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Globalisation and prospects of the world society

As the main theme of the next annual conference of EADI is “global governance”, I raise a few, relevant issues on *peace, globalisation and the prospects* of world society. (My views on such issues are explained in more details in the second volume of my book *World Economics*, namely in *The Political Economy of Development, Globalisation and System Transformation*. Akadémiai Kiadó, Budapest, 2003).

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Conditions for world peace and sustainable development

(1) It's a common place that human society can survive and develop only in a lasting *real peace*. Without peace countries cannot develop. Although since 1945 there has been no world war, but

- numerous *local wars* took place,
- *terrorism* has spread all over the world, undermining security even in the most developed and powerful countries,
- *arms race and militarisation* have not ended with the collapse of the Soviet bloc, but escalated and continued, extending also to weapons of mass destruction and misusing enormous resources badly needed for development,
- many “*invisible wars*”¹ are suffered by the poor and oppressed people, manifested in mass misery, poverty, unemployment, homelessness, starvation and malnutrition, epidemics and poor health conditions, exploitation and oppression, racial and other discrimination, physical terror, organised injustice, disguised forms of violence, the denial or regular infringement of the democratic rights of citizens, women, youth, ethnic or religious minorities, etc., and last but not least, in the degradation of human environment, which means that
- the “*war against Nature*”, i.e. the disturbance of ecological balance, wasteful management of natural resources, and large-scale pollution of our environment, is still going on, causing also losses and fatal dangers for human life.

Behind global terrorism and “invisible wars” we find *striking international and intra-society inequities and distorted development patterns*², which tend to generate social as well as international tensions, thus paving the way for unrest and “visible” wars.

It is a commonplace now that peace is not merely the absence of war. The *prerequisites of a lasting peace* between and within societies involve not only - though, of

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¹ *Kothari, R.* (1987).

² The prevailing *patterns of development*, originating in the business environment of the most developed market economies, and motivated by the business interests of the transnational companies, are generating selfish individualism versus solidarity, cruel competition versus cooperation, and irrational consumerism, i.e. spending on luxurious, health- and environment-damaging items, versus basic needs orientation.

It is worth noting that the original idea of the “basic needs oriented” strategy, elaborated by *Louis Emmerij*, and presented at the 1975 World Employment Conference of ILO, was by no means limited only to the aim of providing the poor a “subsistence minimum”, nor was it addressed to the developing countries only, but (contrary to its misinterpretation) it urged a general diversion away from expenditures on luxuries and armament in the developed countries, too.

course, necessarily - demilitarisation, but also a systematic and gradual elimination of the roots of violence, of the causes of “invisible wars”, of the structural and institutional bases of large-scale international and intra-society inequalities, exploitation and oppression. Peace requires a process of social and national emancipation, a progressive, *democratic transformation* of societies and the world bringing about equal rights and opportunities for all people, sovereign participation and mutually advantageous *co-operation* among nations. It further requires a pluralistic democracy on global level with an appropriate system of proportional representation of the world society, articulation of diverse interests and their peaceful reconciliation, by non-violent conflict management, and thus also a *global governance* with a really global institutional system.

Under the contemporary conditions of accelerating globalisation and deepening global interdependencies in our world, *peace is indivisible in both time and space*. It cannot exist if reduced to a period only after or before war, and cannot be safeguarded in one part of the world when some others suffer visible or invisible wars. Thus, peace requires, indeed, a new, demilitarised and democratic world order, which can provide equal opportunities for sustainable development.

“*Sustainability of development*” (both on national and world level) is often interpreted as an issue of environmental protection only and reduced to the need for preserving the ecological balance and delivering the next generations not a destroyed Nature with over-exhausted resources and polluted environment. However, no ecological balance can be ensured, unless the deep international development gap and intra-society inequalities are substantially reduced.

Owing to global interdependencies there may exist hardly any “zero-sum-games”, in which one can gain at the expense of others, but, instead, the “negative-sum-games” tend to predominate, in which everybody must suffer, later or sooner, directly or indirectly, losses.

Therefore, the actual question is not about “sustainability of development” but rather about the “*sustainability of human life*”, i.e. survival of mankind – because of ecological imbalance and globalised terrorism.

When Professor *Louk de la Rive Box* was the president of EADI, one day we had an exchange of views on the state and future of development studies. We agreed that development studies are not any more restricted to the case of underdeveloped countries, as the developed ones (as well as the former “socialist” countries) are also facing development problems, such as those of structural and institutional (and even system-) transformation, requirements of changes in development patterns, and concerns about natural environment. While all these are true, today I would dare say that besides (or even instead of) “development studies” we must speak about and make “*survival studies*”.

While the monetary, financial, and debt crises are cyclical, we live in an almost *permanent crisis of the world society*, which is multidimensional in nature, involving not only economic but also socio-psychological, behavioural, cultural and political aspects. The narrow-minded, election-oriented, selfish behaviour motivated by thirst for power and wealth, which still characterise the political leadership almost all over the world, paves the way for the final, last catastrophe.

One cannot doubt, of course, that great many *positive historical changes* have *also* taken place in the world in the last century. Such as decolonisation, transformation of socio-economic systems, democratisation of political life in some former fascist or authoritarian states, institutionalisation of welfare policies in several countries, rise of international organisations and new forums for negotiations, conflict management and co-operation, institutionalisation of international assistance programmes by multilateral agencies, codification of human rights, and rights of sovereignty and democracy also on international level, collapse of the militarised

Soviet bloc and system-change³ in the countries concerned, the end of cold war, etc., to mention only a few. Nevertheless, the crisis of the world society has extended and deepened, approaching to a point of bifurcation that necessarily puts an end to the present tendencies, either by the final catastrophe or a common solution.

