

THE PONTIFICAL
ACADEMY OF
SOCIAL SCIENCES

Acta

7



VATICAN CITY
2001

Globalization Ethical and Institutional Concerns

PROCEEDINGS

**SEVENTH PLENARY SESSION
25-28 APRIL 2001**

**GLOBALIZATION
ETHICAL AND INSTITUTIONAL
CONCERNS**

Address
THE PONTIFICAL ACADEMY OF SOCIAL SCIENCES
CASINA PIO IV, 00120 VATICAN CITY

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Acta 7

GLOBALIZATION ETHICAL AND INSTITUTIONAL CONCERNS

the
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of

the Seventh Plenary Session of the
Pontifical Academy of Social Sciences
25-28 April 2001



VATICAN CITY 2001

The opinions expressed with absolute freedom during the presentation of the papers of this meeting, although published by the Academy, represent only the points of view of the participants and not those of the Academy.

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Prof. LOUIS SABOURIN

ISBN 88-86726-11-2

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THE PONTIFICAL ACADEMY OF SOCIAL SCIENCES
VATICAN CITY

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PREFACE

ALLOCUTION DU PRÉSIDENT DU COMITÉ DES RAPPORTS AVEC LES PAYS EN DÉVELOPPEMENT

LOUIS SABOURIN

Dans le sillon si adroitement tracé par notre Président, il me fait plaisir, en tant que coordonnateur de cette rencontre, de vous souhaiter la plus chaleureuse et cordiale bienvenue, notamment à celles et ceux qui sont avec nous pour la première fois. J'exprime ma gratitude aux conférenciers, commentateurs, rapporteurs et président de séance pour avoir accepté de contribuer ainsi à la septième assemblée générale de l'Académie Pontificale des Sciences Sociales portant sur *Les incidences éthiques et institutionnelles de la mondialisation*.

Le programme établi est le résultat d'une étroite consultation entre, d'une part, le Comité des rapports avec les pays en développement et, d'autre part, le Conseil de l'Académie. Cette collaboration a mené d'abord, en février 2000, à la tenue d'un séminaire dont les Actes sur *Les dimensions sociale de la globalisation* ont été publiés, il y a quelques mois déjà, et dont vous avez reçu copie. Je remercie à nouveau ceux qui ont participé au séminaire et rédigé un rapport ainsi que les membres de l'Académie qui ont fait parvenir des commentaires et des observations sur cette publication.

Pendant les deux dernières années et, d'une façon particulière, depuis un an, j'ai été en contact suivi avec notre chancelier. Je sais que je parle au nom de tous les membres de l'Académie en disant que Mgr. Sánchez mérite non seulement nos félicitations pour sa récente nomination en tant qu'évêque mais aussi notre gratitude pour le travail remarquable qu'il a accompli. Au cours des derniers mois, c'est presque quotidiennement, par le truchement du téléphone, du fax, du courrier ordinaire et surtout du courrier électronique que j'ai pu

apprécier sa diligence, son dévouement, son ardeur au travail, sa ténacité et son sens de l'humour, bref son efficacité. Transmettez Mgr. Sánchez nos remerciements à votre équipe que l'on souhaiterait sans doute plus nombreuse.

En choisissant, il y a deux ans, d'aborder le thème de la mondialisation, l'Académie faisait un choix logique après celui de *la démocratie* dont les travaux, sous la conduite judicieuse du Professeur Zacher, avait établi des liens entre ces deux phénomènes. Nous savions que la mondialisation devenait une préoccupation majeure un peu partout sur la planète, préoccupation que le Saint-Père avait analysée dans son discours, lors de la Journée de la Paix en 1997, en soulignant le défi d'en arriver "à une globalisation dans la solidarité, sans exclusion".

En réalité, et c'est mon souhait le plus cher, j'espère que notre assemblée évitera de tomber dans l'un ou l'autre des pièges suivants: d'abord, celui des visions, des conceptions ou des approches manichéennes qui encouragent à prendre position *a priori* et sans nuance pour ou contre la globalisation; deuxièmement, celui de l'analyse trop fine ou exclusive tentant de réduire la mondialisation à l'une ou l'autre de ses nombreuses dimensions soit scientifique, écologique ou technologique, soit économique, commerciale ou financière, soit juridique, politique ou sociale, soit culturelle ou religieuse.

Tout en étant conscient de la diversité des facettes de la globalisation, nous avons toutefois voulu tenir compte du caractère et des objectifs de notre Académie, du contexte de l'Eglise, des recommandations découlant du séminaire de l'an dernier. Ainsi, nous avons proposé d'axer principalement, mais non exclusivement, nos délibérations sur deux volets, à savoir la dimension éthique de la mondialisation et sa portée sur les pays en développement.

La mondialisation est certes devenue une réalité incontournable mais elle comporte des réalités autant positives que contestables. Elle comprend non seulement des causes, des faits et des effets mais aussi des *valeurs* qui nous interpellent tous et qu'il est de notre responsabilité d'analyser et de questionner. D'ailleurs l'Eglise depuis sa fondation, s'est donnée une vocation à l'universalité. Son nom lui-même *katolikos*, n'est-il pas *l'alpha* et *l'omega* d'une mondialisation fondée sur une éthique et des valeurs qu'elle s'efforce de présenter dans sa doctrine sociale?

La globalisation remet présentement en cause de nombreuses certitudes et crée beaucoup d'inquiétudes. Chaque personne porte en soi et vit à sa manière la mondialisation. Theihard de Chardin n'a-t-il pas écrit que ce qui est souvent déterminant dans la vie, ce n'est pas *où* mais *d'où* l'on regarde. La quête d'unanimité en la matière est une recherche futile mais l'expres-

sion de points de vue divers est une démarche souhaitable, indispensable même, dans le cheminement démocratique que nous voulons tous. C'est pourquoi nous avons souhaité impliquer dans nos travaux, à côté des experts invités, le plus grand nombre possible de membres de l'Académie qui ont chacun, chacune, une riche expérience personnelle et professionnelle à communiquer et que nous tenions à valoriser.

Voilà brièvement défini les limites, l'approche et les buts de cette assemblée sur les aspects éthiques et institutionnels de la globalisation. Il me reste à souhaiter que nos délibérations soient non seulement intéressantes – ce qu'elles seront sans doute – mais qu'elles nous permettent aussi de déboucher sur des voies que nous pourrions explorer et approfondir lors d'autres rencontres de l'Académie.

Je cède donc la parole au Père Schasching pour dégager les grandes lignes de la doctrine sociale de l'Église en matière de mondialisation. Je le remercie d'avoir accepté de remplacer Mgr. Martin qui a droit à nos félicitations pour sa récente nomination en tant que représentant du St-Siège à l'ONU-Genève.

Je demanderai ensuite à notre collègue, le Professeur Zubrzycki, de présider la première séance et d'exposer succinctement le sens que le comité souhaiterait donner à nos débats et de bien souligner à chacun des conférenciers que nous avons tous pris connaissance de leur communication et que chacun a une demi-heure pour résumer oralement son texte. Quant aux commentateurs, le Président de séance leur accordera chacun une douzaine de minutes et veillera à le leur rappeler, le cas échéant. Nous souhaitons ainsi laisser à chaque séance suffisamment de temps pour les échanges d'opinion.

Je tiens en terminant à vous réitérer ma gratitude personnelle pour vos contributions écrites et orales, notamment à nos invités, à commencer par le Professeur Crocker qui a si spontanément relevé le défi de présenter une communication que vous avez tous déjà reçue, lorsque notre collègue et ami, Denis Goulet, a été terrassé récemment par la leucémie. Nos bonnes pensées vont vers ce dernier qui était avec nous lors du séminaire de l'an dernier, au moment où il lutte courageusement contre cette terrible maladie.

Voilà qui est assez dit pour le moment: autrement, vous auriez droit de m'élever une plaque semblable à celle que certains ont érigé à côté de la tombe de Richelieu et qui se lit comme suit:

*Voilà un homme
Qui fit plus de mal que de bien.
Le bien qu'il fit, il le fit mal,
Le mal qu'il fit, il le fit bien.*

VII PLENARY SESSION: 25-28 APRIL 2001

PROGRAMME

Tuesday 24 April

Meeting of the Council

Wednesday 25 April

OPENING

President's address

Professor LOUIS SABOURIN, Chairman of the Committee on Developing Countries (Pontifical Academician, Montreal)

The Theme of the Assembly: Aims, Limits, Approaches

Professor JOHANNES SCHASCHING (Pontifical Academician, Vienna)

The Church's Views on Globalization

FIRST SESSION – Globalization and Human Development: Ethical Approaches

Professor DAVID CROCKER (University of Maryland, President, International Development Ethics Association, Maryland)

Globalization and Human Development: Ethical Approaches

Comments:

Professor RENÉ RÉMOND (Pontifical Academician, Paris)

Professor WILFRIDO VILLACORTA (Pontifical Academician, Manila)

Professor SERGIO BERNAL RESTREPO (Rome, Gregoriana)

An Ethical Assessment of Globalization

SECOND SESSION – The Global Economy: Emerging Forms of (Inter) Dependence

Professor PAUL DEMBINSKI (University of Fribourg, Director, Observatory of Finance of Geneva)

The New Global Economy: Emerging Forms of (Inter) Dependence

Comments:

Professor PARTHA DASGUPTA (Pontifical Academician, Cambridge)

Professor TAKETOSHI NOJIRI (Pontifical Academician, Kobe-Shi)

Professor STEFANO ZAMAGNI (University of Bologna)

Globalization and the New Migratory Question

Thursday 26 April

THIRD SESSION – The Impact of Globalization on:

POVERTY

Professor ZÉPHIRIN DIABRÉ (Associate Administrator, UN Devt. Programme, New York)

Globalization and Poverty: Potentials and Challenges

CULTURAL IDENTITIES

Professor PEDRO MORANDE COURT (Pontifical Academician, Santiago de Chile)

The Impact of 'Globalization' on Cultural Identities

Comments:

Professor MINA RAMIREZ (Pontifical Academician, Manila)

Globalization and Poverty. Potentials and Challenges and the Impact of 'Globalization' on Cultural Identities

Professor PIERLUIGI ZAMPETTI (Pontifical Academician, Genoa)

Professor MARGARET ARCHER (Pontifical Academician, Warwick)

FOURTH SESSION – Globalization and Institutional Change: a Development Perspective

Professor JORGE BRAGA DE MACEDO (President, OECD Development Centre, Paris)

Globalization and Institutional Change: A Development Perspective

Comments:

Hon. HANNA SUCHOCKA (Pontifical Academician, Warsaw)

Professor JUAN JOSÉ LLACH (Pontifical Academician, Buenos Aires)

Globalization and Governance: the Flip Side of the Coin

Professor PAULUS ZULU (Pontifical Academician, Durban)

Globalization and Institutional Changes: a Development Approach

Closed Session for Academicians

Friday 27 April

FIFTH SESSION – The Impact of Global Financial Flows on Developing Countries

Professor STEPHANY GRIFFITH-JONES (Institute of Development Studies, University of Sussex)

Developing Countries and the New Financial Architecture

Comments:

Professor KENNETH ARROW (Pontifical Academician, Stanford)

Professor HANS TIETMEYER (Pontifical Academician, Cologne)

Papal Audience

SIXTH SESSION – Globalization and the Church's New Challenges

H.E. Msgr. JOSEF HOMEYER (President of the Bishops' Commission for the European Community, Bishop of Hildesheim)

Europa und die Globalisierung – Der Beitrag der Kirche

Comments:

Professor MARY ANN GLENDON (Pontifical Academician, Harvard)

Professor GIUSEPPE TOGNON (LUMSA, Rome)

Meetings of Committees

Saturday 28 April

CONCLUDING SESSION

Professor ROLAND MINNERATH (Pontifical Academician, Strasbourg)

La globalisation et l'éthique ou l'éthique de la globalisation?

Professor MINA RAMIREZ (Pontifical Academician, Manila)

Globalization and the Common Humanity: Ethical and Institutional Concerns

General Discussion

CONCLUDING REMARKS

Professor EDMOND MALINVAUD (President of the Academy, Paris)

Meeting of the Council

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ADDRESS OF THE PRESIDENT TO THE HOLY FATHER

Holy Father,

In the valuable message that you sent to us last year you recalled the contribution that is expected from the Academy, namely to 'enter into that dialogue between Christian faith and scientific methodology which seeks true and effective responses to the problems and difficulties which beset the human family'. We are here now in order to approach – for the first time in a plenary session – the problems and difficulties connected with the globalisation of the world. As your message of last year also stated, 'there is no doubt that the new millennium will see the continuation of the phenomenon of globalization, that process by which the world moves ever closer to becoming a homogeneous whole'. Our activities on this most important phenomenon will, of course, extend over several of our future sessions. Starting with a preliminary workshop held last year, these activities have been and will continue to be organised by Professor Louis Sabourin of Montreal University.

During our first day here this year we have surveyed not only the Social Doctrine of the Church on globalisation, but also more broadly the various ethical approaches to globalisation and human development, what they have in common, and the ways in which they differ.

Turning to the phenomenon itself and to the increasing interdependence which it involves, we have singled out three aspects in our survey of the facts and problems: what globalisation means for our cultures, how it differs from what would be an equitable trend toward a more unified world, and, at a more specific level, the challenges which face us if we want to reduce poverty.

The remaining parts of our discussions are geared towards studying how changes in social, economic and political structures can be controlled in a more effective way at the international level. Throughout

these discussions our intention is to pay especial attention to the less developed regions of the world.

Studying now, and in other sessions to come, this most important subject, we do not mean to postpone – even temporarily – our ongoing study of other problems and difficulties. Indeed, we did not complete our task in relation to the two subjects which kept us busy for six years: ‘work and employment’ on the one hand, and ‘democracy’ on the other. In both cases, we have to come closer to fulfilling our mission, namely to play our part in the dialogue between Christian faith and scientific knowledge. We still have to find the proper way to express those conclusions – reached within our sciences – which can best foster the development of the Social Doctrine of the Church. We are now dedicating ourselves to this question as well, and we hope to make significant progress in this area during our session next year.

Holy Father: today, at this high point of our present session, we keenly await your words, and we thank you most warmly for your advice.

Edmond Malinvaud

ADDRESS OF THE HOLY FATHER
TO THE PARTICIPANTS
OF THE SEVENTH PLENARY SESSION

Ladies and Gentlemen of the Pontifical Academy of Social Sciences,

1. Your President has just expressed your pleasure at being here in the Vatican to address a subject of concern to both the social sciences and the Magisterium of the Church. I thank you, Professor Malinvaud, for your kind words, and I thank all of you for the help you are generously giving the Church in your fields of competence. For the Seventh Plenary Session of the Academy you have decided to discuss in greater depth the theme of globalization, with particular attention to its ethical implications.

Since the collapse of the collectivist system in Central and Eastern Europe, with its subsequent important effects on the Third World, humanity has entered a new phase in which the market economy seems to have conquered virtually the entire world. This has brought with it not only a growing interdependence of economies and social systems, but also a spread of novel philosophical and ethical ideas based on the new working and living conditions now being introduced in almost every part of the world. The Church carefully examines these new facts in the light of the principles of her social teaching. In order to do this, she needs to deepen her objective knowledge of these emerging phenomena. That is why the Church looks to your work for the insights which will make possible a better discernment of the ethical issues involved in the globalization process.

2. The globalization of commerce is a complex and rapidly evolving phenomenon. Its prime characteristic is the increasing elimination of barriers to the movement of people, capital and goods. It enshrines a kind of triumph of the market and its logic, which in turn is bringing rapid changes in social systems and cultures. Many people, especially the disadvantaged, experience this as something that has been forced upon them, rather than as a process in which they can actively participate. In my Encyclical Letter *Centesimus Annus*, I noted that the market economy is a way of adequately responding to people's economic needs while respecting their free initia-

tive, but that it had to be controlled by the community, the social body with its common good (cf. nn. 34, 58). Now that commerce and communications are no longer bound by borders, it is the universal common good which demands that control mechanisms should accompany the inherent logic of the market. This is essential in order to avoid reducing all social relations to economic factors, and in order to protect those caught in new forms of exclusion or marginalization.

Globalization, *a priori*, is neither good nor bad. It will be what people make of it. No system is an end in itself, and it is necessary to insist that globalization, like any other system, must be at the service of the human person; it must serve solidarity and the common good.

3. One of the Church's concerns about globalization is that it has quickly become a cultural phenomenon. The market as an exchange mechanism has become the medium of a new culture. Many observers have noted the intrusive, even invasive, character of the logic of the market, which reduces more and more the area available to the human community for voluntary and public action at every level. The market imposes its way of thinking and acting, and stamps its scale of values upon behaviour. Those who are subjected to it often see globalization as a destructive flood threatening the social norms which had protected them and the cultural points of reference which had given them direction in life. What is happening is that changes in technology and work relationships are moving too quickly for cultures to respond. Social, legal and cultural safeguards – the result of people's efforts to defend the common good – are vitally necessary if individuals and intermediary groups are to maintain their centrality. But globalization often risks destroying these carefully built up structures by exacting the adoption of new styles of working, living and organizing communities. Likewise, at another level, the use made of discoveries in the biomedical field tend to catch legislators unprepared. Research itself is often financed by private groups and its results are commercialized even before the process of social control has had a chance to respond. Here we face a Promethean increase of power over human nature, to the point that the human genetic code itself is measured in terms of costs and benefits. All societies recognize the need to control these developments and to make sure that new practices respect fundamental human values and the common good.

4. The affirmation of the priority of ethics corresponds to an essential requirement of the human person and the human community. But not all forms of ethics are worthy of the name. We are seeing the emergence of patterns of ethical thinking which are by-products of globalization itself and

which bear the stamp of utilitarianism. But ethical values cannot be dictated by technological innovations, engineering or efficiency; they are grounded in the very nature of the human person. Ethics cannot be the justification or legitimation of a system, but rather the safeguard of all that is human in any system. Ethics demands that systems be attuned to the needs of man, and not that man be sacrificed for the sake of the system. One evident consequence of this is that the ethics committees now usual in almost every field should be completely independent of financial interests, ideologies and partisan political views. The Church on her part continues to affirm that ethical discernment in the context of globalization must be based upon two inseparable principles:

- First, the inalienable value of the human person, source of all human rights and every social order. The human being must always be an end and not a means, a subject and not an object, nor a commodity of trade.

- Second, the value of human cultures, which no external power has the right to downplay and still less to destroy. Globalization must not be a new version of colonialism. It must respect the diversity of cultures which, within the universal harmony of peoples, are life's interpretive keys. In particular, it must not deprive the poor of what remains most precious to them, including their religious beliefs and practices, since genuine religious convictions are the clearest manifestation of human freedom. As humanity embarks upon the process of globalization, it can no longer do without a common code of ethics. This does not mean a single dominant socio-economic system or culture which would impose its values and its criteria on ethical reasoning. It is within man as such, within universal humanity sprung from the Creator's hand, that the norms of social life are to be sought. Such a search is indispensable if globalization is not to be just another name for the absolute relativization of values and the homogenization of life-styles and cultures. In all the variety of cultural forms, universal human values exist and they must be brought out and emphasized as the guiding force of all development and progress.

5. The Church will continue to work with all people of good will to ensure that the winner in this process will be humanity as a whole, and not just a wealthy elite that controls science, technology, communication and the planet's resources to the detriment of the vast majority of its people. The Church earnestly hopes that all the creative elements in society will cooperate to promote a globalization which will be at the service of the whole person and of all people. With these thoughts, I encourage you to continue to seek an ever deeper insight into the reality of globalization, and as a pledge of my spiritual closeness I cordially invoke upon you the blessings of Almighty God.

REPORT BY THE PRESIDENT

This report covers the period from the beginning of March 2000 to the end of April 2001. An important change in the leadership of the Academy occurred in January 2001 when Bishop Diarmuid Martin was appointed Permanent Observer of the Holy See at the Office of the United Nations and Specialized Institutions in Geneva. As representative of the Pontifical Council for Justice and Peace on the Council of the Academy, Bishop Martin was replaced by the new Secretary of Justice and Peace, Monsignor Giampaolo Crepaldi. The Council of the Academy held four meetings, on 3 June 2000, 18 November 2000, 24 and 28 April 2001. It then systematically reviewed progress of the three main running programmes, and opened a fourth one.

Work and Employment

The spring of 2000 saw the completion of the manuscript of the book *Work and Human Fulfilment*, designated as 'The Jubilee Edition' in earlier reports. This book draws from the material presented and discussed at the three Sessions of 1996, 1997 and 1999. It is addressed mainly to the academic community. Search for a commercial academic publisher took more time than was expected, but finally succeeded.

Since the mission of the Academy is to enter into dialogue with the Church for the elaboration of her Social Doctrine, the Council examined how this dialogue could take a more direct form than through publications of the Academy. Hence was born the project of a Forum for an oral interchange in which some high specialists of the Social Doctrine would meet with the Academy on a well specified subject which might benefit from a further elaboration. Aiming at a meeting to be held in the spring of 2002, the Council presented to the General Assembly in April 2001 a proposal to be made by the President to the Secretary of State for the implementation of this project. The proposed theme of the Forum was 'the meaning of the

priority of labour over capital in the present world'. Recognizing that it was difficult to foresee exactly how this first experiment with a Forum would run, but that it could only be instructive, the Assembly accepted the proposal of the Council.

The Study of Democracy

Following suggestions by Professor Zacher, who had been organizing the activities of the Academy in this second programme, the Council decided to explore a somewhat different route by which to improve the Academy's procedures and productions. Professor Zacher started from the observation that whereas the Academy had considered at some length during a workshop and two plenary sessions the contemporary problems of democracy, it had not yet really addressed the relationship between democracy and the Social Doctrine of the Church. In order to evaluate what had been done with direct reference to the social teaching, external experts, who had not been participants in the programme thus far, could bring a fresh eye and point to whatever was new in the Academy's contribution. With sufficient work in the meantime, a reasonable objective would be to approve at a future General Assembly, in 2003 say, a relevant document presenting the outcome of the Academy's reflections on democracy from December 1996 to February 2000.

More concretely, outside experts would each be asked to produce a report evaluating how the three volumes of proceedings help to answer three crucial questions: how far is democracy a value for Christians? What should be the teaching of the Church about the complementary roles of the state and civil society? What should it be about the new need for principles required by the development of international institutions? In possession of the reports of the outside experts, a small group of Academicians would be in a good position to make a first draft of the document to be considered by the General Assembly. The reports and the draft would be discussed in a workshop, in 2002 say, before finalization of the main document for approval in 2003.

Globalization

Last year's report explained at length the purpose of the programme on the social dimensions of globalization and the difficulties faced by the workshop held in February 2000 when it had to reach definite proposals about the scientific programme of the 2001 plenary session. In these proceedings papers

and invited comments are published and the reader will find an extensive documentation on what was discussed under the title 'Globalization and the Common Humanity: Ethical and Institutional Concerns'.

The Academy now needs to reflect on what it can most usefully do during the next few years in order to investigate further the same broad theme. This is on its agenda again and provides the focus of the scientific programme to be organized for the 2003 plenary session. The main ideas for the orientation of future activities are certainly to be found in the exchange of views which took place during the concluding discussion held on 28 April 2001. The discussion was introduced by Professor Roland Minnerath who not only surveyed how he understood the various papers and the reactions of participants but also proposed an intellectual framework within which future investigations of the Academy ought to take place.

Speaking under the title 'globalization and ethics or the ethic of globalization?', Professor Minnerath distinguished three main fields of tension between the Social Teaching of the Church on globalization and the analyses provided by social sciences: the diagnosis of the globalization phenomenon, the control of globalization, and the emergence of common values in a globalized world. With respect to this framework, the main function of the Academy obviously is to present a proper and relevant account of scientific analyses and to suggest how they might be usefully sharpened or supplemented.

Clearly this natural function ought not to serve in the same way in the three fields of tension. A dominant and transversal concern was, however, well expressed in the subsequent discussion, namely that the Academy should enter more deeply, and with higher standards of rigour, into the analysis of the main issues. Even at the descriptive stage, situations are known to be more complex than is often affirmed. More and more social scientists manage to characterize this complexity. For instance, poverty has several dimensions everywhere and they differ from one region to another, implying different cultures of poverty.

Next, it must be recognized that pure descriptions do not suffice. Explanations matter at least as much. We need to know what are exactly, in observed trends, the role of globalization, as against those of other factors, for instance national institutions and policies, or the occurrence of domestic or international conflicts. We need to analyse which features of globalization are particularly damaging or helpful for the promotion of human values. We need to know in which way and under which conditions

national governance or the international control of globalization can achieve some intended results. Again, much more is available in the scientific literature than could be drawn attention to in a single session.

The view was also expressed that the present procedures of the Academy are not fully appropriate. Debates were closed too quickly, before clear conclusions had been drawn, or even simply before differences in interpretations had been well identified. The interference of such procedural issues in a young Academy is natural. It is even healthy as long as ways are found to achieve procedural improvements. In this respect, advantage must be taken of the fact that the content and tempo of the programme of future activities about globalization are still matters for decision.

Intergenerational Solidarity

The initial intentions of the Academy, as formulated at the first plenary session of 1994, were to study not only 'work and employment' and 'democracy' but also 'intergenerational solidarity'. But meetings on the three subjects listed above delayed the full implementation of these initial intentions. The Council decided in November 2000 that the Academy should shortly undertake its programme on intergenerational solidarity and that a workshop would be held in the spring of 2002, the purpose being to examine how the programme on intergenerational solidarity should be focused and patterned in the near future.

Since the initial discussions of 1994 there has been some uncertainty about the exact scope of this programme. In particular, three questions have been raised. Should the whole set of problems posed by the development and/or reform of 'the welfare state' be considered as belonging to the list of issues that the Academy ought to take up in the near future? These problems were occasionally approached in past years when democracy or work and employment were the main focus, but a clearer view of what the Academy intends to study about them is now needed.

How should the Academy define the purpose of its examination of the family and delineate the contours of the family problems which it ought to tackle? There are a number of aspects which definitely belong to the field of intergenerational solidarity and to which social scientists might usefully contribute: the role of families in the education of children and teenagers, in the support of parents and old-age members, and in the provision of a better social safety net than may otherwise be available. Should the Academy limit its purpose in the immediate future to those aspects? Should

the list of problems to be investigated during the next few years also include those concerning behaviour and policies bearing upon the natural environment? The question will be explicitly faced at the 2002 workshop, which more generally will have to draw up a proposal for the programme on inter-generational solidarity during the coming years.

Edmond Malinvaud

SCIENTIFIC PAPERS

THE CHURCH'S VIEW ON GLOBALISATION*

JOHANNES SCHASCHING

I. THE HISTORICAL BACKGROUND

Historically speaking, a dual tendency in relation to globalisation can be observed in the Social Teaching of the Catholic Church. Firstly, there is the question of contents. The first social encyclicals confined themselves to the social problems of the industrialised countries (*Rerum Novarum*, 1891; *Quadragesimo Anno*, 1931). *Mater et Magistra* (1961) then extended the realm of concern to the developing countries. This enlargement of the focus was continued in *Populorum Progressio* (1967), *Laborem Exercens* (1981), and in a special way in *Sollicitudo Rei Socialis* (1987), a document which used the critical expression 'structures of sin'. After the fall of Communism, *Centesimus Annus* offered a global approach for the achievement of a just economic, social and political order.

Secondly, there is the question of those to whom the encyclicals were especially addressed. The first social encyclical was intended primarily for the Hierarchy. *Quadragesimo Anno* extended the range to all Catholics and *Pacem in Terris* (1963) was addressed to 'all men of good will'. Pope John Paul II, in his social encyclicals *Sollicitudo Rei Socialis* and *Centesimus Annus*, insisted on the need for close cooperation between all Christians but also between the great religions of the world and all men of good will.

*As Professor Sabourin has explained, Father Schasching kindly agreed to take the place of Monsignor Martin who, because of his recent appointment as Permanent Observer of the Holy See at the Geneva offices of the United Nations, was no longer able to attend. The original purpose was a brief presentation of a document previously published by the Academy and available to both Academicians and outside experts present at the session: Diarmuid Martin, 'Globalisation in the Social Teaching of the Church', *Pontificiae Academiae Scientiarum Socialium, Miscellanea 2*, Vatican City 2000. (E.M.)

What this historical development means is that there has been a growing move in Catholic Social Teaching towards a global view of social problems and at the same time an increasing call for global cooperation.

II. THE CONTEMPORARY VIEW OF THE CHURCH ON GLOBALISATION

It is profitable to quote *Centesimus Annus*: 'Today we are facing the so-called 'globalisation of the economy', a phenomenon which is not to be dismissed, since it can create unusual opportunities of greater prosperity. There is a growing feeling, however, that this increasing internationalisation of the economy ought to be accompanied by effective international agencies which will oversee and direct the economy to the common good, something that an individual State, even if it were the most powerful on earth, would not be in a position to do. In order to achieve this result, it is necessary that there be increased coordination among the more powerful countries, and that in international agencies the interests of the whole human family be equally represented. It is also necessary that in evaluating the consequences of their decisions, these agencies always give sufficient consideration to peoples and countries which have little weight in the international market but which are burdened by the most acute and desperate needs, and are thus more dependent on support for their development. Much remains to be done in this area' (58).

It has to be noted that this passage is primarily concerned with economic globalisation but it is evident from the whole context that globalisation in Catholic Social Teaching has a more general meaning. This can be summarised in the following way:

Firstly: Catholic Social Teaching sees globalisation as an instrument by which to further the well-being of mankind, an ethical principle which has always been defended by that teaching.

Secondly: the free national market does not automatically guarantee the common good and it thus requires laws and rules. This requirement does not only apply to national markets. Globalised markets, equally, require a legal framework and legal direction.

Thirdly: in a global market this can not be done on a purely national level but requires international agreements and institutions. Catholic Social Teaching is aware that this is a very difficult task. It says explicitly that this can be achieved only if the major economic powers and leading countries agree. However, these countries are not only under political

pressure, they are also under economic pressure: for instance, the pressure of the financial markets.

Fourthly: this control of the global market should be safeguarded not only by national and international authorities but also by social forces. This corresponds to the principle of subsidiarity which affirms that the intermediate forces between the individual and the state have the primary role in ordering the free market towards the common good.

Fifthly: in all these efforts special attention should be paid to developing countries. This means that the advantages of globalisation should not be restricted to the privileged countries, for instance the United States of America, the nations of Western Europe, and Japan, but extended in a particular way to countries and continents which have not yet entered, or are not yet ready for entry into, the competition of the global market.

Sixthly: Catholic Social Teaching is convinced that globalisation requires a substantial number of economic and political measures. But it is at the same time of the view that these political and economic measures have to be based upon ethical principles and motivations. The main question which presents itself here is the sources and providers of these ethical values. It is important for Catholic Social Teaching in this context to invoke a new ecumenical spirit. This is because it is convinced that the challenges of the new globalisation can only be met by an ecumenical effort on the part of the Christian Churches, the great religions of the world, and all men of good will.

Conclusion: globalisation is a challenge not only for the economic, social and political forces of society and the world. It is also a challenge for the Social Teaching of the Church. This teaching has progressed from a rather limited point of view to a growing awareness of the new challenges of globalisation. But, as the encyclical *Centesimus Annus* observes, 'much remains to be done' (58), for instance as regards the influence of the financial markets, the growing gap between the rich and the poor, the open question of intergenerational solidarity, and the protection of nature and the environment.

FIRST SESSION

*Globalization and Human Development:
Ethical Approaches*

INTRODUCTORY STATEMENT BY THE COMMITTEE FOR RELATIONS WITH DEVELOPING COUNTRIES

JERZY ZUBRZYCKI

The title of the VII Session of the Academy refers to the topic which rarely features in the debate on globalization – namely the ethical dimension of this phenomenon. In deliberately choosing this particular wording, we give testimony to the Academy's specific task – to move the discussion of globalization beyond the realm of concepts as we face up to the huge gap between the sophistication of the dominant economic model called globalization and the traditional thinking based on the nation state.

By focussing on the ethical assessment of globalization, we aim at an investigation of the morality by which human conduct, that of the principal actors of the drama called globalization, is guided and appraised. In doing this we are reminded of an ethical assessment that Hannah Arendt made of that epoch marking event which she considered in *On Revolution* where she wrote that 'the men of the eighteenth century did not know that there exists goodness beyond virtue and evil beyond vice'. For our purpose the investigation will focus on the largest segment of the human family which we call 'the developing countries'. Unashamedly we shall be concerned with the impact of globalization on the developing countries assessed as being good or evil.

The underlying assumption of this enquiry with its dominant moral dimension is the Academy's strongly held belief in a common humanity.¹ The people of the developing countries – at one time unjustly referred to as the 'Third World' – share a common humanity with the rest of the human

¹ The concept of 'common humanity' is used extensively in the treatise on moral philosophy by Raimond Gaita, *A Common Humanity: Thinking about Love and Truth and Justice*, Text Publishing Melbourne, 1999.

family. And in putting forward this proposition we argue that if 'human being' meant only *homo sapiens* then the term could play no moral role. On the contrary we believe that the good Samaritan acted the way he did because he saw the humanity of the man on the roadside. More than that, the good Samaritan perceived the commonality between himself and the man in the ditch because he and the man were capable of an inner life.

Unless we are lucid about the reality of our inner lives, we shall not comprehend fully the depth of our common humanity and a universal ethic based on a sense of the commonness of human experience. Its essence, as Herbert Schambeck argues in his paper on the ontological foundation of the law safeguarding human dignity, is the spiritual basis of fundamental human rights. The recognition of this truth might help the Academy in its task of assessing the good and evil of globalization.

GLOBALIZATION AND HUMAN DEVELOPMENT: ETHICAL APPROACHES *

DAVID A. CROCKER

The Nature of Development Ethics

National policymakers, project managers, grassroots communities, and international aid donors involved in development in poor countries often confront moral questions in their work. Development scholars recognize that social-scientific theories of 'development' and 'underdevelopment' have ethical as well as empirical and policy components. Development philosophers and other ethicists formulate ethical principles relevant to social change in poor countries, and they analyze and assess the moral dimensions of development theories and seek to resolve the moral quandaries raised in development policies and practice. Among numerous salient questions, one can ask: In what direction and by what means should a society 'develop'? Who is morally responsible for beneficial change? What are the obligations, if any, of rich societies (and their citizens) to poor societies? How should globalization's impact and potential be assessed ethically?

* I presented the first half of this paper in the Inter-American Development Bank's 'International Meeting: Ethics and Development', held December 7-8, 2000 in Washington, D.C. and in the Forum Toward an Ethics of Development', Caracas, Venezuela, February 22-23, 2001. That paper was adapted from 'Development Ethics' in Edward Craig, ed., *Routledge Encyclopedia of Philosophy*, vol. 3 [London: Routledge, 1998]: 39-44). I gave an earlier version, 'What is Development Ethics?' in the Conference 'Ethics, Development, and Global Values', University of Aberdeen, Scotland, June 25-28, 1996. For helpful comments on various drafts, I thank Roger Crisp, David P. Crocker, Edna D. Crocker, Nigel Dower, Jay Drydyk, Arthur Evenchik, Des Gasper, Verna Gehring, Denis Goulet, Xiaorong Li, Toby Linden, and Jerome M. Segal.

Sources

One finds several sources for moral assessment of the theory and practice of development. First, beginning in the 1940s, activists and social critics – such as Mohandas Gandhi in India, Raúl Prébisch in Latin America, and Frantz Fanon in Africa – criticized colonialism and orthodox economic development. Second, since the early 1960s, American Denis Goulet – influenced by French economist Louis-Joseph Lebret and social scientists such as Gunnar Myrdal – has argued that ‘development needs to be redefined, demystified, and thrust into the arena of moral debate’ (Goulet 1971, p. xix). Drawing on his training in continental philosophy, political science and social planning as well as on his extensive grassroots experience in poor countries, Goulet was a pioneer in addressing ‘the ethical and value questions posed by development theory, planning, and practice’ (Goulet 1977, p. 5). One of the most important lessons taught by Goulet, in such studies as *The Cruel Choice: A New Concept in the Theory of Development* (1971), is that so-called ‘development’, because of its costs in human suffering and loss of meaning, can amount to ‘anti-development’ (Cf. Berger 1974).

A third source of development ethics is the effort of Anglo-American moral philosophers to deepen and broaden philosophical debate about famine relief and food aid. Beginning in the early seventies, often in response to Peter Singer’s utilitarian argument for famine relief (1972) and Garrett Hardin’s ‘lifeboat ethics’ (1974), many philosophers debated whether affluent nations (or their citizens) have moral obligations to aid starving people in poor countries and, if they do, what are the nature, bases, and extent of those obligations (see Aiken and LaFollette 1996). By the early eighties, however, moral philosophers, such as Nigel Dower, Onora O’Neill, and Jerome M. Segal, had come to agree with those development specialists who for many years had believed that famine relief and food aid were only one part of the solution to the problems of hunger, poverty, underdevelopment, and international injustice. What is needed, argued these philosophers, is not merely an ethics of aid but a more comprehensive, empirically informed, and policy relevant ‘ethics of Third World development’. The kind of assistance and North/South relations that are called for will depend on how (good) development is understood.

A fourth source of development ethics is the work of Paul Streeten and Amartya Sen. Both economists have addressed the causes of global economic inequality, hunger, and underdevelopment and addressed these problems with, among other things, a conception of development explicit-

ly based on ethical principles. Building on Streeten's 'basic human needs' strategy, Sen argues that development should be understood ultimately not as economic growth, industrialization, or modernization, which are at best means (and sometimes not very good means), but as the expansion of people's 'valuable capabilities and functionings':

The valued functionings can vary from such elementary ones as avoiding mortality or preventable morbidity, or being sheltered, clothed, and nourished, to such complex achievements as taking part in the life of the community, having a joyful and stimulating life, or attaining self-respect and the respect of others (Sen 1997; see Nussbaum and Sen 1993, Nussbaum and Glover 1995, Crocker 1998, Sen 1999, and Nussbaum 2000).

These four sources have been especially influential in the work of Anglo-American development ethicists. When practiced by Latin Americans, Asians, Africans and non-Anglo Europeans, development ethics often draws on philosophical and moral traditions distinctive of their cultural contexts. See, for example, the writings of Luis Camacho (Costa Rica), Godfrey Gunatilleke (Sri Lanka), Kwame Gyekye (Ghana), and Bernardo Kliksberg (Argentina).

Areas of Consensus

Although they differ on a number of matters, development ethicists exhibit a wide consensus about the commitments that inform their enterprise, the questions they are posing and the unreasonableness of certain answers. Development ethicists typically ask the following related questions:

What should count as (good) development?

Should we continue using the concept of development instead of, for example, 'progress', 'transformation', 'liberation', or 'post-development alternatives to development' (Escobar 1995)?

What basic economic, political and cultural goals, and strategies should a society or political community pursue, and what principles should inform their selection?

What moral issues emerge in development policymaking and practice and how should they be resolved?

How should the burdens and benefits of development be conceived and distributed?

Who (or what institutions) bear responsibility for bringing about development – a nation's government, civil society, or the market? What role – if

any – should more affluent states, international institutions, and non-governmental associations and individuals have in the self-development of poor countries?

What are the virtues (and vices) of citizens and development agents?

What are the most serious local, national, and international impediments to and opportunities for good development? For example, what are the most relevant theories and forms of globalization and how should their promise and risks be assessed from a moral point of view?

To what extent, if any, do moral skepticism, moral relativism, national sovereignty, and political realism pose a challenge to this boundary-crossing ethical inquiry?

Who should decide these questions and by what methods? What are the roles of theoretical reflection and public deliberation?

In addition to accepting the importance of these questions, most development ethicists share ideas about their field and the general parameters for ethically based development. First, development ethicists contend that development practices and theories have ethical and value dimensions and can benefit from explicit ethical analysis and criticism. Second, development ethicists tend to see development as a multidisciplinary field that has both theoretical and practical components that intertwine in various ways. Hence, development ethicists aim not merely to understand the nature, causes, and consequences of development – conceived generally as desirable social change – but also to argue for and promote specific conceptions of such change. Third, although they may understand the terms in somewhat different ways, development ethicists are committed to understanding and reducing human deprivation and misery in poor countries and regions. Fourth, a consensus exists that development projects and aid givers should seek strategies in which both human well-being and a healthy environment jointly exist and are mutually reinforcing (Engel and Engel 1990; Lee et al 2000).

Fifth, these ethicists are aware that what is frequently called ‘development’ – for instance, economic growth – has created as many problems as it has solved. ‘Development’ can be used both descriptively and normatively. In the descriptive sense, ‘development’ is usually identified as the processes of economic growth, industrialization, and modernization that result in a society’s achievement of a high or improving (per capita) gross domestic product. So conceived, a ‘developed’ society may be either celebrated or criticized. In the normative sense, a developed society – ranging from villages to national and regional communities as well as the global order – is one whose established institutions realize or approximate (what the proponent believes

to be) worthwhile goals – most centrally, the overcoming of economic and social deprivation. In order to avoid confusion, when a normative sense of ‘development’ is meant, the noun is often preceded by a positive adjective such as ‘good’, ‘authentic’, or ‘ethically justified’.

A sixth area of agreement is that development ethics must be conducted at various levels of generality and specificity. Just as development debates occur at various levels of abstraction, so development ethics should assess (1) basic ethical principles; (2) development goals and models such as ‘economic growth’, ‘growth with equity’, ‘a new international economic order’, ‘basic needs’, and, most recently, ‘sustainable development’, ‘structural adjustment’, and ‘human development’? (United Nations Development Programme); and (3) specific institutions, projects, and strategies.

Seventh, most development ethicists believe their enterprise should be international in the triple sense that the ethicists engaged in it come from many nations, including poor ones; that they are seeking to forge an international consensus; and that this consensus emphasizes a commitment to alleviating worldwide deprivation.

Eighth, although many development ethicists contend that at least some development principles or procedures are relevant for any poor country, most agree that development strategies must be contextually sensitive. What constitutes the best means – for instance, state provisioning, market mechanisms, civil society, and their hybrids – will depend on a political community’s history and stage of social change as well as on regional and global forces, such as globalization and international institutions.

Ninth, this flexibility concerning development models and strategies is compatible with the uniform rejection of certain extremes. Ethically-based development is not exclusive: it offers and protects development benefits for everyone in a society – regardless of their religion, gender, ethnicity, economic status, or age. Moreover, most development ethicists would repudiate two models: (1) the maximization of economic growth in a society without paying any direct attention to converting greater opulence into better human living conditions for its members, what Sen and Jean Dréze call ‘un-aimed opulence’? (Sen and Dréze 1989), and (2) an authoritarian egalitarianism in which physical needs are satisfied at the expense of political liberties.

Controversies

In addition to these points of agreement, one also finds several divisions and unsettled issues. A first unresolved issue concerns the scope of devel-

opment ethics. Development ethics originated as the 'ethics of Third World Development'. There are good reasons to drop – as a Cold War relic – the 'First-Second-Third World' trichotomy. There is no consensus, however, on whether or not development ethics should extend beyond its central concern of assessing the development ends and means of poor societies.

Some argue that development ethicists should criticize human deprivation wherever it exists and that rich countries and regions, since they too have problems of poverty, powerlessness, and alienation, are – at least in part – 'underdeveloped' and, hence, fall properly within the scope of development ethics. Perhaps the socioeconomic model that the North has been exporting to the South results in the underdevelopment of both. Moreover, just as the (affluent) North exists in the (geographic) South, so the (poor) South exists in the (geographic) North. Others argue that attention to Northern deprivation would divert development ethicists from the world's most serious destitution (in poor countries). My own view is that this latter position is defective in two ways. It falsely assumes that the most severe deprivation occurs in poor countries when in fact, as Sen points out, 'the extent of deprivation for particular groups in very rich countries can be comparable to that in the so-called third world' (Sen, 1999, p. 21). Second, Northern and Southern poverty reduction are linked; migrants from the South making money in the North send valuable remittances to their families back home. Finally, increasingly prevalent is the application to destitution in the North of development lessons learned from 'best practices' in the South (as well as vice versa).

It is also controversial whether development ethicists, concerned with rich country responsibility and global distributive justice, should restrict themselves to official development assistance or whether they also should treat international trade, capital flows, migration, environmental pacts, military intervention, and responses to human rights violations committed by prior regimes. The chief argument against extending its boundaries in these ways is that development ethics would thereby become too ambitious and diffuse. If development ethics grew to be identical with all social ethics or all international ethics, the result might be that insufficient attention would be paid to alleviating *poverty and powerlessness* in poor countries. Both sides agree that development ethicists should assess various kinds of North-South (and South-South) relations and the numerous global forces, such as globalization, that influence poverty as well as economic and political inequality in poor countries. What is unresolved, however, is whether development ethics also should address such topics as trade, the internet,

drug trafficking, military intervention, the conduct of war, peace keeping, and the proposed international criminal court when – or to the extent that – these topics have no causal relationship to absolute or relative poverty.

Development ethicists also are divided on the status of the moral norms that they seek to justify and apply. Three positions have emerged. Universalists, such as utilitarians and Kantians, argue that development goals and principles are valid for all societies. Particularists, especially communitarians and postmodern relativists, reply that universalism masks ethnocentrism and (Northern) cultural imperialism. Pro-development particularists either reject the existence of universal principles or affirm only the *procedural* principle that each nation or society should draw only on its own traditions and decide its own development ethic and path (Anti-development particularists, rejecting both change brought from the outside and public reasoning about social change, condemn all development discourse and practice). A third approach – advanced, for example, by Amartya Sen, Martha Nussbaum, Jonathan Glover, Seyla Benhabib, and David Crocker (Nussbaum and Glover 1995) – tries to avoid the standoff between the first two positions. Proponents of this view insist that development ethics should forge a cross-cultural consensus in which a political community's own freedom to make development choices is one among a plurality of fundamental norms. Further, these norms are sufficiently general to permit and also *require* sensitivity to societal differences.

One must also ask a question related to the universalism/particularism debate: to what extent, if any, should development ethicists propose visions committed to a certain conception of human well-being or flourishing, and how thick or extensive should this vision be? There is a continuum here: at one end of the range, one finds a commitment to the values of individual choice, tolerance of differences, and public deliberation about societal ends and means; on the other end, one finds normative guidance about the good human life but less tolerance for individual and social choice.

Even supposing that development principles have some substantive content (beyond the procedural principle that each society or person should decide for itself), there remain disagreements about that content. If one accepts that societal development concerns human development, one still must explore the moral categories crucial to human well-being and development. Candidates for such fundamental moral notions include utility (preference satisfaction); social primary goods (Rawls), such as income and wealth; negative liberty (Nozick, Bauer); basic human need (Streeten); autonomy (O'Neill); valuable capabilities and functionings (Sen); and

rights. Although some think that a development ethic ought to include more than one of these moral concepts, development ethicists differ about which among these values ought to have priority. The alternative that I favor endorses the development of an understanding of *minimal human well-being* (not flourishing) that combines, on the one hand, a neo-Kantian commitment to autonomy and human dignity, critical dialogue, and public deliberation with, on the other hand, neo-Aristotelian beliefs in the importance of physical health and social participation. Development duties might then flow from the idea that all humans have the right to a minimal level of well-being, and various institutions have the duty to secure and protect this well-being as well as restore it when lost. One also finds an ongoing debate about how development's benefits, burdens, and responsibilities should be distributed within poor countries and between rich and poor countries. Utilitarians prescribe simple aggregation and maximization of individual utilities. Rawlsians advocate that income and wealth be maximized for the least well-off (individuals or nations). Libertarians contend that a society should guarantee no form of equality apart from equal freedom from the interference of government and other people. Capabilities ethicists defend governmental and civil responsibility to *enable* everyone to advance to a level of sufficiency (Sen, Crocker) or flourishing (Nussbaum) with respect to the valuable functionings.

Development ethicists also differ about whether (good) societal development should have – as an ultimate goal – the promotion of values other than the present and future human good. Some development ethicists ascribe intrinsic value equal to – or even superior to – the good of individual human beings, and to such human communities as family, nation or cultural group. Others argue that non-human individuals and species, as well as ecological communities, have equal and even superior value to human individuals. Those committed to 'eco-development' or 'sustainable development' do not yet agree on what should be sustained as an *end in itself* and what should be maintained as an indispensable or merely *helpful means*. Nor do they agree on how to surmount conflicts among competing values.

Finally, one finds disagreement over the roles of expert advice versus popular agency, especially in resolving moral conflicts. On the one hand, people's beliefs and preferences are at times deformed by tradition and by efforts to cope with deprivation. On the other hand, many experts believe in an 'agent-oriented view' of development:

With adequate social opportunities, individuals can effectively shape their own destiny and help each other. They need not be seen

primarily as passive recipients of the benefits of cunning development programs. There is indeed a rationale for recognizing the positive role of free and sustainable agency – and even of constructive impatience (Sen, 1999, p. 11).

Globalization and Development Ethics

Development ethics faces the new and pressing task of understanding and ethically evaluating 'globalization' and proposing ethically appropriate institutional responses to this complex and contested phenomenon. The debate about globalization in the last few years reminds one of earlier controversies about development. Like the term 'development' in the 60's through mid-90's, 'globalization' has become a cliché and buzzword that the mainstream celebrates and dissenters condemn. Moreover, like 'development' earlier, 'globalization' challenges ethicists to move beyond simplistic views – such as 'globalization is (exceedingly) good' or 'globalization is (terribly) bad' – and analyze leading interpretations of the nature, causes, consequences, and value of globalization. Development ethicists, committed to understanding and reducing human deprivation, will be especially concerned to assess (and defend norms for assessing) globalization's impact on individual and communal well-being and to identify those types of globalization that are *least threatening to* or *most promising for* human development.

It is important to ask and sketch the answers to four questions about globalization:

What is globalization?

What are the leading interpretations of globalization? Does globalization result in the demise, resurgence, or transformation of state power? Does globalization eliminate, accentuate, or transform the North/South divide?

How should (different sorts of) globalization be assessed ethically? Does globalization (or some its different varieties) undermine, constrain, enable, or promote ethically defensible development?

Can and should globalization be resisted, contested, modified, or transformed? If so, why? And, finally, how should globalization be humanized and democratized?

What is Globalization?

First, what should we mean by 'globalization'? Just as it is useful to demarcate development generically as 'beneficial and voluntary social

change' prior to assessing particular normative approaches to the ends and means of development, so it is helpful to have a (fairly) neutral concept of globalization. David Held, Anthony McGrew, David Goldblatt, and Jonathan Perraton have suggested an informal definition useful for this purpose:

Globalization may be thought of as the widening, deepening and speeding up of worldwide interconnectedness in all aspects of contemporary social life, from the cultural to the criminal, the financial to the spiritual' (Held et al, 1993, p. 2).

More formally, the same authors characterize globalization as

A process (or set of processes) which embodies a transformation in the spatial organization of social relations and transactions – assessed in terms of their extensity, intensity, velocity and impact – generation of transcontinental or interregional flows and networks of activity, interaction, and the exercise of power' (Held et al, 1999, p. 16).

Three Interpretations of Globalization

Interpretations or theories of globalization – which all contain historical, empirical, and normative components – differ with respect to (i) the number, variety, and relation of processes or flows, for example, tokens (money), physical artefacts, people, symbols, and information; (ii) causation: monocausal or reductive (economic or technological) approaches versus multi-causal or non-reductive approaches; (iii) character: inevitability versus contingency and open-endedness; (iv) consequences, for example, the impact on state sovereignty and the division of countries into North or South; (v) desirability (and criteria for assessment).

Although no one generally accepted theory of globalization has emerged, at least three interpretations or models of globalization are available for consideration. Following Held et al, I label these approaches (i) hyperglobalism, (ii) skepticism, and (iii) transformationalism (Held et al, 1999, pp. 2-16).

(i) *Hyperglobalism*, illustrated by K. Ohmae and Thomas L. Friedman, conceives of globalization as a new global age of economic (capitalist) integration – open trade, global financial flows, and multinational corporations. Driven by capitalism, communications, and transportation technology, integration into one world market is increasingly eroding state power and legitimacy. The North/South dichotomy will be rapidly

replaced by a global entrepreneurial order structured by new global 'rules of the game', such as those of the World Trade Organization (WTO). Although for hyperglobalism there are short-term winners and losers, the rising global tide will eventually lift all national and individual boats — except for those who resist the all-but-inevitable progress. As Dani Rodrik observes, 'global integration has become, for all practical purposes, a substitute for a development strategy' (Rodrik, 2001, p.55). According to this view, governmental attention and resources should be focused on rapidly (and often painfully) removing tariffs and other devices that block access to the globalizing world. Tony Blair succinctly expresses the hyperglobalist faith:

[We] have an enormous job to do to convince the sincere and well-motivated opponents of the WTO agenda that the WTO can be, indeed is, a friend of development, and that far from impoverishing the world's poorer countries, trade liberalization is the only sure route to the kind of economic growth needed to bring their prosperity closer to that of the major developed economies. (quoted in Rodrik, 2001, p. 57).

(ii) *Skepticism* rejects hyperglobalism's view that global economic integration is (or should be) taking place and that states are getting weaker. Skeptics argue that regional trading blocks are (or should be) getting stronger, resurgent fundamentalisms either insulate themselves from or clash with alien cultures, including those shaped by North Atlantic consumerism, and that national governments are (or should be) getting stronger. These skeptics of hyperglobalism include P. Hirst and G. Thompson (*Globalization in Question*) and Samuel Huntington (*The Clash of Civilizations and the Remaking of the World Order*). In a more explicitly normative version of skepticism, Herman Daly concedes that hyperglobalist trends exist but he argues that states should be 'brought back in', should resist economic openness, and should emphasize national and local well-being. Instead of extinguishing the North/Side divide, skeptics argue that economic integration, cross-boundary financial investment, the digital revolution, and multinationals mire poor countries in the South in even greater poverty. Rodrik, for example, argues:

By focusing on international integration, governments in poor nations divert human resources, administrative capabilities, and political capital away from more urgent development priorities such as education, public health, industrial capacity, and social cohesions. This emphasis also undermines nascent democratic institutions by removing the choice of development strategy from public debate (Rodrik, 2001, p. 55).

Marxist skeptics, contend that the hyperglobalist thesis is a myth perpetrated by rich and developed countries to maintain and deepen their global dominance over poor countries. Countries – especially poor and transitional ones – must resist the Sirens of economic and cultural openness; instead, they should aim for national or regional sufficiency and develop themselves by their own lights. Authoritarian skeptics endorse efforts – such as those by Hugo Chavez in Venezuela or Fidel Castro in Cuba – to centralize power, bring top-down improvement in living standards, and weaken civil society. Democratic skeptics promote dispersed and local control, target health and education, and promote public deliberation about development ends and means. Both variants conceive of globalization as something inimical to genuine development.

(iii) *Transformationalism*, such as Held and his colleagues advocate, conceives of recent globalization as an historically unprecedented and powerful set of processes (with multiple causes) that is making the world more interconnected and organizationally multileveled. They argue that it is too simple to say that states are either being eroded or reinforced – it is more accurate to conclude that states are (and should be) reconstituting themselves in a world order increasingly populated by global and regional economic, political (regulatory), cultural institutions, and by social movements.

Transformationalists insist that globalization is not one thing – and certainly not merely economic – but many processes with diverse consequences. The new economic (trade, finance, MNCs), political, cultural, criminal, and technological global processes proceed on multiple, sometimes inter-linked, and often uneven tracks. Rather than being inexorable and unidirectional, globalization is contingent, open, and multidirectional. Rather, than uniformly integrating communities, globalization results in new global and regional exclusions as well as novel inclusions, new winners and new losers. The nation state is increasingly reconstituted in relation to regional, hemispheric, and global institutions; the old North/South dichotomy is being replaced by a trichotomy of elite/contented/marginalized that cuts across the old North/South polarity (and justifies development ethics confronting poverty wherever it exists):

North and South are increasingly becoming meaningless categories: under conditions of globalization distributional patterns of power and wealth no longer accord with a simple core and periphery division of the world, as in the early twentieth century, but reflect a new geography of power and privilege which transcends political borders

and regions, reconfiguring established international and transnational hierarchies of social power and wealth (Held et al, p. 429).

Just as development ethicists have stressed that development – while complex and multi-causal – is a pattern of institutionalized human activity that can and should be a matter of voluntary and humanizing collective choice, so transformationalists emphasize that globalization can and should be civilized and democratized. Transformationists insist that a globalizing world shows neither the intrinsic good that the hyperglobalists celebrate nor the unmitigated evil that the skeptics worry about. Instead, globalization at times impedes, and at times enables, good human and communal development.

Ethical Assessment of Globalization

Regardless of how globalization – its nature, causes, and consequences – is understood, development ethics must evaluate it ethically. Throughout its history development ethics has emphasized ethical assessment of the goals, institutions, and strategies of national development and constructively proposes better alternatives. In a globalizing world, development ethics takes on the additional task of offering an ethical appraisal of globalization and suggesting better ways of managing new and evolving global interconnectedness.

How is this evaluation to be done? There are both empirical and normative aspects of inquiry. Globalization's multiple, often uneven, and frequently changing influences on individuals and communities admit of empirical investigation, while deciding which consequences are ethically significant requires the application of ethical criteria and a theory of justice. Absent from much investigation into globalization are precisely the efforts to clarify and defend criteria to identify whether and in what ways globalization is good or bad for human beings, enhances or limits freedom, violates or respects human rights, unfairly or fairly distributes benefits and burdens. It is not enough to inquire *how* or *why* globalization affects human choice and institutional distribution. One must also have a reasoned normative view of what counts as beneficial and deleterious consequences, and how justice should be understood.

The most promising approach to such explicitly normative dimensions of globalization is, I believe, the capabilities perspective discussed above. Applying a conception of human well-being (understood as a plurality of capabilities and functionings that humans have good reason to

value), the capabilities development ethicist can inquire into the effects different kinds of globalization on *everyone's* capabilities for living lives that are – among other things – long, healthy, secure, autonomous, socially engaged, and politically participatory. Because these valuable capabilities (or functionings) are the basis for human rights and duties, a development ethic will also examine how globalization is a help or a hindrance as individuals and institutions fulfill their moral duties to respect rights. The long-term goal of good national and global development must be to secure an adequate level of morally basic capabilities for everyone in the world – regardless of nationality, ethnicity, age, gender, or sexual preference. With a multifaceted notion of globalization, some kinds of globalization, for instance, such global phenomena as a worldwide network of illegal drug distribution, sex tourism, forced migrations, and HIV/AIDS are bad and should be resisted. Other kinds of globalization, such as the global dispersion of human rights and democratic norms, are good and should be promoted. Most kinds of globalization, such as open trade, foreign direct investments, and multinationals, are a mixed blessing. The extent to which these sorts of globalization enhance, secure, or restore human capabilities will depend on context and especially on how a national polity integrates and shapes global forces.

Although I offer no arguments in this article, I contend that a capabilities development ethic judges both hyperglobalism and skepticism as empirically one-sided and normatively deficient. Nation-states are neither obsolete entities of the past nor possess a monopoly on global agency. A globalizing world weakens some states and strengthens others, and all states find themselves interconnected. The capabilities approach challenges national and sub-national communities to protect, promote, and restore human capabilities, among them the capabilities of political participation. The capabilities approach also challenges both territorial and non-territorial political communities in two related ways. First, territorial political communities and transnational agencies – the EU, UN, WTO, World Bank, International Commission of Human Rights, Human Rights Watch, and an eventual International Criminal Court (ICC) – are responsible for setting policies that improve the chances of all persons to live decent lives. Second, these overlapping political communities should themselves be 'civilized and democratized' (Held et al, 1999, p. 444). They must be venues in which people exercise their valuable capabilities, including some kind of political participation and democratic deliberation. They should also be imaginatively restructured so as to achieve greater democratic accountability:

National boundaries have traditionally demarcated the basis on which individuals are included and excluded from participation in decisions affecting their lives; but if many socio-economic processes, and the outcomes of decisions about them, stretch beyond national frontiers, then the implications of this are serious, not only for the categories of consent and legitimacy but for all the key ideas of democracy. At issue is the nature of a political community – how should the proper boundaries of a political community be drawn in a more regional and global order? In addition, questions can be raised about the meaning or representation (who should represent whom and on what basis?) and about the proper form and scope of political participation (who should participate and in what way?) (Held et al, 1999, pp. 446-47).

As Held and his colleagues insist, the new normative challenge is 'how to combine a system of territorially rooted [and deepened] democratic governance with the transnational and global organization of social and economic life' (Held et al, p. 431).

Humanizing and Democratizing Globalization: Three Projects

Again, following Held, one can identify three projects that have emerged to respond to this normative challenge. If development ethics has the task, as Goulet once observed, of 'keeping hope alive', one way to do so is to identify best practices and promising projects for globalization with a human and democratic face.

(i) *Liberal-Internationalism*, expressed for example in the Commission on Global Governance's *Our Global Neighborhood*, aims at incremental reform of existing the international system of sovereign nation-states, and international organizations and regimes. Popular governance takes place in nation-states in which democracy is either initiated or made more robust. In the face of cross-border threats of various kinds, nation-states cooperate in regional and global trade, and in financial, military, legal, environmental, and cultural institutions. To protect national self-interest and sovereignty, national governments try to negotiate favorable loans and loan forgiveness with international financial institutions. The International Criminal Court (ICC) will come into being when a treaty, which national delegates signed in Rome in 1998, is ratified (probably in 2002 or 2003) by 60 national governments. The ICC will have jurisdiction over war crimes and other violations of internationally-recognized human rights only when

a nation-state is unwilling or unable to try its own citizens for war crimes or crimes against humanity. It is anticipated that, with the existence of the ICC, the UN will increasingly represent the will of the majority of participating states and not (so much) the members of the Security Council. Although human individuals have rights and responsibilities and international bodies have responsibilities, the rights and duties of nations are the most fundamental.

(ii) *Radical republicanism*, represented by Richard Falk's *On Humane Governance: Toward a New Global Politics*, and many anti-globalizers, seeks to weaken – if not dismantle – existing nation-states and international institutions in favor of self-governing *alternative* communities committed to the public good and harmony with the natural environment. Giving priority to the empowerment of grassroots and indigenous communities that resist and struggle against the many forms of globalization, this bottom-up approach (ironically enough) utilizes communications technology to enable grassroots groups to become a global civil society of concern and action. One can anticipate that institutions such as the World Bank will become obsolete or decentralized. An elite-dominated ICC would be no better and perhaps worse than national judicial processes. Indigenous communities, whether or not located within only one nation-state, should govern themselves according to their own rules and traditions. Democracy, largely direct and local, must operate on the basis of consensus.

(iii) *Cosmopolitan democracy* seeks to 'reconstitute' rather than reform (liberal-internationalism) or abolish (radical republicanism) the current system of global governance. This reconstitution, to be guided by an evolving 'cosmopolitan democratic law', consists in a 'double democratization' (Held et al, 1999, p. 450). First, nation-states should either initiate or deepen and widen both direct and representative popular rule. Such internal democratization will include some devolution of power to constituent territorial units and civil society. Rather than merely a democracy from above, public debate and democratic deliberation will take place robustly in various sub-national political and civil communities (some of which extend beyond national boundaries). Second, one can anticipate that nation-states would come to share sovereignty with transnational bodies of various sorts (regional, intercontinental, and global), and these bodies themselves would be brought under democratic control. Although the details will vary with the organization, this cosmopolitan democratizing will institutionalize popular and deliberative participation in institutions

such as the UN and the WTO, in regional development banks and international financial institutions, and in the ICC and such bodies as NAFTA.

Necessary for this institutional democratization will be new and complex individual moral identities, and a new ideal of multiple citizenship. People will no longer view themselves as nothing more than members of a particular local, ethnic, religious, or national group, but rather as human beings with responsibilities for all people. And one can anticipate that citizenship will become multi-layered and complex – from neighborhood citizenship, through national citizenship (often in more than one nation-state), to regional and ‘cosmopolitan citizenship’:

Citizenship in a democratic polity of the future, it is argued, is likely to involve a growing mediating role: a role which encompasses dialogue with the traditions and discourses of others with the aim of expanding the horizons of one’s own framework of meaning and increasing the scope of mutual understanding. Political agents who can ‘reason from the point of view of others’ will be better equipped to resolve, and resolve fairly, the new and challenging transboundary issues and processes that create overlapping communities of fate (Held et al, 1999, p. 449).

Regardless of scope, citizenship is neither trivial nor absolute. Each kind of citizenship is partially constituted by a commitment to human rights, including the right of democratic participation, and the duty to promote human development at every level of human organization:

Democracy for the new millennium must allow cosmopolitan citizens to gain access to, mediate between and render accountable the social, economic and political processes and flows that cut across and transform their traditional community boundaries. The core of this project involves reconceiving legitimate political authority in a manner which disconnects it from its traditional anchor in fixed borders and delimited territories and, instead, articulates it as an attribute of basic democratic arrangements or basic democratic law which can, in principle, be entrenched and drawn on in diverse self-regulating associations – from cities and subnational regions, to nation-states, regions and wider global networks (Held et al, 1999, p. 450).

What is the relation between these three political projects for humanely responding to globalization? Although they have different emphases and normative commitments, the three projects can be seen as compatible. Liberal-internationalism has current institutional salience and can become

a platform for (as well as a constraint on) the more substantive changes that cosmopolitan democracy requires. Cosmopolitan democrats share many democratic and participatory values with radical republicans, but the former judge the latter as too utopian about grassroots reform that is not accompanied by 'double democratization' and too pessimistic about the democratic potential of transnational institutions.

Insofar as the globalization processes are neither inexorable nor fixed, development ethics must also consider the kinds of globalization most likely to benefit human beings. Again, such an inquiry requires that one have criteria for normative appraisal as well as a basis for assigning duties as to the various agents of development and globalization.

The challenges of globalization expand – rather than narrow – the agenda of development ethics. Interdisciplinary and cross-cultural dialogue and forums of democratic deliberation allow development ethics to *understand and secure* genuinely human development at all levels of political community and in all kinds of regional and global institutions.

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RENÉ RÉMOND

Mon commentaire sera celui d'un historien porté par métier à inscrire les faits contemporains dans la durée et attentif à démêler les parts respectives de l'ancien et du nouveau. Ce tour d'esprit s'appliquera à la mondialisation, terme que je préfère à celui de globalisation plus vague, parce qu'il a l'avantage par la référence à la dimension géographique de mettre en évidence ce qui est le trait caractéristique majeur du phénomène, à savoir la dimension planétaire.

L'existence de relations entre les continents ne date pas d'aujourd'hui. On peut dater les débuts de la mondialisation des grandes découvertes: c'est alors que les différentes fractions de l'espèce humaine qui s'ignoraient jusque là ont découvert leur existence respective. L'humanité a vécu une première expérience de mondialisation avec les empires coloniaux. C'est dans le cadre du régime colonial que nos sociétés ont connu pour la première fois le problème des inégalités entre les peuples avec toutes leurs conséquences. Si donc la mondialisation ne date pas d'aujourd'hui, elle a néanmoins quelque chose de radicalement neuf qui résulte de la conjonction de deux phénomènes. D'une part la fin du régime colonial avec la dislocation des empires, l'accession à l'indépendance des peuples jusque là soumis à une domination étrangère et la substitution de rapports d'égalité juridique à la division antérieure entre États dominateurs et peuples assujettis. Le second phénomène est l'effet de révolutions de nature technique qui ont entraîné la contraction des distances, la réduction des délais, la suppression de l'espace et l'effacement du temps. Aujourd'hui toutes les parties du monde vivent dans une relation de simultanéité. Les conditions nouvelles de communications assurent la libre circulation des biens, des hommes, des informations, des idées, des croyances, des cultures. Nous vivons aujourd'hui dans un monde dont

toutes les parties sont dans une interdépendance réciproque. Mais si le monde est ainsi unifié, il n'est pas pour autant homogène. Bien au contraire: la mondialisation révèle les différences, exaspère les particularismes, car les inégalités sont perçues comme des injustices.

On n'avait pas attendu les dernières décennies pour s'interroger sur la légitimité de ces inégalités. L'interrogation est beaucoup plus ancienne que ne l'indique la communication que nous avons entendue, parce que celle-ci ne traitait guère que des États-Unis. Or c'est naturellement dans les pays qui avaient été les pionniers de la colonisation que la réflexion s'est d'abord saisie de la question. Ainsi en France, dès les années trente des penseurs chrétiens se posent sérieusement la question de la légitimité du droit de colonisation et réfléchissent aux devoirs que celle-ci crée aux colonisateurs. Ce problème a par exemple été évoqué dans des sessions tenues par les Semaines sociales de France avant même la seconde guerre mondiale. C'est un Français, Alfred Sauvy, qui propose en 1950 le concept de tiers-monde pour désigner l'ensemble des peuples soumis à la domination de l'un ou l'autre des deux blocs affrontés dans la guerre froide. Si ce terme n'est plus pertinent aujourd'hui, si le concept peut être jugé dépassé pour céder la place à une pluralité de mondes, son émergence a marqué une étape importante dans la prise de conscience et le développement de la pensée sur ce problème. Des économistes, dont François Perroux est peut-être le plus connu, insistent sur les responsabilités de l'Europe à l'égard de ses anciennes colonies, plaident pour une Europe sans rivage et mettent en garde contre la tentation d'un égoïsme continental. Alertée dès les années 1950 par les problèmes de la faim dans le monde, l'opinion européenne raisonne déjà dans une perspective planétaire, les énergies se mobilisent pour lutter contre ce fléau: les Églises d'Europe suscitent un mouvement d'action qui se traduit en France par la création du Comité catholique contre la faim et pour le développement, en Allemagne de Misereor. Ces écrits, ces campagnes d'action avaient ainsi disposé depuis longtemps déjà en Europe un large socle pour une solidarité active et constitué un corpus de réflexions antérieur aux formes les plus récentes de la mondialisation.

Cette réflexion n'est pas restée purement théorique: elle a dicté des choix politiques. C'est ainsi que la France a fait prendre en considération par ses partenaires de la construction européenne les intérêts de ses anciennes colonies. Cet impératif de solidarité a trouvé sa traduction dans les accords dits de Lomé, régulièrement reconduits et étendus à quelque soixante-dix pays dans les accords dits ACP. La détermination de la

Commission européenne à préserver les intérêts et les droits des pays émergents à l'encontre des États-Unis attachés à la suppression de toute protection a été un élément décisif de l'échec de la Conférence tenue à Seattle. C'est dire l'actualité du débat.

Le thème de notre session m'inspire une réflexion d'une nature toute différente et que je crois tout à fait fondamentale. Elle concerne une question proprement philosophique et qui est comme un préalable à tous nos débats. Nos travaux sur les enjeux éthiques de la mondialisation n'ont en effet de sens et de raison d'être que si l'homme dispose d'un certain pouvoir sur le cours de l'histoire et si nous croyons qu'il a quelques possibilités de l'infléchir dans le sens qui lui paraît souhaitable. Si au contraire la volonté humaine ne dispose d'aucune marge de jeu, si l'histoire est programmée à l'avance, si l'homme est réduit à la subir et si la fatalité est le dernier mot de l'existence humaine, toutes nos discussions normatives sont vaines.

Or de nombreux systèmes philosophiques postulent le déterminisme de l'histoire ou dissuadent l'homme d'intervenir. Ainsi, pour le libéralisme, l'intervention de l'État dans l'économie ne ferait que dérégler ses mécanismes et déranger l'ordre des choses: la doctrine fait davantage confiance aux données qui échappent à la volonté humaine qu'aux choix opérés pour des raisons philosophiques ou morales. Quant au marxisme, même si les partis politiques qui procèdent de sa vision du monde ont porté au plus haut degré le militantisme et l'engagement, il n'en désigne pas moins l'avènement d'une société sans classe comme l'aboutissement inéluctable du cours de l'histoire.

Le volontarisme que postule toute réflexion sur les normes à respecter et la confiance dans la possibilité pour l'homme de relever les défis de la mondialisation ne seraient-ils qu'illusion?

A cette question, j'opposerai l'affirmation toute récente de Jean-Paul II, lors de la célébration des fêtes pascales: "Redécouvrez que le monde n'est plus esclave d'événements inéluctables: la paix est possible". Cette profession de foi concernait essentiellement dans l'esprit du Pape les rapports entre les peuples et la possibilité d'exorciser la guerre, mais elle s'applique aussi bien au rapport de l'homme avec l'économie.

En tout état de cause on ne saurait esquiver cette question capitale: quelle idée de l'homme et quelle vision de l'histoire nous propose le christianisme?

GLOBALIZATION AND DISPARITIES IN SOUTHEAST ASIA

WILFRIDO V. VILLACORTA

I must congratulate Professor Crocker for his paper, which provides a comprehensive examination of the different perspectives on globalization that have emerged through the years. Because globalization is a fairly new concept and its literature is fast growing, I benefited immensely from his presentation of the responses of the different schools of development ethics to globalization.

I would like to react to his paper from the perspective of one who comes from a developing Southeast Asian country that is grappling with the effects of globalization.

In ethically assessing the potential impact of globalization on Southeast Asia, we must remember that it is a region which has extreme economic disparities. We find countries like Brunei and Singapore whose small populations enjoy some of the highest per capita incomes in the world. Then there are Thailand, Malaysia, the Philippines and Indonesia that were on their way to economic recovery but were badly hit by the financial crisis. Finally, we have the transitional economies. Of the four, Vietnam is fast adapting to the ways of the market economy. The laggards are Cambodia, Laos and Myanmar.

Western colonialism had a deep impact on all the countries of the region, including Thailand which was never directly colonized. The Cold War era, which has ended in most parts of the world, continues to exact a toll on many of them, deepening divisions even among ethnic and religious communities.

In Southeast Asia, therefore, globalization will have to contend with two phenomena: a new surge of nationalism and the cynicism generated by the Asian financial crisis (de Dios 1998; Lim 1998). In Thailand, the new leadership is speaking of returning to protectionism. In Indonesia,

both the government leaders and political activists blame the country's troubles on the dictates of the IMF. Malaysia's Mahathir extols the merits of regulating the financial market. The Philippines is reconsidering some of its commitments in regional organizations such as the APEC. The transitional economies are wary about going all out in embracing the market economy because of the risks and hazards that they perceive in the experience of their neighbors afflicted by the financial crisis.

Indeed, for the developing states of Southeast Asia, national development has not ceased to be relevant. While we agree that globalization is indeed a sweeping force that countries would have to accommodate, it does not necessarily render development as obsolete. As a matter of fact, development becomes a greater necessity because it is the best way for one to be a winner in the global contest.

But it is not development for its own sake nor for the single objective of winning the competition. One of Professor Crocker's most significant propositions is that development ethics repudiate the maximization of economic growth without converting opulence into better human conditions, as well as 'an authoritarian egalitarianism in which physical needs are satisfied at the expense of political liberties'.

But the fact is that globalization does impinge on contemporary approaches to social development. Dennis Goulet raises the question, 'What kind of development does globalization, on the present model, generate: elitist, dependency-inducing, culturally destructive, socially disruptive, personally alienating, environmentally damaging development? Or, conversely, is it development which is participatory, emancipating and liberating for the many, serving as a dynamic catalyst of regenerated cultural vitalities, conducive to social cooperation if not placid harmony, and environmentally sound for the long-term (Goulet, 2000: 43)?'

After reading though the comprehensive paper of Professor Crocker, I am more convinced about the need for globalization ethics. As he said, 'regardless of how globalization is understood, development ethics must evaluate it ethically'. And toward this end, he offers the prescription that 'the long-term goal of good national and global development must be to secure an adequate level of morally basic capabilities for everyone in the world ...'. He calls for humanizing and democratizing globalization. This is best achieved, he said, by encouraging everyone to own responsibilities for all people. Like development ethics, globalization ethics must benefit all human beings.

Once more, I would like to congratulate Professor Crocker for his incisive presentation. I hope that he would continue to play a prominent role

in generating a network of intellectuals who are committed to critically assess the ethics of globalization.

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AN ETHICAL ASSESSMENT OF GLOBALIZATION

SERGIO BERNAL RESTREPO

The Christian response to the challenges posed by history requires a careful discernment, an attitude that is quite contrary to the usual trend, rather common in certain Catholic circles, to demolish anything that represents a novelty.

Globalization offers us a good opportunity to practice discernment as an attitude – not a methodology – in order to take advantage of the great resources offered by progress, trying to reduce the negative effects it produces on people, well aware of the fact that human realities are a mixture of good and evil as a result of sin.

My claim is that the type of assessment we make of globalization depends on the perspective from which we see it. Christians, being loyal to the Gospel, must see reality from the standpoint of the poor. This has been the basic message that Catholic Social Thought has tried to convey since Leo XIII as John Paul II has stated in *Centesimus annus* (11).

However, even among Christians this position is not easily accepted, and this is an attitude that should question the sense of our allegiances. Paul VI in *Octogesima adveniens* pointed out with a deep insight, that often times we are so strongly determined by mental structures and material interests, even more, that we experience so deeply our class and cultural solidarity, that we end up accepting without restriction values and options of the social context (cf. OA 50).

Catholic Social Doctrine has often been criticized even by some Catholics because of its 'ignorance' in economic matters as well as for its emphasis on distribution of wealth, ignoring, as these critics claim, that, in order to distribute it is necessary to produce. Credit in this regard has been given only to John Paul II in his Encyclical Letter *Centesimus annus*, granting him a minimum of economic wisdom, although we have to

admit that not all readings of this document do justice to the message the Pope is trying to transmit.

The ethical appeal of the social encyclicals has not always been rightly understood. For this reason it is interesting to realize that, in the face of the globalising process in which the economy has taken the lead, evidence seems to lead us to conclude that there are solid grounds for this concern of the Catholic Church which, analyzing real situations, insists on the need to redistribute wealth with equity. As a matter of fact the prevailing economic model has produced an enormous amount of goods, services, and financial resources. However, the question remains: who benefits from those resources? Is there an invisible hand that assures its equitable distribution?

Evidence seems to contradict the claim that liberal democracy combined with the free market contributes more than any other system to the realization of a just and equitable society. In the US, according to the Census Bureau, between 1967 and 1997 the average income per family showed an interesting behavior. The lower 20% saw an increase from seven to nine thousand dollars. For the second 20% the increase went from twenty to twenty two thousand. The third 20% grew from thirty one to thirty seven thousand dollars. In the same period, the top 20% could enjoy an increase that rose from 126 to two hundred and fifteen thousand dollars. The wages of dependent workers suffered a decrease of 12% between 1973 and 1998 while, in the same period, the salaries of high executives increased by 535%.

Employment as a means to develop the vocation of man and woman to fulfill oneself through work represents another challenge in today's world to the point that to some observers unemployment is not simply a problem, but rather a serious pathology whose solution cannot be found so that we will have to learn to cope with it trying to reduce its ill effects to a minimum (Off Claus, 'Towards a New Equilibrium of Citizen's Rights and Economic Resources' in *Societal Cohesion and the Globalising Economy*. Organization of Economic Cooperation and Development, Paris, 1997, 81-106). The problem is due, at least partially, to the fact that work is losing its capacity to be an instrument for the distribution of wealth and a guarantee of social equity.

If we accept work as a fundamental and inalienable right of the person it becomes quite evident that the present situation of growing unemployment and the trend to render work more 'flexible' is quite unethical. In fact the so called 'flexibility' is covering the problems of unemployment

and under employment which generate a great deal of insecurity and economic need.

It is worth noticing that, as long as the globalization process advances under its present form, the ethical concern gradually grows. A good example of this trend is the concept of development adopted by the UNDP, a concept that has been clarified in recent years with a clear humanistic and ethical connotation. Development is no longer assessed according to the growth of GNP alone, instead a greater relevance is given to the human person thus introducing new indicators such as political participation, the respect and promotion of women's rights, the access to public services, the impact of consumerism on personal growth, among others.

In a way this ethical concern is the outcome of the need to solve the apparent contradiction between the efficiency of growth and human costs. Is it right to impose on the lowest strata of society the high cost of structural adjustment which, at least in the short run benefits the higher strata that possess the capabilities to face the situations created by the demands coming from external pressure? Michel Camdessus has declared that he conceives structural adjustment as the struggle against the structures of sin embodied in corruption, nepotism, excessive bureaucratization, and protectionism together with other phenomena that hinder economic growth for the benefit of the entire population.

However the problem remains unsolved. Camdessus is right in proposing this goal, but he seems to ignore the human problem that lies behind statistics. Independent organizations, such as those of the UN and the World Bank have demonstrated that, contrary to what some try to make believe, the most serious problem in today's world is the poverty that affects more than one billion people that have to survive with less than one dollar per day.

Joe R. Feagan, President of the American Sociological Association in his Presidential Address has challenged sociology to return to the origins placing social justice at the center of its concern ('Social Justice and Sociology. Agendas For The Twenty First Century' in *American Sociological Review*, February 2001, 1-20). Feagan's proposal is the result of his reflection on the reality described by scholars interested in development and on this subject he quotes the words of a famous North American Sociologist, W.B.B. Du Bois who wrote in 1968: 'Today political discussion is difficult; elections are not free and fair... The greatest power in the land is not thought or ethics, but wealth. Present profit is valued higher than future need'.

It is interesting, but at the same time a reason for concern, to read research on globalization that often times is loaded with ideology which leads towards quite different ways of interpreting statistics. Some conclude to the need of putting an end to the process, while others exercise their imagination in order to demonstrate its high values stating, for instance, that the few pennies that a poor person can win make him or her happier than millions of dollars that the rich person can add to his or her abundant income. In their opinion this is an argument to demonstrate that globalization does not generate poverty. Here we can see once again how futile is the claim for a value free science. Scientists should rather declare their *Weltanschauung* and values in fair honesty.

Globalization is basically an issue of means and ends, of goals and strategies. What should be the goals and strategies of society and what principles should guide these choices? As Prof. Crocker has rightly stated we move in an interdisciplinary domain where theoretical and practical elements mingle in various ways. If we consider ethics as an expression of the search for happiness we will be able to formulate desirable futures in an endeavor which does not start from utopia, but from the consideration of existing trends in today's society with a projection towards the future with a particular conception of the person.

This exercise raises a question that many dear not ask about the model of development and the life styles of the rich nations and whether this is the model to be proposed and even imposed on the whole of humanity. The question is politically incorrect because of the many interests involved in the issue. The Pope gives us a good example ignoring the risks as he invites us to analyze models and life styles critically and freely. Can we accept without restrictions a model that risks doing irreversible damage to the environment? Is this model sustainable, not only from the point of view of economics, but also regarding the environment, culture and human welfare? Does it correspond to a Christian vision of the person, of the world and of the relations between the two?

But coming back to the original question and staying away from demonizations we should try to avoid the temptation to condemn the market as such. As the Pope states with a sense of reality, no other system has been found so far that could serve the need to distribute wealth. However we cannot indulge in the opposite extreme of being taken by an ideology that has made of the market an absolute end reducing everything to merchandise, including human beings. It is an illusion to speak of the market in pure economic terms ignoring its ethical and cultural components. We

could accept with restrictions a market economy, but we cannot accept a market society. The market is not enough. Institutions are required that render a service to political freedom and social justice (cf. 'Towards a Global Open Society' in *Atlantic Monthly*, January 1998, p. 24).

Camdessus accepts the role of the invisible hand provided it is coupled to the stretched hand of solidarity and that of justice, that is, accompanied by the regulating power of the State that may guarantee that the benefits of globalization arrive to all those who at present are excluded from the process. This is, of course, a moderate vision of the new conception of the invisible hand, quite different from the opinion of those who hold that human nature, the almost unlimited desire to possess greater resources, to increase one's wealth, to have everyday something more than the neighbors next door, and even to leave them behind are the motivations that keep the economy going (cf. Robert Wright, 'Nonzero. The Logic of Human Destiny', Pantheon Books, 2000).

