

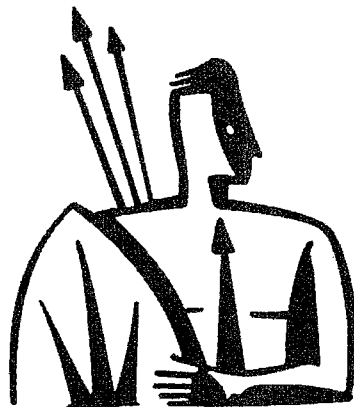
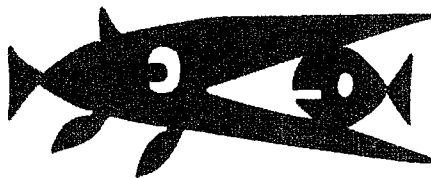
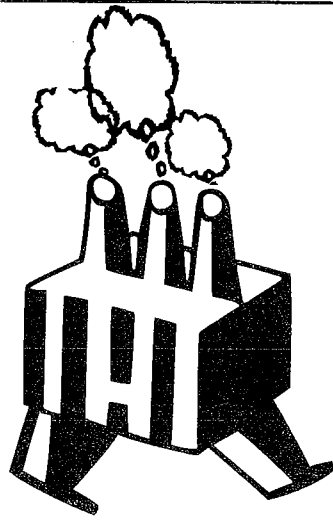
# THE GLOBALIZATION OF ECONOMIC LIFE

Challenge to the Church

*by Gordon Douglass*



Advisory Committee  
on Social Witness Policy



**THE GLOBALIZATION OF ECONOMIC LIFE:**

**Challenge to the Church**

by

**Dr. Gordon K. Douglass**

**An study paper prepared at the request of  
the Advisory Committee on Social Witness Policy  
Presbyterian Church (U.S.A.)**



Advisory Committee on Social Witness Policy

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## *An Invitation to Study . . .*

The last few years have seen a rapid change in the way we understand and live in our world. The process of “globalization” puts a label on that new way of understanding our life and our planet. Yet just what “globalization” is and means—whether it is full of opportunity or peril—remains to be discerned in both the short and long term. The Presbyterian Church (U.S.A.) acknowledges it has a responsibility to be part of that discernment process.

With the adoption in 1996 of *Hope for a Global Future: Toward Just and Sustainable Human Development* by the 208th General Assembly, the Presbyterian Church (U.S.A.)’s Advisory Committee on Social Witness Policy (ACSWP) was directed

to monitor the implementation and consequences of the recent international agreements and mechanisms for expanding world trade—such as NAFTA, GATT, WTO with special concern for the effects of trade on the poor, the natural environment, local communities, and the distribution of power among the actors in economic development. The ACSWP shall report periodically to the General Assembly and its relevant agencies on its findings and their implications for the further development of policy on international trade and the church’s advocacy on trade issues in the public arena. (*Minutes*, 208th General Assembly (1996), p. 114, 542)

The ACSWP, aware of the rapidly changing dynamics involved in world trade issues, discussed how to critically analyze the interrelating and interconnecting concerns of world trade issues and how to produce something helpful that would engage the church. It asked: how do complex and challenging global issues, such as world trade and economic globalization, enter the life of the congregation?

As a response to the General Assembly action, the committee set in motion a process whereby four timely papers would be developed approaching world trade issues in their current context of rapid globalization. The goal would be to engage the church in dialogue without a loss of core Christian values. The challenge would be to connect what is happening in the global economy to how it impacts the local economy and its lifestyle. These four papers—all affirming that economics is a matter of faith—would be made available to the church for study, reflection, and feedback to the ACSWP. The committee would then pull together its learning into a resolution for possible submission to a future General Assembly.

Gordon Douglass, former chair of the ACSWP, who had served on the task force that produced *Hope for a Global Future*, and a consulting economist and former vice-president for academic affairs and dean of Franklin and Marshall College, was invited to draft the first paper: “The Globalization of Economic Life: Challenge to the Church.” He did so in December of 1997 and it has served as a foundational document for the committee’s extended reflection. He kindly updated it in November 1999 for this publication. Both versions have had broad distribution and have sparked engaging discussions. The paper serves to define economic globalization and to introduce the theological and ethical considerations for the three papers that would follow and, thus, is a key document to be read prior to the other papers. It examines the impact of economic growth and the challenges brought by the new political dynamic experienced in globalization.

The committee invited the International Labor Rights Fund to prepare the second paper: "The Employment Effects of Free Trade and Globalization." Pharis Harvey, a United Methodist minister and, at the time, the executive director of the International Labor Rights Fund, oversaw the development of this paper in conjunction with a work team of the ACSWP. This paper looks at the connection between resources and labor and the need for the church to address the intentional exploitation of people for profit. Thus, it has a focus on the all-important impact of the international trade agreements on the people involved in producing the goods. It offers for consideration several challenging policy options.

Two other papers are currently in the works to broaden the committee's understanding of two further important dynamics as set forth in the General Assembly directive. Robert Stivers, professor of ethics at Pacific Lutheran University, will draft the third paper which will measure the environmental impact of world trade and economic globalization. Ruy Costa, an ethicist and immigrant from Brazil, current chair of the ACSWP, and Executive Director of Episcopal City Mission in Boston, will draft the fourth paper which will examine the cultural impact of world trade and globalization. These two papers are anticipated to be available in spring 2002.

The ACSWP invites sessions and other groups within congregations, as well as presbytery and synod committees or groups, to explore the issues contained in this study document (and in the whole series) and to respond with any and all discernment of the Spirit so that the task force and committee will be informed as they prepare and propose a resolution on trade to the 215<sup>th</sup> General Assembly (2003).

**A study document of the General Assembly seeks to stimulate study and discussion within the church on particular social issues. It is not to be construed as a social witness policy of the Presbyterian Church (U.S.A.). Therefore, nothing in this document can be used to direct the mission program of the church. This study document is distributed to inform and help prepare a resolution.**

Recognizing that the World Alliance of Reformed Churches (WARC) meeting in August 1997 at its 23<sup>rd</sup> General Council in Debrecen, Hungary, called on its member churches for a *Processus Confessionis* regarding economic injustice and ecological destruction, it is hoped that the series of papers developed by the committee on world trade might serve as a contribution to that committed process of recognition, education, confession and action.

Reflections and feedback from the study of this document should be sent to the offices of the Advisory Committee on Social Witness Policy. We encourage prayerful study and reflection to continue to occur in congregations and presbytery groups in the next year. Feedback will be accepted through December 31, 2002, for use by the Advisory Committee on Social Witness Policy in their response to the Assembly.

**Send your comments and reflections to:**

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The study document comes to you designed for personal or class use, in the hope that we may all become more aware of our call to be God's people in our daily lives and work.



