Introduction: Globalization and the Challenge to Governance

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During the past decade, ‘globalization’ has become a lens through which an increasing number of politicians, businesspeople, journalists, scholars, and citizens view and make sense of a changing world. Sweatshop workers in Central America, human rights activists in East Timor, entrepreneurs in transition economies, Inuit threatened by global warming in their Arctic homelands, HIV-infected persons in Southern Africa, not to mention stockbrokers in London or Tokyo, sense that their fortunes partly depend on events occurring in distant parts of the globe. The notion of ‘globalization’ provides a shared vocabulary to express this sense of connectedness - although those affected might well have very different views about the word and what it conveys. In fact, depending on the circumstances, some people consider themselves liberated and excited about new opportunities for economic or social advancement, while others may feel increasingly threatened and powerless.
This book aims to explore ways in which the positive sides of globalism can be promoted while its detrimental effects are tamed. The contributors focus on economic globalization and recognize that it could be a force for good, but maintain that this potential can be realized only if market forces are checked and balanced by a political framework capable of ensuring social sustainability and justice.

**Globalization as contested phenomenon**

Globalization is not supplanting traditional lines of social conflict and cooperation, but it is redrawing them. Employers and trade unionists, environmentalists and polluters, indigenous peoples and multinational corporations, feminists and male chauvinists, fundamentalists and liberals, free traders and protectionists, human rights activists and authoritarian rulers, nationalists and multilateralists, the ‘North’ and the ‘South’: all these groups have found that the capacity to achieve their goals is affected, in one way or the other, by the ‘forces of globalization’. Consequently many of them seek to make sense of this phenomenon, understand its implications for their interests and values, and sometimes try to influence its further development - or bring it to a halt.

The popularity of the word ‘globalization’ is partly due to its ambiguity and ability to assume different connotations depending on whom is using it in which context. Certainly, economic globalization has many supporters. It is generally defined as the involvement of a growing number of people and countries in multicontinental networks of trade and investment - i.e., in what many simply
call ‘the world market’. Supporters praise globalization because it means that more and more individuals, as consumers and producers, can enjoy the benefits of economic liberalization, competition, and innovation. In addition, many of them believe that increasing exposure to transnational flows of communication leads to a better understanding across cultural boundaries and convergence towards ‘universal’ values, such as freedom, democracy, human rights, and (for some) private economic enterprise.

However, globalization has acquired a quite threatening meaning to many people, in developing countries as well as in the affluent ‘North’. This diffidence or outright hostility has many sources. Economic openness exposes workers and firms to unwelcome competition from abroad, and increases the risk that companies will relocate their production elsewhere. Those negatively affected by this can have a direct material interest in opposing globalization. Others are concerned that competition between locations for mobile capital might lead to a race to the bottom in environmental standards. Hostility towards globalization can stem also from an instinctive diffidence vis-à-vis the external world, or the fear that a cherished and distinctive way of life is condemned to disappear as a result of cultural standardization. Among all possible concerns associated with globalization, two seem particularly important from a progressive point of view: the fear that globalization is eroding democratic governance, and the belief that it exacerbates inequality and injustice.

**Economic globalization as threat to democratic citizenship**
The idea of democratic citizenship implies that the polity is a community of people who exercise self-governance. But in order for this idea to be an approximation of actual democratic practices, the main conditions affecting the social life of the members of the political community need to be under their collective control. The condition of collective autonomy includes the control of the economic sphere: normative conceptions of democratic citizenship assume that economic interactions can be regulated according to the expressed will of the majority, once different political-economic values and policy options have been debated by the citizens or, more plausibly, their representatives.