In the same manner it is not possible, nor even desirable to stop globalization. Again, this does not mean that we have to accept it unconditionally and much less make of it an ideology seeing it as an end in itself. The discourse about governance is, after all, no other than a call to ethical reflection. It is not enough to create institutions that may harness globalization. It is necessary to orient the process in function of human happiness conceived within the ethical parameters of integral well-being. Happiness does not consist only in the possibility to participate in the economic benefits of progress, nor should it be a selfish enjoyment and even less the success of a tiny minority which is hoarding wealth in a way that is not acceptable. There seems to be enough evidence to demonstrate that the zero sum exists and that the accumulation of wealth by a few hinders the access to the benefits of economic growth. The claim that globalization in its present form is generating poverty is no longer a slogan. Camdessus admits that globalization is not man's destiny, but he claims that the future of humanity follows this direction in a trend toward a long-term unification of mankind. Seen this way globalization constitutes a fantastic opportunity for all the people on earth to work together towards the goal of common prosperity.

Assuming that the person is the parameter in a Christian analysis of development in a world in which the boundaries between economics and politic disappear, a number of issues require a serious study. Is there only one model of democracy valid for all Nations regardless of cultural diversity? What does participation really mean? What are the rights of citizenship

in a society that accepts exclusion as a natural component of an inevitable process? Should the rights of the citizen include participation and information regarding decisions that have an impact on their lives? If we accept the ballot as an indicator of democratic participation, what lies there behind the decrease in voting which is assuming a worldwide character?

An effort must be made to reverse the trend giving back to politics its proper role as the search for the universal common good. The State should recover its role as the institution that should guarantee the rights of all, especially of minorities. The responsibility of Christian citizens is enormous since it is their duty as voters and administrators of the public domain, which has assumed world dimensions, to apply the principles, criteria and lines of action proposed by Catholic Social Doctrine. Today's state of affairs demands from the Hierarchy acceptance and respect for the mission and autonomy of the laity. Lay men and women have the right to demand from their pastors the necessary orientation along the lines of formation, not of imposition so that citizens may assume their roles as free and responsible persons.

Closely related with the issue of democracy in a cultural context that has dismissed traditional Christian values is the felt need to search for an ethic of minimal basic values which is the result of consensus. Of course, to the obvious risk of relativism we must add the problem of democracy where the reality is that a minority ends up imposing its will on a powerless majority (cf. RH, 17). The situation becomes worse and worrying if we consider the trend to eliminate the weak members of society together with those that may be seen as a burden for the powerful. What is the real motivation behind the struggle to legitimate euthanasia in Western societies where the burden of supporting an ever-increasing number of retired people will fall on the shoulders of a reduced working force? The problem is that consensus cannot be reached about these issues that are at the core of the future of humanity. The ecology is a good example of this case. In fact, the consensus reached in an international Conference can be erased by the withdrawal of on single nation that holds the monopoly of power in the world.

The trend towards cultural homologation is eliciting an interesting reaction which, sometimes could end up in some form of fundamentalism. Is it right to think global and act local as a principle for action? This is another challenge that demands a great deal of discernment. Traditional cultures could be enriched while enriching others if a true dialog is established. This presupposes, however, mutual respect as well as a deep knowledge of what each partner in dialog can offer to the other.

The examples we have analyzed so far raise the question about how to evaluate a system in which the economic value dominates life in society. Here we can see that Mr. Camndessus' good wishes do not grasp the reality of greed, embedded in structures that could be created and which is at the origin of corruption, nepotism and other forms of illicit creation of wealth stimulated through publicity with the promise of a sort of happiness brought about by possession and accumulation. Is it right to allow the big TNC lead the direction of biotechnological research? What is the role of the State, and how autonomous are States regarding economic and cultural policies originated at the great centers of decision making? Here, again, the principle of subsidiarity acquires new relevance.

The reform of International Organizations is an urgent issue for they could ideally be the answer to the demand for governance. Unfortunately nothing is less democratic or less open to participation than those institutions in which one single vote has a greater weight than that of the majority. The ethical appeal is an appeal to an authentic liberation of persons and societies alienated by an ideology whose sole value is profit at any cost, leaving no room to horizontal nor vertical transcendence of the person.

Discernment of reality must open the way to solidarity in all its possible forms. I believe that a reading of reality with its great benefits and evident limitations from an ethical perspective confirms the validity of the appeal to the globalization of solidarity.

SECOND SESSION

*The Global Economy:
Emerging Forms of (Inter)Dependence*

THE NEW GLOBAL ECONOMY: EMERGING FORMS OF (INTER)DEPENDENCE

PAUL H. DEMBINSKI

Few months ago the world was convinced of entering into the golden age of the New Economy. In early 2001, due to the financial shake-out of the dot.com the most enthusiastic prophets and promising children of the New Economy things are less clear. For the sake of this argument, I prefer to see the New Economy as one out of many aspects of globalisation rather than a reality of its own. Despite the fact that it is impossible to identify the precise moment the world enters a new era, be it that of post-industrial society, of New Economy or of globalisation, it is important to acknowledge how deeply the economy has changed during the last quarter of the century.

The present contribution does not bring fundamental new evidence, but only attempts at organising pieces of knowledge and of perception into a coherent framework in order to derive from it some indications about the new forms of dependence and interdependence that are emerging in the process.

The first part is descriptive and captures the most important aspects of globalisation. Namely, we start by briefly analysing three main drivers of globalisation: technological progress; supremacy of the ethos of efficiency; 'open society' and free market ideology leading to the unlimited expansion of economic activity. In the second part we look at the most visible consequences of globalisation: growth of finance; growth of services; emergence of intangibles (as assets and as factors of production), new forms of organisation – between markets and hierarchies. The concluding remarks concern the governance issues, the place left to man by the process of globalisation and the limit of anthropological adaptation.

1. THREE DRIVERS OF GLOBALISATION

Globalisation is a complex phenomenon that should not – and most probably cannot – be reduced to a single process. On the contrary, the phenomenon of globalisation is a combined outcome of at least three entangled processes. The most visible of them concerns the technological progress that fundamentally modifies the relationship between man and his physical as well as social environment. The second is intellectual as it relates to the changes in socially accepted and adopted values and their hierarchies. Finally, the third is political and concerns the dominant role that economic activity has gained in polity.

1.1 *Information Technology – the Instrument*

Speed of transmission of information has always been a key issue not only for successful warfare but also for efficient administration and policy-making. Through history many devices were developed to make information circulate faster than its material support. Until the early 19th century, only seldom did such systems proved to be efficient. For instance, transmission of smoke, fire or mirror signals is feasible only in very specific atmospheric conditions and in an adequate physical environment. In consequence, until 150 years ago, information travelled faster than matter only when in the reach of human voice or sight whereas over longer distances, the speed of its transmission equalled what was required for the delivery of the physical envelope in which information was encapsulated, i.e.: (sheets of) paper, messengers, or pigeons. The breakthrough came during the first half of the 19th century, when information began to be encoded in variations of electric current. In 1833, Samuel Morse first demonstrated the device by sending signals over wires. The convergence of a vector available for transmission and of an encoding key enabled the invention of the telegraph, which is the starting point of a long chain of improvements ending up with the present day telecommunication technologies.

The very fact that information was allowed to travel independently of matter, at the speed of light, gave the possibility to establish long distance feedback loops. Because of these feedback possibilities, local processes lost their autonomy while distant decision makers started to interfere in the local state of affairs, like a plane flying to a given destination changes its route because of orders received from the air-controller, a distant decision-maker. The same chain of events are to be found behind any modern con-

trol procedure: information flows bring grounds for decisions which in turn introduce changes in real processes that are again synthesised and used as a basis for new decisions are to be found behind any modern control procedure. This is true in air, train or car traffic management, in real-time missile guidance, or simply when you place orders on a distant stock market.

Any human action is controlled by the feedback loop running between the brain and the leg or arm, telegraph and its successors simply allowed for the brain and the leg or arm to be miles, even thousands of miles, away from one another. By annihilating distance, information technologies also brought about a kind of 'prism effect' by which a number of information flows originating in different places can converge to one single point where they are integrated into a unique decision process which in turn affects each and everyone of the real but local processes. Air traffic control is probably the best example here: the tower is at the centre of the prism, it sees and knows more than any other actor on the scene, its decisions are immediately implemented by individual pilots. As this example suggests, there is no limit to the magnitude of the 'prism effect', the feedback loops can – in theory – grow more and more complex. Here the bottleneck is not only technological; it involves proper handling of information flows and their integration into relevant decision making feedback loops.

With the growth of the prism effect and the underlying complexity of feedback loops and decision processes, information starts to play an additional role. In a rudimentary feedback loop, such as a simple thermostat for instance, information on the surrounding temperature is only a flow. Each single bit (basic unit of information) loses all its relevance at the very moment it has been used in a specific decision to adapt, or not, the heating intensity. In more sophisticated thermostats, information about past temperatures is continuously stored and used jointly with current information in the steering process. In such cases, information is both flow and stock. In consequence, the problem is not only how to channel and exploit current information (transmission and circulation problem) but also how to store and retrieve, how to compress and structure information about the past. Today technology moves forward along these two complementary avenues: transmission on one side and utilisation and storage of information on the other.

Fifty years ago, rough information barely existed because of the limited capacities to store it, and in most cases it was almost useless because of the difficulties in handling and using it. At that time, information was ephemeral, it either vanished all together or was instantly sublimated to develop personal knowledge. Knowledge build upon personal experience,

through accumulated and thoroughly understood direct information was essential. Today things have changed, technology has opened up infinite possibilities for storing information. Consequently, information can be stockpiled and accumulated at permanently diminishing costs as an anonymous and transferable good or asset. In many cases, structured information is used as the sole input to automated decision processes. In this situation, knowledge isn't so much a substitute for information – as it traditionally was – as it is a complement to information, a key that structures and organises it, giving sense to and combining its isolated bytes. Despite many attempts at making knowledge less personal, unlike bare information, true knowledge does not exist outside of human brains.

How did information technologies drive to globalisation?

In at least two ways: First, information and communication technologies bridge distances and allow for real-time processes to take place between distant actors. On these premises two different types of feedback loops can emerge. On one side structured and permanent feedback loops that are integrated into specific institutions or mechanisms. Such carefully designed and engineered loops serve as management tools in complex organisations. On the other side, technology also allows for a more or less focused dissemination of information outside any structured feedback loops. Such disseminated information may bring about the emergence of spontaneous or unstructured feedback loops. This happens when people change their behaviour as a consequence to receiving an information. For example, when after hearing the weather forecast, you leave your umbrella at home, when you buy a product after seeing a TV add, or when you get off the highway after the radio reported a major traffic jam further on.

Second, information technologies foster globalisation by providing grounds to the development of ad hoc economic activities centred on the management, maintenance and extension of feedback loops. These activities build up an important part of the present day service sector.

1.2 Ethos of Efficiency – the Spirit

Late 18th and early 19th centuries have been times of progressive emergence of a new social ethos, with its own ethical code. Today this ethos is universally recognised, and in some aspects has also become a social norm.¹ The main feature of this new social ethos – and of the political phi-

¹ Dembinski, 1998.

losophy that mirrors it – is the fact that it considers the individual as its centre. By doing so it draws on two other important intellectual traditions, namely the protestant view of human salvation and the utilitarianist philosophy that derives its ‘scientific validity’ from the achievements of the contemporary ‘mainstream economic theory’.

In this contribution we are not in a position to discuss in depth the intricacies of the process that led to the emergence of the ethos efficiency. However, because this ethos is one of the most important drivers of globalisation, it has to be briefly addressed. Werner Sombart was one of the most acute observers of the sociological changes that took place in 19th century Europe. In ‘Der Bürger’ he speaks about the emergence of the ‘capitalist spirit’, which according to him has two components: entrepreneurship on one hand and ‘esprit bourgeois’ on the other. Further on Sombart says that entrepreneurship is in itself a complex phenomena made out of passion for money, spirit of adventure and of innovation. ‘Esprit bourgeois’ in turn is a mixture of ‘la prudence réfléchie, la circonspection qui calcule, la pondération raisonnable, l’esprit d’ordre et d’économie’.²

Protestantism and utilitarianism give theological and philosophical arguments a blessing as to why adhere to the spirit of capitalism, why consider the monetary outcome of any decision as the most important moral criterion. According to Sombart, the fundamental change that took place concerns the ultimate finality of economic activity ‘L’homme a cessé d’être ce qu’il a été jusqu’à la fin des premières phases du capitalisme, c’est-à-dire la mesure de toutes choses. Le sujet économique ne pense qu’à deux choses: gagner le plus possible, faire prospérer ses affaires le plus possible’.³ This is where foreseeability and calculation enter the picture. In line with the consequentialist approach, decisions have to be taken on the basis of their expected consequences, which means these should be compared. In economic life, comparisons are easy to make because almost all outcomes have a value dimension, which can easily be expressed in monetary terms. This peculiarity of economic life makes it especially prone to the consequentialist method, which has progressively emerged as the dominant ethical paradigm of modern business life.

According to the terminology of modern ‘mainstream economics’, a ‘rational behaviour’ means a fully consequentialist decision maximising the positive value of the outcome, either measured in terms of money or in

² See Enciso, 2000, Sombart, p 25.

³ Sombart, p 163.

terms of satisfaction. It is in the early 20th century that Pareto, and then most of economic theory, gave to consequentialism scientific credentials, and, by doing so, helped turn it into a social norm.

Today the ethos of efficiency is one of the most important drivers of globalisation. Its success can be explained by two factors. First, it has progressively become the rule governing most of economic activity. Hence, those not willing to adopt this ethos are at risk of being wiped out.⁴ Second, ethos of efficiency applies only to the professional dimension of life and does not pretend to govern its others domains. This makes it at least partially compatible with most of contemporary cultures.⁵ Last but not least, ethos of efficiency requires the wide use of quantification and numeracy. These seem to belong to the original features of Western cultures. Quantification and numeracy were able to spread around the world by penetrating the other cultures and entering in a symbiotic relationship with them. 'Les savoirs-compter est une sorte de cheval de Troie, car une fois acceptées, les institutions qu'il véhicule tendent à devenir dominantes dans tous les domaines ... Il est difficile (aux autres cultures – PHD)... de se défendre contre des institutions numériques supérieures à celles qu'elles possèdent déjà, dès lors qu'elles sonnent à la porte'.⁶

The ethos of efficiency brings to the fore a certain number of elements, which if shared by a number of actors and players make the system foreseeable in itself. Ethos of efficiency stands on the following principles:

⁴ Soros, 1998, writes p 75 'A transactional society undermines social values and loosens moral constraints. Social values express concern for others. They imply that individual belongs to a community, be it family a tribe a nation or humankind, whose interests must precede over individual's self-interest. But transactional market economy is anything but a community. Everybody must look out for his or her own interests and moral scruples can become an encumbrance in a dog-eat-dog world. In a purely transactional society, people who are not weighted down by any consideration for others can move around more easily and are likely to come out ahead... purely transactional society could never exist, yet we are closer to it than at any time in history'.

⁵ This point deserves further analysis. First, the argument holds as long as economic life is only marginal in overall existence. But the argument falls into pieces and the ethos of efficiency enters into open conflict with other moral traditions when when economic life penetrates everyday more deeply other spheres of social and personal life. How far away are we today from such a point?

Second: the apparent compatibility is possible only when we acknowledge that a person can live with two different ethical standards, one applied only to professional activities, the other to extra-professional life. A great number of recent works and testimonies suggest that such a co-existence has its anthropological limits, at least for Western culture.

⁶ Crump, 1995.

only the consequences for the decision-taker are taken into account; the general principle according to which 'more' has to be preferred to 'less'; only events that can be expressed in value terms, those that generate value added and therefore enter GDP, are taken into account. The rest of social life, the events that do not leave an economic imprint simply *do not exist*.

The shift in values that has brought about and allowed for the progressive emergence of the ethos of efficiency, has also deeply impacted the field of political philosophy and, consequently, of social institutions. This third driver of globalisation will be briefly discussed in the next section.

1.3 *Creed of the 'Open Society' – the Enabling Factor*

History has convincingly demonstrated that unbridled passions left alone may put any social order at risk. According to A. Hirschman,⁷ much of the political thinking during the late 17th and 18th centuries was articulated around the question of how to keep passions in check so as to achieve social harmony. In previous centuries, methods of repressing passions either by education, institutions or external constraint have shown their limits.

In this context a double intellectual break-through took place during the last two centuries. On one side, social philosophers came up with the idea that rather than fighting passions, social order should be built in such a way as to use them as countervailing forces and direct one against another. In achieving this, passions would be held in check and if not a harmonious, at least a peaceful society would follow. The second break-through, still according to Hirschman, complemented the first and originates in Adam Smith's writings where he sees man actuated entirely by the desire of bettering his condition. By doing so Smith, and his followers, reduce human nature to a simple mechanism driven by a unique set of goals. This view greatly simplifies the question of political order in the sense that interests, specially the economic ones, are much easier to steer and to monitor than passions.

On the basis of this overtly simplistic view of human nature, the terms of reference for a harmonious society were easy to draft. In order to bring harmony into society it suffices to leave enough freedom to its members and allow them to pursue their economic interests. In consequence, harmony would be achieved not through the manipulation of passions – which have always an irrational dimension – but by allowing each mem-

⁷ Hirschman, 1977.

ber of the society to devote all his energies to the achievement of his economic well-being.

By bringing economic interests to the fore and by identifying them as possible stabilisers of social life, 18th century philosophers were de facto opening doors for the emancipation of the economic activity from the domination of religion and politics. More and more, public policy was viewed as having one important mission: setting the framework that would allow nationals to maximise their interests whenever possible. In consequence, governments were expected to prepare grounds and to facilitate the expansion of economic activities.

History did not always follow the path laid down by thinkers and philosophers. The 1930's deep economic crisis triggered national reflexes and allowed politics to gain pre-eminence over economic interests. The most extreme experience was the one of real socialism where, almost by definition, the State took direct responsibility for any economic activity, de facto depriving other actors of pursuing – or even of having – economic interests. Second WW and its horrors and destructions are often seen as the best example of what can happen when national politics take over the 'daily trade' of economic interests, when the efforts of members of a society cannot concentrate on the bettering of their conditions and when underlying passions takeover.

The lessons of the 1930's and early 1940's have laid the foundation of the international economic architecture as it emerged from the San Francisco and Bretton Wood conferences. These institutions have been designed so as to enhance the rapid expansion of international economic activities. The then new architecture rested on three main pillars: in the field of trade, commitment to free-trade and to reciprocity; in the field of international money and payments, commitment to convertibility, to free flows of current payments (not of capital) and to fixed exchange rates backed by central bank interventions. In the field of development, the architecture extended later on to integrate some portion of concessionary lending. It took about three decades for this architecture to become fully operational before collapsing in its monetary dimension in the early 1970's.

The institutional framework of the world economy that emerged after the war mirrored a general consensus among the 'free world' countries that free market economy was the best and only road to prosperity, development and internal and international peace. Even if each country handled in its own way the relationships between political power and economic freedom, overall the differences concerned secondary aspects. The general principle of human rights, of personal freedom, of private property, of free enterprise

and free market were – in theory – universally accepted and in some places put into practice as may be illustrated by the process of the European unification. Particularly before 1989, the popperian term of ‘open society’ is the best synthesis of the ideal of Western societies. The working of open society in the 20th century was based on the prevalence and the integrating force of economic interests and the relevant exchanges.

1.4 *Globalisation and Capitalism: only coincidence or organic unity?*

Contemporary globalisation is a complex phenomenon that cannot be reduced to a one-dimensional change in the relationship between man and geography. It is, above all, a fundamental reconfiguration of interdependencies among persons, enterprises, political entities, capital and space.⁸

Globalisation has to be looked at in systemic terms. In such perspective it appears to be a further step in the development of the modern economic systems that originated in early 19th century, called alternatively ‘capitalism’ or ‘free market economy’. In previous sections it has been shown that the goals of economic actors derive from the ethos of efficiency, that technological progress has given these actors unprecedented means, and that the ideal of free market and open society has become the systemic organising principle. All these elements combined progressively into a new ‘system’ which is in itself highly dynamic and permanently increasing its internal coherence and external efficiency. The past two centuries have been the golden age of economic performance and progress, culminating in the last fifty years of unprecedented growth and expansion.

Driven by three independent processes, globalisation results in a constant increase of the density and complexity in the fabric of interdependencies among actors of social and economic life. Among various types of possible interdependencies, economic ones are the most important today because modern economic actors are, by definition, highly specialised, i.e. specially sensitive and reactive to signals they receive from outside.

2. NEW (INTER)DEPENDENCES

What are the most visible manifestations of globalisation? Where are the new forms of (inter)dependence most clearly visible? In this brief and,

⁸ among many contributions to this debate, see.

by definition incomplete, contribution five cases of interdependence will be presented and analysed.

2.1 Financiarisation and the Real Economy

Information technologies have played a central role in the development of international financial flows, players and markets. Financial information was the first set of professional data to take full advantage of falling prices on international calls and data transfers.⁹ The invention, in early 1960's of the 'eurodollar' can be seen as a milestone in the process of emergence of a truly globalised financial system. The collapse of the fixed-exchange rate system in 1971, and the glut of petrodollars after the first oil shock of 1973/74 gave a further boost to the globalisation of international financial activity. This resulted in the tightening of interactions and interdependencies between financial centres, between markets and asset prices. The development of world finance went in two complementary directions: on one side the extension of range and types of financial assets, and multiplication of trades and transactions on the other. After 1971, national currencies became full-fledged financial assets traded among private operators.

In a modern economy, the financial system has two key roles to play. First, it has to make sure that savings are collected, channelled and used to finance investment projects. The quality in the allocation of savings' flow, and indirectly the overall performance, depends on how efficiently the financial system carries out this function. The efficient matching of demand and supply of liquidity between the actors having investment projects on one hand and those holding idle liquidity on the other requires the use of extensive information about the risks and returns inherent to each investment project. As a result, some projects can simply be deprived of access to finance and thus condemned as such. From this perspective, one could argue that 'finance rules the world', and dependence prevails because decisions on availability of financial resources and on their pricing determine the set of real (investment) projects that will be implemented.

The second role the financial system plays in a modern market environment can be seen as an extension of the first one. It involves the permanent assessment of the returns and risks associated with projects that have been

⁹ Cairncross, 1997, according to World Bank estimates, quoted by Cairncross, the price of a 3 minute transatlantic call has been divided – in real terms – by a factor of about 200 between 1960 and 1990.

previously financed. This activity is based on the processing of every available information related to specific projects (i.e. financial assets, enterprises or governments) that have previously been financed, on their continuous monitoring and on their pricing. Unlike the matching of savings with investment projects that concerns the flow of 'new savings', the evaluation function of financial markets concerns 'stock' of previously created assets that are already in circulation. Most of such assets are either incomplete property rights, claims or contracts that may either have social organisations as their counterparts or have a direct bearing on them. A change in price of any asset will, in consequence, be interpreted by the involved organisation (enterprise, government) as a signal and will compel or induce a change in its behaviour. In this way variations in prices of assets influence real decisions but the reverse is also true as financial markets use all the available information, including the behaviour of the social organisation and its performance, for the process of price setting and updating. The result is a feedback loop of interdependence between financial pricing decisions and the behaviour of real actors, persons, governments or enterprises.

What is new in the present situation? One could easily argue, that feedback loops like those described existed also in the past, and that more generally the role of asset prices – including the exchange rates of national currencies – is to express the changing level of confidence attached to the underlying social projects. However, the contemporary situation is different in two main respects. First, the depth of financialisation of Western economies is without precedent, which means that financial assets underpin almost every dimension of the economic life. Hence, the variation of assets' prices affects the current behaviour of agents on a much wider scale than before. Second, the width of information used in the price setting process is extending continuously in parallel with the progress of information technologies. It means that the price of a given asset integrates information that extends well beyond what is directly relevant to the underlying social project. The more global are the markets, the more completely are they integrated, the higher the chances are that they will price the assets representing and encompassing a local and partial reality of a social project by putting it in the perspective of an artificial and illusory 'totality'. Thus by reacting to change in price for its shares, an enterprise will de facto indirectly react to events which are not related to its activity and on which it has no bearing but of which it has been made dependent only by the integrative action of financial markets.

Social actors, enterprises or governments, can only influence by their decisions a limited set of realities but through the integrative power of

financial markets, they are exposed and have to react to a much wider spectrum of information and realities. In this respect one can argue that widening scope of information taken into account by the financial markets increases the asymmetry in the feedback loop between financial markets and the underlying elements of real economy. For medium sized enterprises, for smaller countries the asymmetry between the width of global information used to assess prices of assets they represent and the effective reach or influence of the underlying economic actor is particularly strong. As a result, especially for the smaller economic players, interdependence turns into their dependence on the verdict of the financial markets. What technicians used to call with pride 'integration of financial markets' in sake of a greater allocative efficiency, can also be seen as the progressive withering away of any remains of subsidiarity in the field of money and finance. In consequence, any group or individual financial asset, or any good used as such, can become without warning the scapegoat of all. Recent financial and monetary crises such as Asia, Mexico and Russia as well as the dot.com crash in 2000 are only illustrations of such dependency. Only very big players are protected by their sheer economic weight from being high-jacked.

By setting asset prices on basis of expectations, conjectures, fears and hopes one can wonder whether financial markets 'reveal the truth' about the real economy, as many orthodox economists would argue, or simply create prophecies that the real economy has no other choice but bring into being.

2.2 Emancipation of Very Big Enterprises

Enterprises, especially the Very Big Enterprises (VEBs hereafter) have been the main vectors through which the three drivers of globalisation, sketched in the first section, have shaped the face of the contemporary world. During the last quarter or century, VEBs have undoubtedly played a major role in speeding the structural changes of the world economy. In this complex process, enterprises' behaviour has been in constant interaction with each of the three drivers of globalisation, and played a major role in boosting its overall speed.

Enterprises were among the first that took full advantage of the potentialities offered by the development of Information Technology. On one side, by integrating this technology into their products, they proved able to propose new products and new services based on the principle of controlling feedback loops. On the other side, enterprises also rapidly learned how

to make the best use of Information Technology in organising and running their own operations.

International business started well before the free trade came into focus of policy makers. Closer to us, in the aftermath of WWII, American VEBs were in excellent position to establish themselves as world leaders. Thus most of American VEBs consolidated their multinational character by taking firm roots on European and Asian markets. In the following decades they had to face a growing competition, including on their home market, from their Japanese and European counterparts. The VEBs golden age began in the 1980's when political context and technological potential coincided to make the management of truly global enterprises possible. In parallel, VEBs became a worldwide pressure group having a major influence on the agendas of governments but also of international organisations.

Ethos of efficiency became universal providing a supra-cultural basis on which professional and technical knowledge began to be shared among people from different cultural origins, but inspired by the same ambitions and the same ethos of efficiency. Falling on this fertile ground, the ethos of efficiency was then further spread by a growing number of business schools and inoculated to a new generation of young men eager to have their share in the economic success of international business. By doing so, business schools developed a whole range of new fields of professional knowledge rooted and inspired by the ethos of efficiency. Today this knowledge has, at least partially, achieved the scientific status.

Enterprises are, by definition, social organisations capable of rapid adaptation to changing conditions and therefore are often seen as organisational innovators.¹⁰ Undoubtedly, VEBs have played this role and, in this way, have contributed to the acceleration of globalisation. Three main lines of organisational innovation – in the broad sense – deserve to be mentioned here. Each of them has fundamentally affected the modes of interaction between the VEBs and their social and economic environment, and in consequence has contributed to redesign the set of corresponding interdependencies.

2.3 Shift from Goods to Services: VEBs as Access Providers

The limits of mass production of durables were first seen in the late 1920s US. At that time, Ford was losing to General Motors the dominant position it had acquired during the previous 20 years. As to why it hap-

¹⁰ North, 1990.

pened, Tedlow's diagnosis is crystal clear: 'In the early 1900s, Henry Ford's vision of the needs of consumers for an inexpensive, reliable transportation vehicle matched reality, but during the 1920s, automobile marketing came to involve more than providing customers with an appliance to take them from place to place. By then, however, Ford had come to believe that he was in the business of building Model Ts. In fact, like every other businessperson, he was in the business of satisfying consumers. *He mistook the product for the service it provided.*¹¹

In fact it became apparent already in 1920s that in order to sell on markets every day closer to saturation, enterprises have to concentrate not only on producing, but also and maybe above all, on preparing the markets (the customers) to absorb their production. In the case of durables, preparing the markets means also removing or discarding previous generations of the same goods. This lesson was quickly learned by the VEBs. In consequence the internal status and resources devoted to marketing activities progressively became at least as important as those used for production. In doing so, the VEBs were contradicting two centuries of 'Say's law' according to which any supply generates automatically the corresponding demand.

The developments of media (press, radio, TV) but above all of information technologies allowed the VEBs to gather more and more data about their customers, to imagine specialised products for more and more carefully segmented groups of clients, to send appropriate messages that would pave the ground for new generations of products and to tighten producer's control over product's durability. By doing so enterprises achieved two things. First they became indispensable to customers and, in that way, secured their receipts for years to come; second they gained the customers' confidence and loyalty by permanently increasing their satisfaction as measured in terms of GNP per head. However behind these two visible consequences of enterprises' efforts to mastermind customers, a third consequence remains more discrete.

Many of the new products and techniques – like cars, computers or telephones – have deep and irreversible structuring effects on the society as a whole and on the everyday life of each of its members. Today telephone, TV sets or the use of air transport have lost their status of luxury goods and are indispensable devices in the everyday life of tens of millions. This means consolidation of corresponding markets. However, the increase of consumers' satisfaction has a counterpart, which is the progressive erosion of

¹¹ Tedlow, 1990.

their autonomy as persons in respect to the economic activity. In order to keep up with the growing requirements of a 'decent' or 'normal' life they have to achieve an ever-higher level of income. This level of consumption, 'compulsory' in social terms affects decisions concerning the way people live, the way they share their time between for market and not for market activities. In this process, consciously or not, society as well as individual persons are driven to surrender ever-higher levels of their energy (i.e. their autonomy) to the search of economic results and efficiency.

For this reason, the apparent freedom granted by new tools – transportation, communication, leisure – has for counterpart an ever deeper dependency on products and services designed by the VEBs, and a permanent consent to an ever deeper enslavement to economic activity in general.¹² Thus, through their permanent search for new ways to emulate a buying decision, the VEBs bring material progress and increase welfare, as well as contribute to increase the proportion of social relations and of private life that is directly or indirectly governed by *market* relations.

Today the trend turning the enterprises into permanent partners in societies' everyday life is further exacerbated by the growing share of services in economic activity. Selling a good is an isolated event, whereas providing a service creates a lasting relationship with the client. Selling a good ends up in a unique payment where service contract is open ended and may lead to a number of payments and invoices. The growth of services has been pushed by the development of information technologies, by the growing complexity of Western societies but it would have been impossible without the strengthening of specialised (public) institutions in charge of contract enforcement. The VEBs were among the first to acknowledge how much they had to gain in switching from goods to services, from ephemeral and stochastic interactions with clients on a marketplace to lasting and structured personal ties. In fact, the VEBs are rewriting the rules of the economic game by tidying and deepening the almost personal relationship in which they tend to lock up each of their customers. In the process, autonomy that the ownership of goods was supposed to grant is being scarified for the sake of performance in a controlled environment.

Jeremy Rifkin is among the most acute observers of the above-described change. He even speaks, in a slightly sensationalist tone, of the

¹² Following example shows that VEBs do not hide their ambitions to become ever-present. In a recent annual report, Coca-cola announces that a human being needs 9 intakes of liquid during the day, according to sales figures of Coca-Cola, the company provides humanity with one intake per day. Conclusion: reach for the remaining almost 90% of the 'market'.

emergence of a 'new era'. 'In the new era, – says Rifkin – markets are making way to networks, and ownership is steadily being replaced by access... Property continues to exist but is far less likely to be exchanged in markets. Instead, suppliers hold on to property in the new economy and lease, rent or charge admission fee, subscription, or membership due for its short-term use ... Markets remain but play an increasingly diminished role in human affairs'.¹³

How did VEBs manage to shape the framework of the emerging 'age of access'? In fact various processes and techniques used in a more or less conscious way by the enterprises converge to the result. Among them, effort to develop customer loyalty is the most classical one.

The purpose of each seller or producer is to develop a privileged relationship with the client. In such a way the probability that at each new buying occasion, the client will choose the same product or brand will increase. In consequence, production volumes and product lines will be better adjusted to the demand, and the overall profitability will grow. How far such strategies can lead is illustrated by a case from the automotive industry. According to the specialised press, the main reason why Mercedes in the last few years has decided to put on the market small cars was not the search for a younger client base for its own sake. What really mattered to Mercedes was to use this as a marketing tool, as a way to prepare tomorrow clients for more expensive Mercedes cars. Indeed, it seems that capturing and seducing young customers today is the most cost-efficient way to secure tomorrow's market. This example shows what every company knows: the acquisition costs of a new client are much higher than the production of corresponding goods. This also explains why amounts that can reach tenths of percent of sales are spent to keep alive and to develop in minds of effective and potential clients brand names and trademarks through advertisements and publicity. These efforts are then integrated into end user prices and paid for by the customer. Not only are customers masterminded, they are also complacent with it and even pay for it!!!

Another way of establishing a privileged relationship with the customer is to develop a continuous flow of transactions with him. This is easier to achieve with services than with goods. Recent developments in information technologies allow enterprises, but specially the VEBs, to redesign their activities in such a way as to increase the service component. Rather than selling a product, producers prefer to provide the client with a specific per-

¹³ Rifkin, 2000.

formance embedded in a service contract.¹⁴ Most of such contracts, like telephone, software or repair subscriptions, have a fixed fee component and a variable one linked to the use the client makes of the proposed service. Another example is the leasing service provided in many cases by the producer of leased goods. Today, for many producers of durables, namely for automobile or even aircraft producers, leasing services are much more profitable than the actual production of goods. Such service contracts create a contractual long-term relationship with the customer and de facto open the door for the service providers to permanently update their services, increase their scope and possibly their price.

Modern marketing techniques called CRM (Customer Relationship Management) are developed by the VEBs with the objective to gather enough information about each and every one of the targeted customers in order to be able to propose, out of hand, a package that they are most likely to buy. The development of such techniques helps the seller to propose to each customer not a general 'market price' but a price calculated in perspective of his willingness to pay, and in line with the potential that such a client represents for the whole range of products and services of the company. A direct consequence of CRM techniques is the exclusion of 'not interesting customers' from access to specific services or goods. The business language speaks then about 'focus' on a specific market segment. Financial services are the clearer example of such a selective behaviour of service providers.

The VEBs see rightly in CRM a potential for creating a privileged – and almost personal – relationship with each client. Such strive for privacy for transactions that previously were carried out by the market, leads to a loss of transparency and in consequence is a major hindrance to the proper functioning of the market mechanism. Gathering important amounts of customer information gives the sellers of goods and service providers a unique basis for designing an ad hoc contract that takes into account all the known dimensions of clients' wishes and tastes. By doing this, the seller takes advantage of the available information to build into the price all the elements that this customers values, but that could have been given for free. In technical words, this leads to internalisation of all externalities that may have been positive to the client and would have made up what the economic theory calls, the 'customer surplus'. This situation, where every 'byt'

¹⁴ The so-called 'terminator' seeds developed and abandoned by Monsanto are the best examples of such strategies.

of customer satisfaction is paid for, is extremely attractive from the service providers' perspective. 'One to one marketing' – the *nec plus ultra* among modern marketing techniques – aims at achieving it.

Converging efforts to make the customer enjoy his own enslavement rise two questions. The first is about interdependence. Each VEBs depends on the behaviour of its clients taken as a group, but the reverse is true when each of the client is taken individually. In other words, if the VEBs succeeds in breaking the unity of the market into a myriad of individual relationships, its position is much stronger, but that of each customer much weaker. The VEBs use all the methods discussed above to make customer dependant on their products and services.¹⁵ Whether they succeed in achieving it is another question. In most situations and markets, customers have the possibility to migrate to other providers of similar services or goods. However this may also have a cost (in the sense of transaction cost) to the customer. The second question is about the efficiency of allocation achieved on a macro scale in an economy where VEBs are in a quasi monopolistic situation over millions of parallel micro-markets, each involving a single customer.

In conclusion, the VEBs structure our environment and become the only interfaces capable of running the complexity that imprisons contemporary societies. In this sense our social dependence on providers and managers of technical system has greatly increased. The VEBs as a group also keep each of us in a dependency relationship, although this is not necessarily true for every bilateral relation because of the competition between suppliers. To prevent this from happening, the VEBs compete fiercely to achieve strongholds in terms of market position, which simply means reducing the probabilities of customers migrating to a competitor.

2.4 *New Forms of Capital*

Nolens volens, the VEBs have become the major actors, and also the most prominent drivers of globalisation. In order to keep pace with the competition and deliver what their shareholders expect them to deliver, the VEBs have been adapting permanently their methods of operation looking for new ways to assess their competitive advantage.

When moving from goods to services, from transactions to relationships, it has become clear that the sources of the economic performance of

¹⁵ The addiction inducing components is also used by certain industries, such as cigarettes or beverages.

a company do not necessarily depend on the value of fixed assets such as buildings and production plants the enterprises own, not even on the size of its balance sheet. The growing importance of marketing in the process of value added creation has brought to the fore unconventional sources of performance called 'market assets'. 'Market assets are those which are derived from a company's beneficial relationship with its markets and customers. They comprise the brands, reputation, repeat business, distribution channels, favourable licensing and other types of contracts, which give a company competitive advantage. Market assets are often the reason a company is acquired for a sum greater than its book value'.¹⁶ In fact, the so called market assets belong to a larger family of 'intangible assets' that encompass intellectual capital of a company, its R&D activities, other elements protected legally such as patents, licenses or copyrights.¹⁷

Like production facilities, machines or buildings can, by analogy, be seen as the hardware of our societies, intangible assets make their software. In the computer world hardware and software are complements. The same is true in economic life where tangibles and intangibles jointly contribute to the emergence of value added. The difference between the two is the same as between goods and services. Goods and tangibles have an existence of their own even if they are useless. Services and intangibles are relations and rights that determine specific patterns of human and organisational behaviours. Because they cannot be separated from people that permanently manipulate and update them, intangible assets are in most cases invisible on their own. Intangibles emerge and develop on the basis of a complex relationship between persons and organisations. This interdependence makes the question of the sustainability of intangible assets and of their ownership very complex.

The still growing importance of intangibles deeply affects the rules of the game inside the VEBs. The building up and maintenance of intangible assets in general, but market assets and R&D in particular, absorb a growing proportion of the VEBs' current expenses. Publicity expenses, remuneration of R&D personnel, training and knowledge dissemination cost and others belong, according to the accounting logic, to current as opposed to capital expenses. However, in purely economic terms, these expenses contribute to the extensions of the company asset base. The two logics are in conflict on this crucial point: intangibles give value to a company but at the

¹⁶ Brooking, 1996.

¹⁷ Badaracco, 1991.

same time most of the related expenses have to be financed from the profit and loss account. In consequence, intangibles are not recognized as capital, they cannot be depreciated nor can they pretend to proper remuneration. One of the reasons is the very fact that intangibles are jointly controlled by the corporation and the people that operate them. This situation has one major consequence: namely that companies depend on their 'knowledge workers' much more than it was the case when most of the knowledge was incorporated in easy to run machines. Of course, companies retaliate by putting in place sophisticated methods of knowledge management that aim at 'extracting' from each of its employees as much knowledge as possible and make it accessible and reusable within the company.

Knowledge of clients, knowledge of products, mastering of technology are vital sources of competitive advantage for contemporary VEBs. By mastering technology, i.e. the speed of innovation, the VEBs strive at becoming masters of social time. When a VEB is in a sufficiently strong position on its market to choose the moment of bringing on the market a new generation of products or services, it is able to gain enough time to squeeze customers and maximise financial results. But in order to achieve this, the same VEBs needs to have his 'knowledge workers' on its side. Only generous remuneration packages can prevent key people from migrating to competitors. The strong dependency of VEBs on their key collaborators deepens the divide between interchangeable and non-interchangeable workers. The first become global citizens, moved around the world by companies in luxury conditions, the second locked in their native areas are at the mercy of local labour markets.

Analysing the changing meaning of ownership, Jacques Attali uses the concept of 'fertile goods'.¹⁸ By this wording he tries to identify what were the tools that, at different moments in human history, opened the doors to might and wealth. According to Attali, at first came women as guarantors of demographic growth, then land and its capacity to produce food; now we live in times where capital plays the role of fertile good. The term of capital means anything that is entitled to financial returns. Without any doubts, knowledge and more generally intangibles are about to become the new form of capital. Its economic fertility will depend however on the capacity of the VEBs to make knowledge proprietary, and to control any access to it. In other words, to make the rest of society dependent on proprietary knowledge. This is the reason why, when it comes to knowledge and intangibles,

¹⁸ Attali, 1988.

economic fertility may well lead to social sterility. The economics of genome research already confirm these fears.

2.5 VEBs as Process Organisers

Previous discussion has underlined the multiple roles VEBs play in globalisation. In fact they emerge as artisans and as key strategic players of this process, which in final analysis, is tantamount to increasing worldwide the sheer importance of economic activities within the social realm. Like their ancestors, the colonial trade companies, modern VEBs are extremely smart at taking advantage of distant markets, resources and investment opportunities and at coupling them with operations in home countries. General liberalisation of trade and financial flows coupled with the breakthroughs in telecommunications and information technologies opened up new horizons that VEBs rushed to exploit.

It is only in the 1980's that some of the VEBs started to turn themselves into truly global companies. A global corporation is a polycentric conglomerate capable of integrating on a world scale both production and distribution without maintaining with any country a sentimental privileged relationship. In order to make the definition of global enterprises more operational, the *Investment Report* establishes a 'transnationality index' by averaging three ratios: foreign sales/total turnover; foreign labour/total labour; foreign assets/total assets.¹⁹ According to this methodology (far from perfect), enterprises like Seagram, Nestlé, Electrolux or Unilever and ABB are on the top of the list with a transnationality index above 90%. Globalisation of enterprises is still under way as suggested by the fact that for the most transnational of the VEBs active in industries such as petroleum, motor vehicles, electronics, pharmaceuticals, chemicals and food/beverages, the level of the index has increased by more than ten percentage points between 1990 and 1998.

Transnationalisation of VEBs has deeply affected the way they operate but more specifically their relations with territories where their subsidiaries are active. Out of many elements that could be mentioned in this respect, three seem of primary importance.

The first concerns the growing role of trade between subsidiaries of the same firm in overall international trade. According to an estimate by the World Bank, internal trade of 300 biggest VEBs represents about one third

¹⁹ UNCTAD, 2000.

of world merchandise trade, where another third is made up by trade among these 300 VEBs. In other words, VEBs have almost entirely absorbed the world trade. By doing so they have probably also absorbed, i.e. internalised, what used to be called 'world prices' which can easily be used for transfer pricing.²⁰ In consequence, the dimension of VEBs' internal strategies should be more fully integrated into the debates about the patterns of merchandise trade between North and South.

VEBs are prominent sources and vectors of international direct investment. As important investors VEBs prospect, compare and choose the sites where their investment projects will be localised. In doing so they interact with public authorities (national and local) of host countries. Looked at from a local perspective, an investment project of a VEB in the area means jobs, training, possibly transfer of technology, spill over effects. For all these reasons local authorities strive for hosting VEBs' investment projects and use all means to become more attractive. Overbidding is normal. Today enterprises are much more mobile than they used to be, hence dramatically increasing their negotiating power in respect to local authorities. Sometimes companies invite local authorities from a region to tender. Put in direct competition, in some cases local authorities, even in developing countries, may offer cash-payments and tax brackets up to 100'000 USD per job created.²¹ In some cases, enterprises have more than 30% of their investment cost provided by the host. More and more mobile VEBs choose, invest but do not reinvest and often leave when tax brackets come to an end. Shorter investment cycles, generous local support and greater enterprise mobility lower barriers to exit, thus strengthening the VEBs' position, which may well turn interdependence into dependence.

Most of the VEBs have redefined what their core business is during the last ten years. It seems that most of contemporary VEBs build their strength and their future by concentrating their core activities on three axes. The first is 'Mastery of Markets' which implies global branding, marketing techniques and the resulting direct control of the client base. The second is 'Command of Technology' meaning keeping the innovative capacity, development of techniques and mastering of the service/product interface. The third axis belonging to the core business of VEBs, may be called 'Access to Finance', more precisely keeping in touch with global capital markets where capital abounds, and where the cost of raising it is the best possible.

²⁰ Bartesman and Beetsma, 2000.

²¹ First hand testimony.

By concentrating their core activities on these three sources of competitive advantage, VEBs tend, for many of their normal operations, to seek co-operations and partnerships with local and medium sized enterprises. Outsourcing has been the buzzword for most of corporate restructuring during the last decade. What does this mean? Does this trend mean that VEBs move important chunks of their activities from inside the hierarchy directly to the market?²² Evidence clearly shows that in order to outsource in total safety, VEBs have developed a large variety of cooperation patterns, with small and medium sized enterprises that are between hierarchy and markets. Of course the new possibilities granted by IT have been instrumental in reducing transaction costs linked to outsourcing when at the same time keeping the sub-contractor in some kind of dependency.

In consequence, the VEBs have developed unique skills in organising, managing and controlling extremely complex flows of information and of goods exchanged among a growing number of partners. The key challenge is to remain in the driving seat despite the possibly small direct contribution to the chain value. Many VEBs succeed in this game by concentrating their resources on keeping control over Markets, Technology and Finance and by commanding the key assets involved in the overall value adding process. The example of Nike is illustrative. The company generates directly about 25% of the value added of its products mostly through organisation, advertisements and trademark revenues. Upstream about another 25% percent come from the producers and raw materials used, downstream about 50% come from the distribution network.²³ The same picture can be drawn for Dell, Benetton, Hilton. These examples suggest that VEBs are specialising in developing and testing new 'business models' which are ways of combining and organising activities of myriads of partners and subcontractors. In consequence, a specific pattern of dependence between small and big firms emerges worldwide. Only niches too small to be of interest to VEBs are left to independent small enterprises.

3. TENTATIVE CONCLUSIONS

1/ Globalisation is a much more complex process than it may seem to economists. In order to understand properly its potential consequences, the analysis has to include the political, ethical and anthropological dimensions.

²² Williamson, 1975.

²³ Figures taken from *Alternatives Economiques*, February 2001, p 53.

2/ Paradoxically, the emerging dependencies threaten the proper functioning of the market mechanism, and by doing so put in question the quality of allocation of resources realised worldwide under the auspices of globalisation.²⁴ In consequence the creed of efficiency that underpins the economic reading of the idea of 'Open Society' would be in question, as well as the essence of what is called 'the received economic theory'.

3/ Some fields of human activity are more prone to globalisation than others. It seems that less globalised activities are to bear the whole burden of adjustment to changes imposed by the wholly globalised layers of human activity. Therefore, the apparent interdependencies between activities of differing level of globalisation tend to turn into asymmetrical relations whereby less globalised become dependent on more globalised activities. This is true among enterprises, where the competitive advantage of the global VEBs increases the strength of their position in respect to their smaller and more local partners and suppliers. There is an analogy, but not a complete identity, between this conclusion and the reading of globalisation in terms of 'centre vs. periphery' paradigm.

4/ The transformation of interdependencies into genuine dependency relationships brings the question of power to the forefront. Hence the question of power is an integral part of the globalisation and has to be explicitly addressed. This necessity is barely acknowledged today and transformations that have been discussed in this contribution take place in a political vacuum, where regulations either do not exist or are purely functional. In this sense there is a growing and urgent need to fill the vacuum with appropriate governance solutions. These solutions should care for limiting the weight of purely economic considerations in social life and aim at preventing whole societies from becoming consenting slaves of a holistic design having his clear ideological and anthropological roots that could be called 'économisme integral'. Globalisation is only one dimension of this design, one step on the road to a fully market – or to use G. Soros words – a purely transactional civilisation.²⁵

5/ The challenge of governance has to be addressed from two extremes: one is institutional design, the second is acknowledgement by growing circles of persons and organisations that we all have a responsibility in working for the common good which – at least in the Christian view – extends far beyond the purely economic dimension.²⁶

²⁴ Cochy, 1999.

²⁵ Dembinski, 2000.

²⁶ Zieba, 1998.

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GLOBALISATION AND NON-MARKET RELATIONSHIPS

PARTHA S. DASGUPTA

I want first of all to congratulate Dr. Dembinski on an excellent paper. It is very well argued, it is extremely well documented, and there is a point of view. I will begin by summarising the four points that he raised and I want to speculate on one or two aspects, but with a very different illustration that reflects my own expertise and the kinds of areas that I like studying, to see how the globalisation issue might be seen from a different lens.

The first point that he raises is one which has been much discussed in the literature, which is that when you integrate two different systems the shocks of one filter into the other. So, unless the shocks are very negatively correlated the individuals in the community will have to face additional risks. This is a point that must be reckoned with. But, against that, of course, there is the argument that perhaps in amalgamating the systems there are benefits to be had in terms of greater productivity. This is a trade-off which has not really been understood or analysed very deeply. Those who are in favour, emotionally, look at the productivity gains. Those who are reticent look at the additional risks that are imposed when shocks are transmitted across interconnected systems – ‘coupled systems’, as physicists say.

The second point that he raised, which was more in the way of passing remarks, had to do with increased complementarities between goods and surfaces. You need object A, but in order to work with A you need B. B is complementary to A, and then C is required for B, and before you know what is happening you are spending a lot of money for doing something which perhaps was less costly in the past. But now you have to have A, B and C. Why? Because your friend has A prime, B prime and C prime, and in order to communicate with him, you need these additional objects. One might ask questions as to whether there are resource losses as a consequence of this build-up.

The third point which I found very interesting, and somewhat novel in this particular context, was to identify the nature of the 'product' which is increasingly being supplied by the globalisation process or is being reflected in the globalisation process. The relationships between the supplier and the customer are more in the form of what anthropologists would call 'long-term relationships'. I want to come back to that.

So, paradoxically, long-term relationships of certain types seem to be increasing as opposed to being shut down through the growth of markets. At least, that is one side of the story that Dr. Dembinski emphasised.

The fourth point he speculated on was one that has been much discussed in recent literature, namely global governance: the fact that we are now talking about firms which may not be completely under the control of the discipline of a sovereign State.

I want to use this background, this framework, to spend some minutes discussing a different kind of world. The kind of world enriched in the view of this paper is one where people are hooked into 'the market system'. But a great number of people, amounting to billions, are not all that connected to the market, in the sense that a great deal of their own work and consumption take place through non-market channels. If political scientists have in the past specialised in understanding the nature of the state, and economists the nature of markets, I think it is anthropologists who have studied non-market interactions among people. I want you to think, really, of village communities in Sub-Saharan Africa, South Asia. It will help if you think of areas which are semi-arid. And you will see in a minute why. The semi-aridity, really, has to do with the fact that not only are these communities typically poor, but they also face unusual risks in their lives: rainfall, uncertainties, and so forth.

Economists have recently turned their attention to non-market relationships with a view to understanding what kind of exchanges take place, and more particularly, rather than just cataloguing them, to understanding how it is that agreements and exchanges are sustained and implemented. In a market you have contracts. The idealised market is one where you actually write down a contract. If anybody defaults, there is a penalty to be paid. And the penalty is imposed by the government structure: the state, a jail term, in the old days the bankruptcy laws, and so forth. But in a context of two people who live in a village, where there is not necessarily such a government structure (although there are very often), chieftains, priests and others have that kind of authority structure. But a great deal of these relationships are based on, and sustained by, the enactment of, or obser-

vance of, social norms. The kinds of exchanges I have in mind are credit, insurance, labour, and the use of common property resources in particular, such as grazing lands, local forests, water sources and so forth. Now these are extremely important on a daily basis for the household. So exchanges amongst them, or understanding how to make use of them, how to share them, are of supreme importance for the survival of not so much the community but the individuals themselves. A great deal of work has been done to try to understand how this happens.

Now, before I discuss the good news, the bad news is that economic theory, as practiced by people like myself and by colleagues of mine, has revealed that many of these long-term relationships, theoretically, can be extremely disadvantageous to some members. They are not always benign.

Some people suggest that whenever you see long-term relationships among people, everybody must be benefiting. This is not true: largely because many of the games are not of that kind. These are repeated exchanges between people and it can easily be that social norms are in fact extremely disadvantageous for certain parties. One can identify the types if you actually look at some of the ethnographic work that has been done.

There are of course benign ones as well. Agreements between people in a village community to share in commodities, as I said, credit, insurance and labour, involve the understanding that if default takes place, unless it can be explained, there will be some penalty. The penalty will be imposed by the community itself. There are layers and layers of norms which have been studied at some length. That is to say that you punish somebody who has not punished somebody who deserves to be punished, and so forth. So, the punishments here could be shunning. It does not have to be the whip; it could be social ostracism of one kind or another. A good deal of work has been done to identify the nature of these punishments and meta-punishments, the sets of punishments that actually operate. What has globalisation to do with this? The really sad thing in some aspects of globalisation literature is the non-acknowledgement of the fact that we are in a world in which there are non-market relationships which have to sit together with increased market relationships. And one of the phenomena that can take place is that an expansion in markets means that in certain local markets, that is to say in a nearby town, the more advantaged people in that rural community might be in a position to take advantage of them. On the other hand, of course, there are members of the community who are not so well positioned. You might, you could, you may identify that group. It will typically be made up of children. It will be women with children who are not

that mobile, who will not be able to take advantage of those opportunities that occur. And one can anticipate a certain unravelling of lifestyles where those who can take advantage do so, but in the process certain long-term relationships which supported groups, the more vulnerable groups, are removed. Recent work by Ram Chopra in Delhi seems to offer evidence that this kind of breakdown has actually occurred in parts of Sub-Saharan Africa and North India. These are special groups and in each village they may be few in number. If you take into account the number of villages (and there are lots of villages, India, for example, has half a million villages) not all of them are subject to this kind of problem. But some are. The important thing is that local governments, national governments, should be more sensitive to this phenomenon.

To sum up, when I think of the globalisation debate, and one sees that it has an emotional resonance, it seems to me that one does worry about the points that have been made very effectively in Dr. Dembinski's paper. I thought I would complement the paper by thinking about a different part of the world where the transactions that are taking place are actually somewhat outside the system, whose encroachment, nevertheless, is affecting them.

TAKETOSHI NOJIRI

Thank you very much, Prof. Dembinski, for your suggestive report, which is a very acute economic-scientific and civilization-historical analysis of the contemporary globalization of the economy. As discussed by the author, I have hardly anything to add to the analysis offered in his paper. However, I would like to make some comments on another aspect, i.e. from the point of view of the theory of economic systems.

1. THE CONCEPT OF GLOBALIZATION

1-1 In the first place, globalization must be distinguished from globalism, which is usually libertarian globalism. This is a worldwide trend that can no longer be removed, a universalization, a transnational rather than an international process.

1-2 Of course, historically speaking, this globalization did not begin recently. It is, however, during the last decade that people have often spoken of 'globalization'. I find that there are at least two backgrounds here.

One is the high wave of technological innovation, especially the so-called 'IT-revolution'. The high speed progress of digitalization and virtualization engendered by it is now reducing the restrictions of time and space.

The other is the breakdown of the Communist world. Because of this breakdown, the market economy, whose leading actor, private enterprise, acts by its own nature according to profitability and ignores State borders, came to cover the whole world. For this reason, the present globalization is nothing else but the globalization of the market economy.

1-3 In connection with this, another tendency in the world economy must not be neglected. I am referring here to regionalization, which can

be seen in the EU, NAFTA, AFTA, etc. Here regionalism dominates, something that is different from the blocism of the period between the two world wars. Although globalization and regionalization contain somewhat contradictory elements, these two tendencies are totally the same in that they drive States to lessen their borders in order to favour the movement of capital, labor, information etc.

This means that the State begins to retreat. It could be said that the age of the modern sovereign State is now coming to an end.

2. THE GLOBALIZATION OF THE MARKET ECONOMY

2-1 In my opinion, in principle the problems of the global market economy are not essentially different from those of the market economy in general. The market economy, which is based upon free competition and regulated by market mechanisms, has both advantages and defects. In the recent global economy these have been markedly enlarged and intensified because of the globalization of competition connected with high-technological innovation.

Needless to say, the greatest advantage of the market economy, compared with the planned economy, lies in its efficiency, as was proved practically as well as theoretically throughout the twentieth century. The present globalization of the market economy will perhaps open up a new horizon in the economic life of mankind through a major and rapid increase in the material productivity of the world.

But, owing to the lessening of borders and to rapid technological innovation, market competition is intensifying, to the point of being, as is already often said, 'mega-competition'. And thus although material welfare may be rising, two defects of the market economy, i.e. instability and concentration, are growing more intense as well.

Such phenomena have already appeared one after the other. For example, from 1997 to 1998 a sudden and large scale removal of short-term capital by American hedge funds caused severe damage to developing nations. On the other hand, nowadays, among leading corporations in the world, various kinds of M&A are rapidly going on, though concentration among them has been already widely extended. And from these emerge various new kinds of domination and dependence between larger and smaller firms, suppliers and customers, advanced and under-developed nations, as was illuminated in detail by Prof. Dembinski.

2-2 Then, as is the case within a State, in the global market economy too it becomes indispensable to establish and institutionalize the framework for ordered global competition, above all the global rules or standards in competition, for example those concerning labor, property, accounting systems, the open market, trade practice, etc.

On this point, I would like to refer in particular to only one problem, which seems to be growing more important from an ethical point of view as well. What should be understood by the phrase 'intellectual property'? This problem must become more important in the future because in the post-industrial information society which is now emerging the creative intellect and knowledge will be decisive at the level of socio-economic power. In pre-modern agricultural society and in modern industrial society, on the other hand, landownership and enterprise-ownership respectively played the decisive roles.

And when establishing the global rules, care must be taken in relation to the fact that the institutionalization of global rules is often apt to be subjected to the standards of the most advanced nations.

2-3 At any rate, although the globalization of the market economy must be accompanied by the universalization of market competition and its framework, each nation has its own social and cultural traits, and its socio-economic style as well its own stage of economic development, which vary between countries. Generally speaking, as free-competition is also power-competition, global market competition works much more favorably for powerful large enterprises and for advanced nations. Hence there also emerges the danger of a new colonization by economic power rather than by military or political power.

On the other hand, in developing countries pursuing rapid modernization, a nationalism usually dominates which tends to prefer protective measures to an opening up of their markets. By accepting direct investments by enterprises from advanced nations, developing countries can foster industrialization and increase employment. But it is also certain that through the permeation of market competition and market-social relations into developing nations their internal forms of social solidarity and their own cultures are eroded. Here respect for human dignity and with it the characteristics and autonomy of each nation must be upheld as the fundamental requirements of the globalization of the market economy. This is the principle of vernacular universalization, or to use Prof. Crocker's term, 'cross-cultural globalization'.

3. THE GLOBALIZATION OF MEASURES TO COUNTER THE LIMITS OF THE MARKET ECONOMY

Lastly, I would like to draw attention to the limits of the market economy and to the measures that are necessary to cope with them. Prof. Dembinski only briefly mentioned these subjects in his conclusion.

3-1 Although throughout the twentieth century the market economy won a victory over the planned economy, the market economy itself is not, and cannot be, a panacea (a cure-all). Even if the market economy worked in a perfectly free and equitable way, there would still be a large number of socially important problems that it could not solve. This is the most important 'market failure', to use the technical term. The global economy must never be governed by a global market-economism or a global libertarianism. On the contrary, from the viewpoint of the global common good, various global measures against these limits of the market economy itself, and the cooperation of all nations, especially of advanced nations, are indispensable.

3-2 Here, too, global economic policies with a certain coercive authority are required first of all. Besides the above mentioned measures for free and fair market competition, global policy must counter the limits of the market economy itself in the following ways:

First, the defence of world public (collective) interests: e.g., the UN, UN forces, the International Court, etc.

Second, countermeasures against the external effects of the activities of companies, above all against global social-cost, e.g. the erosion of external nature (the natural environment and resources), cultural goods, etc.

Third, the just distribution and redistribution of the world's wealth: e.g., official and private aid for developing poor nations (ODA, etc). In addition to such aid, a global investment project for development and employment (a globalization of Keynesian policy so to speak) should be planned and implemented.

3-3 Moreover, there is another important way to cope with the limits of the global market economy: the globalization of voluntary civil activities.

A notable recent tendency in advanced nations has been that various NGOs (NPOs in a wide sense) have rapidly increased to the point of forming a third sector between the market and official sectors. In addition, these voluntary organizations often create new forms of transnational solidarity: disaster relief, medical care, environmental conservation, etc.

In this regard, at least two points must be emphasized. First, this increasing number and role of voluntary organizations implies that the

individualism and the economism which have governed the last two centuries are beginning to be transcended. Second, the increasing activities of such intermediate organizations will conform totally to the principle of subsidiarity. This movement, with the establishment of adequate official regulations, must also be fostered to counter the failures of the market.

If it is the case that in the twenty-first century the world system, like the social system in advanced nations, will become a three-dimensional mixed order, composed of the market, voluntary and official sectors, it could be said that the age of alternatives, i.e. the market vs. planning, individualism vs. totalitarianism, or liberalism vs. communism, has passed. Does not this trend show, in principle, a drawing near of historical reality to the social teaching of the Church, which since the end of the nineteenth century has emphasized the role of autonomous intermediate organizations besides the roles of market and government, and proposed in reality a three dimensional social order?

GLOBALIZATION AND THE NEW MIGRATORY QUESTION

STEFANO ZAMAGNI

1. INTRODUCTION AND MOTIVATION

It happens that there are words which are added to our lexicon (even non-specialized one) so strongly and so frequently that they provoke heated debate and deep wounds even before they are properly understood or, at least, clarified. This is definitely the case of the term 'globalization'. First used in 1983 by American economist Theodore Levitt and made popular some years later, in 1988, by Japanese scholar and business consultant Kinichi Ohmae in his work on the worldwide strategies of multinationals, the term 'globalization' has obsessively progressed in just a few years to surpass the confines of economic debate and be included in the areas of sociology, anthropology, politics, philosophy and technico-scientific disciplines. Its use has progressed to such an extent that the 1991 edition of the *Oxford Dictionary of New Words* considered 'global' to be a new word with great potential. (In point of fact, the said dictionary sustains that this use of the word 'global' originated from the idea of the 'global village' in Marshall McLuhan's renowned *Explorations in Communication* of 1960). It is therefore certainly true to say that globalization is a typically complex phenomenon, using the word 'complex' in its literal sense (*cum-plexus*) of 'consisting of interconnected parts', which consists of anything that simultaneously implies distinctions and tensions of the parties involved, and converging and contradictory aspects. It will consequently be no surprise to see the myriad of interpretations and ways of responding to the associated risks of globalization that can be found in the literature of the past decade.

In fact, globalization divides scholars and policymakers as much as it unites them. Given the many different aspects it includes, globalization cannot be examined from a single angle, not even the economic-financial

angle. It would therefore be deceptive to try and capture the in-depth realities (not the superficial ones) of globalization within a specific field of study, even after fine-tuning the techniques and analytical instruments. We can aspire to tracing the borders between disciplines, but we run the risk of coming up against an arbitrary dividing line, as Michel Foucault reminds us in his *L'archéologie du savoir* with regard to the aporias found when discontinuities are sought in historical research.

In what follows, after a brief characterization of what I consider the core of the globalization phenomenon (Sect. 2), I will examine the major risks of the current transition towards a globalized world. (Section 3). One of these risks has to do with the new features the migratory question is being taking in these days. (Sect. 4). Finally, in Sect. 5, I shall be putting forward a proposal to set up an international agency for migrations, starting from the recognition that world governance of population movements is today surprisingly inadequate and insufficient.

2. ABOUT THE *RES NOVAE* OF GLOBALIZATION

Let me delve a bit into the heart of the globalization phenomenon by illustrating the most significant differences between industrial and post-industrial society. With the advent of manufacturing, a lifestyle based on the *separation* of production and consumption spread throughout Western societies: a separation between man as a worker (contributor of productive force) and man as a consumer (holder of needs). Work and consumption refer us back to two opposing but complementary principles: the obligation (the discipline of production) and the freedom (free time). This separation is justified (and glorified) by resorting to the different possibilities of achieving economies of scale in both areas; significant economies of scale can only be obtained in the area of production. Let us try to identify the significance of this condition more precisely.

The industrial society is a society that produces goods. Machines have a predominant role and the rhythms of life assume a mechanical cadence. Energy has replaced muscle power and accounts for the enormous growth of productivity, which is responsible for the mass-production of goods. Energy and machines have transformed the nature of work: abilities have been broken down into elementary components and the artisan of pre-industrial times has been replaced by the new figure of the technician and the semi-specialized worker. It is a world of coordination and organization,

in which people are treated as 'things' because it is easier to coordinate things than people. It becomes necessary to make a distinction between roles and people. Organizations are concerned with the requirements of roles, not people. The *techné* criterion is that of efficiency and the way of life is adapted to the economic model, whose key words are maximization and optimization. Some traditional elements and characteristics do remain, but repetitive, subdivided work is the main feature of industrial mode of production. In fact, the division of work not only determines people's roles or functions inside the factory, but also in society in general. From the moment they enter the job market, people find that professions have already been determined and that they must adapt their personalities to the functions society has given them. Taylorism is an attempt to theorize this new phase in the organization of work. The rhythm of work is controlled by the assembly line and workers' initiative and experience are reduced to the minimum. Thus, large-scale mass production brings about a total disqualification and impersonalization of worker as a person.

It should be noted that these consequences of the division of labour on working conditions do not depend on the way in which the control of the productive process is organized, whether on a model of capitalist property or centralized planning. A socialist state may abolish private ownership of production means, eliminate the middle classes, impose conditions of ambitious equalitarianism for all, but it cannot abolish workers' subordination to the inflexible laws of mechanized production. 'The last word on Capitalism', wrote Lenin in 1918, 'is contained in the Taylor system ... the refined cruelty of bourgeois exploitation combined with a series of extraordinarily rich scientific achievements relating to the analysis of the mechanical movements of labor ... The Soviet Republic must do whatever is necessary to possess everything of value of the scientific and technical achievements in this field ... The Taylor system must be studied and taught in Russia' (*Opere Scelte*, Editori Riuniti, Rome, 1978). It will be observed that Lenin fell into the trap of believing that he could use Ford-Taylorism without 'disinfecting' it. Indeed, Gramsci himself did not manage to escape completely from this sort of cultural conditioning: when talking about Fordism Gramsci did not fail to point out how it could enable workers' minds to be free and therefore available for political involvement.

The changes in the structure and organization of work that Fordism signified were accompanied by similarly radical modifications in consumer habits. The affirmation of the 'assembly line' had its correlation in the affirmation of consumerism, with the consequent typical dichotomy of 'modern

times': on the one hand, the loss of the sense of work (alienation) and, on the other hand, as if it were a compensation, the opulence of consumerism. It may be recollected that Ford and Taylor considered themselves to be benefactors of mankind precisely because, by relieving workers of the fatigue of thinking, they allowed them to devote an increasing part of their income to recreational and regenerative activities.

The advent of post-Fordist society has created the conditions for overcoming both the separation between the generation of an idea and its execution on the job and the concept of consumption as an antidote to the alienation of work. However, it brought about a new dilemma: free time versus work. It can be summarized as follows: nowadays, the poor have little money and plenty of time, whereas the rich have plenty of money and little free time. The rich of the past, on the contrary, had plenty of both time and money. The new fact is therefore that the increase in the production of goods, and particularly the unceasing increase in productivity levels, has generated a new scarcity: time for consuming. As Cross effectively documents and argues,¹ it has always been known that it takes time to produce things; the novelty in today's stage of development is that the scarcity of time has also begun to make itself felt in the process of consumption itself: more time is needed to consume growing quantities of goods and services. The result is that time has become money, not only with respect to work (which has always been true), but also with respect to consumption. And this explains the continual creation of new activities and products whose purpose is to save time *in* the process of consuming, i.e. with the aim of raising what in economics is called the consumativity rate – an index that measures the quantities of goods and services that can be consumed within a unit of time. Just think of what mail orders, fast food, e-commerce, etc. mean to us today. As Baumann accurately observes, the fact that consumption takes up time is, in fact, the ruin of the consumption society. The consumption society – not the society of consumers – would, in fact, require consumer satisfaction to be instantaneous from two points of view: consumed goods should generate satisfaction without obliging the consumer to acquire any special new abilities (the use of computers should be more and more user friendly if it is intended to make surfing on the Internet an instrument of consumption, as a way of occupying free time); the satisfaction linked to the consumption of a specific good or service should be fulfilled as quickly as possible to make way for other wants and needs and, consequently, the consumption of new goods and services.

¹ G. Cross, *Time and money*, Oxford, Clarendon Press, 1996.

However, although it is true that consuming more quickly will lead to increased quantities of consumed goods – and consequently the production levels of consumer goods – it is also true that it does not lead to more free time, the time in which people are ‘capable’ of practicing free choice. The reality before our eyes is clearly that work is no longer surrounded by that Messianic aura with which it was bestowed during the Fordist era – man is work, according to the theories of J. Locke, K. Marx and others; the history of humankind is the history of work – but that does not mean to say that we are working less. Just the opposite: work is increasing and taking up more of our time. As Totaro² opportunely observed, the rejection of the typical Fordist utopian concept of work has been surpassed as the time taken up by work has lengthened, and a new paradox has been created: nowadays, people know more than before about the need, for example, to travel, but they have less time to do it. This gives rise to the subjective frustration of seeing one’s life absorbed by work and consumption.

In the past, people’s lives were taken up mainly by work alone; consumption was confined to satisfying more or less fundamental needs (In fact, except on very rare occasions, such as the case of N. Georgescu Roegen, economic theory has always perceived consumption as an unproductive economic activity). Nowadays, consumption is also a ‘means of production’ because goods ‘need’ to be consumed, and if the need for the goods is not spontaneous, if people do not feel the need to have more goods, the need is generated in one way or another all the same. And this is the difference between the ‘inducement of consumption’ of former times and the ‘manipulation of consumption’ of current times. And this, in turn, is the difference between consumerism and hyperconsumerism. In this process, production uses consumers as its allies by involving them to a certain extent in the decision-making process. This was not the case when Henry Ford could say, ‘My customers can choose whatever color they want for their car, provided they buy a black one’. In the words of Baudrillard, we currently live in a world in which all environments are directly or indirectly focused on consumptions.

What does all this have to do with lifestyles? The organization of present-day society, and consequently production, is bent on reducing people’s free time, because consumption is perceived as the economic activity par excellence. This presents us with a great challenge: to find a satisfactory, high-profile balance between work, consumption and free time.

² F. Totaro, ‘Ansie e aspirazioni del mondo del lavoro di oggi’, CEI, Rome, 2000.

Upon reflection, the real current challenge for developed societies is the way in which the fruits of economic growth linked to the use of information technologies are shared out between time and money, i.e. between having more free time and having more money with which to consume. In the past, the challenge used to be what portion of one's income should be spent on consumption and what should be set aside as savings for the accumulation of capital.

In point of fact, we are now in a condition to take Seneca's recommendation seriously, as he wrote in his first letter to Lucilius, 'If you think about it, a large part of life slips by while we're doing things wrong, mostly by not doing anything; our whole life long, we're doing anything rather than what we should be doing. Can you show me anyone who gives due value to his time and to the whole of every day, and who realizes that life's slipping by day after day? ... Everything, Lucilius, depends on other people; we are only masters of our own time. Time is the only possession of which Nature made us masters and it flies by and we let the first person who comes along take it away from us. We are so foolish that, when we acquire goods that are of no value but have to be paid for, we let others charge us for them; but no one who has caused others to waste time feels he owes anyone anything, although this is the only asset we cannot return, despite having all the will in the world'. Insofar as the subject of this paper is concerned, this fragment from Seneca can be taken as an incentive to look for new ways of using time in a society that has been defined as a consumer society. We must therefore be on the lookout and adopt a culture that will enable us to correct the weak points of a civilization obsessively built on *homo faber* (the production man) in favor of *homo agens*, a man capable of acting so as to manifest the being which is in himself.³

3. THE RISKS OF THE CURRENT TRANSITION

Based on the above, I will now touch upon some of the serious risks linked to the current transition. One of these risks has to do with the fact that globalization is a positive sum game, a game that increases overall wealth and income, but at the same time tends to increase the social distances between countries and inside each country, even wealthy, the dis-

³ See, in this respect, the penetrating considerations in K. Woytila, *The acting person* Cracow, 1969.

tances between a social group and another. In other words, globalization reduces absolute poverty while spreading relative poverty. This is a paradox: something that, according to the Greek etymology of the word, marvels, surprises. While overall wealth increases and absolute poverty (the inability of a person or group of people to attain the threshold conditions of subsistence) decreases, relative poverty is on the increase. According to recent official studies,⁴ globalization has reduced absolute poverty over the past 25 years: there would have been approximately 2 billion people living in absolute poverty, whereas currently there are 1.2 billion. This is clearly still a tragic figure, but lower than it would have been without globalization. Many observers, who do not distinguish between people living in absolute poverty and relative poverty, sustain that the existence of 1.2 billion people living in absolute poverty is a result of globalization. This is not true. However, it is true that globalization increases the gaps, and that is a serious problem. It has been shown that when inequalities – relative poverty – exceed a certain critical threshold in a given country or region, the conditions become ripe for the outbreak of a real, full-scale civil war. There have been 49 civil wars in the world over the last 40 years, the vast majority being triggered by ever greater inequality. Therefore, no one who values peace can remain silent in light of the increase in relative poverty. This explains why Pope John Paul II supplements the traditional definition ‘Opus iustitiae pax’ with the new ‘Opus solidaritatis pax’ (peace as the fruit of solidarity). Moreover, when relative poverty increases significantly, democracy itself comes under fire. This cause/effect relationship has been demonstrated: when inequality in a country exceeds a certain level, those in a position of relative disadvantage stop participating in the democratic community life, which leads the way to the varying forms of totalitarianism, the most prevalent at present being technocratic, not military, totalitarianism.

A second major risk has to do with the emergence of a specific rule regarding community life, a rule based on the new type of competition economists call positional competition. It is quite true that competition has always existed ever since the market economy took shape, i.e. at least since the 15th century. But until recently, competition only appeared as a

⁴ B. Milanovic, ‘How great is world inequality?’, *WIDER Angle*, 1, 2000. According to a recent research of the World Bank, the world Gini coefficient – which is the most widely used indicator to measure inequality – was, in 1988, 62.5. In 1993, it went up to 65.9 and in 1999 to 69. Such an increase in the Gini coefficient is something extraordinary.

regulating principle in the economic sphere. Now, however, it has entered other areas of life: family, politics and civil society itself, and the results are beginning to be felt. For example, when the rule of competition enters family life, it shatters it: the family cannot work according to competitive principles. Can you imagine what would happen if the relationships between parents and children, husband and wife, brothers and sisters were ruled by competitive principles? But politics does not work well either if based on competitive principles because, as Aristotle taught, the main task of politics is to achieve the common good. The same can be said for civil society at large. People are born to be happy, but happiness can only be found in relationships with others: no one can be happy by themselves: at least two people are necessary. One can live by oneself to maximize utility – as the celebrated parable of Robinson Crusoe teaches us – but, to be happy, one needs someone to relate and refer to. Here we are up against a paradox: if the rule of community life becomes that of positional competition, the other person becomes our adversary, someone we must figure out a way to beat. But at the same time, to be happy I need to relate with another person, who becomes the efficient cause of my self-consciousness. With the constancy he is known for, John Paul II jumps right in to harp on this point: his denouncement of this risk of globalization was the underlying argument of his message for World Peace Day of January 1st, 2001. Rivalry is necessary for the market economy: an economist certainly cannot deny the importance of competition on the market. But it cannot become the rule of behaviour nor the measure of judgment within the family, politics and civil society.

A third risk concerns the connection between globalization and democracy. We should be aware of a new factor that members of the legal profession have been looking into for some time now: in the era of globalization, new entities are being created that exercise normative and regulatory powers but often are not democratically legitimized, i.e. they are not accountable to any specific *demos* or constituency. There are examples among the great international organizations (the International Monetary Fund, the World Bank, the World Trade Organization), but there are also some non-governmental organizations that are more powerful than many nations. These entities are capable of moving considerable resources and imposing rules of behavior but have not been invested with powers by the people. This is a new problem: international organizations used to answer directly or indirectly to governments, but this is no longer the case. Transnational companies (now taking the place of multinationals, which are on their way

out) are often self-referential. These entities are even capable of generating their own laws. Consider the new *Lex Mercatoria* that is not the result of any democratic process involving voting like in a parliamentary session. Instead, agreement comes in the form of a contract between the parties concerned.⁵ It is becoming more and more common for political authorities to give way to technocratic authorities, which means that the legitimization of power is shifting away from traditional positions. It is not difficult to apprehend the dangers inherent to such processes, the most serious being the possible threat to human rights.

Finally, a fourth major risk of the present transition is related to the circumstance that the movements of people from one country to another, or from one region to another, have never known the intensity and problematic nature of recent years. It is of course true that migration is as old as humanity itself. Yet it cannot be denied that over the last few decades characteristics and trends have emerged, especially after the fall of the Berlin Wall, that are completely new. Two issues need to be focused on at once.

The first concerns the disconcerting paradox of the present historical phase: economic globalization, while it accelerates and magnifies the freedom to transfer goods and capital, would seem, sometimes explicitly but more often implicitly, to hinder the movements of people, imperiling the proper functioning of their freedom of movement which is, a basic right that is recognized as such by everyone. In other words, at a time like the present in which the culture of the market is becoming universal and pervading all the domains of social life, it should seem normal to see in migration a resource for the advancement of human progress. And yet when that same market culture is applied to the movement of people, the terms that recur are expulsion, rationing of entries, special permits. To tell the truth, it is not difficult to discover the root of such an asynchrony of attitudes. Hindrances and obstacles to the movement of people are not applied to all immigrants indiscriminately, but only to those who, coming from certain geographical areas, are the bearers of specific needs. This is a typical manifestation of the so-called 'Johannesburg syndrome', according to which the 'rich' must begin to defend themselves from the 'poor', reducing or hindering their movements. A new rhetoric is thus spreading at the cultural level: the migrants are deemed responsible for the crises of society, for new collective fears, and constitute a serious threat to the preservation of national identities.

⁵ On the issue of the relationship between globalization and democracy, see M.R. Ferrarese, *Le istituzioni della globalizzazione*, Il Mulino, Bologna, 2000.

The second question raised by the new migrations is that of the definition of belonging: who can be considered a member of a given political community, and who is excluded from it. I am persuaded that the belonging question is a more urgent one than the considerably older one of distributive justice. Indeed, only after identifying those who are entitled to specific rights can one pass on to discussing the principles of justice to be applied to a given population. In this sense, the solution to the migration issue constitutes a *primis* with respect to the problematic of social justice. How does the question of belonging, with specific reference to the figure of *homo migrans*, concretely manifest itself? Not so much in denying the migrants certain kinds of assistance or access to any particular service or facility, but rather by denying them their dignity and self-esteem. This happens every time the migrant is subjected to systematic practices of humiliation.⁶

4. MIGRATIONS IN THE EPOCH OF GLOBALIZATION

Without making any claim to comprehensiveness, a picture of the situation at the world level shows that around 140 million people today live outside their country of birth or origin (the figures are those of the UNHCR); in 1965 there were around 75 million. Of these 140 million, 75 million are distributed among the various developing countries, and the remaining 65 million in the advanced countries. Of the latter, there are around 30 million foreigners present in Western Europe. Of special interest are the data on migratory flows in the last few years. In 1998, for example, it has been calculated that about 450,000 people sought asylum, either as refugees or as migrants, in the 29 more advanced countries. In 1997 the applications stood at 445,000, and in 1996 about 480,000. If it is true that one may speak of a relatively stabilized situation for the total number of applications, 1998 saw important changes in the structure of the geographical areas to which the applications were addressed. Overall, Europe received 366,000 applications for asylum (compared to 260,000 in 1997), and of these, 299,000 were addressed to the 15 countries of the European Union (252,000 in 1997). The USA, on the other hand, saw a remarkable decline in numbers: from 84,800 in 1997 to 35,000 in 1998; and the same goes for Japan (a reduction of 46%) and for Australia (a reduction of 16%).

⁶ M. Robinson, 'Making the global economy work for human rights', in G. Sampson (ed.), *The role of the WTO in Global Governance*, UNU Press, New York, 2001.

Though crude, the data demonstrate that Europe, and especially the European Union, is becoming the principal magnet for migratory flows at the world level. Furthermore, if one takes into consideration the so-called *load* quota (defined by the ratio between the number of those applying for asylum and the resident population in each country), still with reference to the UNHCR survey, it can be seen that in 1998 Europe had on average one application per 1,300 inhabitants; Germany accepted 28% of all the applications for asylum addressed to Europe; Great Britain 14.7%; Switzerland 11.7%; France 5%; Italy 1.2% etc. Finally, it may be interesting to recall that the flows of refugees tend to favor the direction South – South (from Vietnam to Hong Kong; from eastern Pakistan to India; from Myanmar to Thailand etc.) whereas the flows of migrants, both legal and illegal, tend to favor the South-North axis. Clearly, since the LDCs are not a homogeneous reality, conspicuous flows of migrants of the South-South type are present and will continue to be present (the most emblematic case is perhaps the one concerning the movement of people from Central America to Mexico).

In which sense can one say present-day migrations are different from those which occurred in the past? As some scholars point out, today's migrations and the first mass movements that occurred in the 19th century have several features in common. One recollects in fact that in the 19th century and up to the outbreak of the First World War, some 52 million Europeans migrated from their native countries. Up to 34 million of these people moved to the USA. The famous *Passenger Act*, passed by the Westminster Parliament in 1803, encouraged migration to the former British colonies. By 1860 Great Britain provided 66%, and Germany 32%, of all Europeans migrating to the Americas and Oceania. By 1880, Germany was to become a net importer of workers. If these data have to be remembered in order not to overemphasize differences between the past situation and today's, one should at the same time also recognise striking dissimilarities. One is the introduction of new technologies into production processes, a change that brings countries that are spatially far apart much closer to each other. However, this process has not removed the cultural gaps but in fact has widened them. That the connection between cultural realities and the adoption of new technologies is of central importance in social integration processes is now clear to everyone. As long as all that is expected of the immigrant is that he or she performs purely mechanical operations, the cultural gap between host and immigrant populations is hardly perceivable. This is not the case when, in order profitably to enter the workforce arena, the immigrant has to acquire and master logical and

organisational patterns that are rooted in a clearly defined cultural matrix. The integration of the immigrant in technologically advanced societies produces problems that are far more delicate than those that existed even in the recent past.

A second element of marked differentiation between today's migrations and yesterday's is that facts do not seem to confirm the thesis, so fashionable until the 1980s, that the most efficient device to relieve migratory pressure would be increased employment opportunities in developing countries. If such a proposition were correct, it would suffice to suggest that these countries adopt labour intensive techniques to stop, or at least reduce the extent of migratory flows. However, this is not how things are at the moment. In the first place, in developing countries emigration, far from being an alternative to the process of growth, is an instrument to set this process in motion. This occurs thanks partly to the money that emigrants send back home. This makes it possible for financial resources to reach potential users without it having to go through governmental or public agencies. Also, emigration provides the fastest and cheapest way to acquire the skills and knowledge required by the new technological paradigms. In the second place, during the first phases of the growth process, migration specific incentives are generated. Indeed, the increase in socio-economic inequalities that invariably marks the first stages of development leads growing segments of the population to turn to the migration path. Moreover, as the *new economics of migration* has clearly demonstrated, one ought to focus on the family rather than on the individual. Within such a perspective, the decision to migrate is perceived as a strategy to diversify risks: some family members emigrate in order to enable those who stay at home to stand a better chance of improving their situation. To sum up, it would be fallacy to think that migratory flows can be stopped simply by relying on the growth factor. If growth is certainly necessary, it is nevertheless insufficient to counteract the push to migration at least in the short and medium run.