Peter A. Sulyok, Coordinator  
Advisory Committee on Social Witness Policy

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# The Globalization of Economic Life: Challenge to the Church

by

Dr. Gordon Douglass

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# THE GLOBALIZATION OF ECONOMIC LIFE: CHALLENGE TO THE CHURCH

## I. The New Globalism

Globalization has become the catchphrase of the 1990s. It describes a complex phenomenon, full of promise and threat. It promises to bring millions of people into active participation in global economic life. Yet it threatens to marginalize millions more in countries and situations unwilling or ill-equipped to adapt to the torrid pace of globalization. Indeed, it has long been known that some people and some communities lose more than they gain from exposure to globalizing trends, at least in the short run. As Christians, we should be concerned when people and communities are marginalized by forces beyond their reach.

In its broadest sense, globalization refers to the rapid growth of linkages and interconnections between nations and social communities which make up the present world system.<sup>1</sup> Thus, any meaningful discussion of globalization must begin with a recognition that it may mean different things to different people: For some it refers primarily to the vast spread of global communication. Others think it best conveys the homogenization of consumer cultures. For still others, it is mostly a way of drawing attention to the emerging consciousness of our mutual dependence on the life support system of a small planet. Many others believe it is best reserved to describe economic globalization--the erasing of economic borders to allow the free flow of goods and money. And still others wonder if it might best be used to acknowledge the spread of global civil society--a force that questions other forms of globalization, especially economic globalization.

To be sure, globalization has come to mean all these things, and more. But we understand the 208th General Assembly (1996) to have asked for help (Minutes, p. 542) with the relationships of international trade to global flows of information, technology, money, people, and culture--in short, to *economic* globalization. It is to those kinds of linkages and interconnections that this Background Paper is addressed. As they multiply, economic decisions and activities taking place in one part of the world have more and more consequences for people and communities elsewhere in the world.

## II. Theological and Ethical Considerations<sup>2</sup>

Globalization is not a new concept to the church. It is first prefigured in the Bible by the creation stories. What God has made is a unity; all belongs together. That creation is to be tended, protected and nurtured

by its human participants who have unique creation responsibilities because of uniquely bearing the image of the Creator. That responsibility involves caring for both "the garden"--the environment itself--and the relationships of the created beings. Stewardship thus takes precedence over accumulation as a biblical economic principle.

Globalization is also prefigured by understandings of the covenant, one of the great themes of the Bible. In the biblical vision, faithfulness and righteousness (justice) were the expected human counterparts to the divine commitment. Historically the covenant was first with Abraham on behalf of all Israel. But in a great prophetic leap of insight, Isaiah perceived that this vision was not to be confined to one people but channeled through Israel to all the world:

Behold my servant . . . I have put my Spirit upon him, he will bring forth justice to the nations . . . I have given you as a covenant to the people, a light to the nations. (Isaiah 42:1,6b)

Christians see in Jesus the personification of God's covenantal intent to break the bounds of nationality, race, ethnicity and geography, to include all peoples and nations in the vision of faithfulness and justice. This world-encompassing view is captured in the New Testament interplay of ideas based on "the *oikos* (household) of God," "the *oikonomia* (economy) of God," and "the *oikoumene* (inhabited earth)."

Many commentators have noted how the common root of the words economy, ecology, and ecumenical points to the inseparability of God and God's people from the goal of just economic relationships among all peoples and nations. Community, rather than individualism, is the proper starting point of biblical ethics. In the unfolding of the biblical message, that sense of community extends to include ultimately all the earth's people and all future generations.

The Bible dwells much on the human condition of sin. In the Reformed tradition, we regard sin as that which separates us from God. But in biblical faith, that is seldom a matter of abstraction. We do not know God "face to face," by intuition or even by our own initiative. Rather, God is revealed to us; and, in biblical terms, that predominantly means God's self-revelation in and through history, in God's interactions with people. Separation from God almost always involves separation from other people; from the community. Growing economic disparity between

the world's wealthy few and the impoverished many is a reality of the present global system. Whether that breach of community is sin or happenstance is a theological question which greatly determines how the church engages global economic order.

Calls for freedom of commerce as the standard for all economic relationships brings into focus more clearly than most economic issues the strain between individual and community values. Those who call today for trade and investment free of all controls imagine a world that is a far cry from the vision of community upon which biblical faith bases its hope for a just society encompassing the whole inhabited earth. A global economy of biblical dimensions seeks a community of shared values and commitments that transcends geographic, political, ethnic and cultural divisions. Community involves covenant, not merely contact.

Trade, even trade across national boundaries, is not an invention of our time. The fact that biblical faith developed first among a people who lived at the crossroads of international commerce likely accounts in no small degree for the Bible's persistent linkage of just economic relationships and faithfulness. Consider for instance the story of Joseph's abduction; the catalogue of Solomon's riches derived from far-off lands; or the importance of the Apostles' witness in the marketplaces across the Roman Empire.

Yet, the workings of the market have never been easily or wholly embraced by the church. It is not that biblical faith has resisted the exchange of goods. The problem is that many in the modern era have gone beyond the classical notion that competing self-interests in the market help determine prices, quantities and qualities of goods efficiently. Rather, they increasingly insist that the market be allowed to make all relevant decisions about production, distribution and the sharing of benefits and burdens in the society. The market's most staunch defenders insist that it be protected from political or moral tampering.

This insistence on social and moral autonomy has caused critics in the church to denounce "the market society in whose logic God's grace and God's justice cannot appear."<sup>3</sup> To acknowledge a sphere of life from which moral scrutiny is excluded is to abridge God's sovereignty and create an absolute that rivals God. Biblical faith acknowledges no such rival. An unfettered world market is not a biblical vision. The biblical goal is not maximization of the freedom to seek individual benefits, corporate profit or national advantage in the international market.

The primary purpose of economics willed by God is to minister to human needs, service to life. This implies that the economic order is a means and not an end . . . (I)t is the duty of each individual . . . and of the community as such, to see to it that the economic order is not allowed to make itself absolute, or to lose its purpose of service to humanity.<sup>4</sup>

The moral test of today's globalizing economy is whether it serves adequately the human enterprise and the larger creation. Experience thus far does not meet that test. Few would doubt that international exchange has made life easier, more pleasant and more interesting for those with the resources to participate. But huge segments of the world's population do not have such resources; worse yet, many are further impoverished by the ordinary functioning of the globalizing economy.

An economic system in which business profits and high consumption in one society are based on exploitative relationships elsewhere runs headlong into a basic biblical concern. The ability to manipulate people and to play God through money was vehemently condemned by the prophets: "I will not revoke the punishment; because they sell the righteous for silver, and the needy for a pair of shoes." (Amos 2:6) Such words still have a prophetic ring in a time when producers of apparel and sneakers search the world over for a labor force that will work for a few pennies less in the drive to cut costs while protecting market share and profits.