Of course, this strong ideal of self-governance has never been attained in practice, not least because most polities have been involved in a web of economic, cultural, and political interactions that prevented them from being fully autonomous. However, for a few decades after World War II, it seemed that a satisfactory balance between democratic self-governance and international openness could be approached in the rich Western world, at least for the majority of citizens. During the ‘Keynesian era’, governments and legislatures in advanced capitalist countries enjoyed substantial room for manoeuvre in deciding regulative and redistributive economic and social policies. In this ‘Golden Age’ of welfare capitalism, investment opportunities for capital owners were largely limited to their national economies, and competition was mainly between companies of the same country. Governments were able to determine the rate of return of financial investment and indirectly of job-creating real investment through their interest rate policies, and their fiscal and spending policies enabled them to influence
aggregate domestic demand. This fostered among citizens and their representatives the belief that they could shape the society they lived in according to their social, cultural, and ecological preferences, without having to renounce the benefits provided by a dynamic market economy.

After the 1970s perceptions changed. The dominant view became that the democratic state is less able to control capital movements, and any policy initiative that might affect the rate of return on investment - interest rate policy, taxation, social and ecological regulation – has to be considered carefully in light of the risk of capital flight or reduced inward investment. The mobility of capital, goods, people, and pollutants has not been matched by the development of adequate regulative capacities at the international level. As a result of the diverging spatial reaches of economic activity and political control, which has been accelerating since the 1980s, people are increasingly torn between their role as consumers and investors, who might benefit from globalization because of lower prices, wider choice and better income opportunities, and their role of citizens, which risks becoming less and less meaningful because of the declining opportunity for collective self-governance.

Norberto Bobbio has pointed out that democracy requires that ‘those called upon to take decisions, or to elect those who are to take decisions, must be offered real alternatives’. Today there is a widespread concern that democracy is being ‘hollowed out’: formally, democratic institutions and procedure remain in place; substantially, the range of feasible options has shrunk as a result of the constraints imposed by international markets and the investors’ threat of ‘exit’.
Of course, not everybody agrees that highly mobile economic forces are a problem for democracy. It has been argued that, ‘in some ways, capital markets, driven by the decisions of million of investors and borrowers are highly “democratic”. They act like a rolling 24-hour opinion poll. Moreover, they increase politicians’ accountability by making voters more aware of governments’ performance.' But many people, and not only those the media call anti-globalization activists, would object to such an optimistic conclusion, for at least two reasons. Firstly, because what people want in their specific role as investors might well be at odds with what they want as citizens, i.e., when they take into account a broader range of values and interests. Secondly, the distribution of economic resources among individuals is so unequal that it hardly makes sense to refer to the resulting ‘voting power’ as democratic. Various authors have shown that the relationship between economic globalization and democracy is likely to be much more problematic than optimists assert.

Globalization as problem for social justice

Levels of material welfare in different parts of the world are shockingly unequal. Children who are lucky enough to be born in Western Europe have a much higher chance to reach adulthood than children born in many parts of Africa. A person’s opportunity to attain material prosperity and other advantages depends to a significant extent on where he or she happens to live. Many observers would agree that such arbitrariness in the distribution of life chances represents the main ethical problem of our time. However, the link between the inequality of
opportunity among different societies and the intensification of global economic relations is controversial. First, it is debated whether global inequality is currently increasing or declining. In this volume, Robert Wade shows that the answer depends on how global inequality is defined and measured. Moreover, it is debated whether the countries that are left behind in terms of economic growth are still poor because of their involvement in international networks of trade and investment or rather because they are not involved enough in the global economy. In other word, is poverty the result of globalization or marginalization? The World Bank and others assert that there is a positive link between a country’s integration in world markets and its economic performance – a link that other analysts (see Wade in this volume) have called into question.