In the light of the above considerations, one can understand the feeling of fear pervading western populations: a fear that our societies may in the end turn out to be incapable of controlling growing masses of immigrants who are bearers of cultures remote from our own. Faced with fear and uncertainty, the prevailing attitude seems to be that of the blockade, and to deal with the problem by 'sweeping it under the carpet' and thereby not to deal creatively with a problem of epoch making significance. As Pope John Paul II writes in his message of June 2, 2000 to the Jubilee for migrants and

itinerants, 'Unfortunately, nowadays one still witnesses exclusion and even rejection behaviour due to unjustified fear, and a withdrawal into one's own concern. Such discrimination is not compatible with devotion to Christ and membership of the Church'.⁷

5. TOWARDS A WORLD MIGRATION ORGANIZATION

What is new in the present age is the globalization of capitalism, and more specifically, the removal from the social control of national communities of their power over capital. The economy has become global, whereas politics has not. At best, it is international. This has eliminated a stable connection between state, population and wealth: 'wealth without nations', as the saying goes.

At the same time, our age has also witnessed the emergence of a new idea, that of the existence of essential inalienable rights for everyone, and for all peoples. From this we have the gradual recognition of a single universal right, whose point of departure is the Universal Declaration of Human Rights of 1948, and whose legitimacy is no longer derived from individual states, but directly from the human being (obviously, there are still many countries that in the name of their different cultural identity do not accept this uniqueness of universal right). It is through an increasing awareness of this unique universal right, later codified in various agreements (and in particular by the International Convention on economic, social, and cultural rights of 1966), that we can now speak of the rights of the migrant. 'The International Convention on the rights of all migrant workers and members of their families' adopted by the General Assembly in December 1990, is one of the most significant results of this movement of ideas and actions.

Nevertheless, at the moment of writing, only sixteen states have ratified the Convention, and only ten have signed it. Yet the Convention requires at least twenty ratifications before it can begin to produce its effect. Why is this the case? The real problem with the Convention is that it does not contain the incentive mechanisms that promote participation and compliance. And in the absence of a transnational agency or authority capable of enforcing

⁷ For an elaboration of the whole question see my 'The migrant question in the third millenium: tendencies and perspectives', Geneva International Yearbook, Geneva, XV°, 2001, from which sections 4 and 5 draw with some changes.

compliance with the rules set down in the Convention, the countries of the North have no interest in ratifying it. The result is obvious to everyone: to the present time, there has been no international governance of migration. We do have the ILO (International Labor Organization) but this only deals with the legal flows of labor. We do have the UNHCR, but this important agency of the United Nations deals only with the question of refugees, and more recently, of internally displaced people. And so on. It is thus not at all surprising that the migration question tends to get more and more complicated.

Just as we need institutions to ensure that closer integration of markets produces real benefits for all (this is the ultimate *raison d'être* of the World Trade Organization), in the same way we need a transnational institution (not bureaucracies) to protect migrants' rights and to punish the increasing number of violations of those rights around the world. Following Bhagwati's proposal,⁸ I am of the opinion that the time has come to loudly demand the constitution of a World Migration Organization (WMO) to go beyond national *ad hoc* measures, as well as the various bilateral and multilateral agreements that are making the situation worse. This will be an agency which can be asked not only to monitor and facilitate the implementation of the rules already in existence, but to carry out two further tasks: first, to foster cooperation between countries belonging to the same area so that they may adopt homogeneous migration policies, and secondly, to function as arbitrator for the settling of disputes.

Two important objectives could be reached by such a WMO in a short time. The first concerns the reliability of the statistics on migration. Reliable statistics are still not available on migration flows. We do know the proportion of foreigners present in a country. But the variation over time of these proportions do not provide us with useful information about the dimension of the flows of migrants, and about the qualitative characteristics of migrants. And yet without this, not only is it impossible to set up serious and coherent policies of intervention or aid (it has to be borne in mind that migrants are by no means an undifferentiated mass of individuals and therefore the various segments they form express qualitatively different needs and aspirations), but it is also difficult to argue convincingly against certain kinds of political opportunism, or effectively oppose the diffusion of false information whose only aim would seem to be to spread panic and apprehension among the native populations.

⁸ J. Bhagwati, *A Stream of Windows: unsettling reflections on trade, immigration and democracy*, MIT Press, Cambridge (Mass.), 1998, ch. 31.

The question arises: why should it be so difficult to arrive at an adequate information base, or at least one whose sources were uniform? The main reason lies in problems of definition. The Convention of the United Nations on Refugees in 1951 defined a refugee as a person who found him\herself outside his\her country, and unable to go back for the 'well-founded fear of persecution'. This is the definition still adopted by all first world countries. On the other hand the Convention on Refugees of the Organization of African Countries of 1993 tells us the refugee is he\she who seeks 'refuge in another country as a consequence of attack, the occupation of the territory, generalized violence, and events that seriously disturb public order'. It does not require a great deal of imagination to realize how, depending on which definition one adopts, quite considerably different quantifications can be arrived at. In quite recent years, among people officially or professionally involved, the idea also has begun to circulate of 'internally displaced people', to refer to those people in difficulties who live in countries like Afghanistan, Angola, Somalia, the Sudan, the Kosovo etc., and that cannot be called refugees in either of the senses indicated above.

Clearly, hidden behind difficulties that appear to be technical there lie precise choices of a political nature. A first line of attack must lie in putting pressure on WMO so that a revision and updating of the 1951 Convention can be reached (as everyone knows, this Convention was heavily affected by the pressure of contemporary events, i.e. the Cold War), so that a uniform method of arriving at reliable statistics be found.

The second objective a newly instituted WMO could urgently attain concerns whether it is still a good idea to keep asylum applications aiming at obtaining refugee and exile status separate from those aiming at obtaining migrant worker status. In 1998 the percentage made up of the former category was 34%, a significant proportion. Yet I doubt whether it helps the cause to insist on the distinction, for two reasons: in the first place, because it is increasingly hard to make a clear distinction between voluntary and involuntary movements of population. How is it possible to differentiate between those who flee their country because of the threat to their lives they have received, from those who leave because of poverty, intolerable social injustice, or inhumane discrimination in general? As so many NGO documents confirm, the migrant today is moved by a combination of fear, hope, and aspirations, a combination it is impossible to split up into separate components.

Again, while the borders of Western Europe were relatively easy to pass through, the migrant could count on his own financial resources to succeed

in arriving at destination. But since more rigorous controls have been introduced, especially to discourage applications for asylum aiming at obtaining refugee status, a highly profitable so-called industry has been born: the traffickers in permits and transport for migrants. This has enormously increased the cost of illicit migrations, with the result that the neediest or most deserving have been replaced by those that in one way or another have been able to procure easy money for themselves. We should not be at all surprised therefore at newspaper reports of asylum applications being made by the least deserving types. If restrictive policies are carried out, for example, on the refugees, it is obvious that the migrant, in his attempt to reach his goal, turns to the channel of immigration for work reasons, and vice versa. The problem of migrations should be faced up to in its entirety, and not with sub-sector policies tending to set in opposition the urgent needs of the various types of migrant, establishing a sort of scale of priorities among them. In this perspective, a statute common to all countries must be insisted upon. The more the asylum procedures are standardized, and the more our information is transparent and exhaustive, the less room there will be for the flowering of criminal organizations who gain their profits from the market of illegal immigrants.

6. IN LIEU OF A CONCLUSION

The refugee and migrant question is today very complex; much more complex than it was in the past. A sense of frustration seems to pervade all those who dedicate their energies and efforts to it. This is certainly understandable, but cannot be justified. What is required is to avoid the double risk of remaining, on the one hand, above reality through adopting utopian perspectives, and on the other, beneath reality through resignation. In other words, one cannot oscillate between the disenchanted optimism of those who believe the migratory question may be entrusted to the anonymous and impersonal mechanism of the market, and, on the opposite front, the political cynicism of those who believe, *à la* Kafka, that 'there is a point of arrival, but no way leading to it'.

Indeed, there is a viable way, which is within our reach. But two conditions must be met. First, we must free ourselves of the rhetoric of catastrophe at all costs: we are constantly surrounded by scholars (and mass media) that want to convince us that nothing can be done, that globalization is an inevitable mechanism. This is absolutely untrue: there are no

socioeconomic problems (as opposed to natural problems) that cannot be solved by people of 'good will'. The second condition is to operate culturally to avoid a specific 'crime' from being committed. Let me explain. As ever, for better and for worst, science is a guide for action. In the case of economics, it is acknowledged that modern economic science has played its part of responsibility in those actions and measures which legitimized colonialism, exploitative practices, and the creation of new forms of poverty. As paradoxical as it may seem, this has come about whilst economics has established itself as a science free from value judgements; i.e. as a science which, in order to assume the epistemological status of natural sciences, had to declare that the world of life lays outside its domain of knowledge. Well, we have to prevent another crime from being committed today: that economic science destroys the hope – above all in young generations – that change is possible, i.e. that it is possible to envisage an economic organization for our societies where to give without losing and take without taking away is compatible with reason.

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THIRD SESSION

*The Impact of Globalization
on Poverty/Cultural Identities*

GLOBALISATION AND POVERTY: POTENTIALS AND CHALLENGES

ZÉPHIRIN DIABRÉ

Introduction

Globalisation is the defining socio-economic characteristic of our time (Khor, 2000). Time and space are shrinking and many borders are disappearing, giving rise to an increasing interdependence between economies, between cultures and between people.

This latest historical stage has created new opportunities and raised new hopes for the developing world. Technological innovations, expanding trade and increasing foreign direct investment offer enormous potential to eliminate poverty in the century that has just started (UNDP, 1999).

Until now, however, globalisation has been driven by the expansion of markets, leading to increasing levels of inequality in income, resources and opportunities. It has benefited only one fifth of the world's population, while marginalizing the rest.

This paper analyses the impact of globalisation on human poverty and income distribution within and between countries. While the record so far has not been too bright, the paper argues that globalisation – if organised differently and managed in favour of the poor – can lead to human development for a majority of the world's population in the near future.

The paper is organised as follows: Section 1 discusses the main components of the process of globalisation and some of its potential benefits; Section 2 studies the impact of globalisation on human poverty and income inequality in the world over the last few decades; Section 3 proposes some measures that are needed to manage globalisation in favour of the poor.

1. GLOBALISATION: DEFINITION, CAUSES, AND POTENTIAL BENEFITS

1.1 *Definition and main characteristics*

Many economists see the current process of globalisation as the continuation of a long process of increasing interaction between nations and between people in the world economy. Sachs and Warner (1995, p. 5), for example, argue that 'the re-emergence of a global, capitalist market economy since 1950, and especially since the mid-1980s, in an important sense re-establishes the global market economy that had existed one hundred years earlier'.

The current process, which started with the collapse of the Bretton Woods System in the early 1970s has, however, important particularities that make it historically unique (UNDP, 1999). First and foremost, the astonishing volume of international financial transactions and its increasing independence from real economic operations are major defining characteristics of the current process of globalisation that distinguish it from other periods of capitalist development. Second, new actors have emerged, from Transnational Corporations (TNCs) to the WTO. With new rules and norms, they play a leading role in shaping the global economic environment. Third, faster and cheaper means of communication have been created.

1.2 *The internationalisation of financial transactions*

Globalisation at the end of the twentieth century is primarily 'economy- and finance-led' (Malhotra, 1997, p. 1). This economic process can be described as a situation of 'economic interdependence between countries where cross-border linkages among markets and production and financial activities have reached such an extent that economic developments in any one country are influenced to a significant degree by policies and developments outside its boundaries' (Milberg, 1998, p. 71). As such, it has three different dimensions: increasing trade flows, increasing foreign direct investment (FDI) and increasing financial flows.

a) *Increases in trade flows*

In the last twenty-five years, world trade has grown much faster than world GDP (figure 1). As a result of this unprecedented expansion, world export flows increased from 12.1% of world GDP in 1985 to around 20% in the late 1990s, reaching \$7 trillion in 1998 (UNDP, 1999).

This dramatic growth of international trade has been mainly caused by the liberalisation policies that most developing countries have implemented

in the last twenty-five years. It has also been facilitated by the expansion of Transnational Corporations (TNCs): the number of TNCs increased from 7,000 in 1970 to 37,000 in the early 90s, reaching 44,000 with 280,000 foreign affiliates in 1996 (Malhotra, 1997). The substantial reduction in transport costs, in the case of air transportation by more than 50% since 1950 (Milberg, 1998) also contributed.

World trade is not only much larger than ever before but it has also experienced important *qualitative changes* (Krugman, 1995). First, there has been a rise of intra-industrial trade, that is, of exchanges of similar goods between similar countries. Second, production is now organised on a global scale with the production process broken into many geographically separated stages. Third, 'super-traders' have emerged, countries with extremely high ratios of trade to GDP. Finally, and more importantly, a tremendous expansion of manufacturing exports from some developing countries has taken place.

This last tendency has raised *new possibilities for developing countries*. While this group as a whole saw its share of world exports decrease from

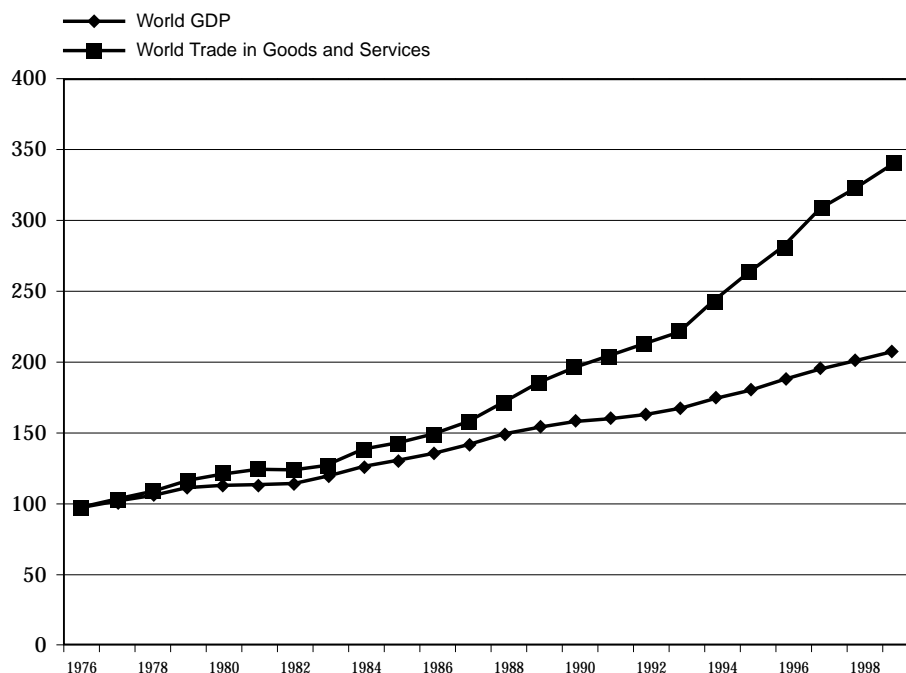


Figure 1. World Trade and GDP, 1976-1999 (1976=100)

Table 1. MANUFACTURES AS % OF MERCHANDISE EXPORTS, 1997
SELECTED DEVELOPING COUNTRIES AND TRANSITION ECONOMIES

	%	Index (1985=100)
Republic of Korea	92 ^a	106 ^a
Czech Republic	85	--
Argentina	34	160
Poland	73	116
Costa Rica	26 ^a	113 ^a
Mexico	81	298
Malaysia	76 ^a	279 ^a
Colombia	31	182
Thailand	71	188
Ecuador	9	1128
Brazil	54	123
Jamaica	69 ^a	130 ^a
Turkey	75	123
China	85	--
Albania	65	--
South Africa	55	--
Tunisia	78	175
Indonesia	42	325
El Salvador	39	151
Bolivia	16	4,219
Honduras	27	739
Guatemala	30	147
Egypt	40	400
Nicaragua	25	389
India	72 ^a	125 ^a
Pakistan	86	139
Nepal	95	161
Bangladesh	87 ^a	133 ^a

a. Data refers to 1996

Source: UNDP, 1999

1975 to 1994 (Milberg, 1998), during those years some regions increased tremendously their market shares, especially in manufactured goods. Countries like Botswana, China, the Dominican Republic and the Republic of Korea enjoyed average annual rates of growth in their exports of more than 10% (UNDP, 1999). In fact, export specialisation in primary goods is no longer a defining characteristic of many developing countries (see table 1). Some developing countries have indeed been able to penetrate the highly competitive OECD markets: the New Industrialized Economies of Asia (Korea, Taiwan, province of China, Hong-Kong, Singapore, Malaysia, Indonesia, Thailand) plus China increased their import penetration in OECD manufactures from a level of 0.4% in 1975 to almost 2.6% in 1992 (Milberg, 1999).

b) *Increases in FDI flows*

FDI also increased substantially in the last two decades, reaching \$400 billion in 1997, seven times the 1970s level in real terms (UNDP, 1999). As a result, between the early 1980s and the early 1990s the share of FDI in the aggregate gross capital formation rose by 66% for the world as a whole, by 75% for developing countries (Milberg, 1998).

One of the positive characteristics of FDI expansion has been the increasing participation of developing countries. Their share in net FDI flows rose from an annual average of 17% in the period 1987-1992 to 24% in 1998 (see figure 2). As will be discussed in the next section, this increase was very unevenly distributed among countries: 85% of the direct investment that went to developing countries in 1998 was concentrated in only twenty countries, most of which enjoyed very high average annual rates of FDI inflows between 1985 and 1997 (see table 2).

c) *Increases in other financial flows*

A plethora of examples can illustrate the acceleration in the number and volume of exchanges of all kinds of financial assets:

In 1973, the volume of foreign exchange traded daily in the world market ranged between \$10 and \$20 billion, while the ratio of foreign-exchange trading to world trade did not exceed 2/1 in any single day. By 1980, however, these numbers had increased to \$80 billion and a ratio of 10/1 respectively. By 1992, daily trading averaged \$880 billion (ratio to world trade of 50/1) and by 1995 it had reached \$1,269 billion – an amount equal to seventy times the value of world trade or to the entire world's official gold and foreign exchange reserves (Eatwell and Taylor, 2000).

Between 1983 and 1993, annual sales and purchases of US Treasury bonds in the world market increased from \$30 billion to \$500 billion (Eatwell and Taylor, 2000). In the United States alone, the total volume of financial transactions between residents and non-residents was \$66 billion in 1975, \$251 billion in 1980 and almost \$5,500 billion in 1989 – more than fifty times the net FDI to the United States in that same year (Milberg, 1999).

International bank lending grew from \$265 billion in 1975 to \$4.2 trillion nineteen years later (UNDP, 1999).

The expansion of financial operations has coincided with the introduction of new financial instruments such as note-issuance facilities, swaps, options and forward rate agreements. The outstanding contracts in exchange financial derivatives (including both interest rate and currency futures and options) reached about US\$ 5,000 billion during the early 1990s.

Developing countries have been active participants in the expansion of world international financial operations. Net portfolio capital inflows to developing countries increased at an annual average rate of 40% between 1990 and 1998, constituting nearly 70% of the world's net portfolio capital inflows in the latter year (UNDP, 2000). As with FDI, however, such an increase has been concentrated in a very small number of countries; for example, in 1997 twenty developing countries received 94% of the financial flows (UNDP, 1999).

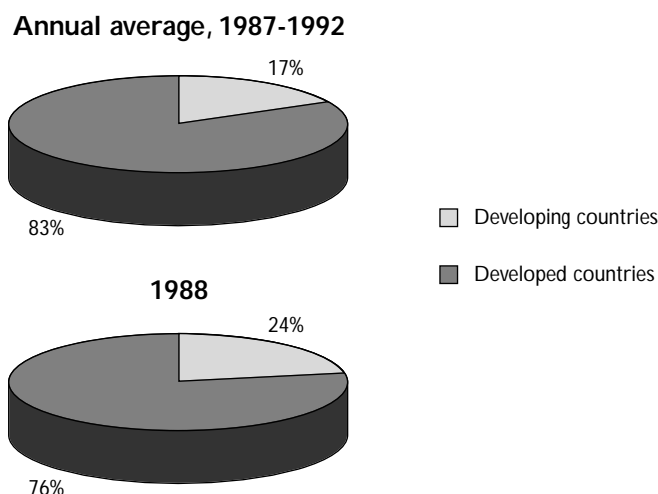


Figure 2. Net foreign direct investment, 1987-1992 and 1998 (US\$ million). *Source: UNDP, 1999.*

Table 2. NET FOREIGN DIRECT INVESTMENT (\$ millions), 1985-1997
SELECTED DEVELOPING COUNTRIES AND TRANSITION ECONOMIES

	1985	1997	annual av. growth rate
China	1,659	453,000	59.60
Brazil	1,441	16,330	22.42
Mexico	1,984	12,101	16.26
Singapore	1,047	10,000	20.69
Argentina	919	6,327	17.44
Russian Federation	--	6,241	--
Chile	144	5,417	35.30
Indonesia	310	5,350	26.79
Poland	15	5,000	62.27
Venezuela	68	4,893	42.81
Malaysia	695	3,754	15.09
Thailand	163	3,600	29.42
Hong Kong (China)	-140	2,600	--
Colombia	1,023	2,447	7.54
Korea, Rep. Of	234	2,341	21.16
Taiwan, prov. of China	--	2,248	--
Hungary	--	2,085	--
Peru	1	2,000	88.40
Kazakhstan	--	1,320	--

These countries together constitute 85% of FDI to developing countries

Source: UNDP, 1999

1.3 *The new actors of the global world*

The *Bretton Woods institutions* strongly shaped the new global economic order through their liberal-oriented policies. Alongside them, new actors like the *World Trade Organisation* (WTO) have emerged. WTO's authority over governments and multinational corporations is not questionable; in addition, it has been a key factor in the multiplication of multilateral agreements on trade, intellectual property and services.

At the regional and sub-regional levels, new blocks have formed, with the dual aims of fostering regional integration and of building solid regional blocks – solid enough to stand up to the challenge of globalisation as well as to promote common policies. This has been the case in Africa with the Economic Community of West African States (ECOWAS) or the Southern Africa Development Community (SADC), in Europe with the European Union (EU), and in Asia with the Association of South-East Asian Nations (ASEAN), to name but a few. More importantly, globalisation has graduated from a single phenomenon that one describes to a sort of ideology that one prescribes. Countries are urged to embrace globalisation, to become more market-oriented, to open their economies and to compete on the world markets – all on the argument that this is the only strategy that can help foster economic growth and reduce poverty. One area where such a prescription has yielded impressive results is that of the removal of tariff barriers. In India, between 1990 and 1997, the average rate of import tax dropped from 82% to 30%. In Brazil, over the same period, it fell from 25% to 12%, while in China it went from 43% to 18%. In 1991, 35 countries had modified their regulatory frameworks to make them more in line with the prescriptions of the new policy. In 1995, G8 countries introduced similar changes.

The '*global ideology*' brought in by globalisation is also remarkable in that the quasi-consensus on many issues it has led to has resulted in the adoption of action plans and common goals on the occasion of global summits.

Last, and certainly not least, *civil society* has emerged as a stronger force than at any point in the past, determined but also able to make the voice of the have-nots heard loud and clear. In Seattle, Prague or Washington, D.C., the global networks of NGOs or human-rights activists have ensured that no stone stayed unturned to show to the world that globalisation needs a human face.

Globalisation is not just an economic phenomenon. It is transforming many other dimensions of people's lives. The expansion of telecommunication technologies is multiplying the contacts between different cultures, as a result making people much more aware of other ideas, value systems and ways of life. To illustrate the scope of this expansion, the number of televisions per thousand people nearly doubled between 1980 (126) and 1995 (204), with a higher annual rate of growth in developing countries than in developed ones (Arizpe and Alonso, 1999). Meanwhile, between 1980 and 1991 the world trade in 'cultural goods' (printed material, literature, music, radio and television equipment, etc.) almost tripled, going from \$67 to \$200 (UNDP, 1999).

While cultural integration can be very enriching, its current pattern of organisation (flow of culture and values from rich to poor countries) is disquieting for a majority of people in the developing world. Moreover, the high level of marketization of culture carries the risk of '*reducing cultural concerns to protecting what can be bought and sold, neglecting community, customs and traditions*' (UNDP, 1999, p. 33).

1.4 *The new means of communication*

The invention of the Internet in the early 1990s opened a new chapter in the history of communications and established new bases on which human beings and organisations could be linked. The notions of time, space and distance have been revolutionised. Sending a 40-page document from Madagascar to Abidjan by air would cost an average of US\$ 75 (plus a five-day delay). By fax, the same communication would cost US\$ 45 (plus a 30-minute delay). By email, however, it would only cost 20 US cents, with a one- to two-minute delay. Similarly, while a three-minute telephone call from New York to London would have cost US\$ 245 in 1930, it only cost US\$ 50 in 1960, US\$ 3 in 1990 and less than US cents 50 today.

1.5 *The potential benefits of globalisation for developing countries*

The process of globalisation opens new and exciting opportunities for developing countries. First, the increasing exchange of goods, services and financial resources between developed and developing countries is expected to lead to a *more efficient allocation of world resources* as well as to higher rates of economic growth in all countries. The expansion of exports from developing countries constitutes a powerful new source of effective demand and *job creation*. Meanwhile FDI also has potential positive effects such as expanding technology transfers, increasing production efficiency through the generation of a more competitive environment and rising foreign exchange helping to close the balance of payments gap (South Center, 1997).

Second, the new commercial strategy of TNCs can also work to the advantage of some developing countries (Evans, 1998). The organisation of production in geographically dispersed stages gives rise to the *relocation of some industries* to developing countries and increases developing countries' opportunity to export manufactured goods to the developed world for the first time in history.

Finally, technological innovations in communications and transport make it possible to bring critical *knowledge* to developing countries faster and cheaper than ever before. Information technology can also increase the voice of NGOs and other social groups and thus empower the poor. New technologies make official censorship much harder and improve the productivity and employment opportunities of unskilled labour (UNDP, 1999).

Nevertheless, many of these potential benefits have not materialised so far. While some countries and some segments of the world's population have enjoyed increases in their standard of living, a majority of the developing world has not experienced a significant rise in their levels of human development. The negative effects of globalisation and the policy responses required to eradicate poverty are the issues studied in the rest of this paper.

2 IMPACT OF GLOBALIZATION ON POVERTY AND INEQUALITY

2.1 *Toward a more encompassing definition of poverty*

Poverty is a multidimensional notion. In order to capture the multidimensionality of poverty, UNDP introduced the concept of human poverty in the *1997 Human Development Report*. Human poverty is defined as 'the denial of choices and opportunities most basic to human development – to live a long, healthy and creative life and to enjoy a decent standard of living, freedom, dignity and the respect of other' (UNDP, 1997).

A key dimension of human poverty is what UNDP calls human security. This concept, introduced in the *1994 Human Development Report*, means that people can exercise their choices safely and freely, confident that they will not lose in the future the opportunities that they have today. Human security has two main aspects: safety from such chronic threats as hunger, disease and repression, and protection from sudden and hurtful shocks in the patterns of their daily life (UNDP, 1994).

The concept of human poverty allows us to reconcile the notions of absolute and relative poverty, to incorporate the notion of vulnerability and to better identify the real impact of poverty on vulnerable groups such as women. It has also been used to construct a new measure of poverty, the Human Poverty Index (HPI), also introduced in the *1997 Human Development Report* (see Box 1.1).

Box 1.1**UNDP's Human Poverty Index**

The HPI tries to incorporate in a composite index the most relevant dimensions of deprivation in the quality of life: longevity, knowledge and a decent standard of living and participation. For developing countries, longevity is measured by the percentage of people expected to die before age 40 and knowledge by the percentage of adults who are illiterate. A decent standard of living is represented by a composite of three variables: the percentages of people without access to health services and without access to safe water, and the percentage of malnourished children under five. Participation is not measured due to a lack of data. See UNDP (1997).

While the selection of these dimensions and of the corresponding quantitative indicators is a little arbitrary, it is consistent with the definition of the Human Development Index and reflects some of the major concerns of the poor. In various participatory studies done in Asia and Sub-Saharan Africa, the poor included the following criteria for defining poverty and ill-being: being disabled, lacking economic assets, being unable to decently bury their dead, having bad housing, being unable to send their children to school, having food security for only a few months each year, lacking able-bodied family members who can feed their families in a crisis, etc. See, UNDP (1996, box 2.1).

2.2 Human poverty in the world during the current stage of globalisation

Human poverty has been dramatically reduced in the second half of the twentieth century. This reduction has been particularly impressive in many countries of the developing world. For instance, in the last thirty years adult illiteracy has decreased by nearly half and infant mortality by nearly 60% (UNDP, 1997). Since 1965, infant mortality has decreased by half while life expectancy has increased by at least a decade. These trends are reflected in changes in the HPI between 1970 and 1990 (see Table 3).

The reduction in human poverty has also been accompanied by a *decrease in income poverty*. In the developing world, against a background of rapid population growth, the percentage of people that live with less than \$1 a day declined from 34% to 32% between 1987 and 1993, with a particular positive performance in some Asian countries (UNDP, 1997).

Despite the success achieved in terms of overall averages, progress was distributed unevenly throughout the regions of the world in the period between 1970 and 1990. According to the Human Development Report 1997, during the last three decades Sub-Saharan Africa, China, Latin America and Caribbean, and Eastern Europe and the CIS experienced major setbacks in terms of reducing income poverty.

Table 3. TRENDS IN THE HPI, 1970-1990 – SELECTED DEVELOPING COUNTRIES

	HPI, 1970	HPI, 1990	annual av. growth rate
Trinidad	8.9	4.1	-3.8
Chile	13.2	5.4	-4.4
Costa Rica	15.0	6.6	-4.0
Argentina	16.7
Panama	17.4	11.1	-2.2
Mauritius	19.4	12.5	-2.2
Peru	28.0	22.8	-1.0
Mexico	29.5	10.9	-4.9
Kuwait	32.0
Thailand	34.3	11.7	-5.2
Sri Lanka	35.3	20.7	-2.6

Source: Rao, 1999a (original source Human Development Report Office, UNDP).

The situation therefore remains very distressing (all the following examples come from UNDP, 1997 and 2000).

Although the number of people living with less than \$1 a day fell as a percentage of the total population between 1987 and 1993, it increased in absolute numbers by 100 million (from 1.2 billion to 1.3 billion). Against what is maybe a more meaningful income poverty line in today's world, half of the world's population lives on under \$2 a day.

In 1997, more than 800 million people did not get enough to eat, more than 500 million were *chronically malnourished* and a billion lived without adequate *shelter* or in inadequate housing;

In 1998, nearly 15% of people in the developing world did not expect to survive the age of 40, 27.6% of adults (those 15 years and older) were illiterate, 56% did not have *access to sanitation* and 31% of the children under five were *underweight*.

In 1997, 800 million people did not have *access to health services* and 1,200 million did not *access to safe water*. There were still 40 million

Table 4. TRENDS IN INCOME INEQUALITY, 1980-1995 – SELECTED DEVELOPING COUNTRIES

	Period	Gini coefficient annual change over the period
Sub-Saharan Africa		
Ghana	1988-92	-1.42
Nigeria	1986-93	0.17
Tanzania	1977-93	-0.90
Uganda	1989-92	7.31
Zambia	1976-91	-1.05
Zambia	1991-95	4.76
Leshoto	1987-93	0.29
Mauritius	1980-91	-1.98
Asia		
Bangladesh	1983-92	-2.65
China	1982-90	2.32
India	1972-77	0.18
India	1977-92	-0.02
Pakistan	1979-85	0.06
Pakistan	1985-91	-0.67
Sri Lanka	1979-87	1.02
Indonesia	1978-90	-1.27
Malaysia	1970-89	-0.18
Philippines	1985-91	-0.39
Thailand	1981-90	1.39
Latin America and Caribbean		
Honduras	1987-93	-0.25
Brazil	1981-89	0.91
Chile	1971-89	1.28
Chile	1989-94	0.48
Colombia	1978-91	-0.46
Costa Rica	1979-86	-0.98
Costa Rica	1986-89	1.03
Dominican Rep.	1984-92	1.56
Guatemala	1979-87	2.00
Jamaica	1988-90	-1.60
Jamaica	1990-93	-3.19
Mexico	1984-89	1.68
Panama	1979-89	1.48
Peru	1986-94	0.60
Puerto Rico	1979-89	0.14
Trinidad and Tob.	1971-81	2.03
Venezuela	1981-90	2.58
Other middle income countries		
Egypt	1975-91	-1.07
Greece	1981-88	0.80
Hungary	1978-87	1.15
Hungary	1987-93	2.46
Jordan	1987-91	3.02
Morocco	1984-91	0.00
Poland	1980-90	0.54
Poland	1990-93	8.00
Rumania	1989-94	4.16
Tunisia	1980-90	-0.66
Turkey	1973-87	-1.03

Source: Rao, 1999a.

refugees and internally-displaced people and 25% of the world population did not live under *pluralistic and democratic regimes*.

Along with income poverty, the evolution of *income inequality* has been much worse and the world today is significantly more unequal than three decades ago. On the one hand, global inequality between citizens of different countries has increased substantially: the income gap between the 20% of the world's population living in the richest countries and the 20% living in the poorest was 30 to 1 in 1960, 60 to 1 in 1990 and 74 to 1 in 1997 (UNDP, 1999). On the other, between 1989 and 1996 the number of billionaires increased from 157 to 447; in the latter year the 10 richest people in the world had a net wealth of \$133 billion, more than 1.5 times the total GDP of all the least-developed countries (UNDP, 1996).

Although many argue that inequality has been reduced in the period between the 1970s and the 1990s, a comparison of the lowest and highest percentiles reveals that income inequality within many developing countries has also risen. Table 4 presents the evolution of the Gini coefficient for a selected group of developing countries. Although many countries are missing from the data and the periods analysed vary, the table clearly signals that inequality has not been substantially reduced anywhere in the world. In only two countries (Bangladesh and Jamaica) did the Gini coefficient decline by more than 2% a year in the periods studied, and in 27 of the 47 observations inequality increased. This increase was particularly large in Uganda, Zambia (in the period 91-95) and Poland (in the period 90-93), countries where the Gini coefficient grew at an average of more than 4% a year.

2.3 Links between poverty, inequality and globalisation

While an adequately-managed process of globalisation is likely to have a positive impact on the poor, the features of the current process partly explain some of the negative trends in poverty and inequality just described. So far, globalisation has been a market-driven process. While it has generously rewarded those with the necessary financial and human-capital resources, it has harmed many others in at least three different ways. First, globalisation has been an uneven process. Second, it has increased human insecurity in several spheres. Third, globalisation has imposed a fiscal squeeze on the state and as a result has limited its fiscal autonomy.

a) *Uneven features of the process of globalisation*

In a market economy, the final distribution of income is determined by several factors (Figure 3). First, the initial *distribution of assets* influences opportunities, whether we are talking of an individual in a society or of a country in the world economy. If assets (land, labour including human capital, physical capital and technology) are very unevenly distributed, the poor will find it very difficult to make even a subsistence income. Second, the *market structure* in terms of supply and demand and also of its institutional features brings about the distribution of income between wages and profits. Finally, state intervention through taxes and especially through social policy modifies the primary distribution of income.

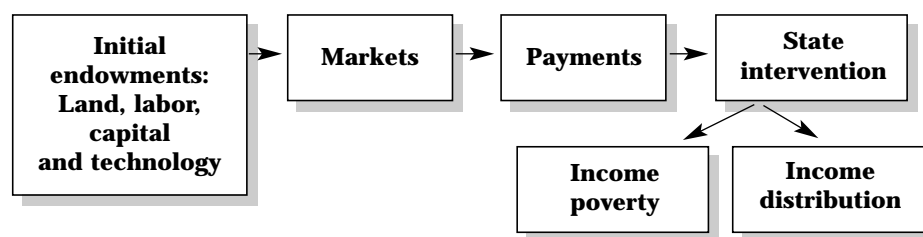


Figure 3. Distribution of income in a market economy

Globalisation has influenced this process in three different ways. First, it has led to a *worsening in the distribution of initial endowments* (particularly physical and human capital and technology) due to its uneven characteristics (data from UNDP, 1999):

In 1997, 58% of FDI went to developed countries, 37% to developing countries and only 5% to the transition economics of Eastern Europe and the Commonwealth of Independent States (CIS). More than 80% of all the FDI that went to developing countries during the 1990s went to just 20 countries, most of it to China.

In 1996, around 94% of the portfolio and other short-term *capital flows* to the developing world went to just 20 countries. As late as 1999, only 25 developing countries had access to private markets for bonds, commercial bank loans and portfolio equity.

Globalisation does not extend to unskilled *labour*. Legislation on migration is currently much stricter than at the start of the twentieth century and as a result migration flows are smaller. On the other hand, the mobility of skilled

labour has increased and developing countries, despite their lack of human capital, have become exporters of highly-skilled workers (Woodward, 1998).

By the late 1990s, the 20% of the world's population that lived in the richest countries had 74% of the world's telephone lines, while the bottom 20% of the world's population had only 1.5%.

Technological innovation is also highly concentrated. In 1993, 10 countries incurred 84% of the world's spending in research and development. More than 80% of the patents granted in developing countries belong to citizens of the developed world. The share of research and development done in developing countries fell from 6% of the world's total in the mid-1980s to only 4% in the mid-1990s.

Internet, probably the most important technology of the twenty-first century, is highly concentrated between and within countries – what is often referred to as the widening 'digital divide': 91% of the world's Internet users live in the OECD. Within each country, Internet is primarily used by upper-income, educated, English-speaking groups.

Second, the *terms of trade* have moved against developing countries and real wages for unskilled labour have remained stagnant. As a result, the primary distribution of income is still highly unequal both at the national and international levels. Some data is very useful to illustrate these three trends:

In 1992, 56% of world trade took place between developed countries and 77% of developed countries' imports came from other developed countries (Milberg, 1998). UNCTAD data shows that Africa's *share of global trade* has fallen from 3.22% in 1950 to only 0.95%.

The terms of trade of non-fuel commodities with respect to manufactures fell from 147 in 1980 to 100 in 1985, 80 in 1990 and 71 in 1992. The decline was even larger in the late 1990s: according to UNCTAD, from the end of 1996 to February 1998 oil commodity prices fell by 16.4% while non-oil ones fell by 33.8% (cited in Chord, 1999). This negative evolution of the terms of trade is caused by a conjunction of factors: low income-elasticity of demand for exports from developing countries, the undifferentiated nature of those goods and their high level of substitution, etc. The problem for developing countries is that many of the manufactures in which they have a comparative advantage share some of the characteristics of primary goods (Woodward, 1998).

Almost all countries that implemented liberalisation policies experienced an increase in *raw labour earning inequalities* in the late 1980s and 1990s. Only a few countries (Malaysia, Indonesia) were able to compensate this trend with a shift in the employment structure in favour of high-wage

skilled jobs and as a result did not witness an overall increase in inequality (Galbraith, Darity and Jiaquing, 1998).

Third, during the last two decades *participation in the global markets* has been restricted to a limited number of countries. The resulting governance asymmetry has also contributed to increased human poverty. Poor and vulnerable groups and countries have been further marginalized because of non-participatory and non-democratic practices in global governance. Non-participatory mechanisms in the global governance of trade, for example, led to agreements such as the TRIPS and the TRIMS that work to the disadvantage of the poor in developing countries.

b) *Globalisation increases human insecurity*

The effects of globalisation on poor countries and poor people go beyond the reduction in their opportunities in the market. Equally or even more important for human poverty has been globalisation's impact on human security. The 1999 *Human Development Report* argues that globalisation has increased the level of human insecurity in several spheres:

Job and income insecurity. The liberalisation of the current and capital accounts and the deregulation of the labour market have led to corporate restructuring, heavy job losses and a deterioration of working conditions in many countries. The increasing expansion of new technologies has also rendered many people's skills obsolete.

In Latin America, for example, the share of workers without contracts or with less secure contracts reached 30% in Chile, 36% in Argentina, 39% in Columbia and 41% in Peru by 1996. Similarly, informal employment expanded in the 1990s from 52% to 58%. 85% of the new jobs created in the subcontinent were informal (UNDP, 1999).

Financial volatility and crisis. The elimination of most restrictions on short-term financial flows in the world economy has greatly increased both the likelihood of financial crisis and the contagion effect from one set of countries to the rest of the world.

The last round of financial crisis that started in Southeast Asia and extended later to Brazil, Russia and other developing countries demonstrated the volatility of short-term capital flows and the potentially destabilising economic and social effects of financial liberalisation. The aftermath of the crisis also showed the high human costs of financial shocks, especially for the poor (UNDP, 1999):

Bankruptcies multiplied, especially among small businesses;

Poverty and unemployment rose. Poverty increased in Korea and

Taiwan. In Indonesia, an additional 40 million people (20% of the population) fell into poverty. Unemployment rose by 0.3 million in Malaysia, 0.5 million in Thailand, 1 million in Indonesia and 1.5 million in Korea.

Schooling fell. In Thailand, for example, it is estimated that 100,000 children are not pursuing either primary or secondary school because of the crisis.

The reduction in public services and the increase in social distress and fragmentation have worsened the human conditions of low-income groups.

The negative effects of economic shocks on the poor have not been experienced only by Asian countries. During periods of economic crisis in Latin America in the last two decades, Altimir (1998, p. 155) argues that 'increasing inequality [was] associated with deep falls of real wages and staggering increases in the under-utilization of the urban labour force'. During subsequent recoveries 'neither the previous level of real wage nor the degree of productive (i.e. formal) employment was completely restored'.

Personal insecurity. In the last few years, crime has grown and become global. There are currently 200 million drug users in the world, the traffic of illegal weapons is increasing, about half a million women and girls from developing countries are forcefully and illegally taken to Western Europe, etc. The organised crime syndicates that are behind most of these operations disturb the lives of millions of people in both developed and developing countries. They have also become a major economic power in the world economy with revenues of around \$1.5 trillion a year (UNDP, 1999).

Health insecurity. Spreading dramatically fast, AIDS affects an increasing number of poor people. In 1998, of the more than 33 million people infected by HIV, 95% lived in the developing world. The consequences of HIV/AIDS for some countries are terrible: for example, ten African countries project a loss of 17 years in life expectancy by 2010 as a result of the growing presence of the virus (UNDP, 1999).

Environmental insecurity. Export-led growth in developing countries and the increasing transport of goods around the world have increased pollution and put great pressure on natural resources. Environmental degradation has a disproportionately negative impact on the poor. In 1997 and 1998, the storms El Niño and La Niña, which many scientists believe are caused by global warming, left 22,000 people dead, injured 118 million people, displaced nearly 5 million and caused world-wide costs estimated at \$33 billion.

Political and community insecurity. Civil conflicts have become the dominant type of war in the last few decades. Of the 61 armed struggles

that the world witnessed between 1989 and 1998, only three were between different countries (UNDP, 1999). Civil wars affect poor people because they leave a high number of civilian casualties and generate a very large number of displaced citizens. In 1995, for example, there were 46 million displaced people. Only 6 million of them lived in developed or transition economies (UNDP, 1997).

Current armed conflicts benefit business interests. Private companies such as Executive Outcomes, Sandline International and Military Professional Resources Incorporated offer military and training services to many countries, particularly in Africa (UNDP, 1999). These businesses, very difficult to regulate, have clearly benefited from the process of globalisation.

c) *Globalisation and the fiscal squeeze*

Globalisation has caused a fiscal squeeze in public budgets through both the spending and, especially, the revenue side. As a result, governments find it very difficult to dedicate enough resources to social services and anti-poverty programmes.

The reduction in government revenues during the 1980s was particularly large in low income countries, where tax revenues as percentage of GDP fell from 15.3% in the first half of the 80s to 13.3% in the first half of the 90s. Tax revenues also fell in upper-middle income countries, from 21% to 20.2% during the same period (Mohan Rao, 1999b). Four different factors, highly associated with globalisation, explain this evolution (Grunberg, 1998):

Trade liberalisation has given rise to a *fall in tax revenues from foreign trade*. Trade taxes fell from 40.8% of total tax revenues in low-income countries, 31.9% in lower-middle income countries and 20.8% in upper middle countries in the period 1970-1975 to 32.2%, 20.3% and 15.9% respectively in the early 1990s. An increase in indirect taxes only partly alleviated the income gap caused by this reduction (see table 5), and that at the cost of leading many countries to a more complex and regressive tax structure.

Globalisation of the tax base: the increasing weight of TNCs in the world economy has rendered many tax systems obsolete. Adapting them to the new global conditions, however, is not easy because foreign income is very difficult to track and companies can often avoid taxes through transfer pricing and other tax-planning techniques. In fact, empirical studies have shown that firms systematically post a higher rate of return on average in countries with low tax rates than in countries with high tax rates (Grunberg, 1998).

Table 5. TAX STRUCTURE IN THE WORLD

	<i>% of Total Tax Revenue</i>			
	Dir Taxes	Soc.Secur.	Dom.Indir.	Trade
LOW-INCOME COUNTRIES				
1970-75	26.1	2.0	29.3	40.8
1976-80	25.2	2.5	28.3	39.3
1981-85	25.5	2.4	32.0	37.0
1986-90	27.0	1.6	33.5	35.1
1991-95	25.4	1.3	37.8	32.2
LOWER MIDDLE-INCOME COUNTRIES				
1970-75	29.9	4.8	26.7	31.9
1976-80	30.4	7.6	24.0	30.0
1981-85	32.8	8.1	25.0	25.5
1986-90	32.0	8.4	28.6	23.3
1991-95	32.7	7.1	33.9	20.3
UPPER MIDDLE-INCOME COUNTRIES				
1970-75	36.7	13.7	24.5	20.8
1976-80	42.4	11.5	24.8	17.0
1981-85	36.5	14.1	30.3	15.7
1986-90	29.5	16.8	31.1	18.2
1991-95	32.4	14.8	33.8	15.9

Source: Mohan Rao (1999b).

Countries engage in tax competition to attract foreign capital. Many developing countries have created free trade zones. These now produce a large share of the country's manufactures but make only a marginal contribution to tax revenues.

Globalisation has been accompanied by an expansion of the informal economy. India's underground economy is estimated at 20% of GDP, comparable in size to the national economies of Chile, Colombia, Nigeria and Kenya (UNDP, 1999). At the same time, a 1980 study of Indonesia estimat-

ed tax evasion at 84-94% of income tax and 76-93% of corporate tax (Grunberg, 1998).

This revenue squeeze has coincided with increasing pressures on the spending side of the budget. The expansion of unemployment due to structural change, the need for a more educated labour force, the competition for foreign capital through investment incentives, the need to support national firms through subsidies and transfers, and the cost of sterilising capital inflows have all dramatically increased the demand for state intervention.

The result of this evolution is that 'the fiscal basis of constructive state action to promote human development and resolve the distributive conflict is now more limited than ever before' (Mohan Rao, 1999b, p. 357). Creating a broader and more efficient tax system and more efficiently allocating public resources have thus become urgent tasks if countries are to overcome the fiscal squeeze and manage globalisation in favour of the poor.

2.4 The impact of globalisation on vulnerable groups: gender and human poverty.

Globalisation has had a particularly profound impact on the most vulnerable groups in society, children and women. Both groups suffer more from the uneven character of the process of globalisation. In fact, globalisation has been accompanied by a growing 'feminisation of poverty'. The number of rural women living in poverty, for example, has risen by nearly 50% in the last two decades (UNDP, 1995).

Women have consistently been ignored by the expansion of credit and technological innovations brought about by globalisation. In India, only 11% of borrowers in the major banks are women. In Latin America and the Caribbean, they constitute only 7 to 11% of the beneficiaries of credit programs. The situation is even more sombre in the rural sector. In many African countries, women produce around 80% of the food but receive less than 10% of the credit to small farmers and 1% of the total credit to agriculture (UNDP, 1995). At the same time, women also have a limited access to new technologies. They account for only 25% of Internet users in Brazil, 17% in South Africa, 16% in Russia, 7% in China and 4% in the Arab states (UNDP, 1999).

Financial crises and economic shocks also tend to affect women and young people disproportionately. In Korea, between April 1997 and April 1998, employment declined by 7.1% for women compared with only 3.8% for men. The number of unemployed among those aged 15 to 29 doubled from 0.3 to 0.6 million (UNDP, 1999). In Latin America, the World Bank found out

that 'in adjustment episodes the hourly earnings of women declined even more dramatically than those of men, partly because women were concentrated in hard-hit low-paying sectors such as apparel' (cited in Çagatay, 1998).

Globalisation, however, has also had some positive effects on women, especially in terms of their *access to formal labour markets*. A study of 165 countries for the years 1985 and 1990 by Çagatay and Özler (1995) finds that trade liberalisation has led to an expansion of the female share of employment. Two other studies by Özler at plant-level in Turkey and Colombia show that industries with a high ratio of exports to output employ a larger fraction of women than other industries (cited in Özler, 1999).

In principle, the feminisation of the labour force allows women greater *control over income within the household* and as a result increases their bargaining power (Çagatay, 1998). Unfortunately, formal employment has often not been accompanied by a reduction in the *number of hours women spend in unpaid jobs*. In Bulgaria, for example, men's share of household work actually decreased from 52% of that of women in 1977 to 48% in 1988. In Bangladesh, women currently work an average of 87 hours per week (31 of which in the household) against 67 for men (of which 14 in the household) (UNDP, 1999). This does not only deteriorate women's living conditions but also reduces their ability to provide care services within the family.

A second problem with the role of women in the labour market is that they still suffer substantial *discrimination* in terms of wages and job security. In developing countries, female wages average only 75% of men's, and a substantial number of women remain in the informal sector (e.g. 43% of women workers in Korea and 71% in Indonesia) (UNDP, 2000b). In fact, the gender gap has been a key component of the growth strategy of many countries, especially in Asia. Women's low wages have 'stimulated export sales, providing the foreign exchange necessary for these economies to pursue their import-substitution and modernisation programs' (Seguino, 2000, p. 51). In a cross-country study of twenty semi-industrialised export-oriented countries, Seguino (2000b) demonstrates that GDP growth is positively correlated with the gender wage gap.

These recent negative trends adding to their secular backwardness, women remain in a *precarious situation* with respect to men. This is especially clear when the problem is analysed from a human-poverty perspective instead of using only income-based indicators. As Table 6 clearly shows, the adult literacy rate for men in developing countries is still more than 25% higher than for women and men's average income is twice that of women's. Moreover, women have fewer opportunities to improve their

Table 6. SOME GENDER COMPARISONS, 1998

	Life expectancy at birth (years)		Adult literacy rate ¹		Tertiary gross enrolment ratio (%) ²		GDP per capita (PPPs)		GDP per capita (PPPs)	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
All developing countries	66.4	63.2	64.5	80.3	55.0	63.0	2,169.00	4,334.00	2.00	2.00
Least developed countries	52.9	51.2	41.0	61.4	32.0	42.0	771.00	1,356.00	1.76	1.76
Arab States	67.5	64.6	47.3	71.5	54.0	65.0	1,837.00	6,341.00	3.45	3.45
East Asia	72.5	68.2	75.5	91.1	67.0	71.0	2,788.00	4,297.00	1.54	1.54
East Asia (excluding China)	76.4	69.7	95.1	98.6	81.0	88.0	9,414.00	17,744.00	1.88	1.88
Latin America and the Caribbean	73.2	66.7	86.7	88.7	73.0	72.0	3,640.00	9,428.00	2.59	2.59
South Asia	63.6	62.6	42.3	65.7	44.0	59.0	1,147.00	3,021.00	2.63	2.63
South Asia (excluding India)	64.2	62.7	38.8	61.7	38.0	55.0	1,263.00	3,108.00	2.46	2.46
South-East Asia and the Pacific	58.3	64.2	85.0	92.4	63.0	66.0	2,316.00	4,154.00	1.79	1.79
Sub-Saharan Africa	50.3	47.6	51.6	68.0	37.0	46.0	1,142.00	2,079.00	1.82	1.82
Eastern Europe and CIS	73.8	64.1	98.2	99.1	78.0	74.0	4,807.00	7,726.00	1.61	1.61
OECD	79.6	73.2	96.7	98.2	86.0	86.0	14,165.00	26,743.00	1.89	1.89
World	69.1	64.9	73.1	84.6	60.0	67.0	4,435.00	8,587.00	1.94	1.94

¹ % of people 15 and above² Data for 1997

Source: UNDP, 2000.

human capital or to participate in the political process. In fact, in only five developing countries do women occupy more than 30% of the parliamentary seats, and in 31 they occupy less than 5%.

Gender inequality is more than a very serious problem in itself because it is a central cause of human poverty. As the 1997 Human Development Report shows, gender inequality in both economic and political terms is strongly correlated with human poverty. In fact, norms about child marriage of girls, gender bias in education and geographical mobility, wage inequality between men and women, etc. constitute a powerful barrier in the effort to prevent the transmission of human deprivation from one generation to the next (Çagatay, 1998).

2.5 *The special case of Africa*

Africa faces multiple challenges with respect to globalisation. These challenges are first and foremost economic and commercial, related to Africa's place in the commercial and investment flows. These challenges are also technological. If the explosion of technological solutions is often presented as both the decisive factor and the defining symbol of globalisation, the analysis reveals that Africa is way behind other regions of the world on both counts. These challenges are often political and cultural, deriving from the new configuration of the world for which it is clear Africa has not been well prepared. Finally, thanks to globalisation, Africa has seen appear or spread new threats such as the AIDS epidemic, organised crime or environmental degradation.

a) *Economic and commercial challenges (growth, trade, investment)*

In general, the 1990s have not granted Africa an equal share in the benefits of global economic expansion. Despite improved performance, annual GDP *growth* rates in African countries as a whole rarely exceeded 3% between 1990 and 1997. Because of *demographic expansion*, the growth rate for per capita GDP was negative over the period.

Admittedly, this overall evaluation hides diverse results, some encouraging, some less. In 11 countries, growth reached or exceeded the 6% target of the UN's New Agenda for Africa's Development. A number of countries, including Mauritius, Kenya, Senegal, Cameroon and South Africa have initiated a process of export diversification, while others, such as Cape Verde, Seychelles, Lesotho or Mozambique have increased their income from private transfers and the exportation of services.

Nonetheless, it remains that, over the last decade, the growth of GDP across sub-Saharan Africa did not reach sufficient levels to reverse the trends of poverty. What is more, Africa increasingly appears as the continent where poverty in all its guises, be it financial or human, is here to stay.

In parallel to this weak economic performance, Africa did not improve its participation in *world trade*. In 1997, Africa's share of world trade remained below 2%, confirming an age-old decline. Between 1990 and 1998, world exports as a percentage of world GDP increased 21% as against 0.4% for Africa's exports. The proportion is reversed for imports: over the same period, world imports as a proportion of world GDP increased 15% while Africa's increased 24%. If Africa's international trade figures indicate a high level of integration into the world economy – almost equal to that of Latin America – that integration takes a very passive form, led by imports.

Comparing the economic performance of Asia and Africa, particularly sub-Saharan Africa shows how, as early as the late 1970s, their *external performance* constituted the main element of differentiation. During the first two decades after independence, and following – already – the prescriptions of 'experts', African countries believed they could industrialise 'by the bootstraps' through substituting imports costly in foreign exchange by a national production subsidised and protected, and by exporting only raw agricultural and mineral products.

The disastrous outcome of these policies is a matter of record, illustrated by the performance of a few African countries. Between 1965 and 1995, the average annual rate of export growth was 5% in Côte d'Ivoire, 2.5% in Kenya, 2% in Nigeria, minus 1.5% in Ghana, minus 4% in Zimbabwe and minus 5% in South Africa, while it reached 16% in South Korea, 11% in Malaysia and 8% in Indonesia. The performance lag was even more pronounced after the start of the 1980s. Between 1980 and 1990, the average annual growth rate in the export of goods and services by sub-Saharan Africa was 2%, reaching 2.5% between 1985 and 1990 – as against 8.5% and 13.5% respectively for south-east Asia.

Africa also failed to graduate from the export of primary products to that of manufactured products – the only recognised way to offer durable protection on the world markets. Asia is the case study of success in this transformation. In 1965, the share of manufactured products in the exports of Indonesia, Malaysia and Thailand was below 6%. In 1992, it reached 41%, 61% and 77% respectively. Nonetheless, the relative share of the primary sector in African exports remains very high, almost 68% on average over the period 1988-1995, indicating the difficulty African countries face when

trying to diversify their exports so as to position themselves against sectors promising more profitable terms of trade.

Even the traditional sector of *primary agricultural products* is not Africa's strong point anymore. Africa's competitive positions have progressively eroded in such markets as cocoa, coffee, rubber, spices or vegetable oils – to the benefit of countries such as, again, Malaysia, Thailand or Indonesia.

Africa's position is as weak on the private international investment market as it is in the international trade market. The flows of *Foreign Direct Investment* (FDI) to Africa remain limited compared to those reaching other parts of the world, even if they are relatively high (around 19%) in relation to Africa's GDP. The total FDI to Africa amounted to US\$ 5.4 billion in 1998 – less than one percent of what irrigated the world economy – and this share remained practically constant throughout the decade. In addition, FDI in Africa is concentrated in the mining and oil sectors, and benefits primarily a handful of countries such as Nigeria, Egypt, Morocco, Angola, Tunisia, Ghana and South Africa.

The result has been *increased poverty* in Africa. First, and according to UNCTAD's *Trade and Development Report 2000*, economic performance in the second half of the 1990s was very poor across most of the continent, especially in the last 3 years of the decade. Overall, output growth in Africa was less than 3% per year over the period. Between 1985 and 1998, average per capita income in sub-Saharan Africa declined by 0.15% per year (HDR 1999), with the decline reaching 0.4% between 1990 and 1998. Since income inequality, measured by Gini coefficients increased during the same period in most Sub-Saharan African countries, this means an absolute increase in income poverty.

Indeed, income poverty numbers show a similar trend. The percentage of people living below \$1.00 a day in sub-Saharan Africa (SSA) increased from 47.67 in 1987 to 48.53 in 1996 (1993 Purchasing Power Parity). In absolute numbers, the number of people living below the same poverty line in SSA increased from 217 millions in 1987 to 290 millions in 1998. As of 1993, the SSA region had the world's highest ratio of people living in poverty. On average, during the 1990s, almost 76% of SSA's population lived on less than \$2 a day.

According to the *Human Development Report 1997*, sub-Saharan Africa was the only region in the world where many components of human poverty increased during the 1990s. For example, the number of people not expected to survive to the age of 40 increased by 30% in that period. During 1991-95, SSA was the only region of the world to register a decline in its real

consumption growth rate, -1.3% during the period, with the annual average growth rate of consumption not expected to exceed 0.1% during 1997-2000.

The World Bank's *Trends in Poverty* report states that primary school enrolment rates in SSA remained stagnant between 1982 and 1994, while other regions experienced improvements. Similarly, while infant mortality rates improved modestly, continuing poor health conditions and the large numbers of people living with HIV/AIDS (23 millions) were reflected in health indicators: of the eight countries in the world which recorded declines in life expectancy of more than three years, six were in Africa.

b) The technological challenges

Africa has long been known for lagging behind in the acquisition and mastery of modern technology. This distance has been growing and now takes on crisis proportions in the face of globalisation, because Africa had only just started getting used to traditional technologies when it had to face the jump to the new ones.

Despite considerable progress these last few years, *basic communications equipment* are still missing in Africa. While Canada boasts of 600 phone lines per 1000 inhabitants and France of 560, Togo only has 6, Mauritania 4, Niger 2 and Mozambique 3. Thailand has more cell phones than all of Africa, while at the rate it is developing its own phone system, Côte d'Ivoire will not reach Germany's present equipment level before 2050.

The same picture applies to *television*. In 1997, while the US had 800 TV sets for every 1000 inhabitants, Italy and Austria had 500, the Central African Republic had 6, Guinea 8 and Uganda 26. The same picture again for personal computers or fax machines.

Where the gap becomes terrifying is with regard to the *Internet*. Less than 0.2% of Africans use the net, as against 30% of Americans, 20% of Singaporeans and 40% of Icelanders. Bulgaria alone has more Internet 'surfers' than the whole of sub-Saharan Africa! One reason is that the cost of access to the net is 10 times greater for an African than for an American. Admittedly, all LDCs are falling behind in investment: today, 55 countries account for as much as 99% of the entire world's expenditure on information technology. However, Africa's real problem is that the challenge of modern technologies is more than a matter of acquisition cost. It derives from the difficulty of preparing the average African to take advantage of the technology. In Africa, illiteracy and the uneven distribution of technical resources – telephones exist primarily in the cities and using a computer

requires the ability to read and write – effectively limit the distribution possibilities.

These numbers well illustrate the technological handicap that the African continent must overcome to partake of globalisation. On top of it, Africa faces political and cultural obstacles that are no less daunting.

c) *The political and cultural challenges*

For Africa, globalisation means a *new world political order* where the traditional network of relations based on ideological proximity within an East-West conflict has been superseded by a new international distribution mechanism based on new criteria. In addition, the new international space that is shaping up carries risks to which Africa is particularly vulnerable. These risks are tied to the new cultural vulnerability of the continent, to its powerlessness in the face of scourges such as AIDS or the new forms of criminality.

i) *A new world political order*

The comfort of the East-West confrontation has been replaced by a unipolar world. As a result, the ideological considerations that offered so many African countries a perfect sinecure and the cover for all blunders do not apply anymore. Suddenly, all traditional geopolitical markers have vanished.

International development co-operation is one of the areas in which this transformation has been most obvious. The opening of Eastern Europe has created a new competitive environment for the resources of official development assistance (ODA) where the allocation criteria have become management excellence and adhesion to the new dogma. As a result, the flows of ODA to Africa decreased in the course of the 1990s from US\$ 16 billion in 1992 to US\$ 12.5 billion in 1998 or, in dollar per capita terms, from US\$ 36.4 in 1992 to US\$ 21.4 in 1998.

At the same time, the concepts of democracy and good governance, long held hostage to the East-West confrontation, have suddenly come of age, to the extent that they now dominate the international political discourse. In practical terms, they have become additional conditionalities for ODA, defining the criteria on the basis of which international sympathy can now be secured. Behind this evolution lies the emergence of a finely-honed civil society, connected to an aggressive global network and whose irruption on the political scene has occasionally upset the balance of already weakened societies.

Since the La Baule summit, francophone African countries have been subject to multiple pressures: invited without preparation to free their political spaces, resume universal suffrage, and enforce a state of law against historical, social or cultural backgrounds resistant to rapid transformations. To make matters worse, these transformations are eagerly awaited at the very moment when the difficult economic reforms imposed from outside call for sacrifices the populations are reluctant to accept.

These are the political circumstances of Africa's globalisation. One must rejoice that, despite this initial lack of preparation, African countries have accepted democratisation. Ghana most recently added to the constantly-growing list of countries going through a peaceful transformation. Let us not underestimate, however, how much this wind of change will require in terms of time, energy and experimentation – not to mention a solid dose of errors – before it fully takes hold. Africa will need this breathing space all the more because, beside a number of positive changes, new political shoals are emerging across the continent, often rooted in the difficulty of reaching a peaceful sharing of power.

Civil wars are one such example. In a way, from Sierra Leone to Angola, from Guinea-Bissau to the two Congos, Africa's people are paying the price of the difficulties of imposing the principles of democratic governance in environments where mindsets have been slow to evolve. Unfortunately, globalisation has given these conflicts a new flavour.

In the first place, nowadays, interests at stake and actors involved both often reach beyond the strict limits of the national borders. Foreign hands – states, multinational corporations, businessmen – increasingly derive income from national tragedies, whether they aim for political hegemony or for the lucrative control of natural resources such as diamonds. In addition, more and more 'war professionals' willingly get paid to become actors in conflicts, whether they are mercenaries from the former Soviet empire left unemployed by the fall of the Berlin wall or former quasi-official services such as South Africa's Executive Outcomes looking for a new line of business.

While overcoming the political shock has become vital for Africa, doing so without compromising its cultural identity has also become a major challenge faced by the continent because of globalisation.

ii) *A new culture shock*

The explosion in the number of means of communication and information has created a 'global village' where the welding of ideas and culture is a dominant characteristic. However, far from the hoped-for mutual

enrichment, there has emerged a new cultural imperialism, propagated by the audio-visual industry and in which northern lifestyles and behaviour become the norm.

Culture has become an economic and commercial good that can be exported, and as for all other exportable goods, market shares are not equitably shared. Hollywood produces fewer movies than India's 'Bollywood', but it still controls 70% of the European movie market, 83% of Latin America's and half that of Japan.

As in other competitions, Africa finds itself in a position of inferiority. African cultures, already weakened by centuries of colonisation, are hard put to resist the pressures of fashions and behaviours that are dominant in other regions. Young people from poor African countries discover shoe brands like Nike or Adidas before they discover those manufactured locally. They end up knowing their way around California's suburbs before they finish visiting their own country. What is worse, lifestyles idolised by overseas series propagate behaviours that are foreign to the local culture or give birth to needs or dreams that cannot be satisfied locally – all sources of frustration and copycat violence.

This pressure on African cultures is evolving in the broader context of the advance of many new threats that it is difficult not to associate with globalisation. Among these are diseases like AIDS, developments like organised crime or money laundering, or the various scourges destroying the environment.

iii) *The shock of new threats*

Whether simple coincidence or an actual causality link, globalisation also means for Africa the emergence and spread of new *diseases* like AIDS. If the origins of the disease cannot be linked to the economic phenomenon called globalisation, it cannot be denied that its rapid spread has been facilitated by the integration of nations, in particular the cross-border movement of people.

Every minute, 11 people contract the virus that causes AIDS. In the space of a few years, Africa has become the continent with the largest number of AIDS victims. Today, 23 of the 33 million people living with AIDS live in Africa. As it decimates the most active age groups, AIDS has also become a development tragedy that seriously mortgages the chances of economic take-off for many African countries. The nine African countries where the seroprevalence rate is above 10% (Botswana, Kenya, Malawi, Mozambique, Namibia, Rwanda, South Africa, Zambia and Zimbabwe) have already lost all the life expectancy gains realised since 1960.

Globalisation also presents a fertile ground for *organised crime*. Better than anyone, organised crime understood the benefits it could derive from globalisation. Deregulation in the capital markets, breakthroughs in information and communications technologies, a greater freedom of movements for goods and people mean an environment more favourable than ever for the movement of illegal drugs, sex workers and arms and ammunition, as well as for money laundering.

Let us admit it: Africa is particularly vulnerable to these threats. Bank supervision is weak and, with transparency rare in the capital markets, money laundering is taking on worrying proportions. Africa's borders are porous and the human and capital resources needed to control them are scarce. Africa's judiciaries and polices lack the means of investigation necessary for effective repression – when they do not suffer from widespread corruption. Young Africans, teenage girls in particular, tortured by poverty and lack of prospects, become easy prey for all kinds of criminals eager to make them fall into drugs and prostitution. Africa's capitals become favoured destinations for cars stolen in Europe or in America, or for arms and ammunition feeding sub-regional conflicts.

Finally, the *environmental consequences* of globalisation are extremely damaging for the African continent. The world-wide impact of industrialisation on global warming through hothouse gasses spares no corner of the planet. Here again, however, Africa is more vulnerable than other continents to the pressure that the globalised economy imposes on the environment.

African *forests* are the least protected and the most subject to anarchic exploitation. In addition, until recently, afforestation did not rank high on national priority lists. If the wood industry, particularly that of rare species, is a great foreign-exchange earner for African countries, it also constitutes the main agent of destruction for their forests and ecosystems. Countries like Gabon or the Congo were recently obliged to take forceful measures to ensure that future generations enjoy a healthy environment still rich in forest resources, while the most optimistic assessments estimate that both countries have lost more than 40% of the forest cover they enjoyed in 1970.

Africa also falls victim to the most devastating effects of *global warming* and rising sea levels. Egypt expects to lose up to 12% of its land area to the rise in sea levels. Mozambique recently suffered two consecutive bouts of the most disastrous floods of its modern history.

When to all of this is added the wholesale rape of Africa's *fishing resources* along both its coasts, the scope of the environmental challenges faced by Africa because of the globalisation of the economy becomes all too apparent.

Long as it may be, this list does not attempt to present a comprehensive picture of the multiple challenges which globalisation is throwing at Africa. It does, however, help throw light on the urgency, for Africans as well as for the international community, of conceiving and putting into place a well-thought out strategy.

That goes beyond the special case of Africa, as it is now widely admitted that the greatest challenge the international community is facing today is to manage globalisation in favour of the poor.

3. MANAGING GLOBALISATION IN FAVOUR OF THE POOR

Despite some of the negative trends just described, globalisation can contribute decisively to the eradication of poverty and the construction of a more equal world. In order to do that, however, the process has to be managed correctly and the right balance between market forces and government intervention has to be reached.

Many measures will be required to eliminate the uneven character of globalisation, increase human security and improve the ability of the state to provide goods and services for the poor. This will require revisiting some of the policy prescriptions that have constituted the bulk of transformative reform these recent years. It will also require a different commitment from the international community and the multilateral development agencies.

3.1 *Agenda for reform*

a) *Increase the benefits from trade and capital flows*

A large body of empirical evidence shows that trade liberalisation by itself does not necessarily lead to export expansion or to higher rates of economic growth. The relationship between trade openness and poverty eradication is even fuzzier. Openness should be interpreted from the point of view of human development rather than market access. In order to benefit from openness in trade in terms of SHD and sustainable poverty eradication, countries need to implement a comprehensive package, which includes sound macroeconomic management with poverty eradication and social fairness as its success indicators, good infrastructure and social services, and strong governance (both economic and political) with an appropriate institutional framework that is geared towards human development (UNDP, 1999).

The experience of the Republic of Korea in this realm is particularly illuminating. From 1960 to 1997 Korea enjoyed one of the highest rates of economic growth and improved human development simultaneously. Some of the key elements of Korea's success were a growth strategy with bold economic reforms; institutions responsive to the market but controlled by the state; land reform; implementation of labour-intensive technologies; and an active industrial policy to introduce the country in new niches in the world market. All of these policies took place within the particular structure of state-society relations that Peter Evans (1995) described with the term 'embedded autonomy'.

In order to be sustainable, experiences such as that of the Republic of Korea must be combined with the pro-poor growth strategies. This point is discussed further below.

In particular, *capital inflows have to be carefully managed*. First, countries should design comprehensive plans to attract long-term investment. Such plans should include a stable political climate, an educated labour force, active technological policies, and clear priorities on what sectors FDI should go to and incentives for domestic firms. Second, developing countries should tightly control the speculative movements of short-term capital to influence both their volume and their composition.

b) *Overcome the resource squeeze and increase the fiscal autonomy of the state through a new approach to macroeconomic policy*

While markets are a fairly efficient mechanism for resource allocation, states should also play an active role in the *promotion of growth* and in the consolidation of a more *equitable distribution of income*. These two objectives require confronting the fiscal squeeze and adopting a new approach to macroeconomic policy.

Raising increased *public revenues* is a necessary condition to overcoming the fiscal squeeze, whether through increasing direct taxes (income and property taxes) which are still extremely low in most developing countries, or through introducing a value-added tax (emphasising its progressive aspects). Simplifying the tax laws and increasing the efficiency of the tax administration should also be implemented as soon as possible.

For the state to succeed in eradicating human poverty, *macroeconomic policy* can no longer be based on the approach Amartya Sen called 'anti-deficit radicalism' that separates economic and social policies. Instead, countries need to adopt a 'transformational approach' to macroeconomics. As Çagatay

and Elson state (2000, p.1348) this approach argues that the “‘soundness’ of macroeconomic policy would be judged not on market-based criteria ‘per se’, but in terms of whether they ultimately succeed in bring societies closer to achieving social justice. Thus, desire social outcomes... become the ultimate goals of policy-making, including macroeconomic-policy making”.

From this perspective, macroeconomic policies must have a profound democratic content and be determined through an active process of participation by all social groups. A key instrument to encourage participation and channel it effectively is the people-centred budget initiatives. The main goal of such initiatives is to ‘come up with reprioritisation of both expenditures and revenue-raising methods in order to promote social justice’ (Çagatay, Keklik, Lal and Lang, 2000, p. 14).

People-centred budget initiatives can be classified into two categories: social impact analysis and audits; and the preparation of people-centred budgets. While the former are used to determine the effect of the actual budget on income and gender equality and on poverty, the latter try to substitute or complement the current allocation of public revenues and expenditures (Çagatay, Keklik, Lal and Lang, 2000, from a detailed analysis of people-centered budget experiences in India, Bangladesh, Canada and Port Alegre in Brazil).

The adoption of a people-centred budget will contribute to allocating public spending to activities that favour a majority of the population and promote participation, accountability and transparency. As a result, it will help overcome the fiscal squeeze and will increase the political power of the poor. In fact, the adoption of a model of participatory budgeting seems to be one of the main reasons for the dramatic expansion of municipal revenues in the city of Port Alegre (Brazil) (Çagatay, Keklik, Lal and Lang, 2000).

c) *Generate pro-poor growth*

Economic growth *per se* is not sufficient to result in an expansion of human development and a substantial reduction in human poverty. Countries such as Egypt and Pakistan, for example, experienced annual rates of per capita income growth of more than 3% between 1985 and 1997 (UNDP, 1999) but did not advance significantly on the road to human development.

Developing countries need to adopt a strategy of ‘pro-poor growth’. Pro-poor growth takes place when the poor’s per capita income is growing faster than the average national income and, even better, when the absolute number of poor people is being reduced by growth (UNDP, 2000b).

As the experience of China in the early 1980s, Vietnam in the 1990s and Malaysia and Taiwan (province of China) before the financial crisis show, a pro-growth strategy should include the following measures:

Restore *full employment*, putting emphasis in the promotion of labour-intensive industries.

Reorient social spending especially in education, to expand the capabilities of the poor.

Promote micro-enterprises and the informal sector and increase the productivity of small-scale agriculture.

Provide the poor with means to *save*, to access to *credit* and to start a small business. Promoting micro-finance schemes has proven to be an efficient way to empower the poor and increase their ability to save and invest. Micro-finance, however, has not been as successful in helping poor people start new businesses, and additional measures are needed to promote micro-enterprises.

The reduction of human poverty in the developing world is highly improbable if the inequality in the distribution of initial assets and final income is not substantially reduced. In order to do that, countries should make an effort to make *taxation* more progressive, provide income transfers, increase spending in education and assure a democratic access to credit and other productive resources. None of these measures, however, will be effective unless there is a concurrent, dramatic restructuring of many public programmes aimed at eliminating their often regressive nature and concentrating resources on those with progressive effects (see table 7 for the case of education in some countries).

d) *Set targets and design programmes for poverty reduction*

Countries should follow the 1995 Social Summit's recommendations and implement 'national poverty eradication plans' to address '*the structural causes of poverty*' (cited in UNDP, 2000b, p. 32). Anti-poverty plans are needed to build a consensus for socio-economic change and determine how many resources are required to eliminate poverty and where should they come from.

On 8 September 2000, the largest gathering of Heads of State ever met in New York for the *United Nations Millennium Summit*. The Summit was the culmination of hundreds of millennium-related events on the future of the global system, involving members of civil society, religious leaders, parliamentarians, youth, the business community and scholars. Reflecting on

Table 7. INEQUALITIES IN EDUCATION, 1990s
SELECTED DEVELOPING COUNTRIES

	<i>Percentage of total education expenditures going to</i>		<i>Percentage of expenditures for primary education going to</i>	
	Poorest 20%	Richest 20%	Poorest 20%	Richest 20%
Costa Rica	18	20	34	7
Cote d'Ivoire	13	35	19	14
Indonesia	15	29	22	14
Madagascar	8	41	17	14
South Africa	14	35	19	28
Vietnam	11	36	22	18

Source: UNDP, 2000b.

commitments made during the UN conferences in the 1990s, including the 1995 World Summit for Social Development in Copenhagen, the world leaders reaffirmed their strong convictions in the *UN Millennium Declaration* by stating.

'We will spare no effort to free our fellow men, women and children from the abject and dehumanising conditions of extreme poverty, to which more than a billion of them are currently subjected. We are committed to making the right to development a reality for everyone and to freeing the entire human race from want. We resolve therefore to create an environment – at the national and global levels alike – which is conducive to development and to the elimination of poverty'. (United Nations, *United Nations Millennium Declaration*, A/RES/55/2, 18 September 2000, p. 4)

In the same declaration, the heads of state declared the need 'to halve, by the year 2015, the proportion of the world's people whose income is less than one dollar a day and the proportion of people who suffer from hunger and, by the same date, to halve the proportion of people who are unable to reach or to afford safe drinking water' (ibid, p. 5). Reflecting on the task of reducing human deprivation in its many dimensions, the *Millennium Declaration* also elaborates upon the other major international development goals (IDGs) of the past decade, including the need to ensure universal primary education, to reduce infant and child mortality by two-thirds, and to reduce maternal mortality by three-quarters (all by 2015) and to eliminate gender disparity in primary and secondary education (by 2005).

To meet these ambitious poverty alleviation goals, a *combination of effective domestic and international actions* are required. There is, however, no 'one size fits all' blueprint strategy for reaching these targets. In determining their own urgent priorities based on local realities, developing countries must change management processes and prepare their own mix of relevant policies to reduce poverty. The world leaders that convened in New York for the Millennium Summit recognised that 'good governance' is necessary within each country in order to achieve success in meeting the objectives outlined above – and this is an area where development agencies have experience and know-how to offer. The world leaders also acknowledged that success depends on good governance at the international level and on transparency in the financial, monetary and trading systems.

From UNDP's perspective, *poverty plans* are not simply a set of targeted interventions completely separated from other economic policies. Since poverty is a multidimensional problem, it can only be solved through an integrated, multidimensional programme that includes an estimation of the extent of domestic poverty and a set of targets.

Until now, most national poverty plans have concentrated on improving access to basic social services and creating opportunities for income and employment. Typically, they have not been very successful at setting targets: of the 140 countries that have implemented anti-poverty plans, only 31% (43) have set targets for eradicating extreme poverty (UNDP, 2000b). A few, however, have broadened their goals to include the promotion of community participation and an improvement of the environment. Mauritania's plan, for example, included strengthening development-oriented NGOs and in Jamaica the National Poverty Eradication Program pursues community-based development with a focus on human resources and social development (UNDP, 1998).

Poverty plans can also contribute to two additional objectives. First, they are supposed to encourage active *participation of the poor* in their formulation and as a result should help to build a stronger civil society. Second, they are likely to lead to a rise in *accountability and transparency*, the two building stones of effective governance.

In the new global economy, however, isolated efforts from individual countries will not be enough to control the process of globalisation and limit its negative effects. Profound transformations at the international level are needed, a new coalition between developing countries has to be built and nurtured and developing countries must collaborate more closely with each other. This will require a final and radical solution to the debt burden of

many developing countries, a dramatic increase in development aid, the elimination of protectionist trading practices in OECD countries and a much greater concern for global economic equity.

e) Reduce human insecurities

As we have seen, globalisation has increased human insecurity in several spheres such as the labour market, crime and violence, and financial instability. In order to reduce human poverty, states need to stop these negative trends with measures such as:

Constantly improving workers' skills, establishing a minimum wage, protecting labour standards and rights, and increasing the productivity of the informal sector. The reduction of wages or labour rights and the worsening of working conditions do not constitute an effective development strategy in the long run.

Creating poverty relief programmes in times of financial crisis (including expanding social spending) and avoiding solutions based on excessive fiscal restraint;

Promoting international co-operation against international crime, especially in law enforcement and surveillance, and strengthening judicial co-operation. Countries should also develop witness protection programmes and actively prosecute money laundering.

f) Address the debt crisis and the need for greater equity in the international system

Human poverty could well increase with the expansion of foreign investment and trade associated with globalisation, especially if the growth in these areas continues to be concentrated in the industrial countries. For one-third of developing countries, the ratio of foreign direct investment to GDP has actually fallen over the past decade. This has serious implications for the transfer of technology and know-how, which is heavily biased towards those countries receiving the most foreign direct investment.

Poor countries must also contend with unfavourable terms of trade and finance. Particularly in areas of comparative advantage such as textiles and agriculture, developing countries as a whole must contend with tariffs 10% higher than the international average – the corresponding figure for least developed countries is 30%. Further, the opening of financial markets has constrained the ability of developing country governments to employ

deficit financing, resulting in significant reductions in spending on health, education and food subsidies.

These issues pose serious challenges for international, regional and national governance, in terms of the development of better macro-economic policy environments for poverty eradication at all levels, a fairer institutional environment for global trade, better access to finance for poor countries, and accelerated debt relief. The heads of state attending the Millennium Summit committed themselves to 'an open, equitable, rule-based, predictable and non-discriminatory multilateral trading and financial system' (Ibid, p. 4), but further steps are still needed to enable low-income countries to fully participate in the fast globalizing economy. Some recommended steps to equip developing countries to seize opportunities in the international system while protecting their people's interests are introduced in box 1.2.

Box 1.2

Strengthening the bargaining position of poor countries – Four Proposed Actions

Poor countries and poor people have little voice or influence in today's global policy-making forums. The most important and influential actor is the G-7, whose members control the Bretton Woods institutions through voting rights, and the United Nations Security Council by occupying three of the five permanent seats. There is no developing country equivalent to the G-7 or OECD – with similar resources, consultation and policy co-ordination. But there have been many efforts to develop collective third world positions through such bodies as the G-15, the G-24 and the G-77.

UNDP's *Human Development Report 1999* proposed four actions that could be rapidly set in motion to strengthen the bargaining position of poor countries:

- *Provide legal aid.* WTO dispute settlement mechanisms can be fair only when all the parties to a dispute have access to expert services to argue their case. An independent legal aid centre is needed to assist poor countries. This has now become a reality, announced at the WTO meeting in Seattle in late 1999.
- *Appoint an ombudsman* to respond to grievances and investigate injustices.
- *Support policy research.* OECD countries arrive at multilateral forums with a battery of policy research to formulate and defend their positions.
- *Rely more on regional solidarity and regional institutions.* Poor countries can make their own resources go further by developing common positions in negotiations and developing mutual financial support in crises (UNDP, *Human Development Report 1999*, pp. 108-110).

3.2 The role of international development assistance

A growing number of development partners now agree that the ultimate goal of development is to build human capabilities and enlarge human choices. Advancing human development, in turn, requires a safe and secure environment where citizens can live with dignity and equality. In this age of advanced globalisation, where the forces of change and integration have markedly intensified, nations require *new tools, targeted resources* and *first-class policy advice* to prevent setbacks in their democratic progress and the economic and social wellbeing of their people. It is through this set of issues that international development assistance can have the greatest impact in overcoming poverty and in strengthening the position of developing countries vis-à-vis powerful international actors.

a) The World Bank, the International Monetary Fund and the Poverty Reduction Strategy Papers

In an effort to catalyse more poverty reduction in the developing world, the World Bank and International Monetary Fund – alongside a range of development partners in government, the UN system, academia, NGOs and private sector organisations – have begun spearheading innovative country-led poverty reduction strategies that are to be summarised in Poverty Reduction Strategy Papers (PRSPs). This initiative grew out of the 1999 Annual Meetings of the Bank and the Fund, when poverty-reduction concerns were linked to debt-relief issues for highly-indebted poor countries (HIPC). Finance Ministers participating in the meetings stressed that for each country under consideration by the HIPC initiative, a 'poverty reduction strategy should be in place by the time of the HIPC decision point' (The World Bank Group Operations Policy and Strategy, 'Poverty Reduction Strategy Papers', Internal Guidance Note, January 21, 2000, p. 1). They concluded that poverty reduction strategies should eventually underpin all International Development Association (IDA)- and Enhanced Structural Adjustment Facility (ESAF)-supported programs.