Another example of global economic unevenness is the crushing debt of poor countries. For a variety of reasons--unrealistic development goals, unwise borrowing, corruption of national leaders, misguided technical assistance, the greed of international creditors--scores of poor countries have huge debt burdens. In recent years, governments and banks have offered some relief. Still, in dozens of cases, the remaining debt cannot be paid or it can be paid only by imposing enormous human suffering.

The biblical message is unambiguous. In the seventh year or the 49th year--"the year of the Lord"--there was to be a time of jubilee. Debts were to be canceled, family land returned, and the impressed and oppressed set free. (Lev. 25; Luke 4:18-19) No economic decision or arrangement must be allowed to impoverish permanently; it must not make the future hopeless. Within history, periodic corrections are to be made that will reestablish right economic relationships and restore freedom, opportunity and hope.



Such a principle has profound implications for the prophetic role of the church in today's global economic society. The principle of jubilee is a reminder that biblical faith accords absolute status to no economic system. Nor does it abide untended economic mechanisms. An economy must be subject to moral guidance and regular correction. That is no less true of complex international economic relations than of exchanges between individuals.

Facing such realities, the church need not pretend technical competence it does not uniquely possess. It can and should, however, engage in moral analysis of laws and economic proposals, denounce morally unacceptable economic outcomes, name the sin that is causing pain, and insist that more humane policies be sought and implemented. That is an authentic prophetic task of the community of faith in economic life--whether the market is local, national or global.

### III. Forms of Economic Globalization

Economic globalization takes many forms. Its *shallowest* form is when individuals or businesses in one country trade with those of another. Globalization of this sort is as old as recorded history. Ancient coastal tribes traded with those in the mountains and deserts, each gaining prized goods they could not otherwise have enjoyed. Today, we take for granted the fact that much of what we consume or use originated elsewhere, often in a strange foreign land.

Economic globalization becomes considerably *deeper* when businesses decide to produce their products not only at home but also in other countries, either to evade the tariffs or quotas of countries where they wish to sell their products, or to cut their costs of production by, say, hiring cheaper labor. Then globalization involves the bundling together of financial capital, technology, and other strategic inputs in order to transfer them as direct foreign investment to another country. Globalization of this sort may decrease or increase international trade, depending on whether the investment yields output to be sold only in the country where it is made or it produces output for export to other world markets.

Direct foreign investment implies *control* over the assets transferred abroad. Foreign investments that don't involve control are called foreign portfolio equity investments (hereafter portfolio investment). They are more likely to be made by financial institutions or investors like pension funds, insurance companies or investment trusts, which are interested only in a return on their investments commensurate with the financial risks they are taking. If returns fall or risks rise, portfolio investment is much less dependable than

foreign direct investment as a source of longer-term finance for a country's development.

A *still deeper* form of economic globalization involves the activities of transnational corporation. They coordinate their activities with many entities throughout the world, producing in many places with complex networks of production and finance. This form of globalization has recently been named "alliance capitalism,"<sup>5</sup> in order to stress the growing importance of strategic alliances as businesses search for ways to protect their competitive advantages and global market positions.

Governments also compete for economic advantage globally. Some governments often support private research and development activities, finance worker retraining, protect the environment, and promote interfirm alliances. If others care less about environmental and labor standards, they may start a competitive "race to the bottom," undermining the market positions of firms in countries with high standards. When governments decide it is in their interest to cooperate rather than compete, they may form supranational organizations, like the International Monetary Fund and the World Trade Organization, or less formal regional bodies, in order to achieve shared objectives, e.g., stable macroeconomic conditions, more growth through trade, or "market-friendly" economies.<sup>6</sup>

### IV. Globalization Trends

A. *Rapid Growth of International Trade:* Since World War II, trade between nations of goods and services has grown much faster than world economic output, and the gap has recently widened. Between 1979 and 1988, world output grew at an average annual rate of 3.4 percent while trade grew 4.3 percent. Between 1989 and 1998, the growth of global output slackened to an annual rate of 3.2 percent, whereas trade expanded at a 6.2 percent rate.<sup>7</sup>

This wide difference in the rates of growth of output and trade occurred primarily for three reasons. First, rapid improvements in transportation and communications technology made it much easier and cheaper to reach new markets. The cost of a three-minute telephone call between New York and London, for example, has fallen from \$55 (in 1998 dollars) in 1950 to \$1 today. Second, successive rounds of tariff negotiations have virtually eliminated border barriers among developed countries, and many less developed countries have unilateral reduced their tariffs and quotas. Third, processing trade--trade involving goods whose components cross borders more than once before reaching final buyers--expanded rapidly. Exports originating in the

*maquiladora* industries along the U.S. border in Mexico, for example, account for more than 40 percent of Mexico's total exports currently; the corresponding share of their imports exceeds 35 percent of Mexico's imports.

International trade is widespread for almost all nations, though its relative importance tends to vary according to the size of home markets. In nations as large as the United States, trade (measured as exports + imports) is about 20 percent of the gross domestic product. In most others, it is much higher. Its importance also is rising virtually everywhere. A quick review of the labels in one's clothing is a good reminder of the pervasiveness of trade.

Trade between nations also has been transformed in recent years, from transactions over which national governments exercise significant control--*international* trade, if you will--to a form of globalized trade engineered and managed by large, dominant transnational corporations--*transnational* trade. Well over one-third of all U.S. imports and exports, for example, takes place between the divisions and subsidiaries of the same company. This distinction is important for the reason that it signals a transfer of power and control away from national governments which, for all their failures, can be influenced by the general public.

**B. Even Faster Growth of Foreign Direct Investment:** By latest count, there are at least 39,000 transnational corporations owning production facilities somewhere outside their home country.<sup>8</sup> Direct investments by these large firms, which are growing more than twice as fast as trade, are probably the best indicators of the growth of deep cross-border economic integration. Foreign direct investment rose 39 percent in 1998, a dramatic increase even at a time of uncertainty in many developing countries. Worldwide sales of the foreign subsidiaries of transnational enterprises now exceeds the value of all internationally traded goods.

Decisions to make foreign direct investments originate primarily in the leading industrial countries, although firms in developing countries like Brazil and Taiwan are beginning to make some. France, Germany, Japan, the United Kingdom and the United States still account for 65 percent of the assets held by transnational corporations abroad. The largest 100 transnational corporations (excluding those in banking and finance) are estimated to control about one-third of the global total.

Developed countries also receive most of the inflows of foreign direct investment, e.g., when German firms invest in the U.S. market. But at least one-third of all new inflows are destined for the

developing countries. Asian countries receive 65 percent of new inflows to developing countries, Latin America and the Caribbean, 27 percent.