Whether globalization exacerbates or decreases inequality between countries, it impinges on many accounts on the pursuit of social justice within each country. Progressive political forces often adhere to a conception of social justice whose main tenet has been formulated by John Rawls in the following terms: social and economic inequalities are admissible, but only insofar as they are to the greatest benefit of the least advantaged members of society. Under conditions of globalization, safeguarding the well-being of the least well off might require policies that provide increased incentives and remuneration to mobile factors of production (notably capital and highly skilled labour) as their exit or non-entry might damage the country’s economic performance and indirectly the most vulnerable members of society. As a result of globalization a government willing to protect the most vulnerable within its jurisdiction may be compelled to
tolerate rising levels of inequality among its citizens.\textsuperscript{11} Left-of-centre political parties and movements traditionally consider the implementation of egalitarian economic and social policies as way to enhance fairness, but globalization may call this positive link into question by engendering a tension between the pursuit of equality and the pursuit of justice.\textsuperscript{12}

More generally, the net benefits of global economic integration may be positive, but globalization would nevertheless be a disturbing phenomenon if its benefits were distributed unfairly among those taking part in it. Like most other large-scale social processes, globalization generates losers as well as winners. Often the losers are those who are already disadvantaged for other reasons. When this is the case, from an egalitarian point of view economic globalization can be justified only if these losers are compensated out of the benefits accruing to the gainers. Yet the possibility of such compensation is problematic both at the domestic and the international level. At the domestic level, where the institutions of the welfare state are traditionally based, the functioning of redistribution mechanisms could be affected by the threat of exit of capital and highly skilled labour. The situation is even more problematic at the international level, where the existing mechanisms for the redistribution of material resources are weaker and less institutionalised than within states, and a major institution-building effort would be required to set up the necessary capabilities.

**Responses to globalization**
Before an overview of the chapters of this book is presented, it is useful to consider briefly the existing spectrum of views about the appropriate policy response to globalization. The diversity of views on this matter has sparked an intense and wide-ranging debate that forms the background of the contributions in this volume. Broadly speaking, four different strategies vis-à-vis economic globalization can be identified, and their respective proponents might be called sceptics, deregulators, reversers, and internationalists.

Sceptics believe that international economic integration has not reduced significantly the regulative and redistributive capacities of states and therefore it should not be seen as a real threat to democratic governance. For some sceptics, the discourse of globalization is mainly a myth propagated by conservative and liberal politicians, media, and businesspeople in order to present the dismantling of the welfare state as an objective ‘necessity’. In reality, the sceptics argue, the democratic state is still able to redistribute wealth, regulate business and set environmental standards. If it does or not depends on the balance of power between different interest groups and political parties within each country, rather than on the pressures of the world market.

Deregulators, by contrast, believe that globalization does reduce the capacity of governments to determine what happens within their jurisdiction, and think that this is a beneficial process. Since markets are able to allocate resources more efficiently than governments, any development that limits the governments’ ability to intervene in the economy is more likely to be a reason for celebration than concern. In most cases, the best governments can do is to promote ‘negative
integration’ among as many economies as possible, i.e. to remove the remaining barriers to the free circulation of goods and capital (and possibly people).

*Reversers* agree that globalization is constraining public policy making, and precisely for this reason they would like to slow it down or even ‘roll it back’. ‘Renationalization’ is justified as the safest or only way to protect democratic governance, social justice, cultural identity, and/or the environment. Some reversers argue that international economic integration is primarily the result of past political choices made by governments (rather than uncontrollable technological progress), and therefore the same governments could choose to restore the importance of national boundaries for economic and social activities.

Finally, *internationalists* argue that the best way to deal with the negative aspects of international economic integration is to make politics as global as the economy. Creating an effective system of global governance would allow reaping the benefits of globalization without accepting passively its disadvantages. Of course, internationalists disagree vehemently about how this is to be attained. Some favour cooperation between sovereign states (i.e. what Keohane and Nye call the ‘club model of multilateral cooperation’\(^\text{13}\)), arguing that only governments can have the democratic legitimacy to decide policies at the global level. Others advocate the establishment of a multilayered system of cosmopolitan democracy or even the creation of a world state. Furthermore, some internationalists stress the need to reach beyond public agencies and advocate the close involvement of non-state actors, notably NGOs and/or companies, in the governance of the global economy. Despite these substantial differences, what unites internationalists is the
belief in the necessity and feasibility of positive integration, i.e. the construction of a global regulatory framework that functions at the same level as economic interactions. It is particularly remarkable that a growing number of anti-corporate activists are converging on internationalist positions, as their motto is evolving from ‘No Global’ to ‘New Global’.14