Under the circumstances provided by rapidly progressing science and technological revolutions, human society cannot survive unless such profound intra-society and international inequalities prevailing today are soon eliminated. Like a single spacecraft, the Earth can no longer afford to have a 'crew' divided into two parts: the rich, privileged, well-fed, well-educated, on the one hand, and the poor, deprived, starving, sick and uneducated, on the other.

Dangerous 'zero-sum-games' (which mostly prove to be "negative-sum-games") can hardly be played any more by visible or invisible wars in the world society. Because of global interdependencies, the apparent winner becomes also a loser. The *real choice* for the world society is between negative- and positive-sum-games: i.e. between, on the one hand, continuation of visible and "invisible wars", as long as this is possible at all, and, on the other, transformation of the world order by demilitarisation and democratization. No ideological or terminological camouflage can conceal this real dilemma any more, which is to be faced not in the distant future, by the next generations, but in the coming years, because of global terrorism soon having nuclear and other mass destructive weapons, and also due to irreversible changes in natural environment.

It is, of course, far easier to outline the normative principles of a peaceful democratic social and world order than to state the ways and means of *how* to achieve it.

The causes of inequalities on local, national, regional and world levels are often interlinked. Dominance and exploitation relations go across country boundaries; oppressors are supporting each other and oppressing other oppressors. Societies that exploit others can hardly stay free of exploitation, themselves. Nations that hinder others in democratic transformation can hardly live in democracy. Monopolies induce also others to monopolise. Narrow, selfish interests generate narrow, selfish interest. Discrimination gives birth to discrimination. And so on...

The "national societies" of the contemporary world show a great many differences, stemming partly from their own past, partly from their recent transformation. Differences appear not only in the level of economic and technological development and the related world-economic position (as between the "North" and the "South") or in respect of the socio-economic system and the related political regime (as in the past between the "East" and the "West"), but also within these groups of countries in terms of natural endowment, geographical and demographic dimensions, historical traditions, cultures, mechanism of management and governance, policy of leadership, etc. At the same time, *all societies are subject to* the increasing effect of each other and to the impact of *globalisation*.

Since *regionalisation*, i.e. the rise of regional blocs, international integration organisations in many parts of the world, has also become a strengthening tendency, development studies must take not only two but minimum three, equally important and interlinked "units of analysis", thus also minimum three levels of actions into account, namely the "national", the global and, in-between, the regional ones.

³ It is worth noting that while *in development studies* the issue of development or underdevelopment of countries has increasingly been put into the international (global) context, and contrary to the earlier over-simplifying views most of the authors emphasise both the internal and external determinants or more correctly their interactions, *in the "economics of comparative systems"* the predominant views are still considering the rise, development, change and/or collapse of socio-economic systems and political regimes in themselves, as if they were individual entities, independent of each other. What is worse is that socio-economic "systems" are often qualified according to their self-identification, i.e. to the *ideological label* they choose. This is particularly misleading in the case of the Soviet-type system, which contrary to its "socialist" label had almost nothing to do with the original ideas about socialism, contradicted the vision of socialist theorists (including Karl Marx) about a post-capitalist society, and was de facto a militarised system of society, confronting the outside world. Similar systems do not only exist, but also may arise also in the future when and where intra-society and international tensions culminate and reinforce each other, choosing any other ideology (religious fundamentalism, nationalist extremism, etc.) for legitimisation.

Globalisation, its motive forces and main effects⁴

Globalisation is a process rather than a completed fact, and is more than a mere economic phenomenon. It has got many aspects⁵ and implications, including, of course, social, political, institutional, and technical as well as cultural ones.

In economic terms globalisation is nothing but a process making the world economy an "organic system" by extending transnational economic processes and economic relations to more and more countries and by deepening the economic interdependencies among them, i.e. by globalising the international economy both "horizontally" (in the sense of territorial extension) and "vertically" (in the sense of creating lasting functional relations among its parts). In the contemporary world economy *interdependencies are not symmetrical*⁶ at all, which means that the partners in them are not of equal position.

The "*organic*" nature of the world economy means that the economic contacts between countries are not limited to international trade only (even less to the occasional exchange of products or to the flows of products and money among "independent" national producers or consumers). Factors of production (particularly investment capital) do also flow across the state borders. International division of labour and transnational ownership relations make interdependent all the partners. There are foreign assets within national economies. International joint ventures, sub-contracting, mixed properties and „strategic alliances" link firms of individual countries. Multinational joint-stock companies are operating; and networks of transnational corporations are extending. Foreign workers are employed by local enterprises and foreign employment facilities open for (some of) the labour force of nations. Foreign tourists make use of local services. The state-borders are crossed also by information and data flows, TV and radio broadcasting, Internet services; and so on...

All these mean that economic (both real and monetary) processes are getting increasingly transnationalized, along with economic relations between countries, namely ownership, division of labour, decision-making and -implementing as well as income distribution relations.

As regards (1) the "*horizontal*" expansion of the world economy, i.e. its extension to more and more, finally all the countries of the globe, the re-opening of the former "socialist" economies, i.e. their re-linking with the world economy in the wave, as followed from, or (as in the case of China) paving the way for system-transformation, represents, indeed, a historical yardstick.