The linkages between foreign direct investment and international trade depend upon the reasons for making it.<sup>9</sup> If the primary motive is to use cheaper labor, e.g., in the production of clothing or footwear, then the investment is likely to promote exports where host countries have small home markets, e.g., Honduras, and to substitute for imports where host countries have large home markets, e.g., Brazil. If the primary purpose is to secure new sources of natural resources, foreign investment almost certainly will stimulate exports. If the chief purpose is to obtain components for assembly elsewhere into a more complex products ("outsourcing"), it almost certainly will lead to more trade *within* particular firms. If direct investments help differentiate products one from another, e.g., in automobiles, consumer durables, pharmaceuticals, then it is likely to stimulate both intra-industry and intra-firm trade, boosting the volume of both exports and imports. Thus, in most cases foreign direct investment and trade are complements rather than substitutes.

Foreign direct investment also is a primary means of transferring technology across international borders. In this case, the technology is transferred *within* the firm, where it becomes part of the investing firm's significant and continuing financial stake in the success of a foreign affiliate. It, too, has been growing rapidly -- by some measures even faster than trade; but its growth has been concentrated in relatively few large firms with strong technological and brand-name assets.

**C. The Flood of Portfolio Investments Across Borders:** Encouraged by "market friendly" policies in developing countries -- policies in many cases imposed on them by the International Monetary Fund in return for debt relief -- individual investors, pension plans and mutual funds increased their stakes fivefold in the equity shares and bonds of Third World companies in the early 1990s. Such rapid growth contrasted sharply with the experience of the 1980s when equity investments were rare and many poor countries staggered under the weight of external debt.<sup>10</sup>

Portfolio investments can as easily flow out of a country as they flow in. By 1997, holders of Asian equities suddenly began to reassess the risks of their exposure, and the Asian Crisis was born. In retrospect, the inflow of portfolio investment was too fast to be absorbed into productive activities. It created bubbles in stock and real estate prices and encouraged luxury consumption that gave the illusion of prosperity unrelated to real increases in

productivity. The faster portfolio investments flowed into Thailand, Malaysia, Indonesia, South Korea, and Hong Kong, the faster money was sucked out of the productive sector to join the speculation. When investors finally sensed a change in the conditions leading to the profitability of their investments, they rushed to pull their money out. Hence, the flood of portfolio investments reversed direction by the end of 1997, ushering in severe recessions in many countries, from which none has fully recovered.

*D. The Proliferation of Business Alliances:* Cross-border agreements between firms based in different countries have become increasingly important complements to traditional trade and FDI activities, with the range of such agreements growing ever wider. They include joint ventures, licensing, subcontracting, franchising, marketing, manufacturing, research and development (R&D) and exploration agreements. Most cross-border agreements involve firms from the U.S. (80%), Europe (40%), and Japan (38%). Even so, almost one-third of all agreements now involve at least one firm native to a developing country.

Strategic R&D partnerships illustrate the dynamic changes now taking place. Since about 1985, competition among transnational corporations has become increasingly intense because the environment of technological innovation has changed dramatically. It has become ever harder for individual firms to make the R&D and capital investments required to stay competitive. Markets and international production systems also have become more integrated regionally, even globally in some cases.

These changes led transnational corporations to search for new ways to create the critical mass of resources needed to remain competitive. They turned first to mergers and acquisitions, but these proved insufficiently flexible to cope with changing patterns of demand and shortened product life cycles. Firms then were prompted to seek new ways to identify and appropriate developments in critical technologies, sometimes with the help of governments. This quest led them into strategic R&D partnerships in core technologies, e.g., biotechnology, new materials and information technologies.

These strategic partnerships have provided access to complementary technologies, reduced costs and risks, and created synergies and spillovers between entities that cannot be obtained easily within a firm. Hence they are two-way relationships based on the joint creation and sharing of knowledge. Unlike foreign direct investment, they tend to be contractual in nature, with little or no equity involvement by the participants.

Not surprisingly, the vast majority of strategic R&D partnerships have been between firms in the most developed countries. Only 13 percent included a partner firm from the developing countries. Thus, strategic R&D partnerships have provided transnational corporations of the more developed countries with another way to remain competitive technologically -- usually at the expense of firms domiciled elsewhere which are less adept at managing change.

## **V. The Institutions of Globalization**

As international trade and investments have soared in the 1990s, so, too, has the regulatory machinery for assuring their continued growth. It was during this period, for example, that the World Trade Organization emerged as the dominant arbiter of international trade. Negotiations in the so-called Uruguay Round of multinational trade concessions, completed in late 1994, not only undermined the capacity of national governments to manage foreign trade, thus weakening their ability to protect domestic labor, the environment and public health. But these negotiations also created the World Trade Organization and gave it a powerful set of tools that favored "the market" over national governments. For example, it requires member nations to accept all of the reciprocal trading obligations negotiated in previous rounds, eliminating the "free ride" some enjoyed previously. Its dispute settlement mechanisms are vastly more binding than before. And its enforcement mechanisms have much sharper teeth than those of its predecessor, the General Agreement on Tariffs and Trade (GATT).

In November 1999, the World Trade Organization shed its anonymity when the trade ministers from its 134-member nations convened in Seattle to explore the feasibility of another big negotiation on freer trade. The agenda for a "millennium" round is still undecided, but it is likely to contain unfinished business from the Uruguay round, namely further liberalization in agriculture and services, a review of intellectual-property rules, and lower industrial tariffs. The European Union wants to include such subjects as investment and competition policy, but the U.S. opposes them. Developing countries are equally opposed to plans by the U.S. and the E.U. to add new rules on labor and the environment. Hence, any new round of trade negotiations is likely to be less ambitious than the Uruguay round.

Given this modest scope, why then did upwards of 100,000 people demonstrate against the Seattle meeting? The answer has little to do with the official agenda, or indeed with the round itself. The World Trade Organization has become a magnet for

resistance to globalization by both old-fashioned protectionists and newer critics of free trade. These foes are incensed that, as economies become more closely intertwined, trade policy is increasingly impinging on such sensitive issues as food safety and the environment. They resent the constraints of world trade rules which diminish national sovereignty. They rue the concentration of economic power by large transnational corporations that trade rules promote. And they regard the costs of adjusting constantly to changing market circumstances as damaging to community and human well being.

A new role for the International Monetary Fund (I.M.F.) also has evolved, this time in response to new levels of instability in capital markets. As speculative financial capital floods into countries with relatively small and unsophisticated financial markets, the risks of it fleeing rise when investors lose confidence in a country's economic policies. This is what happened in Mexico in 1994 and in Thailand, Malaysia, Indonesia, and South Korea in 1997, when capital flight quickly forced governments to reconsider their macroeconomic and banking policies. These convulsive experiences have raised important questions about the nature of speculative currency attacks, the appropriate defensive policies, the degree of exchange rate flexibility needed in the evolving international financial environment, and the role of international financial support, that are now only beginning to be explored. They are bound to lead to significant institutional and policy changes in the future, guided inevitably by the International Monetary Fund.<sup>11</sup>

In both 1994 and 1997, the I.M.F. orchestrated a "bail-out" of the banking and financial systems in distressed economies, where accumulated bad debts were threatening insolvency to the broader financial system. Because of its central role in the international financial system, the I.M.F. entered into each of these transactions armed with a far-reaching set of reforms that each recipient must institute before they receive emergency funds.