The chapters in this volume

The contributors to this volume believe that globalization is a real and consequential process. They also believe that it can be reconciled with democratic principles and social justice, but that this reconciliation requires a major effort aimed at the creation of adequate structures of global governance. Robert Wade shows why markets alone cannot be relied upon if the goal is to lift the less advantaged members of world society out of poverty and reduce the massive gap in global incomes. Robert Goodin, Joseph Stiglitz, John Gerard Ruggie, Robert Keohane, and David Held suggest internationalist responses to the challenges that globalization poses to governance.

In his contribution, Robert Hunter Wade criticises those strands of market liberalism that credit economic globalization with a diminution of poverty and income inequality on a global scale. He scrutinizes the main source of statistical data on poverty – the studies undertaken by the World Bank – and casts doubts on their reliability, both with regard to their capacity to estimate the absolute number of poor people and their capacity to gauge the direction of poverty trends between the 1980s and the 1990s. Furthermore, he shows that the answer to the question
whether global economic inequalities have increased or decreased in the past decades depends on a number of methodological choices for which there is no obvious or invariably ‘best’ solution. Wade illustrates how alternative measures of income, alternative samples and weightings of countries, and alternative measures of distribution result in different estimates of global income inequality and its trend, and concludes that world income inequality has actually become more severe since the 1970s, according to a plausible approach to its measurement.

Wade also criticizes the contention that ‘more globalizing’ countries are better at promoting growth and alleviating poverty than ‘less globalizing’ countries. According to Wade, focusing on the increase of a country’s involvement in the world economy rather than on its actual level masks the fact that several of the most rapidly growing economies did not adopt liberal trade and investment policies. One of the reasons why globalization has done little to reduce poverty and inequality is that open markets do not necessarily generate convergence between low income zones and high income zones, due to the tendency of high value-added activities to cluster in specific locations, thus generating network effects and increasing returns to scale. If the market cannot overcome this division, argues Wade, public policies are required to reduce the income gap between the rich and the poor.

Joseph E. Stiglitz argues that the current system of global governance is heavily biased against developing countries. International institutions such as the IMF and the WTO are dominated by rich countries, which impose agreements and policies that are often detrimental to the interests of the populations of poorer
countries. In international trade negotiations, there are unfair agendas regarding textiles and agricultural goods, intellectual property rights, and trade in services. Moreover, the IMF prescribes policies such as the privatisation of social security while proscribing countercyclical policies – the opposite of what developed countries do. Most notably, the IMF has induced developing countries to liberalize their capital markets, and this has aggravated the financial crises of the 1990s. Stiglitz argues that the most successful countries of the world have taken part in globalization, but have done so in a selective and controlled way. They have gradually liberalized trade, but were much more cautious when it came to liberalize capital markets. Countries that liberalized capital markets too quickly, often under the pressure from the IMF and the US Treasury, suffered most from the financial crises of the 1990s.

Stiglitz offers a bold programme for reforming global economic governance. He pleads for including a broader range of stakeholders in the decisional process, for making voting power in the IMF and the World Bank less skewed, for increasing the transparency of decision-making, for changing the approach to crisis management (notably rules on bankruptcy), and for extending surveillance to issues such as employment and working conditions. He further argues that more effort should be put on strengthening - rather than undermining - democracy and on securing adequate resources for financing global public goods.

Robert E. Goodin examines globalization from an ethical point of view, asking how it changes the conditions under which social justice can be pursued. He argues that some basic human rights have a credible claim to universal
application, but that moral universalism does not necessarily rule out particularistic moral relationships. Goodin’s version of moral universalism is compatible with the idea that people have special responsibilities to those who are closer to them, and only residual responsibilities to distant strangers. But this means that people lacking effective support from those most responsible for their welfare have the right to receive assistance from the worldwide moral community. This residual duty to supply protection and aid applies most clearly to refugees, but it has also important implications for poor countries whose governments are unable to take care for their populations without external help.