As to (2) the "*vertical*" deepening of economic interdependencies in the world economy, recently it is mainly due to those factors and circumstances explaining the acceleration of the globalisation process in the last decades, i.e. the main driving forces of the latter today. Namely:

- (a) the "*revolution*" in communication and information technologies,
- (b) the world-wide activity of *transnational companies* with global strategy and networks,
- (c) the *world-wide spread of economic liberalism*, which involves progress, induced by international economic organisations (WTO, IMF, WB), in trade and "capital-account" liberalisation, and also a wave of a neo-liberal economic policy, extending practically to all countries. The latter is manifested in "deregulation" and privatisation of the economy (i.e. the reduction of state interventions and public ownership, the radical cut of "dirigisme" and government regulations, the decline of Keynesian anti-

⁴ For a more detailed explanation on globalisation see: T. Szentes (2003).

⁵ Barbara Parker (1998) investigates not only, though primarily, the economic sources and manifestations of globalisation (such as the appearance of global firms, some global changes in the structure, operation and power relations of the world economy, the globalisation of labour, the global challenges faced by enterprise management, etc.), but also the globalisation of technology, culture, politics and natural environment.

⁶ For a detailed investigation on the various forms of asymmetrical interdependencies, see: op. cit. (T. Szentes, 2003).

cyclical policies and drastic curtailment of welfare measures and expenditures, etc.) as well as in the final defeat of "socialist" central planning.

It is to be noted that the neo-liberal (and monetarist) economic policy, which has spread in the last few decades all over the world, hardly corresponds to those principles and considerations outlined by the theoretical "fathers" of economic liberalism. The latter (from Adam Smith, David Ricardo, and other classical economists to Alfred Marshall, the greatest representative of neo-classical economics) always emphasised the protection of the interest of the community versus selfish individuals, the responsibility of governments in public health, education, culture, and for taking care of the poor, and also urged efforts to improve the living and cultural level of the working majority.⁷ Quite contrary to their views, today the neo-liberal policy-makers or their advisors wish to make all the fields of social life, including education, health, culture and science, subject to spontaneous market forces, reject the economic role and responsibility of the State in correcting the unfavourable social effects of the market, and oppose income-redistribution in favour of the poor strata, as well as international financial assistance.⁸

The views on the *effects* of globalisation are extremely divergent. Neo-liberals, in general, attribute favourable effects to globalisation, such as the tendency of equalisation of factor incomes, thus also national income levels, and harmonisation of business conditions, economic growth and equilibrium, or in politics: democratisation, etc. They may refer to those naïve and apologetic theses still appearing in most of the standard textbooks of "International Economics".

Many others, including scholars with critical views on world capitalism, and numerous political activists belonging to right-wing nationalist or radical ultra-leftist circles, strongly oppose globalisation. The "anti-globalisation" movements organised by the latter share the belief that the process of globalisation can be stopped by demonstrations, street protests and disorder. They are in a sense similar to those movements in the past, protesting against mechanization (and manifested in the machine-breaking actions of "Luddites"), which blamed the introduction of machines for causing mass unemployment, i.e. identified the effect of technical development with the consequences of the given circumstances under which it was making progress. As it turned out, the growth of unemployment does not necessarily follow from the use of machines, and the efforts to stop mechanisation were doomed to fail.

Very often such disequalising effects and harmful consequences are attributed to globalisation itself, as actually following from the given circumstances, i.e. from the prevailing order of structural and institutional relations, international and intra-national systems of the world, under which globalisation has been proceeding. No doubt, insofar as globalisation is proceeding under the conditions of large-scale inequalities between partners, and no counterbalancing mechanism, counteracting measures of appropriate institutions exist (as yet), it tends to reinforce inequalities and asymmetries of interdependence between those involved. However,

⁷ Adam Smith (1776) wrote: "No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable." (p. 181) He also emphasised (1937, repr.): "But those exertions of the natural liberty of a few individuals, which might endanger the security of the whole society, are, and ought to be, restrained by the laws of all governments".(p. 308)

David Ricardo (1821) stated: "The friends of humanity cannot but wish in all countries the labouring classes should have a taste for comforts and enjoyments..." (p. 54).

Alfred Marshall (1890) warned, that "a full discussion of a free trade policy must take account of many considerations that are not strictly economic". (p. 61.) He emphasised that "every increase in the wealth of the working classes adds to the fullness and nobility of human life"(p. vi.), and that "any change in the distribution of wealth which gives more to the wage receivers and less to the capitalists is likely, other things being equal, to hasten the increase of material production, and that it will not perceptibly retard the storing-up of material wealth." (p. 295) He also noted (1930), that "the State seems to be required to contribute generously and even lavishly to that side of the well-being of the poorer working class which they cannot easily provide for themselves..." (p. 718) According to him: "If human nature could be ideally transformed private property would be unnecessary and harmless." (p. 721).

⁸ See e.g.: Lal, D. (1983).

demonstrations and resistance campaigns can by no means stop (at best, may slow down only) the process of globalisation.

What may actually follow from both the above-mentioned biased approaches is the diversion again of the attention away from the need to change the prevailing order of the world system, which is burdened by unequal and disequalising conditions.

As a matter of fact, globalisation has got more than one, single "face". It has *potentially favourable and unfavourable effects* alike. It brings about a challenge but also an opportunity. This follows also from the double-edge impact of its main motive forces:

(a) The “*revolution*” in *communication and information technologies* substantially facilitates the expansion of economic relations between countries, international migration and tourism, and the networking activities of transnational companies building up and managing international production systems. It increases the tradability of services and also the scope of those services within the TNCs’ network, such as performed by regional headquarters, local marketing and procurement centres, accounting and financial bureaus, or even some R&D centres.