More broadly still, the International Monetary Fund continues its partnership with the World Bank as the arbiters of economic policies for countries saddled with unsustainable debts. When in the 1980s many developing countries no longer could generate sufficient income to meet their debt obligations, they were faced with the choice of retreating into complete economic isolation or seizing the lifeline thrown them by the I.M.F. and the World Bank—a lifeline composed of "stabilization" and "structural adjustment" loans available only if they agree to far-reaching and "market friendly" changes in national economic policies. While many of these arrangements now have expired, others remain in

force and still others are being negotiated.

Indeed, the high volume of lending to emerging markets in the 1990s, most denominated in foreign currencies, has contributed substantially to these countries' vulnerability to external shocks.<sup>12</sup> Yet it was not until May, 1997, that the I.M.F. and the World Bank finally implemented a joint initiative for Heavily Indebted Poor Countries (HIPC), calling for selective debt reduction for particular countries. Debtor countries must show a track record under the plan of "good policy performance" during the first three years of eligibility. Then if their performance is deemed satisfactory, during the second three years up to 80 percent of the net present value of their officially held debt may be forgiven. To date, only seven countries have been offered debt relief.<sup>13</sup>

A Multilateral Agreement on Investment (M.A.I.), widely favored by most developed countries, is seen by the World Trade Organization as a model for the multilateral rules on Foreign Direct Investment it hopes to develop. Its institutional significance is contained in its "national treatment" obligation -- that foreign-controlled firms and investments are to be granted treatment under the laws of a host nation that is equivalent to that of domestic firms and investments. Host nations also would have to extend most-favored nation treatment to investments from nations that participate in the M.A.I., and to allow unrestricted transfer of funds between investors and investments. Thus, adoption of the M.A.I. on a global basis would severely limit the ability of nations to regulate investments -- at a time of mounting risks from sudden capital movements.<sup>14</sup>

The institutions of international business also are changing rapidly. There is an almost universal trend by both firms and countries toward a more integrated cross-border organization of economic activity. The number of cross-border transactions has greatly increased; the value of foreign production now exceeds that of trade; and there are a variety of signs that the major institutional players are changing their ways of thinking and modes of operation as they adopt a more systematic approach to their activities. These changes are best exemplified by the introduction of a more flexible approach to production (e.g., "lean production" and "out-sourcing"), together with a growing appreciation by firms of the need to form close and ongoing relationships with other firms to capture fully the benefits of their own competencies.

Accordingly, there are a variety of institutional adjustments under way that strengthen a "market friendly," multilateral global economy. To be sure, there are powerful forces resisting this consolidation of market power. Nations which prefer higher labor

standards and/or stricter environmental controls often resist calls to lower trade barriers when they are unaccompanied by sanctions against "unfair competition." The U.S., for example, has proposed five "core" labor standards for inclusion in the World Trade Organization's rules, including a ban on "exploitative" child labor and a guarantee of trade-union freedom. Then, too, the European Union and Japan have proposed an international tax on fossil fuels as a first step in a campaign to reduce carbon dioxide emissions. But these so-called "new issues" of trade policy, highly contentious in every case, so far have failed to dampen the transformation of multilateral bodies into market-friendly institutions.

## VI. Where Should Power Reside?

A moment's reflection on these dramatic trends raises the following question: Into whose hands are the powers to set society's goals being delivered as the forces of globalization continue to expand? Virtually everyone concedes that markets are an extremely useful instrument for *implementing* goals. As mechanisms for delivering goods and services to the people at the lowest possible prices, they have yet to meet their match. Markets also make the most of society's limited resources of land, labor, and capital.

But unfettered markets may not be the best instrument for setting the goals of society. Unregulated markets often lead to spoiled environments. Nor do markets provide for the national or collective defense. They will not eliminate the scourge of unemployment. They rarely distribute income and wealth in accord with most people's ethical conception of fairness. And they are not usually designed to protect the non-economic values and institutions favored by unique communities and societies. Markets care not for fairness or community, but only for efficiency.

Who, then, ought to set society's goals? How are today's globalizing communities and nations governed? To what extent do their governance structures hold decision making powers accountable for the consequences of their decisions?

The answers to these questions are rather different, depending upon one's allegiance to one of three particular schools of thought. Let us call them the Washington Consensus, the Human Development Consensus, and the People-Centered Consensus.

A. *The Washington Consensus*: This widely held point of view finds its leadership in the business community, the economics profession and the so-called Bretton Woods institutions---the International Monetary Fund, the World Bank, and the GATT/World Trade Organization. The Washington

Consensus supported the efforts of these institutions to impose economic globalization from above during the international Debt Crisis of the 1980s, by offering various kinds of debt relief, but only if the indebted countries agreed to adopt some combination of "stabilization" and "structural adjustment" policies that sharply reduced government services, freed economies of regulation and encouraged exporting and direct investment. This "top-down" strategy was evident again during the Asian currency crises in 1997, when Thailand, Indonesia and South Korea were goaded into restructuring their economies in return for temporary financial supports. Members of this consensus applaud the growing power of market institutions and the weakening of governments, and favor strengthening the Bretton Woods institutions as instruments of global economic governance. Because this group says relatively little about non-economic goals, it leaves the impression that it favors policies that place economic growth and international trade above other human values.

The main features of the Washington Consensus were best summarized in the World Bank's 1991 *World Development Report*. This "market-friendly" approach, the World Bank wrote, requires for its success an efficient domestic economy, a favorable climate for entrepreneurs, and an openness to trade, investment, and new technologies. Governments, it asserts, "need to do less in those areas where markets work, or can be made to work, reasonably well." Thus, it favors privatization of many state-owned enterprises. Governments still have important roles to play, especially as providers of a legal framework, education, and stable fiscal and financial policies, but their importance is downplayed.

The Washington Consensus has exerted enormous influence on the processes of change we see reflected in globalizing economic trends. These trends strongly imply a heightened concentration of economic power in the world, centered especially in large multinational enterprises, a weakening of the countervailing forces of governments and civil societies, and quite probably a further separation of decision-making powers from public accountability for their consequences. Who sets society's goals in a world of the Washington Consensus? It is still a pluralistic world involving enterprises, governments, and civil societies. But the balance of these forces seems now to be shifting in favor of businesses, whose interests are vastly more focused on economic returns than on the health of people and their communities.

We shall have more to say below about the consequences for community life of deploying the Washington Consensus.