Most countries that the World Bank and IMF work with maintain some type of strategy for poverty reduction. However, the strategies have been found to vary significantly in scope, depth and participatory thrust. According to the World Bank, past poverty reduction plans have not always focused on monitoring results, they often fail to make clear the causal links between public action and poverty reduction, and they may not reflect a

participatory approach (*ibid.*, p. 1). A central purpose then of the PRSP program is to help countries fill these gaps and to improve the design and implementation of their poverty reduction strategies.

Poor performance in reducing poverty has multiple causes, and consequently, most development analysts and practitioners believe that action is needed on both the domestic policy and external assistance fronts. This, in turn, raises two sets of issues:

How to identify effective strategies to reduce poverty; and

How to modify external partnerships and assistance to reduce poverty more effectively.

National poverty reduction strategies are then seen as helping to improve the poverty impact of expenditures financed by external partners and the effectiveness of technical advice by increasing country ownership and shifting policy to a more results-oriented approach (World Bank, *Poverty Reduction Strategy Sourcebook*, [Washington, DC: World Bank, 2000], p. 1).

Recent Poverty Reduction Strategy Papers presented to the Executive Boards of the World Bank and IMF proposed an enhanced framework for poverty reduction in low-income countries. The Interim and Development Committees of these international financial institutions have strongly endorsed this approach, which encourages low-income countries to fight poverty by focusing on a renewed growth-oriented strategy. Another outcome of the PRSP process has been to enhance Bank/Fund collaboration, so as to better assist low-income countries in attacking poverty. The more immediate objective of this close collaboration is to 'help the country authorities to produce a poverty reduction strategy that appropriately balances financial/macro-economic and structural/social considerations' (The World Bank Group Operations Policy and Strategy, "Poverty Reduction Strategy Papers", p. 3).

b) *The experience of the UNDP*

Until recently, the critical links between governance and human development were not sufficiently understood. It is now a widely shared belief that the main reasons for continued human deprivation are not just economic. These problems go hand in hand with political and social factors rooted in poor governance. In recognition of the close relationship between the quality of a nation's governance and whether it succeeds or fails to reduce poverty, governance for human development – or humane governance – is a chief priority for the UN Development Programme.

The UNDP's approach to governance is unequivocal about placing individuals and their choices at the centre of the development process and embraces the principles of empowerment, participation, equity and sustainability. Governance must be rooted in these principles to move a society toward greater human development, including poverty eradication, environmental protection and regeneration, gender equality and sustainable livelihoods.

Governance was explicitly confirmed as a programming objective within the UNDP with the publication in January 1997 of the UNDP's Governance Policy, though the UNDP had previously supported governance programmes at various levels. When the UNDP was first established in 1965, its mandate gave it the status of a fund management agency, not a development organisation. Technical assistance for development financed by the UNDP was contracted from the UN Specialised Agencies who assisted governments in managing specific state functions. Throughout the 1970s and early 1980s, UNDP introduced participatory approaches to development, expanded its work with NGOs, and incorporated private-sector approaches to public-sector management.

By the late 1980s, structural adjustment policies placed the performance of the public sector high on the political agenda, and the role of the state, its size, cost and productivity came into question. Pressures to reform the public administration to address these new relationships and to encompass an increased role for local authorities and the private sector encouraged the UNDP to set up in 1988 one of its most successful global programmes, the Management Development Programme (MDP). The primary objective of the programme was to help countries undertake system-wide changes in response to transitions to a new economy, institutional reforms, and administrative improvement.

By 1993, the MDP's considerable range of experience led to the conclusion that for governments to be effective and responsive in the pursuit of national development, the state could not be the sole responsible actor. 'Government' did not equate with the evolving concept of 'governance', and the UNDP's mandate suddenly broadened beyond its formerly exclusive work with government itself. Between 1992 and 1998, 50% (or \$5 billion) of all the UNDP's resources was allocated to programmes promoting political, economic and social governance. Of this, 53% went to six areas of humane governance: strengthening governing institutions (legislative, judicial, electoral and human rights); supporting decentralisation and local governance; promoting public sector reform; assisting governance in crisis and post-conflict situations; and enhancing democratisation and political empowerment of the poor through strengthening civil society organisations.

Today, while UNDP assistance for public sector management programmes still features prominently in the UNDP country and regional programmes in the area of governance, the following is projected:

activities focusing on the private sector feature in around 55% of future programming;

activities supporting civil society organisations are incorporated in 65% of future programmes; and,

62% of the expected programmes will direct assistance to governing institutions.

This represents a significant shift from a traditional UNDP focus on public sector management and financial and economic management.

The UNDP works with its partners in the South to help them respond to a world of limited public flows. As detailed earlier, since the fall of the Berlin Wall, private as well as public flows have been attracted to those countries with good policy and institutional frameworks – and not because of mere political alliances. The UNDP helps prepare its clients for a world where technology and information are powerful agents of change compared to the old-fashioned hardware of economics. For instance, it was allegedly two UNDP consultants who, many years ago, persuaded the authorities of Singapore that there was a gap between when the London stock markets opened and the Japanese markets were up and running. Out of their simple study of the clock emerged one of Singapore's future competitive advantages.

Whether the entry point for the UNDP is *electoral assistance*, such as the \$80 million in donor funds it co-ordinated for Indonesia's national elections in 1999, or an anti-corruption programme such as that recently established in Nigeria, the future will involve comprehensive governance programme where the UNDP works out with governments and civil society how a country is going to take advantage of globalisation's opportunities. The future of the UNDP, therefore, rests in its ability to deliver the right kind of *strategic advice* at the right time, and through its vast network of 135 country offices, on the ground in the right place.

In an essay addressing how global forces can exacerbate or help reduce poverty, it is crucial to also recognise the contributions that institutions of *regional and global governance* can make in improving a developing country's ability to progress. At the regional level, for example, the UNDP's Environmental Programme for the Danube River Basin helps integrate several regional players in a combined attack on the region's environmental challenges. The programme, recently extended to incorporate environmental issues related to the Black Sea Basin has been highly successful in

improving international co-operation for the sustainable management of the Danube River and the Black Sea Basins.

Concerned with the local, national and international dimensions of corruption, mismanagement, sustainability, violence, human rights, and the marginalisation of the poor, the UNDP seeks to assist governing structures in their efforts to deliver what people want and need. For democracies to flourish in an era of heightened, global interdependence, citizens must be afforded economic and social betterment and the means to exercise one's freedom to choose. This is possible only when the 'humane governance' priorities of meaningful participation, accountability, transparency, and the rule of law deliver human development. Without humane governance practices, public and donor resources are often inefficiently wasted, siphoned-off for personal gain, and fail to reach the intended beneficiary.

The UNDP's Comparative Advantages: To assist states with the tasks of achieving humane governance and accessing new opportunities through the key determinants of globalisation, the UNDP has many institutional strengths that, together, set it apart from other external partners concerned with governance issues:

Impartiality – the UNDP works as an agent for change with all actors;

Customer orientation – UNDP pursues its mandate within national priorities;

Long time frame – the UNDP views development from a long-term perspective and seeks to maintain a presence in programme countries;

Experience – the UNDP has 50 years of experience in capacity development;

Trust – the UNDP long ago won the trust of governments and other partners in programme countries; and

Universality – the UNDP's field presence in 137 countries ensures ongoing dialogue, learning and co-operation.

The UNDP's particular competitive edge in the fight against poverty is its governance advisory role rooted in rigorous analysis and five decades of on-the-ground experience. The UNDP is being asked by many governments to help them in difficult and sensitive areas such as judicial and civil service reform, the functioning of parliaments, and institution-building for human rights protection and women's rights. Further, the UNDP works to increase participation and strengthen civil society, a role in which the UNDP in many cases is afforded a much wider license by programme countries than an international NGO or a bilateral donor.

As examined earlier, action solely at global and regional levels will be insufficient in helping developing countries to reduce the negative effects of

globalisation, including the exacerbation of poverty levels. The front lines will always be at the national and local community levels, and the best approach to preparing a country and its people is to establish strong institutions (both state, civil society and private sector) that are participatory, accountable and help promote the rule of law. Many development organisations from diverse backgrounds are now engaged in specific activities to improve decision-making and implementation structures and processes. The following are the UNDP's key areas of intervention:

c) The UNDP's entry points for poverty alleviation through better national and local governance

To achieve its mandate of developing national capacities for humane governance so that countries can better cope with the exigencies of globalisation, the UNDP targets its assistance and builds core competencies in the following areas:

Strengthening governing institutions – legislatures (national and provincial), judiciaries and electoral bodies.

Updating public and private sector management practices – including leadership and management of changes, civil service reform, economic and financial management and urban management.

Supporting decentralisation and local governance – Decentralising government enables people to participate more directly in governance processes and can help empower people previously excluded from decision-making.

Empowering civil society organisations – CSOs are the wellspring of social capital – people working together for a common purpose – that is essential for humane governance. CSOs can advocate and monitor reform that fosters sustainable human development.

Countries in special circumstances – While humane governance programmes can reduce the risk of crisis generally, the UNDP can support specific efforts before, during and after crises.

In the design and implementation of governance programmes and projects, UNDP emphasises participation, consensus building, flexibility and a long-term view of development (see box 1.3). When building strategic, national capacities, the UNDP focuses on programmes that are sustainable and centred on people, particularly those discriminated against and the poor. Given the UNDP's proven expertise in these areas, the organisation has taken the lead on governance issues for the United Nations System-wide *Special Initiative on Africa* (box 1.4).

Box 1.3**Reforming governance to reduce poverty in Kenya**

Launched in March 1999 with support from UNDP, Kenya's new National Poverty Eradication Plan is a 15-year programme modelled on the commitments of the World Summit for Social Development. It recognises that previous poverty reduction efforts have failed to reach the poor largely because of implementation problems and weak governance structures. The government has established the Poverty Eradication Commission, comprising a cross-section of interest groups, as an independent body to monitor implementation of the poverty plan.

A notable aspect of the plan is its *Charter for Social Integration*, which states that citizens have the right to make decisions about matters that vitally affect their material and social well being. It also identifies basic needs with individual rights. Health, literacy, food security, clean water and freedom from injustice and physical harm are among the rights it underscores. Communities, the charter states, also have rights: they should be able to organise for their development, and minority communities in particular should have the right to maintain their cultural identities.

Although the plan emphasises inclusive and participatory development, practices at the district might fall short of objectives. District staff will have to be trained in new ways of designing and implementing projects so that beneficiaries are involved every step of the way. Previous projects, such as those carried out by the District Focus for Rural Development, stressed the importance of participation but were implemented as government-engineered activities. The challenge is to find appropriate governance structures to implement the participatory principles of the poverty plan. Considerable resources and broad democratic decision-making will be needed to involve the poor in advancing their own development (UNDP, *Overcoming Poverty: Poverty Report 2000*, [New York: UNDP, 2000], p.59).

d) The importance of partnerships

It is fitting to conclude an essay dealing with strategies for alleviating global poverty by underscoring the significance of partnerships – however varied and asymmetrical – in achieving progress toward human development.

Civil society organisations, business groups, the media, trade unions, religious institutions, think tanks, academia, governments and international agencies (both bi- and multi-lateral in nature) all have something to contribute to the struggle for greater justice, as well as social and economic improvement (see box 1.5). Working alone in isolation of one another, each of these actors would have a limited and short-lived impact in improving the quality of life in a community. On the other hand, through a complex web of partnerships based on the principles of *respect*

Box 1.4

**Combating poverty at its roots:
The UN System's *Special Initiative on Africa***

Fifty-four percent of Africa's people live in absolute poverty, and Africa is the only region in the world where poverty is projected to increase over the next decade. The annual rate of population growth for the continent is the highest in the world, and twenty-two out of twenty-five African countries appear in the UNDP Human Development Index's category of 'low human development' (with African countries also comprising thirty-three out of the forty-seven labelled as 'least developed countries'). Further, the proliferation of armed conflicts – and the accompanying massive loss of human lives, refugees and internally displaced persons – strengthens the perception of Africa as a continent in turmoil severely lacking in political stability.

Against this backdrop and recognising that Africa represents the 'foremost challenge of global development', the United Nations System-wide Special Initiative on Africa was launched on 15 March 1996, with the participation of the Presidents of Ghana and Senegal, the Vice President of Kenya and the Prime Minister of Ethiopia, in his capacity as Chairman of the Organisation of African Unity (OAU), the UN Secretary-General, the President of the World Bank, and the Heads of several UN organisations. This integrated, multi-year programme has a two-fold purpose: (1) to develop further practical initiatives to maximise the support provided by UN system to African development; and (2) to raise the priority given to Africa in the international agenda. Regarding the second point in particular, the *Special Initiative* seeks to mobilise the political support needed to ensure that timely action is taken to remove the many obstacles to African development. Over the past several years, the programme helped to establish a supportive role for donors in Africa by reinforcing that Africans, both women and men, must be at the centre of their own development. In this spirit, most of the resources of the *Special Initiative* have been firmly rooted in national programmes of action that were locally defined and managed.

For managing the programme, a Steering Committee was established, co-chaired by the Administrator of UNDP and the Executive Secretary of the UN Economic Commission for Africa, and the following five working groups were set-up:

- Water (under the chairmanship of UNEP);
- Food Security (under the chairmanship of FAO);
- Governance (under the chairmanship of UNDP);
- Social and Human Development (under the chairmanship of UNESCO);
- Resource Mobilisation (under the chairmanship of the World Bank).

While Africa continues to exist on the edge of survival with, by many accounts, discouraging prospects, efforts such as the *Special Initiative on Africa* have helped the international community to focus seriously on a few issues of high priority and to effectively mobilise and co-ordinate the efforts of African governments and Africa's development partners toward achieving their stated goals (*United Nations System-wide Special Initiative on Africa*: <http://www.undp.org/rba/special/siamain.htm>)

and *shared responsibility*, the actions and influence of individual development actors can be scaled-up, creating new opportunities for hope and change among the beneficiary groups.

Box 1.5

Promoting public-private partnerships in Trinidad and Tobago

To advance poverty reduction efforts in Trinidad and Tobago, UNDP has worked closely with the government's Change Management Unit for Poverty Eradication and Equity Building, part of the Ministry of Social and Community Development. The unit includes the Secretariat of the Ministerial Council on Social Development, with representatives from 14 government-ministries and from the Tobago House of Assembly, which spearheads the implementation of the government's commitments at the United Nations-sponsored world summits. It also has a Civic Council on Social Equity, an umbrella group of 19 civic organisations to involve representatives of poor communities in a national policy dialogue.

One of the unit's more promising initiatives is the *Adopt a Community* programme, which fosters collaboration between the private sector and local communities. In 20 communities, selected through a 1996 survey on the determinants of living conditions, corporations assist the local government for 30 months with projects in education, training, infrastructure, sports and culture. Several companies, including local banks and multinational enterprises, have volunteered to participate in the programme. UNDP has been providing technical assistance to enable the unit to monitor the projects (UNDP, *Overcoming Human Poverty*, p. 79).

The conventional model of a technocratic government supported by donors was always incomplete. More than ever, policy and aid effectiveness depend on inputs from a wide range of agents and their institutional frameworks. Further, given that several of the development actors who hold promise for doing good are also the same organisations that can hinder progress, partnerships can serve another useful purpose: to create greater transparency in society and to shame organisations that harm others and the ecosystem into changing their behaviour. This has been one of the objectives of the UN Secretary-General's *Global Compact Initiative* with the international business community. When the bonds of respect and shared responsibility are established, people listen to one another, even if the advice is at times critical and seemingly against the short-term interests of the accused organisation or individual.

In the crusade against human poverty – *in all its dimensions* – the broader international development community must encourage a range of

partnerships to innovate good policies and to help build first-rate institutions, from the global level through the regional and national to the local levels. Partnerships must be at the heart of all future negotiations and implementation programmes, including for the upcoming Third United Nations Conference on the Least Developed Countries in May and next year's UN Conference on Financing for Development. The exchange of fresh thinking that will ensue from these experiences will facilitate the search for new ways to manage globalisation and to make markets work for all people, especially children, women and the poor.

4. CONCLUSION

Globalisation has dramatically altered the way the world is organised. It has brought people closer, increased wealth tremendously, democratised the access to information and raised new hopes for the future.

Many of these hopes, however, have not yet materialised for a majority of the world's people. The world is still very unequal and a majority of its occupants suffer from either poverty or increasing human insecurity. The challenge for the new century is, therefore, immense. As the 1999 *Human Development Report* clearly recognises, we need to 'find the rules and institutions for stronger governance – local, national, regional and global – to preserve the advantages of global markets and competition, but also to provide enough space for human, community and environmental resources to ensure that globalisation works for people – not just for profits' (UNDP, 1999, p. 2). In our ability to succeed, rest the chances of constructing a world in which human poverty and inequality are no longer a problem.

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THE IMPACT OF 'GLOBALIZATION' ON CULTURAL IDENTITIES

PEDRO MORANDÉ COURT

1. FOREWORD

The purpose of this contribution is to analyze the impact that the ongoing globalization process has on the cultural identities of peoples. However, to be able to carry out this analysis it is first necessary to locate the process of globalization within the realm of understanding culture, something which is usually not done. The commonly used definition of globalization comes from the economic realm, from the opening up to free trade and from the growing interdependence of world markets at their different levels. To this definition is usually added the political and institutional dimension, the responsibility of the organisms of the United Nations, multilateral pacts, and regional agreements. In both dimensions there exist, certainly, involved cultural aspects: the so-called 'cultural industry' and 'show business' on the one hand, and cultural institutions protected by law, such as schools, universities and the media, on the other. However, with an approach of this type we only touch the surface of the cultural dimension, since this last cannot be reduced either to the exchange of products or to institutions. Therefore, I would like to analyze at the outset what I understand as culture from the perspective of sociology and how the process of globalization can be defined using this approach.

2. THE CONCEPT OF CULTURE

I leave to philosophers the analysis of the ontological dimension of culture and its relationship with the human person as such. I make this indis-

pensable explanation because I do not ignore the fact that the current Pontiff's teaching provided beautiful stimuli for reflection when he declared in his speech to UNESCO that culture 'is a specific way of existing and of man's being'; that 'man, who in the visible world is the only ontic subject of culture, is also its only object and its end' and 'that one cannot think of culture without human subjectivity and without human causation; that, in the field of culture, man is always the first fact: man is the primordial and fundamental fact of culture. And this is man always in his/her entirety: in the integral whole of his/her spiritual and material subjectivity' (Speech to UNESCO, 2 June 1980). 'Globalization', as such, is not a phenomenon that in an immediate or direct way bears upon this sphere of analysis. Rather, it presupposes it, at least in the sense that the human person rationally understands that in spite of his or her different ethnic and historical-cultural origins he or she shares that same rational condition which makes him or her aware that he or she is a free subject and also conscious of the causation of his or her acts, something which includes, as a consequence, his or her responsibility. Although voices have already been raised which seek to question the unity of the human species and also question that all men, by the fact of being such, must be considered as persons, that is to say free fellows and equal in dignity and rights, it is my view that their arguments are excessively directed towards the legitimation of dubious techniques which allow the manipulation of human beings and as a result these voices do not express effective rational arguments.

Sociology, in a more modest perspective, considers the concept of culture as a historical one which was consolidated in Europe during the eighteenth century after a long social genesis and which since then has not only been applied in the European regions but progressively throughout the world. This is not the place to describe the most relevant aspects of this socio-genesis. It is enough to point out that it has been, so to speak, an evolutionary gain in terms of the achievement of objectivity in observing social phenomena, with the consequent possibility of comparing different particular traditions and customs, and this at a time when with the massification of written culture the consideration of social esteem was liberated from a vision derived from the higher levels of a pyramid made up of status hierarchization. After the consolidation of bourgeois culture, what was cultivated could be considered in alternative ways and from a perspective different to that of the nobility. But this was only the beginning of a process that was to be enlarged progressively to other spheres. Not only would life and death, catastrophe and illness, be perceived as constituent elements of

human contingency: they would begin to be defined with suitable and relevant social approaches.

The concept of culture expressed the possibility that social difference could be considered in symmetrical form and not only with those concepts which, due to the ontological load involved, hierarchize one of the two sides of the differentiated: truth/falsehood, good/evil, beauty/ugliness, civilization/barbarity, nobility/ignobility. If, during the sixteenth century, for example, theologians had to pose the question of whether the recently discovered Aborigines of America were really humans at all, thereafter the concept that was employed was that of 'other cultures', without there being an explicit indication through such an appellation of any form of hierarchy. One was dealing, simply, with otherness. Obviously enough, the hierarchization of difference would not disappear completely, and this is true of our days as well. But ethnocentrism, racism and other tendencies of this type began to be easily known as particular points of view which did not depend on the objects being observed but on the perspectives of the observers.

Following Luhmann, we can affirm, in consequence, that the concept of culture expressed an observation of the second degree, that is to say, the observation made by observers. There do not exist, as such, cultural objects which can be differentiated from others that are not such objects. Not even the difference between natural objects and constructed devices is an example of this because all cultures have given to natural objects varied symbolic meanings that can be understood only with reference to their hermeneutic presuppositions. As was to be expressed later in the classic definition by Tylor, practically all objects that have social meaning belong to culture. It is not, therefore, from the object in itself that we can construct a cultural analysis, but from the way in which that object is observed by observers.

What lies behind this observation of the second degree? Fundamentally, two things. Firstly, the self-observation that is structured in the consciousness starting with the differentiation between identity and difference, that is to say, between self-reference and hetero-reference. Secondly, the discovery of the blind point present in every observation produced by the fact that when tracing a difference no observer can be located simultaneously on both sides of the differentiated. When discovering the blind point in others, awareness of one's own blind point can be acquired and hence the need to make comparisons between the different points of view, which in turn feed back to the perception of identity and difference. This is the procedure by which different peoples have acquired cultural identity, either in their identity/difference in relation to their immediate neighbors or in relation to

major regions of the earth: for example, the West/the East, the North/the South, Ibero-America/Anglo-America, Latinity/Germanity, etc. The same approach is usually applied within societies with reference to sex, age, income, productivity or any other socially relevant aspect.

There are as many types of cultures as there are points of view from which cultures can be observed and differentiated. If in certain circumstances one prevails over another, this is the result of the social relevance attributed to these differentiations, which can be recomposed and fed back infinitely. Observing this process from the perspective of social evolution, it could be said that without abandoning them totally, approaches linked to the ontic reality of people, such as sex, age, race, and territory, are substituted for contingent and relative criteria for the purpose of observation, such as productivity, efficiency, speed, objectivity, esteem, and subjective preferences. No approach involving differentiation, however, is completely abandoned. Not even those that have ontological consequences. They are merely reinterpreted from points of view involving a higher awareness of contingency and of the relativity of the observation and classification approaches.

Sociologists seem to be in broad agreement on the use of two major macro-variables to observe this process: on one hand, the passage from oral cultures to written cultures and then to audiovisual ones; and, on the other, the passage from family-segmented social organization to status hierarchized social organization, and, finally, to the functional organization of society. Both variables point towards a fact which has often been observed: that societies progressively replace the invariable approaches of a natural character by which to observe themselves with more flexible and contingent approaches which refer to their own forms of social organization. Whereas in most oral cultures, the mirror by which society observes itself is nature, the cosmos (cosmologies, cosmogonies), the introduction of literacy allows the substitution of this hetero-reference by the self-reference of society for seeing itself and its differentiations, that is to say, by culture, in its dynamic relation of identity and difference. Society, with these new degrees of complexity, acquires an increase in the number of available options for decision-making. Through the duplication in the symbolic sphere of all objects and social relations, culture allows a foreseeing of possible scenarios and the giving of present value to the future. The irruption of audiovisual technology accelerates this same process and this means that society can be aware of the value/cost of the suitability of its decisions.

Culture is also identified with the historical memory of societies. Here emphasis is placed on the mechanisms of the socialization of knowledge

and meaning that form the intergenerational network which provides continuity to social life. Such a vision could not be understood except from the perspective of the observation of observers since in the receptivity of the point of view of tradition by each new generation what has been thought and transmitted is considered inseparable from the analysis of the point of view of those who have elaborated and transmitted them in this way. This allows the new generations to develop a critical approach in relation to precedents and to produce innovation and change in society. However, it is necessary to overcome an extremely lineal vision of this socialization process since one has to keep in mind that the present in society nowadays, which in the context of current life-expectancy covers approximately five generations, involves a state of affairs where each one of these generations feeds back its points of view into those perceived by the others. The historical memory should not be understood, consequently, as a sort of file of past events that can be opened when it is necessary to remember things, but rather as a hermeneutic ability of the present which guides the possibilities of increasing the observation angles of differentiation between identity and difference.

This new form of conceiving culture permits a leaving behind both of the idea that social consciousness is necessarily false or alienated and of the concomitant idea that sees culture as a reflective superstructure of the material conditions of life. With regard to the first idea, it is evident that every observation, as has already been pointed out, has a blind point, where what cannot be seen cannot be seen. But the capacity to observe observers tracing the differentiations, which allows them to observe, makes possible the discovery of the latent structures of our own and other people's observations, so that alienation, far from remaining a sort of black hole to which every consciousness succumbs, provides an opportunity for feeding back the differentiation which one observes with new differentiations that were not originally perceived. With regard to the second idea, the concept of 'value-added' is applied equally to the exchange of material objects and to the exchange of intangible ones, and both of these categories have a cultural dimension that can be observed. Culture, indeed, corresponds to the duplication of objects as soon as they are observed, but such a duplication reflects nothing more than the point of view of the observation and for this reason the ideas of infrastructure and superstructure have been abandoned by sociology.

Having made these observations about the sociological point of view and cultural analysis, I would now like to consider the current phenomenon of 'globalization'.

3. *'Globalization' from the Perspective of Culture*

From what has been said above, it can be inferred that in the analysis of the impact of 'globalization' on culture it is very unsatisfactory to understand the phenomenon of globalization as an increase in the exchange flows of international trade, either in the sphere of merchandise or in the sphere of capital and financial flows. Although it could be understood that in this increment of trade there are goods included that in general terms could be considered as being cultural ones, for example books, musical works, designs of wardrobes and advertising, we have already pointed out that no object by itself can be considered separately from the culture in which it has been produced.

The fact that the access to new technologies takes place in differentiated form in the different regions of the world and that the distance between the included and the excluded has been increased is also no cultural fact in itself. It is possible that the new awareness of the value of information and the increment of trade in intangible goods makes it more evident that the capacity to add value appropriately to the goods is the basis of the difference in levels of productivity between countries, between regions of the world, and between branches of production inside a single country. However, there is nothing new in this fact because the beginning of the modern world, when the interest on capital was seen as legitimate gain and not as usury, opened the road to a social differentiation rooted in a monetary economy with its consequent obligations of efficiency and competitiveness to attain the maximization of the value of goods. Perhaps it could be sustained that this differentiation has reached such magnitudes that it is by now irreversible, and that for the same reason ideologies which proclaimed that the equality of human beings was the purpose of all the efforts of the political community have lost their foundations. But for the reasons enunciated above, the idea of equality is in itself an observation approach which has a blind point, and it cannot escape the paradox that the observer is unable to locate himself or herself on both sides of the differentiated. The question of how equal the equals are is in the consciousness of people every day in the most varied environments, precisely because they experience that behind equality approaches, society, in fact, traces differentiations.

It is necessary to explore the question more deeply and to ask whether behind the so-called globalization process there is a new 'quality' that deserves to be analyzed or whether we are only face to face with quantitative increments of interchanged goods, due especially to the fact that the

economic value of suitable information has become more evident. To answer this question, which is in itself highly complex, exceeds my possibilities and the confines of this paper. There is no other alternative, as a result, than that of enunciating some hypotheses in the hope that they will stimulate a debate that can supplement and correct their deficiencies.

3.1 Changes in the Relationship between Human Beings and Machines

Differently from other social phenomena of great range that the world experienced in previous centuries, one of the significant novelties of this present phenomenon is that the political will that drives this process and the ideologies that have been elaborated to advance it were largely preceded by the technological innovations that occurred after the invention of the 'homeostatic' machine. Such innovations did not only change the scope of the production of technological instruments: what is even more important is that they also changed the procedure itself of gathering information, of analysis, and of decision-making. This was truly a silent revolution that sprung from scientific laboratories and was then extended to all the spheres of social life, progressively embracing all human activity.

We can state that technology suffered a radical transformation when the machine stopped being conceived of as an instrument whose ends were imposed on it externally by the user's will and became a machine, as is the case today, that incorporated within itself the possibility of defining alternative ends. Automatization has not only meant the creation of novel intelligent machines with the capacity to build or to control other machines, but also machines designed with the explicit intention of imitating the functions of human intelligence which have homogenized and standardized in a growing way the operational definition of what is properly a rational decision, in contexts of variable circumstances and with different levels of available information.

I sustain, therefore, the hypothesis that an essential characteristic of social evolution at this stage of human history is that men and machines are no longer completely foreign in relation to one another. Both look for information, they store it, they process it, and they use it according to a rational protocol of decision-making. Under typical conditions and in a predetermined range of problems both act in an equivalent way. This new type of interrelation has changed the scope of the human phenomenon since complex alternative scenarios for all kinds of decisions can now be simulated in machines at a speed that human beings on their own could never reach.

Whereas during a large part of the twentieth century a pronounced 'uneasiness in culture' was perceived in relation to the development of technologies that displaced the central position of the human being in social life and the validity of Protagoras's assertion that 'the human being is the measure of all things', it has been the technological revolution itself that has once again placed human beings at the center, although in a way that was totally unforeseen by ideologies. The re-centering of the human being is not now proceeding by virtue of the Kantian 'legislative will' with its attempt to transcend the contingency of social life through formal universal principles, but because of the social capacity to process contingent and differentiated information which is appreciated precisely for its difference and redundancy. Information in itself is now defined as a capacity to connect differences, and, for that reason, is a very cultural act.

3.2 *The Attempt to Organize Social Life in 'Real Time'*

The main consequence of the above mentioned technological change is that the ability to organize social life in 'real time' has been created, although merely in an approximate form since absolute simultaneousness constitutes a principle of impossibility. The very term 'globalization', in this sense, is not very appropriate since it suggests spatial unification more than simultaneousness in terms of time. Nevertheless, it is in this last dimension that the novelty introduced by new technologies can be appreciated.

The 'uneasiness' that has produced this transformation has not been so much with culture as with ideological thought. Thus the postmodernists have proclaimed the end of the '*metarécit*' or the 'decline of ideologies'. And, in a certain sense, they are right, although the arguments they use to arrive at this conclusion are certainly debatable, particularly when they assimilate the interpretation of the Christian event of salvation to an ideology of history, to a '*metarécit*', which completely denaturalizes its eschatological and sacramental dimension. However, if we do not deal with this aspect but just remain in the sphere of ideological thought, it seems right to affirm that this ideology was built on the basis of the differentiation between the past (which included the present situation) and a future which was still to be built. As stated in the well-known comment of Marx to Feuerbach, 'up to now philosophers have interpreted the world, but now we have to change it'. This distance between the lived past and the 'wanted', 'dreamed of' or 'planned' future made present time an insignificant moment of social temporality, a mere formal connection.

The approach to 'real time' allowed by the new information technologies brings, on the contrary, a higher consciousness of present time as the moment when decisions are linked and the future is anticipated. The future stops being a mere conceptual representation of what is conceivable and could occur and comes to constitute the current meaning of the coordination of decisions. By ideological thought this is perceived as the 'end of history'. By the contingent elaboration of information, on the contrary, it is an opportunity to give present value to the future. This largely explains the progressively greater importance acquired by the monetary economy in relation to the real economy, a development due precisely to the fact that it anticipates the future. It also explains why the value of '*carpe diem*' has been so strongly asserted in recent decades. Some observers have interpreted this with reference to hedonism and the implicit materialism of consumer society, which evidently makes sense. But it could also be pointed out that it is a symptom that present time now has a new social gravitation, its own value, that it does not represent a mere arrival point or a mere starting point.

I have the impression that this important change has also been a source of tensions for intergenerational dialogue. For those who were socialized before these changes took place, youth still represents a future project, despite the fact that the juvenile period has been extended very much, as a consequence, among other factors, of the increase in life expectancy. Young people, on the other hand, rebel against this vision, since, socialized in this new social context, they justifiably think that present time also belongs to them and they claim the necessary social space for their own decisions and representations. Even the category of 'young people' in itself is too undetermined because the appraisal of present time leads to an increasing shortening of the period of age in which shared references exist. If Ortega y Gasset still thought that the distance between one generation and another was approximately fifteen years, nowadays it seems that this quantity of years is excessive.

Bound up with this phenomenon, one is also aware of a certain indifference among young people when facing a long duration historical memory compared with what usually happened in the cultural transmission of points of view among the elder generations. Particularly, the expectation of intergenerational encounter has moved from the past to the present time, with corresponding difficulties that this encounter will actually happen. The adults cannot take for granted that they will enjoy the respect of young people because of the sole fact that they are older

and, as such, the holders of wisdom about life. Young people, on the other hand, do not accept being defined as inexperienced because of the sole fact that they are young. The possibility of organizing social life in 'real time' brings about, in consequence, an understanding of the intergenerational dialogue more as a reality underway than as a long duration process in which each generation delivers its relay (testimony) to the following one at the moment of its retirement from the social scene.

3.3 *Decision-Making, Ethics and Social Governance*

The sole fact that the phenomenon that caused the novelty of nowadays did not have its origins in the political sphere, the habitual place of understanding the decision-making process in relation to the common good, represents in itself a huge political challenge. It would be enough to check the reiterated fact that current politicians/policies are forced in most cases to legalize the social effects of new facts which are created without any political intention. Political discussion runs the risk of becoming more and more a speech of *ex post factum* legitimation, with an evidently decreasing social relevance. Its traditional concern for the education of virtue among citizens has had to give way to consequentialist orientations due to the fact of being often surprised and surpassed by events that are difficult to foresee in terms of their significance before they actually happen.

It is not the task of this paper to engage in a political analysis of these transformations but merely to refer to their cultural significance. In this respect, I would like to mention first the relative loss of trust and of moral certainty provided by historical tradition and national culture. These are constantly challenged by the uncertainty of the future and the administration of risk has become one of the strategic nerves of social governance. And, although there still exists what could be called 'a country risk' or 'nation risk', their calculation and administration are judged more from the present situation and its variability rather than from historical tradition.

'Globalization' has brought with it a growing homogenization and standardization of the procedures of decision-making in the political, economic and scientific sphere or even in daily life, notwithstanding the insuperable discrepancies that could exist between the reasons proposed by people for making these decisions. This essentially represents a change in the form of giving legitimacy to the decisions that affect people and society in general. Sociologists have called this '*legitimation through procedure*', applying this concept at the outset to the impersonal and bureaucratic organization

of the state and of large associations which precisely due to their impersonality were able to apply their procedures in a range that transcended boundaries and cultures. But during this second phase that we are living through today, the standardization of procedure is even deeper since it does not only embrace the social institutions of great scope, but also, as has already been stated, the new intelligent machines with their interactive ability between themselves and human beings.

This new form by which to bestow legitimacy on decisions has not been relegated to topics linked with the practical and material aspects of human existence, but has even been extended to some topics of the metaphysical tradition, such as the dignity of the human person. This was shown prophetically, in a certain sense, by the approval of the Universal Declaration on Human Rights by the UN in 1948, a consent that was achieved on the condition that the liberty of people and states to adhere to the truth contained in its juridical dispositions was guaranteed even though there was no explicit foundation. However, it is the lack of a foundation in itself that hinders having an objective framework by which to understand the new anthropological challenges introduced by technology: assisted fertilization, human cloning, experimentation with embryos, the production of transgenic products, etc. The typical preoccupation is what, how, when, and where, but not why. How can we not remember Nietzsche who almost one century ago defined 'nihilism' as a way of thinking which '*lacks purpose, it lacks the question why*'? In fact, one century later, there are many people who are trying to modernize Nietzsche with the idea of 'weak thought', that is, post-metaphysical thinking which by deliberately giving up the search for a foundation presumes that it is in a condition to tolerate any argument, without exclusions of any type.

However, although there are good reasons to define the culture that accompanies the globalization process as nihilistic, we are not in the presence of a phenomenon that can be explained by the diffusion of a philosophy or of a particular ideology, such as juridical positivism, neo-liberalism, economicism or scientism. No 'ism' is able to mobilize productively and creatively society as a whole, less still on a planetary scale. This is something much more complex linked with social evolution in itself; with models of growth and development; with the form of governance of society. The principle of '*legitimation through procedure*', certainly, does not require metaphysical foundations, it does not need to criticize or to substitute them: it only standardizes within society an approach of rationality which is valuable for its results. Because the ends of human acts are excluded

from the procedure in socially relevant decisions, these are transferred to the subjective realm of the private conscience and sought to be understood with concepts like preferences, values, pleasures, wishes, convictions.

The search for the legitimacy of human acts has been the perennial topic of social and political ethics. The current novelty resides in the form of organization of society, which tries to solve this topic. At the level of the complexity of premodern societies it was sufficient to found rational judgment in fidelity to the inherited cultural tradition of the ancestors, that is to say, in habits and customs. The increment of complexity brought about by the massification of written culture and by the emergence of empires on which 'the sun never sets', is required to add to customs the recognition of the majesty of written law (the 'rule of law') under the principle of jurisdictional sovereignty. However, the increment of complexity in the current globalization process no longer has as its main cause the 'legislative will' but technological innovation, and, very particularly, complementation and mutual potentiation between the human being and the intelligent machine that he or she has created: the machine of information.

The perplexity caused by this new order does not only affect some particular cultures, primarily those linked to the Christian tradition which are especially sensitive to the anthropological and ethical dimensions of human coexistence. At a world level we observe the paradox that while, on the one hand, the 'rule of law' recognizes more complex and sophisticated rights whose jurisdiction in quite essential aspects has been the subject of an attempt at internationalization, extra-legal behavior has been growing in all environments: corruption, the traffic in illicit substances, tax evasion, the suspension of workers' rights, organized crime, violence, and war. It is enough to have the information, the organization, and the technological 'know how', to do whatever it is possible to engage in, to find an accepted place in society, and finally, to achieve its form of juridical legitimation. As with ethics and politics, rights and law are also becoming a legitimation *ex post factum* in many areas of life.

Will culture be able to have enough strength to articulate the *ethos* of tradition with these new challenges? It is difficult to give a simple answer to this question. Nevertheless, I would like to point out that culture, more than the institutional juridical order, is in a better situation to make a contribution in this respect. Globalization has brought with it a relativization of national cultures as such, but it has compensated this weakening with a multiplication of the observation points that are structured from universal perspectives. The tradition of high religions has found

great reinforcement at the present, thwarting the prophecy of the 'death of God'. It is sufficient to refer here to the recent Jubilee of the year 2000 with its impressive direct and indirect impact on the entire world. Something similar of a different degree can be affirmed of the other high religions. To this should be added the important cultural initiatives of civil society which have also achieved a world articulation. I am thinking of the initiatives of pro-life movements, ecological movements, the initiatives for the defence of children and the elderly or of the handicapped. I do not ignore that next to these initiatives there have also been articulated others in the contrary direction, such as Satanism, for example. But the relative weight of some or others is not determined beforehand by economic or political factors. Their vitality depends on the dynamism with which their approaches of identity and difference are proposed as a definition of their observation point and on the way in which they are perceived as being reasonable by the population that observes.

If at a certain historical time culture was appropriate to the legitimization of a peculiar form of national State, the process now underway has liberated it very substantially of that load. As John Paul II emphasized at the UN Assembly of 1995, culture is a realm for the exercise of human sovereignty, especially in its interrelation with those other subjects with whom the human being is objectively linked. Nobody can expropriate this space of sovereignty, as is demonstrated by peoples who despite being subjected to the invasion of foreign powers were able to survive precisely because of their culture. The depth of the cultural bond depends above all on the interpretive wealth of the observation point it offers, and the globalization process has helped to liberate it of the institutional contexts characteristic of States. The re-evaluation of present time as a place that anticipates decisions about the future increases the strength of culture as the reference and articulation point of most fundamental ethical topics.

3.4 Education in the New Context of Communication Technologies

The subject of education merits a section apart because of its essential link with culture, that is to say, with the transmission of a point of view for the observation of the world. Those who work in this sphere experience changes daily. As is the case in all the remaining sectors of social life, the globalization process is lived out in a paradoxical way. On the one hand, education has been pressed more than ever before by the accreditation of immediate achievements linked to the expectation of a productive per-

formance in the labor environment. This is simple enough to verify in the relative deterioration of classic education and its growing substitution in the preference of the plaintiffs for technical disciplines of high social prestige motivated by expected profit for the corresponding formation of human capital. But on the other hand the speed of technological obsolescence shows that, in the medium and long terms, those who have a better basic formation and a greater capacity to understand the complexity of social life have greater possibilities of understanding and adapting to social changes. So, paradoxically, the same requirement of updating and efficiency reserves an outstanding place to those disciplines that have sufficient detachment to observe the human phenomenon in all its factors.

New technologies allow students to adopt a much more active role in their learning process, both in relation to the search for electronically available information as well as in relation to the possibilities of communication with those people who are responsible for the subjects of their interests. This has brought more flexibility in the curricula and the consequent possibility of almost personalizing their own plan of studies. As in all other markets, the supply of, and demand for, education have been relatively deregulated and everything leads one to think that such deregulation will be further increased. This places young people under the obligation to improve their capacity to discern from the subjects that are offered, and this is a new stimulus for the reinforcement of culture as a point of combination of self-references and hetero-references.

I find that the greatest cultural impact that has taken place in this realm because of the globalization process is the redefinition of the intergenerational dialogue in the form already outlined. The traditional definition of scholarship at all levels as a community of teachers and pupils in search of true and useful knowledge continues to have full validity. However, when learning is also going to be brought near to 'real time', with its implicit evaluation of present time, the references to tradition, which are specifically what teachers transmit, are no longer interesting if they are not connected to an alive and ongoing experience. Knowing can no longer be identified, therefore, with the already known. In this regard, the encyclopedia can substitute teachers to great advantage since none of them can equal the availability of references in an interconnected world. But what is irreplaceable is a transmission of that learning experience that really satisfies the demands for truth, goodness and beauty, which constitute the wisdom of each culture, which, due to its own nature, is personalized in each member of the community of teachers and pupils.

I think that in this respect the encyclical *Fides et Ratio* has made a wonderful contribution, with its double exhortation to pass from knowledge to wisdom and from the phenomenon to its foundation. The increasing number of the available points of view by which to differentiate reality and to recombine their elements from the perspective of each science or art can lead to fragmentation, to hyper-specialization, and to the loss of a global sense of reality. To know more of less and less is a tendency characteristic of the complexity of the very society that organizes knowledge with contingent approaches and with multiplex purposes. Nevertheless, this tendency further reinforces the countertendency of seeking observation approaches that allow the articulation and the synthesis of these fragments. The above-mentioned encyclical identifies the sapiential tradition precisely as that capacity for synthesis capacity because in not conforming itself to an arbitrary reduction of reality and seeking the ultimate meaning of everything, it reveals that what was differentiated can only be understood from the difference that in the beginning differentiated it, and, therefore, from the unity of what was differentiated.

As has already been explained, the capacity to observe observers, which we term 'culture', implies a capacity for self-observation. The globalization process has allowed us to understand with much greater clarity than ever before that a global observation point in which an omniscient observer can locate himself or herself and in front of which all the events of the world can be laid out in their significance cannot exist. As the functioning of Internet shows, the acceptance of this premise has been in fact the condition of its capacity to interconnect all the existent computers in a global net. Something similar happens in the sphere of culture. The awareness of self- and hetero-references prevents any observer from wanting to consider his or her culture as the culture of cultures. We only have as a synthesis capacity the elementary human experience of the rational condition that looks for the knowledge of oneself simultaneously with the knowledge of the world. This first wisdom, which is not deducible from any other and which Heidegger formulated accurately in his statement to the effect that 'the ontic condition of *Dasein* (of the human being) is ontological', is the one that guides knowledge to its end (to its wisdom), providing abilities for synthesis and recombination by which to unify everything that is broken into fragments or differentiated.

The recovery of the sapiential tradition that John Paul II proposes allows us to understand once again in human history that only by knowing wisdom can we give wisdom to knowledge. I find that this is the core of

what nowadays is at stake in the educational process, especially in the intergenerational dialogue between teachers and pupils, which changes progressively its gravity center from what is already known to knowledge itself, to the present time of intelligence that inquires into reality in search of its meaning. From Aristotle onwards we have known that the 'real time' of human intelligence is the act and it is this sense that we understand his statement that 'intelligence in act is, in a certain sense, all things'. The possibilities opened up by globalization in relation to the simultaneousness of present time provide us with the opportunity to understand and to carry out in our own experience the essential act of intelligence.

4. CONCLUSION

I am aware of the incompleteness of the analysis that has been presented here. In my defence I could point out that there are not enough empirical studies to allow us to make an evaluation of the global impact of 'globalization' in the sphere of cultural identities. Defensive images are usually generalized in relation to the period that finishes without there being an appropriate perception of the new opportunities that are opened up by this process, or on the contrary, apologetic speeches are disseminated about the future which are lacking in any rational foundation.

I have wanted to demonstrate what, from my particular observation point, constitutes the essential nucleus of what the globalization process is. It is not that the interdependence between peoples or the multicultural character of humankind have been recently discovered. The real novelty, from the cultural point of view, is the generalization, by means of intelligent machines, of a standardized protocol for the production of rational decisions rooted in the capacity to combine self- and hetero-references, to compare and simulate at the present time possible scenarios of the value-added and of the administration of a competitive and reversible temporality. Such suppositions, when operating in a context of the fragmentation of information, identify the rational decision with that of a player who wants to take advantage of his or her time in relation to his or her rivals. This has become a generalized discourse which differentiates winners and losers. However, this tendency to fragmentation, as soon as it operates in a cultural context determined by the capacity to observe observers, that is to say, of observing those who trace these differences without being able to locate themselves simultaneously on both sides of the differentiated, is counter-

balanced by the opposed tendency which observes the unity of what is being differentiated and which looks in 'real time' at the wisdom of knowledge. This is the consciousness of a 'human ecology', to employ the happy phrase of John Paul II, which would not be possible except in the evolutionary context in which we are currently living.

That in the culture of the future one or another tendency will prevail is, certainly, an open question, a challenge to human freedom. When the dimension of wisdom becomes hidden, the inherent competitiveness in the use of information in 'real time' ends up in the crude neo-Malthusianism of the natural selection of the strongest or in the legitimation of the 'tyranny of the strong over the weak'. Personally, I do not think that it is inevitable that in the end this point of view will prevail as regards the observation of the human phenomenon, although a great deal of evidence as to its generalization and extension do exist. Understanding a culture's point of view allows us to discover that in a complex society there co-exist different possibilities of tracing a difference to observe and that it is unavoidable that an observer that observes observers becomes aware of the blind point of the difference with which he or she observes the observed. The possibilities of observing 'globalization' from the perspective of an authentic 'human ecology' founded in the undisposable character of each person and of his or her dignity is a fully valid perspective entrusted to the freedom of who observes in this way. However, what a society that seeks to live in 'real time' demands is not a new 'humanist ideology' that expresses a dream of the future but rather a verifiable present experience which adds value to the quality of life of those who are linked to it.

MINA M. RAMIREZ

The Problem and Prospect of a Solution

I consider the reality assessment in the papers dealing with Globalization, Poverty and Cultural Identities reflective of the uneasiness people feel with regard to economic, commercialized globalization largely enhanced by the rapid advance of communication technology. The paper of Dr. Zéphirin Diabré reiterates the vast human and social possibilities of a global community; yet present social facts and figures (with Africa as an extreme case in point) of a trend towards an ever more acute widening of the gap between the rich and the poor in terms of human development indicators among and within countries. Indeed globalization is not trending towards a people-centered development. It is not likely to fulfill the 1995 Copenhagen Summit of Social Development's three-fold concern: poverty-alleviation, employment expansion and social integration. Moreover, a people's indigenous wisdom which satisfies the 'demands of truth goodness and beauty' (Prof. Morandé), a primary factor that could give technology a human face is eroded by the enticements of a monetized, highly commercialized and homogenized culture of economic globalization. The trend will continue unless checked by a socially-effective governance on the national and global levels. However this governance should be made highly conscious of the interconnectedness of the wholeness of life and all life forms. Against this world-view the reality of fragmentation, alienation, divisiveness, discrimination, exclusion and utter insecurity constituting human indignities and destruction of the environment reveals itself in all its death threatening manifestations.

Social contradictions call for governance on national and international levels to face the social issues of 'economic globalization'. The paper of Dr. Diabré suggests a sound macro-economic policy that is to be judged

less by market-based criteria but more and ultimately by criteria related to social justice and social outcomes. I would highlight that one of the social outcomes of an economic policy should be the self-empowerment of monetarily poor people. The ability to draw from the richness of their respective cultural resources (their wisdom) as well as from the knowledge and information available through communication technology for the benefit of themselves and their community is an indication of self-empowerment. From experience, the people's wisdom i.e., their profound life-values derived from one's religious and/or cultural indigenous roots when awakened and harnessed sustains commitment towards a people-centered development and governance. The monetarily poor, when empowered and socially enlightened, can even propel governance on all levels towards a vision of a renewed national economic order and a transformed international economic order. This transformation should be reflected not only in increased incomes but also in a respect for cultural diversity, care of the environment and promotion of solidarity and peace. Hopefully this process combining the quantitative (having) and qualitative (being) dimensions of development will compel globalization's key players to moderate their principles of liberalization, privatization and de-regulation.

The Role of Civil Society

Who will bring about a governance that will lead to a people-centered macro-economic policy? Who will put pressure on the World Trade Organization (WTO) and the Transnational Business Corporations to be pro-poor in their programs? How will the creative cultural potentials of monetarily poor people be tapped for a socio-economic system that operates with and for them and for their total well-being?

To advocate for a people-centered governance on national, regional and international levels is the Role of Civil Society. It is composed of all organized groups that mediate between the people and government and/or big business in concerns related to Justice, Peace and Integrity of creation. In a world of globalization, the issues revolving around the poor and their cultural identity are multi-dimensional and highly complex. Since by nature, issues and problems involving people especially the poor are big in number, organized groups responding to these issues multiply. However, if an NGO for instance views a problem in isolation of the many factors that are to be taken account of in resolving it, the said NGO may aggravate the problem

instead of solving it. A big number of NGOs may soon discover that tackling an issue in an isolated way could worsen a social problem. There is a need for Civil Society to gain a more comprehensive understanding of the world of economic globalization as well as to glean profound insights into the concrete realities of the monetarily poor, on their concerns, anxieties, joys and aspirations. Immersion into the lives of the poor is important for effective policy-making on micro and macro levels.

Graduate Education as a Catalyst in Civil Society

Graduate Education should see itself as a vital part of Civil Society. The comprehensive understanding of the complex world of globalization rests on students of society. For it is from universities and colleges where leaders of society have come and will come. They will for the most part provide leaders even for the NGOs. They will be the 'observer of observers' (Prof. Morandé) who will create either a culture of life or a culture of death. To create a culture of life – it is imperative for graduate education to be grounded in the realities of people's lives. Education on the tertiary level has to be formative with a social philosophy as a 'must' for every course of study. I believe that social prescription, research, and sound advice could help in the transformational process towards justice, peace and integrity of creation. But only if the minds and hearts of persons in governance at all levels and in all spheres are attuned primarily to people-centered objectives and secondarily to maximization of profits. There is a lot of wisdom from the experience that UNDP has shared with us through the paper of Dr. Zéphirin Diabré. There is a re-iteration by the Church of the significance of culture in that it is an expression of one's beingness and identity as cited by Prof. Morandé in his paper. And, I wish that these papers could be shared with all universities and colleges as a basis for reflection and for developing a theory of transformational praxis oriented towards justice, peace and integrity of creation. I believe that any leader has to change from within, from the inside out to guarantee sustainability. As mentioned most leaders have come from universities. But we also know that many of our leaders in governance have not made a difference. We all know that many of our political and institutional leaders cannot communicate effectively with the people because they have not learned the people's culture embedded in their languages and art forms. It may be the time to direct our universities to make a difference in that they become first and foremost not only Centers of Science updated in the use of infor-

mation and communication technology but also People-oriented Centers. The challenge is for the universities and colleges to nurture among the students especially the youth a philosophy of commitment to total human development and a heightened consciousness of their interconnectedness with and their responsibility to the whole of dynamic reality. The learning atmosphere, hopefully could build a culture of caring for the wholeness of life and a spirituality of stewardship, compassion and solidarity.

LA FAMIGLIA, LA CULTURA DELLE COMUNITÀ LOCALI E IL PROCESSO DI GLOBALIZZAZIONE

PIER LUIGI ZAMPETTI

La relazione del prof. Morandé presenta aspetti molto interessanti che ritengo sia opportuno esplicitare e sviluppare.

Il punto di partenza è di grande importanza e ad esso mi riconduco per fare le mie osservazioni. Il prof. Morandé si riferisce alla definizione di cultura di Giovanni Paolo II nel discorso fatto all'UNESCO il 2 giugno 1980. "La cultura è un modo specifico dell'esistere e dell'essere dell'uomo". "L'uomo nel mondo visibile è l'unico soggetto ontico della cultura". "Non si può pensare una cultura senza soggettività umana e senza causalità umana". "L'uomo è fattore primordiale e fondamentale della cultura ed è sempre inteso nella sua totalità, nella connessione integrale della soggettività spirituale e materiale".

L'uomo come essere dunque nella unità delle sue dimensioni. Concezione questa dell'uomo totalmente diversa da quella espressa dalla cultura della globalizzazione che, come vedremo, è una cultura dell'uomo considerato a compartimenti stagni.

La globalizzazione come fenomeno si inquadra nel modello di sviluppo che sottende sia il processo di mondializzazione sia il processo di globalizzazione che è susseguente al primo. Lo sviluppo nella società odierna è inteso soltanto come uno sviluppo di carattere economico. Non coincide pertanto con il concetto di pieno sviluppo o di sviluppo dell'uomo nella unità delle sue dimensioni – cui si riferiscono sia la *Populorum Progressio* sia la *Sollicitudo Rei Socialis*.

Cominciamo con il considerare, il modello di sviluppo che sottende la mondializzazione dell'economia nella quale vengono distinte le aree del mondo a seconda dell'appartenenza ad aree economiche e politiche con-

giuntamente. La geoeconomia in questo caso sottende la geopolitica. La distinzione tra paesi sviluppati, paesi in via di sviluppo e paesi appartenenti all'area socialista e cioè la distinzione dei tre mondi rientra in questo schema culturale.

Il concetto di terzo mondo era nato, almeno in linea teorica, come è stato rilevato da lui colui che ha creato il termine terzo mondo (Alfred Sauvy), per identificare gli stati che non appartenevano alle prime due aree anche se avevano rapporti di interdipendenza con l'una o con l'altra area. Gli stati nazionali pertanto esercitavano ancora un loro ruolo nell'ambito della geoeconomia, che stava nel frattempo assumendo dimensioni sempre più ampie. Il momento economico proprio dello sviluppo è ulteriormente accentuato quando, in luogo di mondializzazione, si parla di globalizzazione che va di pari passo con la crisi degli stati nazionali. Ed invero la mondializzazione con la distinzione tra paesi sviluppati, sottosviluppati e paesi dell'area socialista presupponeva aree diverse e disuguali, non certo omologabili proprio per la simbiosi tra geoeconomia e geopolitica. Con la globalizzazione tale simbiosi è venuta meno. La globalizzazione è intesa infatti, soprattutto, come globalizzazione dei mercati finanziari e coincide con la crisi degli stati nazionali. Gli stati nazionali stanno infatti perdendo quote crescenti della loro sovranità economica e pertanto non possono essere i mediatori tra il locale, con i valori che esprime, e il globale economicamente inteso. È stato introdotto in proposito il termine di "glocalizzazione" che è un termine ibrido e indistinto, non destinato certo a chiarire le idee. La globalizzazione infatti sta sovrapponendosi al locale e quindi alla cultura delle comunità locali con la loro tradizione, la loro lingua, la loro etnia e via discorrendo.

In questo processo verrebbero meno quindi le diversità e dovrebbe prevalere una astratta omologazione che sarebbe legata a quello che i sociologi chiamano, come ha rilevato Morandé, "legittimazione dei procedimenti". Essa in realtà si risolverebbe nella strumentalizzazione dell'uomo. Con la globalizzazione in altri termini l'uomo è omologato in quanto sottoposto a tale processo di strumentalizzazione. In questo processo di trasformazione di carattere mondiale si verificano però due fenomeni contrastanti che il Morandé ha citato nella sua relazione. Da un lato la caduta dei valori dovuta alla concezione economicistica e materialistica dello sviluppo e, dall'altro una ripresa dei valori nell'ambito della società civile, che assumono una articolazione mondiale e danno origine a vari movimenti, come i movimenti per la vita, i movimenti ecologici, le iniziative di difesa dei bambini o degli anziani o degli handicappati e via dicendo. Direi che c'è una sorta di

dualismo tra lo sviluppo economico, che prescinde dai valori, e uno sviluppo sociale imperniato sui valori. Se ci riferiamo poi al grande giubileo del 2000 abbiamo potuto constatare la grande forza della fede e dei sentimenti religiosi nel mondo intero. Ciò dimostra che l'uomo non è riducibile semplicemente al concetto di "homo oeconomicus". L'uomo è invece ancorato a valori etico morali e religiosi a cui deve essere data la precedenza sugli indici di crescita puramente economici, così come diceva espressamente nel suo messaggio Giovanni Paolo II del 22 agosto 1980 al Presidente dell'ONU nell'inaugurazione dell'undicesima sessione speciale dell'assemblea generale delle nazioni unite dedicata alla nuova strategia dello sviluppo. È chiaro allora che il globale economico non può sovrapporsi alla cultura delle comunità locali che considerano invece l'uomo nella molteplicità delle sue dimensioni. La forza che i movimenti sopra ricordati assumono nella società dimostra chiaramente che i valori che sono propri della natura dell'uomo sono stati solo ibernati. Essi mantengono pur sempre una radice profonda, anche se forse a volte inconsapevole, nell'essere umano. Dobbiamo allora porci il problema di legare lo sviluppo all'uomo e a tutti i diritti dell'uomo, trasformando il processo di globalizzazione in un processo di universalizzazione. Il riconoscimento effettivo di tutti i diritti dell'uomo corrisponde infatti al riconoscimento di tutte le dimensioni dell'uomo e cioè al riconoscimento dell'uomo persona. Per ottenere questo riconoscimento è necessario ricorrere allo stato, che deve tornare ad essere il mediatore tra locale e globale divenuto così universale. Giova però rilevare che non si tratta più dello stato nazionale nella sua attuale accezione.

Ma vediamo intanto di definire il concetto di stato nazionale. Tale definizione ci permette di comprendere perché lo stato nazionale attraversa una crisi irreversibile. Con stato nazionale si intende uno stato a "sovranità nazionale" e non già uno stato a "sovranità popolare". Il popolo non è da concepirsi astrattamente o formalmente come avviene per lo stato nazionale. Il popolo è costituito oltre che dagli individui, dalle comunità locali e dai soggetti che operano nelle comunità medesime e che si esprimono nei movimenti sopra menzionati. Il nuovo modello di stato deve essere portatore delle esigenze e dei valori di tali comunità locali divenendo stato dei popoli in luogo dello stato delle nazioni. La stessa Organizzazione delle Nazioni Unite e la sua incapacità di risolvere i problemi mondiali è dovuta al fatto che è composta di stati nazionali che non hanno saputo canalizzare i movimenti che nascono nella società civile legati ai valori dell'uomo. Questo avviene perché gli stati nazionali divenuti stati assistenziali si sono sovrapposti alla società ed in particolare alla famiglia che è la cellula della

società. Lo stato assistenziale è inteso infatti come “*pater familias*” o “*stato provvidenza*”. La crisi degli stati nazionali ci permette di riscoprire il ruolo della famiglia e della comunità a livello interno prima e a livello internazionale poi. In luogo dello Stato delle nazioni scopriamo lo Stato dei popoli e il ruolo sempre crescente che deve svolgere la comunità umana nell’ambito dello Stato e della comunità internazionale. Se ci mettiamo da questo profilo la nuova tecnologia non diventa negativa per le comunità locali. Quando si pensi che il capitale umano è fondamentale nella trasformazione del capitalismo, fondato sulla interazione o addirittura integrazione tra famiglia e scuola, possiamo capire l’importanza della comunità locale destinata a trasformarsi in comunità organizzata. Essa diventa non solo soggetto sociale, ma altresì soggetto politico perché è in grado di realizzare la sovranità popolare sul piano concreto.

Se partiamo dal locale anziché dal globale possiamo sostituire al processo di globalizzazione economica e della problematica costruzione del “villaggio globale”, un processo di universalizzazione, sotteso dalla dichiarazione universale dei diritti dell’uomo che trova così il suo fondamento culturale ed ontologico congiuntamente.

In luogo di tribalismo (nozione generica, indistinta ed ambigua riferita all’etnia, alla cultura, alla lingua, alla religione, ecc.) io parlo in questa prospettiva di una comunità organizzata per poter risolvere i problemi che oggi sono insieme i problemi del mondo intero.

Poiché la comunità è legata all’uomo, riconoscere la soggettività della comunità a livello interno e a livello internazionale significa trasformare lo sviluppo da sviluppo insostenibile a sviluppo che vede l’uomo inserito nella società trasformata in comunità organizzata. Tale sviluppo diventa sostenibile perché è ricondotto alla comunità organizzata come a suo soggetto.

La realizzazione dei diritti dell’uomo nell’ambito della società è destinata a sostituire il concetto di globalizzazione, nato come stato rilevato ad esempio da Zamagni, quando il dollaro è stato sganciato dall’oro da parte di Nixon. Da allora è iniziato il decollo di un’economia finanziaria che si distingue da una economia reale e che, successivamente, ha addirittura preso il sopravvento sull’economia reale, dando vita alla globalizzazione dei mercati finanziari al di sopra degli Stati e addirittura dei continenti e quindi dei popoli.

In questa prospettiva io rovescerei il noto principio: “*pensa globalmente, agisci localmente*” nel principio opposto: “*pensa localmente, agisci globalmente*”. Con una precisazione però. Pensare localmente significa intendere il locale come il luogo nel quale la comunità opera e agisce universalmente tramite un processo che si ricollega ai diritti dell’uomo.

Solo i diritti dell'uomo intesi nella loro totalità possono dar luogo ad un processo di universalizzazione che, pertanto, si differenzia totalmente dal processo di globalizzazione: questa riguarda l'estrapolazione di una sola dimensione dell'uomo che si vuole perciò stesso elevare a categoria universale. L'universalizzazione pertanto non può essere in antitesi con il radicamento, ma invece è profondamente legata alla comunità in cui l'uomo vive. L'opposizione può esistere soltanto tra globalizzazione e radicamento. Abbiamo visto che la globalizzazione ha assorbito la mondializzazione. Si tratta ora di fare assorbire la globalizzazione da un nuovo processo di universalità inteso come processo di universalizzazione dei diritti dell'uomo, che sono i diritti dell'uomo nell'unità di tutte le sue dimensioni. Il globale economico non può dare vita ad un villaggio universale come villaggio che sviluppi tutte le dimensioni dell'uomo. Difficilmente un popolo può conservare la propria identità culturale trovandosi di fronte ad un processo mondiale rivolto a spogliare i popoli della loro tradizione e della loro stratificazione culturale. Il radicamento da "radice", vuole proprio dire questo. Sradicamento e globalizzazione in questa ottica sono destinate ad incontrarsi. Il globale assorbe il radicamento e lo trasforma in uno sradicamento. Negli Stati occidentali le popolazioni in questi anni hanno perduto gran parte della loro identità. Se dovessimo continuare in questo processo, esso si estenderebbe certamente ad altri popoli.

Ma non ritengo che questo fenomeno debba ulteriormente protrarsi nel tempo. La globalizzazione è legata al primato dell'economia finanziaria sull'economia reale. Il rapporto tra entrambe non può oltrepassare certi limiti e questi limiti sembra abbiano assunto dimensioni che ormai sono insostenibili (globalizzazione insostenibile). Lo sganciamento del dollaro dall'oro ha portato al divario tra la produzione di beni reali e la produzione di beni soltanto qualitativi che sono sganciati dalla produzione dei beni medesimi. La globalizzazione pertanto non ha un futuro. Dobbiamo prospettare un nuovo sistema economico che sia legato all'uomo nella integralità delle sue dimensioni. È l'ora della verità. "Verum et bonum convertuntur". Vale per l'intera realtà, economia compresa. La produzione dei beni e dei servizi non costituisce il "velo" della realtà economica rappresentata dai simboli della economia finanziaria, ma è la vera ed autentica economia. L'economia reale non può essere strumentalizzata e a volte deformata dai mercati finanziari che producono, ripeto, anche profitti puramente speculativi. Ma sono i mercati finanziari che devono essere al servizio dell'economia reale la quale, a sua volta, trova le sue radici nelle comunità locali che sono il vero soggetto dello sviluppo.

Sviluppo che soltanto in tale caso diventa sostenibile, come sostenibile diventa la globalizzazione che però, in questo stesso momento, verrebbe assorbita, come abbiamo visto, dalla universalizzazione.

Che significato ha in questa prospettiva il rovesciamento del paradosso globale “pensa localmente, agisci globalmente”? Essa porterebbe alla realizzazione nella società contemporanea di un umanesimo integrale. Gli Stati nazionali sono superati perché lo Stato era sotteso da una concezione statalistica che negava o comprimereva l'autonomia della società. Lo Stato post-moderno non può né deve essere uno “Stato statalista”. Esso deve essere alleggerito di molte delle sue funzioni, che dovranno essere restituite all'organizzazione della società in grado di favorire l'integrazione tra uomo e società a livello interno e a livello internazionale. Lo “Stato non statalista” assume allora un ruolo fondamentale assieme agli altri Stati che costituiscono la Comunità internazionale. Esso ha il compito di dare attuazione alla Dichiarazione Universale dei Diritti dell'Uomo del 1948 i cui articoli sono stati in parte non attuati o addirittura violati.

La società elevata a soggetto, che è la società che realizza l'umanesimo integrale, avrà un ruolo determinante nella trasformazione del capitalismo. La società soggetto è il punto di riferimento imprescindibile della democrazia partecipativa che è la nuova concezione della democrazia, in grado di costituire l'unica, autentica alternativa al socialismo e al consumismo dell'Occidente industrializzato oramai in una crisi irreversibile. L'umanesimo integrale in questa prospettiva è la fonte della democrazia partecipativa perché essa scaturisce dalla persona umana nell'unità e molteplicità di tutte le sue dimensioni.

THE IMPACT OF GLOBALISATION
ON CULTURAL IDENTITIES.
A COMMENT ON PEDRO MORANDÉ'S PAPER

MARGARET S. ARCHER

Let me begin this commentary by stating a seeming paradox which will be well known to everyone here. On the one hand, globalisation with its political, economic, the informational and cultural facets is presented as a 'great wave' of changes whose overall effect is the homogenisation of local and regional cultures as they assimilate global influences. In short, it is often presented as a hegemonic mechanism leading towards increasing cultural uniformity throughout the world. On the other hand, taking an example from the Church, at precisely the same time that globalisation is intensifying, an increasing emphasis is being placed upon the need for 'inculturation'. In short, the impetus behind 'inculturation' recognises *enduring* cultural diversity throughout the world and an increasing need for the Christian message to respect this diversity and to engage in sensitive accommodation to it.

What kind of paradox is this? Basically we seem to have two groups of thinkers, one of which heralds future cultural uniformity under slogans like the 'electronic society', 'the information age', 'McDonaldization' or the 'global village'. The other accepts cultural diversity in the foreseeable future and the need for any universal cultural message to be filtered through local and regional practices, customs and beliefs. Does this simply mean that one group of thinkers has got it right and the other has got it wrong making the paradox an apparent one? Alternatively, are we dealing with a much more complex phenomenon, where *both* the tendencies promising global uniformity and those protecting and protracting cultural diversity are at play?

I want to endorse the latter interpretation, and, in so doing to make three basic points each of which, would require considerably more elaboration than will be possible in this short note.

(a) Pedro Morandé has presented a very sophisticated account of the homogenising effects of globalisation, but I believe it needs supplementing by an equivalent stress upon the socio-cultural mechanisms which mediate its impact and reinforce cultural heterogeneity – as something which is quite different from the endurance of local traditionalism in the face of global changes.

(b) The dynamics involved in any form of internationalisation (structural or cultural) have always manifested the same paradox, namely that the forces for uniformity are matched by the simultaneous release of forces for diversity.

(c) That we can only understand and analyse this seeming paradox of homogeneity and heterogeneity by examining how the socio-economic mechanisms fostering international uniformity are mediated by the entrenched structural organisation and cultural affiliation that they encounter.

In brief globalisation has to be understood in its interaction with localisation and the outcome cannot be expected to be identical or even similar everywhere because of the qualitative differences which characterised these encounters.

Let me begin with a few illustrations of (b), how tendencies to homogenisation simultaneously stimulate heterogeneity. If this can set the scene, by presenting it as a universal phenomenon, we can then move on to the brief consideration of (c), the interactive mechanisms involved, and finally relate these back to (a), that is to providing the other face of Morandé's account and to specifying how globalisation is mediated by socio-cultural localism, to generate divergent and distinctive outcomes from their interaction.

The phenomena which constitute globalisation today are unique and novel. Nevertheless, this does not preclude their comparison with earlier moves towards internationalism which also did not to depend ultimately upon coercion (i.e. I am explicitly excluding imperialism and territorial conquests from this discussion). A structural example can be taken from the post First World War initiative to establish a League of Nations. In exactly the same period, more new nation-states were created than ever before. Similarly the foundation of the European Union was accompanied by an intensification of certain forms of localism, for example heavily rural countries like the Irish Republic accentuated their difference in the quest for agricultural subsidies. Britain's enduring Euro-scepticism manifests a lasting contestation over 'loss of sovereignty' and 'devolution of powers'

which makes her a reluctant and minimalist participant. Then again global geographical mobility and multi-culturalism have intensified national boundaries and 'asylum seeking' a prominent electoral issue. Even the famous American 'melting pot' has now been transformed into the tense quest for the green card to on the part of highly qualified individuals.

These are structural examples, and it is often naively assumed that cultural influences are more pervasive and that their diffusion is uncontrollable – something which today is reinforced by reference to cuisine, couture and pop culture. Even there we should be cautious. That this year's Oscars up were being fought over by an American movie featuring Australian playing an ancient Roman versus a Chinese American evocation of oriental martial arts, is all good stuff for the globalised diffusion thesis. Nevertheless, the spread of the same cinematographic technology has enabled the emergence of a booming Indian film industry, in indigenous languages, with indigenous stars, themes markets and festivals.

These disparate instances are cited to show that homogeneity and heterogeneity, globalisation and localisation proceed side by side. The questions are why and how? It is here (c) that we need to address the interaction between influences for global uniformity and their reception, as mediated by localised or regionalized socio-cultural factors. The critical point I wish to underline is the variability of these outcomes, which are too diverse to fit a smooth curve of progressive globalised uniformity.

Drawing briefly upon my book, *Culture and Agency* (Cambridge University Press, 1989), three divergent scenarios can be disengaged for what occurs when different corpuses of cultural ideas interact – scenarios which appear to be confirmed by localised responses to global incursions. Firstly there is the 'constraining contradiction' where certain exogenous factors are perceived as highly desirable but nevertheless cannot be assimilated directly without threatening endogenous features which are also positively endorsed. Here the interaction generates a pressure towards syncretism. A syncretic elaboration is one which enables their co-existence. This, crudely speaking up was the relationship typical of Western entrepreneurial production and the Japanese kinship structure, underpinned by the religious values of Confucianism and Shintoism alike. The syncretic outcome – the Japanese factory – combined the two: a modern production unit, conducted on familial lines, with kin-type obligations substituting for Western contractual relationships. The elaborated and syncretic form of Japanese entrepreneurship represented neither the pure continuity of tradition nor simple western imitation.

Secondly, there is the 'competitive contradiction' where the majority of socio-cultural incursions are negatively evaluated by the local hegemonic culture and outright opposition ensues. Islamic fundamentalism, especially in the extremist Iranian call of 'Death to America', legal prohibition of Western practices (alcohol consumption etc) and arrest of foreign infringers, can be cited here. What is especially significant of this scenario is the intensification of indigenous attempts to ensure or even enforce cultural rectitude internally.

Thirdly and finally, it might seem that cases of 'compatibility' where global influences are in some sense welcomed, would be paradigmatic of the globalised uniformity thesis. Even this seems questionable, for the newly institutionalised patterns by which localism assimilates globalisation may actually represent divergence between them. One glaring example of this is the proliferation of Western sex tourism. Western foreigners pay for cultural practices which are illegal back home, yet simultaneously foster a growing group (e.g. of child prostitutes) in the countries visited. Thus, at precisely the same time that Western legislation covering all forms of child abuse is intensifying, countries like Thailand have been increasingly tolerant of it as the price of tourist revenues.

Conclusion

These then are the points about globalisation stimulating heterogeneity which I would use to moderate Pedro Morandé's excellent account of global tendencies towards homogeneity. Where in conclusion does this leave our overall discussion of the impact of globalisation on cultural identities? Basically since I have been maintaining that this impact is as much a force for stimulating diversity (and importantly in new syncretic forms) then three conclusions follow.

1. What are often called the 'politics of identity' cannot be simplistically construed in terms of traditionalism versus globalisation.
2. Syncretism and cultural elaboration means that there is increasing array of identities which can be assumed both locally and worldwide which will increase the complexity of the tasks of every social institution especially those of law, politics, education, and religion.
3. The Church's agenda for 'inculturation' becomes more difficult and needs to be more flexibly nuanced than when it was possible to think about increasing acknowledgement of more uniform traditionalistic cultures.

FOURTH SESSION

*Globalization and Institutional Change:
A Development Perspective*

GLOBALISATION AND INSTITUTIONAL CHANGE: A DEVELOPMENT PERSPECTIVE*

JORGE BRAGA DE MACEDO

1. INTRODUCTION

1.1 *Development as hope*

It is generally acknowledged that sustained institutional change is required for national economic and social development. But the consensus disappears when you attempt to specify the prerequisites of institutional reform or the policies capable of bringing about sustained change. In addition, under globalisation, the responsibility of whatever global institutions might exist in promoting – or hindering – national development is a subject of great controversy. The apportionment of relative responsibilities at global, national and local government levels has philosophical roots, which are often neglected in the debate. Yet the practical implications of global markets escape no one concerned about development.

If the main responsibility for change is global, in effect, citizens and policymakers in developing countries can only wait for a better international order, perhaps even in the form of a world legitimate government providing for global public goods. Conversely, if the main responsibility rests with concrete citizens and policymakers, then the focus shifts from global to

* An earlier version was presented at the General Assembly of the Pontifical Academy of Social Sciences, The Vatican, on 'Globalization and the Common Humanity: Ethical and Institutional Concerns', 25-28 April, 2001. I am grateful to Louis Sabourin for constant encouragement and to Hanna Suchocka, Juan Llach, Paulus Zulu and other participants for their comments, which helped me clarify the argument in parts. Joint work carried out at the OECD Development Centre is acknowledged in the references and was essential in reaching the current form, but neither the OECD nor its Development Centre are accountable for the text.

national, local or regional governance. Greater proximity to decision making brings hope, but it also calls for deeper and more immediate institutional changes.

It would be naive to think that better data, sounder analysis, or finer attention to culture could solve this riddle. Yet data, analysis and culture are all three needed to address issues of globalisation, given the emotional overtones that the term has acquired in the last few years.

The perspective of this paper (some might call it a basic premise thereof) is that, in the absence of an unambiguous answer stemming from data, analysis or even culture, hope is essential for the betterment of every man. This hope is entangled with the emerging awareness about a 'global common good'. Indeed, as Pope John Paul II said on 27 April, 2001, the Catholic Church hopes 'that all creative elements of society will co-operate to *promote a globalisation which will be at the service of the whole person and of all people* (emphasis in the original)'.

The perspective of this paper has an immediate consequence: whatever the national citizens and policymakers must do, perhaps in association with like-minded others, they should do, rather than waiting for the 'just global order' to fall from the sky. This change of attitude has occurred in my own country in the course of one generation. Thirty years ago, probably no one here would have thought that Portugal would attain the forefront of European integration, as it undoubtedly has today.

The gains in economic welfare experienced after the country joined the European co-operation movements following the Second World War were nothing short of spectacular. Yet, the lack of mutual political responsiveness and the geographic distance to European centres led several analysts to question its European culture, and to discount its ability to converge towards European best practices.

For different reasons, the same was said – even ten years ago – about Greece and about the countries of central and Eastern Europe. Adjustments to globalisation continue to be needed in these countries and indeed in their partners in the OECD. Due to their reputation for good corporate and political governance and their habit of international co-operation, however, some countries manage to adjust economic structure. But the willingness and ability to adjust to shocks cannot be taken for granted, even within the OECD. Several members, like Mexico, Korea and Turkey, let alone members of the OECD Development Centre like Argentina, Brazil and Chile, have experienced financial crises in the recent past. While their financial reputation remains fragile, most of these countries are confronting the challenges

by pressing on with structural reforms resisted by vested interests but essential for the promotion of the common good of their citizens.

Similarly, other emerging, transition and developing countries will find the self-confidence to bring out the changes needed for sustained development even though they may now be dismissed as hopelessly backward – economically, politically, perhaps even socially. This is the reason why hope in development is so important. Without it, no matter how clear the reforms might be to the outside observer, to the informed citizen, or even to the policymaker, they will not gather sufficient popular support to be carried out on a sustained basis.

This also matches the Portuguese experience, where international financial markets gave Portugal a sound financial reputation in the early 1990s, before the people actually believed that the newly found prosperity would not be wiped out by the kind of political upheaval experienced through most of the 20th century. I do not intend to draw further on my national experience, even though it supports my perspective of hope. Rather my objective is to present some general propositions about the effect of globalisation on institutional change. But I thought the way in which Portugal responded to external pressure over the last decades provides some additional motivation, if it were needed, to equate a development perspective with hope, as a fundamental dimension of human freedom throughout the world.

1.2 *An interdisciplinary experience*

In a path-breaking initiative for economics as a social science, the Vatican convened on 5 November, 1990 a colloquium based on a questionnaire sent to thirteen economists representing the best professional opinion world-wide about *Social and Ethical Aspects of Economics*. The responses provide a variety of views on the role of markets in economic growth and development and were used in the preparation of the 100th anniversary of the Encyclical Letter *Rerum Novarum*, given on Mayday, 1891. Pope John Paul II chose to call his Encyclical Letter for that occasion *Centesimus Annus*.

The proceedings of the Vatican colloquium reveal a consensus: markets operate in particular environments and their performances depend on that of other institutions – economic, social and political. Ten years after *Centesimus Annus*, I continue to hold that the emphasis of the Encyclical Letter on the natural and human environments, together with its rejection of central planning as a viable alternative to the market, remain major

innovations in the economic and social thinking of the Catholic Church. Recalling *Centesimus Annus* on 27 April, 2001, Pope John Paul II noted 'that the market economy is a way of adequately responding to people's economic needs while respecting their free initiative but that it had to be controlled by the community, the social body with its common good'.

In a tribute to my father, who never ceased to remind me of the concrete importance of ethical and social issues, I once summarised my own views on 'Economics, Ethics and their Policy Implications'. To capture interdisciplinary research and historical awareness, Macedo (1992) quoted No. 59 of *Centesimus Annus*. This human dimension, present throughout the Encyclical (No. 53 calls it 'real', 'concrete' and 'historical', see also Martini, 1999, p. 283), implies a better future for 'each man', rather than for the 'abstract' man postulated by soviet central planners.

The concrete human dimension I learned from my father contrasts with the 'end of history' view of Francis Fukuyama (1989). With the fall of the Berlin Wall and the demise of the Soviet Union, the world-wide triumph of liberal democracy and the advent of true global economic progress seemed to follow the triumph of the market over the state. The recommendations of the Bretton-Woods institutions combined with American preferences to form what came to be known as the 'Washington Consensus'.

Yet, no such consensus existed among economists and policymakers. On the contrary, most contributions to the volume on *Social and Ethical Aspects of Economics* (Musu and Zamagni, 1992) suggested that effective states as well as efficient markets were both crucial ingredients for a successful human society. Then and now, the crucial policy issue is how states and markets should interact when the latter become global. The desired interaction, it is surmised, will result from changes in corporate and political governance.

As global markets remain only part of concrete policy environments, institutional changes at global level are not prerequisites for most policy reforms. Indeed, the *principle of proximity*, with profound roots in the thinking of the Catholic Church, suggests the opposite – governance responses at the local level, through the combined action of elected officials and civil society. Moreover, the European example makes clear that the common good may be provided by regional institutions.

Even if the existence of a 'global common good' becomes more widely acknowledged, there is no way the existing global institutions can provide for the common good without relying on national and local entities. Sometimes, perhaps because of contradictory positions of the member

states, the UN, WTO, IMF and World Bank are unable to co-operate with each other. But in specific areas of the competence of the UN system, its Secretary-General cannot carry out minimal global governance tasks, as was recently recognised by Gordon Smith and Moises Naim (1999).

Fortunately, there have been occasions when the global economic and financial institutions have co-operated with the UN system. Some pertain to conflict resolution on the ground (e.g. El Salvador, East Timor), others to joint ventures. Among the latter, two examples come to mind: the joint publication of *A Better World for All* by the IMF, OECD, UN and World Bank and the preparation, which has involved IMF, World Bank and WTO, of the UN Conference on Financing for Development to be held in Mexico in Spring 2002 (Macedo, 2001a).

Nevertheless, the democratic accountability of global institutions, let alone of regional ones, remains very far into the future. National legitimacy remains the source of democratic accountability. If we postulate both, national governance becomes the norm. The appropriate level of governance response should only be changed when the level of the nation-state is found to be sufficiently inadequate, due to changes in technology, in preferences, or both.

As mentioned, the quality of governance can be improved by solving the problem closer to the citizen than the often cumbersome national administration would allow. This is why the principle of proximity is explicitly recognised in the 1992 Treaty on European Union (in the current version see articles 1, second paragraph and 2, second paragraph, which mentions the principle of subsidiarity and refers to article 5 of the 1957 *Treaty establishing the European Community*; see also No. 48 of *Centesimus Annus*).

But, for many issues, improving governance calls for international policy co-operation and even for international institutions. The quest for appropriate regional institutions echoes both concerns as there are subnational and supranational regions. Among the latter, the institutional framework of the EU and of the OECD deserve notice because both are built on the belief that peer pressure among them can bring about better policies. In addition, the EU's combination of unity with diversity (Bliss and Macedo, 1990) may be an appropriate response for what Pope John Paul II calls a 'globalisation of solidarity' (Martini, 2000). In order to ensure this, a greater awareness of the common European good is called for. This presumes that the EU will play its part in the globalisation of solidarity, from its own enlargement to the reinforcement of its development policies. At the moment, the amounts reported to the OECD Development Assistance Committee (DAC) cannot be

meaningfully consolidated and therefore remain scattered and with less impact. It is worth citing that, according to the 2000 numbers released on 25 April, 2001 on the occasion of the DAC high level meeting, the EU states and the European Commission (EC) accounted for \$30 billion, compared with \$23 billion divided roughly equally between US and Japan.