Although speaking about the “death of distance” is an obvious exaggeration (even in a strictly geographical sense, not to mention the “economic” and “cultural distance”⁹), the spread of remote employment opens new opportunities for those developing countries equipping their labour with appropriate skill and apparatus. The easier access to remote resources and markets, the reduction both of time and cost of transports, and the drastic fall in the costs of international as well as intercontinental information flows, etc., undoubtedly bring the various parts of the world closer to each other and promote the cross-border integration of production processes.

The new information techniques, such as Internet, satellite and fibre-optic networks of worldwide telecommunication, etc., make not only the costs decreasing but also the co-ordination even of those knowledge- and skill-intensive functions allocated in remote areas much easier than ever before. They facilitate also the quick responsiveness of the companies concerned and their affiliates or contract-manufacturers within the network, to any change on the demand or the supply side of the market.

The “revolution” of communication and information technologies can, on the one hand, make easier for several developing countries to catch up with the most advanced ones, but, on the other hand, may increase, by its very uneven spread and effects, the international development gap.

Progress in science and human knowledge, which by its very nature has always been “transnational”, crossing the state borders or other barriers, makes the human society capable to produce in sufficient volume all the really necessary goods for the survival and well-being of everybody, and has opened new perspectives for the development of the economy by generating technological “revolutions”. However, the absolute majority of the world population is still excluded from the benefits of this progress and from the process of development itself. The adaptation and efficient use of modern technologies depend on the quality of labour, i.e. on the development level of human capital, in regard to which the international gap is even deeper than in per capita DGP.

While some of the developing countries (like several Asian ones, e.g. China, India, South-Korea), which gave priority to education and the teaching of computer technology and knowledge, managed to substantially accelerate their development, the still high ratio of illiterate people in many developing countries contributes to the reproduction of their underdevelopment. Moreover, nowadays a new type of illiteracy appears, namely the lack of knowledge of computer language, which tends to widen the development gap further.

⁹ See T. Szentes (2003).

The very uneven access to science and the danger of misusing scientific results call for *global governance*.

(b) Today the main actors of the world economy are the *transnational companies*. International trade is basically shaped by them, rather than those "comparative advantages" spelled out in conventional trade theories. The economic development of countries depends much more on their foreign direct investment policy, than on the efforts of national producers.

They follow, of course, their own business interests and strategic aims, which hardly coincide with those of the host (or even their home) countries.

Their worldwide activity, foreign direct investments and operation of their affiliates in the host countries bring about *both potential advantages and disadvantages* for the latter. Although neo-liberal scholars are inclined to over-emphasise and overestimate the former, while radical nationalists the latter, no generalisation is justifiable, as it is only in concrete cases and under concrete conditions that one can conclude about which and how much of the potential advantages and of the potential disadvantages are realised.

The *potential advantages* and benefits from the direct investments of TNCs and the operation of their affiliates include not only

- the access to additional financial resources, investments or reinvestments over and beyond the host country's own financial capacity, but also
- the access to foreign, more up-to-date production technologies, know-how, management and organisational skills,
- international business contacts, additional information facilities and new markets within the TNCs' network, participation in their organised cross-border trade (avoiding the uncertainties of market fluctuations),
- employment and in-service training opportunities for local labour and
- secured supply facilities for the local "supporting" firms, contracted manufacturers and service industries, etc.

The *potential disadvantages*, dangers or losses include

- the reduction of the scope of "national" decision-making on the structure of production, on the commodity and geographical patterns of trade, i.e. a reduction of the "national sovereignty" over the economy,
- the influence on the policy-makers (by strong lobbies or even corruption),
- the transfer of "inappropriate" technologies,
- the drain of resources, the appropriation of business facilities, state supports, various privileges and allowances, the seduction of the most qualified experts, technicians and labourers, i.e. a kind of "domestic brain drain", and
- the application of restrictive business practice, etc., which all adversely affect the smaller local firms,
- the avoidance of taxation by applying "transfer prices", the repatriation of profits over and beyond a "normal" measure,
- "trade creation" at the expense of local suppliers and "trade diversion" at the expense of traditional partners,
- the risk of their disinvestments and capital flight causing thereby sudden drop in employment and deterioration of the balance of payments, etc..

The patterns of motivations and interests of TNCs have become much more complex, multidimensional and changeable than ever before. One of the most distinctive features of the contemporary TNCs, as compared to those big companies often called "international monopolies", which played dominant role in the international capital flows and FDIs before the Second World War, is their great *flexibility* in organisational structure, business strategy and location policy. Such a flexibility and the fact that their operation is less tied to a certain

country, tend to intensify the challenge they set to their partners, both home and host countries, and also opens much greater opportunities for those of the latter following an appropriate policy for real national interest.

Their policy of *decentralisation* of corporate management may increase flexibility and responsiveness, and may give relatively more independence to local firms in the host countries, but it is accompanied by a “*functional hierarchy*” within their international production systems (i.e. a very unequal allocation of the higher functions, the knowledge-intensive and, particularly, the R&D activities in the “value-chain”), and also *centralization of the strategic decisions* in their “home base”. True, they are inclined to transfer even their “home base” to other countries, if they find better conditions there. Due to their more or less monopolistic behaviour, their activities often involve restrictive business practices harmful to the local firms, their competitors and all those outside their corporate system.

The transnational companies are seeking not only for foreign resources, large and sophisticated market, higher efficiency (i.e. a higher aggregate rate of profit), strategic, ownership and location advantages, but also advantages of *internalisation*¹⁰ as well as *externalisation*. While internalisation ensures the advantage of the facility for the TNCs to supervise a wide range of production and service activities and various business functions and also the advantage of centralisation of the decision-making on strategic issues, externalisation also brings about significant advantages, particularly by increasing their flexibility in business operations. Externalisation involves the methods of outsourcing, contracting and subcontracting, and tele-employment. The application of these methods brings about obvious benefits, but also risks for the participants, who may become heavily dependent on the companies concerned. It may result in substantial changes in the global industry structures, and open a wide field for the rise of a global stratum of “contract manufacturers” as well as remote-employees, thus providing new opportunities also for the less developed economies.