B. *The Human Development Consensus*: This school of thought is best represented by UNICEF and the United Nations Development Program. It differs from the Washington Consensus primarily by its readiness to highlight the ill effects on human and community life of many globalizing processes. It is blunt about the fact that "market friendly" development strategies usually produce losers as well as winners, and that social cohesion easily is lost when societies fail to find ways to assist the losers with retraining, relocation, and/or income transfers. It rues the growing gap between rich and poor. The Human Development Consensus also has focused attention on the wastefulness of military expenditures and international arms sales and on the human destruction wrought by the structural adjustment policies of the I.M.F. and the World Bank.

One important marker of the Human Development Consensus is the annual *Human Development Report* published by the United Nations Development Program. It is here that one finds up-to-date information about the incidence of poverty, human deprivation, gender disparities, and other measures of human development. Unlike the Washington Consensus, it is sensitive to signs of disintegration in the social fabric that often accompanies rapid economic change.

The Human Development Consensus thinks that an economic system can remain viable over time only so long as responsible governance structures establish mechanisms to counter the abuses of market or state power and the consequent erosion of society's natural, social, and moral capital. This suggests that it believes in a form of democratic pluralism not unlike the framework that guided the post-World War II economic boom of Western nations and resulted in the broad sharing of development benefits throughout their societies. Thus it supports a process of goal setting which actively seeks the involvement of all parts of society, including the civil society. Even so, it shares with the Washington Consensus a belief in economic growth through free and open markets, and therefore it too is hostage to economic power arrangements that produce outcomes especially favorable to business.

C. *The People-Centered Consensus*: This school of thought finds its leadership in various citizen alliances, such as the People-Centered Development Forum, the Third World Network, and the International Group for Grassroots Initiatives, rather than any official governance structure. It is deeply rooted in the institutions of civil society. While the People-Centered Consensus acknowledges necessary roles for markets and governments, it insists that the people must take precedence over the interests of either the corporation or the state. It therefore stands in

opposition to the patterns of globalization that concentrate economic power in the hands of multinational corporations beyond the reach of public accountability.

The most articulate proponent of this school of thought is David Korten of the People-Centered Development Forum. In his book, *When Corporations Rule* (West Hartford, CT: Kumarian Press, 1996), he makes clear that adherents of the People-Centered Consensus favor economic and political *de*-centralization, so that people retain the rights to organize and to participate in the decisions that affect them. In order to achieve this goal, he prefers greater community self-reliance -- a drawing back from the deepening entanglements of globalization, not to the exclusion of specialization and trade, but with greater effort to nurture and control the use of local resources. Because the People-Centered Consensus regards the limits of the earth's finite ecosystem as more constraining than the other schools of thought, it also places greater emphasis on a means of livelihood adequate to assure every person's basic needs. Frugality for the well-off is a *sine qua non* of this point of view.

The People-Centered Consensus draws strength also from the indigenous communities of developing countries, which resist the Westernization of their culture. Their religious roots cause them to perceive their society's goals differently than, say, the elites who have allied themselves with the agents of globalization. For many of them, it is the dignity and sustenance of individual human beings that matters more than growth or even development of the local economy.

Members of these communities wonder too if the free-market paradigm of the Washington Consensus is not an indirect method of organizing *social and political* relations and structures in society as well as a means of ordering the economy. While markets are very useful economic tools, they dare not be seen as benign social and political instruments, the indigenists say. It is not enough to have "friendly" economic markets and "socially concerned" business leaders. A society needs a healthy civil society *first*, lest the economic system be allowed to disrupt harmonious human relationships.

Thus the kind of democratic pluralism preferred by the People-Centered Consensus probably implies markets with a significant degree of regulation and trade policies that link national economies to one another within a framework of rules that maintains domestic competition and favors domestic enterprises employing local workers meeting local standards, paying local taxes, and functioning within a well-developed system of democratic governance.

Foreign competition is not excluded; it simply does not share the preferred status of locally owned businesses that are rooted in place and serve the community in many ways that imported goods and footloose investors cannot.

## VII. The Consequences of Globalization

This summary of the rapid spread of economic globalization gives solid hints about its main causes. The first is the pressure on business firms from customers as well as competitors continually to innovate new processes and to upgrade the quality of what they produce. This pressure has forced many firms to make deeper investments in R&D, to seek new ways to reduce costs, and to search for wider markets. Moreover, as firms discover the limits of their own core competencies, they are recognizing the need to combine their competencies with those of other firms, often in other countries, in new forms of "alliance capitalism."

The second source of globalization's expansion is the spread of market-oriented policies by national governments and regional authorities. In the last eight years, at least thirty countries have given up central planning as the primary way to allocate scarce economic resources, and almost one-hundred others have liberalized their international trade, foreign exchange, and/or capital transfer policies. The privatization of state enterprises in many countries and the relaxation of government regulations have added incentives for cross-border integration, both within transnational corporations and between independent firms or groups.

There is no doubt that the expansion of international trade, direct foreign investment, portfolio financial investments, and networks of business alliances have benefitted many people. The political changes and technological advances of the last decade have provided a stronger basis for economic growth than at any other time since the mid-1940s. This is because a globally integrated economy can lead to a better division of labor between countries, it is argued, allowing low-wage countries to specialize in labor-intensive tasks while high-wage countries use workers in more productive ways. It will allow firms to exploit bigger economies of scale. And with globalization, capital can be shifted to whatever country offers the most productive investment opportunities, not trapped at home financing projects with poor returns.

But globalization also has its costs, and these must be weighed along with its benefits in order to assess its true consequences.

### A. Heightened Inequality: The most immediate

and visible negative consequence of globalization is the increase almost everywhere of structural unemployment brought about by competitive pressures, the implementation of new technologies and the introduction of more market-oriented systems of governance. The structural changes leading to this unemployment tend to exaggerate the differences between those with the education, skills, and mobility to flourish in an unfettered world market -- the owners of capital, highly skilled workers, and many professionals -- and those without such attributes. Globalization has a way of eroding the bargaining power of groups that cannot move, leading to greater instability in their earnings and hours worked. These apparent "losers," unlike the highly skilled "winners," are increasingly anxious about their place in an integrated world economy, whether they are blue collar workers in New England textile factories or subsistence farmers in Mindanao.

The best evidence of this wrenching apart of community well-being is found in growing income inequalities. Virtually everywhere in the West, despite "social safety nets," the youngest, poorest and least educated are significantly worse off than their counterparts were twenty years ago. This increase in income inequality has been most striking in the economies of Central and Eastern Europe in transition to market-oriented systems. But it also has occurred in several leading industrial countries (for example, Germany, Japan, the United Kingdom and the United States).<sup>15</sup> Income inequality in America generally decreased from 1929 to 1969, but since then, the trend has reversed. Since the mid-1970s, the poorest 10 percent of households have seen an 11 percent drop in real income, while the richest 10 percent experienced a 28 percent increase. When segments of society are considered separately, the differences are even starker: a male U.S. high-school graduate in 1979 earned 30 percent more (in real terms) than he could in 1996.

