	The social world is soft, personal, and subjective. One needs to understand the way the individual creates, modifies, and interprets the situation experienced	The social world is soft, personal, and subjective. One needs to understand the way the individual creates, modifies, and interprets the situation experienced	The social world is real hard and external to the individual. One needs to find the universal relationships among elements of the phenomenon
Nature of Society		Society has unity and cohesiveness	Society has unity and cohesiveness	Society has deep-seated conflicts and modes of domination	Society has deep-seated structural contradictions

Table 2

**Comparisons of the implications of the four paradigms
for financial globalization**

		Functionalist	Interpretive	Radical Humanist	Radical Structuralist
Financial Globalization	Its Driving Force	Advances in technology, communication, and transportation	States and multinational corporations	Advances in technology, communication, and transportation; States and multinational corporations; and Ideology	Exploitative logic of capital accumulation
	Its Operation	Based on free markets, where states act as independent entities to enhance smooth functioning of financial markets	States structure international economic relations, <i>i.e.</i> , whether financial globalization should occur and to what extent	International financial relations are negotiated among states, multinational corporations, transnational capital, non-governmental institutions, and international institutions	Based on capitalism, where states and international institutions act as the agents of the corporations
	Its Role	Globalization of financial markets benefits everyone	Current internationalization of financial activity is limited to certain national economies such that the gap between the North and the South has been growing	Financial globalization has benefited some people and harmed others	Globalization of finance capital is the globalization of exploitation and has created global inequalities

The diversity of theories presented in this paper is vast. While each paradigm advocates a research strategy that is logically coherent, in terms of underlying assumptions, these vary from paradigm to paradigm. The phenomenon to be researched is conceptualized and studied in many different ways, each generating distinctive kinds of insight and understanding. There are many different ways of studying the same social phenomenon, and given that the insights generated by any approach are at best partial and incomplete (for instance, the mainstream Economics and Finance limit their perspective to the functionalist paradigm; on this matter see Ardalan 2008), the social researcher can gain much

by reflecting on the nature and merits of different approaches before engaging in a particular mode of research practice.

All theories are based on a philosophy of science and a theory of society. Many theorists appear to be unaware of or ignore the assumptions underlying these philosophies. They emphasize only some aspects of the phenomenon and ignore others. Unless they bring out the basic philosophical assumptions of the theories, their analysis can be misleading; since by emphasizing differences between theories, they imply diversity in approach. While there appear to be different kinds of theory, they are founded on a certain philosophy, worldview, or paradigm. This becomes evident when these theories are related to the wider background of social theory.

In order to understand a new paradigm, theorists should explore it from within, since the concepts in one paradigm cannot easily be interpreted in terms of those of another. The four paradigms are of paramount importance to any scientist because the process of learning about a favoured paradigm is also the process of learning what that paradigm is not. The knowledge of paradigms makes scientists aware of the boundaries within which they approach their subject.

Scientists often approach their subject from the frame of reference based upon the assumptions that are taken for granted. Since these assumptions are continually affirmed and reinforced, they remain not only unquestioned, but also beyond conscious awareness. The partial nature of this view only becomes apparent when the researcher exposes basic assumptions to the challenge of alternative ways of seeing, and starts to appreciate these alternatives in their own terms.

Researchers can gain much by exploiting the new perspectives coming from the other paradigms. An understanding of different paradigms leads to a better understanding of the multifaceted nature of the researched phenomenon. Although a researcher may decide to conduct the research from the point of view of a certain paradigm, an understanding of the nature of other paradigms leads to a better understanding of what one is doing.

The plea for paradigm diversity is based on the idea that more than one theoretical construction can be placed upon a given collection of data. In other words, any single theory, research method, or particular empirical study is incapable of explaining the nature of reality in all of its complexities.

It is possible to establish exact solutions to problems, *i.e.* truth, if one defines the boundary and domain of reality, *i.e.* reductionism. For instance, a functionalist research, through its research approach, defines an area in which objectivity and truth can be found. Any change in the research approach, or any change in the area of applicability, would tend to result in the break-down of such objectivity and truth. The knowledge generated through functionalist research relates to certain aspects of the phenomenon under consideration. Recognition of the existence of the phenomenon beyond that dictated by the research approach results in the recognition of the limitations of the knowledge generated within the confines of that approach.

There is no unique evaluative perspective for assessing knowledge generated by different research approaches. Therefore, it becomes necessary to get beyond the idea that knowledge is foundational and can be evaluated in an absolute way. Researchers are encouraged to explore what is possible by identifying untapped possibilities. By compar-

ing a favored research approach in relation to others, the nature, strengths, and limitations of the favored approach become evident. By understanding what others do, researchers are able to understand what they are not doing. This leads to the development and refinement of the favored research approach. The concern is not about deciding which research approach is the best, or about substituting one for another. The concern is about the merits of diversity, which seeks to enrich research rather than constrain it, through a search for an optimum way of doing diverse research. The number of ways of generating new knowledge is bounded only by the ingenuity of researchers in inventing new approaches.

Different research approaches provide different interpretations of a phenomenon, and understand the phenomenon in a particular way. Some may be supporting a traditional view, others saying something new. In this way, knowledge is treated as being tentative rather than absolute.

All research approaches have something to contribute. The interaction among them may lead to synthesis, compromise, consensus, transformation, polarization, completion, or simply clarification and improved understanding of differences. Such interaction, which is based on differences of viewpoints, is not concerned with reaching consensus or an end point that establishes a foundational truth. On the contrary, it is concerned with learning from the process itself, and to encourage the interaction to continue so long as disagreement lasts. Likewise, it is not concerned with producing uniformity, but promoting improved diversity.

The functionalist paradigm regards research as a technical activity and depersonalizes the research process. It removes responsibility from the researcher and reduces him or her to an agent engaged in what the institutionalized research demands. Paradigm diversity reorients the role of the researchers and places responsibility for the conduct and consequences of research directly with them. Researchers examine the nature of their activity to choose an appropriate approach and develop a capacity to observe and question what they are doing, and take responsibility for making intelligent choices which are open to realize the many potential types of knowledge.

It is interesting to note that this recommendation is consistent, in certain respects, with the four paradigms: (1) It increases efficiency in research: this is because, diversity in the research approach prevents or delays reaching the point of diminishing marginal return. Therefore, the recommendation is consistent with the functionalist paradigm, which emphasizes purposive rationality and the benefit of diversification. (2) It advocates diversity in research approach: this is consistent with the interpretive paradigm, which emphasizes shared multiple realities. (3) It leads to the realization of researchers' full potentials: this is consistent with the radical humanist paradigm, which emphasizes human beings' emancipation from the structures which limit their potential for development. (4) It enhances class awareness: this is consistent with the radical structuralist paradigm, which emphasizes class struggle.

Knowledge of Economics and Finance, or any other field of the social sciences ultimately is a product of the researcher's paradigmatic approach to the multifaceted phenomena he studies. Viewed from this angle, the pursuit of social science is seen as much an ethical, moral, ideological, and political activity as a technical one. Since no single perspective can capture all, researchers should gain more from paradigm diversity.

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