While the networking activity and externalisation policy of TNCs open new opportunities for those local firms and employees being able to supply inputs in the required quality and time, the increasing entry-level criteria and performance requirements set grave obstacles to new-comers.

What follows from all the above-mentioned potential advantages and disadvantages, benefits and dangers brought about by TNCs, is a conclusion about the utmost importance and necessity of elaborated national strategies, appropriate policies and bargaining power of governments vis-à-vis TNCs, in order to gain for the country concerned more benefits and reduce the dangers and losses.

And since the TNCs represent a growing concentrated economic power, their activity can be controlled and regulated only by an even more concentrated power, namely a kind of democratic institution of *global governance* to be created.

(c) The *wave of liberalisation*, involving both the progress in liberalisation of international trade and capital flows, and the worldwide spread of liberal economic policy of government, undoubtedly promotes globalisation and the growth of world trade and capital flows, on the one hand, but benefits more the stronger, the more developed partners, on the other.

Trade liberalisation always works in favour of those with higher competitiveness, i.e. the more developed partners. “Capital account” liberalisation promotes rapid and fluctuating flows of “hot money”, i.e. speculation-motivated transactions, rather than long-term investments, thereby contributes to the instability of the international monetary system, and the spread (“contagion”) of disturbances in money markets. A too rapid, full and unprepared liberalisation, particularly in the field of finance, often causes more harm than benefit, as it was experienced by

¹⁰ See J. H. Dunning (1993).

several developing and “transition” (former “socialist”) countries, where it led to a fall of economic growth and, in fact, to bigger disturbances in the economy than the preceding policy of state regulation.

Liberalisation tends to sharpen competition, which stimulates technological progress, but may discourage cooperation, and by its disequalising effects contributes to the growth of international development gap under the conditions of the lack of institutionalised correcting-compensating mechanism. Such a mechanism would also require *global governance*.

The international literature pays particular attention to various *other effects* of globalisation. Such as concerning “national sovereignty”, social welfare policies, national cultures, political conditions and convergence or divergence tendencies.

(d) The greatest danger and harmful effect of globalisation is most often supposed to be the erosion of “*national sovereignty*” and transfer of decision-making to outside the country. No doubt, globalisation has been increasingly undermining the “national” framework of economic activities, and reduces the actual sphere of competence and ability of the nation states to regulate the economy. However, while nothing can guarantee at all that if decision-making remains in “national” competence, then it would necessarily bring about more benefits for the country. Insistence on “national sovereignty” is very often an insistence of the political leadership on the right to oppress society. Nevertheless, globalisation, as a matter of fact, increases the necessity and importance of the role of the state in the economy, and its responsibility to protect the society versus unfavourable effects of globalisation, particularly oppressive and exploitative external forces.

(e) The impact of globalisation on *social conditions and social policy* may likely be just as double and contradictory as many other effects of it. Its *unfavourable effects* include the break-up of the “social safety net” and erosion of the formerly established welfare institutions in many developed countries, the loss of most of those “social entitlements” provided by the former “socialist” system in the “transition” countries, the decline of several social (public health and education) development programs in developing countries, a marked decrease in the ability of individual states to follow an independent, sovereign social policy, and an increasing marketisation and international commodification of welfare services, etc.

On the other hand, globalisation also induces the process of a certain levelling in welfare systems, public health requirements, norms and standards of a minimum social insurance, labour legislation, workers’ right, etc., which is obviously favourable for the poorer parts of world society.

Among social problems the gravest one is undoubtedly mass unemployment in many countries. However, to what extent its growth (or reduction) can be attributed to economic globalisation is not quite clear. What really matters for the macro-economic employment effect is the actual extension of input-output linkages in the national economy as a whole, rather than the number of jobs created or eliminated on micro-level, i.e. within individual firms.

No doubt, the sharpening of monopolistic competition, reinforced by globalisation, exerts a growing pressure in the labour market (versus the resistance of trade unions) for a downward flexibility of wages, i.e. to reduce the wage level, especially, of lower-skilled labour. But a moral pressure has also been on increase, for a greater support to low-income strata, for a redistribution of incomes at the expense of the rich, and for an increase in the social expenditures of central budget. There is also an undoubtedly positive phenomenon, which appears (fortunately not only, although still mostly in rhetoric, but also in practice), namely the rise of a “global (planetary) social consciousness” generating feelings of responsibility for the poor, handicapped, miserable, starving people and solidarity with the oppressed and victims of catastrophes in other parts of the world.

(c) One of the main reasons why so many people stand or even protest against globalisation is its assumed harmful effect on *national cultures*. It is often criticised for leading towards a sort of universal "global" culture on the line of "cultural imperialism".¹¹ The latter would imply the dominance of the North-American culture, the hegemonic role of English language in printed and electronic media and the spreading demonstration effects of the American life-style, consumer habits, selfish individualism, cult of violence, and Americanisation of education and thought,¹² etc. "CNN-isation" is only one, and not even the worst manifestation of the cultural and informational hegemony of the US. The flood of tasteless, primitive mass products of Hollywood and several American TV-channels, disseminating false visions about the world, generating hedonic desire, perverse and aggressive instincts, dispersing ideologically fabricated image of some visualized enemies, etc., is a far greater danger for the national culture of other countries, moreover for human culture, in general. It may lead to cultural degradation. Such phenomena undoubtedly imply a considerable challenge for all the societies concerned. However, they are by no means so necessary and inevitable concomitants of globalisation, which an appropriate national policy would be unable to treat and counterbalance.