1.3 *Outline*

This paper is a contribution to the understanding of the challenge to reinforce policy reform and therefore sustain development. It is open to interdisciplinary research, even though most of the references come from economic literature, and it is organised into 6 sections. Section 2 introduces stylised facts about the interaction between globalisation and governance and discusses the economic pillars of democratic governance in developing countries.

Section 3 presents an empirical assessment of the strength of the link between globalisation and corruption, based on ongoing work carried out with Federico Bonaglia and Maurizio Bussolo (BBB hereafter) at the OECD Development Centre as part of the 2001/2002 activity 'Empowering people to take advantage of globalisation'. The empirical support for the fact that increases in import openness do indeed cause reductions in corruption, a crucial aspect of governance, is robust and the magnitude of the effect is sizeable. After controlling for cross-country differences, openness' influence on corruption is close to that exercised by the level of development. The policy implication is that trade liberalisation should remain a priority for both developed and developing countries.

Section 4, on corruption and governance, draws on work carried out at the OECD Development Centre by Irène Hors as part of a 1999/2000 activity. It stresses the role of private enterprise and then provides a brief account of the Argentine experience in the fight against corruption based on interviews with Luis Moreno Ocampo, the leader of the local chapter of Transparency International (TI). The broad implication is that property rights cannot be divorced from civil rights. Indeed, No. 48 of *Centesimus Annus* lists the institutional prerequisites of a market economy as 'the guarantee of personal freedom and property, aside from a stable currency and efficient public services'.

Section 5 reviews the European experience with emphasis on its portability, as an illustration of the role regional agreements may play as better governance responses to globalisation. Macedo (2001c) proposes a

'Eurocentric' perspective on international financial architecture based on the unwritten code of conduct governing exchange rate policy among EU members in the early 1990s. Work being carried out at the OECD Development Centre with Daniel Cohen and Helmut Reisen (BCR hereafter) applies this perspective to emerging and developing countries, in particular Argentina and the Franc zone in Africa. The perspective is now carried out beyond the domain of monetary regimes.

The overall approach stresses the role of external pressure in bringing about structural reforms, which might be resisted by the operation of domestic vested interests. The 'voracity effect' uncovered by Aaron Tornell and Philip Lane (1999) can apply to development aid, or indeed to structural funds (as suggested in Macedo 1999 for the case of Portugal). In this regard, therefore, the role of external pressure comes back in the concluding Section 6 as one of the foundations for hope in development.

2. GLOBALISATION AND GOVERNANCE (G&G)

2.1 *More than an acronym?*

The programme of work of the OECD Development Centre has been devoted to the overarching theme of 'globalisation and governance'. The expression, if not the acronym G&G (which sounds like a brand of Italian shoes), has been independently used in the programme for the March 2001 plenary meeting of the Trilateral Commission, whose European chairman established the programme with intellectual input from Joe Nye. My 'Eurocentric' preferences notwithstanding, I do agree that 'the information revolution creates a new politics of credibility in which transparency will increasingly be a power asset' (Keohane and Nye, 1999). The *OECD Global Forum 2001*, on the general topic of 'Sustainable Development and the New Economy', also has a panel on G&G.

The present paper – like BBB – contributes to a major activity on 'Empowering people to take advantage of globalisation' included in the programme of work on G&G for the years 2001-2002. In addition, other activities, on exploring how public-private partnerships can bring forward market reforms policies, how to enhance transparency in public procurement and fight corruption, are relevant to the broad topic addressed here.

The policy recommendations emerging from the 1999-2000 programme of work of the OECD Development Centre (also devoted to G&G) already indi-

cated that sustainable development in a globalising economy requires good governance, both at the international and national level. Without appropriate governance structures, developing countries will find it difficult to participate in and to benefit from the process of globalisation while ensuring a fair distribution of these benefits among the different segments of the populations.

G&G affect each other in a complex mutual relationship, the result of which may be a better, or worse, economic performance. Securing a positive interaction is even more challenging in developing countries seeking to alleviate poverty. In effect, a development-inducing G&G interaction may require deeper institutional change than policymakers and citizens can deliver. This is why, from a development perspective, governance issues are inseparable from ways and means to promote institutional reforms. In this regard, the pressure of globalisation appears to be greatest on reforms leading to more foreign trade in goods, services and assets than on reforms impinging on other aspects of the national economic and social structure – which may be of greater relevance to citizens.

It is this differentiated pressure from markets and voters that must be resolved for a positive G&G interaction to obtain. When the interaction is negative, on the contrary, demands from international financial institutions bring about social unrest, which in turn stalls structural adjustment and institutional reform. As a consequence of this fundamental ambiguity, national policymakers may be tempted to retract on international exchange when structural reforms face greater resistance from citizens. Yet, the temptation to delay reforms cannot be overcome through defensive measures against globalisation. Rather an improvement in governance bringing about the needed institutional change is the dominant strategy.

To help bring about sustained national development, this paper suggests both national and regional governance responses to globalisation. The national response that is emphasised involves fighting against corruption whereas regional integration is seen as a way of introducing peer pressure for better policies. This implies going beyond the trade agenda into deeper issues of policy reform. The question would then become whether peer pressure at the regional level can bring about national institutions responsive to global challenges. Answering this question is more likely to provide policymakers with a handle on how to bring about the positive G&G interaction, rather than simply liberalising their economic regime in the hope that the appropriate institutional change will materialise.

That being said, the importance of trade liberalisation cannot be underestimated: increased imports deliver a decline in corruption of roughly the

same magnitude as increased income. These virtues of outward orientation as quality enhancer for domestic institutions and growth should certainly be further examined, and in-depth country specific case studies should compare alternative policy paths. T.N. Srinivasan and Jagdish Baghwati (2000), who examine the links between openness and growth, are confident that the basic findings will not be refuted. The same applies here.

2.2 Economic pillars of democratic governance in developing countries

Most countries are gathered around the seven richest OECD economies (G-7), whose leaders have regularly met over the last quarter century, suggesting a response to international interdependence rooted on sovereign nation states and on military treaties among them. The hegemony of the US is strongest in military issues, which have greater salience outside the OECD.

The definition of complex interdependence by Keohane and Nye (1977) is precisely a minor role of military force; the absence of hierarchy among issues and multiple channels of contact among societies. These conditions have roughly been met among OECD countries since the 1970s but the information revolution of the 1990s is changing political processes in a way in which 'soft power' becomes more important in relation to hard power than it was in the past. In the current environment, 'credibility becomes a key power resource both for governments and NGOs, giving more open, transparent organisations an advantage with respect to free information' (Keohane and Nye, 1999, p. 213). The adequate provision of common goods depends again on information, since whether information is commercial or strategic determines whether a good is private or public and, in the latter case, at what level of government it is best provided.

The increase in trade, foreign direct investment, and even labour migration is including more and more countries in various stages of economic development. This deepening and widening of international economic interdependence was facilitated by improvements in telecommunications and information technology, has led to a more rapid transfer of knowledge, and has increased the global sharing of political and management ideas.

Alongside the trend of globalisation, many developing countries have embraced democratic governance over the past decade. Even in countries that do not yet have free elections, there is more demand by civil society for information and voice in decisions about public policy, and progress toward more open discussion. In all kinds of political systems, issues of transparency and accountability have moved to the centre of the public agenda.

These policy reforms will have to be complemented by rules and institutions, which provide options and incentives at the micro level, so as to encourage participation and, ultimately, help spread income gains.

The perception that globalisation, not poor governance, has reinforced inequality is behind much of the current debate. For that reason, it is important to demonstrate how the G&G interaction can lead to inclusive globalisation. The 'supply response' of developing countries to globalisation hinges on governance and on institutions as much as it hinges on resource endowment and available technology. In other words, the G&G interaction is positive or negative depending on whether or not foreign investors on the one hand and governments on the other manage to sustain democracy and social cohesion. This is another way of looking at the differentiated pressure from markets and voters mentioned in Section 2.1 above.

To focus on the economic pillars of democratic governance, key elements of democratic governance structures will have to be identified in the specific G&G interaction applying to each individual country or region. It would appear that the process of participatory development is not feasible without transparency and accountability. Also, democratic governance and the acquisition of skills are intimately linked to empowerment of people and, thus, to poverty reduction.

Governments of developing countries are often told that unless they submit to certain economic strictures, they will be punished by global markets. Even within countries that have adopted major parts of that economic agenda, a substantial majority of citizens share only the costs, but not the benefits, of globalisation. Moreover, opportunities to overcome economic exclusion are lost when international donors impose standardised reform policies that may fit poorly within existing political and social constraints.

That being said, it is essential to know whether those opportunities for poverty reduction actually existed in practice. One way to ascertain this is to look at what foreign investors are doing in terms of education and training policies, or even promotion of health care or infrastructure. All these aspects increase the ability of local residents, especially the less skilled and vulnerable, to participate in the global economy. This is why these aspects may become a benchmark for what governments should do through increased participation in the framework of democratic governance structures, public education, and support for private educational policies and institutions, including co-operation with foreign investors.

Of course, the contribution of the tax and transfer mechanism to the provision of social welfare, health, and education, as well as training pro-

If developing countries do not take advantage of the opportunities offered by globalisation, they risk having all or a part of their population being left behind, increasing social exclusion within their country and widening global inequality across countries. Such adverse developments could threaten democratic institutions and slow necessary reforms, which amounts to a deterioration in governance.

Another way to illustrate the G&G interaction is to note that the respect of property rights and open markets for goods, services and assets have become widely accepted principles for the organisation of economic activity everywhere, including mature democracies as well as emerging markets.

The reward from globalisation in terms of higher standard of living cannot be reaped without substantial policy improvements pertaining to both corporate and democratic governance. Indeed, risk increases with the reward. If a financial crisis destroys a fragile civil society, then the combination of political and financial freedom found in mature democracies may seem unattainable by developing countries. Yet financial crises have affected emerging markets much more than aid-dependent countries. The reason is that an economy heavily dependent on official development assistance is typically unable to borrow in international financial markets. In this way, exclusion has a paradoxical insulating property. The paradox comes from the fact that the apparent risk reduction comes at the expense of the rewards foreign savings may bring to the national economy.

Nevertheless, this threat is perceived to be more pronounced in the least advanced countries than in emerging markets. Most calls for 'inclusive globalisation' come from the countries with small weight in the international system mentioned in No. 58 of *Centesimus Annus*.

Combining the gains from opening-up to the outside world with social cohesion involves, however, continued reforms, which turn out to be essential for a country to emerge: inclusive globalisation matters most for the least advanced countries, because this is where improvements in governance are least credible. As discussed in section 5 below, peer pressure may allow even the least advanced countries to earn credibility, thus contributing to the quest for inclusive globalisation.

At the national level, governance structures need to be found that can bridge the gap between the challenges of globalisation and the need to maintain social cohesion. Many countries have already been reducing state involvement in the economy through privatisation, opening up to trade and investment and deregulation, thus allowing market forces and the private sector to guide resource allocation to a much greater extent than before.

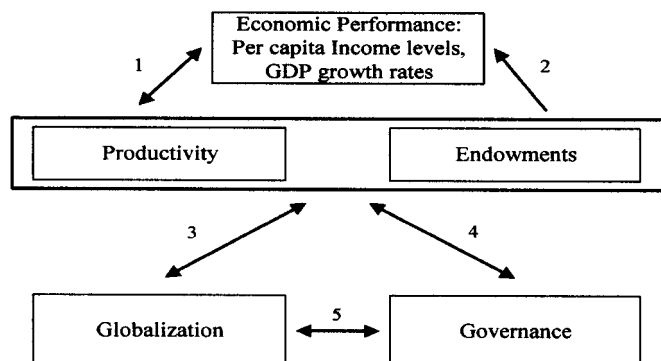


Figure 1. A map of the links between G&G and national economic performance.

Similarly, a country with a good governance, namely a democratic state with high-quality institutions, effective corruption-free accountable bureaucracies, and a flourishing civil society may likely increase the quality, if not the quantity, of its most important endowment: its own people. Once more, cause and effect can be swapped: well-endowed countries may evolve towards democratic forms of government more easily, or, at least, they may afford investing more resources to build well-functioning institutions (arrow 4, which has also attracted economists' interest, but was considered outside the mainstream until the revival of political economy evident in the 1990 Vatican colloquium and emphasised in Macedo 1992 and references therein). The G&G interaction is captured by arrow 5.

A large cross-country sample covering various statistics for the 1995-98 period and described in BBB has been used to construct Figures 2 through 4, showing the links between government size, income and openness. It should be noticed that histograms do not infer any causality between the two variables – the one used to form the groups and that measured for each group – and that very similarly looking histograms would appear in the figure if the two variables were exchanged. The choice was dictated by the convenience to have percentages on the vertical axis.

In Figure 2, the histograms on the left depicts the level of government spending as a percentage of income for different country groups. Countries are assigned to a specific group according to their level of development measured as income per capita. The clear pattern that appears here is that, moving from the 'very low' income per capita group

grammes is constrained by budget revenues and procedures and by the general macroeconomic need for maintaining or achieving internal and external balance. In poor countries that undertake trade liberalisation, lower tariff revenues are an additional constraint for social expenditure because trade liberalisation is rarely self-financing.

In short, the ability of the economy to respond flexibly to trade liberalisation, to attract and maximise the benefits of foreign investment and to benefit from globalisation is determined by the level of local human skills and the quality of democratic and corporate governance institutions.

Ironically, just as the citizens of developing countries are being encouraged to demand a voice in decisions that affect their lives, they are also being told that in the arena most central to their concerns they really have no choices. Meaningful choice is possible only with an informed citizenry and accountable policymakers. Development aid institutions now routinely say that 'the country should be in the driver's seat'. But to realise the full potential of this rhetoric, the country must know how to drive, and be able to make decisions about where to go. Aside from the activity on 'Empowering people to take advantage of globalisation', a project directed by Joe Stiglitz and Ann Florini at the Carnegie Endowment for International Peace addresses the tension between globalisation and democratisation along the lines just described.

2.3 *The G&G interaction: some stylised facts*

Figure 1 summarises links operating at national level between G&G and economic performance. The top panel shows how a nation's resource endowments and its productivity determine how fast it can grow and the level of its economic well being in terms of income per capita (arrows 1 and 2). Feedbacks are possible: a richer country growing fast may invest more resources in scientific research and technology development and thus enjoy higher productivity levels than a poorer, slow-growing economy; this explains why arrow 1 is double-sided.

The bottom panel shows that, through trade, capital flows or migration, globalisation can influence the level of endowments available in an economy, or even, through international technology transfers, its productivity. Conversely a country's endowments of natural resources, labour, and capital, as well as its geographic location and efficiency of its production structures may determine how much it trades with the rest of the world (arrows 3, which, like arrows 1, 2 have always been at the core of economic thought).

to the 'very high' one, government spending increases; in other words, richer economies on average display larger governments. Honouring a nineteenth-century German economist who first noticed it, this pattern took his name: 'Wagner's Law'.

The histogram in the centre measures government spending when countries are grouped according to their level of trade openness equal to the ratio of imports plus exports on income. Another remarkable pattern appears here: countries trading more intensively have larger governments. It seems as if countries heavily relying on global markets tend to compensate the ensuing risks they take with a bigger public sector. In fact, this is exactly the theory advanced by Dani Rodrik (1996) who constructs a model where government size provides an indirect insurance against risks originating from global markets. By employing more people or through their social safety nets, large governments partially insulate their citizens from global markets fluctuations. Although contending theories may explain the size of the public sector, the simplicity of this model is appealing and its predictions are validated by empirical tests.

The histogram on the right displays the other important relation between income and openness again. Countries are grouped according to

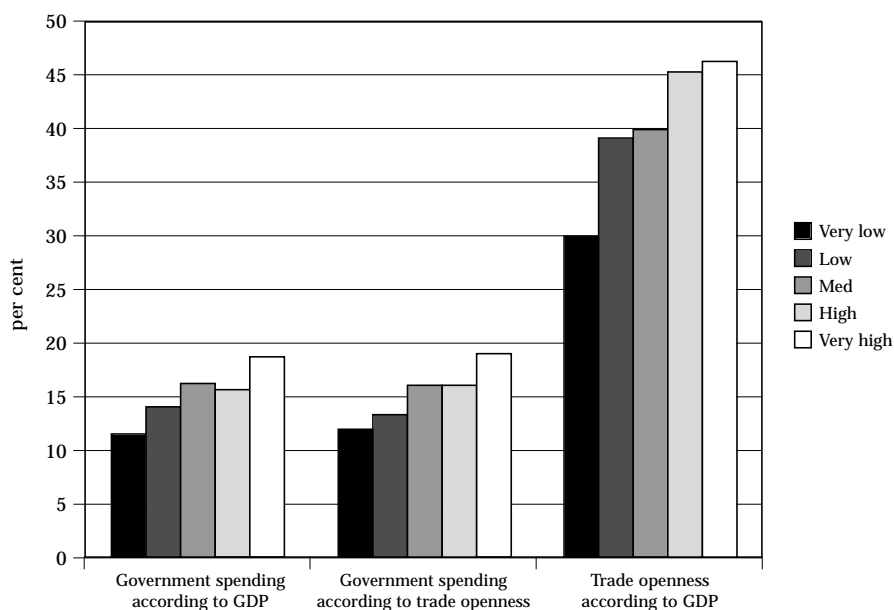


Figure 2. Government size, Income and Openness.

their level of income per capita and trade openness of the resulting five categories is measured by the height of the histograms. The figure seems to offer a neat positive answer to the question 'do more open countries grow faster?'. Yet the links between trade openness and growth are much more complex and the debate among those who support globalisation as a positive growth factor and those who are more sceptical is not settled.

The size of government expenditure is certainly a loose approximation to governance. Figure 3 employs an index of the quality of the bureaucracy and shows that richer and more open countries have higher quality administrations.

The numerical measures for corruption used as the dependent variable are indices produced for the use of international investors, and derived by standard questionnaires subjected to large random polls so that, by construction, they facilitate cross-country comparisons. In addition their commercial value partially guarantees their accuracy. Objective indices would be preferable if they were measured consistently across countries and were independent of corruption itself. Consider, for instance, a measure such as reported fraud cases: its objective value may depend on country-specific definitions and local corruption-fighting systems so that a country with a true low level of corruption and efficient

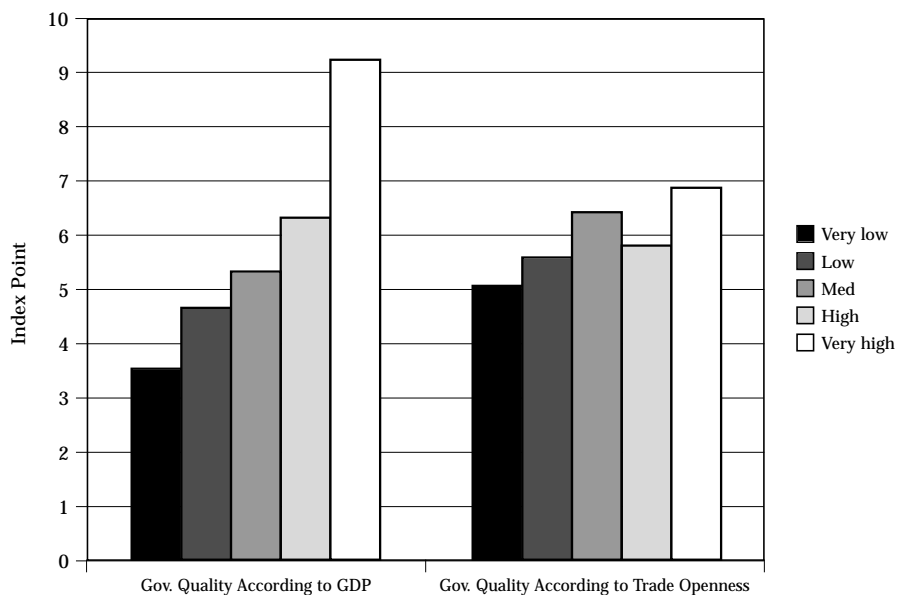


Figure 3. Government quality, Income and Openness.

monitoring schemes may report more numerous fraud cases than a more corrupt country. Corruption indices used here are those produced by TI and by the International Country Risk Guide (ICRG), rescaled so as to vary in a continuous interval between 0 and 10, where 10 reflect the lowest level for corruption.

Figure 4 groups countries according to their levels of perceived corruption (ICRG) and displays the level of import openness (the ratio of imports on income), international capital flows intensity (foreign capital flows on income), and a liberal trade policy index. The histograms suggest that countries perceived to be more corrupt are less opened to imports, have a lower degree of integration in the international financial market, but do not necessarily seem to have a less liberal trade policy, at least according to the particular trade policy index used here.

Observing the histograms in Figures 2-4, one may be tempted to conclude that richer countries, as opposed to poorer, have a tendency to be more open to international trade and to have a larger and better public sector; or, in other words, that successful economies are able to attain the right mix of market and state.

As already noticed in connection with Figure 1 above, causality is one of the fundamental problem social scientists have to face when studying the relationship between economic performance, institutions and global markets. On the one hand, many papers document how high-quality institutions foster economic growth; on the other hand, evidence is accumulating on how developed countries may afford better institutions.

Complexity is the other fundamental problem. The histograms shown above are appealing due to their simplicity: they depict patterns linking pairs of variables, however these apparent patterns may be caused by the influence of other variables. Economic development, for instance, may be at the origin of a spurious relationship between government size and openness by simultaneously increasing the levels of both of them.

Explaining how globalisation affects governance and how it helps or hinders economic development means to clearly identify causes and effects and to take into account multiple factors. To do that, section 3 moves from graphs to statistical testing. At the same time it restricts the multi-dimensional phenomenon of governance to one of its manifestations, which is perceived corruption. Clearly, there are many other dimensions of good governance besides low corruption, but the availability of these indices have made it possible to quantify this particular manifestation.

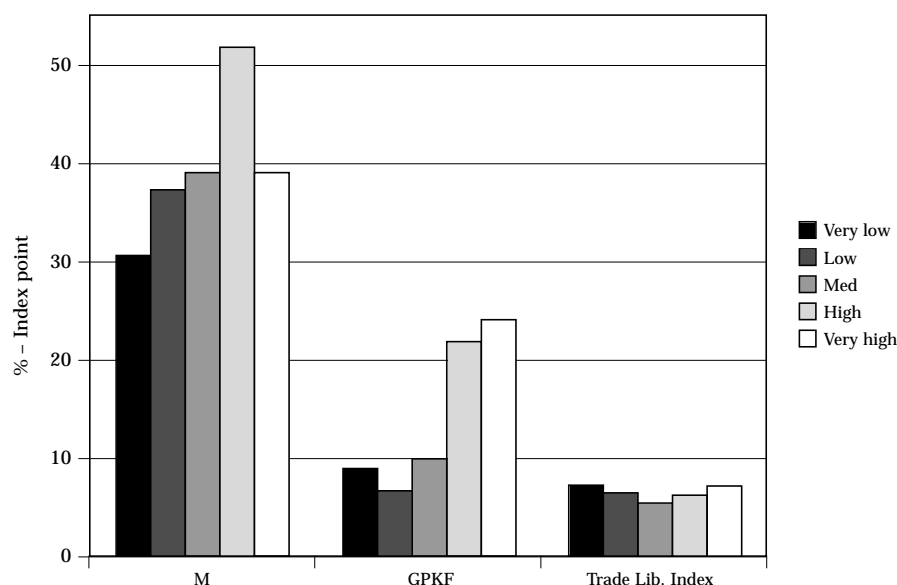


Figure 4. Imports, capital flows and trade liberalization links with perceived corruption.

Note: M is the ratio of imports to income; GPKF stand for Gross Private Capital Flows and this is also a ratio with respect to income; higher values for the trade liberalisation index correspond to more liberal trade policies.

3. GLOBALISATION AND CORRUPTION: A QUANTITATIVE APPROACH

3.1 Data

Why and by how much does openness influence the level of perceived corruption in a given country? This is the central question we attempt to answer in this section. On the surface, no relationships seem to link openness and corruption directly, and a brief digression on the theoretical determinants of corruption is useful before considering our results. Increased private gains are corruption's main objective, however, among its crucial causes, we find economic as well as cultural and social variables. Citing Robert Klitgaard (1998), corruption thrives when monopoly power is combined with discretion and low accountability. Incentives to bribery do not arise in a society where all economic activities are carried out in a perfect

competition setting and no single agent is able to affect the price or the quantity of the product he sells or buys. By the same token, corruption is reduced when economic rents do not depend on the discretionary power of some public official, or when monopolistic economic activities as well as governments are subject to strict rules of accountability.

The ICRG index of perceived corruption is available yearly for 119 countries over the periods 1984-88 and 1990-98. Instead of using yearly data, three averages corresponding to the periods 1984-89, 1990-94, and 1995-98 are used, so as to reduce data variability due to temporary shocks. Since there are no yearly estimates of all the dependent variables in all the countries, this averages approach to fill the gaps is preferable to restricting the sample: it maximises cross-country variations with little time variation sacrificed.

Following Felipe Larrain and José Tavares (2000), BBB extend the concept of openness to include capital flows as a percentage of GDP. The three theoretical mechanisms through which import openness may influence corruption (legal barriers, foreign competition, and monitoring costs) also apply to capital flows. Due to the difficulty in finding exogenous variables proxying policy input, however, the results reported here only pertain to import openness. Suitable policy variables affecting capital flows (such as corporate tax rates and relevant regulations) are not available for the same cross section of countries.

The empirical assessment takes into account potential reverse causality from corruption to relevant economic variables and uses geographical determinants as instruments to correct for this. The openness measures that may influence corruption are unaffected by it and economic policies are not influenced by corruption levels or by economic variables. The focus is on the sign and magnitude of the marginal effect of import openness on corruption but several additional explanatory variables are suggested by the theory on the causes of corruption. The level of development of a country, by influencing cultural attitudes towards corruption and by affecting the amount of resources that may be devoted to monitor public officials, is a key determinant of corruption levels. It is proxied by income per capita.

A country's score on basic political rights may be a good proxy for its degree of accountability, another important factor explaining corruption. To avoid omitted variables bias, additional social causes for corruption are introduced in the estimation. If, for instance, ethnic fractionalisation were to determine a lower level of corruption and to be strongly correlated with trade openness, but would nevertheless be omitted from the regressions,

then the positive influence attributed to openness should in reality be assigned to ethnic fractionalisation.

Economic policy variables, such as trade liberalisation or state intervention in the economy, are also tested for their possible direct effect on corruption.

Among the independent variables, openness and income may suffer from the problem of reverse causality. In principle, a corrupt bureaucracy could induce a lower degree of international integration by erecting discretionary barriers. Through excessive regulations and direct waste of resources, a corrupt bureaucracy could even hinder the development process. If not corrected, reverse causality can be a serious drawback in the estimation. It alters not only the magnitude of the coefficients but also their meaning: instead of verifying whether openness or income influence corruption, all that is being picked up is by how much corruption affect the chosen regressors. Fortunately, by identifying suitable instruments that are highly correlated with openness and income but that do not directly influence corruption, standard econometric techniques overcome this problem. So as to identify suitable instruments, new theoretically sound explanations are needed for how openness and income are determined independently of corruption.

Because the impact of geography on corruption can only result from its influence on income, the absolute value of latitude, a dummy for tropical countries and time dummies accounting for time dependent variables are used as instruments to get a valid estimate of 'corruption-independent income'.

The well-established gravity equation that links bilateral trade flows to distances from major trading partners and the size of domestic markets helps in the instrumentation of import openness. Besides geographical and size variables, cultural proximity may also explain trade intensity. Measures of remoteness, in particular, a weighted average of each country's distance from its trading partners in which the weights are given by the share of exports of the country's partners in global exports, are therefore used as regressors. According to this specification, a country's degree of 'corruption-independent openness' increases with its proximity to the largest world traders. The same happens if the country's official language is English. Conversely, the larger the size of a country's domestic market, proxied by its population, the lower its openness.

A potential problem concerns the endogeneity of import openness. Reverse causality could arise if a corrupt bureaucracy had the power to affect trade barriers directly but the measure of corruption used rules this

out. When different approaches to instrumentation of openness and income are explored, formal tests reject the hypothesis that *both* income and import openness are endogenous.

The instrumentation of import openness can also be criticised on the grounds that the instrumental variables used in the first stage regression – remoteness and size – could exert an independent effect on corruption, therefore biasing the second stage coefficients. Less remote countries are ‘naturally’ more open and need to invest more in institution building, thereby showing lower levels of perceived corruption (Shang-Jin Wei, 2000). In turn, smaller countries could find it easier to implement an efficient control on their territory. Introducing remoteness directly into the basic specification, together with a measure of size, checks against both possibilities. Since population is highly correlated to import openness, the logarithm of land area is used. Checking for the diseconomy of scale or ‘size effect’ on corruption also controls for the devolution of government functions to the regional or local level.

3.2 Analysis

The results reported in tables 1 and 2 accord with the stylised facts presented in section 2.3 above. Countries with a higher degree of import openness record, on average, lower levels of corruption. The same tendency applies, with stronger intensity, to the level of income. Results are unchanged when income is treated as endogenous. For the other exogenous variables, countries showing stronger accountability, proxied by the political rights index, lower sectoral concentration in their exports, and higher proximity to the major exporters also register low levels of corruption.

Table 1 presents the effect of import openness on perceived corruption. The specifications in columns (1) to (3) are estimated using pooled ordinary least squares (OLS). Results in column (4) come from a two-stage procedure where income per capita is instrumented using geographical variables and time dummies. Both estimation techniques show the positive impact of openness on the quality of governance, viz. a reduced level of corruption.

The regressions are in lin-log specification, meaning that the dependent variable, corruption, is in linear format and the independent variables are in logarithmic format. In this specification the coefficient can be interpreted as the marginal effect on corruption of a change in the logarithm of the dependent variable, or, as the marginal effect due to a relative (percentage) change in the dependent variable in linear format.

The most parsimonious specification – which includes only import openness, per capita GDP (both in logs) and an index of political rights – explain almost 50 per cent of the variability in the corruption index. All variables are significant at conventional levels and display the expected sign. Column (1) predicts that a 10% increase in imports openness results in 0.03-point change in the corruption score (0.34×0.1). This is a sizeable effect, especially when compared to the 0.09-point changes due to a 10% increase in log income per capita.

To isolate the direct impact of openness on governance, other simultaneous determinants of corruption must be considered. Controlling for dependence on oil and mineral exports (column 2), remoteness and size (column 3) does not change the overall picture. The first result is consistent with a vast literature pointing to higher rent-seeking behaviour in natural resource abundant countries, and with the voracity effect mentioned at the end of Section 1 above. As for the size variable, it is not significant, even after controlling for the existence of federal government structures (the specific dummy included in the regression was not significant and is not reported). Column (4) presents results obtained under the assumption of endogenous GDP. Basic findings are unchanged.

The index of trade policy liberalisation reported in Figure 4 above and the logarithm of government consumption over GDP, which imperfectly proxies the extent of government intervention, as discussed in connection with Figure 1 above, are the policy variables used in the regressions presented in columns (5) and (6). The trade liberalisation index is available for the last period only. For comparative purposes, the basic specification is re-estimated over this period. As the two policy variables are not significant and basic findings remain unchanged.

3.3 *Culture*

Recent empirical research on the causes of corruption and the quality of governments suggests that a further series of social and historical variables should be considered. In particular the role of ethnic fractionalisation, the colonial past, that of the religious traditions, and that of long-term stable democratic institutions have been seen as important explanatory variables for the level of corruption.

Table 2 adds to specification (3) of Table 1 these additional controls. Contrary to the hypothesis raised in section 3.2, ethnic fractionalisation is never significant. The effect of ethnic fractionalisation on corruption is not

Table1. Globalisation and Corruption (pooled data).

<i>Estimation</i>	(1)	(2)	(3)	(4)	(5)	(6)
	OLS	OLS	OLS	IV	OLS	OLS
<i>Dependent Var.</i>	Perceived corruption index					
<i>Regressors</i>						
C	-4.22	-4.39	3.74	4.83	1.34	-0.22
Log (M Openness)	0.34	0.36	0.38	0.34	0.55	0.51
	<i>2.33</i>	<i>2.45</i>	<i>2.48</i>	<i>2.18</i>	<i>2.21</i>	<i>1.98</i>
Log (GDP)	0.91	0.97	0.78	0.74	0.63	0.60
	<i>8.53</i>	<i>9.41</i>	<i>6.49</i>	<i>2.95</i>	<i>4.59</i>	<i>4.35</i>
Pol.Rights	0.19	0.15	0.14	0.14	0.20	0.21
	<i>5.38</i>	<i>4.11</i>	<i>4.17</i>	<i>2.81</i>	<i>4.64</i>	<i>4.50</i>
Oil-Min Exports		-0.87	-0.73	-0.70	-0.13	-0.25
		<i>-3.48</i>	<i>-3.03</i>	<i>-2.69</i>	<i>-0.36</i>	<i>-0.72</i>
Remotness			-0.89	-0.94	-0.60	-0.49
			<i>-4.06</i>	<i>-3.15</i>	<i>-1.89</i>	<i>-1.49</i>
Log(Area)			0.10	0.10	0.10	0.11
			<i>1.79</i>	<i>1.60</i>	<i>1.39</i>	<i>1.44</i>
Lib						-0.06
						<i>-0.84</i>
Govsize						0.51
						<i>1.49</i>
R2	0.49	0.51	0.55	0.54	0.60	0.61
Number of Obs	305	305	305	305	103	103

t statistics are shown in italics below the estimates. Time and federalism dummies included in the OLS estimation are not reported. In column (3) Log(GDP) is instrumented by tropics, time dummies, and legal system origin. Column (5) and (6) refers to the last period only (1996-98).

clear. While recent investigations indicate high fractionalisation as a negative determinant of growth, studies focusing on the causes of corruption do not find such a clear-cut result. Roberta Gatti (1999), for instance, finds that fractionalisation is significant in reducing corruption. This finding is

explained in terms of the increased difficulties bureaucrats encounter in extracting bribes from ethnic groups they do not belong to.

'Colonial past' seems to exert a negative influence on good governance in column (3b), but it is not statistically significant. The coefficients on 'protestant' traditions, 'democracy' and 'OECD' membership, on the other hand, are significant, show the right sign and increase the R-squared of the regressions. Countries where protestant is the largest confession, where democracy has been uninterrupted for the last 50 years, and that belong to the OECD record lower levels of corruption.

The estimation of the effect of import openness on corruption is not affected by omitting these additional controls; on the contrary, with their introduction its explanatory power is actually increased. It seems that these variables, by lowering the explanatory power of the income and political rights coefficients, are in fact accounting for deep institutional and social cross-country differences.

But the interpretation of such variables should not reflect that they are all in dummy format and thereby they are really just labels used to describe a, sometimes quite loose, common characteristic of a particular group of countries. In fact the only proper label is one not usually standing for culture, namely OECD membership. This group of thirty countries adopted common measures to fight corruption and is trying to enforce them through 'peer pressure' mechanisms, as described in section 5 below. Rather than testing serious hypotheses on how, for instance, being a democracy may affect a country's corruption level, what the 'cultural dummies' do is to provide an indication that our corruption theories are still incomplete. This is why the explicit label of OECD membership is preferable to such dummies.

As the two policy variables included are not significant and as their introduction actually decreases the magnitude and statistical significance of the openness variable, some caution should be used when drawing economic policy implications. In fact, reducing trade barriers may not bring immediate positive corruption reductions. It is true that in the long run, more open economies, enjoying more foreign competition and investing abundantly in institution building, will register lower corruption levels. However, in the short run, domestic policies may be more valuable than pursuing globalisation at all costs. This may be especially important for poorer countries that face serious trade-offs between complying with international agreements and investing in basic development infrastructures such as education, health, and social security.

To conclude the presentation of the results, some qualifications should be kept in mind. First, even with respect to trade openness, a direct effect from trade policy was not found. Second, the addition of both trade liberalisation and government size weakened the results. Third, the positive G&G interaction was based on a cross-section study, and it is well known that this type of analysis has several problems. Cross-country differences in the levels of the dependent variables are the central explanation for the variations in the dependent variable, and, no matter how many controls are added, it will always be possible that some additional relevant variable is missed or wrongly measured and that results are thus distorted. It is possible to account for many local characteristics, yet comparing China to the USA, or India to Argentina, will always be a bit stretched. This is also why the next sections make comparisons by means of specific examples rather than by statistical methods.

4. CORRUPTION AND GOVERNANCE

4.1 *The role of private enterprise*

Conventional wisdom continues to associate corruption with private enterprise, rather than with state intervention. Conversely, anti-corruption continues to be seen as a matter for the state rather than a business concern. Yet the report of the Washington conference on corruption (WCC) and Macedo (2000) suggest that fighting corruption is a pro-business agenda. It is in the private sector's interest to operate in an environment of workable competition where the rule of law prevails. Moreover the fight against corruption cannot be waged by government alone, ignoring the private sector and other parts of civil society. When firms commit to refuse to engage in corrupt practices, they follow a self-regulation (or judicial) approach. Instead, the approach underlying the OECD *Convention on Combating Bribery of Foreign Public Officials in International Business Transactions*, involves institutional reform, facilitated by a dialogue of the private sector with the government to work together in changing the environment and in defining new 'rules of the game'. According to both approaches, corruption is bad for business and business is bad for corruption.

The progress in institutional reform since the OECD convention was signed is evident in two new OECD publications. *No Longer Business as Usual: Fighting Bribery and Corruption* presents the process that led up to the signing

Table 2. Additional controls – historical variables.

	(3a)	(3b)	(3c)	(3d)	(3e)
<i>Dependent Var.</i>	Perceived corruption index				
<i>Regressors</i>					
C	2.00	1.97	3.39	1.64	0.26
Log (M Openness)	0.45 <i>2.83</i>	0.45 <i>2.83</i>	0.43 <i>2.54</i>	0.41 <i>2.19</i>	0.50 <i>2.63</i>
Log (GDP)	0.92 <i>5.86</i>	0.92 <i>5.81</i>	0.77 <i>4.89</i>	0.89 <i>5.11</i>	0.70 <i>3.86</i>
Pol.Rights	0.14 <i>3.70</i>	0.14 <i>3.61</i>	0.10 <i>2.80</i>	0.08 <i>1.93</i>	0.06 <i>1.42</i>
Oil-Min Exports	-0.72 <i>-2.69</i>	-0.72 <i>-2.67</i>	-0.78 <i>-3.06</i>	-0.82 <i>-2.98</i>	-0.76 <i>-2.81</i>
Remotness	-0.90 <i>-4.07</i>	-0.90 <i>-3.74</i>	-0.87 <i>-3.99</i>	-0.70 <i>-3.16</i>	-0.37 <i>-1.87</i>
Log(area)	0.11 <i>1.82</i>	0.11 <i>1.75</i>	0.09 <i>1.45</i>	0.00 <i>0.06</i>	-0.03 <i>-0.48</i>
Ethnic Fract.	0.73 <i>1.67</i>	0.73 <i>1.66</i>	0.41 <i>0.89</i>	0.76 <i>1.57</i>	0.71 <i>1.44</i>
Colonial Past		-0.01 <i>-0.05</i>	0.10 <i>0.39</i>	0.18 <i>0.71</i>	0.31 <i>1.32</i>
Protestant			1.54 <i>4.99</i>	1.40 <i>4.36</i>	1.31 <i>4.26</i>
Democracy				0.75 <i>2.82</i>	0.65 <i>2.54</i>
OECD					1.17 <i>3.44</i>
R²	0.56	0.56	0.60	0.66	0.68
Number of Obs	287	287	287	240	240

t statistics are shown in italics below the estimates.

of the convention by 34 countries. It reviews progress in combating corruption in international business transactions since then and outlines the work that still needs to be done. *Trust in Governments: Ethics Measures in OECD Countries* reports the results of an extensive OECD survey on ethics in government service. De-centralisation of decision-making in many countries, it finds, has created a need for new mechanisms of accountability as citizens demand higher standards of efficiency and transparency. In response, public sector organisations are increasingly using methods developed within the private sector to enhance their effectiveness. The publication analyses data and current practices in OECD countries and comments on promising trends.

Corruption may benefit some firms, but it brings problems to all others. Most firms would rather operate in an environment in which rules of competition prevail and productivity growth is sustained. Therefore, they can be allies in the fight against corruption. It is therefore as erroneous to ignore private anti-corruption strategies, and to focus only on governments and NGOs as actors than to forget that the key to success remains a durable engagement on the part of political leaders.

The process which leads to the reduction of corruption includes mobilising of the population on the problem, bringing the political elite to put it on the agenda and then reforming public institutions and procedures at the various levels of government.

Business associations and firms often have greater political weight than NGOs to pressure politicians into taking corruption seriously. For example, the General Confederation of Moroccan Enterprises has set up an ethics committee, which adopted a Charter of Ethics and started negotiations with the government to reform the judicial system. In the process of public administration reform, firms have a key role to play as advisers because they know where the problems are and why. They can also participate in the monitoring process. For example, after an initial reluctance to intervene, the Philippines Chamber of Commerce, Semiconductor and Electronics Industry Federation Inc. – among others business associations – was the strongest ally in the development and execution of reform initiatives in customs. With the change of government in May 1998, the new administration was much more sensitive to the clout of the forces which had opposed the reforms undertaken. In fact, the business sector stood up to help the current customs leadership recover lost ground and to get the reform process back on track (Hors, 2001).

Nevertheless, the WCC report argues that costs and risks for firms can be strong deterrents to action, even if the outcome of such initiatives would

be highly beneficial. Within business associations, this situation can be resolved by combining commitments to fight corruption with activities that are more directly beneficial for member companies, such as providing business information and advice. The WCC report also provides examples. The West African Enterprise Network has succeeded in combining two objectives: to promote trade and investment in the region and to encourage a more favourable environment for business. Members enjoy networking opportunities, have access to information that is highly relevant for their businesses, and they benefit from training. The International Federation of Consulting Engineers has also been successful in organising business and providing international contract documents to members while, at the same time, developing good business practices.

Note that the G&G interaction creates a link between transparency and democracy, which is captured in different ways by the Amnesty International (AI) and TI. After the restoration of political and financial freedom, an anti-corruption momentum becomes possible; but the quest for transparency has nothing automatic. It is not enough to draw the attention of aid agencies and policymakers to the potential alliances which can be made with private enterprise because business associations are not mobilised in all countries. In some cases, existing business associations do not wish to get involved in the fight against corruption. On the other hand, all successful experiences of reform seem to have required the support and the participation of the private sector at some point. For example, it is said that *Mani Pulite* was supported by Italian firms facing competition from European neighbours. Opening up to European competition forced the change of their position. Hence the question: when do different forces in the population, including private enterprise, start to take a stand against corruption? The answer should certainly take into account that, due to the forces of globalisation, the nature of the international system changed greatly and now reflects the 'new politics of credibility' stressed above.

4.2 Argentina from amnesty to transparency, via financial freedom

The link between democracy and transparency on the one side and of political and financial freedom on the other illustrate the little attention given to democratic governance in development, discussed in section 2.2 above. As a case study, consider the trajectory followed by Argentina during the thirty years before parliament voted a bill ending the impunity of lawmakers, judges and government ministers from prosecution.

Argentina got there in three steps, each taking about a decade. The elections of October 1983 mark the restoration of democratic institutions. Political freedom was not enough to bring about a sustained reduction of corruption, and more generally greater accountability of the elected team and its administration. Political institutions were in place but corruption was not a concern of the population between 1983 and 1990.

Until the 1991 Convertibility Law managed to bring hyperinflation under control, people were worried about financial stability. Then corruption did become the most or second most important problem quoted in the Gallup polls held at the time. These polls are quoted in *El desafío de la ley* by Moreno, who came from the fight for human rights and saw corruption as another form of abuse of power. Hence, when citizens enjoy both political and financial freedom, they are more likely to mobilize against practices of mismanagement and corruption.

Access to information is so important to fight corruption that simple tools, like the publication of price comparison numbers, can be a strong catalyst for change. Accordingly, a strategy based on the provision of hard data, rather than of personal accusations, appears to be very powerful. Moreno mentioned the example of Buenos Aires hospitals asked to give information on the prices that they were paying for a number of homogeneous and basic products, such as dextrose. Their information revealed unjustifiable price differences for the same product, quantity, provider and times of payment. After the publication of these comparisons, hospitals started buying more efficiently.

Once the broader macro conditions were right, and with help from USAID, civil society played an important role in bringing forward the anti-corruption agenda in Argentina, in particular experience *Poder Ciudadano* (PC). If international institutions and even governments widely acknowledge now the importance and impact of NGOs in this field and generally welcome civil society's involvement, little research has actually been conducted with regard to the effectiveness of these organisations.

PC is recognised as one of the most – if not the most- innovative and efficient chapter of TI. It also predates TI by 4 years, since it was founded in 1989, to support the democratisation process and, in particular, to fight corruption. Since 1995 PC serves as the local chapter of TI.

Almost a decade after its foundation, the three candidates to the Presidency recognised the role of PC and asked this movement to monitor the financing of campaign expenditures. At a time when the new government of Argentina starts a substantial programme to curb corruption, it is thus interesting to take stock of PC's experience. Hors has claimed

that, through innovative modes of intervention, this organisation contributed to mobilise the population on the problem of corruption and to bring the political elite to put the problem in the public agenda. This contributed to make democratic institutions work.

In addition, she claims that PC could direct its actions to better adapt to the third phase of action and of reform of public institutions. Political and financial freedom, together with the pressure of globalisation, expose corruption more crudely, but they also make the fiscal losses for the State and the costs corruption represents for firms facing external competition harder to bear. Once the broader conditions are there, NGOs can play a crucial role in catalysing an anti-corruption momentum.

The Argentine case confirms that establishing democratic institutions and the freedom of speech is necessary but not sufficient. Decisions taken in the economic sphere such as liberalisation of trade, reform of the exchange rate system are also needed to transform the situation, and get a country on a virtuous path. The interaction between political and financial freedom was used to interpret the long term evolution of the Portuguese economy.

It turns out that the role of external pressure stressed in Section 1 above for the last few decades applied in much earlier times, but then in the form of innovative tax responses to threats of war. Unfortunately, the instances of successful government responses, even after the suspension of convertibility in 1796, were forgotten and led to monetary myths which were upheld until very recently, undermining the ability of the people to adjust to financial freedom (Macedo, Silva and Sousa 2001). The issue of myths is taken up again in the conclusion.

Hors also claims that comparing the trajectories of different Latin American countries may help better to integrate the development dimension with the fight against corruption. Such comparison exercise would allow a better understanding of which conditions are necessary to ensure the successful implementation of the tools and strategies developed by TILAC and its national chapters.

TI is currently promoting the programme *Transparent Contracts* (TC) in Argentina, Colombia, Panama and other countries. The underlying general idea is to create *communities of interest*. In developed countries, the legal systems reflect a basic agreement among community members to adopt a certain set of rules, the 'social contract'. In these contexts, communities are based territorially, making up what are nation states. Today, many communities extend beyond nation-states, making it necessary to develop new concepts of social contracts. Through communities of inter-

est, NGOs serve to bring together the competing firms, the public bidders and the future consumers or users of the goods or services delivered by the winner to control for the respect of fair rules of competition.

This programme has been implemented in different ways. PC has been developing public hearings to discuss tender conditions with governments, opposition parties, companies interested in the business and citizen concerned. In Panama, the TI chapter was a neutral observer in each of the meetings held for the privatisation of the national phone company. TI Colombia is currently supervising more than 50 public procurement contracts. In some of these experiences, the programme brings firms competing on a public bid to sign an *Integrity Pact* (another name for the TC programme) that allows for mutual monitoring: firms commit to grant each other access to all relevant information so that the tendering outcome can be controlled.

The use of internet is a promising tool to control public bids, and could help support the TC programmes. In Mexico, Chile and Canada, internet sites display information regarding the bidding procedure and results. It is an important tool which enables the citizenship to control public spending and monitor the use of funds.

In Latin American countries, where foreign companies play a substantial role, the efficient enforcement of the OECD *Bribery Convention* is a crucial element for the success of the anti-corruption momentum. In Argentina for example, foreign companies hold almost 60% of the shares of consortia of privatised companies. TI has made a first contribution through the publication of a 'Bribe Payers Index' in 1999. There is certainly room for a more active participation of local chapters.

Transparency is not sustainable in the long run without political and financial freedom but the sequence may differ from the one offered by Argentina. The United Arab Emirates started to address the problem of corruption in parts of the public administration in the framework of a broader approach under the banner of ethics and efficiency. On the other hand, Taiwan and Korea enjoyed a fairly low level of corruption and rapid growth under non-democratic regimes. Both countries 'discovered in the late 1980s that repression of rising demands for democracy and free expression would be expensive in terms of their reputation and soft power. By beginning to democratise then, they have strengthened their capacity – as compared, for instance, with Indonesia – to cope with economic crisis' (Keohane and Nye 1999, p.212, the role of peer pressure in Korea is stressed by Macedo, 2001b).

5. THE QUEST FOR INCLUSIVE GLOBALISATION: A 'EUROCENTRIC' PERSPECTIVE

5.1 *Peer pressure and yardstick competition*

Even in the days of the Washington consensus, most economists and policymakers would count on effective states as well as on efficient markets to be crucial ingredients for development. When markets become more efficient states need to become more effective. This is especially important because world financial markets, by themselves, were not capable of promoting rules of good conduct among sovereign states.

The IMF and the World Bank did play a role in spreading the results of alternative policy paths among their member states, thereby reinforcing the notion that some paths worked better than others. The wide acceptance observed suggests that national policymakers stabilised, liberalised and privatised the economy in part because they saw other policymakers do the same. Within the EU, in particular, this peer pressure led to the 1992 Treaty mentioned at the outset, which has included a multilateral surveillance framework (MSF) designed to support the introduction of a single currency. The MSF has been progressively reinforced in the two revisions of the treaty.

The issue of whether peer pressure bring about improved performance has been addressed by Tim Besley and Anne Case (1995) in the context of 'yardstick competition', a term coming from industrial organisation which suggests comparing similar regulated firms with each other (Schleifer, 1985). For any given firm, the regulator uses the costs of comparable firms to infer a firm's attainable cost level. This may not fully overcome moral hazard problems, but it is certainly preferable to the traditional procedure of comparing current and future costs to past performance. The peer pressure scheme is thus susceptible to manipulation by participating firms but the difficulty in co-operating to impose collusive behaviour makes this perverse outcome less likely. Note also that in the case where heterogeneity is observable and can therefore be corrected for, Andrei Schleifer (1985) shows that a regulatory scheme based on peer pressure should lead to a superior performance.

This implies that the regulator can credibly threaten to make inefficient firms lose money and cost reduction can therefore be enforced. When national objectives are at stake, best practices can thus be achieved, rather than allowing a convergence towards the mean. Conversely, when peer pressure is used to stall reforms, rather than to promote them, the outcome is equivalent to the collusive equilibrium and an alternative yardstick must be devised.

Therefore, adapting the same reasoning, when there is peer pressure among national policymakers to follow best practices, these are likely to become more and more accepted. Peer reviews have enhanced competition for better macroeconomic and trade policies among OECD members. Similar benchmarking has begun with respect to structural policies, especially those relating to the regulatory framework. The greater complexity of such policies makes them more susceptible to procrastination, and the same problem has been observed in the EU, as discussed in section 5.4 below. This hinders institutional change and makes corporate and political governance more difficult.

Among the G-7, only the four European states have attempted to deal explicitly with their regional architecture, so that the presidents of the European commission (EC), central bank (ECB) and council (especially the EcoFin) attend the meetings. There is no sovereign national centre equivalent to that of the United States, Japan or Canada (let alone Russia, set to become the 8th member), even though the complexity of the current EU institutional framework leaves substantial room for manoeuvre to the United Kingdom and to the three large members of the eurosystem.

The question of external representation of the EU has been a source of controversy at least since its creation. Due to the fact that the EC participates in the discussions of the G-7 since 1977, the four EU (three eurozone) members tend to ignore their eleven (eight) 'peers' when global affairs are on the agenda. The same applies to the OECD, where the EC also participates. At the IMF, like in the G-7, a representative of the ECB addresses all matters directly pertaining to monetary policy.

The ambiguity of the solutions reflects, once again, the complexity of the EU institutional framework. Nevertheless, the strengths of the perspective can be put to good use in the global arena, as long as the European identity is understood as a flexible partnership portable to other groups of nations. The creation of a single currency among most members based on a MSF supported by all, helps to make the case for flexible integration in section 5.3 below.

The MSF developed among EU nation-states can be adapted to build a global financial architecture resilient to financial crises. To begin with, its intercontinental domain reflects longstanding cultural and commercial ties. Moreover, the EU probes into budgetary procedures and corporate governance standards, in ways that may offend national sovereignty if applied to Washington or Tokyo. In the OECD peer reviews and in the standards agreed upon at the BIS, unanimity is required so that national sov-

ereignty is entirely preserved. The role of the Commission as regulator and that of the Court of Justice help bring procedures closer to a regulatory framework allowing for yardstick competition.

The EU MSF does not focus on balance of payments adjustment, but rather attempt to bring together principles of good government commonly accepted and which indeed are jointly transferred to Community institutions. The degrees of commitment to the EU and to each one of its main institutions have been changing in various issue areas, as a partial response to a more turbulent global and regional environment. The creation of the eurosystem in January 1999 was followed by a difficult institutional period, which has also delayed the accession calendar. The delay reflects the propensity to procrastinate on structural reforms, rather than the recurrent European debate about whether multiple-speed convergence towards union objectives is possible and desirable.

5.2 Convergence and cohesion as common good

The current international system calls for a more effective regional and global response to threats of contagion of national crises. American national interest in preserving world stability is one such response. Co-ordination mechanisms among monetary and fiscal authorities like the ones found in the EU and in the eurozone rely on economic and societal values shared among sovereign states are another response.

The American and European interests have been complementary on many occasions and indeed originated fifty years ago in the process of allocating Marshall aid through the European Payments Union and the Organisation of European Economic Co-operation, which later became the OECD. The current relevance of these distant origins is described by Barry Eichengreen and Macedo (2001). Fred Bergsten (2000) provides a list of similarities and differences between European and Asian integration, and concludes that the former are beginning to outweigh the latter.

Under globalisation, a single country, no matter how dominant, cannot provide the 'common global good' (No. 58 of *Centesimus Annus*). The global applicability of the European experience to the search for the 'common good' suggests itself because it hinges on the 'centre' in Europe not being a nation-state, but rather a community thereof. Note that, in spite of a similar emphasis on co-operation and development, Smith and Naím 2000 hardly mention the European experience. Even in the European context, external pressure remains powerful. This is another way of underscoring

the result in section 3 above that globalisation improves governance.

The lessons from the crises in the Exchange Rate Mechanism (ERM) of the European Monetary System (EMS) may be helpful in emerging markets. Basically, the largely unwritten ERM code of conduct implied a more effective co-ordination mechanism among monetary and fiscal authorities than expected. Non-compliance with the ERM code of conduct played a major role in the development of the currency turmoil, but after August 2, 1993 the EMS regained stability, thanks to the widening of the fluctuation bands, which limited speculative pressure by eliminating one-way bets and reintroducing two-way risks. The option to float in order to fix, a kind of financial 'cruel to be kind' (Macedo, 2001a) shows that the set of principles, rules and code of conduct which underlie the monetary union in stage two have proven correct for the euro as well.

The adaptation of the ERM code of conduct to improving international financial architecture would also support the creation of new networks including major emerging markets, as long as they manage to enforce financial stability. This applies to the Financial Stability Forum and to the G-20, for example.

Enforcing financial stability can lead to a virtuous cycle, whereby currency stability delivered by monetary union feeds back to a more employment-friendly economic environment. Conversely, when terminal conditions lack credibility, a 'stop-go' convergence process that hinders change may appear. Temporary, unaccountable shifts in sentiment in financial markets thus may disrupt the convergence process permanently. A government can only protect itself from this threat by acquiring a reputation for subordinating other goals of economic policy to the pursuit of convergence.

The MSF can play a role in providing timely information on national economic policies in a way that enhances the reputations of deserving governments. The same is true of the adoption of appropriate budgetary procedures at national and union levels.

Thanks to its code of conduct, the ERM acted as an instrument of convergence towards the single currency. The code was partly unwritten, but it encompassed instruments specified in the 1992 EU Treaty. These were essentially a timetable with three stages, the convergence programmes and the specific procedures included in the MSF, especially the ones dealing with excessive deficits. In addition, progress towards independence of national central banks was impressive during stage two of monetary union, as was the fact that the public sector could no longer be financed by central banks or by privileged access to financial institutions.

The European Monetary Institute was established at the end of stage one of monetary union in order to contribute to the realisation of the conditions necessary for the transition to stage three. The fact that it was delayed from 1997 until 1999 may actually have helped prevent an excessively fast politicisation of monetary policy. The politicisation would increase the temptation to soften the excessive deficit procedure, raising fears that some governments will expect to be bailed out by the union, in contradiction to Article 103 of the Rome Treaty (in its 1999 version). The approval in 1996 of the Stability and Growth Pact (SGP) also contributed to allay such fears because it actually tightened the excessive deficit procedure included in the 1992 EU Treaty. The creation of the ECB at the end of stage two of monetary union proceeded on schedule, in spite of a political dispute about the term of the initial governor.

Once again, an effective MSF, supported by all member states, was decisive for medium term policy credibility at national and union level. Indeed, all of these instruments and procedures effectively delivered convergence and cohesion. Together with political stability or social consensus and national cohesion, the MSF delivered convergence. Social consensus implies, first and foremost, that social partners and public opinion understand and accept the medium term stance of economic policy. In particular, trade unions must recognise the perverse interaction between price and wage increases, which hurts the poor and unemployed disproportionately. With the feedback of wages into prices in operation, price stability will not be durable without wage moderation. The social acceptance of these norms can be turned into a factor of national cohesion if the government takes the leadership in wage negotiations for the public sector employees.

A single market with a single currency reflects a particular combination of private and public goods, determined by the mobility of the tax base and the availability of inter-regional or inter-national transfers. Article 2 of the EU Treaty in its 1999 version refers to 'the strengthening of economic and social cohesion' as instruments of 'economic and social progress which is balanced and sustainable'. Therefore, some income redistribution among nation states is supposed to correct the economic geography that market integration brought about. As this should not be a pretext for creating an additional burden on enterprises, the structural funds directed to member states have been made conditional on appropriate policies.

Such conditionality turned out to be difficult to agree upon at the Maastricht European Council, and accordingly cohesion countries were reluctant about the proposals for flexible integration made during the

preparation for the 1996 revision of the treaty. This reluctance has been overcome, as discussed next. But it reinforces the perception that poorer member countries are more favourable than richer ones towards political integration along sheer income redistribution lines. Such perception is not only detrimental to cohesion, it also feeds the fears of a future European 'superstate' where taxation would be excessive because of international redistribution, an extremely unlikely scenario.

Where local financial monopolies exist, differences between interest rates at the core and at the periphery may endure, even in the presence of full currency convertibility and perfect capital mobility among core markets. Belonging to the convertibility and stability club is nevertheless useful to the extent it signals to market participants that the country is keen on achieving external credibility without relying only on instruments it could control – and might therefore manipulate.

A converging country is attempting to buy domestic credibility for its efforts. This is the only way in which the national authorities could escape the adverse selection bias from which new participants in the international capital market have been shown to suffer. One reason why the instruments and procedures underlying the ERM code of conduct delivered convergence and cohesion certainly is the 'new politics of credibility' of Keohane and Nye (1999) but another is the quest for the 'common European good'. The notion of medium term policy credibility emerges as essential in the evaluation of the EU MSF. Both the credible MSF and this form of inclusive globalisation on a European scale are consistent with flexible integration schemes, described in the next section.

Now the European System of Central Banks (ESCB) provides price stability in the eurozone by means of a single monetary policy but the institutional framework of the eurosystem draws on the functioning of the EMS based on a common (now single) monetary policy and on national fiscal policies. The single monetary policy is conducted by the ESCB led by the ECB and independent of national governments and of the EC. The national fiscal policies are co-ordinated by multilateral surveillance procedures. These include the SGP; they are monitored by the Euro Group (which gathers the Ecofin Council members from the eurosystem) and by the EcoFin Council itself.

Yet the ESCB, the Euro Group and the SGP together do not quite match the 'rules of good housekeeping' of the gold standard because some features of the articulation between the single monetary policy and national fiscal policies remain ambiguous. Is the ESCB accountable to the European par-

liament, national parliaments, both or neither? Who is responsible for exchange rate policy? No matter how crucial, these aspects are not alone responsible for the observed weakness of the euro relative to the dollar and the yen. Difficulties in making the institutional architecture more flexible and the (related) propensity of governments to procrastinate on unpopular reforms are also to blame. They are taken in turn in sections 5.3 and 5.4.

5.3 *The case for flexible integration*

The recurrent European debate about multiple-speed convergence helps illustrate the complementarity between global and regional common good. One extreme position in the European debate draws on the view of a unified constitutional state, for which variable geometry is impossible. The other extreme position calls for a set of contractual arrangements, where common institutions are undesirable.

From the beginning, the European Community attempted to transcend the rigid intergovernmental nature of the OECD or of the G-7 (which does not even have a permanent secretariat) in the direction of supranational institutions like the EC. But the convergence stopped far short of establishing Community-wide democratic legitimacy. As a consequence, the institutional framework became more and more complex, especially after a Union with three pillars (the Community and two intergovernmental ones) was created in the 1992 EU Treaty. In the process, flexibility was lost and this is why the debate about multiple-speed convergence towards union objectives has resurfaced. Another reason is, of course, the imminent enlargement.

For any given number of member states, there is a trade-off between the freedom to enter into contractual agreements which include some members and exclude others and the ultimate requirement of 'one man, one vote' which would be associated with a new state emerging from the integration of all members. In Figure 5, adapted from CEPR (1996, p. 47), the vertical axis measures flexibility and the horizontal axis measures depth of integration. The origin represents purely intergovernmental co-operation among the same member states. The vertical axis represents economic efficiency and executive performance, or the forces of competition, while the horizontal axis represents legal status and legislative activity, or the forces of co-operation. Each point in the quadrant can therefore be seen as a combination between competition and co-operation.

The highest point on the vertical axis, labelled 'à la carte', would be equivalent to a purely contractual institutional design where any combina-

tion of subgroups of member states is acceptable, so that the basic inter-governmental principle of equality of member states applies and unanimity in decision making is preserved. During the revisions of the Union treaty in 1996 and 2000, intergovernmental schemes of 'reinforced co-operation' have been called for among some member states, as their creation still requires unanimity of all member states and their membership is open to all of the member states who qualify.

These manifestations of flexible integration are consistent with the operation of the principle of proximity (or subsidiarity) mentioned at the outset, according to which further decentralisation is acceptable and desirable. Indeed, CEPR (1986, p. 65) mentions a generalised subsidiarity principle, where decentralisation can go towards groups of states, rather than local and regional bodies within each state.

The horizontal axis would go to the extreme where majority voting applies to the voting population without regard to its national location, labelled 'superstate'. There co-operation among the (former) member states would cease to be relevant politically, economically or socially. Quite clearly, even in areas where single policies have existed for a long time, such as tariffs, and the EC has an undisputed mandate, the relevance of the member states is always there. The same can be said about monetary policy, administered by the eurosystem.

With respect to the objective of a free movement of persons, it was achieved properly for the first time on 19 March 1995 by the seven member states (Belgium, France, Germany, Luxembourg, the Netherlands, Portugal and Spain) that are parties to the Schengen convention. When the EU Treaty modified at the Amsterdam European Council came into force on 1 May, 1999, the freedom of movement was extended to all others, with the exception of the United Kingdom and Ireland.

Not all combinations of flexibility and integration defined by the two axes are possible, let alone desirable. In effect, for each specific issue-area, when integration becomes deeper, purely contractual arrangements are constrained and when the principle of equality between members is sacrificed to the democratic deficit, flexibility is constrained. Therefore a downward sloping line can be defined between the point of maximum flexibility and no common institutions and the point to the right of which deeper integration would prevent any flexibility in the co-operation among member states. The intersection should be to the left of the point labelled 'superstate'.

It is assumed that along the 45 degree line, there is a balance between integration and flexibility. This means that flexible integration schemes

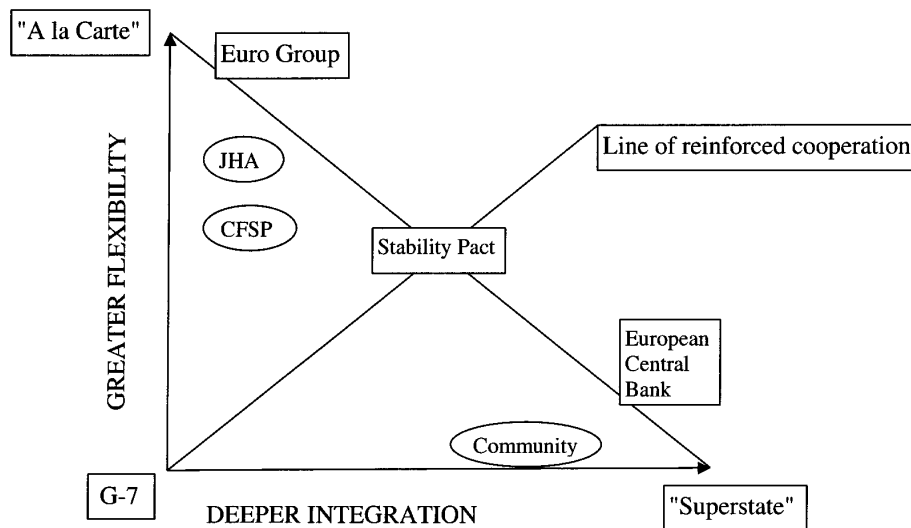


Figure 5. European institutional architecture.

along this line will balance the contractual commitment and the deeper integration, as called for by schemes of 'reinforced co-operation' mentioned above. If the combinations of a common base and open partnerships defined in functional rather than geographical terms (CEPR, 1996, p. 59) were along this line, they would balance integration and flexibility in the best possible way, given the number of states involved.

The creation of the EU called for new institutions such as the ESCB while the excessive deficit procedure regulated the surveillance in the area of budgetary policy required for a sustained operation of the eurosystème. Increased intergovernmental co-operation common foreign and security policy (CFSP) and justice home affairs (JHA), the latter in conjunction with the free movement of people and the creation of a common asylum and immigration policy. These institutional procedures have been put in place gradually but this has not overcome the fact that the architecture resulted from last-minute negotiations at the European Council in Maastricht rather than from an explicit commitment to flexible integration.

As shown in Figure 5, the array of open partnerships provided by the two pillars complements the Community, as a very significant base including all members, but the areas of interaction are limited. In the economic and financial area, on the contrary, the ECB and the Euro Group are com-

plemented by the SGP. In all three set-ups, but especially in the SGP, countries not in the eurosystem follow the rules anyway. Moreover Denmark continues to follow the ERM code of conduct.

In any event, the resulting institutional framework is extremely complex with areas of duplication and inefficiency alongside areas where resources are insufficient. This applies to the various secretariats but also to the Commission itself which has been involved over some years in a difficult internal restructuring. Whatever the place of the entire Community architecture in Figure 5, the combination of the three pillars is unlikely to be along the diagonal. Probably a legalistic approach would place the union architecture more towards the Community than towards the intergovernmental pillars. While the common base remains difficult to distinguish from open partnerships nearly ten years after the EU Treaty was negotiated, with the revisions agreed at the European Councils in Amsterdam and Nice, there is a suspicion that the balance has tilted towards the vertical axis, but so far without noticeable improvements in executive performance.

Since all member states have met the entry criteria for monetary union (independently of the willingness to join for Sweden and the United Kingdom, and the membership of Denmark in the ERM), the case for flexible integration has been strengthened by the euro and there is greater acceptance that variable geometry was inevitable in the case of a single currency. Jacquet and Pisani-Ferry (2000) note in closing that the Nice Treaty provides the possibility of making use of 'reinforced co-operation' in the field of economic and monetary union.

In sum, the flexibility approach to European integration stresses the portability of the European experience to countries in different stages of economic and financial development. As such it may facilitate enlargement. But it also helps improving the EU institutional framework, especially its financial architecture, now that the stability culture prevails among its 15 members.

5.4 *The danger of procrastination*

The notion of medium term policy credibility emerged as essential in the evaluation of how the regime in the EU Treaty combined convergence and cohesion. This credibility hinged on the functioning of the SME. It now depends on the institutional framework of the eurosystem, which is based on a single monetary policy and on national fiscal policies.

The lack of credibility of the 'common European good' in world financial markets reflects the absence of reforms in member states. If the propensity

to procrastinate is reversed, a European identity might appear even in areas of reinforced co-operation among some member states, such as money and finance, let alone development and even migration. This combination of global unity with regional and national diversity would certainly increase the portability of EU procedures in transition and emerging markets.

Unfortunately, national governments have used the euro as an excuse for procrastinating on unpopular but essential structural reforms. Yet, even if the euro-based MSF is effective, it cannot replace reform in labour markets, social security, education and training etc. Only if reforms take place will medium term credibility be ensured so that replacing national currencies with the euro will have effects according to the credit ratings of nations, cities and firms rather than their geographical location. Indeed if countries use monetary union to procrastinate on their unpopular reforms, the benefits of the stability culture may vanish both at the core and at the peripheries. The 'hold up' problem in the industrial organisation literature suggests the similar danger of a 'euro hold up' (Macedo, 1999).

Traditionally, system stability has been provided by the largest national economy. The provision of the international public good is made in ways that are often determined by national traditions and institutions. The provision of the international public good is also in the national interest, which in this case is often represented by institutions sensitive to the needs of the taxpayer and therefore more prone to understand and fight against the incentive of each one of the member countries to free ride. As there is no dominant player in the EU, procedures relying on an agreed MSF, had to be devised and implemented.

The incentive to free ride on the public good is indeed greater for the small countries but without a decision to join which can be domestically supported, the benefits of convertibility and stability are also less apparent.

The public good element of the euro cannot be achieved against market sentiment, but policy credibility can overcome hierarchy. Any solution not based on the national cohesion of the member states would be unstable. No member-state is likely to remain in a slower speed of convergence against its national interest, expressed by majority vote. National and union cohesion thus became requirements for the competitiveness of European business world-wide.

In other words, the euro is largely an enabling reform that requires additional structural adjustment. If carried out by the EU states, structural reforms would not only enhance the potential of the euro as a world currency but also the competitiveness of European firms. The role of the EU

notwithstanding, the institutions of global economic and financial governance have, in one way or another, helped prevent the 1997-99 financial crisis in emerging markets from becoming a 1930's style global depression. This is true in spite of the spectacular interruption of the Millennium Round of the WTO launched in Seattle in late 1999 and of subsequent protests at meetings of the Bretton-Woods institutions. While it is essential to empower people to face the challenges of globalisation, the changes in governance that are called for cannot become protectionist without threaten the basic benefits of open trade in goods, services and assets and of the fringing movement of people.

6. CONCLUSION

This paper analysed some dimensions of the G&G interaction involving corruption and, more broadly, the quality of domestic institutions. In the long run, more open economies, enjoying more foreign competition and investing abundantly in institution building, were found to register lower corruption levels. While, in the short run, domestic policies may be more valuable than pursuing globalisation at all costs, the role of external pressure was shown to be powerful in specific cases, particularly in connection with European integration. The ERM code of conduct was shown to provide a regional common good, which – if portable – might support institutional change capable of better facing the challenge of globalisation in developing countries.

In spite of the code of conduct, myths from a misperceived historical experience may still interact perversely with geography. The fact that the reputation of a state in the peripheries of international currency standards may differ from that of a state in the core basically reflects the role of politics. In effect, the interaction between the commercial interests of the middle classes and the diplomatic aspirations of the central banks was already political during the gold standard. With the euro, this interaction remains political and determines whether reforms are enduring, so that employment-generating growth can be stronger. The record so far has been mixed, due to the propensity to procrastinate of many eurozone governments, leading to the threat of a 'euro holdup'.

The account of the European experience is only one example of direct ways in which national governance may be improved, namely belonging to regional arrangements based on peer pressure. Clearly, these are many specific institutional improvements called for by development which are not

covered here, and where portability to a development context has to be investigated. This investigation may be especially important for poorer countries that may face serious trade-offs between complying with international agreements and investing in basic development infrastructures such as education, health, and social security. Without the required improvements in national governance, what Macedo (1992) called the 'orderly city' (based on the etymology of political economy) cannot emerge and bring about the positive G&G interaction.

Nevertheless, I believe that the perspective of hope underlying this paper will be vindicated by future research relying on better data, sounder analysis and a finer treatment of culture. As *Centesimus Annus* implied, and Pope John Paul II emphasised on 27 April 2001, 'it is the universal common good which demands that control mechanisms should accompany the inherent logic of the market'. Development is, after all, an essential dimension of the human experience.

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THIRD SESSION

*The Impact of Globalization
on Poverty/Cultural Identities*

HANNA SUCHOCKA

Mr. President, I can say at the beginning that it is a very difficult task for me to make a comment on this very impressive paper which is far from my own experience as a lawyer and as a Member of Parliament for many years. But, to some extent, some very crucial points were mentioned which are really very familiar to me, notably the problem of corruption, with the openness of societies and the market. I think that this is one of the most important issues that, as members of the Academy, we should analyse at a deeper level: it is one of the negative symbols, symptoms, of the globalised world. We have discussed since yesterday different faces of globalisation. And in fact the discussion of globalisation is not a completely new one. But, if there has been an important development over the last couple of years, it is the change in the nature of the debate. Now it is the street whose voice is heard. By this I mean that globalisation has entered popular consciousness, not through our learned papers and erudite discussions, but through the public, I can use the word 'hooligans' as a street word, and because of violent demonstrations. Any event at all now seems a target for those who portray themselves anti-globalists. In a way, it is fitting that this session deals with the impact of globalisation on institutions, since the institutions of the state seem increasingly challenged, not only by globalisation itself, but also by those who claim to be its opponents.

The paper of Professor Braga de Macedo focused our attention in particular on the relationship between globalisation and institutions, and especially on the role of globalisation in reducing corruption. By underlining the effects of trade policy competition between foreign producers and international investors, and their impact on institution building, Professor de Macedo was able to show that there is a clear link between

this phenomenon and the limitation of corruption levels in specific countries. I think the debate about openness and corruption is an interesting one, but I would like to develop more closely the implication that open trade and law will necessarily lead to a decline in corruption. I would like to go a step farther and suggest that even if it were the case that globalisation, broadly understood, led to a decline of corruption, it cannot be said that it alone can perform this task.

The main point that emerged from the paper was that free trade and economic openness are the key perspectives on globalisation. Yet the theme of globalisation is one that has emerged only in the last decade while free trade has been a global development since the Second World War. The first broad point to make is that when we talk about globalisation, we surely mean something qualitatively different from merely the growth of free trade. Yesterday's discussions showed this very clearly. This was pointed out in the papers prepared by Professor Crocker and Professor Dembinski on 'The Different Faces of Globalization'. I will now quote Professor Dembinski who sees globalisation as a 'fundamental reconfiguration of inter-dependencies among persons, enterprises, political entities, capital and space'. But the opponents and proponents of globalisation recognise that there is also an economic base as well as an ideological superstructure which challenge traditional ways of understanding the relationships between the individual and the state, and between the individual and morality, as well as the classical ways of understanding the relationships between States and between States and international institutions. So, if we are to understand the impact of free trade on corruption, we should be careful not to take too much of a one-dimensional view.

Let me give a simple example of the complications that I see. On the one hand, the development of free trade, the growth in communications, and the internationalisation of business corporations have undoubtedly led to a decline in the importance of many national institutions of government. But at the same time as national institutions are disappearing, so new international institutions now seem to be developing. The last twenty years have seen a significant strengthening of transnational institutions, such as the European Union and its different bodies. There has been an internationalisation of jurisprudence with the establishment of the World Crimes Tribunal at The Hague. This is the latest example of this development, but as we know the agreement has not yet been ratified.

Apart from these institutions, which claim legitimacy from the governments that established them, other international bodies have gained

significant power with only a minimum of direct national political control, for example the World Health Organisation. And there are several international NGOs which increasingly demand to be the partners of national governments and international institutions in determining practical policies, such as in the field of environment. I make this point to show that globalisation is often thought of as challenging institutions as such. What in fact is happening is the weakening of some institutions at the national level and the strengthening of other institutions at the international level. And, in this perspective I am not sure if we can simply say that globalisation and openness of trade can bring a reduction in corruption or increase the transparency of institutions. The hard truth is that the individuals of the new international institutions that have arisen alongside globalisation, and which have an increasing impact on the daily lives of ordinary people, are themselves highly corrupt. I do not want to point a finger at this or that international institution, since I am more interested in the phenomenon as such. But there have been too many public examples of such corruption to pretend that this problem does not exist, or that it is not growing. The fact is that corruption in institutions is the outcome of two broad elements: the power of officials to transfer or allocate their scarce resources, and a lack of accountability and transparency in the allocation process. It does not matter whether the institutions are at the national or the international level. In fact, they are more likely to face the challenges if they are international in scope. The other key point is that these conditions can exist even in broadly understood free trade or free market contexts, much like pockets of disease can survive in an otherwise healthy environment.

Let me give you the example of the country I know best, my own, Poland. Prior to the collapse of Communism, it could reasonably be said that the entire political, economic arena was a giant corrupt enterprise. The combination of the autarkic socialist shortage economy combined with the total arbitrary power of unelected bureaucrats resulted in the entire economy essentially being run by corruption. Some of this existed at the highest political levels, but often this corruption involved political clientelism and quasi-financial favouritism at the middle and the lower levels. The period, since 1989, has of course been the story of rapid economic transformation, the introduction of the free market, large-scale privatisation, and the incorporation of Poland into the global economy. Not only in terms of free trade, but the progressive cooperation of Polish institutions with the organs of the European Union and other interna-

tional organisations. Yet, if one were to examine the development of corruption, during the same period, I would find it difficult to see any very clear situation other than one opposite to the one described in the paper. This economic change seems merely to have changed the nature of corruption rather than the phenomenon itself. Of course, the picture is never so simple. There are broad areas of the Polish economy that are free from corruption, and there is a growing sense among Polish politicians and officials that in the long run corruption damages the national interest, and that action needs to be taken now to eliminate it. Yesterday, we had in the Polish Parliament a very vigorous discussion on the issue.

Part of the solution to corruption, indeed, lies in the areas outlined in the paper that we have heard, namely the increased area in which interpersonal relations are governed by the market and not by individuals: to open up the economy to free trade, which by definition will punish the companies who owe their market position not to inherent efficiencies but to political protection, and to privatise economic sectors so as to remove them from the interference of bureaucracies. But that cannot be the entire solution. What is clear is that corruption also depends on a lack of the rule of law, on a lack of democratic accountability and responsibility, and on the lack of an overarching political culture promoting the entrenchment of moral virtues. Criminals will seek to corrupt officials and politicians if they sense that the law or judiciary will not be able to punish them. Officials and politicians will feel that they can be corrupted and take imprudent decisions if they sense that they will remain far from accountability or punishment, if only electoral. And ordinary citizens may tolerate the phenomenon of corruption unless there is an overarching moral order that encourages them to reject it.

My point is that these three elements: the rule of law, political accountability and a more or less coherent public morality, can only exist within the framework of institutions at the national level. The key is legitimacy. Yesterday, we heard about different aspects of legitimacy in the paper presented by Professor Dembinski. But ultimately I think the rule of law can only operate if citizens feel that the institutions which make that law are legitimate and have the authority to decide the rules and framework within which they run their lives. And there are various sources of such legitimacy. Democracy itself can successfully work within an arena where pre-political loyalties are important, and where there exists a set of institutions toward which citizens feel a sense of belonging and a requirement to care for them through participating in periodic

renewal through elections. The political culture also depends on a set of popularly held values, of public virtues, which make public discourse possible. It also means a social acceptance of some forms of behaviour by those in power, and a rejection of other forms of behaviour.

I must confess that I have doubts whether the process of globalisation can be entirely successful when we take into account the problem of accountability, of responsibility. As I indicated, the question of legitimacy can be resolved at the national level but great problems remain at the international level. There is a limit to which disparate cultures can agree on common legal norms and procedures, and a geographical barrier beyond which it becomes dysfunctional to hold elections to common institutions. We will never be able to overcome the deep historical and cultural differences that produce irreconcilable differences in the understanding of morality, virtues and political practice. So, what should be done? As globalisation grows and new international institutions develop, the latter should be carefully observed to ensure that they install the correct mechanisms of accountability and do not give to themselves powers that can easily be transformed into uncontrolled arbitrariness. The more loyalties to these institutions can be developed the better, so that they will become perceived by people as being worthy of care. If that happens, then globalisation will contain within itself mechanisms of self-control. At the same time, however, during the process of globalisation, we must seek to prevent its effects from undermining the loyalties, institutions and similar elements that are to be found at the local level, and which are so necessary to limiting the corruption of institutions, whatever the strength of the market. We need free markets and free trade to be sure, but we also need that surrounding order of law, democracy and culture upon which social order truly depends. The truth is that globalisation can bring true benefits to mankind when it is not perceived as a good in itself which ought to replace local and national institutions and loyalties, or as something which requires nothing more for its survival than self-sufficient mechanisms of trade and markets. This must go hand in hand with the historical process of globalisation. Only then will that process be secure, and only then will it bring the benefits that in the long run will show to peoples that it is something worthy of loyalty and protection.

GLOBALIZATION AND GOVERNANCE: THE FLIP SIDE OF THE COIN

JUAN J. LLACH

This comment is divided into two parts. The first one is devoted to analyzing some of the very valuable contributions made by the author on the important relationship between globalization and governance. In the second part I will allow myself to briefly elaborate on the issues raised not only in the paper but in the topic of the session per se.

I

The globalization and governance nexus

The paper deals with two related issues, i.e., the relationship between economic openness and corruption, and the role of governance institutional building in the process of domesticating the forces of globalization. In the first part (sections 2 and 3), the analysis is quantitative and focuses on finding out the relationship between corruption and quality of government as abridged indicators of governance and, on the other hand, trade and financial openness, as indicators of globalization.¹

¹ The first part of the paper is based on Federico Bonaglia, Jorge Braga de Macedo and Maurizio Bussolo, 'How globalisation improves governance', OECD, Paris, March 2001.

STYLIZED FACTS AND QUANTITATIVE ANALYSIS

Stylized facts

1. *Circular causation in economic development.* Arrows included in Figure 1 show us very clearly the complexity of the process of economic development. All of them but one are double-sided arrows, suggesting the widespread sources of circular causation (virtuous or vicious) in the process of economic development, as Gunnar Myrdal pointed out forty years ago. Even the only one-sided arrow, from endowments to economic performance, alerts us about the pervasive presence of circular causation. This is clearly illustrated by the author: 'well-endowed countries may evolve towards democratic forms of government more easily or, at least, they may afford investing more resources to build well-functioning institutions'. Besides, the whole figure suggests a 'follow me' approach and looks much more similar to Fukuyama's Hegelian hypothesis about 'the end of history' than the author recognizes. The 'follow me' approach could be stated like this: 'If you do what I did, your future will be as bright as my present is'.

2. *Government size, economic development and trade openness: some misleading links.* The first two histograms in Figure 2 suggest links between government size and the level of development (first histogram) and between government size and trade openness (second histogram). However, these suggested links could be misleading. As usual, government size is measured here by central government expenditures. This procedure could be right if all the relevant countries had unitary political systems, but this is not the case. Twenty eight out of the one hundred and ninety two countries of the world (15 %) have federal or federal-like political systems.