Goodin argues that progressive movements often adopted a strategy of ‘compartmentalized cosmopolitanism’, which regarded the pursuit of justice ‘one country at a time’ as the best way to maximize worldwide justice. Because of the ubiquitous economic, political, social and environmental spillovers across borders, as well as the increasing possibility of pursuing justice at a distance, compartmentalized cosmopolitanism is no longer a viable strategy for progressive political forces (if it ever was). According to Goodin, campaigners for social justice should neither resign themselves to the inequities of the global economy nor attempt to wreck it, because good mechanisms for the pursuit of justice on a global scale do exist. He argues that, in addition to multilateral treaties among states and transnational civil society networks, a system of global taxation of financial transactions would be an ethically desirable and politically feasible mechanism for the globalization of justice.
In the early 1980s John Gerard Ruggie introduced in the study of world politics the concept of ‘embedded liberalism’, which proved highly influential in characterizing the balance between market efficiency and social community that was attained in Western Europe and North America after World War II. The first golden age of international economic integration in the nineteenth century had generated unsustainable social tensions, and the resulting backlash against globalization had pushed most countries towards economic and political nationalism in the 1930s. Post-war leaders in the Western world managed to combine the benefits of economic openness with the development of institutional mechanisms able to compensate market losers for the dislocations generated by economic internationalization.

The current backlash against globalization raises the question of whether a new compromise between market forces and values of social community can be built, this time at the global level. Ruggie stresses that governance at the global level is not a monopoly of states and that some of the most significant attempts to reconcile corporate goals with social and ecological values are the result of direct pressure put by civil society organizations on companies. The engagement of civil society with multinational corporations has produced a global public domain, i.e. ‘an arena of discourse, contestation and action organized around global rule making – a transnational space that is not exclusively inhabited by states’. Ruggie shows that among the most significant results of this global public domain are a great number of ‘certification institutions’, i.e. codes of conduct adopted by companies as a response to, and sometimes in association with, civil society
organizations. Another significant outcome is the Global Compact, which is a social learning network launched by the U.N. Secretary General and which commits the participating companies to promoting core UN principles within corporate domains.

Ruggie does not claim that voluntary initiatives like the Global Compact (which he had a central role in designing and managing) and certification institutions represent a simple solution to governance problems in the global economy, but shows that they are a worthwhile contribution towards the reconstruction of embedded liberalism at the global level.

Robert Keohane advocates the strengthening of multilateral organizations and their capacity to steer globalization towards socially desirable goals. He is sceptical about claims that a universal global society is emerging, i.e. that the whole world is adopting a common set of values and rules. While this is arguably occurring in certain regional contexts, such as Western Europe, the persistence of anti-liberal and fundamentalist beliefs among significant sections of the world’s population perpetuates a global system that is prone to conflict and violence. Keohane concludes that a comprehensive system of global governance based on cosmopolitan democracy (see Held’s chapter in this volume) is unattainable for the time being. However, he argues that more limited steps towards making the governance of global issues more accountable are possible. He agrees with the activists in the ‘anti-globalization’ movement that there are substantial accountability gap in global governance, but points out that many of their campaigns have focused on the wrong targets, i.e. multilateral organizations.
While there is substantial scope for increasing their accountability to a broader range of interests, multilateral organizations should not be the primary target of reformist campaigns, as they are much more open and accountable than other actors in world politics, notably multinational corporations, transgovernmental networks, religious movements and organizations, terrorist networks and, especially, powerful states.

For Keohane, powerful states represent a major source of the accountability deficit of global governance, as their rulers might be accountable to their own populations through institutionalized mechanisms of election and control (internal accountability) but are much less accountable to the broader set of people that are affected by their decisions (external accountability). International organizations represent an important way to put some constraints on the actions of powerful states and therefore reformist movements should be careful not to undermine their legitimacy and influence. Keohane warns that weakening these institutions will not stop globalization, but simply allow the strongest actors to exercise their power in a more irresponsible way.