For the national cultures there can also be favourable effects of globalisation. The new communication and information technologies bring the inhabitants of remote countries and continents closer to each other. Thereby they may facilitate the mutual understanding of the problems, the ways of thinking and intentions of each other and can promote the rise of the above-mentioned "global social consciousness".

(f) The *political implications*, effects and consequences of globalisation include those favourable changes in world politics, already mentioned, such as the transformation of the former "socialist" systems and disintegration of the Soviet bloc, and the end of the bipolar world system and cold war. However, the subsequent rise of a "New World Order", which is based upon US hegemony and the "Washington Consensus", coupled with the worldwide surveillance of the "Holy Trinity" (IMF, WB and WTO) and the US-ruled NATO, involves, as many people (not without reason) assume, a new serious danger for the majority of countries (if not for the human society as a whole).

At the same time, each step made towards a wider, more and more general acceptance of universal requirements of political democracy and social protection, basic rights and security, is to be acknowledged as a great progress and manifestation of favourable effects of globalisation. Over and beyond the above, it is worth taking into account another potential effect of globalisation, more concretely, of the "revolution" of information technologies. The extension almost without limits of the facilities of interactive communication may open new prospects for the development (both within countries and on world level) of direct democracy. If the latter succeeds in unfolding, in the future it may hopefully ensure (depending, of course, on economic conditions) a direct participation for all the citizens of the world society in the decision-making on common issues.

(g) As regards *convergence or divergence tendencies*, the question is whether the development levels of national economies increasingly integrated by globalisation in the world economy are coming closer to each other or not. More concretely: whether globalisation makes it easier for the less developed countries to catch up with the more developed ones, or, instead, tends to increase the international development gap and exerts a polarising effect.

The distinction in the literature, of the variants of convergence has hardly produced anything new. "Beta convergence" is but the advantage of the "late-comers" versus those

¹¹ See: J. Tomlinson (1991).

¹² Samir Amin (2004) noted that "the Americanization of thought...carries within itself the liberal virus ... this Americanization has progressed over the last half century. It degrades Europe, causes it to regress, forces it to abandon everything progressive in its contribution to the capitalist stage of human development..." (p. 96)

developed countries suffering the disadvantage of the large-scale application of technologies of the past and/or a corresponding rigid structure of production, which need to bear the costs of replacing the old by the new, i.e. of "creative destruction". "Sigma convergence" showing the evolution of dispersion seems to express something very similar to what Myrdal's "spread effect"¹³ wished to indicate.

As regards the former, it is relevant to the case of those countries being only slightly less developed, which attempt, by concentrated efforts, to catch up with the most advanced pioneering ones. However, it seems quite irrelevant to the much more underdeveloped countries, the "late late-comers", which are lagging far behind the developed ones. Besides, the feasibility of catching-up is not independent of the given stage of technological development.

Apart from the successful catching-up of a few countries, the empirical facts can hardly prove yet a tendency of convergence in reality.

Since national development depends both on "external" and "internal" factors, moreover on their interaction, globalisation can hardly be praised or condemned for convergence or divergence tendencies. But the deepening of the international development gap undoubtedly inserts hidden built-in "bombs" into the process of globalisation.

Prospects for the world economy and need for global governance

In the light of the obvious anomalies and dangerous tendencies of the prevailing world order nobody would consider (like Pangloss in Voltaire's "Candide") our world as "the best of all the possible ones", nor could anybody deny the urgent need for substantially reforming the contemporary world order.

No doubt, the issue of *how* to change the prevailing world order has been in the focus of development studies for a long time. In the search for alternative, various conceptions were born about a better, more democratic and equitable new world order. Instead of sharing one or another ideological variant or venturing any utopian prognosis concerning the future system of the world society, it is perhaps sufficient to point to *some historical achievements, operational arrangements and those changes and reforms that proved to be feasible* within the European "national" systems of capitalism, particularly after the Second World War, even if none of the existing "national" systems is free of inequalities and disequilibria, nor is truly democratic. We may consider and suggest a similar path of changes (a renewed and extended "European project"¹⁴) for world capitalism.

(a) In most of the European countries (except those in the Soviet bloc) a *mixed market economy with a considerable public sector* has developed, together with an *adequate institutional and legal system* (namely, of the "nation-state"), involving taxation, compulsory laws and enforcing power.

On global level there is no public sector¹⁵, nor did develop yet an appropriate institutional and legal superstructure adequate for the globalised world economy. The UN resolutions are not binding, as they lack the required enforcement power and mechanism. There is no powerful institution that is taking care of the "global commons". There is no management of the non-renewable natural resources of the Earth. And there is no security against local and regional

¹³ See: G. Myrdal (1957).