3. *Big, close (and federal): a particular type of countries.* Furthermore, federalism appears closely related to countries' size and openness.² We can identify 23 big countries in the world, defining as 'big' those countries who fulfill at least two of the three following criteria: a) *area*: 1 million square kilometers or more; b) *population*: 25 million people or more; c) *economic size*: GNP (gross national product) rank, 20 or less. Almost half of these countries³ are federal (ten or 43 %). More than half are relatively closed

² The correlation between size and openness is analyzed in Braga de Macedo's paper as it is shown below.

³ Big countries are: Algeria, Argentina, Australia, Brazil, Canada, China, Congo R.D, Egypt, France, Germany, India, Indonesia, Iran, Italy, Japan, Mexico, Peru, Russian Federation, South Africa, Spain, Sudan, United Kingdom and United States.

(exports plus imports / GDP ratio: 50 % or lower) and only five of them are open (ratio: 65 % or higher). If we consider only the eight biggest countries of the world, i.e., those that fulfill the three criteria, we find that all of them are federal, six are closed and only two are open.⁴

4. *The most open and the most closed countries: size (and political organization) as critical differences.* Doing now the exercise of considering the twelve more closed and the twelve more open economies we can also reach interesting conclusions.⁵ Regarding the average size of government, as the author says, open economies appear as having bigger governments; its public expenditures to GDP ratio is 30 %, compared to 20 % of the closed economies. However, if we correct this measure including subnational governments expenditures, the difference drops to 33 % to 28 %; and if we also take into account GDP per capita levels, the gap almost vanishes. The most important differences between open and closed countries are, instead, size and political organization. Regarding size, eleven of the closed countries, compared to only four of the open ones, are highly populated; and ten of the closed countries, but only one of the open ones, have big areas. Finally, seven of the closed countries are federal, compared to four in the case of the open countries.

As a concluding remark, it could be said that because of historical, geographical, political and economic factors what we have is a constellation of countries that are, at the same time, big, federal and relatively closed to international trade. Big countries tend to be naturally federal, and this is only logical because of scale diseconomies of centralized government there. This historical institutional building process was prior to current globalization and conditioned its future developments, among other things, because of the fact that size is also naturally associated with *factual*, not legal, closeness to international trade. As a consequence, the association established in the paper – following Rodrik (1999) – between openness and the size of government could be spurious since the size of government is not properly measured.

⁴ The biggest countries are Argentina, Australia, Brazil, Canada, China, India, Mexico, Russian Federation and the United States.

⁵ The twelve most open countries are the following (exports plus imports to GDP ratio in brackets): Hong Kong (263), Singapur (254), Taiwan (200), Ireland (193), Malaysia (163), Belgium (143), The Netherlands (109), Phillippines (97), Austria (89), Thailand (87), Sweden (85) and Canada (84).

The twelve more closed countries are: Brazil (17), Japan (20), Pakistan (21), Argentina (24), India (25), USA (26), Iran (30), Peru (30), Colombia (31), Australia (39), China (40) and Algeria (43).

5. *Small, rich and open: another particular type of countries.* If we have a look at the twelve more open economies we can see that all of them are relatively rich and that some of them were open from their very constitution as independent states, which was the result of merchants' or industrialists' movements to get political autonomy from other powers. This was the case, at least, in Hong Kong, Singapur, Taiwan, Malaysia, Belgium, The Netherlands, Phillipines and Thailand.

6. *Economic development, openness and quality of government.* The link shown in Figure 2 (third histogram) between openness and GDP per capita looks clear. Regarding governance, the perceived quality of bureaucracy appears strongly linked to GDP per capita but much more independent from trade openness (Figure 3). Perceived corruption, on the other hand, appears only slightly linked to the imports to GDP ratio, since the level of corruption is roughly the same in groups with very different degrees of openness. A more clearer (inverse) association appears between corruption levels and openness to private capital flows. Completely disappointing, on the contrary, is the almost null relationship between the IMF trade liberalization index and perceived corruption. This is critical for the thesis of the paper, because this index is a better indicator of foreign economic policies than the factual openness as measured by imports and exports ratios to GDP.

7. *Conclusions.* At the end of the section the author recognizes the problems of causality, identification and omitted variables involved. More than that, the 'stylized facts' presented are so stylized that could be misleading.

Quantitative analysis. The following section of the paper looks more precise in the analysis even when their final conclusions are not clear-cut either.

Corruption. A common problem to both sections is the choice of *perceived* corruption as the central indicator of governance. Corruption is, of course, a very important issue. But its indicators in the paper are confined to corruption as it is perceived by businessmen. It is impossible not to agree with Klitgaard's definitions presented in the paper. Corruption is seen as a function of monopoly power combined with discretion and low accountability.⁶ In a competitive framework, on the contrary, incentives to bribe tend to decrease because neither prices nor quantities can be changed by the authorities. Furthermore, the statement: 'in more open economic contexts

⁶ A bit ashamed I must say that, incredibly, neither accountability nor law enforcement have exact translations into Spanish.

there is less corruption' could even be considered a tautology. Nobody bribes to get something when it is possible to obtain the same paying the free market price. Alternatively, when the legal ways are closed, illegal ones will very probably be used.

According to the author, economic development tends to reduce corruption not only because it carries adequate changes in culture but also because more resources can be allocated to fight against it. The shadow of a vicious circle, ethical and on governance this time, appears again.

Instrumental variables. The use of these variables, in order to find explanations of GDP and openness not related to corruption is timely, but not always clear. Remoteness and population look theoretically sound, but English as official language not. According to this specification, the degree of corruption-independent openness a country has increases with its proximity to the largest world traders, or if the country's official language is English. Conversely, the larger is the size of a country's domestic market, measured by its population, the lower its openness.

Regarding the other independent variable, GDP per capita, a very simple equation with the absolute value of latitude and a dummy for tropical countries tries to get a valid corruption-independent GDP estimate. Before analyzing the results of this exercise, it's convenient to emphasize that this proliferation of cultural and geographical variables results in a very deterministic vision of economic development. The results obtained, on the other hand, are far from being satisfactory. The instrumental variables explain only the 45 % of the variance of import openness and only the 30 % of the variance of financial openness. In the case of GDP per capita, the instrumental variables explain just 44 % of the variance.

Looking at the simple correlations⁷ we have the same impression obtained in the previous section. Variables strongly associated with perceived corruption are GDP per capita, political rights and openness of the capital account. Correlations between imports' openness and perceived corruption are not so high. And they are still lower with the more important measure of trade liberalization. The negative association between perceived corruption and the size of government, as we mentioned, suffers from a measurement bias.

⁷ Not shown in the paper but in Bonaglia, Braga de Macedo y Bussolo (2001). In spite of the limitations of this statistical measure the author says: 'Openness, measured as a ratio of imports or capital flows on GDP, has a positive effect on corruption...'. This is an example of the very frequent mistake of confusing statistical association with causality.

Even in the complete model, the relationships found are not convincing enough. Not more than 60 % of the variation of the corruption indices can be explained, even including GDP per capita, political rights, government size, resources exports and other variables. Regarding the extent of government intervention, approximated by government consumption as a share of GDP, the author draws different conclusions according to the corruption index used. Using the TI sample (with many developing countries lacking) the effect of openness on corruption remains significant and sizeable; conversely, with ICRG index, introducing government size among the regressors makes the effect of openness' on corruption much smaller and statistically insignificant. This could be the result of correlations between the independent variables. On the other hand, the theory behind the inverse relationship between government size and perceived corruption is far from being clear. Besides, it is perfectly possible to build a theory establishing exactly the opposite relationship, since behavioral constraints in the public sector tend to be looser than in the private one.

Even more disappointing for the paper's goals, again, is the fact that the impact of trade liberalization policies per se on perceived corruption is not significantly different from zero.

Countries that have never been colonies, where Protestantism is the largest confession, where democracy has been uninterrupted for the last 50 years and that belong to the OECD have lower levels of corruption. The author rightly points out that these variables, by lowering the explanatory power of the GDP and political rights coefficients, are in fact taking into account deep institutional and social cross-country differences.

Notwithstanding my previous critical comments I do agree with the author's conclusions of the quantitative analysis, presented at the end of the paper. i) It was not possible to find a direct effect from trade policy on corruption. ii) The addition of government size weakened the results, especially in the larger sample. iii) The analysis of financial openness is incomplete for measurement problems. iv) The positive G&G interaction was based on a cross-section study, with all its problems.⁸ It is possible to consider many local characteristics, yet to compare China with the USA, or India with Argentina, will always be a bit stretched. The author states that

⁸ As the author states, cross-country differences in the levels of the independent variables are the central explanation for the variations in the dependent variable, and, no matter how many controls are added, it will always be possible that some additional relevant variable is missed or wrongly measured and that results are thus distorted.

future research should be focused on in-depth country specific case studies. I would add that a historical approach could have been more appropriate to deal with the issues posed here.

On the contrary, the main goal pursued by the author, to measure the sign and magnitude of the marginal effect of openness on corruption, is perhaps impossible to get at all. It does not result from the paper what the author claims: 'we found robust empirical support for the fact that increases in openness do indeed cause (statistically?) reductions in corruption', and the word *cause* is particularly misleading here.

Finally, as the author clearly says at the end of the paper, a lot of caution should be taken when drawing economic policy implications. In fact, reducing trade barriers may not bring immediate positive corruption reductions. It is true that in the long run, more open economies, enjoying more foreign competition and investing abundantly in institution building, will register lower corruption levels; however, in the short run, domestic policies may be more valuable than pursuing globalization at all costs. This may be especially important for poorer countries that may face serious trade-offs between complying with international agreements and investing in basic development infrastructures such as education, health, and social security.

Corruption and governance

The second thematic section of the paper, comprising numerals 4 and 5, deals with different aspects and examples of the institutional building process that should accompany economic openness. The author considers that the fundamental ambiguity of the G&G interaction could lead policymakers to retract from international exchange when structural reforms face resistance from citizens. He adds, and I fully agree with him, that the temptation cannot be overcome through defensive measures against globalization but through an improvement in governance. This governance building process, a societies' role, is rightly seen by Braga de Macedo as something very different from Fukuyama's 'end of history', but very close to the vision developed by John Paul II in *Centesimus Annus*.⁹ According to the author, the governance building process has a national

⁹ Although, as we mentioned before, the implicit approach of the paper is very deterministic, plain of circular causation and, on that count, close to Fukuyama's Hegelian approach.

side, fighting against corruption, and an international one, regional integration and multilateral institutions as a way of introducing peer pressure for better policies.¹⁰

I will briefly summarize the important points raised by the author in this section in most of which I do agree with him.

1. *Fighting against corruption* is a common task of governments, private (economic) sectors and NGOs but the key to success remains a durable engagement on the part of political leaders.

2. After the restoration of political and financial freedom, an anti-corruption momentum becomes possible; but the quest for transparency has nothing automatic.

3. *The case of Argentina*, that the author roughly describes, is very timely in this context.¹¹ It shows, first, that when citizens enjoy both political and financial freedom, they are more likely to mobilize against practices of mismanagement and corruption. At the same time, the Argentine case confirms that establishing democratic institutions and liberalizing the economy are not enough to eradicate corruption. However, part of the problem identified in the Argentine case is due to the narrow definition of corruption adopted in the paper, i.e., perceived *and* business-relevant corruption. Other forms of corruption, like drugs' and weapons' traffic or money laundering and, what is worse, their utilization as a way of financing the political system, are not well measured by indices like the ones used in the paper. However, these are the ones that became more relevant in Argentina after the economic liberalization.

4. *Opportunities arising from globalization*. If developing countries do not take advantage of the opportunities offered by globalization, they risk having all or a part of their population fall behind, increasing social exclusion within their country and widening global inequality across countries. Such adverse developments could threaten democratic institutions and slow necessary reforms, which amounts to a deterioration in governance.

5. *Public and private governance structures* are crucial for maintaining social cohesion after opening the economy. There is a sort of virtuous circle from transparency and accountability to participatory development, to

¹⁰ Even when the author says that this approach has always had shared by economists, I think that this was not always the case. It is true, however, that for the last two decades a very healthy trend to introduce institutional analysis has been growing in economics.

¹¹ By the way, the Public Ethic Law was sent and passed by the Congress at the end of Menem's administration, not at the beginning of De la Rúa's one, as it is suggested in the paper.

empowering people and to poverty reduction. But, ironically, just as the citizens of developing countries are being encouraged to demand a voice in decisions that affect their lives, they are also being told that in the arena most central to their concerns they really have no choices.

6. *Regional economic associations (and the EU)*. It seems clear that regional economic associations, not closed to international trade, can be a good device for domesticating the forces of globalization better. I do agree with the author that the European experience has an unusual richness and could be very helpful for other regions looking for governance structures in the framework of regional economic associations. However, the perspective of the paper tends to be eurocentric, suggesting an almost mimetic process for other regions.

7. *Economic volatility, the international public good and international frameworks and institutions*. It is evident that since the Asian crisis in 1997 we have been having an increased volatility in the world economy whose amendment will require better multilateral agreements and institutions. These international frameworks should be designed with more participation of developing countries but, at the same time, taking into account what the author rightly points out about the risk of free riding. I would add that moral hazard is another typical risk of these institutional frameworks. Devices to enhance fiscal correspondence (JJLL), peer pressure and yardstick competition, as the author refers, could be critical to put both risks under a more reasonable control.

8. *The danger of procrastination*. In the case of Europe, national governments have used the Euro as an excuse for procrastinating on unpopular but essential structural reforms. Monetary and financial arrangements, however, cannot replace the reform in labor markets, social security, education and training, etcetera.

9. *The dangers of protectionism*. While it is essential to empower people to face the challenges of globalization, the changes in governance that are called for cannot become protectionist without threatening the basic benefits of open trade in goods, services and assets and of the free movement of people.

10. *Conclusions*. Conclusions from this second part of the paper are far from categorical. But this is not negative, since the process of institutional building is something open by definition, as it is suggested by the two extreme alternatives described in the paper, pure contractualism-flexibility vs. a unified state-integration.

II

The flip side of the coin

Despite its very interesting analysis and conclusions, the narrowness of the indicators chosen to mean globalization and governance remains as one of the main problems of Braga de Macedo's paper. In the case of globalization, the study is basically restricted to trade and financial openness. In the case of governance, although the conceptual analysis is much more encompassing, the econometric tests are limited to the size of government and corruption as perceived by businessmen.

The lack of globalization

Braga de Macedo describes some of the broader conflicts that frequently arise against globalization, and the resulting backlash. These conflicts have different aspects in developed and developing countries, but in all of them they are associated with a more complex set of issues. I will devote the rest of my comment to briefly analyze some of them, particularly those which negatively affect the economic and social performance of developing countries. To begin with, those conflicts are very frequently a consequence of the insufficiency of globalization more than of an excess of it.

1. *Agricultural protectionism and subsidies.* Because of agricultural protectionism and subsidies, which amount to the incredible figure of 400 USD billion per year in the OECD countries, millions of farmers and food producers of the developing countries can not have access to developed countries' markets. This is completely against fairness in international trade. A lot of developing countries are not allowed to play the games in which they are the best. Even when we cannot say that this is corruption, it seems evident that the maintenance of this policy almost since the postwar period was possible because of an intense, opaque and permanent lobbying. The emergence of the mad cow syndrome and the growing awareness of the environmental and health problems carried by artificial agriculture are symptoms that this policy has begun to reach its limits. However, we don't have clear signals that it will come to an end in the foreseeable future.

In the meantime, we cannot ignore that this policy has an evident and very negative relation with drug production and dealing and narcotraffic. I will mention this issue later, but I want to emphasize here that when farmers of the poor countries have their markets for legal products closed, they will more probably use their land to crop drugs.

2. *Limitations to the free movement of people.* A second very clear example of lack of globalization is the restrictions imposed to international migrations. This is, at the same time, one of the main differences between the current wave of globalization and the one that took place a century and a half ago. On that occasion, together with the opening of the economies to world trade and finance, dozens of million people – from Europe, and from very populated countries like China, India or Japan – left their countries and went to America, Asia, Africa and Oceania to find a better way of life, and most of them found it. Perhaps nobody is thinking now of such an intense and widespread process, but the barriers set by most developed countries to immigration are nowadays too strict.

Among the negative outcomes of this process we can mention higher unemployment and poverty in developing countries and marginalization of illegal immigrants in developed countries. But also problems for the global economy arise. For the last three years we have been living in a very volatile world economy, and very sensitive to the reactions of Mr. Greenspan with the Federal Funds interest rates in the USA. These reactions, in turn, were dictated by the unemployment level, with the sad result, by the way, that good news (low unemployment) were seen as bad news (because of its inflationary potential). It seems clear that a more open immigration policy would have helped to fix this problem, and the same can be said of Europe. In other words, the whole world economy is paying a high price in terms of economic growth because of the necessity to establish higher interest rates than the ones that will be needed with more international migrations.

3. *Global warming.* Almost ninety percent of the carbon emissions that pollute our planet come from developed countries, particularly the United States. The emissions have a negative impact all around the world. But, why do people from developing countries should pay the costs of phenomena not caused by them? Why are the poor specially damaged by processes like soil erosion or floods? The Kyoto agreement was an important step in the control of global warming, but the probabilities of its fulfilment, particularly by developed countries, are really very low. Again, this is a case of unfair rules of globalization, of too little globalization, because we cannot speak of fair trade in the presence of such huge negative externalities.

4. *Barriers to knowledge access.* The fourth issue I want to raise is the limitations imposed to the free access to knowledge. We all agree that we are leaving in a 'knowledge society' and that the access to education, information, technology and science is the key not only to economic growth, but

also to the building of more integrated societies. Perhaps, most of us do also agree on the necessity of a prudential property right protection in the case of intellectual goods and services, in order to have the right incentives to induce their production. At the same time, the way these rights are enforced in the real world allows the emergence of different kinds of monopoly. This has very negative consequences not only on economic development but also, when health issues are involved, on life expectancy of million people, particularly in developing countries. It is true that the fast development of internet is contributing to an important democratization of knowledge. Anyway, it seems evident that, in order to get fair play in the globalization process, we need a new international framework for a non-monopolic protection of intellectual property rights.

A tipology of governments

The outcomes of the flip side of the coin of globalization are not limited to the economy or to social life, but they also reach the field of politics. On the macro side, the emergence and, particularly, the probability of success of nationalistic ideologies and movements are very frequently associated with bad economic or social performance. On the micro side, when people cannot have access to legal ways of life, the probability of illegal behavior is really higher, either regarding international activities like drug production, narcotraffic and weapon traffic, or regarding national activities, like creating opportunities of rent-seeking and different kinds of bribery. As the vicepresident of Bolivia Jorge Quiroga said: 'The key of the question is that developed nations should open their markets in order to allow the profitability of economic activities different from coca crops'.

Perhaps the following tipology will help us for a better understanding of the issue of globalization and governance, and particularly corruption. My own hypothesis is that the place a country has in this typology is critical to understand the prevalence and the kind of corruption it has and its future developments.¹²

Countries in the NW quadrant not only have been the most successful regarding economic development, but also have had their regulations enforced by governments long ago established from the civil society

¹² The variables of our tipology are partially taken into account by the author when introducing colonial past, religious traditions, and democratic institutions as important explanatory variables for the level of corruption.

TIPOLOGY OF GOVERNMENTS

KINDS OF GOVERNMENTS	ESTABLISHED 'FROM THE BOTTOM'	ESTABLISHED 'FROM THE TOP'
REGARDED AS LEGITIMATE	Constitutional monarchies/ New countries (North America and Oceania)/ Commercial republics	Absolutist monarchies and successor states
REGARDED AS ILLEGITIMATE	Paralell governments: maffias, guerrillas, bandoleers	Dictatorships (Africa, Asia, Latin America in the past)

upwards. Those regulations are, for that reason, legitimate or, as Max Weber said, people in those societies tend to act *as if* those were legitimate. This legitimacy is the matrix that gives birth, simultaneously, to accountability and law enforcement. At the same time, the principle of fiscal correspondence, clearly stated in sentences like 'no taxation without representation', was one of the bases of that legitimacy. This was typically the case of constitutional monarchies in Northern Europe, their offsprings in North America and Oceania and commercial cities or republics. In these countries, and for the same reasons, local governments have been traditionally very important. The possibility of corruption is always open, but societies' control imposes stricter limits to bribery.

In countries of the eastern quadrants, on the other hand, the presence of absolutists or very powerful monarchies or dictatorships was much more pervasive and, as a consequence, people got used to perceiving much of their regulations as illegitimate.¹³ Moreover, the idea of legitimacy itself originally became from top to bottom and an anthropomorphic idea of the

¹³ By the way, this tipology could also lead us to a better understanding of the relationship between religion, economics and politics. Even when protestantism is positively associated with less corruption and more economic development – as Braga de Macedo says following a very long tradition – is probable that the efficient cause of this association is the type of government as suggested in the tipology.

State, with capital letters, still tends to prevail. Local governments, on the other hand, tend to be weaker.

Let me remember in this context the Italian saying: 'Se piove, governo ladro; e se non piove, governo ladro'.¹⁴ Illegal activities have tended to be frequently seen as legitimate, because they were considered as a reaction against a government perceived as illegitimate. A very clear and widespread example of illegal behavior is tax evasion. And a typical situation in which it arises, as can be read from the Gospel onwards, is the imperial or colonial domination. Of course, if because international economic conditions or otherwise, legal ways of winning the bread are scarce, different kinds of rent-seeking and bribery are going to be much more frequent. The other side of the coin of this 'legitimate' bribery of the citizens is the equally 'legitimate' corruption of governments that comes from the fact that their control from society is very weak.

Under extreme conditions, a complete parallel government is created through guerrillas, mafias or bandolerism (SW quadrant). One of the most interesting cases we can quote in this context is Sicily. Its capital, Palermo, was the most populated European city at the eve of the second millenium (Shleifer and Vishny).¹⁵ Precisely from those times onwards a never ending succession of foreign princes invaded and dominated the island, as Lampedusa in *Il Gattopardo* so wonderfully tells us. The most striking outcomes of this incredibly long historical process were the economic stagnation of Sicily and the development of a powerful mafia, so pervasive that have even been exported to other countries.

'Quality of government' has historically meant: legitimate and deep rooted origin, fiscal correspondence, rule of law, accountability, societal control and law enforcement. On the other hand, once behaviors like rent-seeking and bribery become widespread in society, they tend to survive far beyond the removal of its original causes.

It seems clear that deep changes in the political decision making process, along the lines just mentioned, are critical either to significantly reduce corruption, at the national level, as well as to build adequate institutional frameworks at the regional and international levels. The reconstruction of fiscal correspondence, i.e., the unification of the roles of citizens, tax payers and beneficiaries of public expenditure, can also play a cru-

¹⁴ If it rains, thievish government; if it does not rain, thievish government.

¹⁵ Andrei Shleifer and Robert W. Vishny, *The Grabbing Hand*, Cambridge: Harvard University Press, 1998, esp. chapters 1 and 11.

cial role in this institutional building process. However, looking at the widespread disenchantment towards politics and politicians that is going on in many countries we have mixed feelings. On the one hand, this is putting strong pressures to improve the performance of political systems. On the other hand, they can lead to anti-democratic governments. In this context, I agree with the author that the outward orientation, either regional or international, can play a very important role as a quality enhancer for domestic institutions and growth.

PAULUS M. ZULU

1. Implied Postulates

The paper makes implied postulates, first is that the benefits of globalisation in development i.e. 'empowering people to take advantage of globalisation' are realised when the process brings about both efficiency and effectiveness particularly to the recipients of globalisation, and in this context, developing societies. The second postulate flows from the first and it is that sustainable development in a globalising economy requires good governance at both the international and national levels. The first postulate necessitates a change especially in those institutions of governance which might be or are not compatible with efficiency and consequently with effectiveness. The second entails regional organisation of participating states and an application of peer pressure by peers on non complying members. I shall deal with these postulates in turn.

2. Responses

2.1 National Level Responses

Macedo identifies corruption as the main measurable indicator of bad governance, among others and recommends that good governance entails getting rid of corruption which in turn will not only maximise available resources but will also attract investment. I shall not go into detail to comment on excellently researched facts about the causal factors of corruption together with the available data demonstrating correlations between good governance and the processes of mobilising against corruption and the problematics these create for developing countries confronted with pover-

ty, low levels of political and economic participation and international aid contracts. In a sense poor societies are caught in a vicious cycle as long as globalization is mediated through nation states and governments. First corruption drains resources thereby reducing the necessary preconditions for efficiency. Conditions for a reduction in corruption by state officials are:

- increased intellectual resources as skills; and
- increased national and financial resources for policing.

Changes in governmental institutions are generated by intellectual qualities in participation. It is not just participation per se that generates change but the quality of that participation. Empirical evidence has demonstrated that while the World bank's conditional aid in some countries in Sub-Sahara Africa has brought about democratic participation in national elections, there has been very little change in institutions with the consequence that changes in the daily lives of citizens have been minimal.

Secondly, even where conditions for institutional change have been optimal, the scarcity of intellectual capacity to manage the changed institutions has meant that the intended objectives have not been attained. For instance South Africa is probably the most endowed country in Africa in terms of material resources, constitutional arrangements and the level of development. Yet problems of transformation in institutions such as the police services render the variable of institutional change problematic. Macedo introduces the indicator of the level of development as a critical variable in good governance. It is this variable that globalisation has to confront directly if it is to benefit the underprivileged masses.

2.2 Regional Responses

The issue of regional responses presents even greater problems than is the case with national responses. In the first instance the European Union is not an appropriate prototype for regional unions in developing societies. The European Union is constituted by strong national states with a specific mandate. Regional Unions in developing states are a) constituted by weak and fragmented states; and b) because of the weakness and fragmentation lack strong mandates and an effective capacity to enforce peer compliance.

Secondly, regional associations in developing countries lack in evenness and tempo as well as in the direction of development. While under development is common to all, the areas of under development are not necessary uniform or similar. Worse still, the ethics of development are not necessar-

ily in continuum with the ethics of globalization. Hence peer pressure at the regional level is:

- a) uneven and possibly fragmented and,
- b) incapable of bringing about changes in national institutions especially given the tumultuous conditions in some of the developing polities.

The situation in Zimbabwe is a case in point. While Zimbabwe is a member of the Southern African Development Corporation (SADC) the occupation of white farmlands, a situation which brought about huge international condemnation could not be resolved at the SADC level. Similarly, SADC could not adopt a unified stand on the war in the Congo, and was at worst divided within itself with Zimbabwe sending in troops to aid Laurent Kabila while at the same time South Africa, the strongest member in the regional cooperation, both militarily and economically, was busy sending in a peace corp to the troubled state.

The disparate positions taken by regional associations in developing countries signify the disparate ethical and ideological positions – a situation which does not augur well for a constitutional and creative regional response to globalization.

Finally, at an empirical level, the concept of democracy creates tensions. The tension between the essence and the practice of democracy in developing societies is problematic. This makes good governance problematic to implement at a practical level. Empirically, international or global negotiations are with ruling elites who, in spite of claims of democratic mandates, pursue interests contrary to the welfare of the poor who supposedly put them in office. Macedo's paper suggests development as a necessary variable to enhance performance and effectiveness by reducing and eliminating corruption. The challenge for the world is to find mechanisms for ascertaining that policies and practices pursued by regimes in office do, indeed, function to the benefits of the broader society. The extent to which this will be in conflict with democracy is a moral and not an ethical issue.

FIFTH SESSION

*The Impact of Global Financial Flows
on Developing Countries*

DEVELOPING COUNTRIES AND THE NEW FINANCIAL ARCHITECTURE

STEPHANY GRIFFITH-JONES

A. WHAT PROGRESS ON INTERNATIONAL FINANCIAL REFORM?

The recent wave of currency and banking crises that began in East Asia, then spread to many other emerging markets, and even threatened briefly to spill over to the US in the wake of Russia and LTCM – generated a broad consensus that fundamental reforms were required in the international financial system. Existing institutions and arrangements were widely seen as inadequate for dealing with very large and extremely volatile capital flows, in which an important part of the volatility was caused by large imperfections in the financial markets themselves.

The seriousness of the situation is underlined by the fact that in the 1990s, out of 120 months, during 40 (that is 33% of the time) there have been important crises. This is particularly problematic for two reasons. Firstly, currency and banking crises – which have recently occurred mainly in emerging markets – have extremely high development and social costs. Indeed, deep and frequent crises in developing countries could undermine achievement of the UN target to half world poverty by 2015. Secondly, there is always the very small – but totally unacceptable – risk that contagion and spillovers in an increasingly interdependent international financial system could lead to global problems. Both these problems implied that urgent action was required to overcome the risk that the important benefits that globalisation offers in other fields could be seriously undermined by international financial developments.

Three years after the Asian crisis, and a few weeks after the Annual IMF/World Bank Meetings in Prague it is a good time to evaluate progress achieved on reforming the international financial system.

Some progress has been made, but it is clearly insufficient. Important changes have been implemented. For example, IMF lending facilities for both crisis prevention and management have been quite usefully expanded and adapted and the Fund's total resources were increased. Adaptations are being continuously made. For example, a week before the Prague Annual Meetings, the Fund's Contingency Credit Line (CCL) a new facility that would help countries fight crises spilling over from other countries has been modified; the changes to the CCL crucially include greater automaticity in disbursing such loans once a country is in a crisis resulting from contagion and lower cost of the facility. Such modifications were clearly very necessary, since the CCL-created over a year ago – had not yet been used. This was like having new fire-fighting equipment, but not having made the crucial connections to the water supply!

Important institutional innovations have been introduced, such as the creation of the Financial Stability Forum (FSF), to identify vulnerabilities and sources of systemic risk, to fill gaps in regulations and to develop consistent financial regulations across all types of financial institutions. As capital and credit markets become increasingly integrated both amongst each other and between countries, it is essential for regulation to be efficient that the domain of the regulator is the same as the domain of the market that is regulated. Given that regulation is still national and sectoral, an institution like the FSF is valuable to help coordinate regulation globally and across sectors. The creation of the G-20, a body to discuss international financial reform, that includes both developed and developing countries – is also a positive development.

Developing countries have been asked to take a number of important measures to make their countries less vulnerable to crises; these include the introduction of a large number of codes and standards. Though introducing standards is very positive, there are however concerns in developing countries that the number of standards (at more than 60) is too large; developing countries also are worried that standards are too uniform, in the assumption that 'one size fits all'. At a recent conference held at the Commonwealth Secretariat, senior policymakers from developing countries called for greater selectivity and flexibility in the standards they are asked to implement. A more inclusive process is also necessary, whereby developing countries could participate in the development of these standards and codes, which at present they are asked to implement without having been involved in their design.

Even though there has been quite significant progress on reform of the financial architecture, it has suffered from two serious problems. Firstly, it

has been insufficient, given the magnitude of the changes required to create a financial system that supports – and does not undermine – growth and development in the dramatically changed context of the 21st Century, characterised by very large, but extremely volatile and highly concentrated private capital flows. It is essential to develop a clear vision of an appropriate financial architecture in the new circumstances; drawing parallels from the institutional mechanisms developed nationally as domestic credit and capital markets grew a new international architecture requires: a) appropriate transparency and regulation of international financial loan and capital markets, b) provision of sufficient international official liquidity in distress conditions and c) standstill and orderly debt workout procedures at an international level. The mechanisms that exist and the adaptations made till now, do not fully meet the new requirements.

Secondly, progress made has been asymmetrical in three key aspects, in which a more balanced approach is urgently needed.

A first asymmetry in the reform process is that far more progress has been made on important measures taken by developing countries, which are being asked to introduce a very large number of codes and standards, so as to make them less vulnerable to crises. However, far less progress is being made on equally important and complementary international measures. As many leading economists (such as Stiglitz, Sachs, Rodrik, Bhagwati and others have stressed), crises – such as in Asia – were not just caused by country problems but also by imperfections in international capital markets, such as herding, that lead to rapid surges and reversals of massive private flows. To deal with the problems in the international financial markets, it is essential that international measures both for crisis prevention and management are also taken.

As the G-24 – that represents developing countries – pointed out recently, standards in the area of transparency are being pressed upon developing countries to improve information for markets without equal corresponding obligations for disclosure by financial institutions, including highly leveraged ones, such as hedge funds, who have no reporting obligation. Better information on financial markets would be of great value to policy-makers, especially in developing countries. Transparency should not be a one way street. Furthermore, while valuable progress is being made on attempting to improve regulation of domestic financial systems in developing countries, there is painfully slow progress in filling important gaps in international regulation, of institutions such as mutual funds or hedge funds, or of modifying regulations, as of banks, where current regulations may have

contributed-rather than prevented-greater short-termism of flows (as discussed in more detail later). In the field of international regulation, valuable studies have been carried out particularly by the Financial Stability Forum Working Parties, but recommendations made are on the whole yet to be implemented.

Passing from crisis prevention to crisis management, it seems important that the IMF's own resources are large enough to meet the financing needs of a systemic crisis involving several economies simultaneously, while also retaining sufficient liquidity to meet normal demands on the Fund's resources. Michel Camdessus and others-including the influential US Council of Foreign Affairs – have suggested that this expansion of official emergency financing could be funded in part by temporary and self-liquidating issues of SDRs. Such a mechanism would not add to total world liquidity, except in a temporary manner during a crisis situation – when it would be compensating for reductions or reversal of private flows. This proposal deserves serious analysis and consideration and there seems to be considerable merit in the G-24's call for a study of this matter and discussion at the autumn 2001 meeting of the IMFC. More speedy progress on orderly debt work-outs is also urgent.

A second source of asymmetry in the reform process that needs to be urgently overcome is the insufficient participation of developing countries in the key fora and institutions. As regards the international financial institutions, more representative governance needs to be discussed in parallel with a redefinition of their functions. It is particularly urgent that developing countries (which are now only represented in a very limited way in the FSF Working parties) are fully represented in the Financial Stability Forum itself, as the issues discussed there have very profound effects on their economies and as their insights can make an important contribution to the Forum's valuable work. It is important to note that after their recent annual meeting Commonwealth Finance Meetings called for such developing country participation in the Forum. The inclusion of major developing countries in the G-20 is clearly a welcome step, but it might be of value to include also some smaller developing nations, to reflect their specific concerns. Above all, it would also be helpful if the agenda of the G-20 could be broadened, to include more explicitly the key issues of international financial reform.

A third asymmetry that has emerged in recent discussions on reform of the system is that we have all placed excessive focus on crisis prevention and management, mainly for middle-income countries. Important as this

is, it may have led us to neglect the equally – if not more important – issues of appropriate liquidity and development finance for low income countries. As regards liquidity, it is important that existing IMF facilities for low-income countries – such as the Compensatory Financing Facility and the Poverty Reduction and Growth Facility – should be made more flexible, in case the present level of oil prices are sustained or if other terms of trade shocks affect such countries. More generally, the role of the IMF in providing liquidity to low-income countries is crucial. As regards development finance, low income countries need sufficient multilateral lending and official flows, as well as speedy debt relief. It is a source of concern that multilateral lending to low-income countries, especially via IDA, has recently fallen sharply. Furthermore, in a world of rapidly increasing private flows, it is important that low-income countries, donors and international organisations collaborate to help attract more significant private flows to them. Mobilizing sufficient and stable development finance, both private and official to low-income countries is an essential pre-condition to help ensure growth and poverty reduction in the poorest countries.

It is important that significant further progress on reforming the international financial system is done quickly, as the risks and potential costs of not doing so are unacceptably large, especially for poor people in developing countries.

We must overcome any possible complacency on this matter, by remembering the man who neglected to fix his leaking roof in sunny times, and was then unable to do so when stormy weather came.

Given the complexity of the issues, I would like to focus the rest of my presentation on better international information on markets and financial regulation that is on international measures for crisis prevention. This is an area where though action is urgent, there has been very little action, and even relatively little analysis.

B. BETTER INTERNATIONAL INFORMATION AND FINANCIAL REGULATION

1. *Additional information on markets to developing countries*

As pointed out above, better information to markets on developing countries has to be complemented by better information on international financial markets available to policy-makers, especially but not only in developing countries. Particularly during the crisis that started in Asia,

emerging country policy-makers have found important limitations in the essential information available on the functioning of international capital and banking markets. The type of information required is particularly on almost day to day changes in the functioning of markets – and their key actors – globally and regionally.

The IMF has led the way in improving information – and its dissemination – on emerging markets economies, which is of particular use to markets. A parallel symmetric effort needs to be done to gather and provide timely information on market evolution to emerging markets' policy-makers. This task should perhaps be led by the BIS, and co-ordinated by the newly created Financial Stability Forum. (FSF). Inputs from other institutions would be very valuable, for example, the IMF and the private sector (for example, the Institute of International Finance, IIF). Suggestions in the October 1998 G-22 Report of the Working Group on Transparency and Accountability did provide important elements for this task. These suggestions relate not just to better statistics on international banks' exposures, but also on 'compiling data on international exposures of investment banks, hedge funds and other institutional investors'. Furthermore, the growth of financial innovations, such as over-the-counter derivatives, while designed to facilitate the transfer of market risk and therefore enhance financial stability, have also made financial markets more complex and opaque. This has created difficulties in monitoring patterns of activity in these markets and the distribution of risks in the global financial system for market participants, regulators, central banks, and other authorities, including particularly those in developing countries. It would seem appropriate for major Central Banks and the BIS to attempt to improve registration of derivatives and institutions like hedge funds, by making it obligatory. Unfortunately, such initiatives to make reporting obligatory have until now been blocked, especially in the US Congress.

Given the speed with which markets move, it seems particularly important that the frequency with which relevant data is produced is very high (and possibly higher in times of market turbulence, when it becomes particularly crucial), and that dissemination is instant to all countries' Central Banks. Indeed, a special additional service could be provided by the BIS in which it would play the role of clearing house of information. For this purpose, it could draw not just on information it can gather directly from markets, but by collecting and centralising information on their markets that individual Central Banks have, and where the aggregate picture is not easily available to any individual Central Bank. This could possibly include

both quantitative and qualitative information. Via the internet, the BIS could standardise the information requirements, collect the information, aggregate it, and disseminate it rapidly to all central banks, as well as to other relevant institutions. Such a service would be of the greatest usefulness to developing country policy-makers, especially immediately before and during crises; however, it would naturally also be very valuable to developed country policy-makers and international institutions (including the BIS itself) in handling crisis prevention and management.

2. Improved international financial regulation

2.1 The case for regulation

A strong case can be made that international financial regulation is welfare increasing. This is particularly true, if – as we discuss below – such regulation has explicit counter-cyclical elements, to compensate for inherent pro-cyclical behaviour by financial actors, that can also partly characterise traditional financial regulation.

Indeed, there is growing support for a view that the process of international financial intermediation has a second-best element, in which welfare for both source and recipient countries can be increased by regulatory changes (through measures in source and/or recipient countries), which would reduce excessive lending or investing. It is noteworthy that Chairman Alan Greenspan proposed – for the case of interbank lending – that it could be appropriate for either borrowing countries or lending ones to impose reserve requirements to ‘deter aberrant borrowing: sovereigns could charge an explicit premium, or could impose reserve requirements, earning low or even zero interest rates, on interbank liabilities. Increasing the capital charge on lending banks, instead of on borrowing banks, might also be effective’.¹

There is growing recognition that it may often be desirable to regulate excessive surges of potentially reversible capital flows in recipient countries. Indeed, an important part of the responsibility with discouraging excessive reversible inflows – as well as managing them – lies with the recipient countries. However, the experience of the 1990s, with very large scale of international funds – compared to the small size of developing

¹ Remarks by Alan Greenspan before the 34th Annual Conference of the Federal Reserve Bank of Chicago, May 7th, 1998.

country markets – leads to the question whether measures to discourage excessive short-term flows by recipient countries are sufficient to deal with capital surges and the risk of their reversal.

Aizenman and Turnovsky (1999) have formalised such analysis, by developing a rigorous model that analyses the impact via externalities of reserve requirements on international loans (both in lending and recipient countries) on the welfare of both categories of countries. Aizenman and Turnovsky *op. cit.* thus evaluate the macro-economic impact of reserve requirements in a second-best world, where there is moral hazard due to likely bail-outs on the lender's side and sovereign risk on the borrower's side; both generate large negative externalities on welfare. The general conclusion of their model is that the introduction of a reserve requirement in either source or recipient country reduces the risk of default and raises the welfare in both countries.

The aim of such regulatory changes is to help smooth capital flows to emerging markets, without discouraging them excessively. This is in contrast with views based on a belief that crises in emerging markets are due only to moral hazard, and that the appropriate way to combat such moral hazard is by scaling down the role of the IMF in providing financial packages before and during crises. The latter view has acquired some prominence in developed countries, particularly but not only in the US, in particular, the majority Meltzer Report to the US Congress took such views to the extreme. However, such reduction of the role of the IMF could either make crises even more costly and/or lead to a sharp reduction in private flows to developing countries. These are both highly undesirable effects which could significantly diminish welfare, particularly but not only in the developing economies, as well as undermine support for open economies and market-based economic policies in developing economies. Therefore, an approach based on better regulation is clearly better and more welfare-enhancing than one which cuts back the IMF.

2.2 Filling Gaps

The broad welfare case for applying reserve requirements in both source and recipient countries can also be applied to institutional investors and in particular to mutual funds, which became increasingly important in relation to banks in the 1990s. This growing importance occurred both within the developed countries, and particularly within the US – where mutual funds receive more than 50% of total deposits in the financial system – and in capital flows from developed to developing countries (see

d'Arista and Griffith-Jones, 2000). The narrowing of differences between banks and institutional investors like mutual funds, and the fact that securities markets and thus mutual funds also have access to the lender of last resort – nationally in the US but more importantly in our context also internationally, due to the frequent rescue packages put together by the IMF in recent serious currency crises, suggests the importance of improving prudential standards for institutional investors such as mutual funds.

As regards portfolio flows to emerging markets, there is an important regulatory gap, as at present there is no regulatory framework internationally, for taking account of market or credit risks on flows originating in institutional investors, such as mutual funds (and more broadly for flows originating in non-bank institutions). This important regulatory gap needs to be filled, both to protect retail investors in developed countries and protect developing countries from the negative effects of excessively large and potentially reversible portfolio flows.

Institutional investors, like mutual funds, given the very liquid nature of their investments can play an important role in contributing to developing country currency crises. (For recent evidence, see Kaminsky, Schmukler and Lyon, 2000). It seems important, therefore, to introduce some counter-cyclical regulation to discourage excessive surges of portfolio flows. This could perhaps best be achieved by a variable risk-weighted cash requirement for institutional investors, such as mutual funds. These cash requirements would be placed as interest-bearing deposits in commercial banks. Introducing a dynamic risk-weighted cash requirement for mutual funds (and perhaps other institutional investors) is in the mainstream of current regulatory thinking and would require that standards be provided by relevant regulatory authorities and/or agreed internationally. The guidelines for macro-economic risk, which would determine the cash requirement, would take into account vulnerability variables as defined by the IMF and BIS (for a more detailed discussion of this proposal, see d'Arista and Griffith-Jones, 2000).

The September 1998 Emerging Markets IOSCO Report on *Causes, Effects and Regulatory Implications of Financial and Economic Turbulence in Emerging Markets* has in fact described in some detail and evaluated rather positively the above proposal. This report emphasised that 'there appears to be scope – and an urgent need for further work. This is very likely to require a multilateral effort – i.e. by regulators from both source and recipient countries in collaboration with the industry'.

As regards HLIs, the FSF working group on HLIs rightly focussed on two problems: systemic risk linked to high leverage and reduction of mar-

ket and economic impact of collapse of unregulated HLIs. Particular emphasis was placed on HLI activities in small and medium sized open economies where the potential damage that can be caused by large and concentrated positions can seriously amplify market pressures.

As regards HLIS, the FSF Working Group considered formal direct regulation of currently unregulated institutions. This would include a licensing system, minimum capital and liquidity standards, large exposure limits, minimum standards for risk management, and even an enforcement.

Such regulation was seen to have several very desirable effects, (such as regular oversight over HLIS and reducing likelihood of disruptive market events), but due to what were seen as both philosophical and practical problems, the Working Group did not recommend applying a system of direct regulation to currently unregulated HLIS at this stage, though it did not reject the possibility of establishing such a regime at a later stage. It emphasised that the failure to carry through their recommended measures (see Report *op. cit.*), would prompt such reconsideration.

The philosophical objection relates to the fact that direct regulation would not be aimed at investor protection (as investors are sufficiently wealthy or sophisticated to do their own due diligence), but on the mitigation of systemic risk. However, it could be argued that mitigation of systemic risk is also an increasingly valid regulatory aim. There were also practical objections, including how to avoid leakage through offshore centres. However, current efforts to improve and complete regulation in off-shore centres should help overcome those problems (see discussion of FSF Working Group Report on Offshore Centres). Other practical issues are more technical and more valid, including the need to adapt capital adequacy and large exposure rules to the specific risk profile of HLIS. This should be done in ways that any regulatory capital requirement did not adversely affect the efficiency and liquidity of markets in which HLIs are significant participants. This seems particularly important in a context when several large hedge funds have been wound down, which may diminish some of the negative impacts they had in recent crises, but could according to some observers – deprive markets of contrarian actors, with some useful roles to play in stopping the deepening crises.

2.3 Removing regulatory distortions and dampening exuberance of bank lending

As regards bank lending, there has firstly been concern that the 1988 Basle capital accord contributed to the build up of short-term bank lending

and its reversal in East Asia and elsewhere, due to significantly lower capital adequacy requirements for short-term lending than for long-term lending. The new proposal published in June 1999 attempts to address this distortion by reducing somewhat (though perhaps not sufficiently) the differential between capital adequacy for short-term and other lending. However, the new Basle recommendations, though including many positive elements (see, for example, Caillous and Griffith-Jones, 1999), also have suggestions that were widely seen as problematic. These included increasing the role of rating agencies to determine country weightings for capital adequacy, which could aggravate the pro-cyclical nature of bank lending, thus encouraging larger surges and larger reversals, – clearly an undesirable outcome.

There is important evidence that rating agencies act in a volatile and, especially, pro cyclical fashion. If that were the case, the reliance on ratings in the new system would exacerbate boom-bust cycles and could undermine the stability of the financial system. Indeed, as pointed by various authors (see for example Turner 2000), rating agencies failed to downgrade the East Asian countries before the crisis but then worsened it because they brought down the ratings as the crisis unfolded. Reisen and von Maltzan (1999) find that sovereign ratings lag rather than lead the market.

These problems should not, however, question the need for reforming the 1988 accord. The current system has fixed weightings which do not adjust with the cycle. In the event of a recession the increased amounts of bad loans (which are usually not fully covered by provisions) will impact upon the lending bank's capital and can lead to decreased lending if the bank is already facing a relatively low capital asset ratio, and – as is likely in a recession – the bank is unable to raise new capital. This reinforces banks' own unwillingness to lend in a downturn. Both elements lower bank lending, which – in aggregate – further deepen the recession, and make banks' financial situation even more fragile.

2.4 Counter-cyclical elements in regulation

The answer thus may lie in the implementation of an explicit counter-cyclical mechanism which would, in boom periods, and in contrast to ratings, dampen excess bank lending. Counter-cyclical elements can also be introduced in regulating other actors (see above, for mutual funds). On the contrary, in periods of slowdown and of scarcity of finance the new mechanism should not further accentuate the decline in lending as exemplified by the 1997-1998 Asian crisis but rather encourage it.

There would be two linked objectives for introducing elements of counter-cyclical regulation. One would be to help smooth capital flows and the other would be to smooth the domestic impact of volatile capital flows on the domestic financial system and therefore on the real economy. Introducing counter-cyclical elements into regulation would help build a link between the more micro-economic risks on which regulators have tended to focus till recently and the macro-economic risks which are becoming increasingly important, both nationally and internationally.² Counter-cyclical elements in regulation related to bank lending could be applied, either internationally, nationally or at both levels.

Several mechanisms could be used to introduce a counter-cyclical element into regulation of bank lending. One mechanism would be to get the required capital ratio higher in times of boom, and to allow banks to use the additional cushion provided by the higher capital ratio, so they could sustain lending in times of recession at a lower capital asset ratio (when increased bad loans are likely to be reducing their capital). Some practical difficulties may arise in implementing such a mechanism, of which the most serious one may be getting international agreement on a general formula for cyclically adjusted capital asset ratios.

A second mechanism for introducing counter-cyclical elements in bank lending regulation is for regulators to encourage that higher general provisions be made for possible loan losses (i.e. subtracted from equity *ca* bad times, without affecting reported capital. The way to ensure this would be to maintain higher general provisioning that applies to all loans. The main problem for this mechanism, according to Turner, *op. cit.*, may be that tax laws often limit the tax deductibility of precautionary provisioning; however, it is possible to change such tax laws, as indeed was done in the late eighties in the UK.

A third mechanism, relevant particularly for domestic bank lending, is for regulators to place caps on the value of assets (such as real estate or stocks and shares) to be acceptable as collateral, when the value of such assets has risen sharply in a boom and is at risk of declining sharply in a recession. Rules could be used such as averaging values for the last five years, or accepting only 50% of current prices in the peak period of a boom. The latter mechanism seems to have the least problems of implementation (indeed, reportedly it is already applied in some jurisdictions, e.g. Hong Kong).

A fourth possible counter-cyclical mechanism is that, as suggested by McKinnon and Pill, monetary authorities could monitor and try to limit or dis-

² I thank Andrew Crockett for his suggestive remarks on this point.

courage lending for property, construction and personal consumption, as these items tend to increase substantially – and often even be a major factor – in booms. A possible implementation problem would be that it may be difficult to verify final use of credit, and such measures could be partially evaded.

Furthermore, regulators should be flexible in the downturn, particularly to allow banks to easily use cushions (e.g. of capital or of provisioning) in times of recession; it may even be advisable, if a recession is very serious, to allow ratios to fall below normally required levels, (to help sustain lending), in the understanding that they will be rebuilt as soon as the economy starts recovering. A tension may arise here between the regulatory concerns about individual bank liquidity and solvency and the macro-economic externalities of their actions, particularly in recessions.

Specific issues seem to require further study. How best can the distinction between a temporary boom and a permanent increase in growth be made? After what period of 'boom', should regulatory changes be introduced? How large should such changes be? What are the best mechanisms through which counter-cyclical measures should be introduced (flexible capital adequacy ratios, higher provisioning against losses, more 'realistic' pricing of collateral)? Should such measures be introduced for both international and domestic lending, or preferably for one of them? This paper provides only initial thoughts on these important issues.

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KENNETH J. ARROW

Professor Griffith-Jones has given an erudite and careful presentation of the financial markets on which developing countries receive credits. She has especially emphasized the role of the International Monetary Fund (IMF) and its auxiliary agencies in this process. As she notes, these markets have been plagued by monetary and banking crises which have required rapid intervention that have frequently led to considerable drops in the real incomes of the borrowing countries.

Some developing countries have insulated themselves from world financial markets, by diverse channels. India and China have not had currency crises but have had strong controls on foreign exchange transactions. Chile has erected special barriers to short-term foreign borrowing, the kind thought to be most susceptible to quick changes of direction; though it has liberalized the economy and foreign trade, it has not had a currency crisis.

For the present discussion, I will not follow Professor Griffith-Jones into the institutional details of the monetary system of which the IMF is a basic part; they would not suit this audience and, to be frank, I am no expert in these matters and certainly defer to Professor Griffith-Jones's clearly superior knowledge. Instead, I will give the reactions of a general economist to the problem of liquidity crises for developing countries and to some aspects of professor Griffith-Jones's policy proposals.

Liquidity crises are akin to an economic problem historically more common in the United States than in Europe, bank runs. A bank borrows money from its depositors and lends to debtors, usually business in need of short-term credit. However, in principle, the depositors can retrieve their money or demand, while the banks' debtors have varying time periods to repay, measured in months or even years. If, for any reason, the depositors

believe that the bank may have difficulty repaying them, then each individual depositor will have an incentive to withdraw money before the bank fails. Since the bank has lent money, it certainly does not have enough on hand (in reserves) to repay all its depositors; hence it will fail when enough depositors withdraw their money. This means that it is in the interest of each depositor to withdraw money before the others do. It does not require any serious knowledge of game theory to understand that even a weak possibility of a bank failure believed by depositors will cause the bank to fail.

This possibility might arise even if in fact the bank's loans were all perfectly sound, provided a false rumor started. But obviously the run is even more probable if there is some hard evidence that some loans are likely to go bad. To get higher returns, banks do lend to firms where there is some risk of failure; indeed, it is socially desirable to encourage some risky investments. If overall economic conditions turn bad, depositors may have good reason to believe that many of the bank loans will not be repaid, and so start a bank run.

Government policies can be and have been directed towards meeting this problem. One is regulation, to require that banks maintain adequate reserves and to recognize loans that are unlikely to be repaid. In recent times, there have been attempts at more sophisticated rating of the risks of debt default, and the Basle accords, to which Professor Griffith-Jones referred, extend this risk-rating to an international level. Another policy is deposit insurance, by which depositors will be guaranteed the value of their deposits in event of bank failure, so that they will have no incentive to withdraw their money to protect themselves. Then many bank runs will be avoided altogether.

The drawback to insurance measures is that the banks will be able to take more risks in their loans without suffering the consequences of deposit withdrawals. There is a general principle that any form of insurance, desirable in itself, will lead to excessive risk-taking in one way or another; this principle is known in the insurance literature as *moral hazard*, and the term has entered into general economic analysis.

The lesson of this lengthy exposition is that the principle of the bank run is much the same as that of a run on a country's currency. There are many financial institutions and individual investors who lend to a developing country, say, Indonesia. A good portion of this lending is for fairly short periods. It is normally expected that when due, the notes are renewed, but this is at the option of the lender (who is here like a depositor). The obligation to repay is usually denominated in dollars. The country ordinarily tries

to keeps its currency more or less fixed in dollars, so that its business will know what they must earn to repay. Suppose that the creditors know or even believe that there will be a fall in the currency (the rupiah, say). They fear that their Indonesian debtors may have some difficulty repaying. As the loans fall due, they insist on repayment in dollars. The demand for dollars by Indonesians leads to pressure on the exchange rate, and it starts falling. This leads to increased difficulty in repayment, more insistence by creditors on repayment, and so on in downward spiral. To stop the spiral, interest rates in Indonesia have to increase to make it more attractive to hold money there. But this increase has an adverse affect on business in Indonesia, leading to a fall in income produced there and frequently some unemployment (However, this fall is partly offset by the fact that Indonesian products are now cheaper in dollar terms, because of the fall in the foreign exchange rate, and therefore exports may be increased).

The equivalent of deposit insurance is the possibility of Indonesia's borrowing from the International Monetary Fund. However, the Fund, to insure the success of its rescue operation, insists on conditions which reduce the outflow of money, in particular, the higher interest rates and other measures which reduce the demand for imports. These measures will reduce income in the borrowing country. It is sometimes argued that they will therefore make foreign investment less profitable and therefore interfere with the necessary return of the country to a successful borrowing relation. As Professor Griffith-Jones points out, a number of economists, including Joseph Stiglitz, former Chief Economist for the World Bank, and Jeffrey Sachs, of Harvard, objected to the Fund's restrictionist policies in the Asian crisis on those grounds.

I was sympathetic to the Stiglitz-Sachs position at the time, but the quite rapid recovery of the Asian nations since then has given me more respect for the so-called 'Washington consensus' position. In any case, the Fund in application took a much more moderate position than it had first announced.

There has developed a position that the Fund should be abolished completely. This position, curiously enough, is held both by those on the Right, who think that the developing countries should depend solely on private capital markets (e.g. Allen Meltzer or the former Secretary of State, George Shultz), and the protesters at Seattle and Prague, who hold that the Fund is an instrument by which advanced country capitalism controls the developing world. The logic of the Right is better; the protesters do not seem to understand that abolishing the Fund leaves only

private sources of capitalism. I am glad to see that Professor Griffith-Jones does not accept this alternative.

Clearly, giving the IMF enough funds to take care of a liquidity crisis is one component of a sound policy for dealing with crises. The knowledge that this remedy exists, like deposit insurance, will prevent crises from occurring and end those that happen earlier. It is also clear that another component is greater knowledge, 'transparency', as the current popular expression has it. Seeing that the foreign exchange reserves of a country are declining will caution foreign investors to curb their investments and therefore mitigate the subsequent panic which leads to a currency crisis.

Professor Griffith-Jones's recommendations embody these components. I will not comment on her program in too much detail, in view of my own limited knowledge of the field, but I will make some remarks. I must emphasize one of her remarks, 'it is important that low-income countries, donors, and international organizations collaborate to help attract more significant private flows to them'. A reaction against currency crises cannot take the form of cutting off foreign investment, a key to economic development, especially for smaller and therefore more open economies.

I certainly agree that regulation in some form is essential to regularize foreign capital movements and to prevent them from being a source of instability. That is accepted as true for domestic capital markets, and it is equally true for foreign markets. Of course, international regulation differs in one very important way from domestic regulation; there is no sovereign entity. Hence, the regulations have to be developed by negotiation, with all the problems of differential power that Professor Griffith-Jones calls attention to.

I am not sure I understand all the proposals made. The author wants to impose restrictions on lenders as well as borrowers, in particular, on institutional investors like mutual funds. Restrictions on banks have usually arisen to protect their customers, not their lenders. Since mutual funds have no fixed obligations, they do not need reserve requirements for the same purpose. The author seems to think that such requirements will protect the borrowers; but I am afraid I do not see why they will. In any case, a very large portion of the lending has been by individual investors, including to a very considerable extent nationals of the borrowing country. They buy dollars and then lend them to other business in their own country; they are among the first to take their money out of the country. Indeed, as Professor Griffith-Jones points out with regard to highly leveraged institutions (so-called hedge funds), institutional

investors may well have longer horizons and therefore hold fast in a panic, because they can anticipate a recovery.

The market itself has generated one informational device, credit rating by private agencies. The author suggests, evidently with good evidence, that the credit ratings rarely anticipate a downturn but instead follow it, adding to the problem. But this observation raises questions about a proposal for contra-cyclical regulation; is it all likely that the regulators will be any better at the needed forecasting than the private rating agencies? A general provision for higher allowances for possible losses, as she suggests, would be a sound idea.

These questions are part of a more general and well-known policy problem: how much discretion should a regulatory authority have? The objection to discretion is that the authority is very apt to be wrong and therefore exacerbate the problem rather than reduce it.

Finally, I observe the proposal of international governance, that the borrowing countries have more role in setting regulations. To be blunt about it, the question is one of governance, as Dr. Braga de Macedo has brought to our attention in another session of this meeting. The principle that the rules of the international capital markets be set by all participants is one that is hard to resist, and I for one find it very attractive. The question I must leave is the degree to which the national governments of many of the developing countries, particularly those most in need, represent the interests of their peoples.

WAYS TO IMPROVE THE FUNCTIONING OF FINANCIAL MARKETS

HANS TIETMEYER

1. For their economic progress, developing countries are particularly dependent on regular inflows of capital. Since official assistance (whether bilateral or multilateral) is always available only on a strictly limited scale, developing countries depend primarily on inflows of private funds. This is why it is of crucial importance to them that:

- international financial markets function properly and lastingly, and
- individual countries have proper and lasting access to such markets.

2. Professor Griffith-Jones' paper mentions the headway made in the past few years in the area of international financial reform. Quite rightly, she highlights the following points:

- the further development and restructuring of some activities of the IMF and World Bank,
- the establishment of the Financial Stability Forum (FSF) in Basle,
- the supplementing of the ongoing cooperation between the G-10 countries by the new G-20 grouping, and
- the intermediate evolution of many codes and standards for the financial markets and for the supervision of financial systems.

Unlike Professor Griffith-Jones, however, I regard the new facility set up by the IMF -Contingency Credit Lines (CCL) – as not unproblematic. Any country seeking to avail itself of such a facility signals to the markets that it is susceptible to crises, and may well therefore do itself harm.

3. But I agree with the general statement that the reform measures taken to date do not suffice, and must be continued. That goes particularly for the implementation of greater transparency in the international financial markets, and for the further development of systems of supervision over financial institutions. It would also be highly desirable for

standstill and orderly workout procedures to be devised at an international level in the foreseeable future. In view of the substantial differences between the prevailing national legal systems and legal traditions, however, progress in the internationalisation of such legal regulation is likely to be very slow (if possible at all).

4. I have substantial reservations, though, about the proposal to enlarge IMF resources in cases of emergency by means of temporary and self-liquidating issues of SDRs. In the first place, if only because of the current practice of the IMF, I have my doubts as to whether it actually needs more resources for its role as a catalyst in overcoming crises. The danger of moral-hazard effects for borrowers and lenders alike would, if anything, increase if IMF loans were even larger. Secondly, in the event of a major crisis, the IMF can draw on the resources of the biggest central banks in the context of the enlarged General Arrangements to Borrow (GAB), which act as a kind of reserve for crises. Any 'lender-of-last-resort' function of the IMF going beyond that is, I think, neither necessary nor appropriate. In the light of experience to date, it can hardly be asserted, incidentally, that there is any global shortage of liquidity.

5. By contrast, I regard the criticism of the asymmetry of the present reforms, as mentioned in the paper, as being partly warranted. That applies, for instance, to official membership of the FSF, which (contrary to my original idea) was initially confined to G-7 countries, mainly on grounds of efficiency, in response to US pressure. In the meantime, however, FSF composition has been changed, at least in part, by the inclusion of some emerging economies. Moreover, there are nowadays a number of informal participations, by individual experts in working parties, – a form of participation which, anyhow, is more important for the work of the FSF than official membership.

6. The third asymmetry mentioned in the paper, according to which too, little account is taken in the IMF reforms to date, and in the work of the FSF, of the low-income countries, to the detriment of the middle-income countries, is in my view right and wrong at the same time. What is right is unquestionably the fact that the IMF and the FSF must concern themselves, in the light of their mandates, primarily with the middle-income countries and the emerging economies. Support of the low-income countries is, first and foremost, a task for the World Bank (as a development institution) and the regional development banks. This division of responsibilities is a consequence of their differing mandates, and it should not be blurred any further.

7. As the paper rightly says, all future efforts should focus above all on improvements in the information on the functioning of the markets and on statistical data. To that end, both sides (both the developing countries as borrowers and the private financial institutions as lenders) must contribute by supplying up-to-date figures and by actually using them for market assessments. Thanks especially to the activities of the BIS in Basle, the FSF and the Institute for International Finance, considerable progress has meanwhile been made on the lender side. Not only are all loans by the major financial institutions classified by country and by maturity and published promptly; nowadays, there are also regular exploratory talks between many borrower countries and private financial institutions. After all, it is vital that the developing countries, too, recognise in their own interests the growing importance of unambiguous and up-to-date information. Enhancement of the flow of information, and its exploitation, must be a two-way road.

Furthermore, the actual application of the standards and codes meanwhile devised for the supervision of national financial systems is an issue of major significance. Although the number of such standards and codes has currently risen to over 60, the FSF has singled out only twelve of them as being essential to the functionality of financial systems and markets. In my view, it cannot be said, on closer inspection, that there is any asymmetry in those standards and codes to the detriment of developing countries.

8. The chapter 'Improved international financial regulation' contains many detailed proposals, which, however, are designated only as 'initial thoughts' in the final sentence. Quite apart from the fact that, in matters of detail, these proposals raise quite a number of unresolved questions, and that their political prospects of realisation must be rated very low, a question of principle is presented here which the paper answers, in my view, one-sidedly, without addressing details. This is the diagnostic question as to whether the crises in the past were caused primarily by imperfections in the financial markets themselves or predominantly by mistakes in the policies pursued by the countries affected. The paper apparently concludes that the main cause of crises is the failure of the international markets, and less the failure of the national policies of the countries concerned.

In the light of my own practical experience, I am able to agree with such a verdict to only a very limited extent. In my estimation, the causes of crises have almost always been problematic policy decisions by the countries concerned, sometimes actually fostered by problematic policy recommendations by the IMF or by other countries.

Alongside domestic structural and macroeconomic unwelcome developments in the policies of the countries affected, most of the crises of recent decades have also owed something to the overly rapid decontrol of capital movements and/or unrealistic exchange-rate ties. Although these policy errors have mostly yielded short-term benefits in terms of capital inflows and the relevant conditions, in the medium and longer term they have often given rise to serious economic disequilibria and distortions in financial flows, which have engendered extreme turnarounds if market expectations have changed.

Happily, at least a number of countries have meanwhile learned from such mistakes, and modified their policies. The IMF, too, has largely adjusted its recommendations accordingly. Nowadays, it attaches greater importance to correct sequencing in the decontrol of capital movements, and, in the normal case, it advocates greater exchange-rate flexibility than it used to.

10. Generally speaking, the objective of preserving the lasting functionality of the markets should form the focus of all efforts to further develop the global financial system. Judging by past experience, markets are more easily able than political institutions to fruitfully reconcile the divergent interests of borrowers and lenders.

Given the dominance of national interests and of thinking in terms of national prestige, international institutions can exercise an effective compensatory and regulatory function to only a limited degree, as the practical experience of most international organisations shows. 'Grand design' drafts of a new global financial architecture spark off countless controversial debates, on past experience; but such political discussions of principle not infrequently obstruct potential concrete progress. Economic practice shows that informal bodies, such as the FSF and the other talking shops (especially those under the wing of the BIS), are most likely to make actual progress possible.

SIXTH SESSION

Globalization and the Church's New Challenges

EUROPA UND DIE GLOBALISIERUNG – DER BEITRAG DER KIRCHE –

JOSEF HOMEYER

EINFÜHRUNG IN DIE FRAGESTELLUNG: EUROPA INNERHALB EINER DIFFERENZIIERTEN GLOBALISIERUNG

Jede Gesellschaft ist Teil der Weltgesellschaft. Diese ernüchternd einfache Feststellung folgt heute indes nicht nur einer begrifflich universalistischen Deduktion wie zur Zeit der Aufklärung etwa. Sie ist heute vielmehr die Kurzformel der Erfahrung einer sich durch Technologien, Märkte, Finanzen und Kulturen immer mehr vernetzenden und wechselseitig interdependenten Welt der Globalisierung.

Dieser Prozeß ist irreversibel und fundamental. Wie auch immer eine Gesellschaft sich zu sich selbst verhält, worin sie ihre soziale und ökonomische Ordnung formiert, ihre Institutionen ausprägt, Wertmaßstäbe setzt und kulturelle Ressourcen tradiert – sie tut dies faktisch im Referenzrahmen der einen Welt. Dies ist am deutlichsten und sehr früh schon identifizierbar in der ökologischen Krise. Partikulares gesellschaftliches Handeln und Verstehen ist deshalb Teilhabe und Teilgabe an globalem Handeln und Verständigungen.

Die Form der Teilhabe und Teilgabe partikularer Gesellschaften an diesem Prozeß der Globalisierung ist indes höchst differenziert. Zwar sind unter der Bedingung der Globalität Bedrohungen wie Chancen, Solidaritäten wie Konflikte unteilbar, zwar gibt es, zumal unter den Herausforderungen ökonomischer und damit sozialsystemischer Konkurrenz, erhebliche Tendenzen der Homogenisierung gesellschaftlicher Strukturen weltweit, aber es gibt gleichzeitig innerhalb transnationaler, internationaler und globaler sozialer Räume ebenso einschneidende Differenzierungen der Ausgestaltung der Teilhabe und Teilgabe einzelner

Gesellschaften am Prozeß der Globalisierung. Gesellschaften und Lebenswelten rezipieren und interpretieren den Referenzrahmen Globalisierung kulturell höchst unterschiedlich. Ich lasse hier die Frage beiseite, ob dieser Prozeß der kulturellen Differenzierung innerhalb der Globalisierung auch von einer universalen Kultur der Anerkennung von Differenzen ethisch geprägt ist oder ob nicht vielmehr diese Anerkennung des Anderen durch wirtschaftliche Hegemonie unterspült ist. Vielmehr möchte ich hier zunächst die leitende Fragestellung meines Beitrags formulieren. Sie lautet: *Gibt es eine spezifisch europäische Rezeption und Mitgestaltung der Globalisierung, und wie läßt sich eine europäische Identität als Projekt des politisch-gesellschaftlich-kulturellen Handelns im globalen Referenzrahmen fassen?*

Die Frage möchte ich in folgenden Schritten beantworten. Es sollen zunächst die Implikationen der Gestaltwerdung Europas hinsichtlich eines positiven Zusammenhangs von europäischer Entwicklung und Globalisierung so wie hinsichtlich der hierfür grundlegenden Transformation der Nationalstaatsstruktur erläutert werden (I); sodann soll die Gestaltwerdung Europas als Ost-West-Projekt dargestellt werden (II), indem 1. die politische Identität der EU erhellt wird, die dann im Blick auf ihre sogenannte "Osterweiterung" als chancenreich unter den Bedingungen der Globalisierung ausgewiesen wird (II. 2). In einem weiteren Schritt (III) sollen der Beitrag der Kirchen zu dieser Gestaltwerdung Europas und damit die Leitlinien der Bemühungen der ComECE umrissen werden. Schließlich möchte ich zusammenfassend die spezifische Rezeption der Globalisierung durch Europa von seiner Gestaltwerdung her zu beantworten suchen (IV).

I. IMPLIKATIONEN UND DIMENSIONEN DER FRAGE NACH DER EUROPÄISCHEN MITGESTALTUNG DER GLOBALISIERUNG

Diese Fragestellung enthält eine Reihe von Implikationen, Dimensionen und Perspektiven, die benannt werden müssen:

(1) Es wird impliziert, daß es einen produktiven Zusammenhang der Gestaltwerdung Europas und der ökonomischen, sozialen, politischen und kulturellen Prozesse der Globalisierung gibt. Dies wiederum setzt voraus, daß die vielschichtigen Prozesse der Globalisierung keineswegs notwendig die gleichsam posthistorische Auflösung eines Projektes "Europa" bedeuten. Vielmehr ist der europäische Integrationsprozeß die ökonomische und kulturelle Antwort auf den Prozeß der Globalisierung.

(2) Wesentliches politisches, aber auch soziales Merkmal dieser Transformation – das ist die zweite Implikation – ist die global-ökonomisch erzwungene und, wie ich meine, historisch plausible Weiterentwicklung eines dominant nationalstaatlich formierten Europa. Das bisherige Prinzip nationalstaatlicher ökonomischer, sozialer und kultureller Struktur – und Identitätsbildung wird u.a. auch durch einen von der Globalisierung induzierten Regionalismus ergänzt, der natürlich die Gestalt des Nationalstaats verändert und depotenziert. Der deutsche Soziologe Hermann *Schwengel* analysiert: *Der globale Regionalismus wird auf drei Niveaus verwirklicht, einem Mikroregionalismus der Städte und Orte, einem Meso-regionalismus der wirtschaftskulturellen und politisch-historischen Regionen und einem Makroregionalismus der Kontinente.*

Unter diesen beiden Implikationen, eines produktiven Zusammenhangs von Globalisierung und neuer Gestaltwerdung Europas (1) und einer damit einhergehenden Transformation von der nationalstaatlichen zur regionalen Struktur Europas (2), sind die Dimensionen der Frage nach den spezifisch europäischen Mitgestaltungen und Rezeptionen der Globalisierung bzw. einer europäischen Identitätsbildung zu benennen. Diese Dimensionen haben sowohl vom Prozeß zunehmender globaler Vernetzungen und Interdependenzen her wie auch vom Anspruch einer Gestaltwerdung Europas ökonomische, politische, soziale und kulturelle Aspekte. Und in diesen Dimensionen müssen jeweils Vereinheitlichungen und Differenzierungen, Chancen und Gefahren, Maßstäbe und Möglichkeiten gesehen werden. Dies ist dann klar, wenn man nicht von vornherein mit ökonomistisch verengtem Blick an den Gestaltwandel herangeht und sich so dann auch der eigentlichen Möglichkeit der Mitgestaltung begibt.

Ich möchte diese verschiedenen und zusammenhängenden Dimensionen aber an einer für Europa fundamentalen Frage exemplifizieren, um darin auch gleichzeitig die Ambivalenzen zu verdeutlichen. Natürlich klingt es relativ einfach zu sagen, daß der Nationalstaat bisheriger Art in Europa unter den Bedingungen der Globalisierung ein Anachronismus ist. So wie der Nationalstaat unter den Bedingungen der politisch-militärischen Bipolarität immer mehr seine äußere Souveränität abgetreten hat, also seine Kompetenz zu einer eigenen Außen – oder Verteidigungspolitik, so büßt er, unter den Bedingungen der Globalisierung extrem beschleunigt, seine innere Souveränität ein, also seine Kompetenz der Rechts, Finanz, Sicherheits – oder Sozialpolitik. Um wenigstens ein Beispiel, das für alle diese Bereiche äußerst folgenreich ist, anzuführen: Im Zuge der Verdichtung der internationalen Finanzströme hat sich das Verhältnis von Bruttoinlandsprodukt und

grenzüberschreitendem Handel mit Anleihen und Aktien dramatisch verschoben. Nach Angaben der Bank für Internationalen Zahlungsausgleich sprang diese Relation zwischen 1975 und 1993 in der Bundesrepublik von 5% auf 170%. Der Kapitalfluß durch Anlage übersteigt also mittlerweile um ein Mehrfaches das Bruttosozialprodukt. Die Fähigkeit von Kapitalanlegern, grenzüberschreitend Geld anzulegen, schränkt die nationalstaatlich-politischen Handlungsmöglichkeiten im internationalen Wettbewerb um Kapital bis in die sozialpolitischen Gestaltungsspielräume (Lohnnebenkosten, Flexibilisierungen) immer mehr ein. Die politische Krise der Nationalstaaten in Europa stellt uns damit vor Probleme in der Gestaltwerdung Europas, für die uns derzeit Institutionen und Instrumente nicht oder nicht ausreichend gegeben sind. Die Defizite und Herausforderungen betreffen die rechtlich-institutionelle Durchsetzung eines Ausgleichs von Marktfähigkeit und Sozialstaatlichkeit (Effizienz und Gerechtigkeit), sie betreffen die institutionelle Gewährleistung demokratischer Partizipation (gewaltenteilige Repräsentanz), sie betreffen die Fähigkeit gesellschaftlicher Integration und die Angebote kultureller Identifikation und sie betreffen schließlich und drängend die Kompetenz zur ethischen Steuerung der technologisch-wissenschaftlichen Revolution (z.B. im Genomprojekt). Kurz: Die gegenwärtige Gestaltwerdung Europas in allen seinen Dimensionen bedeutet, das positive *republikanische* Erbe des Nationalstaats unter veränderten, nämlich globalen Bedingungen und als Kontinentalregion fortzuführen. Die Plausibilität nationalstaatlicher Strukturen ist gegenwärtig wohl deshalb noch so hoch, weil die Bürger, zumal die nationalen Eliten, die regionale Alternative als normatives Niemandsland fürchten.

II. DIE GESTALTWERDUNG EUROPAS IM PROZEß DER GLOBALISIERUNG ALS OST-WEST-PROJEKT

Das Projekt einer spezifisch europäischen Rezeption und Mitgestaltung der Globalisierung steht in der ökonomisch-sozialen und politisch-kulturellen Perspektive europäischer Identitätsbildung.

Für diesen Prozeß der Europäisierung Europas sind nach meiner Auffassung folgende Faktoren unhintergebar: (1) Die Auseinandersetzung mit globalen, teilweise auch hegemonialen ökonomischen und technologischen Rationalitäten des Marktes; (2) damit zusammenhängend die Bewährung, also auch Erneuerung eines spezifisch europäischen (demokratischen) Ordnungsmodells der Marktwirtschaft, bekannt als *Rheinischer*

Kapitalismus oder *Soziale Marktwirtschaft*; (3) die beschleunigte Modernisierung aller europäischen Gesellschaften; (4) in diesem Prozeß der Modernisierung die produktiv-kritische Aufnahme geschichtlicher, ethischer, religiöser, philosophischer, ästhetischer Traditionen in Europa, also die Ausprägung eines gesellschaftlichen Zusammenhalts durch kommunikatives Gedächtnis; (5) eine diese Faktoren noch einmal einschließende, gleichsam querverlaufende Dichotomie von West- und Osteuropa.

Diesen Faktoren könnten gewiß noch weitere aus der globalen Diskussion um Globalisierung und der europäischen Verständigung, wie etwa die Frage der Amerikanisierung lokaler und regionaler Kulturen, hinzugefügt werden. Auch müßten an einzelnen Faktoren vertiefte Erörterungen ansetzen: So wäre im Zusammenhang der *Sozialen Marktwirtschaft* (2) der Umbau von einer Arbeitsgesellschaft zu einer Vermögens- und Wissensgesellschaft unter dem Kriterium der Beteiligungsgerechtigkeit zu analysieren. Es wäre im Zusammenhang der Rezeption europäischer Traditionen (4) das Profil von Bildung und Bildungsgesellschaften einschließlich der Herausforderungen kulturellen Austausches zu diskutieren. Oder es wäre im Blick auf gesellschaftliche Modernisierung (3) das Problem der Universalisierbarkeit westlicher Werte zu erörtern. – Dies alles ist in diesem Rahmen nicht abzuarbeiten, sondern kann im Folgenden nur *en passant* in Auswahl und hinweisend aufgenommen werden. Ich möchte die Frage der Gestaltwerdung Europas im gegenwärtigen Globalisierungsprozeß unter dem Gesichtspunkt der Ost-West Dichotomie in den Blick nehmen und damit einschlußweise auch Perspektiven der Arbeit der ComECE in Brüssel nachzeichnen.

Dies soll in zwei Schritten geschehen: In der Analyse der Herausforderung einer Identität der *Europäischen Union (EU)* (1) und in einer Erörterung der Herausforderung einer Erweiterung dieser Union (2).

1. Zur Identität der Europäischen Gemeinschaft (EU)

1946 hielt der Kriegspremier *Winston Churchill* in Zürich ein bewegendes Plädoyer für Europa. In ihm forderte er eine *Neuschöpfung der europäischen Völkerfamilie* und eine Art *Vereinigte Staaten von Europa*. Dieses Plädoyer war hauptsächlich von zwei Interessen geleitet: dem Aufbau einer europäischen Sicherheitsarchitektur und der Herstellung von Wohlstand. Diese Idee fand ihren institutionellen Ausdruck – über Zwischenschritte vertiefter Integration und Erweiterung (Großbritannien, Südeuropa, Skandinavien) – in der *Europäischen Gemeinschaft*. Zwar war unter dem

Vorzeichen der militärisch-politischen Konfrontation des Kalten Krieges nur eine *kleineuropäische* Institutionalisierung möglich, so daß der Frieden durch den Preis der Spaltung des Kontinents teuer erkaufte war und der Wohlstand sich nur als Club der Reichen organisiert hatte – aber dennoch sind die politischen und ökonomischen Leistungen dieser kleineuropäischen Union auch und gerade im weltweiten Maßstab überragend: Es wurde über Jahrzehnte stetig steigend und umfassend Wohlstand gesichert (Marktwirtschaft): Es wurden innerstaatlich und zwischenstaatlich sozialstaatliche Standards realisiert, die zu den höchsten der Welt zählen; diese die Prinzipien der Effizienz und der Gerechtigkeit (Verteilungs – und Beteiligungsgerechtigkeit) vermittelnde Architektur der *Sozialen Marktwirtschaft* ruht, und dies läßt sich aus den Konzeptionen ihrer Gründungsväter belegen, auf den Prinzipien der katholischen Soziallehre und evangelischen Sozialethik und der darin über Jahrhunderte in Europa tradierten christlichen Anschauung der Personalität und Sozialität des Menschen. Die marktwirtschaftliche Sozialstaatsarchitektur verknüpfte sich notwendig, eine weitere überragende Leistung der Union, mit der konsequenten Ausprägung und Sicherung von Rechtsstaat und Demokratie, hier also in Anknüpfung an einen weiteren großen europäischen Traditionsstrang, der Aufklärung und den auf sie gegründeten Schulen des Liberalismus des 18. und 19. Jahrhunderts. Schließlich hat die Union, trotz aller Probleme der Bürokratisierung, die kulturelle Vielfalt in ihrem Territorium unangetastet gelassen, gesichert und den Austausch dieser Vielfalt gefördert. Sichtbar ist diese kulturelle Stärke beispielsweise an der höchst differenzierten Ausgestaltung des Staatskirchenrechts.

Diese Erfolgsgeschichte hatte und hat weitreichende Wirkungen in die Lebenswelt der Bürger. Die Standards der Gesundheitsversorgung, der Sicherung gegen die großen Risiken – Alter, Arbeitslosigkeit, Krankheit –, die Bildungsmöglichkeiten wie die Standards kultureller und politischer Partizipation überhaupt wurden außerordentlich nach oben getrieben. Angesichts dieser „lebensweltlichen“ Erfahrungen und ihrer fortschreitenden Kommunikation über die Grenzen der *EU* hinaus hatte übrigens der Staatssozialismus schon längst vor 1989 verloren. Er hatte nicht einfach wegen eines systemischen Modernitätsdefizits verloren, sondern weil er aus ideologischen Gründen, spezifisch europäische Traditionen (der christlichen Sozialethik, der Aufklärung) ablehnte.

Natürlich dürfen die Schattenseiten nicht verschwiegen werden: Die in der Ära Thatcher-Reagan begonnene Politik der Deregulierung stößt an die Grenze der Gefährdung des gesellschaftlichen Zusammenhalts; die

Rechtsstaatlichkeit der Union wird durch Diskreditierung des Menschenrechts wie im Falle der Abtreibungsregelungen oder des Euthanasiegesetzes der Niederlande in Frage gestellt; die Modernisierungserfordernisse der Sicherung des Wohlstands führten zusehends zu einer, wie *Habermas* es nannte, *Kolonialisierung der Lebenswelt* durch ökonomistische Zweckrationalität; die landwirtschaftliche Planwirtschaft der Union bis hin zur Subventionierung der Vernichtung von Lebensmitteln bleibt im Angesicht weltweiter Armut ein moralischer Skandal usw. Dies alles muß gesehen werden. Dennoch ist die gerade in fundamentalistisch orientierten christlichen oder islamischen Kreisen artikuliert Kritik einer "Dekadenz des Westens" dann unglaublich, wenn sie nicht auch die positiven lebensweltlichen Erfahrungen der Menschen berücksichtigt.

Ökonomisch und politisch ist die kleineuropäische Union zunächst eine Erfolgsgeschichte. Von daher möchte ich zusammenfassend drei Thesen zur Identität der Europäischen Union als Beitrag zur Gestaltwerdung Europas formulieren:

Die erste These lautet:

Die Identität der Europäischen Union ist eine ökonomisch-soziale, nämlich – in einer spezifischen Architektur der Sozialen Marktwirtschaft – durch Verknüpfung von Effizienz und Gerechtigkeit um des Wohlstands für alle willen. Dieses identitätsstiftende Ordnungsmodell ist notwendig verknüpft mit der institutionellen Ausgestaltung von Demokratie und Rechtsstaatlichkeit.

Die zweite These lautet:

Die Identität der europäischen Union ist eine geschichtliche, nämlich der Verknüpfung christlicher (katholischer/protestantischer) und aufklärerischer Traditionen unter den Bedingungen der Moderne und also selbst noch unter dem Vorzeichen der Säkularisierung.

Die dritte These lautet:

Die Identität der Europäischen Union ist eine kulturelle in Bewahrung und Ausgestaltung der kulturellen Vielfalt der Mitgliedstaaten. Diese Identität findet ihren besonderen institutionellen Ausdruck in den Mitwirkungsrechten aller Staaten, weitgehend unabhängig von ihrer Größe.