It is not very clear what *forms* of globalization are responsible for these disruptive changes in the markets for workers. Policymakers, labor advocates, and pundits in general tend to attribute most of the changes in more developed countries to intensified competition from low-wage countries, both as sources of imports and as hosts for foreign investors. Most international economists, on the other hand, have argued that while trade with low-wage countries may have contributed up to 20 percent of the difference, such trade is still too small to have had a larger effect on labor-market outcomes in the North. These economists prefer to put the lion's share of the blame for marginalizing low-skilled workers on technological changes (e.g., computerization) that recently have been biased against the demand for low-skilled labor.<sup>16</sup>

Recent reviews indicate that many poor countries also are becoming *less* egalitarian in the face of globalization.<sup>17</sup> In the developing world the rich and politically well-connected usually get richer by monopolizing access to government contracts, cheap loans from government controlled banks and permits to exploit stocks of natural resources. The educated middle classes and the most efficient farmers are also getting a little bit richer. But many of the rural poor, especially the smallholders and the landless of Asia and Latin America, are being ruthlessly dispossessed and displaced. The evils of the 18th century enclosure movement in England are being repeated today in much of the developing world.

Another source of pain for the poor of developing countries is the result of stabilization and structural adjustment programs imposed on heavily indebted countries by the International Monetary Fund and the World Bank. Most valuations of the welfare consequences of these programs suggest that groups of the poor are liable to be among the losers, with the urban working class particularly at risk.<sup>18</sup> Indeed, one study of adjustment experiences in 24 African countries concluded that only *one* appeared to have simultaneously achieved the objectives of stabilization, structural adjustment, growth and protection of vulnerable groups. This author identified 16 of the 24 countries as having failed to protect the vulnerable.<sup>19</sup>

**B. Conflicts Over Social Priorities:** Communities also are threatened by globalization because its processes create conflicts within and between national governments over domestic social priorities and the social institutions that embody them. Consider, for example, the struggle the nations of the European Community have had over the harmonization of policies on employment, welfare, immigration and competition in order to create a common market and a common currency and to remain internationally competitive. In Japan, large corporations have started to dismantle the postwar practice of providing lifetime employment, one of Japan's most distinctive social institutions, in order to adapt to the pressures of globalization. In South Korea, labor unions have taken to the streets to protest the government's relaxation of firing restrictions. Developing countries in Latin America are competing with each other to liberalize trade, deregulate their economies, and privatize public enterprises.

Efforts by developed countries in North America and Europe to "harmonize" labor standards are motivated only in part by the fear in developed countries of losing jobs to workers earning much less

in developing countries. International labor standards have become a point of contention in trade disputes recently not only for economic reasons, but also because low wages and weak safety standards violate the human rights of workers. To be sure, many countries limit freedom of association, the right to organize and bargain collectively, basic protections for children from exploitation, and freedom from unacceptable working conditions. But developing countries are deeply suspicious that disguised protectionism motivates many of the calls for compliance with core labor standards, especially if they are to be enforced with sanctions.<sup>20</sup>

Disagreements also are rising over the environmental consequences of globalization. Pollution is generated most often by the processes of industrialization, so the countries that are soon becoming the most industrialized, such as China, Brazil, Indonesia and India, are the likeliest sources of future global pollution. Are they ready to throttle back their industrial plans in order to protect the environment, as some in the U.S. and Europe have suggested? Hardly! Arguments in Kyoto at the December, 1997 Summit on Global Climate Change vividly illustrate the political tensions wrought by globalization.

**C. Fragmented Safety Nets:** A third challenge by globalization to healthy communities is to their fiscal health. The so-called invisible hand of the market is acceptable to most people only if the losers from market forces are compensated by the winners. A central function of governments has been to assist in this transfer by helping the losers to adjust to change ---usually by means of unemployment compensation, severance payments, and adjustment assistance. In essence, governments have used their fiscal powers to insulate domestic groups from excessive market risks, particularly those originating in international transactions. This is the way governments have maintained domestic political support for liberalizing international trade and finance throughout the postwar period.

The empirical evidence supports the view that governments grow as international economic integration intensifies. Dani Rodrik has shown that the intensity of exposure to risks which originated outside relatively small countries is almost always matched with a larger government to shelter people from the vicissitudes of global markets. Furthermore, he found that exposure to trade in the early 1960s is a statistically significant predictor of the expansion of government size over the subsequent three decades.<sup>21</sup>



But recently, the idea of giving support to the losers has come under withering attack. Employers no longer grant job security, partly for competitive reasons and also because they are more mobile and less dependent on the goodwill of local work forces. Governments are less able to help the losers because the slightest hint of raising taxes leads to capital flight in a world of heightened mobility. Moreover, the ideological onslaught against the welfare state has paralyzed many governments and made them unable to respond to the domestic needs of a more internationally competitive economy.

Accordingly, at the very time increased integration into the world economy has raised the need of governments to redistribute tax revenues or implement generous social programs in order to protect the vast majority of the population that remains internationally immobile, governments find themselves less and less able to maintain the safety nets needed to preserve social stability.<sup>22</sup> Even governments with significant budget surpluses, like the United States, seem unwilling to protect the weak against the cruelties of the market.

### VIII. Policies for Just and Sustainable Development

The General Assembly policy statement on *Hope for a Global Future* opens with this definition:

Just and sustainable human development is the comprehensive enhancement of the quality of life for all, present and future; it necessarily involves the integration of economic, social, political, cultural, ecological, and spiritual dimensions of being.

This definition contains within it two important notions of intense relevance to a fair assessment of the benefits and costs of economic globalization: Does economic globalization meet the "needs" of all, and does it take fully into consideration the non-economic aspirations of society?

With respect to "needs," *Hope for a Global Future* makes clear that the kind of development it has in mind is broadly shared, not only to meet the needs of all in the present but also to meet them in ways that do not compromise the ability of future generations to meet their own needs. *Everyone* shares in the bounty of development, "present and future," and this goal may very well require frugality for those with more than enough because of the limitations imposed by nature.

With respect to the non-economic aspirations of

society, *Hope for a Global Future* offers a set of guiding principles that calls for a better *balance* among the objectives of society--principles that foster human development not only economically but also in its social, cultural, political and spiritual dimensions. "Justice and kindness," the report states, "require societal conditions in which individuals and families may find fulfillment together as members of community." (p. 146)

The evidence presented in this paper does not meet the expectations of these two objectives. *All* are not prospering from globalization. Its processes that enrich the better educated and more mobile are neglecting the less skilled and immobile. Whole communities, whole regions, whole nations are being marginalized by the inexorable forces of change brought on by economic integration. Poverty is *rising* almost everywhere. Yet the power of governments to alleviate the suffering of those who are losing out is slipping away from them.