¹⁴ Samir Amin (2004) stated: "If social and political struggles ... impose a new historic compromise between capital and labor, then Europe would be able to distance itself more from Washington. That, in turn, would allow the renewal of a possible European project. ... Such a move would begin Europe's participation in the long march 'beyond capitalism'. In other words, Europe will be left (the term left being taken seriously here) or it will not be." (p. 89) "Certainly, the implementation of this project has been grounded on economic bases inspired by the principles of liberalism, but a liberalism that was tempered up until the 1980s by the social dimension." (p. 89-91)

¹⁵ See: J. Pronk (1991).

wars, militarisation, environmental pollution, accumulation of industrial waste, ecological imbalances, extinction of numerous animal and plant species, waves of epidemics, uncontrolled use of new research results and technologies, and particularly against globalised terrorism and criminality¹⁶. In other words, *there is no global governance* based upon adequate institutional and legal system. The UN bodies are unable to fulfil the task of global governance.¹⁷

(b) In the developed capitalist countries and also within the European Union, there is a more or less *integrated market* not only of products and services, but *also of both capital and labour*. If liberalisation, which is so much praised by “mainstream” economists, could really make progress not only in regard to international trade and capital flows, but also to international labour flows, and, thus, gradually an integrated world market of labour could unfold, then the international income gap would substantially decrease, indeed, as the average wages in the same labour categories would tend to equalise internationally, too.

For the developed countries the consequence of such a liberalisation of inward labour flows, and elimination of restrictions on immigration, residence and employment, could probably be disastrous under the given circumstances, as likely resulting a “Big March from the South”, i.e. a flood of immigration. But similar consequences, which threatened the more developed urban areas within some European national economies even after the Second World War, (as it happened in Italy), were considerably diminished by an appropriate policy of progressive taxation for and promotion of investments in the less developed rural areas.

Such methods cannot internationally be applied, of course, without the existence and operation, on the one hand, of a really global governing body, which is able to levy and collect international taxes, runs a central budget and directly or indirectly finances development projects in underdeveloped regions, and, on the other, of a public sector of the world economy. The existing international organisations are neither capable nor even authorised to fulfil such tasks related to taxation, investments and incentives. They must respect, at least in principle, “national sovereignty” (in fact: the sovereignty of States), too. The UN resolutions are practically non-binding requirements, without enforcement. Consequently, global solutions (similar to those already exercised within developed countries) require either new, really global institutions or radical reforms of the existing ones for the establishment of “global governance”.¹⁸

(c) In the European countries of developed market economies the rise of “*Welfare State*”, the establishment of a certain “social safety net” and the institutionalisation of what is called “*social market economy*” have marked great achievements. Although the recently accelerating process of globalisation, coupled with new challenges, sharpened competition and a wave of neo-liberalism, has adversely affected the “welfare states”, such social security arrangements as similar to those of the welfare states are badly needed in the world system.

(d) The unfolding of a “social market economy” in the developed European countries has been accompanied and partly preceded by a process of *democratisation*, namely by the evolution of a pluralistic democracy with a *multi-party parliamentary system* of more or less *proportionate representation*, regular free elections and equality of voting rights and power. These achievements, which resulted by no means from the logic of the market and capital, cannot be underestimated, even if they do not ensure a full and real democracy in its strict sense. (Such cannot fully unfold if social inequalities and unequal access to appropriate information cause differences in assertion of democratic rights, A pluralistic democracy presupposes the

¹⁶ „At the global level, common defense needs include defense against acts of military aggression and also against growing worldwide terrorism and global criminal activities. Both are growing in scope and number.” – Parker, B. (1998), p. 406.

¹⁷ “While the world has become much more highly integrated economically, the mechanisms for managing the system in a stable, sustainable way have lagged behind.” - Commission on Global Governance (1995), pp. 135-136 – Quoted by P. Dicken (1998), p.461.

¹⁸ See - among others – Simai, M. (1994), Waterman, P. (1991), and Commission on Global Governance (1995).

articulation, representation and reconciliation of the diverging, conflicting interests of all the different segments, strata or classes of the civil society and their proportionate participation in the process of decision-making and control over public issues.)

In the prevailing world system not only an appropriate institutional and legal superstructure is lacking, but also a process of democratisation. No pluralistic democracy has developed, and no democratic representation and voting regime exist. The operation of all the existing international organisations, including all the UN bodies, is based upon the principle of state representation, which renders a false equality between a state with a few thousand inhabitants and another one with more than a billion. The world society as a whole, with its social stratification, is not represented proportionally at all. The voting system of the international bodies, whether implying, accordingly, a “one state – one vote” principle (as at the UN General Assembly) or a system of “qualified votes” (as within IMF and WB), is markedly undemocratic.

(e) If capitalism in the most developed countries, particularly in Europe, changed a lot in the 20th century, then it is mainly due to the rise of “*countervailing power*” within the system, such as represented by trade unions, labour parties and other social or political non-government organisations, which have gradually forced the operation of capital as well as the policy of the governments to reduce intra-society inequalities and conflicts by a “social contract” resulting in welfare measures and democratic rights.

Similar “countervailing forces”, however, which are so important if a brake is to be put on the concentration and centralization of power in the hands of a few, hardly exist in the world system as yet. They are either lacking or organized in dubious ways as alliances of some states versus others, with the risk of inter-state military conflicts. While the forces of capital are increasingly organised in the form of “enterprise empires”, such as TNCs, and are not only competing, but also co-operating with each other (as in “strategic alliances”), the forces of labour are still organised (if at all) mostly on “national” level, despite the old slogan of “international workers’ solidarity”. Although contacts and certain international co-operation have developed among national trade unions and other social organisations, too, such non-government organisations have a role neither in the decision-making process of international bodies, nor, particularly in that of TNCs. They are, at best, observers only. A reform of the UN that, for example, would establish a “Second Chamber” of the General Assembly consisting of representatives of internationally organised or co-operating NGOs, could likely be a great step towards the rise of “countervailing forces” on world level.

