

# The end of globalisation? – Rescaling as a tool to understand the changing economic landscape

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Has the era of neoliberal globalisation come to an end? We delve into the shifting landscape of economic relationships and look at the changes in macro-economic trends and policy shifts and propose rescaling as an interpretative lens to study and articulate these changes and the road ahead.

## WHERE WE ARE TODAY

The spatial division of labour is impacted by changes in macro-economic trends and policy shifts, such as the focus on new industrial policies like the *Investing in America agenda*, advancements in automation, robotisation, and AI as well as the rise of social movements advocating for sustainable production and consumption practices, particularly notable in the textile and fashion industry.

These qualitative changes represent deliberate responses to the unintended consequences of globalisation, including environmental degradation, economic disparities, and national security threats, exposed by the recent crises of COVID-19 and the Ukraine conflict.

## Paradigm shift

The end of neoliberal globalisation is a paradigm shift, away from a process that started in the 70s and gained momentum in the 80s. It changes many of the basic premises of economic development, with so-far unknown consequences for the wellbeing of people and planet and the global geography of economic activities.

For instance, the *Investing in America agenda* has led to massive investments in clean energy and semiconductors in US regions. A boost for those areas lagging behind, but at the expense of some industrial regions in Europe.

In Europe, the supply-chain law *Corporate Sustainability Due Diligence Directive (CSDDD)* may improve environmental and social sustainability in global relations, yet a consequence could be that trading partners strengthen links with other countries Europe is competing with.

These dynamics will also have important implications for regional development, and companies that must find their way in a changing global landscape.



Figure 1: Graph showing Foreign Direct Investment (FDI) as share of the Gross Domestic Product (GDP) and Trade as share of GDP over a period of 50 years.

Source: World Bank Data

## USING RESCALING AS A TOOL

We propose rescaling as an interpretative lens to study and articulate the shifting landscape of economic relationships. Rescaling is an agentic process, driven by the engagement of actors at different levels – from local civil society movements to multi-national firms and policy makers reshaping global trade regulations.

Rescaling as an agentic process aims at changing the rationales and conditions underlying how economic relationships are structured, for instance away from neoliberal globalisation towards a future that actors consider more desirable. Yet, the intentionality of actors to engage in rescaling can vary widely, with potentially diametral perceptions of desired societal outcomes, for example from growth to de-growth.

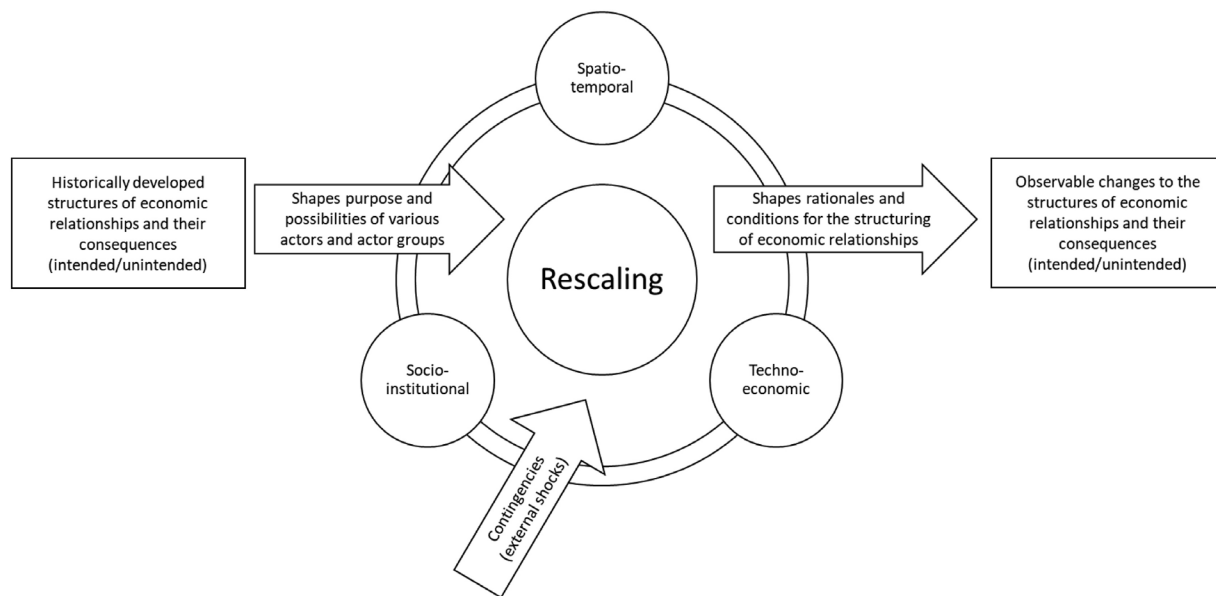


Figure 2: Rescaling: A theoretical and conceptual framework.

The link between agency and structure in the proposed rescaling framework is constructed by considering how historically developed economic relationships and their intended and unintended consequences shape the purpose and possibilities for rescaling.

Three dimensions capture the rescaling processes:

1. Rescaling implies a change in the spatio-temporal configuration of the economy, such as relocation of economic activities.
2. Rescaling is driven by socio-institutional conditions, which include higher-level policies such as the massive *Investing in America agenda* or the supply-chain law of the European Union (CSDDD) as well as bottom-up engagement of civil society.
3. Rescaling has a techno-economic dimension where the scale of economic activities depends on the technologies used. For instance, automation technologies reduce labour intensity and devalue the availability of low-cost labour as locational factor for firms.

## THE ROAD FORWARD FOR POLICY

We highlight some areas which need to be considered in these changing times.

- **Industrial policy has gained new relevance** and is already showing effects in the economy. It shows that politics and policies and not specific features of technologies determine the direction in which economies are moving, pointing also to the importance of agency.
- We would characterise the current times as **a critical juncture that holds potential to realise a more desirable future**, in terms of societal and planetary wellbeing. An example is regulations and societal movements that work towards punishment of harm, such as greenhouse gas emissions or human rights violations. Yet, protectionism and nationalism are also a possibility, with potentially very harmful effects on societal and planetary wellbeing.
- **It will be necessary to find a third way** navigating between the pitfalls of neoliberal globalisation and nationalist protectionism towards a governance in pursuit of sustainability challenges.
- **Support for industrial transformations will become increasingly important.** At the level of regions and industrial clusters, it will be necessary to analyse the policy landscape in relation to specific industries and sectors. Changes in institutions, markets, and technologies will change the opportunity space for firms and industrial clusters.
- **Policies are dependent on the capacity of the political system and politicians** to implement the necessary policies, regulations, and policy reforms, including to obtain legitimacy and support in and from the public.

### KEY POINTS FOR POLICY

- There are indications that the era of neoliberal globalisation is turning to an end. This is supported by empirical evidence including trend changes in macro-economic figures and qualitative changes in macro-economic policy, application of process technologies such as automation, and social movements pushing for a more sustainable economy.
- These changes in the economic landscape can be articulated and interpreted with the concept of rescaling. Rescaling is an agentic process in which actors at different levels engage to change the rationale and conditions for how economic relationships are structured.
- Rescaling is also a multi-dimensional process, including a spatio-temporal, socio-institutional, and techno-economic dimension. The changing structure of economic relationships can be explained with reference to the three dimensions and how they are interrelated.
- The recent changes show the relevance and potential impact of policy agency. The revival of industrial policy in the US and Europe has started to change the geography of economic relationships. This holds a promise in the pursuit of sustainable development but also perils of protectionist nationalism.

### POLICY BRIEF AUTHOR

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### PUBLICATION

For more information read the full article by:

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