2. 1989 und die Folgen für die Gestaltwerdung Europas: "Osterweiterung"

Mit der Revolution von 1989 in Mittel – und Osteuropa und dem Zusammenbruch der Sowjethegemonie stellt sich die europäische Frage neu. Nach der Ost-West-Konfrontation gibt es für eine kleineuropäische

Union keine politische, geschichtliche oder moralische Plausibilität mehr. Damit ist Europa insgesamt aber vor erhebliche Herausforderungen seiner Gestaltwerdung gestellt, die ich an der Ambivalenz des Begriffs *Osterweiterung* erläutern möchte.

Übrigens sei daran erinnert, daß die Gründerväter der Europäischen Gemeinschaft sehr wohl von vornherein an das *ganze* Europa gedacht haben. Robert Schuman schrieb 1963: *Wir müssen das geeinte Europa nicht nur im Interesse der freien Völker errichten, sondern auch, um die Völker Osteuropas in diese Gemeinschaft aufnehmen zu können, wenn sie, von den Zwängen, unter denen sie leiden, befreit, um ihren Beitritt und unsere moralische Unterstützung nachsuchen werden. Wir schulden ihnen das Vorbild des einigen, brüderlichen Europa. Jeder Schritt, den wir auf diesem Wege zurücklegen, wird für sie eine neue Chance darstellen. Sie brauchen unsere Hilfe bei der ungeheuren Aufgabe der Umstellung, die sie zu bewerkstelligen haben. Unsere Pflicht ist es, bereit zu sein.*

Der Begriff Osterweiterung löst in den Ländern jenseits des ehemaligen Eisernen Vorhangs erhebliche Widerstände, Befürchtungen und Verärgerung aus. Dahinter steht nicht nur das historische Gedächtnis wiederholter Verwundungen seitens der westlichen Kirchen und die daraus gewachsene Phobie des Ostens gegenüber dem westlichen Europa. Dahinter steht auch die in langen Jahren der Sowjetdiktatur geschärfte Angst vor jeder Art von Hegemonie. Von der ökonomischen Hegemonie der EU, wie sie im kolonialistisch assoziierten Begriff Osterweiterung insinuiert wird, befürchtet man kulturelle Überfremdung, die Auflösung sozialer Milieus und gesellschaftlicher Solidaritäten, die Erosion religiös-moralischer Verwurzelungen. Diese Gefahren, die sich allesamt in der Angst vor Enttraditionalisierung bündeln und nicht unbedingt aus modernitätskritischen, sondern aus vormodernen Gesellschaftsauffassungen speisen dürften, sind gewiß nicht zu unterschätzen. Aus meinen vielen Gesprächen in Osteuropa kann ich mich aber zumindest der Frage nicht ganz erwehren, daß dahinter nicht selten auch die Angst der Eliten, zumal aus den alten Apparaten, vor einer Ablösung durch neue technologisch-wissenschaftliche und ökonomische Eliten mit stärkeren kommunikativen und organisatorischen Fähigkeiten steht.

Schwerwiegender und weiterführend ist aber die Einsicht, daß der Begriff Osterweiterung trotz aller Einwände durchaus seine Berechtigung hat. Man kann die Folgen von 1989 nämlich nicht so lesen, daß man die Folgen von 1945 ganz aus dem Blick verliert; 1989 muß also nicht nur nach vorne, sondern auch nach hinten gelesen werden. Das bedeutet: Die

Osterweiterung zielt nicht einfach auf die Erweiterung eines territorialen, sondern eines historischen Raumes ab, nämlich der Überwindung der Folgeschäden des 2. Weltkriegs. In dieser Hinsicht geht es nicht einfach um Hegemonie, sondern um den Ausgleich historischen Unrechts.

Diese Reparatur wird nur zum geringsten Teil mit Transferleistungen alter entwicklungspolitischer Logik gelingen. Im wesentlichen wird es um den Aufbau der institutionellen, rechtlichen, ordnungspolitischen und vor allem bildungspolitischen Grundlagen eines Gesellschaftssystems gehen, in dem Wohlstand effizient und gerecht hergestellt werden kann. Die östlichen Länder Europas werden um eine Modernisierung ihrer Gesellschaften gar nicht herumkommen, wenn sie Wohlstand, Rechtsstaatlichkeit und Demokratie wollen. Alle Länder Osteuropas werden sich der bekannten Modernisierungsmittel bedienen müssen: berufliche, geographische und soziale Mobilität, Differenzierung der Gesellschaft in ökonomische, politische, kulturelle und soziale Funktionssysteme, Steigerung der allgemeinen Partizipationsbereitschaft und – fähigkeit und Individualisierung des sozialen Zusammenhalts einschließlich der Austragung ihrer Konflikte. Auch die Kritik an dieser Modernisierung, etwa die kirchliche an dem damit unweigerlich gegebenen Säkularismus, ist ein Moment der Modernisierung selbst, und zwar eines emanzipatorischer Substanz. Ohne diese Modernisierungsleistungen werden weder der britische Telefonkonzern Vodafone in Litauen, noch der deutsche Elektronikriese Siemens in Rumänien, noch der französische Pharmakonzern Rhone-Poulenc in Ungarn investieren, aber umgekehrt werden solche Investitionen erhebliche gesellschaftliche Modernisierungsschübe nach sich ziehen.

Wenn die Osterweiterungsdebatte im Kern die Modernisierungsfrage hat, dann kommen auch die ideologischen und faktischen Grenzen des Begriffs in den Blick. Unabhängig von hegemonialen Befürchtungen wird nämlich den Ländern Osteuropas eine „List der Vernunft“ zu Hilfe kommen: die Globalisierung. Ihre kommunikativen, ökonomischen und kulturellen Vernetzungen reichen längst bis in die Tiefe der Ukraine, so daß wir vor dem paradoxen Phänomen stehen: Je weiter wir nach Osteuropa kommen, je weiter wir uns damit auch zeitlich von einem EU-Beitritt entfernen, desto unbedeutender wird zwar der Modernisierungsdruck der EU, desto relativ bedeutender wird der Faktor Globalisierung. Soziologen sprechen von einer weltweiten *Aufwertung* der Peripherien zu Semiperipherien als Folge der Globalisierung. Wir sollten deshalb die Debatten des 19. Jahrhunderts nicht wiederholen. Es geht in der Frage der Osterweiterung bzw. des EU-Beitritts oder der Gestaltwerdung Europas insgesamt nicht

um weltanschauliche Auseinandersetzungen zwischen Ost und West, sondern es geht um grundlegende Optionen der Mitgestaltung der Globalisierung. Es gibt gute Gründe, das Ordnungsmodell der Sozialen Marktwirtschaft aus den Wurzeln europäischer Traditionen heraus für stark genug zu halten für solche Mitgestaltung.

Folgen wir in der Gestaltwerdung Europas bei der sogenannten Osterweiterung den Prinzipien der EU, wie sie im Amsterdamer Vertrag festgelegt sind, also der menschenrechtlichen Grundlegung, der Rechtsstaatlichkeit, der marktwirtschaftlichen Effizienz, der sozialstaatlichen Gerechtigkeit, der subsidiären politischen Partizipation und dem Schutz der kulturellen Vielfalt, dann wird die Gestaltwerdung Europas kaum nur ökonomischen Rationalitäten folgen. Gerade in Bezug auf die Wahrung kultureller Vielfalt müßte nach dem Anspruch der EU dann statt von Osterweiterung von *Europäisierung der EU* gesprochen werden. Mit der Frage der Erweiterung ist natürlich unausweichlich die politische Herausforderung der Vertiefung der Gemeinschaft aufgegeben. Nicht zufällig stehen wir mit der Terminierung verschiedener Beitritte auch am Rand einer Verfassungsdebatte. Möglicherweise wird die Einberufung eines Verfassungskonvents schon auf dem Regierungsgipfel im Dezember beschlossen. Die Gestaltwerdung Europas mündet damit in einen europäischen Gesellschaftsvertrag

Zusammenfassung:

Die Europäische Gemeinschaft hat auf der Grundlage unterschiedlicher Traditionen eine politisch-ökonomische Ordnung mit normativem Gehalt, wie die Sanktionsdrohung des Artikel 13 des Amsterdamer Vertrags gegen Staaten, die Menschenrechte verletzen, zeigt, geschaffen. Diese Vergemeinschaftung hatte und hat positive Wirkungen auf die Lebensbedingungen der Menschen ihres Kompetenzbereichs; dazu gehören: Wohlstand, politische Partizipation und kultureller Schutz auf verschiedenen Ebenen. Dieser Prozeß wird in einer weitergehenden überstaatlichen und unterstaatlichen, also regionalisierenden Institutionalisierung fortgesetzt und vertieft werden, ohne daß damit notwendig die Auflösung nationaler Identitätsbildung gegeben sein müßte. In diesem Sinne ist die EU das institutionelle Ferment einer Gestaltwerdung Europas zur Mitgestaltung der Globalisierung. Der notwendigen Institutionalisierung geht aber eine Vergewisserung der kulturellen Grundlegung in einem Gesellschaftsvertrag voraus, sofern man sich nicht mit einer segmentären Institutionalisierung nach ökonomischen Kriterien begnügen will. Dieser kulturelle Prozeß der Vergemeinschaftung bedeutet auch und ineins die

Europäisierung der EU wie die Modernisierung osteuropäischer Gesellschaften.

III. DER BEITRAG DER KIRCHE ZUR KULTURELLEN GRUNDLEGUNG DER REZEPTION UND MITGESTALTUNG DER GLOBALISIERUNG IN EUROPA

Hier, an der Frage der Vergewisserung der kulturellen Grundlagen Europas, möchte ich nun den Beitrag der Kirchen in diesem Prozeß markieren. Was muß in der Grundlegung des kulturellen Selbstverständnisses Europas aus Sicht der Kirchen bedacht werden? Ich formuliere in einigen Kernaussagen, die ich jeweils begründe.

1. *Ein Selbstverständnis Europas muß die Frage beantworten: Wer ist der Mensch?*

Die Antwort ist deshalb heute so drängend, weil die Gefährdungen der Integrität menschlichen Lebens bedrohlich wachsen. Das löst Ängste aus, die keineswegs private sind, sondern gesellschaftliche Zusammenhalte gefährden. Die Kirchen werden diese Ängste nicht besänftigen, sondern die anstehenden Debatten entschieden fördern. Diese Debatten beziehen sich auf den Schutz ungeborenen Lebens, auf die Frage nach der Euthanasie, auf die Gefahren der Biotechnologie, auf die technische Zersetzung von Freiheitsräumen insgesamt. Wir erinnern in diesem Zusammenhang an die christlich-europäische Tradition der Rede von der Würde des Menschen im Angesicht Gottes. Dieses Konzept der Personwürde ist auch heute für das geistige Selbstverständnis Europas unaufgebbar. Wird sie aufgegeben, ist das Projekt Europa gesellschaftlich insofern fundamental in Frage gestellt, als der Schutz der Personwürde sich zu bewähren hat an den Schwächsten, also den Ungeborenen, den Alten, den Kranken. Dort wo dieser Schutz in Frage gestellt wird, ist gesellschaftliche Solidarität bodenlos geworden, sie wird zum instrumentellen und partikularen Zweckbündnis der Starken gegen die Schwachen.

Auf diese alle christlichen Kirchen verbindende Insistenz auf die Personwürde des Menschen als Kern des europäischen Selbstverständnisses habe ich vor einigen Jahren in einem Vortrag vor der *Belgrader Akademie der Wissenschaften* hingewiesen. Dabei hätten wir, so sagte ich damals, von der Orthodoxie die theologal-doxologische Mystik dieses Einsatzes für die Personwürde neu zu lernen, wenn er überlebensfähig sein will. Umgekehrt

hätten die östlichen Kirchen deutlicher an die westlichen Traditionen der sozialetischen Bewährung unseres Glaubens anzuknüpfen. Wir sollten hier, so meine ich, vor allen theologischen Fragen, ein orthopraktisches, diakonisches Bündnis zwischen Ost - und Westkirchen schließen: Es kommt nicht so sehr darauf an, ob wir für oder gegen die Moderne sind — es kommt darauf an, daß wir gemeinsam an der Seite der Modernitätsverlierer stehen.

2. Das Selbstverständnis Europas muß die Frage beantworten: Welches Konzept von Freiheit trägt uns?

Das christliche Konzept menschlicher Freiheit ist sowohl subjekt – und gemeinschaftsbezogen. Menschliche Freiheit ist unaufgebbare individuelle Freiheit und soziale Gebundenheit. In dieser Hinsicht gibt es, bei unterschiedlichen Akzentsetzungen dieser Pole, eine völlig ungebrochene europäische Tradition christlicher Theologie gegenüber aufgeklärter und moderner Philosophie. Der Dissens betrifft die Konstitutionsbedingungen der Freiheit als theonomer oder autonomer, und damit die Frage nach den normativen Verbindlichkeiten freiheitlicher Bindungen, bzw. nach motivationalen Ressourcen für diese Verbindlichkeit. Diese ungebrochene Tradition muß heute von Kirchen neu erinnert werden. Denn es gibt in Europa derzeit eine unhaltbare Überakzentuierung individueller Freiheitsrechte. Das hat historische Gründe: Einmal hat kein Kontinent so unter kollektivistischen Ideologien gelitten wie der europäische. Es handelt sich also um eine Gegenbewegung; zum anderen gibt es aus den Erfahrungen der konfessionellen Gegensätze in Europa eine tiefsitzende Furcht vor kollektiven Machtansprüchen im Raum öffentlicher Freiheit. Individualfreiheiten wehren also immer Kollektivfreiheiten und aus ihnen gefolgerte Ansprüche ab. Und schließlich zeigt die Überbetonung individueller Freiheiten auch eine politische Schwäche an: Pluralistische Gesellschaften erweisen sich immer weniger als steuerbar und konsensfähig, daß immer wieder nur der Rekurs auf individuelle Selbstbestimmungsrechte als Minimalkonsens durchsetzbar ist.

Blickt man auf den Entwurf zur Grundrechts-Charta der EU, so ist auch hier nur von individueller Religionsfreiheit die Rede. Der Schutz der Vergemeinschaftung der Religion als Grundrecht fällt aus. Damit aber begibt sich Europa einer zentralen Ressource für gesellschaftlichen Zusammenhalt überhaupt und zwingt zu dem Schluß, daß wir dringend

einer Debatte über kommunale Bindungen der Freiheit zur Erneuerung des geistigen Selbstverständnisses Europas bedürfen.

3. Ein Selbstverständnis Europas muß die Frage beantworten: Wie beerben wir unsere Geschichte?

Diese Frage ist einer Religion, der Erinnerung konstitutiv ist, nämlich Erinnerung ans Kreuz, für die Ausprägung europäischer Identität immer wesentlich gewesen. Genau dieser christliche Grundzug wurde auch zu einem Grundzug Europas. Der Kontinent war in seinen besten geschichtlichen Phasen fähig, zu beerben, und fähig zur Erinnerung. In seinen unglücklichsten Phasen hat Europa seine Erinnerung aufgegeben und ist in nationalistische oder völkische Mythen geflüchtet. Nichts hat die Identität Europas so gefährdet, wie die Zerstörung seiner geschichtlichen Erinnerung. Es ist unserem Selbstverständnis nicht beliebig, ob wir uns an die Definition der Würde des Menschen auf dem IV. Laterankonzil (1215), einer Sternstunde des europäischen Geistes, erinnern. Es ist unserem Selbstverständnis nicht beliebig, ob wir die Schreie der Ermordeten und Deportierten vergessen oder nicht. Denn für Europa, wie für die Kirchen, gilt: Wir haben nicht nur eine Geschichte, wir sind Geschichte in identitätsbildender Konstitution.

Diese konstitutive Geschichtlichkeit hat heute zwei politische Herausforderungen zu bewältigen: Einmal müssen Konzepte entwickelt werden, die diese Geschichte in Geschichten anschaulich machen, also die Bewahrung europäischer Vielfalt im kommunikativen Gedächtnis der Völker. Zum anderen muß anschaulich werden, wie wir geschichtliche Trennungen überwinden. Hier geht es vor allem um die Trennung zwischen Byzanz und Rom im Jahre 1054. Die Fähigkeit, zu beerben, hat in der Fähigkeit der Aussöhnung ihren Maßstab. Die Kirche wird diese Aussöhnung anstiften, indem sie die Perspektive der Opfer einnimmt und einbringt, Geschichte also vom Kreuz her liest. Das betrifft auch eine der brennendsten Fragen der nächsten Generationen: Europa, wie hältst du es mit dem Islam?

Ein Strang europäischer Geschichtlichkeit verdient hier besondere Beachtung: die spezifisch europäische Vernunftkonzeption. Sie verdient besondere Beachtung aufgrund ihrer theoretischen Dynamik, also in den Wissenschaften, ihrer praktischen, also etwa in den Verfassungsentwürfen und Gerechtigkeitskonzepten, ihrer ästhetischen Dynamik, also in den Kunstwerken, die heute zu recht als Weltkulturerbe bezeichnet werden und

doch unverwechselbar zu Europa gehören. Diese Vernunfttradition gründet in einer Zentralformel europäischen Selbstverständnisses, nämlich Anselms "fides quaerens intellectum". Sie wurde von Thomas von Aquin zu systematischer Reife entfaltet und enthält eine doppelte Stoßrichtung, eine ideologiekritische und eine historische. Ideologiekritisch: Sie wehrt die Gefahr des Fundamentalismus ab, indem sie den Glauben zwingt, sich argumentativ zu verantworten. Umgekehrt: Indem sie den Absolutheitsanspruch wissenschaftlicher Rationalität abwehrt und ihn je neu überbietet. Die historische Stoßrichtung: Sie setzte eigentlich die Tradition der Aufklärung in die Lage, die Brücken zu den christlichen Wurzeln nicht abubrechen, denken wir an Rousseaus schöpfungstheologisch inspirierten Gesellschaftsentwurf, denken wir an die Ideenlehre in Kants Kritik der reinen Vernunft, denken wir schließlich an die naturrechtlichen Kerne aller modernen Verfassungen. Und nochmals umgekehrt: Die Anselmische Formel befähigte unsere Kirche im II. Vatikanischen Konzil, Anschluß an die Tradition der Aufklärung zu finden. Diese Formel bleibt für die Kirchen in Bezug auf ein geistiges Selbstverständnis Europas grundlegend und ebenso virulent, weil sie gegenwärtig von zwei Seiten gefährdet wird: Einmal von einer postmodernen, selbstgenügsamen Religiösität in beliebiger Beschwichtigungstranszendenz, zum anderen durch eine technische Revolution, deren Folgen immer weniger kontrollierbar sind. Gerade weil die Kirche auf dieser Tradition eines vernunftbezogenen Glaubens, wie einer transzendenzbezogenen Vernunft insistiert, darf sie als Hüterin europäischer Identität in Anspruch genommen werden. Das bedeutet auch die Wahrung des universalistischen Erbes dieser Vernunfttradition, die ihrerseits in den universalistischen Gehalten des christlichen Glaubens wurzelt. Von ihm her ist Europas Verträglichkeit, Verantwortung und Fähigkeit zur Mitgestaltung der einen Welt zu begründen. Und schließlich in der geistesgeschichtlichen Kernfrage der Aussöhnung zwischen Ost- und Westeuropa: Ist die Aufklärung Erosion und Zerstörung des Glaubens, wie viele Orthodoxe argwöhnen, oder ist sie Ausdruck und Bündnispartner des Glaubens, wie wir sagen? Jedenfalls wird es in Europa letztlich keinen umfassenden Konsens geben, der diesen Konsens nicht theologisch verwurzeln kann als Aussöhnung zwischen den orthodoxen und westlichen Kirchen. Ohne Aussöhnung keine Einheit.

Wenn ich in diesen zentralen Punkten, der Humanität, der Freiheit, der Geschichtlichkeit Europas geistiges Selbstverständnis und den kirchlichen Beitrag dazu markiert habe, so werden manche gewiß theologische, näherhin ekklesiologische Begründungen vermißt haben. Ich hätte also doch

sehr ausführlich von der eucharistischen Ekklesiologie des Konzils sprechen müssen, von der typisch christlichen Verbindung von Mystik und Diakonie, wie sie sich im europäischen Typus der Heiligen personalisiert hat; ich hätte ausführlicher zu sprechen gehabt von den theologischen Differenzen und Brücken zwischen Orthodoxie und westlichem Christentum. Stattdessen habe ich mit den angeführten Thesen nur Essentials eines europäischen Selbstverständnisses und kirchliche Einsatzpunkte benannt.

Lassen Sie mich aber abschließend wenigstens diese Einsatzpunkte sozialetisch konkretisieren, wie ich es bei der II. Europäischen Bischofssynode vor zwei Jahren in Rom unter dem Leitbegriff der „politischen Diakonie für Europa“ getan habe.

Hiermit beschreibe ich die Leitlinien der Bemühungen der ComECE sowohl in der kritischen Begleitung politischer Entscheidungsprozesse in Brüssel, wie in der Rückbindung der damit verbundenen Fragen an die Bischofskonferenzen der Mitgliedsländer, wie in der politischen, rechtlichen, sozialen und ökonomischen Orientierungsarbeit in unseren Akademien, Symposien oder auch Erklärungen zu fundamentalen Herausforderungen. Gerade in den internationalen Symposien ist uns, nebenbei gesagt, ein außerordentlich wirksames Instrument der politisch-orientierenden Mitgestaltung durch Vernetzung und Diskurs höchst heterogener Ansätze, Interessen und Institutionen — der Politik, der Ökonomie, der Sozialwissenschaften, der Brüsseler Institutionen, der Kirchen innerhalb der EU, der Kirchen und kulturellen Institutionen Osteuropas – zugewachsen. – Zu den Leitlinien:

– *Den Beistand der Kirche für demokratische und rechtsstaatliche Institutionen.* Wir können nur glaubwürdig für gerechte, also dem Evangelium gemäße soziale und kulturelle Teilhabe aller eintreten, wenn wir selber gegenüber nationalen und neuen supranationalen und regionalen politischen Strukturen gesprächsfähig sind. Damit müssen wir als Kirche auch jene unserer Strukturen reformieren, die uns bisher vorrangig im Gegenüber zu Politik und Gesellschaft getragen haben. Unsere Präsenz gegenüber neuen supranationalen Institutionen sollte ebenso entwickelt werden wie neue regionale Kooperationen, die die „Grenzen“ nationaler Bischofskonferenzen überschreiten. Wollen wir warten, bis solche gesellschaftlichen Entwicklungen längst abgeschlossen sind, um dann wieder zu reklamieren, eigentlich sei das alles christlichen Ursprungs und werde diesem aber weithin nicht gerecht?

– *Die Mitverantwortung der Kirche für eine effiziente und gerechte Wirtschaft,* die Menschen eine Chance auf Teilhabe und damit

Lebensperspektive gibt, und zwar in Mittel-Osteuropa wie im Westen. Dies betrifft vor allem die Teilhabechancen auf den Arbeitsmärkten und die intergenerative Gerechtigkeit, also im Blick auf die kommende Generation, deren Existenz durch überhöhte Staatsverschuldung gefährdet ist. Dieses Engagement zielt darauf ab, Markteffizienz und soziale Gerechtigkeit, Eigenverantwortung und Solidarität zu versöhnen, wie dies in der Sozialen Marktwirtschaft entworfen wurde und heute neu zu komponieren ist. Dies setzt unsere Gesprächsfähigkeit mit den staatlichen, aber auch mit den wirtschaftlichen Akteuren voraus. Der Dialog mit den Gewerkschaften, mit den Unternehmern, mit den Arbeitnehmern in den neuen aufstrebenden Bereichen der Wirtschaft und mit dem Management muß intensiviert oder neu begonnen werden. Wie anders sollten wir den Schwächsten beistehen können, als auch durch solche Präsenz in Anwaltschaft und Einmischung?

– *Die Förderung von neuen Formen gemeinschaftlicher Netzwerke.* So sehr die Staaten in ihren sozialen Leistungen immer mehr überfordert werden, so sehr müssen neue Formen von Solidarität und Teilhabe vorangetrieben werden, in der vor allem jene Eigenverantwortung des Menschen gefördert wird, die vor jedem Kollektiv und vor jeder Sozialverwaltung zur Solidarität befähigt und ihre marxistische und wohlfahrtsstaatliche Aushöhlung überwindet. Seit Jahren werden diese Projekte unter dem Begriff "Zivilgesellschaft" zusammengefaßt. Viele Menschen trauen gerade den Kirchen wegen ihrer gottesverwurzelten moralischen Kompetenz hier entschiedene Anstöße zu. Sie erwarten dies aber auch von uns.

– *Den nachhaltigen Einsatz für europäische Einigung.* Dabei ist auch außerhalb der Kirchen, zumal nach der Katastrophe im ehemaligen Jugoslawien, deutlich geworden, daß es diese Einigung zuerst und zentral nur als Versöhnung geben kann. Die Offenheit der EU für alle Völker ist im Anspruch dieses Versöhnungswerks für die Kirchen keine Randfrage, sondern Maßstab der Glaubwürdigkeit europäischer Politik. Und die Aussöhnung mit der Orthodoxie gilt uns nicht nur als theologisch-spirituelle Herausforderung, sondern gilt uns als Herausforderung für die Authentizität der *einen* europäischen Geschichte. Darum sind wir gerufen, in unseren Ländern und zwischen ihnen in vielfältiger pastoraler und sozialetischer Kooperation, zwischen Gemeinden und Verbänden, in gemeinsamen Akademien, in der Förderung von Begabten, in der regionalen Vernetzung von caritativen Initiativen ein europäisches Versöhnungswerk zu formen, das seine Quelle hat im unverdienten Versöhnungshandeln Gottes, das wirksam werden will in der Versöhnung der Menschen und der Völker.

IV. SCHLUBBETRACHTUNG: DIE GESTALTWERDUNG EUROPAS ALS MITGESTALTUNG DER GLOBALISIERUNG

Die Ausgangsfrage meines Beitrags lautete: *Gibt es eine spezifisch europäische Rezeption und Mitgestaltung der Globalisierung, und wie läßt sich eine europäische Identität als Projekt des politisch-gesellschaftlich-kulturellen Handelns im globalen Referenzrahmen fassen?*

Ich möchte die Antwort, die gleichzeitig den Orientierungsrahmen der Arbeit der ComECE in Brüssel abstecken sollte, in Abgrenzung vom liberalistischen Modell der Globalisierung versuchen.

Die liberalistische Konzeption von Globalisierung bevorzugt drei Grundthesen:

- Die global wirksame Marktdynamik, die von multinationalen Unternehmen im Transfer von Geld, Gütern, Arbeit und Dienstleistungen wirksam organisiert wird, sorgt an sich schon für Wohlfahrt. Deshalb ist in der globalisierten Ökonomie wirtschafts- und sozialpolitische Steuerung kontraproduktiv.

- Nationale Ökonomien müssen sich durch Liberalisierung, Deregulierung und Flexibilisierung anpassen.

- Wettbewerbsfähigkeit entsteht durch Stärkung der Marktkräfte.

Diese Sicht der Globalisierung hat zunächst einmal ihr kritisches historisches Recht, weil sie bestehende Macht- und Besitzverhältnisse aufbricht. Gerade im teilweise korporatistisch verhärteten Westeuropa sehen wir uns zusehends mit Problemen konfrontiert, daß Insider, im Kartell von Gewerkschaften und Arbeitgeberverbänden, sich gegen Outsider abschnitten: Arbeitsbesitzer gegen Arbeitslose. Hier müssen institutionelle Verkrustungen aufgebrochen werden. Zu Recht macht der Liberalismus auch Front gegen Protektionismus gegenüber Schwellenländern und der Dritten Welt. Zu Recht auch stellt er sich in die Perspektive der Effizienz als Grundlage jeglicher Verteilung nach den Kriterien der Gerechtigkeit und Solidarität.

Dieses umfassende Marktvertrauen unterschlägt aber, daß die Gerechtigkeitsprinzipien selbst Grundlage effizienter und effektiver Marktwirtschaft sind; das gilt zumindest für den Schutz des Eigentums wie für seine Sozialpflichtigkeit. Damit wird im Liberalismus die Notwendigkeit der sozialen und ökologischen Gestaltung von Märkten in Frage gestellt. *Zweitens* transportiert die liberalistische Globalisierungsvariante ein einseitig ökonomistisches und damit individualistisches Menschenbild und ist deshalb offensichtlich bereit, kulturelle Verluste und Entwurzelungen in Kauf zu nehmen. Sichtbar ist die individualistische kulturelle Entwurzelung an

der dramatischen demographischen Implosion in Europa. *Drittens* scheint mir damit eine Rückbindung an eine wesentliche Errungenschaft der Neuzeit und Moderne, die freilich christlich vorgeformt war, tendentiell aufgekündigt zu werden, nämlich der Zusammenhang von ökonomischer und politischer Partizipation, von Wohlstand und Demokratie.

Die spezifisch europäische Antwort unter den faktischen Bedingungen der Globalisierung lautet vielmehr aus kirchlicher Sicht:

Ökonomisch: Die marktwirtschaftlichen Prinzipien gewährleisten offensichtlich am ehesten den Wohlstand der Menschen. Diese sind aber zurückzubinden an die sozialen Prinzipien gerechter Verteilung und Teilhabe, der Solidarität mit den Schwachen, der Achtung der Personalität des Menschen und der Nachhaltigkeit. Dies ist das Modell der *Sozialen Marktwirtschaft*.

Politisch: Die demokratisch-rechtsstaatlich, menschenrechtlich grundlegende Teilhabe aller auf den verschiedenen subsidiär zu organisierenden institutionellen Ebenen. Dabei wird die regionale Präferenz der politischen Partizipation die nationalstaatliche Präferenz erheblich modifizieren und depotenzieren, ohne sie allerdings aufzulösen.

Kulturell: Die Erinnerung unserer kulturellen Herkunft in seiner historisch gewachsenen Vielgestaltigkeit, die christlichen und aufklärerischen Traditionen des Westens und Ostens, aber auch die unterschlagenen Traditionen des Islam in Europa und der vernichteten jüdischen Traditionen bestimmen die politische, ökonomische, soziale Gestaltwerdung Europas als spezifische Rezeption und Mitgestaltung der Globalisierung. Es ist dieser Herkunft trotz aller Katastrophen eine Kultur des Austausches und der Anerkennung des Anderen in der Vielfalt wesentlich gewesen. Gerade dieser kulturelle Kern der Anerkennung des Anderen ist in der nationalstaatlichen Epoche des Kontinents diskreditiert worden. Unter den Bedingungen der Globalisierung könnte Europa wieder Anschluß an seine besseren Traditionen finden.

Mir scheint, daß die kulturellen Grundlagen der Gestaltwerdung Europas auf dem II. Vaticanum in seiner eucharistischen Ekklesiologie gleichsam in nuce vorgezeichnet wurden. Die in und aus Ortskirchen bestehende und verbundene Universalkirche könnte dieses theologische Modell auch als kulturelles Modell der ethischen Gestaltung der Globalisierung ausweisen. Dies wäre der eigentliche Gegenpol zum liberalistischen Konzept. In einer Bischofssynode über die Globalisierung, das ist mein dringender Wunsch, sollte so in eine weltweite Herausforderung eine Schneise der Inkulturation und Evangelisierung geschlagen werden. Der weltweite Einsatz des Papstes hat ja einer solchen Bischofssynode über Globalisierung längst den Weg gewiesen.

MEETING THE CHALLENGES OF GLOBALIZATION

MARY ANN GLENDON

As its name signifies, the Catholic Church is no stranger to globalization. The Church's mission from the beginning has been to spread the Good News to every corner of the earth. In the course of pursuing that mission for 2000 years, she has time and again confronted challenges posed by transformations of culture as well as by cultural differences. The Church has always understood that great transformations – the fall of the Roman Empire, the Enlightenment, industrialization, democratization, globalization – are phases rather than culminations. (As Paul said to the Corinthians, "The world as we know it is always passing away").

Unlike some other religions, however, Catholicism does not stand aloof from 'the world'. On the contrary, the Catholic social tradition is one in which the faithful are obliged to be active in working for justice, freedom, respect for the dignity of the person, the common good, and peace. Pope John Paul II emphasized that point in an important address to university professors and students, telling them: "The Christian cannot limit himself to analyzing historical processes as they happen, maintaining a passive attitude, as if they were beyond his capacity to intervene, as if we were led by blind and impersonal forces".¹

Those two propositions – the constancy of change and the obligation to be concerned with the world – bring us to the mission of this Academy and to the topic of this plenary meeting. For to be effective in the world, we must try to understand it. And to understand what is going forward in the world today, one must try to understand the phenomena collectively known as globalization.

¹ "Social Change Hinges on 'Small Daily Options'", ZENIT, April 9, 2001, No. 1040907.

Pope John Paul II has counseled and modeled a cautiously hopeful view of globalization. Provided that the principle of common humanity is recognized, he said in his *World Day of Peace Message* for the Year 2000, 'this recognition can give the world as it is today – marked by the process of globalization – a soul, a meaning and a direction. Globalization, for all its risks, also offers exceptional and promising opportunities, precisely with a view to enabling humanity to become a single family, built on the values of justice, equity and solidarity'.² Most of the papers presented to the Academy at this meeting have taken that same approach, exploring the perils and the promise of the economic aspects of globalization.

The Holy Father, however, has placed special emphasis on the cultural as well as the economic aspects of globalization. They are, of course, related. Many of the participants this week have expressed concern that economic globalization is increasing the gap between rich and poor nations and peoples, even as it makes them more interdependent. But what is the nature of that concern? It is not only that many members of the human family are suffering severe material deprivation. It is also that those on either side of the gap may come to regard those on the other side as *radically* 'other' – in other words, to reject their common humanity. While advancing economic freedom and individual liberty for many, economic globalization seems to bring new risks that human beings will be treated as instruments or objects.

In this new context, it seems fair to say that the Church has become the principal institutional advocate in the world of the need to re-unite the two halves of the divided soul of liberalism – its commitment to human liberty and its acknowledgment of a single human family for which all bear a common responsibility. In his speech to the U.N. on its fiftieth anniversary in 1995, for example, the Holy Father issued the following plea: 'Inspired by the example of all those who have taken the *risk of freedom*, can we not recommit ourselves also to taking the *risk of solidarity* – and thus the *risk of peace*?'³

It is important to note, however, that 'solidarity' in Catholic social thought diverges in important respects from similar-sounding secular ideas. The Church teaches solidarity, not as a set of policies or programs, but as a *virtue* which relates to the perfection of the individual,⁴ by inclin-

² *World Day of Peace Message, 2000*, Par. 5.

³ *Address to the United Nations*, October 5, 1995, Par. 15.

⁴ See Ernest Fortin, 'Church Activism in the 1980s,' in *Human Rights, Virtue, and the Common Good*, Vol. 3, 273-74.

ing us to overcome sources of division within ourselves (personal sin) and within society ('structural sins').⁵ The virtue of solidarity is inseparable from personal reform and requires constant practice.

For those of us who believe that the social teaching of the Catholic Church offers important ethical perspectives on economic globalization – and even the hope of helping to humanize and optimize the benefits of that process – the cultural effects of globalization are of great concern. Globalization seems to be spreading a thin transnational culture that is not only resistant to ethical perspectives, but inimical to respect for the dignity of all members of the human family. The values of productivity and efficiency, so prized by the market, are not so fine when they seep into the intermediate institutions of civil society or when they become normative in family relations. A transnational popular culture seems to foster an ethos charged with materialism, hedonism and hyper-individualism. The increased geographic mobility of our times has acted as an accelerant for the spread of these new values, by eroding the particular cultures where virtues and habits of solidarity are rooted. In his popular and largely affirmative book on globalization, *The Lexus and the Olive Tree*, Thomas Friedman has written that 'the more I observed the system of globalization at work, the more obvious it was that it had unleashed forest-crushing forces of development and Disney-round-the-clock homogenization which, if left unchecked, had the potential to destroy the environment and uproot cultures at a pace never before seen in human history'.⁶

Needless to say, the Catholic faithful are not exempt from these influences. All too many Catholics resist the teaching that living the whole Christian faith means living the preferential option for the poor. All too many others embrace a secular understanding of solidarity, which leads them to trivialize the problem of sin, to ignore the moral teachings that make a commitment to solidarity sustainable, and to look mainly to government bureaucracies for 'social justice'.

The effects of globalization upon culture thus pose a special challenge to a Church that seeks to spread Christianity through 'inculturation'. Globalization, coming in the wake of industrialization and urbanization, tends to accelerate the decline of the mediating structures of civil society (families, parishes, neighborhoods) where the virtues that might serve to humanize globalization are instilled, reinforced, and transmitted from one

⁵ *Sollicitudo Rei Socialis*, Pars. 37, 38.

⁶ Thomas L. Friedman, *The Lexus and the Olive Tree* (Rev. ed., 2000), 23.

generation to the next. The culture-destroying aspects of these changes have alarmed even secular observers like Friedman who see them as undermining the benefits of globalization itself, especially in developing countries: 'You cannot build an emerging society... if you are simultaneously destroying the cultural foundations that cement your society and give it the self-confidence and cohesion to interact properly with the world... [W]ithout a sustainable culture there is no sustainable community and without a sustainable community there is no sustainable globalization'.⁷ While noting the problem, Friedman has absolutely nothing to say about how to counter those effects!

So how can the Church mediate her teachings, 'ever ancient and ever new' through the turbulence and fragmentation that characterize what theologian Frederick Lawrence calls 'the contemporary diaspora situation' of Christians in a secularized world?⁸ That is an enormous challenge both for the Holy See as an actor in international settings and for all Catholics. In both cases, there are two essentials: understanding the world and personal formation of the actors. And of the two, formation must have priority. As the Holy Father strikingly put it in his address to university professors and students: 'It is part of Christian realism to understand that great social changes are the result of small and courageous daily options. You often ask yourselves: When will our world be configured to the Gospel message? The answer is simple: When you, in the first place, act and think permanently like Christ, at least part of that world will be given to Him in you'. Regarding globalization, and perhaps thinking of our Academy's work, he went on to say that 'to promote a global culture of those moral absolutes that are a person's rights, it is necessary that each Christian begin with himself...'.⁹

The Church's work in the ever-changing world is thus perhaps best regarded as an ongoing crusade to shift probabilities in favor of what John Paul II calls the civilization of life and love. Globalization undoubtedly poses formidable challenges to that never-ending task. But the resources that the Church brings to meet those challenges are formidable as well. Some recent developments that seem especially encouraging are:

The Transcultural Catechisms. The recognition by the 1985 Synod of Bishops that globalization offers new opportunities for the spread of the

⁷ Id., 302.

⁸ Frederick G. Lawrence, 'The Church and American Culture' (Unpublished paper, 1998).

⁹ "Social Change Hinges on 'Small Daily Options'", ZENIT, April 9, 2001, No. 1040907.

faith inspired the *Catechism of the Catholic Faith*, now available in many languages. Recognizing that many Catholics are lamentably unfamiliar with the Church's social teachings, the Holy Father has also commissioned the preparation of a 'social catechism'.

Formation for a Mobile People. With traditional parishes eroded by geographic mobility, the Church's burgeoning lay organizations (e.g., Regnum Christi, Comunione e Liberazione, Focolare, Opus Dei, the Neo-Catechumens) are helping to fill the resulting needs for formation and fellowship among adult Catholics.

Solidarity through Subsidiarity. With regard to the problem of how to move from the principle of solidarity to its practical implementation under diverse social and political conditions, the Church's principle of subsidiarity is attracting increasing attention from political thinkers and actors. (Since this potentially useful idea is one that needs to be deepened and developed, it may at some point merit the attention of this Academy).

The Dialogue with the Natural and Human Sciences. In an era when relativism and historicism prevail in secular academic circles, the Catholic Church stands as an unabashed defender of reason.¹⁰ Hers is not the calculating reason of Hobbes in the service of the passions, nor narrow scientific rational-*ism*, but rather the dynamic, recurrent, and potentially self-correcting processes of human knowing. That permits her to take modern historical consciousness seriously, but to find the basis for a genuine transnational culture in 'the dynamic unity of the human mind in its related and recurrent operations'.¹¹ Her commitment to reason, moreover, both invites and requires her to engage the modern natural and human sciences at the highest levels. (Christians, Pope John Paul II reminds us, are obliged not only to bring light to the world, but also to remain open to discover 'every fragment of truth... in the life experience and in the culture of individuals and nations').¹²

It must be admitted, however, that none of these developments is more than a beginning. The Church has yet to work out the social, cultural, and political methods that will mediate the truths she possesses in the ever-changing world. What may be required, therefore, is nothing less than a large-scale re-appraisal and renewal of the educational apostolate

¹⁰ See, especially, *Fides et Ratio*.

¹¹ Matthew L. Lamb, 'Divine Transcendence and Eternity: The Early Lonergan's Recovery of Thomas Aquinas', in *Continuity and Plurality in Catholic Theology* (1998), 75-76.

¹² *Centesimus Annus*, Par. 46.

of the Church.¹³ The Church needs to make manifest not only that Catholic Christianity is in harmony with full-fledged intellectualism, but that the intellectual apostolate is integral to her mission.

Needless to say, these challenges and opportunities for the Church also constitute challenges and opportunities for this Academy!

¹³ This is the principal message of Dr. Lawrence's excellent paper, cited above. Dr. Lawrence and Father Matthew Lamb, cited in note 11, pursue the dialogue with the natural and human sciences at the Boston College Lonergan Institute.

AN EDUCATIONAL STRATEGY FOR A CHRISTIAN CULTURE OF GLOBALISATION

GIUSEPPE TOGNON

Premise

The fundamental task of the Church does not change: it is to evangelise, to catechise, and to bear witness to Christ and his message. But history provides no truce, and Christians, immersed as they are in the world, do not have a moment of rest. Today's challenge is called globalisation. We can be in disagreement with the way in which the subject has become topical; we can dispute the view that globalisation is a new phenomenon; and we can refuse to believe that it is a decisive problem for faith. But we cannot deny that globalisation constitutes for believers of all religions an extraordinary opportunity. One is dealing here with rethinking the relationship between the economy and society so that the ethical approach to man becomes central in the debate about the governance of the world and so that membership of the Church becomes the premise for a personal commitment in favour of the whole of mankind. The appeal of John Paul II to the powerful in favour of the poor majority of the world has been so strong and unceasing that it goes beyond the traditional Magisterium of the popes. The subject of globalisation can become the social subject of the Church in the new century just as during the twentieth century there was the appeal to peace and the regulation of conflicts between nations. It is probable, as was the case then, that none of the problems drawn attention to by the Magisterium will find a complete solution, but it is in itself important to know that the early Covenant between God and a small people – that of Israel – has in definitive fashion been extended to the whole of humanity.

In the debate underway about the economic and cultural globalisation of the world, Catholic universalism thus finds itself in the forefront at a

decisive stage of history. Even though there are no 'Catholic recipes' for all the problems (and this is something which is fitting), it is not of secondary importance to ask oneself what the most suitable ideas and cultural strategies might be so as to provide an intellectual contribution on the part of involved members of the laity. My modest contribution to the discussion seeks to be that of pointing out – taking as given the framework offered in the paper by Msgr. Homeyer – certain opportunities which present themselves today to Catholicism and at a more general level to the Christian tradition. I will point out in particular two which are available to us from a vast collection of scholarly contributions and which are mature enough for a more general reflection: 1) the resistance to cultural homogenisation which through a positive evaluation of all cultural histories and practices of life, such as the use of languages, may lead us to rethink our educational strategy without repudiating modernity and without abandoning democracy. 2) The transformation of the dominant model of rationality, based upon forms of the technical, in a form different from human lordship over the world which may help wealthy mankind to grow spiritually at least as much as it has grown materially.

I. The Catholic Church, too, has been for centuries an instrument of cultural homogenisation and of dominion and this has caused by no means few problems between the peoples of the world and for the governance of the world. But it would be foolish not to remember, precisely today when within the Church there is a keenly-felt awareness of the need to recognise her own errors as well in order to achieve a reconciliation which is not banal in character with the world, that Christians have already experienced at a direct and immediate level the end of secure universalism and that the whole of the modern epoch has constituted a new stage in evangelisation and inculturation. Modern Christian culture has made decisive contributions to democracy and social justice, not least because it has always espoused a healthy distrust towards all those ideologies which proposed 'the new man'. At least two very important initiatives deserve to be brought to mind, which thanks to the new season of missionary activity changed the face of modern society, beginning in the sixteenth century: care for communities with respect for their traditions and above all else for their languages – the sanctuary of identity – and the practice of teaching. The modern Christian Church, and not only the Catholic Church (one thinks of Luther and the political and religious use of German), found in the use of speech and its linguistic deposits the essential key both by which to foster

changes in habits and customs and by which to establish resistance to every attempt to deny the communitarian basis of peoples.

The case of languages, of their recognition, of their survival, serves as an example because it has been for some time at the centre of national and international cultural policies. The year book of the languages of the world, published in the United States of America, lists more than six-thousand spoken languages, of which about two thousand have a literature and two thousand have translated, or are translating, the Bible. Statistics applied to languages tells us that the first ten languages of the earth are used by communities with more than a hundred million people: after Mandarin Chinese we find English, Hindi, Arabic, Spanish, Bengali, Portuguese, Indonesian Bahasa, Japanese, and Russian. The experts in the field tell us that the great European languages are to be found in the category of languages spoken by a minimum of ten million people, together with Nepalese or Aramaic, Turkish, Ukrainian and Persian. They tell us that some languages which have been decisive for Western history and civilisation, such as Hebrew, are spoken by communities which may even have a few hundred thousand people and they also tell us that every year languages and dialects disappear in some parts of the world. The statistical framework demonstrates unknown and non-traditional hierarchies, but above all else brings out what is the great paradox of global communication, namely that of a model of society which however effective and universal it may be does not manage, if only to a small extent, to interpret the multiplicity and the wealth of human experiences which are still borne witness to in the world by hundreds of populations that are the bearers of different languages and traditions. The future of humanity lies precisely in the gap which still exists between the different levels of communication – communication through the mass media and communication through authentic relations – and in the irreducibility of the principle of community to standardisation. In this no man's land, which from many points of view is still unexplored, where different social models co-exist and where antithetical forms of living are practiced, it is possible to work only if one possesses something which is real and personal to be shared, if the message really becomes witness, if the time available is matched by life as lived out and language does not fall into being merely the technical.

The practice of diversity through languages as well can become a first fertile way of approaching things which can constitute an intelligent signal of respect to be launched throughout the world, placing oneself thereby on the side of minorities. Historical linguistics, like many other disciplines

which do not belong only to the humanities, is ready to bear witness to the fact that research into, and the study of, languages is going exactly in the opposite direction to banalisation. Lexicography, which has been a mature, loved and practiced science in all epochs, is, for example, by now clearly on the side of a message of prudence and care in relation to every community. Even the most tenaciously held socio-linguistic theories on the universal matrix of languages do not oppose, but indeed help, the rediscovery of the ethical and not deterministic dimension of the human experience, beginning specifically with research into, and the testimonies to, life which is lived. Languages are always in a state of change and it would be absurd to believe that it is possible to recognise changes if one did not also have a knowledge of previous or lateral stages to the establishment of a so-called classic language. The nature of evidence is always fragile and changes if the research into them is not accompanied by a patient waiting for new elements which are decisive in illuminating deposits of knowledge which had previously lain in the dark. The Latin dictionary by Forcellini, a classic work, has as a frontispiece an illustration depicting a man who is apparently sad and is working under an inscription which reads 'expertus disces quam gravis iste labor' – only experience enables us to understand how important and difficult this work is. The observation is valuable, not least because it brings us to what, in other difficult epochs, was the extremely detailed work of text scholars, translators and librarians. What would Western monasticism have been without the codexes and writing? What would modern science have been without the printing press and the rediscovery of Greek geometry through the codexes? Why did both monasticism and modern science become so specific to one civilisation and not to others? These are well-known questions but they are not because of this fact extraneous to the subject of the governance of globalisation. Certainly there is a need to be understood. I do not approach tradition as something which is limited; I am not thinking only of literature or of the codified outcome of an invention; I am not thinking only of the product of a process; I am thinking, rather, of the symbolic meaning which every experience of human action carries within it and which to be interpreted always requires the living mediation of someone, within the framework of an encounter where communication becomes enriched by many more expressive forms than we habitually use or acknowledge, above all else that of silence. Linguistic mediation, mutual translation into even an elementary dialogue, remains a still unsurpassed example of relations between men where the irreducibility of communication to dominion is affirmed. That which once and for

many centuries was seen as a necessity 'for' power – knowing how to speak other languages in order to change register within the schema of the relationship of dominion and which was first the prerogative of a few people but which subsequently, with the extension of the need for social control to a large part of the bourgeois world, became the commonplace of a Western civilisation – can once again be valuable, if interpreted with intelligence and not banalised, as testimony to a different approach to thinking about the shared destiny of mankind and the processes of technological and economic integration. The anecdote about Charles V is well-known, according to which he spoke to God in Spanish, with women in Italian, with men in French, and with his horse in German. But what could appear to be merely the expression of the arrogance of a powerful man who by his own example decided on what was wanted at the level of appearances can be analysed as the sign of a question which in the sixteenth century was already embarrassing and still did not have a solution, that is to say the reason why the universality of political and economic power, the predominance of one such power, is not automatically accompanied as well by the simplification of habits and customs, languages, and laws, that is to say peace and order, but on the contrary there is a growth in incommunicability and disorder. During the epoch and the political and social context of Charles V some answers could already be found to questions raised by the new models of power. While the power of arms and regal representation was celebrated, its limits were also discovered and a new art of dissimulation and a new scientific method emerged to compensate for the rigidity of medieval stereotypes with *esprit de finesse* and the practice of silence and adaptation. What at the outset was only a question for a few determined scientists and politicians endowed with rare capacities for analysis and foresight, became over the centuries the common premises of the contemporary action of the great secularised masses.

II. To practice languages and encounter people directly in order to know them in the space of a lifetime and to build together a dialogue are only some examples of an intelligent rediscovery of reality which are well located within the challenge of globalisation, as an antidote to indifference and as a vehicle for ethical contents. But they would remain mute experiences if they were not re-understood within wider and more structured forms of relationships involving levels of the governance of society, such as, for example, the form of education. The phenomenon of education should be seen as a relational intra-human event of a special kind, and it is therefore

not useless to emphasise the need for a reconsideration of education which helps us to uphold the irreducibility of human experiences, even the most insignificant such experiences, to an interpretation of the real based upon psychic illusions or the manipulation of false wishes mistaken for authentic needs. Scientists and managers have nothing in the least to fear from a radical and philosophical reconsideration of the meaning of education, and indeed could gain from the reopening of spaces of reflection without which they would run the risk of being the victims of their own results. No pedagogic norm, no teaching figure, no psychological inquiry, and no model of behaviour or of business, can after a certain fashion reduce the 'intellectual' specificity of the moral choice – of the decision – in favour of being, just as there is no knowledge about man, not even religious such knowledge, which can deprive that moral decision of the intrinsic cultural dimension that constitutes its 'empirical' character, historicity. For that matter, for philosophy and theology, whose subject is a special kind of relation between men and God, the real possibilities of success lie, as well, in the capacity to bring back attention to a primordial condition of the human being which does not lose value because of the fact that every human relation, even that which is educational or based upon love, is to a certain extent always partial, asymmetrical, destined for an absence of success or based upon predominance, and unsatisfying taken as a whole. Indeed, from the impossibility of reducing the human relation to a simple definitive exercise of power and the relationship between two beings to a pact from which advantages for all derive, as in the case of a political pact, the spiritual view of life gains force which recognises that every human being will never become only that which is sought of him and that whatever the case he will remain, even in total deprivation, much more than a mere social animal.

With the establishment of contemporary instruction as a mass surrogate for education, Western culture, instead, in dangerous fashion, came to no longer see in the educational relationship that archetypical character which in reality belongs to it and which is the anthropological basis of the universal value of knowledge itself. The intensity of the political exploitation and economicistic consumption of the need to know which emerged in the West with the medieval and modern rebirths was such as no longer to allow the recognition of the 'other reasons' of that need, amongst which, above all else, was the spiritual reason. This was not a defect of historical knowledge or ignorance but rather, if anything, as Nietzsche was to say, of an 'injury of history', of a poisoning. The incapacity of contemporary political reformism to go beyond the formulas of economic reformism has

betrayed the very premises of modernity. Modernity has been essentially the attempt to use the resources liberated by the new economic processes to change and emancipate society from the slavery of dogmatic and material influences: modernity can, in synthesis, be defined as a placing of a bet on production and the use of wealth to achieve new forms of freedom. From the Jesuit *Ratio studiorum* of the sixteenth century to the great mass university systems, modernity has constantly been an epoch of forms of schooling, of training, and of research; in a word, of adaptation to change by an educational route thanks to 'visions of the world' to be internalised through formative processes that were based upon a renewed psychological analysis of human needs. Needs for reforms and needs for clarity went side by side with the birth of colleges, symbolic places where the mission of modernity was concentrated – to progress by learning. From the perspective of centuries, mass schools have been flanked by the obligations to represent established power which were characteristic of the first stage of modern schooling, but they became increasingly less the seat of an educational project and almost always have also betrayed the social demand for emancipation which have supported them economically.

In our time, when it is not longer possible 'to stop the machine' and advance to a mass ascesis, when science and technology make the very possibility of a future for mankind precarious and not only this or that mode of being, that distinction has great value which, beginning with the theory of Weber and his sociological heirs (Parsons, Schutz, Luhmann...), made headway within the contemporary cultural debate between *modernity* and *modernisation*. These are terms which belong to the same semantic family but have real differences of meaning. The difficulties in which philosophy and sciences have found themselves have not allowed it to be declared that the anomaly is created by the existence of some blind 'will' of modern reflection to carry – through an excess of rigour or a paradoxical sentiment of dissolution – the implications of their own lines of reasoning to extremes and thus to fall into nihilistic outcomes. It is no longer even permitted to turn to extraneous solutions or solutions produced by demi-gods because the culture of modernisation cannot burn its bridges with its own acknowledged identity. One has still to place a bet on the effectiveness of that extraordinary historiographical postulate that goes under the name of 'modernity'. If looked at without prejudices, the processes of globalisation, as well, still reveal the characteristics of a series of eschatological meanings of modernity understood as a 'task' and a 'mission', as a constituent ideal reference point for the understanding of what

changes, as a spiritual medicine for the disturbance brought about by greater responsibility not compensated for by greater guarantees of reward. The subjects of the analysis, therefore, are not short on the ground. Rather the culture for their development, if anything, is defective: those that are presented as the positive results of modernity – namely the establishment of rights and freedoms within a framework of increasing legitimization of norms; advanced social differentiation and at the same time its recomprehension within a global process of the expansion of society; freedom through the principle of representation and the recognition of the rights of the person; and the highest possible technological innovation in a substantial maintenance of capitalism – are principles which in order not to be idolatrous require a level of cognitive skills which has increasingly less citizenship within our peoples. We find ourselves in a paradoxical situation: faced with an increase in ignorance and a lack of historical memory we observe an increase in the demand for happiness which it is becoming impossible to satisfy not because of a lack of goods – because, indeed, the global economic risk is one of overproduction – but precisely because of a lack of a new culture of wealth which has little to do with the dominant theories about human capital.

III. The question of how to educate and guide great masses of human beings towards happiness in an open society of the free market is a great political question, before being an educational question, which should be addressed with sensitivity. The policies *for* knowledge assume policies *of* knowledge which are wise and derived from learning. We seem to have a play on words and yet we have before us an ancient truth: democracy, amongst the regimes that are possible, is the only one which is not based only on the ignorance of the majority or the power of the few, and despite appearances and false demagogic forms of modesty has always required the commitment of the most careful and concerned individuals. Democracy needs intelligence and forms of care because it is the least natural and the most rational of possible regimes, being based upon a theory of man and society which side by side with the rule of numbers has amongst its premises certain abstract principles – the principle of individual freedom, of justice, of participation, and of equality – which are not recognisable and acceptable outside a precise model of knowledge based upon experimental research and the sharing of spaces. It is no accident that democracy is an invention of the city. Western society was a *learning society* well before this was discovered by the theorists of

post-industrial society and the 'new' economists. Nothing that concerns forms of knowledge and cultures is thus extraneous to democracy, and indeed one can say that the whole history of the West, including the history of religion, has been a match in favour or against the production and the use of knowledge, as Truth and as Opinion. In a democracy every scientific discovery, every moral and religious experience, every social theory, every artistic expression, and every form of wealth, has become and becomes sooner or later the subject of discussion and political use and has asked to be understood, justified, and if possible reproduced. All decisions are sooner or later placed in the hands of the responsibility of each person, even if most of us do not realise this or strive to flee from choices, except when we refuse to see them imposed from above. As a result, the principal cultural problem of the West is of a deeply ethical nature and involves the increasingly evident detachment between the enormous potential of material wealth, and above all else immaterial wealth, which individuals could have available and the difficulties encountered in creating universal models – 'frameworks' – of behaviour and of sharing.

Economics and political science have for some time demonstrated that the overall poverty of a society can diminish even while within it inequality grows, just as inequality in incomes is not necessarily more important than their level and taking care of immaterial resources. The protection of individuals against the vulnerability produced by globalisation is not, therefore, a secondary aspect of the problem because if people are not aware of the levelling and banalising character that economic development can have on the effective lives of people and groups, conditions are brought about whereby such development advances according to dynamics which deny the reasons in the name of which globalisation is proposed as an instrument of emancipation and democratisation. In the presence of a new stage of major forms of emigration and immigration – of the forced mobility of individuals – and of the mobility of financial capital searching for increasingly large profits, the risks of new forms of alienation, in addition to conflicts, increase, with the consequences of a progressive impoverishment of the universal historical memory and a lowering of the critical consciousness on which to base every possible form of governance. Leaving on the scene an infinity of 'emotional and cultural residues', one helps to increase the number of individuals directed towards a new form of marginalisation which is no longer measurable in terms of material poverty but in terms of social fragmentation and inequality in opportunities to communicate and to take part in self-government. It is, however, useful to remember that the

challenge is complicated by the fact that there must also be a change in the traditional order of the problems which were addressed by theories of education when they worked within the shelter of their respective national contexts and were protected by a more or less shared theory of political action and by a consolidated rationalistic cultural tradition which – differently from Eastern philosophies – adopted as an axiom the principle of sufficient reason, that is to say the belief that everything must have a cause which justifies it and that a man is not to be taken seriously if he does not base himself upon an overall project of reality. These are all cultural conditions or conditionings which are no longer given. The extreme pluralism of forms of rationality and the extreme diversity of life practices hinder believing in a fundamental single intellectual experience, and if in the educational sphere there is a 'pretence' that one believes that education draws its own reason from a synthetic vision of society this is because one is dealing with mass problems in a context dominated by the public hand and by forms of politics which are now surpassed, and politics is the place where the crisis of rationality is expressed with greatest evidence. With the recognition of the ideological character of every military, economic and political power, with the decrease in the illusion of the new man and of utopianism, with the theory of the division of the world into blocs and areas whose membership is based on ideological-political considerations left behind us, our society encounters difficulty when counterposing the evidence of globalisation – which has more intense rhythms than those of school learning and selection – with an increasingly less convinced consensus in favour of 'a society behind desks' where study is preparatory for work and where childhood is seen as an age which contains all the others and is thus special. The difficulty goes beyond every form of school planning and every theory regarding the curriculum – the subject of attention and concern in the great Western countries as well as those affected (such as the former Communist countries) by forced industrialisation: the ignorance of the great masses of the world who nonetheless are turned towards development and apply pressure to enter the banquet of the rich cannot be overcome in a short period and yet must be seen as a decisive cultural element in the survival of the global model of development.

IV. We are face to face with the fact that the Church, too, should share in the attempt to rethink her own social doctrine at a world level. The future of the social doctrine of the Church does not lie, in my opinion, in a restatement of some of its political and historical implications which by

now have been overtaken by developments or which are overly bound up with European history, but rather in a rediscovery of its ethical and universalistic origin, as a method of trust in man and not only as a method of fear of his works. But here it is useful to recognise that it is not only the Church which finds herself in difficulty because in general it is Western political and economic thought which is straining to renew itself. The set of ideas that we still use in politics are in large measure an inheritance left to us by elites who for more than a century led a Europe of the poor, a Europe to be reconstructed after every fight for national independence, after every insurrection and after every war. Even the welfare state and the social market economy, the great and glorious forms of twentieth-century architecture, are in the final analysis the children of a nineteenth-century social ideology. During our century the advent of democracy and of universal suffrage as the generalised system of representation favoured the organisation of minorities and the development between them of a political dialectic completely inside a subordinated majority but one combative in relation to its own material and civic survival. The modern party became a pedagogic and mobilising instrument in a Europe of the poor at the service of highly educated elites which were revolutionary or conservative, Christian or secular, Catholic or Socialist; the bearers of requests for modernisation, change and ideological globalisation, they needed, to achieve their objectives, a participating public and a mediated consensus which today no longer exists.

The panorama has changed radically. We find ourselves in the era of the Europe of the rich. Welfare has to be dismantled and reassembled in a part of the world where two-thirds of the citizens have found the reasons for their citizenship more in the conservation of their own economic condition (or in the fear of losing it) than in emancipation from material need. A Europe of the rich which makes prosperity the basis, if not even the measurement, of its own happiness and which in fact still attributes to savings (the most private and most traditional form of power) an enormous psychological value, making them indeed into one of the most valuable goods still in circulation but one which is unfortunately very badly distributed and above all badly governed. The yearning for happiness and the appeal to wealth tend to coincide and to become a winning political message, which is banal but effective, proposed in all its longitudes despite every cultural and religious specificity. We live in selfish societies but ones which are no longer able to fight; ones which are ill-at-ease but no longer capable of giving themselves a long-term objective; ones which are intelligent but slothful. Societies where the elites

have been replaced by oligarchies and by groups of entrepreneurs of politics, by heads with many arms and with many means but without a body. The majority is by now made up of the rich and a majority made up of rich people is more anonymous than a majority made up of the poor, less ready to be represented, more changeable and at the same time less free because it has more to lose than the latter. Wealth is experienced as a fundamental criterion of security, as a 'home', because the traditional idea of the emancipation of the individual and of the masses has been replaced by the idea of security and by protagonism through consumption. In this way, overturning every political chronology and every civic history, we witness the paradox of seeing noble and cultured Europe pursue America. We speak of a Europe which 'can' become as rich and as competitive as America! And even the Euro, in the way that it is presented at a popular level, takes part to a certain extent in this expression of competition which takes place completely within the West.

If this is the situation, is it still meaningful for those who intend to remain faithful to a Christian approach to repropose at a planetary level a political vocabulary 'of the poor', specific to a surpassed political perspective, or is it not perhaps necessary to draw up a political proposal which sees wealth and security as the second nature of contemporary Western man and which seeks to speak to this man so as to make him rediscover the meaning of giving and responsibility? It is not of secondary importance to express the profound requests of the Gospel against or despite the West, or rather involve ourselves in a process of the redefinition of our task. In reflecting on globalisation as well it is a good thing to begin from what is experienced and from what is best understood by everyone: what could be more topical than a reflection on the condition of a man who is rich but who cannot understand the real nature of the wealth which is transforming him at a deep level? The Western Christian tradition is an inexhaustible source of wisdom regarding the metamorphoses of wealth and its power, and all contemporary ethical reflection, with the rebirth of practical philosophy and the development of the psychological and social sciences, cannot but gain advantage from the encounter with a Christian wisdom which is critically repropounded. The question is the following: 'do we today have a theory about living as Christians in a 'natural' condition of wealth? Do we have available a hypothesis which does not deny to begin with and with hypocrisy this condition, but digs within it and uses it for virtuous objectives? What impedes us from drawing up a phenomenology of wealth as a historical condition of contemporary Western man? Not a mere theory of

wealth and not even only an economic theory, but a theory for the action of Christians in a society of rich people where ancient forms of poverty are accompanied by wealth as a spiritual problem? Memories of the Gospel message should not, obviously enough, either produce an apology for material wealth or even effect a removal of the message of Christ regarding charity. But it is certain that the future of Catholicism, no longer supported by majorities of believers or by the power of sovereigns, cannot be reduced to being 'against' or even to mere witness without the delegitimation of the historical and ethical meaning of faith.

To this end, it is not of secondary importance to rethink as well the role of international institutions and above all to stop and reflect on the deficit of moral legitimation which makes them vulnerable. Otherwise one finds oneself acting in a global context on the basis of a technique which corresponds to a model of rationality specific to a history – that of the West – which does not recognise anything outside itself but which is called in fact to operate as a representative of the world. We need not only a generic adaptation of the contemporary legal and economic model to a planetary dimension but also a substantial rethinking of its limit and a new interaction with the foundations of Christian ethics. Were things to take place in an opposite manner we would always find ourselves in the paradoxical situation in which the Christian message does not coincide with, but even does not manage to detach itself from, the dynamics of capitalism, and finds itself in difficulties faced with peoples who very arduously draw near to the market and strive to escape from under-development. How is it possible that the ideology of the rich and of the West presents itself to that part of the world which is only slightly tasting the advantages of development by reminding them that it is not wealth that brings about happiness and it is not prosperity which generates a full life? How is it possible, without giving rise to rejection and misunderstandings, to preach poverty and a new model of the exploitation of the planet, more concerned and careful about immaterial values, to those who have never had wealth and see it achieved at their own expense by those who despise it?

The exporting of one's own civic and spiritual requirements is not easy, above all else if they descend from a long history of imperialism and exploitation. For this reason, the Christian conscience needs not only to rediscover the principles of the faith but also the forms and the means of the language of the soul. It needs a phenomenology of wealth – by now a universal medium – which is able to involve the old and new rich in an attempt at rethinking inter-human relations. Theological research and the

Christian experience of sharing can help us to understand that side by side with institutions which are the daughters of law and the nations there exists another category of institutions which are more natural and rooted, which are not only an instrument of living but something which helps us to see life as being endowed with higher ends. These are those ends which some philosophers call the 'institutions of the human', based upon an inter-human order different from the legal order, upon a 'topology' of the soul, the specific seat of conscious responsibility that affirms in every latitude a lordship which is higher than that achieved by instrumental reason.

It is my belief that the specific potential of these inter-individual arrangements is intact and that its rediscovery would help us to overcome and to fight the perception that by now everything is finished and ruined. Techniques take pride of place over the soul, procedures prevail over vital relations, the economy kills citizenship, but not everything is by now compromised and Christians have the great responsibility of combating the new forms of fatalism as well. If they are capable of resisting the temptation of joining, in acritical fashion, the newly-born anti-globalisation movement, they will be able to make of their complex cultural tradition an effective instrument of mediation and of constructive criticism at the service of mankind.

**OTHER PAPERS PRESENTED
BY ACADEMICIANS**

L'ONU ET LA GLOBALISATION

MICHEL SCHOOYANS

Échanges et interdépendance

Les termes *mondialisation* et *globalisation* font aujourd'hui partie du vocabulaire courant. A un niveau très général, les deux termes sont pour ainsi dire interchangeables. Le mot français *globalisation* résulte de l'adoption du vocable anglo-américain *globalization*, qui signifie *mondialisation*. Les deux mots signifient qu'à l'échelle mondiale les *échanges* – qui existent depuis longtemps – se sont multipliés, et que cette multiplication s'est faite rapidement. Tel est manifestement le cas dans les domaines scientifiques, techniques, culturels. Cette multiplication des échanges est rendue possible grâce à des systèmes de communication de plus en plus performants, le plus souvent instantanés. Ces systèmes provoquent une offre d'informations sans cesse croissante, prête à l'emploi.

Toujours en ce premier sens courant, les termes mondialisation et globalisation évoquent l'*interdépendance* des sociétés humaines. Une crise économique aux USA; les décisions de l'OPEP concernant le prix du pétrole; les tensions entre Palestiniens et Israéliens – pour ne citer que ces exemples – ont des répercussions de portée mondiale. Nous sommes concernés, interpellés et même affectés par des catastrophes qui se passent loin de chez nous; nous sentons notre responsabilité face à la faim et à la maladie partout dans le monde.

Les religions elles-mêmes dialoguent davantage. Au sein même de l'Église catholique, les communications se sont intensifiées.

Nous avons ainsi acquis une conscience aiguë de notre appartenance à la communauté humaine. Dans ce premier sens, familier, on parlera d'une *intégration*. Le langage commun dira que "les distances ne comptent plus"; que "les voyages rapprochent les hommes"; que "le monde est devenu un village". Le monde tend vers plus d'unité: les Russes et les Chinois partici-

pent, à leur façon, à ce processus. En principe, on ne peut que se réjouir de cette tendance. Il est en outre normal que, pour viser ce but, il faille envisager de nouvelles structures politiques et économiques capables de répondre à ces nouveaux besoins. Mais pas à n'importe quel prix ni dans n'importe quelles conditions.

Unification politique, intégration économique

Depuis quelques années, le sens des mots mondialisation et globalisation s'est quelque peu restreint et précisé. Par *mondialisation*, on entend alors la tendance portant à organiser un gouvernement mondial unique. L'accent est donc mis ici sur la dimension *politique* de l'unification du monde. Dans sa forme actuelle, cette tendance a été développée dans plusieurs courants qu'étudient les internationalistes depuis Victoria et Grotius. Dans le cadre de cette communication, il suffira de citer deux exemples. Le premier modèle remonte à la fin des années 60 et il est dû Zbigniew Brzezinski.¹ Selon ce modèle, les USA doivent assumer le leadership mondial, reformuler leur messianisme traditionnel. Aidés par les pays les plus développés, ils doivent organiser les sociétés politiques particulières en tenant compte d'une typologie classant ces sociétés en trois catégories selon leur degré respectif de développement. Sous le leadership des USA, le G7 (devenu G8 avec l'entrée de la Russie) incarne le directoire préconisé par Z. Brzezinski. Le mondialisme se définit ici à partir d'un projet *hégémonique* dont l'objectif est de taille: imposer la *Pax americana* ou sombrer dans le chaos.

A la fin des années 80 surgit un autre projet mondialiste, dont Willy Brandt est l'un des principaux artisans. Le Nord (développé) et le Sud (en développement) ont besoin l'un de l'autre; leurs intérêts sont réciproques. Il est urgent de prendre des initiatives internationales nouvelles pour combler le fossé qui les sépare. Ces initiatives doivent être prises au plan politique; elles doivent porter prioritairement sur le système monétaire, le désarmement, la faim. Selon le "programme de survie" du Rapport Brandt, il faut mettre sur pied "un organisme de surveillance de haut niveau" qui aurait notamment pour mission de rendre l'ONU plus efficace et de consolider le consensus qui caractérise celle-ci.² La conception de la mondialisation qui apparaît ici n'est nullement rattachée à un projet hégémonique. Elle se

¹ Brzezinski, Zbigniew, *Between two Ages. America's Role in the Technetronic Era*, Harmondsworth, Penguin Book Ltd, 1970.

² Cf. *North-South: A Programme for Survival*, Londres, Pan Books World Affairs, 1980. Voir spécialement le chapitre 16, pp. 257-266.

situé dans la tradition de *l'internationalisme socialiste*. Sans doute ne va-t-on pas jusqu'à recommander la suppression des États, mais la souveraineté de ceux-ci devra être limitée et mise sous contrôle d'un pouvoir politique mondial si l'on veut garantir la survie de l'humanité.

En même temps que le terme mondialisation acquérait une connotation plutôt politique, le mot *globalisation* acquérait, lui, une connotation plutôt *économique*. La multiplication des échanges, l'amélioration des communications internationales poussent à parler d'une intégration des agents économiques mondiaux. Les activités économiques seraient réparties entre les différents États ou régions: le travail serait divisé. Aux uns reviendraient, par exemple, les tâches d'extraction; aux autres, celles de transformation; à d'autres enfin reviendraient les tâches de production technologique, de coordination mondiale, de décision.

Cette vision de la globalisation fonde la division internationale du travail sur la théorie des avantages comparatifs élaborée par Ricardo. D'inspiration franchement *libérale*, cette conception de la globalisation repose sur la liberté du commerce et la concurrence parfaite au plan international. Elle favorise les pays développés, riches en capitaux. Grâce à ceux-ci en effet, les ressources, d'où qu'elles viennent, peuvent être exploitées avec plus de productivité. Cette conception ultra-libérale de la division internationale du travail est cependant assortie d'une réserve: s'il y est largement question de la libre circulation des biens et des capitaux, il est moins question de la libre circulation des personnes.³

Globalisation et holisme

Dans les documents récents de l'ONU, le thème de la globalisation apparaît plus fréquemment que celui de la mondialisation, sans toutefois que ces thèmes entrent en concurrence. En 1995, par exemple, était déjà publié *The Report of the Commission on Global Governance*.⁴

L'ONU incorpore les conceptions courantes du double thème que nous venons de rappeler. Toutefois elle profite de l'onde porteuse offerte par la conception courante de la globalisation pour soumettre ce mot à une altération sémantique. *La globalisation des réinterprétée à la lumière d'une nou-*

³ Parmi les premiers théoriciens "modernes" de cette conception on peut mentionner Francisco de Victoria (avec son interprétation de la destination universelle des biens) et de Hugo Grotius (avec sa doctrine de la liberté de navigation).

⁴ Cf. *Our Global Neighbourhood. The Report of the Commission on Global Governance*, Oxford University Press, 1995.

velle vision du monde et de la place de l'homme dans le monde. Cette nouvelle vision a pour nom le *holisme*. Ce mot d'origine grecque signifie que le monde constitue un tout ayant plus de réalité et plus de valeur que les parties qui le constituent. Dans ce tout, l'apparition de l'homme n'est qu'un avatar de l'évolution de la matière. L'homme n'a de réalité qu'en raison de son inhérence à la matière et, par la mort, il retournera définitivement à la matière. Le destin de l'homme, c'est d'être voué à la mort, c'est de disparaître inéluctablement dans la Terre-Mère d'où il est issu.

Le grand tout, appelons-le, pour simplifier, la Terre-Mère ou Gaïa, transcende donc l'homme. Celui-ci doit se plier aux impératifs de *l'écologie*, aux convenances de la Nature. L'influence du New Age est ici évidente. L'homme doit non seulement accepter de ne plus émerger du monde ambiant; il doit accepter de ne plus être le centre du monde. L'anthropocentrisme judéo-chrétien, renforcé par celui de la Renaissance, doit non seulement être abandonné mais combattu. Selon cette lecture de la nature et de l'homme, la loi "naturelle" n'est plus celle qui est inscrite dans l'intelligence et dans le cœur de l'homme; c'est la loi implacable et violente que la Nature impose à l'homme. La vulgate écologique présente même celui-ci comme un prédateur, et comme toutes les populations de prédateurs, la population humaine doit, dit-on, être *contenue* dans les limites du *développement durable*. L'homme doit donc non seulement accepter de se sacrifier aujourd'hui aux impératifs de Mère Gaïa, mais accepter aussi de se sacrifier aux impératifs du temps à venir. Il doit s'effacer devant les contraintes du "développement durable".

La Charte de la Terre

L'ONU est en train de concocter un document très important systématisant cette interprétation holistique de la globalisation. Il s'agit de la *Charte de la Terre*, dont plusieurs brouillons ont déjà été divulgués, et dont la rédaction est en phase finale. Ce document serait non seulement appelé à coiffer la Déclaration universelle des Droits de l'homme de 1948, mais selon certains, elle devrait supplanter le Décalogue lui-même!

Voici, à titre d'exemples, quelques extraits de cette Charte:

"Nous sommes à un moment critique de l'histoire de la Terre, le moment de choisir son avenir... Nous devons nous unir pour fonder une société globale durable, fondée sur le respect de la nature, les droits humains universels, la justice économique et la culture de la paix...

L'humanité est une partie d'un vaste univers évolutif... Le milieu ambiant global, avec ses ressources finies, est une préoccupation

commune pour tous les peuples. La protection de la vitalité, de la diversité et de la beauté de la Terre est un devoir sacré...

Une augmentation sans précédent de la population humaine a surchargé les systèmes économiques et sociaux...

Voici notre choix: former une société globale pour prendre soin de la Terre et prendre soin les uns des autres ou nous exposer au risque de nous détruire nous-mêmes et de détruire la diversité de la vie...

Nous avons besoin d'urgence d'une vision partagée sur les valeurs de base qui offrent un fondement éthique à la communauté mondiale émergente..."

Les religions et le globalisme

Pour consolider cette vision holistique du globalisme, certains *obstacles* doivent être applanis et des *instruments* doivent être mis sur pied.

Les *religions* en général, et en premier lieu la religion catholique, figurent parmi les obstacles qu'il faut neutraliser. C'est dans ce but qu'a été organisé, dans le cadre des célébrations du Millenium, le *Sommet des leaders spirituels et religieux*. Il s'est agi de lancer l'"Initiative unie des Religions" qui a parmi ses objectifs de veiller à la santé de la Terre et à celle de tous les êtres vivants. Fort influencé par le New Age, ce projet vise, à terme, la création d'une nouvelle religion mondiale unique qui impliquerait aussitôt l'interdiction, pour toute autre religion, de faire du prosélytisme. En somme, l'ONU reprend un projet semblable à celui de Goethe, qui voulait imposer le culte de la Grèce antique comme nouvelle religion pour l'Occident.⁵

Bref, selon l'ONU, la globalisation ne doit pas concerner les seules sphères de la politique, de l'économie, du droit; elle doit concerner *l'âme globale*. Représentant le Saint-Siège, le Cardinal Arinze ne pouvait signer le document final mettant toutes les religions sur le même pied.⁶

Le Paradigme de la santé

Il s'agit ici d'une nouvelle manière de concevoir la santé, élaborée par l'OMS. Ce nouveau "modèle" de santé s'inscrit lui aussi dans la perspective holistique. Il s'agit de répandre de nouveaux modèles d'action sanitaire per-

⁵ Voir à ce sujet David Gress, *From Plato to Nato. The Idea of the West and its Opponents*, New York, The Free Press, 1998, spécialement p. 86.

⁶ C'est à cette occasion que la Congrégation pour la Doctrine de la Foi a publié sa déclaration *Dominus Iesus*.

mettant de passer à l'exécution des programmes de santé décidés par l'ONU. L'objectif premier consiste à veiller à la santé du corps social. On abandonne donc le modèle hippocratique, qui donne la primauté absolue au soin des individus, indépendamment de leur condition sociale.

Selon le nouveau paradigme, l'objectif, c'est "la santé pour tous". Mais cette expression signifie que les malades seront traités selon deux critères complémentaires. D'une part, les malades seront traités au prorata de leur pouvoir acquisitif. D'autre part, il sera tenu compte de l'espérance qu'a l'individu de vivre sans handicap ni maladie. En aucun cas, le malade ne pourra être une charge pour la société. Ainsi, un malade souffrant de paludisme risque fort d'être victime de ce nouveau paradigme. Comme cette maladie atteint souvent les populations pauvres, au pouvoir d'achat extrêmement limité, et que cette maladie, avec ses crises imprévisibles, rend celui qui en souffre peu utile sur le marché du travail, le paludisme ne sera pas soigné comme le sont d'autres maladies économiquement plus rentables et moins onéreuses pour la société. Les critères qui auront été utilisés pour orienter les soins seront également utilisés pour définir les recherches qui méritent d'être entreprises.⁷

Le Pacte économique mondial

Parmi les nombreux *instruments* mis sur pied par l'ONU en vue de la globalisation, le *Pacte mondial* mérite d'être mentionné ici. Lors de son discours d'ouverture au Forum du Millénaire, M. Kofi Annan reprenait l'invitation qu'il avait adressée en 1999 au Forum économique de Davos. Il proposait donc "l'adhésion à certaines valeurs essentielles dans les domaines des normes de travail, des droits de l'homme et de l'environnement". Le Secrétaire général de l'ONU assurait que par là on réduirait les effets négatifs de la globalisation.

Plus précisément, selon M. Annan, pour combler le fossé entre le Nord et le Sud, l'ONU devrait faire largement appel au secteur privé. Il s'agirait d'obtenir l'adhésion à ce pacte d'un grand nombre d'acteurs économiques et sociaux: compagnies, hommes d'affaires, syndicats, ONG. Ce *Global compact* ou *Pacte mondial* serait une nécessité pour réguler les marchés mondiaux, pour élargir l'accès aux technologies vitales, pour distribuer l'information et le savoir, pour divulguer les soins de base en matière de santé,

⁷ Nous analysons en détail ce "nouveau paradigme de la santé" dans *L'Évangile face au désordre mondial*, Paris, Éd. Fayard, 1997, pp. 51-78.

etc. Ce Pacte a déjà reçu de nombreux appuis, entre autres de la Shell, de Ted Turner, patron de CNN, de Bill Gates, et même de plusieurs internationales syndicales.

Le Pacte mondial favorise donc le renforcement et le contrôle des médias, dans le but de faire triompher la pensée “politiquement et économiquement correcte”.

Le Pacte mondial suscite, on s'en doute, de graves interrogations. Peut-on compter sur les grandes compagnies mondiales pour résoudre des problèmes qu'elles auraient pu contribuer à résoudre depuis longtemps si elles l'avaient voulu? La multiplication des échanges économiques internationaux justifie-t-elle l'instauration progressive d'une *autorité centralisée* appelée à régenter l'activité économique mondiale? De quelle liberté jouiront encore les organisations syndicales si les législations travaillistes, incorporées au droit international, doivent se soumettre aux “impératifs” économiques “globaux”? De quel pouvoir d'intervention les gouvernements des États souverains jouiront-ils encore pour intervenir, au nom de la justice, dans les questions économiques, monétaires et sociales? Plus grave encore: comme l'ONU frôle toujours la faillite, ne risque-t-elle pas d'être victime d'une OPA de la part d'un consortium de grandes compagnies mondiales?

Les appréhensions que suscite le Pacte mondial méritent d'autant plus d'être prises en compte qu'elles ressemblent à celles que justifie déjà la Banque mondiale. Fondée en 1944 pour reconstruire, après le second conflit mondial, un monde de justice, de solidarité et de développement, cette institution s'est peu à peu alignée sur les règles du marché et sur la recherche du profit. Elle utilise surtout son pouvoir d'intervention pour imposer des plans d'action impitoyables pour ceux qui ne sont pas économiquement corrects. Le tout avec la connivence des nations les plus riches et à l'abri de toute instance de contrôle. Tout porte à croire que le Pacte mondial, utilitariste dans ses critères de décision, inclinera à potentialiser les méfaits du libéralisme autoritaire, article premier du credo sécularisé de la Banque.⁸

La mercantilisation du savoir

Un des aspects les plus inquiétants de la globalisation économique est la mercantilisation galopante de l'enseignement et de l'éducation. Ceux-ci deviennent de plus en plus l'objet d'un commerce. On commercialise le

⁸ Voir à ce propos George, Susan, et Sabelli, Fabrizio, *Crédits sans frontières. La religion séculière de la Banque mondiale*, Paris, Éd. de La Découverte, 1994.

savoir comme on commercialise n'importe quel autre produit. S'ils ont l'opportunité d'avoir accès à l'enseignement, les pauvres n'ont accès qu'à un enseignement de qualité médiocre. La discrimination et l'exclusion commencent dès l'école fondamentale. Elles ont pour conséquence d'interdire aux enfants de familles pauvres l'accès aux savoirs de pointe et aux responsabilités correspondantes. Elles bloquent toute possibilité de mobilité sociale. Elles interdisent définitivement aux enfants de familles pauvres d'avoir accès aux programmes de formation continue, essentiels pour l'acquisition des savoirs en évolution rapide et incessante.