(f) In the post-war period the governments in Western Europe, almost without exception, applied the *Keynesian anti-cyclical policy* to treat and diminish disequilibria in the economy, to avoid mass unemployment, great cyclical recessions and over-production crises. Such a policy proved to be quite efficient in the period of (at least) the first two decades after the Second World War, and contributed to the development of the welfare state and social market economy, by means of progressive taxation, redistributing incomes in favour of the poor, stimulating production and investment, and increasing expenditures on public health, education, science and culture. No doubt, later on, towards the end of the 1960s, this policy, which was elaborated for and applied within the national framework of economy, regulating the economic processes by market-conform methods within the latter, became less and less efficient, moreover, led finally to increasing inflation together with a slowing down of economic growth (i.e. to “stagflation”). However, its “failure” was most likely due to the fact that the progress in globalisation and regional integration as well as the expansion of the TNCs’ activities have made the “national” framework of regulation of economic processes increasingly outdated and irrelevant.

What follows is that the same policy, if applied to the global framework of the world economy, could be efficient enough to curb the amplitude of cycles in the latter, to prevent deep

recessions and reduce disequilibria by generating effective demand through appropriate fiscal and monetary policies, income redistribution and stimulating private investments.

(g) In the developed capitalist countries very great progress has taken place since the Second World War also in regard to the declaration and guarantees, without discrimination, of the *rights* of individuals, which are often called “human rights” in a misleading way, i.e. confusing human rights with citizens' rights. (While the latter are tied to citizenship, human rights in a real sense must belong to all members of humankind, of the world's human society, independently of citizenship, national, ethnic, caste and family origin, gender, social status, class, or religious, cultural or other differences.

Human rights in such a real sense are not yet respected even by the most democratic states. While they may fully guarantee citizens' rights to all their citizens, they enforce severe regulations to prevent the citizens of other states from exercising human rights in the territory under their sovereignty and control. Human rights include not only the right of emigration but also the right to immigrate, to choose freely one's place for living and working.¹⁹ Human rights which also include the right to security and development, to non-discrimination, to a peaceful and decent life, to a clean, unpolluted, healthy environment, to satisfy basic human needs such as food, clothes, accommodation, education, knowledge, culture and information, to develop one's potential, to free association and to participate in a democratic way in public affairs, to representation and to take part in decision-making, etc.) can only be realised if they are guaranteed on world scene, too, and respected all over the world. This is the only way to eliminate completely discrimination and exploitation, and to democratise the governance of global interdependence.

(h) *The conclusion* that obviously follows from the above is that the world society urgently needs

- a new, really global, substantially reformed and democratised *institutional system*, which is based on the principle of proportionate representation, ensures equal voting power for equal number of people, protects the human rights of all the members of human society, makes the articulation and reconciliation of diverse interests operationally feasible through and between cross-border political organisations of the individual classes, self-identified strata and professional groups of the world society, and is equipped with a legal enforcement power;
- a substantial shift in development patterns, economic policies and social culture all over the world, towards real human needs, protection of natural environment, cooperation and solidarity, as well as
- the organisation of the civil society on global scene.

A real democratic transformation of the world order (as well as national orders) requires an appropriate answer to the old question: whether the State or the Market should be the main governing force. The only correct answer to this question is: none of them, but the *Civil Society*²⁰, with its social organisations if being independent from the state and market interest. Thus, a truly democratic world order cannot rely on the spontaneity of the market, or on the dirigisme of some state-power. Instead, it must ensure the upper hand to the *global civil society* unfolding and organising itself on world level, and playing the primary role in global governance. Such a civil society needs both the market and a kind of global state-power in order to rule and control both, namely by making use of the latter to regulate the spontaneous market, correct and compensate for its unfavourable social consequences,

¹⁹ The Report of the South Commission correctly refers to the hypocritical distinction drawn between the labour services of the "South" as "immigration", to be controlled by national laws, and the technology-related services of the skilled labour of the North, which should enjoy free international mobility just like capital. – *South Commission* (1990).

²⁰ See: *M. Nerfin* (1990).

internationally disequalising and polarising effects, and by making use also of the former, thus ensuring the freedom of market activities, the independence of private business and normal operation of product, service and factor markets, in order to prevent any centralised power from over-ruling the society.

(i) Finally, in view of the requirements of a truly democratic world order, which may ensure peaceful co-operation among all peoples on the basis of mutual understanding and benefits, there appears an *imperative need also for a “New Enlightenment”*. The latter, which can stem, like the former, 18th century Enlightenment, from knowledge, would free all social science theories from *ideological* misinterpretation, from their apologetic misuse and manipulative distortion for legitimising political interests and practices, and would put an end to the “religious” belief in any of theoretical streams and ideologies as a single “vehicle of Truth”. It would also detach religions from politics, i.e. make impossible to use religion for generating hostile feelings against others, for justifying discrimination and for declaring “sacred wars”.

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It is to be admitted that all the above conclusions may appear as products of wishful thinking or utopian ideas²¹, illusory visions. However, in fact, there seems hardly any other alternative scenario for the survival of the world society and sustainability of its development, than substantially reforming the existing world order, for which the above-outlined ideas, as mostly derived from lessons of the reforms of national systems, may be perhaps worth considering.

Unless a thorough new “Great Transformation”, by gradual reforms (pushed ahead by “countervailing forces”) of the prevailing world order takes place, unless the international development gap, which implies also a gap in skill, knowledge and technological level, is drastically reduced, and a democratic global governance is established, there is no hope at all for lasting world peace, sustainable development, general respect of human rights or even for the survival of human society.

²¹ *Samir Amin* (2004) notes: “The project of a humanist response to the challenge of capitalism’s globalized expansion is by no means utopian. On the contrary, it is the only possible realistic project. ... If there is a utopia, in the banal and negative sense of the term, it is truly the project of managing the system, understood as regulation by the market.” (p. 19)

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