Nor is an appropriate balance being struck between the economic and non-economic aspirations of human beings and their communities. Indeed, the evidence is mounting that globalization's trajectory can easily lead to social disintegration--to the splitting apart of nations along lines of economic status, mobility, region, or social norms. Globalization not only highlights and exacerbates tensions among groups; it also reduces the willingness of internationally mobile groups to cooperate with others in resolving disagreements and conflicts.

What, then, can be done to share the benefits of globalization more widely and to ameliorate its social consequences? The answer to this question is *not* to disengage altogether from the processes of globalization. That would be foolish as well as difficult. Many of the underlying changes that have occurred in the global economy are now irreversible. Remarkable advances in transportation and communications technologies have made it virtually impossible to insulate a nation's economy from events elsewhere in the world. Rather, the question at hand is how to engineer a new balance between market and society -- a balance that will require greater human control over the processes of change and the sharing of its fruit.

That balance could be greatly improved by designing *more efficient systems of social insurance*, tailored to the particular shocks that matter to particular countries, which will allow them to secure more of the benefits of international economic integration and suffer less of the social costs of it. As noted above, the social welfare state is the flip side of

the open economy; the more exposed is the economy to external shocks, the more certainly it will need, for stability's sake, a generous system of income transfers.

It is not entirely clear what role international trade policy should play in the design of such a system. Protectionist sentiments always lurk just below the surface, and offering special interests extra opportunities to avoid competition is rarely appropriate policy. Even so, any movement toward freer trade should be accompanied by more generous adjustment assistance policies, including unemployment benefits and retraining and relocation subsidies.

Generous and appropriate systems of social insurance must be financed in some way, even in a world of highly mobile capital and corporations. If national sources of taxation are no longer adequate to this task, then it may well be time to consider *taxation of foot-loose factors at the global level*, with revenue sharing among nations. More exchange of information among tax authorities would be one small step in the right direction; better still, an international convention to restrict the ability of multinational firms to avoid taxation should be negotiated. This idea is related to the proposal contained in *Hope for a Global Future* supporting a so-called "Tobin tax" (p. 29, note 27), which would levy a uniform tax on international financial (as opposed to physical) capital transactions.

Important differences in the social, political and cultural preferences of nations may also be accommodated in the design of *a new system of global safeguards*. Multilateral institutions like the World Trade Organization must make greater room for selective disengagement from the discipline of multilateral treaties, under well-specified contingencies, for countries that need breathing room to satisfy domestic requirements that are in conflict with liberalizing trade.

A broader interpretation of safeguards (than currently found in the World Trade Organization's "escape clause") would acknowledge that countries may legitimately wish to restrict trade for reasons other than competitive threats to their industries. One can even imagine recasting the current agreement into an Agreement on Social Safeguards. A good example is contained in *Hope for a Global Future* (p. 136) where unilateral trade measures are justified for purposes of environmental protection. Properly managed, such a system need not stand in the way of greater convergence of policies and standards (deeper integration) among willing countries to help

reduce tensions arising from differences in national practices.

A different illustration of the safeguards issue is the negotiation over the question of "national treatment." The industrial countries have proposed a new standard of protection for direct foreign investments in host countries which would grant treatment that is no less favorable than that granted to similar domestically controlled firms and investments. Without generous exceptions written into such a treaty, host countries would not be able to implement policies designed to favor particular national objectives, e.g., certain industrial strategies, or to regulate foreign investment.

Recently the joint I.M.F.-World Bank initiative for heavily indebted poor countries (HIPCs) was launched to much fanfare. Its terms and conditions expect applicants to demonstrate "good policy track records" ---a euphemism for micro- and macro-economic policies deemed appropriate by these multilateral agencies. Efforts to *balance* economic goals with other societal objectives are conspicuously absent from HIPC agreements. The General Assembly's policies concerning *relief for developing countries from unbearable debts* are well summarized in *Hope for a Global Future* (pp. 128-131).

A moment's reflection on these reform proposals may cause the reader to suppose that the General Assembly views the management of the global economy through the lense of the Human Development Consensus (see above). It decries the social consequences of the globalization processes championed by the Washington Consensus, yet it stops short of calling for a rollback of trade and investment that is so easily attributed to the People-Centered Consensus. This conclusion may not be far from the truth. The General Assembly's policy statements of the past on a variety of economic issues, by and large, have stopped short of calling for radical reform. Yet concern for the poor and suffering always is present. Any economic system *must* provide for them according to any close reading of the biblical/theological roots of the Reformed tradition.

Is it time, therefore, to take the People-Centered Consensus more seriously? The principles adopted by the General Assembly in *Hope for a Global Future* certainly flirt with positions easily traceable to this point of view:

The satisfaction of basic needs is indispensable for human development. Sufficiency for all requires that poverty be

eradicated and that the affluent live more frugally. . . .

Human rights are essential to the expression of human dignity and are fundamental to the quest for human development. . . .

Public participation of all persons in the decisions that affect their lives and well-being is a fundamental human right. . . .

Human life and well-being depend upon the flourishing of other life and the integrity of the life-supporting processes that God has ordained. . . .

Authentic human development does not come in a single, fixed pattern. There are differences in cultural and worship practices that express the same universal values of justice, integrity of the person, solidarity, and sustainability. . . .

The repayment of debts and interest at the expense of the basics of life raises serious questions of justice. The burden of debts must be shared equitably in ways that reduce poverty, protect the environment, and avoid perverse incentives in the future. . . .

[T]he international trading system must incorporate the basic norms of social justice and environmental sustainability rather than depend solely on the norms and outcomes of free trade. . . .

The purpose of development assistance is to equip people and communities through financial and technical means to implement their own plans for just and sustainable development.

As stated in the penultimate paragraph of *Hope for a Global Future*, "these priorities . . . press us on into wrestling with complexities and controversies, realizing that they entail changes in assumptions, policies, and ways of living that will not come easily. Justice, community, and sustainability are too often overwhelmed by the greed, pride, and carelessness of the powerful, or by the relentless dynamics of systems and institutions dominated by other values. Nevertheless, we lift them up because, as biblical people, we cannot do otherwise, and because they show the way to go. They light the path of adventurous faithfulness to the God who judges and restores, commands and forgives, makes new and gives hope." (p.150)

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This section was assembled from materials prepared by the Rev. Dr. Walter Owensby of the Presbyterian Church (U.S.A.) Washington Office.

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For further development of the ideas in this paragraph, see Louka T. Katseli, "Investment, Trade and International Competitiveness", in J.H.Dunning and K.A.Hamdani, The New Globalism and Developing Countries (New York: United Nations University Press, 1997), pp. 181-213.

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IMF Survey, vol 28/13 (July 5, 1999), p. 214-5.

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For an exceptionally good review of the down-side risks of globalization, see Dani Rodrik, Has Globalization Gone Too Far? (Washington, D.C: Institute for International Economics, 1997).