En outre, la condition préalable à une globalisation économique, comme d'ailleurs à une mondialisation politique, c'est l'accès de tous à l'alphabétisation et à l'éducation de base. Il est aberrant de vouloir imposer d'en haut une société globale si plus de 50 % de ceux qui sont appelés à l'édifier ne maîtrisent pas leur propre langue, ni les éléments de base du savoir, ni les outils élémentaires nécessaires à l'acquisition de celui-ci. Sans accès généralisé à l'éducation de base, tout projet globaliste ne fera qu'aggraver l'exclusion de très nombreux individus et de nombreuses nations.

Un projet politique servi par le droit

C'est cependant au niveau *politique* et *juridique* que le projet onusien de globalisation est le plus inquiétant. Dans la mesure où, comme nous l'avons vu, l'ONU, influencée par le New Age, développe une vision matérialiste, strictement évolutionniste de l'homme, elle *désactive* nécessairement la conception *réaliste* de l'homme qui sous-tend la Déclaration de 1948. Selon cette vision matérialiste, l'homme, pure matière, est définitivement incapable de dire quoi que ce soit de vrai sur lui-même et sur le sens de sa vie. Il en est réduit à l'*agnosticisme* de principe, au scepticisme et au relativisme moral. Les *pourquoi?* n'ont aucun sens; seul importent les *comment?*

La Déclaration de 1948 présentait cette prodigieuse originalité de *fonder les relations internationales nouvelles sur l'extension universelle des droits de l'homme*. Tel devait être le fondement de la paix et du développement. Telle devait être la base légitimant l'*existence* de l'ONU et justifiant sa *mission*. L'ordre mondial devait être édifié sur des *vérités* fondatrices reconnues par tous, protégées et promues progressivement par la législation de tous les États.

L'ONU d'aujourd'hui a désactivé ces références fondatrices. Aujourd'hui, les droits de l'homme ne sont plus fondés sur une *vérité* s'imposant à tous et reconnue librement par tous: l'égalité de dignité de tous les

hommes. Désormais les droits de l'homme sont le résultat de *procédures consensuelles*. Puisque nous ne sommes pas capables – dit-on – d'accéder à une vérité solide concernant l'homme, et que même une telle vérité n'est pas accessible ou n'existe pas, il faut que nous nous concertions et que nous décidions, par un acte de pure volonté, ce qu'est la conduite juste, car les nécessités de l'action nous pressent. Cependant, nous n'allons plus décider en nous référant tous aux exigences de valeurs qui s'imposent à nous par la seule force de leur vérité. Nous allons engager une *procédure* de discussion et après avoir entendu l'opinion de chacun, nous allons trancher; nous allons prendre une décision. Cette décision sera réputée juste parce qu'elle sera le résultat actuel de la procédure consensuelle. On reconnaît ici l'influence de John Rawls.

Les “nouveaux droits de l'homme” selon l'ONU actuelle sont issus de procédures consensuelles qui peuvent être relancées indéfiniment. Ils ne sont plus l'expression d'une vérité concernant l'homme; *ils sont l'expression de la volonté de ceux qui décident*. Désormais, au terme de cette procédure, n'importe quoi peut être présenté comme “nouveau droit” de l'homme: droit aux unions sexuelles diverses, à la répudiation, aux foyers monoparentaux, à l'euthanasie, – en attendant l'infanticide, déjà pratiqué, l'élimination des handicapés, les programmes eugéniques, etc. C'est pour cette raison que dans les assemblées internationales organisées par l'ONU les fonctionnaires onusiens s'appliquent de toutes leurs forces à arriver au consensus. En effet, une fois acquis, le consensus est invoqué pour faire adopter des conventions internationales qui acquièrent force de loi dans les États qui les ont ratifiés.

Un système de droit international positif

Tel est le nœud du problème posé par la globalisation selon l'ONU. Par ses conventions ou par ses traités normatifs, l'ONU est en train de mettre sur pied un système de droit supra-étatique purement positif qui porte la forte empreinte de Kelsen.⁹ L'objet du droit, ce n'est pas la justice; c'est la loi. Une tendance fondamentale s'observe de plus en plus: les normes des droits *étatiques* ne sont valables que si elles sont validées par le droit *supra-étatique*. Comme Kelsen l'avait anticipé dans sa célèbre *Théorie pure*, le pouvoir de l'ONU se concentre de façon *pyramidale*. Tous, individus ou États,

⁹ Cf. Kelsen, Hans, *Théorie pure du droit*, traduction de Charles Eisenmann, Paris, LGDJ, 1999.

doivent obéir à la norme fondamentale, issue de la volonté de ceux qui définissent le droit international. Ce droit international purement positif, débarrassé de toute référence à la Déclaration de 1948, est l'instrument utilisé par l'ONU pour imposer au monde la vision de la globalisation qui devrait lui permettre de se poser en sujet de pouvoir supra-étatique régénérant souverainement la société mondiale.

Un tribunal pénal international

Contrôlant le droit, se posant même, en définitive, comme la seule source du droit, et pouvant vérifier à tout moment si ce droit est respecté par les instances *exécutives*, l'ONU intronise un système de Pensée Unique. Elle se dote donc d'un *tribunal* à la mesure de son appétit de pouvoir. Ainsi, des crimes contre les "nouveaux droits" de l'homme pourraient être jugés par la Cour pénale Internationale fondée à Rome en 1998. Par exemple, dans la mesure où l'avortement ne serait pas légalisé dans tel État, l'État en question pourrait être exclu de la "société globale"; dans la mesure où un groupe religieux s'opposerait à l'homosexualité ou à l'euthanasie, ce groupe pourrait être condamné par la Cour pénale internationale pour atteinte aux "nouveaux droits de l'homme". C'est là une des menaces les plus graves qui pèsent sur l'Église en tant que communauté visible, et sur les chrétiens, en tant que citoyens du village global.

La gouvernance globale

Nous sommes donc en présence d'un projet gigantesque, qui a l'ambition de réaliser l'utopie de Kelsen, en visant à "légitimer" et à mettre sur pied un gouvernement mondial unique, dont les agences de l'ONU pourraient devenir des ministères. Il est urgent – assure-t-on – de créer un nouvel ordre mondial, politique et légal, et il faut se hâter de trouver des fonds pour réaliser ce projet.

Cette gouvernance globale avait déjà fait l'objet d'un encadré dans le Rapport du Programme des Nations Unies pour le Développement (PNUD) en 1994. Ce texte, rédigé à la demande du PNUD par Jan Tinbergen, prix Nobel d'Économie (1969), a toutes les allures d'un manifeste commandé par et pour l'ONU. En voici un extrait.¹⁰

¹⁰ Ce texte figure dans le *Human Development Report 1994*, publié par le PNUD, New York et Oxford, 1994; la citation se trouve p. 88.

“Les problèmes de l’humanité ne peuvent plus être résolus par les gouvernements nationaux. Ce dont on a besoin, c’est d’un gouvernement mondial.

La meilleure façon d’y arriver, c’est de renforcer le système des Nations Unies. Dans certains cas, cela signifierait qu’il faut changer le rôle d’agences des Nations Unies et que de consultatives elles deviennent exécutives. Ainsi, la FAO deviendrait le Ministère Mondial de l’Agriculture, UNIDO deviendrait le Ministère Mondial de l’Industrie, et ILO le Ministère Mondial des Affaires Sociales.

Dans d’autres cas, des institutions complètement neuves seraient nécessaires. Celles-ci pourraient comporter, par exemple, une Police Mondiale permanente qui pourrait citer des nations à comparaître devant la Cour Internationale de Justice, ou devant d’autres cours spécialement créées. Si les nations ne respectaient pas les arrêts de la Cour, il serait possible d’appliquer des sanctions, tant non militaires que militaires”.

Sans doute, tant qu’elles existent et qu’elles accomplissent bien leur rôle, les nations particulières protègent les citoyens; elles font respecter les droits de l’homme et utilisent dans ce but les moyens appropriés. Actuellement, dans les milieux de l’ONU, *la destruction des nations apparaît comme un objectif à rechercher si l’on veut étouffer définitivement la conception anthropocentrique des droits de l’homme*. En en finissant avec ce corps intermédiaire qu’est l’État national, on en finirait avec la subsidiarité puisque serait mis en place un État mondial centralisé. La route serait alors dégagée pour l’arrivée de technocrates globalisants et autres aspirants à la gouvernance mondiale.

Réaffirmer le principe de subsidiarité

Ainsi, le droit international positif est-il l’instrument utilisé par l’ONU pour organiser la société mondiale globale. Sous couvert de globalisation, l’ONU organise à son profit la “gouvernance” mondiale. Sous couvert de “responsabilité partagée”, elle invite les États à limiter leur juste souveraineté. L’ONU *globalise* en se posant de plus en plus en super-État mondial. Elle tend à régenter toutes les dimensions de la vie, de la pensée et de l’activité humaines en mettant sur pied un *contrôle de plus en plus centralisé* de l’information, du savoir et des techniques; de l’alimentation, de la vie humaine, de la santé et des populations; des ressources du sol et du sous-sol; du commerce mondial et des organisations syndicales; enfin et surtout

de la politique et du droit. Son pouvoir n'est pas seulement de plus en plus étendu; il intègre les facteurs – politique, économique, psycho-social et militaire – qui le constituent, comme dans la Doctrine de la sécurité nationale.¹¹ Exaltant le culte néo-païen de la Terre-Mère, elle prive l'homme de la place centrale que lui reconnaissent les grandes traditions philosophiques, juridiques, politiques et religieuses.

Face à ce globalisme basé sur le sable, il faut réaffirmer la nécessité et l'urgence de fonder la société internationale sur la reconnaissance de l'égalité de tous les hommes. Le système juridique qui prédomine à l'ONU rend cette reconnaissance universelle strictement impossible puisque le droit et les droits de l'homme n'y peuvent procéder que de déterminations volontaires. Il faut donc réaffirmer la primauté du principe de subsidiarité tel qu'il doit être correctement compris. Cela signifie que les organisations internationales n'ont pas à dessaisir les États, ni les corps intermédiaires, ni en particulier la famille, de leurs compétences naturelles et de leurs droits, mais qu'au contraire elles doivent les aider à les exercer.

Quant à l'Église, elle ne peut que s'insurger contre cette globalisation impliquant une concentration du pouvoir aux relents totalitaires. Face à l'impossible "cohésion", "globalisation", que l'ONU s'évertue d'imposer en excipant d'un "consensus" toujours précaire, l'Église doit apparaître, à l'instar du Christ, comme un *signe de division*.¹² Elle ne peut cautionner ni une "unité" ni une "universalité" qui seraient suspendues aux vœux subjectifs des individus ou imposées par quelque instance publique ou privée. Devant l'émergence d'un nouveau Léviathan, nous ne pouvons rester ni muets, ni inactifs, ni indifférents.

¹¹ Sur cette doctrine, voir notre ouvrage *Destin du Brésil. La technocratie militaire et son idéologie*, Gembloux, Éd. Duculot, 1973; sur le *faisceau* constitutif du pouvoir, voir spécialement pp. 59-65.

¹² Cf. Lc 2, 33s.; 12, 51-53; 21, 12-19; Mt 10, 34-36; 23, 31s.; Jn 1; 6; 1 Jn 3, 22-4, 6.

ABOUT THE POSSIBILITIES OF REDUCING POVERTY IN A GLOBAL WORLD

BEDRICH VYMETALÍK

Among the most pressing problems of the contemporary world are the growing gulf between poverty and wealth and the menace to ecology. In spite of the enormous riches which the economy produces and is able to produce, the major part of humanity still remains in a state of miserable existence.

Everyday thousands of people are dying in the world of hunger. Almost half of humanity – 2.8 billion people – live on less than 2 dollars a day and one fifth – 1.2 billion – live on less than one dollar a day. At its annual conference in Prague in September 2000, the World Bank published the comprehensive document 'World Development Report 2000-2001 – Attacking Poverty'. It is the result of a survey of more than 60.000 people living in poverty in 60 countries of the world, and it confirms with further facts what John Paul II indicates as the 'shame of present society living in abundance, where the rich are getting richer and the poor poorer, because poverty leads to further impoverishment'.¹

At the same time the gulf between wealth and poverty is intensifying not only between rich countries and developing countries but also within individual countries, even in the most developed countries.

The gulf between rich and poor countries is caused directly by contemporary international relations and the functioning of the economy, moved by market forces aimed at profit without regard to humanitarian considerations.

As long as present market mechanisms are retained, the gap between rich and poor will keep growing. Traditional ideas, such as the belief that

¹ Speech of John Paul II, 5.11.2000 on the occasion of the Jubilee of politicians in Vatican.

economic growth will resolve everything, are already proving to be unrealistic. These ideas urgently need to be reevaluated, above all with the help of moral principles, as well as by the concrete proposals given further in this text.

John Paul II justly emphasizes that in the present globalised world, where the market has the tendency to consider as its sole rule the law of maximal profit without regard to morality, it is necessary to adapt the laws of the 'unrestrained' market to laws of justice and solidarity.²

This appeal is still not finding an adequate response even though there is a widespread increase in consciousness of the need to seek suitable solutions. No doubt certain measures were adopted at the meeting of the UN in 1995. However, such solutions have not been effectively put into practice. Apart from Denmark, Sweden, Norway, and the Netherlands, the member states of the OECD do not fulfill even these obligations, according to which they should be contributing help to poor countries with 0,7% of their GDP.³

Of course, the best intentions for helping developing countries do not to have to be fully realized. The differences will continue to increase as long as methods are not devised to create a competitive milieu, where economic growth leads to higher living standards for the people in both developing and developed countries.

Calls for even greater distribution of produced goods will also be increasing. In a world founded on unrestricted profit taking, such calls will necessarily meet with increasing resistance. Therefore, democratic procedures are needed which support the extension of direct participation of citizens in forming suitable structures for the common good of society.

General proclamations to this effect are by themselves insufficient. Essential measures are necessary which would solve these problems step by step.

It is necessary:

- to seek solutions which respond to contemporary possibilities for economic growth and which do not increase the gap between poverty and wealth but enable better living conditions for all people.
- to proceed first to give effective help to countries with inadequate GDP in order to form in them a competitive milieu comparable to the competitive milieu of countries with above-average GDP.

² *Ibid.*

³ *Esprit*, French Review, June 2000.

I. The Possibility of Step-by-step Elimination of the Main Differences Between Advanced and Developing Countries

A. The necessity of help to developing countries from advanced countries is generally acknowledged today. It is even more urgent because in the next 25 years it is estimated that world population will increase by 2 billion people, 97% of whom will be in developing countries.⁴ James D. Wolfensohn, president of the World Bank, rightly considers poverty in the midst of wealth as the greatest world problem.⁵

It may be justly objected that help to developing countries is already taking place and that it is not small.

For example, at the end of 1996, 40 countries among the heavily indebted poor countries had an external debt of more than 200 billion U.S. dollars. Payment of this debt caused the situation of the poor countries to get worse. The deficit represents 465% of the yearly exports of these countries, and in some cases it exceeds more than ten times the yearly export value.⁶ In addition the possibilities of export to developed countries are limited. For example, the export of agricultural products as the main article of export of many poor countries is confronted by the protectionist measures in developed countries.⁷

Unsatisfactory results of the struggle against poverty in countries of the third world have a number of causes. These results are brought about by many factors, internal as well as external. According to the World Bank, internal factors include civil wars, corruption, unsuitable economic policy, deformed price relations, deteriorating conditions for international commerce, and often inability and unwillingness of politicians to proceed to more radical reforms because of unstable political situations in their own countries.⁸

As external factors, the World Bank lists the necessity of expanding market access in rich countries for goods and services from developing

⁴ *World Development Report 2000-2001, Attacking Poverty*. Published by Oxford University Press, Inc., New York, 2000, p. 6.

⁵ *World Development Report, Attacking Poverty*. Published by Oxford University Press, Inc., New York, Introduction.

⁶ Hans Tietmeyer, *The Social Market Economy and Monetary Stability*, Economica Ltd., London, p. 112-113.

⁷ *World Development Report 2000-2001, Attacking Poverty*, Oxford University Press, Inc., New York, p. 180.

⁸ Hans Tietmeyer, *The Social Market Economy and Monetary Stability*, Economica Ltd., London, p. 113.

countries, reduction of the risk of economic crises, encouragement of production of international public goods that benefit poor people, and ensuring a voice for poor countries and poor people in global forums.⁹

Many critics point out the wrong approach of lending institutions which undermines the help by connecting it with the acceptance of unrealistic 'Structural Adjustment Programs', which do more harm than good to recipients. Requirements of these programs which are typically aimed at shortening social expenditure, budget expenditure, cancellation of subsidies for basic necessities, orientation toward production of export goods, of cancellation of import duties often bring further reduction of living standards and lead to political instability favoring dictatorships. Evidence exists that such programs of structural adjustment are drawing developing countries further into debt. According to information from the OECD, since the beginning of the 1990s all countries of the third world obtained 927 billion U.S. dollars of development aid in different ways during the years between 1982 and 1990. At the same time these countries made payments to banks of 1345 billion U.S. dollars for debts and interest. Although they paid more, the debts have grown to 1450 billion U.S. dollars in 1990.¹⁰

The coordination of even well-intended help is frequently insufficient. The study of the World Bank, for example, discloses that in the early 1990s in Tanzania there were 40 donors and more than 2000 projects. In Ghana during the same period 64 different government or quasi-government institutions were receiving aid. Coordinating these efforts to support a coherent development strategy is nearly impossible.¹¹

In addition, after experience with a series of financial crises, measures offered by international institutions are accepted with mistrust and considered as interference in domestic policy.

The provided help is still insufficient and does not lead to necessary results. On the contrary, in many cases it deteriorates the situation of the poor countries. Evidently, present forms of help as well mechanisms for providing this help need reevaluation.

To establish a certain consensus of applying acceptable measures is therefore necessary.

⁹ *World Development Report 2000-2001, Attacking Poverty*, Oxford University Press, Inc., New York, p. 179.

¹⁰ Jan Keller, *A help that too often harms*, Pohledy, Review for Politics, Economy, Sociology and History, Published by Czech Trade Union Prague, CZ, n° 3-4/2000.

¹¹ *World Development Report 2000-2001, Attacking Poverty*, Oxford University Press, Inc., New York, p. 193.

The sole operation of market mechanisms in the present globalised economy is not sufficient and, on the contrary, intensifies differences. Therefore, it is necessary to connect help with application of direct measures which together with market mechanisms lead to forming a competitive milieu in which there exist preconditions for realization of direct investments followed by positive effects of a market character. Of course, this help should not go to countries which do not respect democratic structures and where the danger exists that totalitarian regimes will abuse it.

According to our view the main cause of the unsatisfactory economic situation is the fact that the competitive milieu existing in countries with below-average GDP does not enable progress in more advanced production and other advanced processes. Present conditions of exchange of products between countries with underdeveloped economic processes and countries with above-averaged GDP lead under conditions of existing market economy to steadily growing divergences between poverty in the developing countries and wealth in the advanced countries. To do away with this main cause of the problem it is necessary to form systematically infrastructures in countries with below-average GDP.

These infrastructures must include information technology, education possibilities, and the formation of other necessary factors, such as access to products of scientific and technological research, provision of public health service, as well as the formation of factors of an ecological character.

With the help of these measures a market milieu in these countries will be formed. This will enable direct investments of a market character which, according to experience, are the most suitable way to enable economic progress.

B. In this situation it is to be recommended that *the U.N. puts into place a 'Social Contract of Globalization'*. This would require that member states participate and that an agreement would be reached on measures concerning advantageous help to countries with below-average GDP.¹² Of key importance is the agreement on annual appropriations from economically developed countries to underdeveloped countries. According to this agreement countries with above-average per capita GDP would give regularly in set amounts appropriations for countries which fall below this index.

At the same time this social contract of globalization presupposes agreement concerning:

¹² UN Regional Commission Essay, *Globalization and its Impact on the Global Economy* 24.5.2000, <http://www.un.org/Dept/renyo/no 6199/ESSAY.htm>.

- the mechanism of delivery of appropriations to the central fund
- using resources from this central fund only for projects helping economic and social advancement of developing countries.

Above all these projects should support the step-by-step abolition of the above mentioned main cause of the unequal competitive milieus, which up to now are causing the steady expansion of differences between poverty and wealth.

Financial resources should be given only to countries which will fulfill necessary conditions for the granting of these resources. Among these conditions it is necessary to list the following: no repression of private initiative, as well as the promotion of public goods such as education, health care, and the rule of law.¹³

The U.N. should establish the agreed measures with the help of the institutions which the participants will confirm.

Evidently *the main institution should be the World Bank*, which today also has among its tasks providing credit help and economic consultancy for developing countries with the aim of abolishing poverty.

Financial resources for help should not be passed to state organs of relevant countries. In each country the authorization process of individual projects, allocation of funds concerning these projects, as well as control of their qualified utilization should be provided by the institution commissioned by the UN for realizing the 'Social Contract of Globalization'. This restriction of actions to local organs in countries which will be included in the 'Social Contract', seems necessary in the interests of getting optimal benefits from relevant funds.

Experience within the EU concerning help to economically weaker countries in order to equalize economic levels indicates that such help can lead to acceptable results.

The application of initiative for the HIPC Debt Relief Initiative with active strategic participation of these countries also shows that much needed reduction of deficits may be reached in such a way that it does not lead to new debts.

In this connection the World Bank makes reference to the experience of Uganda as the first country which used this initiative in May 2000. The government of Uganda founded the Poverty Action Fund by means of which the country uses financial resources for agreed purposes with maximal possible transparency.¹⁴

¹³ *Ibid.*

¹⁴ *World Development Report 2000-2001, Attacking Poverty*, Oxford University Press, Inc., New York, p. 204.

Of course, critics point out that this is the first and only case of such an approach. Nevertheless, to seek and to find new forms of help is urgent.

James Wolfensohn, president of the World Bank, declared in July 2000, 'The United States and Europe do not understand, that without massive effective investment in the developing world, there will be no peace in 20 years'.¹⁵

The 'Social Contract of Globalization' project will in this way be an effective help to prevent further growth of poverty in the globalised world.

II. New approaches need to be found in a global economy

There is a growing gap between the poor and the rich which brings about a growing feeling of danger. It has found its expression in numerous protests against globalization, which is often considered as being the cause of the present situation. However globalization as such is not the culprit. Rather it 'globalizes' and sharpens current problems the causes of which need to be looked for elsewhere. Moreover globalization is a historical process that can not be reversed. Just as workers in the 18th century could not stop the advance of industrial society by destroying machines that took away their work, protest against globalization only deflect attention from the real causes of current problems. To a large extent they stem from a misunderstanding of the fact that in a radically changed and changing world, it is not possible to solve problems using the usual old procedures. new means must be found that are better suited to our changing world.

The Coming of Information Society

Our behavior and attitudes are based on our experience of the so-called industrial society spanning the 19th and 20th century, in which we are still living. Its main means of creating wealth were productively allocating capital and manual labor. Its main social groups were capitalists and workers. This society achieved an unequalled growth of wealth and productivity. According to P.F. Drucker, labor productivity of manual worker has increased 50 times¹⁶ in the course of 100 years.

Nevertheless, the age of industrial society has irrecoverably come to its end. The way of wealth creation has changed. The main social groups have

¹⁵ Lidové noviny, Daily Paper, Prague, CZ, 11.7.2000.

¹⁶ P.F. Drucker, *Post-capitalist society*, Czech Edition Management Press 1993, p. 40.

changed as well. A rapid advance of modern technologies, in particular in the information and communication field, together with the so much discussed globalization, calls for new attitudes and new, different ways of thinking. People talk about the coming of information society, post-industrial society, a new economy or even a third civilization wave (Tofler).

The following significant changes have been suggested as being typical for the new society:

The decisive source of growth of wealth are not any longer money, physical capital, or land but human knowledge. Productivity growth is less dependent on manual work, however well organized, then on the utilization of human knowledge and on the way of how well used it is. Under certain conditions one can acquire modern technologies, machines, capital, raw materials. However a more durable competitive advantage under global hyper-competition rests in the use of knowledge, ideas, and innovation. These latter resources add value today and are essential for the growth of society's wealth. Education, and lifelong education in particular, is becoming a challenge and a condition for success. Good basic education of all the children has been proved as an efficient long term investment in a fight against poverty. People working with knowledge and those who manage them (knowledge managers) and who must allocate knowledge (instead of capital) for productive use, have become the dominant society groups.

Side by side to them a large social group of service and ancillary workers without the required knowledge (service workers)¹⁷ has grown. Their humanly acceptable integration into the future global world presents a fundamental social problem and a challenge. The number of knowledge workers in the developed countries is growing (according to Peter Drucker it represents two-fifths of American work force in the United States¹⁸ and the demand of them will grow further). However as more and more knowledge is being incorporated into products, facilities and services, the economic and social situation of the second group is getting rather worse. The transfer of traditional production from developed to developing countries brings certain reduction of poverty in the developing countries, but the gap between poverty and wealth is not being eliminated. A significant portion of profits flows back to the parent country.

In the developed countries the supply and allocation of capital has taken on some new features in recent years. Pension funds and open invest-

¹⁷ *Ibid.*, p. 14-15.

¹⁸ P.F. Drucker, *Management Challenges for the 21st Century*, Butterworth-Heinemann Oxford, Great Britain, 1999; Czech Edition Management Press, p. 135.

ment funds have become main shareholders in public companies. In the United States, pension funds own 40% of all American publicly registered corporations and probably over 60% of big corporations. A similar trend is beginning to emerge in other developed countries.¹⁹

The funds concentrate large financial power. They invest on behalf of their shareholders but are managed by professionals. Usually they do not invest into a particular company but they purchase shares in an open market where shares frequently pass from hand to hand. Their prime interest is high dividends for the shareholders. Such is also necessarily the interest of shareholders of supranational corporations, which usually have no knowledge about the particulars of wealth creation by their corporations in various countries.

The well-known problem of control and authority in corporate management (corporate governance) and the problem of having influence on corporate performance is presently solved mainly from the viewpoint of fund shareholders, that is, by upholding the shareholder model with the aim of maximizing the share value. The stakeholder model, in which mainly those who actively create the company assets share in the created value, is preferred less. Both models allow for the possibility of extended capital participation by citizens in wealth creation and thus improve the population's material position.

The stakeholder model stimulates the interest in long term efficiency of the firm and can play an important role in satisfying the ambitions of knowledge workers as holders of the decisive asset of a contemporary company. The shareholder model allows other social strata, those that do not work in public limited companies, to participate in share capital.

New aspects of ownership and work

These contemporary changes require new approaches to ownership and work:

In a knowledge society, in which intellectual capital plays the main role in wealth creation, it apparently will be necessary to tie company ownership to the person who is the owner of such capital. The value of most contemporary companies consists of their non-material assets, their accumulated abilities and experience, their trademarks, research, and management skills.²⁰

¹⁹ P.F. Drucker, ed. cit. p. 62.

²⁰ Charles Handy, *The Hungry Spirit. Beyond Capitalism a Quest for Purpose in the Modern World*, Hutchinson, London, 1997; Czech Edition, Management Press, p. 70.

If somebody buys such a company, s/he primarily buys 'a hope that the best employees working in the company will stay there and carry on their work for the new owner' (Charles Handy).²¹ Regardless how the value of the nonmaterial assets of the company is estimated, their true owners are those employees in who keep these assets in their heads. And it is not possible to take the assets from their heads without their assent and preserve their creativity at the same time, as Robert Reich reminds us in a different context.²² Hence to see a company as a sole possession of the people who finance it does not correspond to economic conditions of today. 'In the economy of tomorrow, in which knowledge is an asset, we need to see that everyone has the right to own a part of the assets and wealth which he creates', Charles Handy concludes. From this point of view the stakeholder model is becoming topical for public limited companies and not only for them. Today, when knowledge becomes the main means of production and the holders of intellectual capital are becoming an increasingly more important social group, work, as a practical application of people's knowledge, gains in importance. In turn, a search for ways of stimulating employees' creativity gains in importance, and in particular, ways of stimulating their interest in the optimal results of the company. Making working conditions worse or using authoritarian management methods become contra-productive. Enormous productivity growth in developed countries makes further growth of services possible and, probably, it will permit an increase in investment into the so-called non-productive areas, preferably into a range of useful and needed but unpaid human activities, such as child care, family care and others. Not only production activity but also every useful human activity, in which one realizes himself as a person, can be considered as work.

Thoughts about the so-called end of work, called out by the unemployment growth accompanying the production growth in developed countries, are apparently not well founded. However, in a society based on knowledge and education it is fully justified and needed to promote a culture of work which will allow for self-realization in the production process.

Poverty amidst affluence as a challenge

At a first glance, the changes connected with the coming of information society (or a new economy) are positive. They bring a more rapid growth of

²¹ Charles Handy, ed. cit., p. 141.

²² Robert Reich, *The World of Nations*, published by Alfred Knopf, New York 1991; Czech Edition, p. 118.

wealth, higher productivity and, at the same time, they emphasize the role of the human factor. Human knowledge is becoming the decisive source of the growth of wealth. The main company asset is the intellectual capital. Its ownerships is tied to a particular person and, in its own way, it legitimizes the person's claim for a share of value brought about by this ownership.

Creativity, initiative and resourcefulness are the requirements of a culture of work based on the application of knowledge. In an increasingly more complicated and interconnected global economy cooperation and partnership, network organization and teamwork are becoming an important organizational principle for achieving results. Confidence in the partners to honor agreements and to play by the rules turns out to be necessary for the working of the economy, and it equally applies to those who otherwise do not respect ethical principles.

From this point of view the new economy shows a positive potential for developed countries (where it operates) at least. The perspectives are also positive from the point of view of the church's social doctrine. The assumed growing demand for knowledge workers can expand the perspectives into new fields (internet, business-to-business, and other modern ways of enterprise) and create new job opportunities.

The problem arises however from that the 'positive perspectives' are mostly set into a social framework where ruthlessness is considered a driving power of success and a necessity in market competition. Furthermore, the 'positive perspectives' still apply, and for a long time will apply, to relatively narrow social groups, others being excluded from the benefits.

Global hyper-competition based on a ruthless drive for personal benefits makes the status of workers without education worse and excludes a significant part of them to the society's periphery. Even qualified employees in developed countries are worried about growing job insecurity. Even a prosperous enterprise can be relocated to a different country if it can thus increase profits, as psychiatrist Iver Hartz, professor at the psychiatric and neural clinic Eppendorf in Hamburg, demonstrates on an example of a supranational concern in Hamburg.²³ Even qualified employees then often feel like chess pieces in a game of somebody else's interests and alien powers. It does not improve their contribution to the company's prosperity, nor does it help the economy. Worries and insecurity at work are often identified as the root of a series of health complaints, particularly depression and

²³ Harmut Volk, Wenn sich im Unternehmen die Angst breit macht, *Die Tagespost*, Katholische Zeitung für Politik, Gesellschaft und Kultur, 12.10.2000, Würzburg, BRD.

back troubles, which are widespread.²⁴ A society of ruthless competition, in which 'the winner takes all', leaves behind a number of 'other runners on the track' and deepens social differences.

The forms of use of limited natural resources, such as space, clear air and water, are no less important from the viewpoint of the distribution of wealth. For instance the use of space, especially in the form of urban or other land, produces scarcity rent an exclusive appropriation of which further deepens unequal distribution of incomes and property. Call for a taxation of scarcity rent has not met an appropriate response so far.

The attempts of the rich to hide in attractive well-secured 'ghettos', providing them with refined comfort (such as a suburb of Johannesburg or Alphaville in Brazil), do not contribute to the resolution of wide social disparities, rather they raise social tension in the long run.

The growth in poverty amidst affluence becomes a potential serious threat for the contemporary world. It contradicts main principles of Catholic social teaching – its principles of solidarity and common good. The key requirement of the teaching of universal determination of wealth for all people remains unfulfilled. The church defends the right of private property but it asks for such a property creation and distribution that it can serve to everybody. This requirement is more important at present than anytime before.

However these arguments should not lead to a rejection the new economy, globalization, or the whole social transformation, which is necessary for a transition to a new society. Rather they should lead to carrying through a transformation that will be compatible with common sense ethical principles and a real care for human beings. Elimination of poverty amidst affluence is possible and necessary. The impoverishment of workers 100 years ago, caused by a contradiction between work and capital, was no less depressing. The contradiction was gradually and successfully solved through cooperation between labor and capital, through the growth of labor productivity that made higher wages possible. It brought improvement in material conditions of manual workers and their transformation into a middle class. New technology gradually reduced the share of blue-collar work.

Similarly at present there is no other possibility than to search for new solutions suited to present conditions and needs and, as a priority, to strive for social consensus in their implementation. In the search for a solution,

²⁴ *Die Tagespost*, *ibid.*

the possibility of wider capital participation of citizens, as an alternative source of their income, should not be omitted.

Capital participation as a way of improving citizens's material situation

In societies where the main source of people's incomes is employment (wages) only one cannot expect a significant income growth (with the exception of top managers and experts). Employers are not interested in wage growth since it raises their costs. Wage growth without a link to productivity brings a danger of inflation. Proposals for providing an alternative income source show new possibilities. If people are given an opportunity to use a part of their savings for capital participation in companies, they gain another source of income from capital, apart from wages. It does not increase wage costs and, hence, it does not involve inflation risk, neither the competitiveness of companies is threatened. Also, companies have access to additional capital without having to obtain a loan. Citizen participation in productive capital requires such conditions to be created that encourage the particular form of investment. Among other things, it includes preferential tax treatment or other advantages. Positive experience with savings in building societies or with life insurance in some countries may be applied to the area of capital investing. The German Association of Catholic Entrepreneurs (Der Bund Katholischer Unternehmer) published a series of suggestions in this respect applicable in European conditions.²⁵

Experience from the United States appears to confirm that entrepreneurial expectations connected to a wider citizen capital participation in business increases consumer demand even under a zero or low income growth and stimulates economic activity. In the United States, for the first time in history, a large class of employed capitalists has emerged, men and women, whose wealth generating activities involve both labor incomes and capital ownership. More than a half of all Americans are owners of shares either directly or through collective investing.²⁶

The employees' capital participation can be financed from a share in profit or, under certain limited conditions, in the form of 'investment wage', or in other forms. Employee shares, share options, etc. may be used. Public support for citizens' capital participation in business may improve materi-

²⁵ Cf, for example, *Beteiligung der Bürger am Produktivvermögen*, Verpflichtendes Ziel der Katholischen Soziallehre, Paulinus-Verlag, Trier, 1996.

²⁶ James K. Glassman, *Reporter of the Washington Post for Euro, Economic Review*, n° 6, 8/2000 published by Euronews, a.s. Prague, CZ.

al position of the population at large and reduce the gap between the poor and the rich. However people must be free to decide how to invest their savings. For their decision-making, some aspects should be emphasized:

1. Experience and research suggest that companies in which the stakeholders (i.e. those who have economic links to the company) participate both in management and in profit and capital are most efficient. Several studies document this point.²⁷

2. The stakeholder model supports the link between the management and ownership rights in the governance system of a company. It shortens the communication chains and improves the quality of decision making. Among others, Josef Stiglitz, the former main economist of World Bank, referred to this fact at the Annual Conference on developing economies in April 1999.²⁸

3. The stakeholder model can best satisfy the demands of knowledge workers, the owners of intellectual capital who lend their ability to create wealth to the company and necessarily have interest in its long term efficiency. The adoption of the stakeholder model will often be a condition for keeping these workers in the company.

4. The stakeholder model fully corresponds not only to the requirement of economic efficiency but also to the principles of the social doctrine of the church which has always been emphasizing that those who create values should also have an ownership share in the newly created values.

5. Nevertheless, there is a number of activities and branches in the non-profit sector, in the state apparatus, health service, education system, etc., where the stakeholder model cannot be used. Even in these activities participation in productive capital should be made possible through investment funds or publicly traded company shares. There are apparently no other possibilities in the current situation where the proportion of employees in the productive (primary and secondary) sectors permanently falls. At the same time this way extends private ownership to a larger number of participants. In this context Professor Ockenfels observes that the latter approach cannot be considered as immoral,²⁹ since it subordinates ownership to a higher principle

²⁷ Cf, for example, Alan Blinder, *Paying for Productivity*, Washington D.C. Brookings Institution 1999, or Chris Doucouliagos, *Worker Participation and Productivity in Labor-Managed and Participatory Capitalist Firms: A Meta Analysis-Industrial and the Labor Relations Review*, Cornell University, October 1995.

²⁸ Josef Stiglitz, *Whither Reform?, Ten Years of the Transition*, Paper prepared for the Annual Bank Conference on Development Economics, Washington D.C. S. April 28.-30.1999.

²⁹ Wolfgang Ockenfels, *Kann denn shareholder-value-Denken Sünde sein?*, 'Die Tagespost' from 19.8.2000, Würzburg, BRD.

of the universal determination of material goods (*Gaudium et Spes* 69-71). 'God has given earth to the whole human race in order to provide for all its members without excluding or giving advantage to anybody. In this is the core of the universal determination of earthly goods' reminds us John Paul II.³⁰

6. Hence the shareholder model should not be given priority to the detriment of the stakeholder one, nor is it possible to put through the stakeholder model only since it would exclude some classes from ownership. The stakeholder model should be favored where it is possible, since it also better serves to the long term efficiency of the company. The shareholder model should enable those, who otherwise would not have access to private property, to have a share in it. Both models could purposefully contribute to the improvement of citizens' material position.

Income from a standard job and, apart from it, an income from capital property, can form two pillars of material security for a man in the new economy and provide him/her with a more favorable economic environment for his personal and family independence and thus help to extend human freedom.³¹ Also it can be one of the ways contributing to reduction of poverty amidst affluence.

A globalization of solidarity instead of a globalization of ruthlessness

The global economy requires a global solution. All analyses confirm that economic growth on its own does not resolve the problem of poverty, rather, it makes it worse. A growing wave of mega-mergers even endangers the principle of free competition. Hence the philosophy of ruthless growth, on which these developments are based, requires to be reappraised.

In contrast human capital is becoming more and more a decisive economic asset and cooperation and partnership are considered an important organizational principle in the economy. It is found that the economy needs the observance of an ethical code for its smooth operation. It implies that the accent on the values of human development and social protection gains in importance. Then globalization needs not to be regarded as a danger, but as a historical opportunity for the enrichment of human life. Social structures that would stimulate this development need to be supported. The idea of a replacing of the present globalization of ruthlessness with a globalization of solidarity does not need to remain only an empty challenge.

³⁰ *Centesimus Annus* § 31.

³¹ *Gaudium et Spes* §§ 69-71.

CONCLUDING SESSION*

* The two texts published here were presented by Professors Minnerath and Ramirez during the session and are published as such. Because of a lack of time, the authors of the papers discussed did not have an opportunity to comment on the interpretations offered. (E.M.)

LA GLOBALISATION ET L'ÉTHIQUE OU L'ÉTHIQUE DE LA GLOBALISATION?

ROLAND MINNERATH

Les deux formulations suggérées par le titre ne sont pas indifférentes. La première suggère que le phénomène observé est analysé à la lumière de l'éthique, qui a sa consistance propre par rapport à lui. La deuxième laisse entendre que le phénomène contient en lui-même sa propre éthique.

Le but de notre Académie est de faire dialoguer les sciences sociales avec la doctrine sociale de l'Eglise (DSE). Nous avons traité un thème en lui-même orienté sur l'éthique. Nous pouvons donc confronter, dans un premier temps, les types d'approche pratiqués.

La démarche de la DSE est résolument normative. Elle part de l'analyse des situations réelles et exerce sur elles un discernement inspiré par des principes et des valeurs qui sont ancrées dans la nature humaine elle-même. Ces principes ont leur racine dans les besoins universels de l'homme. Ils ont un fondement rationnel et sont confirmés et éclairés par la révélation biblique. Les deux sources de la connaissance que sont la raison et la foi sont les deux sources de la DSE.

La DSE a sa source dans une vision de l'homme, une anthropologie. La personne humaine est au centre de tout l'ordre social et de toute éthique humaine. La DSE est une éthique de la personne insérée dans les différents milieux qui l'humanisent: la famille, l'entreprise, les associations, éventuellement la communauté religieuse, les corps intermédiaires, l'Etat, la société internationale. La DSE est réaliste: elle prend en compte les besoins des personnes concrètes. Les personnes ne sont jamais des moyens de l'agir social quel qu'il soit, mais des fins. La DSE est téléologique: les personnes agissent en vue d'une fin qui révèle le sens de l'action. La DSE est une morale eudémonique: elle consiste à apprendre à vivre heureux. La DSE est normative; elle prétend dire ce que l'homme est. Ses normes sont donc fondées

sur ce que l'homme est. La DSE présuppose que l'homme en société peut maîtriser son destin, se choisir des objectifs sous la forme d'un bien commun. Pour elle, les processus historiques ne sont pas des fatalités. Les hommes disposent d'une marge de manœuvre pour se créer un milieu humanisant. Ils peuvent donc agir en se fixant des objectifs.

Les approches éthiques courantes sont d'un ordre différent. Elles sont généralement fonctionnelles. Elles cherchent à mettre en lumière comment un système donné peut être piloté de façon à répondre à certains besoins. Elles sont des éthiques des systèmes, non de la personne. Les personnes sont des variables des systèmes. Ces éthiques fonctionnelles oscillent entre deux extrêmes: tantôt le système doit être laissé à lui-même, car il est auto-régulateur; tantôt il faut que le système se plie à des directives volontaristes. Dans les deux cas nous avons une éthique systémique. Le libéralisme considèrerait le marché comme le système régulateur, dans lequel la volonté commune ne devait pas intervenir. Le collectivisme construisait un système à partir d'une idéologie dans lequel le jeu des libertés individuelles était proscrit.

Les variantes de cette approche éthique sont multiples. Les éthiques néo-libérales sont des morales du consensus. Elles partent des contraintes des systèmes et se demandent quelle valeur représentent les différentes composantes du système. A un extrême elles disent qu'il n'y a de valeur que marchande; à l'autre que la valeur est celle qu'y attache le corps social.

A partir de ses présupposés propres, la DSE aborde le phénomène de la globalisation en posant, par exemple, les questions suivantes:

- l'analyse du phénomène est-elle menée en vue de discerner des objectifs volontaristes à promouvoir pour répondre aux besoins réels des personnes concernées par la globalisation?
- quel rôle joue, dans l'appréciation du phénomène et sa maîtrise, le principe de la destination universelle des biens de la création?
- à quel niveau faut-il définir des politiques de régulation effective de la globalisation?
- peut-on identifier un bien commun universel, et quelles institutions seraient à son service?

Les travaux de notre VIIe session ont permis de dégager, semble-t-il, trois champs de tension entre la proposition de la DSE et les analyses qui ont été exposées.

1. Tout d'abord au niveau du *diagnostic du phénomène*. Aucune analyse n'est exempte de présupposés de départ. Quelle lecture font de la globalisation les experts (au service de qui?), les pauvres, les entreprises exportatri-

ces, les investisseurs, les gouvernements, les Eglises? Dans nos travaux, je relève trois types d'approches:

a) Une approche résolument normative à partir de la vision de la DSE. C'est celle de *Restrepo* et *Schooyans*. Elles disent les priorités qu'il convient de se fixer pour corriger les effets négatifs de la globalisation.

b) Une approche d'éthique systémique, descriptive (*Crocker*) qui débouche aussi sur une proposition.

c) Des approches d'observateurs qui se veulent neutres, dont le point d'observation est soit une Organisation internationale (*Dembinski*, *Diabré*, *Macedo*), soit une lecture au second degré (*Morandé*).

La globalisation est vécue autrement par les pays qui n'en ont pas eu l'initiative et qui la subissent plus qu'ils ne la choisissent. Ceux-ci sont, pour la plupart, des pays d'ancienne colonisation européenne, qui ont connu les programmes de développement dans lesquels ils ont vu une tentative d'exportation du modèle social occidental. Ils se demandent si la globalisation n'est pas une nouvelle forme de colonisation.

Certaines analyses privilégient la recherche *des causes*, d'autres étudient les effets de la globalisation.

a) *Diabré*: Pour l'heure, la globalisation a été poussée par l'expansion des marchés. Elle a profité à un cinquième de la population mondiale et a marginalisé le reste. A côté de la croissance des échanges, des investissements directs internationaux et des puissantes firmes multinationales, une des caractéristiques de la globalisation est le volume très élevé des transactions financières internationales et leur indépendance croissante par rapport aux opérations économiques réelles. Les pays dits émergents ont exporté de la haute technologie vers les marchés de l'OCDE.

Dembinski: Les trois moteurs de la globalisation seraient 1-la technologie de l'information (flux rapide et stockage, processus en temps réel); 2-le triomphe de l'ethos de l'efficacité (protestantisme et utilitarisme?) sans égard pour ce qui n'est pas son intérêt économique; 3-la société ouverte dans laquelle les passions ne sont plus freinées par la religion ni par la politique (nationaliste, par ex.), le grand régulateur restant le marché et la liberté individuelle.

Morandé: Longtemps la fidélité à la tradition culturelle du groupe servait à fonder la légitimité des actes humains. Puis sont venues les prescriptions de la loi écrite et l'Etat de droit. Au niveau global, c'est l'innovation technologique qui est motrice, notamment l'interaction de l'homme avec la machine intelligente.

Archer invite à différencier l'analyse des rapports entre la culture traditionnelle et les tendances vers l'uniformisation. Les idées et comportements

nouveaux sont reçus et modifiés par les cultures traditionnelles. Il y a des phénomènes de syncrétisme culturel. Avec Glendon, elle relève que l'Eglise doit envisager différemment son effort d'inculturation dans des cultures qui subissent ces changements rapides.

b) Les analyses ont été plus abondantes concernant *les effets* entraînés par le phénomène.

Morandé: Le développement des nouvelles technologies produit des inclus et des exclus. La technologie crée des machines intelligentes qui homogénéisent et standardisent la notion de ce qu'est une décision rationnelle. Jusqu'ici l'idéologie se basait sur la différenciation entre le passé rejeté et le futur à construire. Aujourd'hui les informations sont traitées en "temps réel"; ne compte plus que le présent (l'économie monétaire, le besoin de jouissance immédiate). Il n'y a plus de dialogue entre les générations. La mémoire historique n'intéresse personne. Le futur est opaque et sans promesse.

Dembinski: La globalisation se manifeste par de nouvelles interdépendances: la financiarisation de l'économie et sa distance croissante par rapport à l'économie réelle; émancipation des très grandes entreprises par rapport à tout contrôle public et même par rapport à leur marché qu'elles conditionnent; le passage d'une économie de biens à une économie de services. Elles tendent à devenir des entreprises globales. Les activités moins globalisables deviennent dépendantes des activités globalisées.

Trois types de conséquences de la globalisation ont été plus particulièrement soulignées:

– La globalisation a entraîné un *appauvrissement des plus pauvres*.

Diabré: L'ouverture des marchés est l'idéologie prescrite aux pays en développement. La société civile s'est mobilisée souvent contre le phénomène (Seattle, Québec). Les économies développées sont les bénéficiaires de la globalisation. De 1970 à 1990 le revenu par tête de nombreux pays en développement a diminué. L'inégalité des revenus par tête s'est accru entre Nord et Sud. Les 10 personnes les plus riches du monde possèdent 1,5 fois plus en capital que le revenu des (40?) pays moins développés. La globalisation non maîtrisée a nui aux plus pauvres par la répartition inégale des investissements (qui recherche les marchés prometteurs et délaisse les pays pauvres en pouvoir d'achat et en formation; elle a accentué l'insécurité de l'emploi). L'ouverture des marchés de capitaux a accru le risque de contagion des crises financières. La libéralisation du commerce a fait chuter les taxes sur le commerce extérieur des pays pauvres. La globalisation a accentué la pauvreté des femmes et des enfants, spécialement en Afrique.

Cette vision a été fortement discutée. Les causes de l'appauvrissement ne peuvent pas être attribuées à la seule globalisation, qui entraîne aussi des effets de redressement. On n'a guère mentionné la dette extérieure des pays en développement dont le service épuise les capacités d'autofinancement des investissements sociaux et des infrastructures.

– La globalisation a favorisé l'expansion de la *corruption*:

Morandé. Alors que l'Etat de droit étend ses tentacules dans tous les domaines, se développe la vie hors légalité: corruption, narco-trafics, évasion fiscale, crime organisé, etc. Il suffit de disposer de l'information pertinente pour que tout ce qu'il est possible finisse par se réaliser.

Macedo s'interroge sur le rapport entre globalisation et gouvernance. La réponse nationale à la globalisation doit être la lutte contre la corruption; l'intégration régionale introduit une pression entre pairs (peer pressure) en vue d'améliorer la politique. On constate que la corruption décline dans le long terme dans les sociétés plus ouvertes, et avec le niveau de développement. La corruption n'est pas liée spécialement aux entreprises privées, mais aussi au secteur étatique. La demande sociale et les entreprises elles-mêmes poussent à réformer les institutions. Plus de transparence, plus de démocratie réduisent la corruption.

– L'impact de la globalisation sur *la culture*:

Morandé. Les cultures nationales ont été relativisées. En profitent les grands mouvements universalistes, y compris les grandes religions. La culture n'est plus chargée de légitimer l'Etat national et sa souveraineté. L'éducation encourage la spécialisation sectorielle au détriment de la recherche du sens des actions par leur finalité: le savoir, pas la sagesse; l'analyse, pas la synthèse.

Averintsev dénonce le mythe du "clash des civilisations", comme si des hommes culturellement homogénéisés allaient devenir meilleurs.

Zampetti voit dans la globalisation l'avènement d'une nouvelle culture, après celle de l'individu absolutisé. L'Etat s'efface davantage devant la société civile et la communauté internationale prend en charge les équilibres mondiaux.

2. La question de *la régulation* et le principe de *subsidiarité*.

La DSE suppose que les phénomènes sociaux peuvent être orientés, contrôlés, corrigés par la volonté commune qui s'exprime par des institutions représentatives chargées de servir le bien commun. La volonté politique est supposée orientée vers des objectifs choisis pour leur qualité éthique intrinsèque. Cette volonté s'exprime aux différents niveaux où elle doit relever un défi. C'est le principe de subsidiarité. Nulle instance supé-

rieure ne doit priver une instance inférieure de sa responsabilité d'assurer les régulations qu'elle est en mesure d'entreprendre.

La globalisation nous place devant des situations encore inconnues de la DSE classique : la question posée est celle des institutions régulatrices des marchés globaux et de leurs effets induits; l'autre est la question même de la permanence du politique.

Le présupposé à toute question concernant une emprise volontaire sur le système est d'admettre que l'homme dispose d'un pouvoir réel sur le cours de l'histoire. Certaines philosophies fatalistes ne l'admettent pas. *Rémond* l'a rappelé. La théorie libérale préconisait le laisser-faire des mécanismes du marché. *Morandé* s'interroge sur la place laissée à la politique: les décisions communes se prennent dans la sphère de la technologie. Les décisions politiques sont *ex post factum*. On parle de 'légitimation par la procédure': celle-ci affecte d'abord les bureaucraties anonymes, puis les comportements personnels eux-mêmes. Le processus affecte l'anthropologie.

a) Pourquoi réguler? Deux types de réponse ont été données:

Arrow: il faut réguler les marchés financiers pour le succès même du marché.

D'autres mettent l'accent sur la nécessité de réguler pour obtenir un meilleur accès de tous à la croissance.

b) Améliorer la gouvernance: personne ne conteste la nécessité d'une gouvernance capable de réguler le marché global, notamment le marché financier.

Macedo: Les marchés opèrent différemment selon le cadre institutionnel. On cite Fukuyama, *The End of history* avec sa vision de l'expansion universelle du marché et de sa victoire sur l'Etat. Le "consensus de Washington" est synonyme de confiance aveugle au marché, et réduction de l'Etat au minimum. La notion de bien commun global fait son chemin. Il n'est pas dit que l'ONU, sauf réforme, soit le mieux à même de le promouvoir. L'UE est exemplaire d'une gouvernance régionale à contrôle démocratique. Dans les pays en développement, l'arrivée du marché global doit entraîner des réformes de gouvernance. Ce n'est pas la globalisation mais la mauvaise gouvernance qui crée de nouveaux exclus. Unité globale doit être conjuguée avec diversité régionale et nationale (UE). Les pays européens doivent améliorer leur gouvernance par rapport à la globalisation, et découvrir leur bien commun régional, en réagissant contre l'incohérence actuelle des quinze politiques de développement et la faiblesse intégrative de la zone euro.

Diabré: La globalisation maîtrisée peut conduire à l'éradication de la pauvreté. L'accroissement des échanges ne suffit pas à entraîner une réduc-

tion de la pauvreté. Il faut une forte gouvernance: des institutions axées sur le marché mais contrôlées par l'Etat (ex Corée du Sud). L'Etat doit veiller à une meilleure distribution des revenus. Il faut une politique macro-économique avec des objectifs sociaux, d'abord en faveur des revenus les plus faibles, en commençant par l'éducation. Diabré regrette que l'investissement international ne suive pas les améliorations apportées à la gouvernance, quand la corruption est mieux jugulée.

Dembinski: La gouvernance devrait veiller à limiter le poids des considérations purement économiques dans l'ensemble de la vie sociale, et éviter que la société entière ne devienne esclave consentant des desseins holistes de l'économie intégrale.

c) Quel devrait être l'organe régulateur? les réponses hésitent entre l'Etat et les organismes internationaux:

Crocker présente un panorama des options en présence: Pour humaniser et démocratiser la globalisation, trois projets existent: 1-l'internationalisme libéral: les Etats nationaux négocient avec les institutions internationales, et reconnaissent de plus en plus leur compétence (Cour Pénale Internationale); 2-le radicalisme républicain: démanteler les Etats – nations et les institutions internationales et confier le gouvernement à des communautés locales alternatives reliées à leur environnement naturel, résistantes à toute globalisation; 3-la démocratie cosmopolite: favoriser la démocratie directe et représentative à tous les niveaux, donner vie à la société civile; partager la souveraineté avec d'autres dans des institutions transnationales. La citoyenneté aura plusieurs niveaux d'actualisation.

Griffith-Jones: Depuis 1990, une année sur trois a connu des crises financières. Les régulations sont encore nationales et sectorielles, alors que les marchés de capitaux et de crédit sont globaux. La difficulté vient du caractère volatile du marché des capitaux, qui se retirent quelquefois sur la base de rumeurs. Les progrès ont été asymétriques: il faut des mesures internationales pour aider les pays en développement à plus de transparence; encourager la participation de ces pays dans les forums comme le *Forum de stabilité financière*; rendre plus flexible l'accès aux liquidités pour les pays pauvres. Il faut favoriser une meilleure information et une régulation financière internationale. Le FMI a amélioré l'information sur les marchés émergents. Les marchés financiers restent opaques. Pour réguler on suggère de taxer le capital des banques créditrices au lieu des banques emprunteuses. Décourager l'excessive facilité de prêt des banques. Introduire des éléments de régulation anti-cyclique (par ex.: pas de prêt à la consommation).

Schooyans déplore que la gouvernance globale sous l'égide de l'ONU exige la fin des souverainetés nationales. Il rappelle le principe de subsidiarité et la nécessaire résistance des corps intermédiaires au nouveau Léviathan.

Restrepo critique Camdessus pour qui les régulations doivent lutter contre la corruption, le népotisme, la bureaucratie, le protectionnisme, mais laisser jouer la main invisible. Mais la pauvreté engendrée aussi par la globalisation ne recule pas. Si l'éthique est la recherche du bonheur (Aristote), c'est en fonction d'elle qu'il faut choisir des stratégies. En particulier, il faut redonner son rôle au politique. Aujourd'hui la participation aux élections baisse partout, parce que le politique ne décide plus rien. Il n'y a pas de vraie participation de tous les citoyens aux décisions qui les concernent. La politique est absorbée par l'économie. L'Etat doit retrouver son rôle de définir et promouvoir le bien commun, de défendre les droits de tous, surtout des plus faibles et des minorités.

Schasching, citant *Centesimus Annus* 58, souhaite que le processus soit régulé par des "agences internationales" travaillant pour le bien commun, avec une attention particulière aux plus faibles et dans le respect de la subsidiarité.

3. La question des *valeurs communes*. Pour la DSE les valeurs qui fondent le droit positif sont inscrites dans la nature humaine. Les normes de moralité découlent toujours d'une réalité substantielle qui est la personne humaine. La personne est le pôle autour duquel s'organisent les relations sociales. La DSE invite les hommes dans leur diversité culturelle à expliciter ce pôle objectif de moralité qu'est l'être humain. Elle n'est donc pas une moralité qui procèderait d'une légitimation de relations sociales ou culturelles contingentes. Sur ce plan la DSE entre en dialogue, mais aussi en contradiction, avec les éthiques systémiques. Des considérations éclairantes ont été émises à ce sujet.

a) D'abord *le constat*:

Crocker passe en revue les différents théoriciens de l'éthique du développement et les domaines de consensus sur ce que devrait être le développement et les domaines de désaccord. En particulier il y a désaccord quand au caractère normatif de l'éthique du développement: les universalistes, utilitaristes et kantien disent qu'il y a des principes valables pour toutes les sociétés; les particularistes, communitaristes et relativistes postmodernes disent qu'il n'y a que des principes de procédure que chaque nation doit choisir selon ses propres conceptions; les tenants d'un consensus transculturel, selon lesquels chaque communauté politique choisissant son modèle

de développement selon des normes adaptables. L'auteur propose comme normative la conception du développement qui assure un minimum de bien-être humain (autonomie et dignité, dialogue critique et délibération et santé physique et participation sociale). Trois directions de l'éthique du développement devant la globalisation sont à considérer: 1-l'hyperglobalisme: le monde devient un marché unique où le capitalisme triomphe et où le rôle des Etats s'efface; 2-le scepticisme qui mise sur les blocs régionaux où grandissent les fondamentalismes et rêve de régimes centralistes forts; 3-le transformationnisme où les Etats réajustent seulement leur rôle devant des réalités nouvelles complexes et variables.

Schooyans voit la globalisation économique et la mondialisation politique comme portées par l'idéologie holiste, inspirée du New Age selon laquelle les humains ne sont qu'un avatar de l'évolution de la matière, voués à la mort, hôtes de la Terre qui est le concept englobant. La valeur suprême est donc l'écologie. Le développement doit être durable, dans les limites des possibilités de la nature. L'anthropocentrisme judéo-chrétien et moderne est rejeté. La loi naturelle est celle de la nature physique et de ses exigences implacables. L'ONU projette un *Charte de la Terre* en ce sens. Selon l'OMS, la santé est vue comme santé du corps social, pas de l'individu. Les soins aux coûts trop élevés ne doivent plus être pris en charge.

b) Comment susciter la prise de conscience des exigences universelles de notre commune humanité? Une précision importante s'impose ici. L'éthique selon le christianisme n'est pas arbitraire. Elle est tendue vers un horizon qui est la vérité de l'homme. Elle n'est pas une éthique négociée, ni adoptée par consensus. Ceci n'exclut pas qu'elle est prête à rechercher avec d'autres le plus vaste accord possible sur des éléments communs. Mais il est clair que ce n'est pas le consensus qui crée l'éthique. Il n'est qu'une étape dans la recherche de la vérité. La DSE distingue entre les comportements orientés vers ce qui est bon et juste et les fondements philosophiques invoqués pour les justifier. La vérité sur l'homme se situe certainement au-delà des systèmes philosophiques. Elle vise la réalité qui leur est sous-jacente.

La DSE encourage le dialogue qui consiste à chercher ensemble la vérité. Plusieurs interventions ont mis l'accent sur la nécessité d'aborder les défis communs avec des attitudes partagées. *Schasching* insiste sur une approche œcuménique et même inter-religieuse concertée de la globalisation. L'évêque *Homeyer* semble dire qu'il n'y a pas de différence entre la DSE et l'éthique protestante. Portant entre confessions chrétiennes, la convergence est loin d'être acquise quant à la place de l'éthique par rapport à la

foi, et aux fondements de l'éthique, sans parler des divergences de vue bien connues sur des sujets aussi graves que le respect de la vie, l'euthanasie, la bioéthique, la recherche génétique.

Si la DSE encourage le dialogue et la recherche en commun de ce qui est bon et juste, elle n'est pas pour autant une morale du consensus. Nous avons relevé l'an dernier que la démocratie ne crée pas la valeur qui la fonde, alors même que notre société globalisée tendait à considérer la démocratie comme une valeur en soi. Le modèle du relativisme des valeurs ne doit pas nous faire illusion. Le résultat des consensus peut-être obtenu par des stratégies de minorités actives, par des manipulations de l'opinion, par des confusions sur les termes de la question. Il faut donc dire que le consensus ne crée pas une norme. La recherche du consensus est un processus perpétuel. Ce qui est moral doit pouvoir être ratifié par les êtres concrets dans toutes les dimensions de leur humanité. La recherche du consensus doit rendre explicite ce qui est inscrit dans notre être. Elle n'a pas de consistance si elle est pure négociation ou rapport de forces.

Crocker a dit justement que le minimum éthique commun ne peut pas être perçu comme une vérité toute faite que les pouvoirs en place imposeraient aux autres. La démarche éthique est toujours un choix librement ratifié ou elle n'est pas. Il faut être attentif aujourd'hui à tous les pouvoirs qui, à travers l'homogénéisation de la culture et des comportements anesthésient la liberté des personnes. La DSE mise sur l'existence d'une sphère de liberté intérieure, la sphère de la conscience, où se prennent les décisions qui engagent la personne.

c) Faut-il rechercher un minimum d'éthique commune?

Le débat fondamental sur l'universalité de l'éthique a été lancé par les remarques de *Crocker*: Il est important que nous prenions mieux conscience que la morale sociale est de l'ordre de la raison. Pour ceux qui croient en Dieu, il n'y a pas de cloison entre ce que la raison admet comme bon et ce que l'accueil de la révélation confirme comme bon. La raison ne s'efface pas devant la foi; elle est illuminée par la foi. Pour les croyants les deux sources de la connaissance que sont la raison et la foi ont Dieu pour auteur.

C'est le propre de la DSE d'inviter les hommes à les découvrir dans ce qui est déjà: l'homme réel engagé dans des relations sociales. Rappelons que le Magistère a salué avec approbation la *Déclaration universelle des droits de l'homme* de 1948, puis en a fourni une interprétation compatible avec la DSE, alors qu'ailleurs prévalaient les interprétations individualistes.

Schooyans voit dans la *Déclaration* de 1948 une vision réaliste de l'homme fondée sur la vérité de l'homme, alors que *Morandé* rappelle

qu'en 1948, la *Déclaration* n'a été approuvée qu'à condition que l'on renonce précisément à expliquer le fondements des droits énumérés. *Morandé* poursuit: dans la conception actuelle, il ne peut ni ne doit y avoir de norme objective de moralité invocable devant les nouveaux défis technologiques que sont la fertilisation assistée, le clonage humain, l'expérimentation sur les embryons, les produits transgéniques. Le pourquoi n'est jamais invoqué. La société actuelle est attirée vers le nihilisme de Nietzsche: elle ne veut plus se poser la question du pourquoi. Toute légitimation morale est de type fonctionnel. La société n'est plus mobilisable par aucune idéologie globale. La légitimation par la procédure cherche seulement à standardiser dans la société le critère de rationalité à partir des résultats. La finalité des actes humains est exclue du champ de vision. Le procédé envahit aussi le domaine du jugement éthique de la conscience personnelle. On lui cherche des substituts fonctionnels comme les préférences, les valeurs, mes goûts, les convictions.

Restrepo: C'est la mission des chrétiens laïcs de faire émerger dans la société un consensus sur des valeurs éthiques minimales. Il faut éviter que des minorités puissantes n'imposent leurs vues guidées par des considérations d'intérêt (légaliser l'euthanasie, détruire l'écosystème, la maîtrise de la recherche en biotechnologie). Les valeurs économiques ne doivent pas constituer le seul paramètre de la vie sociale. Car elles hypostasient les traits de la nature humaine corrompue (la recherche du profit, le mépris de l'autre). L'éthique doit imposer une vision de l'homme et du monde, non justifier les comportements désordonnés des puissants.

La globalisation peut-elle être neutre par rapport aux valeurs éthiques? On répondra que toute action commune suppose une légitimation. Le tout est de savoir si la globalisation doit être subie ou maîtrisée et en fonction de quelles valeurs supérieures. Il n'est d'éthique humaine que libre par rapport aux déterminations des systèmes économiques, politiques, culturels, lorsque ces derniers s'imposent comme l'horizon ultime de sens en fonction duquel les humains interprètent leur existence.

Comme *conclusion* rapide, je rappelle que nous avons aussi évoqué la société ecclésiale comme d'une société globale. La comparaison avec la globalisation croissante de la société civile mondiale suggère quelques réflexions.

a) D'abord l'Evangile n'est pas un objet manipulable pour quelque globalisation que ce soit, bien que beaucoup parlent sans considération de globaliser la religion, et autres choses semblables. L'Eglise n'est à la disposition d'aucune puissance qui voudrait l'utiliser pour ses propres fins.

L'Eglise n'est pas réductible à un projet humain. Les croyants certes sont parties prenantes de tous les processus historiques, mais la nature de l'Eglise est d'être une communauté rassemblée par le Christ, qui demande à ses disciples d'être actifs dans le monde, mais de ne pas être "du monde", sous peine de perdre la spécificité qu'ils ont à lui apporter. L'Eglise a vocation d'être signe de la transcendance de la destinée humaine et aussi de l'unité du genre humain.

b) L'existence d'une Eglise qui traverse tous les peuples et cultures et rassemble les hommes dans la même foi, est un défi à la globalisation en cours. Si celle-ci n'est pas une fin en elle-même, elle peut être un atout pour rapprocher le genre humain et de lui faire prendre conscience de la nécessaire solidarité qui le lie.

L'Eglise a un modèle à offrir: celui de l'unité dans la diversité, sur le modèle trinitaire, rappelé avec force par l'évêque *Homes*. La globalisation alors ne signifie pas soumission à un pouvoir uniformisant. L'Eglise recherche le pluralisme des cultures pour y incarner le message évangélique. L'universalité n'est pas de l'ordre des systèmes dans lesquels les hommes sont imbriqués. Elle s'incarne dans la diversité. Les cultures ne sont pas des vêtements que l'on met et dépose, elles constituent notre être et doivent donc être respectées. Evangéliser ne signifie pas détruire les cultures, mais les purifier et les amener à se dépasser.

Il faudrait donc souhaiter une globalisation qui libère davantage les hommes des prisons de la misère et de l'ignorance, mais en même temps qui ne les enferme pas dans les nouvelles prisons homogénéisées du nihilisme, dans l'empire du marché et de la pensée unique. La DSE appelle au discernement qui remet au centre de tous les processus l'homme réel et son besoin de liberté et d'espérance.

Nous pourrions nous demander, dans une réflexion ultérieure, comment donner une résonance concrète à ce que nous disait hier le Saint-Père: "l'éthique exige que les systèmes soient ajustés aux besoins de l'homme et non pas que l'homme soit sacrifié au profit du système".

GLOBALIZATION AND THE COMMON HUMANITY: ETHICAL AND INSTITUTIONAL CONCERNS

MINA M. RAMIREZ

This Report tries to present a synthesis (without entering into the technical aspects) of the phenomenon of globalization, underscoring the negative and the positive aspects as well as the Challenges of Globalization gleaned from the topical discussions of this assembly with special reference to the most affected – the monetarily poor of the world.

The Approach to Globalization

The objective of the assembly is to highlight the findings of Social Science with regard to Globalization offering these to the Catholic Church for the development of her Christian Social Teachings (President E. Malinvaud).

The approach should be balanced, avoiding two extreme attitudes: 1) to resist globalization without understanding its nuances, and/or 2) to subtly reduce it to one of its many aspects. As an Academy, the PASS wishes to contribute to the Church the positive and negative implications for developing countries of Globalization through the analysis and critique of its underlying values and ethics. PASS at this stage is not looking for unanimity. It is rather challenging one's certainty and bringing out ideas in its plurality. (Prof. L. Sabourin). A great task, it nevertheless is watching for converging points.

Rev. Fr. Prof. Johannes Schasching, S.J. brought to light the historical evolution of *Christian Social Teachings (CSTs)*, the Church's actual point of view and latest development in relation to her all inclusive nature, addressing herself not only to the hierarchy of the Church, but also to other churches, all religions and all women and men of goodwill. By so doing, Fr. Prof.

Schasching set the line which the thinking of the members of the Assembly could pursue given the information and knowledge by outside experts and commentators on the topic being investigated.

Central Points of View of CST's latest development

1. Globalization is not just a plan to be discussed but an opportunity for international agencies to effectively realize the common good.

2. To achieve the above, international organizations should give sufficient assistance to countries needing support for their development.

3. CST views Globalization as an instrument to promote the well being of humankind by working out the equitable distribution of material good.

4. Free international market does not guarantee the common good. Thus the market is in need of rules and the Law from institutions on national and global levels. The reality is that even if big economic powers agree to contribute to the common good, these powers can be vulnerable to political pressure and vice-versa, politics could be subjected to merely economic goals.

5. Markets are to be safeguarded not only by economic but also by social policy.

6. The principle of subsidiarity should be observed in the collaboration of ethical social forces of society to work for the common good with particular attention to the role developing countries can contribute to it.

7. CST requires economic and political measures based on ethical principles and motivation therefore infusing a new economic spirit in life.

8. Important is *to globalize ethical forces*, to bridge the gap between the rich and the poor, to create intergenerational solidarity in relation to preserving nature and sustain a balanced ecology.

9. The main preoccupations are the following:

1.1 The benefits of globalization reaches only a small part of humankind.

1.2 Tension exists with the domination of big countries over smaller and weaker ones.

1.3 Globalization undermines cultural identity of smaller nations.

1.4 Globalization is viewed in a limited way and not seen as a multidimensional reality.

1.5 Society and State are being controlled by financial markets and speculation.

The Church offers her collaboration without imposing its views. She,

however, needs to be in touch with human problems. The positive sign is the rapprochement between East and West. Both enter a period worldwide and together could search for a moral framework and more importantly a motivation to transform persons, families, communities and society.

The Topics of Discussion

To assess the reality of globalization outside experts have been invited to address the following topics with two or three commentators on each topic and an exchange of ideas among the academicians:

1. Globalization and Ethical Approaches by Prof. David Crocker.
2. Globalization and Human Development: Ethical Approaches by Dr. Zephirin Diabré.
3. The Global Economy: Emerging Forms of (Inter)Dependence by Prof. Paul Dembinski.
4. The Impact of Globalization on Poverty and Cultural Identities by Prof. Pedro Morandé.
5. Globalization and Institutional Change: a Development Perspective by Prof. Stephany Griffith-Jones.
6. The Impact of Global Financial Flows on Developing Countries by Prof. Jorge Braga de Macedo.
7. Globalization and the Church's New Challenges by S.E.R. Mons. Josef Homeyer.

The Ethical Approaches

It is a consensus of the Academy that one needs an ethical framework in order to shape globalization in the positive direction such that human dignity will be respected, cultural identity will be nurtured, and human rights protected and defended. The paper of Prof. David Crocker is a resource material for ethical principles which should underlie any decision and activity that aims to bring about authentic human development of people and social transformation.

On this topic, Prof. David A. Crocker, highlighted since the 1940s the moral assessment of the theory and practice of development identifying the theorists from Gandhi (1940) Gunnar Myrdal (1960s), Denis Goulet (1971) to Amartya Sen and Nussbaum and Glover (1995) with special focus on the reality of the poor especially in the developing world. Among the many questions being posed starting from a question of the concept

of 'development' itself, significant in the context of globalization implying the 'gap between the rich and the poor' are: 'Who should bring about development – a nation, government, civil society or the market? What role – if any – should more affluent states, international institutions, and nongovernmental associations and individuals have in the self-development of poor countries?'

Amidst the suffering, misery and deprivation experienced in the world, it is a hopeful sign that indeed the 'globalization of ethical forces', i.e. scientists and/or 'wisdom keepers' like Gandhi in different parts of the world, albeit still few in number, reflecting on ethical dimensions – becomes possible. These scientists/wisdom keepers believe that their enterprise should be international. From many nations including poor ones, they are seeking to forge an international consensus. They emphasize a commitment to alleviating worldwide deprivation. While instituting certain development principles and procedures deemed relevant for a poor country, there is a call for sensitivity to the specific country's historical, cultural and social context.

Despite certain agreements with regard to Ethics of Development – that takes into consideration both the quantitative ('having' – satisfaction of physical needs) and qualitative ('being', deeper meaning in life) – specific controversies need to be resolved in this age of globalization, such as: '1) socio-economic model from the North perceived as imposition on the South, 2) specific issues to be addressed: international trade, capital flows, migration, environmental pacts, military intervention and responses to human rights violations committed by prior regimes 3) link between military intervention, and that of international institutions to absolute or relative poverty; and 4) the importance of the ecological issue'.

A continuum has been drawn in relation to development ethics – on the one end 'there is more commitment to the values of individual choice, tolerance of differences, and public deliberation about societal ends and means; and, at the other end, more normative guidance about the good human life but less room for individual and social choice'.

The Church as an expert of humanity will likely accept the empowerment principle articulated by Amartya Sen:

With adequate social opportunities, individuals can effectively shape their own destiny and help each other. They need not be seen primarily as passive recipients of the benefits of cunning development programs. There is indeed a rationale for recognizing the positive role of free and sustainable agency – and even of constructive impatience (Sen, A., [1999] *Development as Freedom*, New York: Knopf, p. 11, cited in Prof. Crocker's paper).

The foregoing process which is balanced in relation to both rich and poor will each have its role in bringing about transformational change both personal and social.

The converging point with the Church in the context of globalization is the ethical view and criterion for evaluating 'development' work – respect for the human and divine dignity of person and integrity of creation, the ultimate 'why' of a commitment to promoting the well-being of all, and not just a few. However, the empirical reality brings out the truth of experience of the gap between the rich and the poor. Hence, a call to all women and men of good will to find out the nature of the gap and to strive to close the gap through a facilitation of 'self-development' or 'self-empowerment', drawing out the best of the inner-giftedness of the person. The more apt term for this undertaking according to Prof. Crocker is not 'development' but 'social transformation' (sociology) 'self-actualization' (Psychology), and in theological language, 'conversion'.

The Phenomenon of Globalization

1. The phenomenon of globalization has not started only at the end of the 20th century. As treated by almost all speakers and commentators, globalization has historical antecedents which could be traced at least 500 years back in the period of colonialisation, expanding territories and trade. The qualitative change in trade between then and now is the free flow not only of goods and services but also of financial capital which due to the communication technology makes possible instant transfer of information as well as decisions affecting networks of people and businesses across the world. Thus a financial crisis in one country can produce a domino effect worldwide.

2. Globalization is a complex multi-faceted reality. Well put by Prof. Paul Dembinski, globalization has been driven by 'technological progress; supremacy of the ethos of efficiency; and 'open society' and free market ideology' leading to the unlimited expansion of economic activity. The volume of trade in money is very much more than trade in goods and services. Together with the World Trade Organization are the main key players of Globalization which are the transnational business corporations or the 'Very Big Enterprises (VBEs)'. By the fact that they master markets, have a command of technology, and maintain an access to finance makes other smaller enterprises dependent on them.

3. Expressed by experts are hopes that Globalization holds a vast potential for the growth of the economy in developing countries. However, fig-

ures and facts especially of the UNDP Report 1999 presented by Dr. Zephirin Diabré show that there is a trend for a widening gap between the rich and the poor among countries and between countries and an increase in insecurities and vulnerabilities of people in these countries. Moreover, there is a tendency for homogenization of culture. Highlighted by Prof. Pedro Morandé in the area of homogenization is a bridging of distance in the processing of information between person and the machine and by virtue of rapid processing of information, social life is organized in 'real time'. Instant communication becomes possible causing tensions (due to simultaneity of processing of thought and decision-making) in intergenerational dialogue. Homogenization expresses itself in the difficulty of governing bodies to legalize new facts not proceeding from them thus tending to resign themselves to 'consequentialists', with the effect of losing trust in historical tradition and national culture. In the realm of education, there is also the tendency due to the global concern for economic profit to do away with 'classical education' in favor of highly prestigious technical disciplines while technology offers new possibilities for understanding complexity and human possibilities to adapt to social changes. While the phenomenon of cultural homogenization is taking place, there is a way for culture to assert itself in different situations leading paradoxically to both homogenization and 'heterogenization' (Prof. Margaret Archer). It is, however, important in my opinion that people are trained to be reflexive and discern which of their cultural elements should be incorporated in the new situations fully conscious of life-values in their culture which will need to be tapped or harnessed for authentic development, inculturation or transformation.

4. That the capital inflows do not make a difference in the growth of a great number of countries is attributed to the lack of fulfillment of requirements for globalization to be successful. Cited by the UNDP report are the following preconditions for globalization to work: comprehensive plans to attract long term investments. "These plans should include a stable political climate, an educated labor force, active technological policies and clear priorities on what sectors foreign direct investment should go to and incentives for domestic firms, and control of speculative movements of short-term capital" (Dr. Diabré). But above all, a most important pre-condition for globalization to work is good governance (Professors Diabré, Braga de Macedo & Griffith-Jones).

5. Good governance is important to alleviate poverty. And corruption is the biggest factor that hinders good governance. It is also governance according to Prof. Jorge Braga de Macedo that promotes institutional

reforms. It has been found out in a study of OECD that corruption spells 'bad' governance and is associated with unsuccessful Globalization: 'Countries perceived to be more corrupt are less open to imports, have a lower degree of integration in the international financial market, but do not necessarily seem to have a less liberal trade policy, at least according to the particular trade policy index used' (Prof. Braga de Macedo). This finding while not implying a causal link between successful globalization and corruption, was debated upon. Academicians from developing countries made explicit their own assessment of the variables involved in the link between corruption and globalization. Professor Paulus Zulu in his commentary expounds on the equally complex phenomenon of lack of good governance (not to be attributed mainly to corruption) in developing countries. That governments in developing countries do not represent interests and divergent views of a people was expounded. In the same vein, regional organizations do not truly represent the interests of the great majority with Africa as a case in point. The complexity of the phenomenon of corruption as main indicator of bad governance was elaborated further by Prof. Juan Llach. His paper threw light on a seeming circuitous way of reasoning largely from the side of 'big business'. Despite the empirical evidence presented by the study of Prof. Braga de Macedo, there are many variables that have not been touched as causing unsuccessful globalization seen from the point of view of developing countries: These are: 1) Agricultural protectionism and subsidies on the part of the developed world, 2) Limitations to the free movement of people, 3) Global warming, and 4) Barriers to knowledge access. There seems to be a need of a more holistic analysis from two perspectives – the side of the 'developed' countries and those of the 'developing and underdeveloped' countries to resolve the issue of globalization and the well-being of peoples.

6. Prof. Stephany Griffith-Jones argues for more support for the concerns of developing countries with regard to Globalization. She is of the opinion that international financial intermediaries could create a new financial architecture for their benefit. She has informed the assembly that standards in the area of transparency are being pressed upon developing countries to improve information for markets without equal corresponding obligations however for disclosure by financial institutions. While Prof. Hans Tietmeyer likewise agrees to requiring transparency of operations and moderate supervision of financial institutions, he warns those who are advocating to set up the IMF-Contingency Credit Lines (CCL) to developing countries. According to him, this can be quite problematic. He believes that

'any country seeking to avail itself of such a facility signals to the markets that it is susceptible to crises, and may well therefore do itself harm'. He calls on developing countries to realize the importance of unambiguous and updated information. For crisis prevention and crisis management, according to Prof. Griffith-Jones, there are moves to introduce some standards for developing countries to observe; and also a move to make representatives from developing countries to participate in the deliberations regarding regulations. This is endorsed by Commentator Prof. Kenneth J. Arrow as long as participants of developing countries really represent the interests of the people. The paper of Prof. Griffith underscores the move to focus on low-income countries instead of just concentrating on middle-income countries.

Challenges from the Commentators

1) An appeal to an understanding of globalization from the point of view of a heightened consciousness and reflection on collective past historical experiences: the unfolding consciousness of the human person of others in other lands (colonial period), deepening of connection with others of a political and legal nature that shifted relationship from force to negotiation. From a consciousness of remoteness, there is a simultaneity of space and time through Internet (Prof. René Rémond; Prof. Morandé); a greater consciousness of different people of difference and values attached to differences, the consciousness of the 'first world' as against the 'third world' and the role of the former to the latter in a spirit of 'solidarity' leading eventually to a radical form of liberalism as demonstrated in Seattle. There is thus the evolvment of Ethics of Development calling for Challenges and defining meaning that the person is determining his/her history. To this phenomenon, John Paul II appeals to the idea of humankind as optimistic in assigning meaning to events (Prof. Rémond).

2) The need for many more evaluators and reflectors in Asia (and in the world at large) – of the phenomenon of 'colonialism', and the growing consciousness of the peoples of Southeast Asia of having been manipulated by 'developed' societies, with an appeal to a development ethics that fosters nationalism which is humanizing and creating a responsible civilizing movement in the world (Prof. Wilfrido Villacorta).

3) An appeal to a discernment – a type of assessment from the standpoint of the poor on their realities – wages, employment of women and men, structural adjustment – social justice as major concern, a call for

more simple lifestyle and the culture of human welfare (Prof. Sergio Bernal Restrepo).

4) The call for graduate education from where political leaders and other leaders are coming from to be a catalyst in society, assisting all sectoral leaders of Civil Society to have a comprehensive understanding of the situation, reflect and act on it in order to develop a theory of social transformatory praxis; they need to have a spirituality of caring, solidarity, and compassion, a call for bringing together the energies of peoples' gifts of minds and hearts (Prof. Mina Ramirez, Prof. Taketoshi, Nojiri). This may be perhaps the meaning of authentic 'intellectualism' (Prof. Ann Glendon) in service of the mission of total salvation of the world by us who make up the Church.

5) The urgency on the part of Catholics in the world to proclaim His Holiness, Pope John Paul II's World Day of Peace Message (2000) to give 'a soul, meaning and direction' to Globalization, 'with a view to enabling humanity to become one single family, built on the values of justice, equity and solidarity'. Solidarity is to be understood by Christians as 'overcoming sources of division' wrought by personal and structural sins (Prof. Glendon).

6) Attention to experts from the first world to get grounded in the reality of the developing country for they may still not realize the 'logic' of the 'deficient' attitudes and behavior in developing countries (suggested by commentaries of Llach, Zulu, McNally, Restrepo). On the other hand, it is important that persons in the 'first', 'second' and 'third' worlds do not just become the victims of economic globalization. In and through faith, they are not to be victims of their suffering, but in the words of the Church, they 'will take up the cross' and work for a continual rebirthing towards the triumph and joy of the resurrection.

7) Take note of non-market economies in developing countries where there is an unwritten sustained contract and social norms revolving around credit, labor, insurance, use of grazing lands and forestry. It is important to study whether the social norms of indigenous communities are benign to all – to chieftains as well as to women and children (Prof. Partha S. Dasgupta).

8) A gentle persuasion for experts to immerse themselves in the concrete lives of the poor in the developing world. Information from such contact gives a qualitative basis for micro or macro policy (suggested by commentaries from Prof. Jerzy G. Zubrzycki, Hon. Justice Nicholas J. McNally, Prof. Ramirez).

9) A harnessing of organized intermediate groups on national, regional and international levels to create movements towards a formulation of adequate economic and social policy to regulate global market economics based on principles of Christian social teachings (Prof. Nojiri).

10) Policy-making that takes into consideration global changes where financial capital is mobile (does not stay within countries); increase in world income through participation of rich countries in poor countries' economy.

11) Sensitivity to the context of persons whose ideas sometimes are difficult to translate due to language barriers.

12) Need for intergenerational dialogue; tradition to be reviewed in the context of on-going experiences (Prof. Pier Luigi Zampetti).

13) A thorough study of the Christian Social Teachings and its underlying philosophy which contains criteria of judgment to assess the globalization phenomenon.