David Held emphasizes that national governments are no longer the only locus of political authority. An increasing number of public and private agencies, at national, regional and global levels, exercise effective power and set norms that regulate distinct areas of human activity. These agencies form a multilayered system of global governance, which has a greater capacity to tackle economic, military, political, and environmental interdependence than national efforts and policies alone. While governments increasingly realize that certain problems can
be solved only through collaborative efforts, the form of cooperation that prevails in most policy domains – executive multilateralism - is still quite inadequate in relation to vital issues such as the gross discrepancy between the malnutrition, disease and illiteracy that is common in many parts of the world and the affluence enjoyed by most people in the industrialized countries.

Held advocates a shift towards an alternative model of cooperation: cosmopolitan multilateralism. Cosmopolitan morality is based on the principles of equal worth, reciprocal recognition, and impartial treatment. These principles are entrenched in important international legal documents, but they are not yet supported by adequate institutional capabilities. Their realization requires the development of a cosmopolitan polity, where authority is located at different levels depending on the degree to which issues stretch across borders and affect different populations. Controversies – including disputes about the appropriate jurisdiction for handling particular issues – would be solved through legalized mechanisms rather than the discretional threat or use of force by powerful states, or by market forces. Held discusses how public deliberation based in cosmopolitan principles might be fostered beyond the nation-state, and proposes a range of institutional reforms involving the establishment of regional and global assemblies, the restructuring of functional intergovernmental organizations, the use of referenda, and the creation of cosmopolitan law-enforcement capabilities.

While not always in agreement on questions of interpretation and prescription, the authors of this volume share the rejection of both the harshness of unbridled global capitalism and the stifling atmosphere of political and economic
nationalism. They also share the commitment to a global governance inspired by cosmopolitan values, and the belief that international institutions are an indispensable means to promote these values in the global system. This volume sets these out in a clear way, thus laying down a progressive agenda for the reform of global governance.

6 Norberto Bobbio, 1987, p. 25.
7 The empirical evidence concerning the shrinking of the range of feasible policies - and specifically the retrenchment of the welfare state - is not clear-cut. Some have argued that the combination of high trade openness and high capital mobility tends to reduce social protection – see for instance Dani Rodrik, *Has Globalization Gone Too Far?* (Washington, D.C.: Institute for International Economics, 1997). Others have shown that countries with the ‘right’ political institutions - most notably inclusive electoral institutions and social corporatism - are able to resist the downward pressure of globalization – see Duane Swank, *Global Capital, Political Institutions, and Policy Change in Developed Welfare States* (Cambridge: Cambridge University Press, 2002). Geoffrey Garrett and Deborah Mitchell demonstrate that, in the OECD countries, greater exposure to
international trade (but not foreign direct investment or imports from low-wage countries) corresponds to a less generous welfare state, but the effect is not particularly strong. See Garrett and Mitchell, ‘Globalization, government spending, and taxation in the OECD’ European Journal of Political Research 39 (2001). Nita Rudra has shown that globalization has led to welfare-state retrenchment in less-developed countries - but also that strong labour power and democracy can offset this downward pressure. Rudra, ‘Globalization and the decline of the welfare state in less-developed countries’, International Organization 56 (2002). In sum, the available evidence is mixed and to some extent still ambiguous.


12 Clearly this development is not problematic for many conservatives, for which equality and justice are conflicting goals anyway, independently from the level of transnational economic flows.


14 Economic globalization is a complex phenomenon and one can well have a different opinion on each of its aspects. For instance, Jagdish Bhagwati is a leading advocate of free trade but at the same time strongly supports tighter controls on international capital flows. See Bhagwati, ‘The Capital Myth’, Foreign Affairs 77 (1998). Thus, the labels “sceptic”, “deregulator”, “reverser”, and “internationalist” may refer to the specific issue under consideration (e.g. commodity trade, short-term capital flows, FDI) and not necessarily to a person’s attitude towards globalization in general.