Haves, Have Nots, Have Beens and Wannabes: Re-aligning globalisation to promote commerce

Professor Kenneth Costa

23 February 2010

1. Introduction

Good evening ladies and gentlemen. Welcome to the fifth lecture in this series.

As those of you who have braved the weather before know, in my earlier lectures I have argued inter alia that for commerce to revive and thrive we need to resurrect the moral basis of capitalism, enter into a new settlement between finance and society, and re-establish common values on which we can strength corporate governance for growth.

I propose to build on these themes tonight. My lecture is entitled 'Haves, Have Nots, Have Beens and Wannabes: Re-aligning globalisation to promote commerce'. It's quite a mouthful I know - and the subject matter is no less ambitious. But that's globalisation for you. Just one stop short of cosmic.

Defining the term can therefore require the wisdom of Solomon. Since I am not King Solomon and we need something for working purposes, here is one useful stab at a definition from the International Monetary Fund: Globalisation is 'the process through which an increasingly free flow of ideas, people, goods, services and capital leads to the integration of economies and societies'.

I do not intend to be a slave to this definition, but in my view the key word is 'process'. Globalisation is a combination of dynamic developments which wax and wane. The other main point I would make at this stage is that globalisation has on balance been a force for good. Over the last half century, it has been the process through which living standards for the majority of people in the world have risen at an historically rapid rate. A rising tide, we are told, lifts all boats.

But globalisation also redistributes gains and losses in the world economy, and therefore inevitably creates tensions. Between and within countries and regions there are beneficiaries (Haves), who may start out rich relative to others; losers (Have Nots), who correspondingly may start out poor relative to others; laggards (Have Beens), who are losing relatively but are not necessarily poor; and aspirants (Wannabes), generally poor, who press their noses to the glass and covet what is on the shop's shelves.

In mature economies such as the UK, people at the top of tree have tended to do relatively better over the last decade than those clinging on to the middle and lower branches. This has increased social tension and aroused opposition to globalisation. Some groups feel that globalisation has brought them slim pickings. Their concerns are often expressed as cultural defensiveness and economic protectionism.

Given the uneven results and conflicting claims about globalisation's impact, the question is: Where is globalisation heading? Will it continue to promote prosperity - commerce in my title? Will sometimes passionate opposition and fear derail it? Or do we in any event need a different kind of globalisation (re-aligning) to consolidate the advances made and encourage fresh ones on a basis which commands broader support?

I believe we need a new kind of globalisation. This is not a matter of choice. The financial crisis and the consequent economic recession have made it imperative. I will argue that the crisis is a watershed, a break with the past. It undermined Western claims of leadership, not just in politics and business, but in morals as well. It was not Chinese, or Brazilian, or Indian financial institutions which pushed the world to the brink of disaster. It was our financial institutions, our governments and regulators, our consumers - right here. We slipped our moral moorings.

As the American economist Jeffrey Sachs has put it, we share a common fate on a crowded planet. The world's first true global crisis, coming after decades of increasing economic integration, is that rare phenomenon - a decisive moment at which we can re-think where we are going and how we want to get there. The crisis should tell us three things:

First, that the machinery of global governance is not up to the job; Second, that the West can no longer call the shots; and Third, that we need a new dialogue - a global dialectic - between the architects of globalisation as it is and the newly influential countries and companies of globalisation as it will be.

Even if you do not believe that globalisation is beneficial - and I recognise that many people hold this belief sincerely and that their case cannot be dismissed out of hand - you still need to answer the same question: What happens to globalisation now?

I will argue that in one basic respect the direction of travel will not change. Globalisation will continue, unless some catastrophe such as a world war, social revolution, environmental collapse or even pandemic disease intervenes. The forces of politics and technology propelling it are profound and long-term.

But we cannot continue with the same means of travel. The reasons are economic, political and moral. Economically, it is true that globalisation is associated with higher living standards. But the cost has been high for billions of people and important regions, such as Africa, have yet to see many benefits. In a sense, globalisation has run ahead of itself. We need a form of globalisation that will bring these multitudes into the fold - and which will convince them that they can enter the fold. We also need a new form of globalisation to accommodate the rising centres of economic power and their increasingly important companies and cultures.

Politically, the global institutions established in the 1940s do not serve us well. They are unrepresentative of the new powers and their companies and cultures, enshrine a compromised western view of the world, and - crucially - are ill-equipped to monitor and manage a global financial system, as we have discovered to our cost. To take one figure, world trade contracted by more than 14 per cent in 2009, by far the worst such fall in 50 years.

And morally, I will pick up an earlier theme in these lectures and argue that a new form of globalisation which promotes commerce and brings as many as possible into the fold will require shared values - or at least a common understanding of the values informing globalisation. Such values include integrity, transparency and responsibility. The risk of conflict or misunderstanding which could derail globalisation will grow if we fail to make a conscious effort to put the process on a moral foundation which is widely shared, to forge an enlightened globalisation for the new century.

2. The globalisation process

As I said, I not intend to follow a definition of globalisation slavishly. However, I will paint a picture which resembles globalisation as I see it and is a basis for action.

Before I go any further, here is your test for this evening. Who wrote this? 'All old-established national industries are being destroyed. They are dislodged by new industries, whose introduction becomes a life and death question for all civilised nations, by industries that no longer work up indigenous raw material, but raw material drawn from the remotest zones; industries whose products are consumed, not only at home, but in every quarter of the globe. In place of the old wants, satisfied by the productions of the country, we find new wants, requiring for their satisfaction the products of distant lands and climes. In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal inter-dependence of nations. And as in material, so in intellectual production. The intellectual creations of individual nations become common property. National one-sidedness and narrow-mindedness become more and more impossible, and from the numerous national and local literatures, there arises a world literature.'

Stumped? Well, the passage is from none other than Karl Marx and Friedrich Engels. The publication was the Communist Manifesto of 1848. More than 150 years later, the quote is a pretty good description of globalisation in our age.

Indeed, its reference to 'intellectual creations' becoming 'common property' and a 'world literature' emerging is almost visionary. Two of the hottest and most sensitive topics in the globalisation debate today are intellectual property, as we now call it, and cultural homogenisation at the expense of local customs often practised since time out of mind and still respected, even revered.

I dug out this quote for two reasons. The first and much the most important was to test you on your Marx and Engels primer. The second was to make a basic point about globalisation: it is not really a new idea, and it is not a new idea because something like it has been around for a long time.

How long has exercised scholars to the point of irrelevance. Some have pointed to trade links between Sumer and the Indus Valley civilisation in the third millennium BC! Others have pointed to the Greek and Roman worlds - 300 ships a year sailed between them and India, the Islamic Golden Age, the Mongol Empire which unified the Silk Route and made Marco Polo's travels to China possible, the European Age of Discovery which inaugurated several centuries of European empire and global pre-eminence.

The British East India Company, founded in 1600, can be seen as an embryonic multinational company and joint stock company, a financial device necessitated by the need to spread the considerable risks of trade with the Orient.

By the nineteenth century we have the phenomenon Marx and Engels described. And for practical purposes, this is where our story starts. The similarities and continuities with our own age are manifest and manifold: speed and size of communications - for steamship and telegraph substitute air travel and the internet; universal interdependence - for untouched markets such as Latin America then substitute India today; intellectually driven - for the electrical and chemical industries of the later nineteenth century substitute nanotechnology and the digital revolution.

Of course, the past is not the same as the present. Whatever its antecedents, contemporary globalisation has some distinguishing features - as will the globalisation to come. Let me take a couple of the distinguishing features of globalisation today. In the nineteenth century, the unifying force was principally trade. That owed a great deal to the commitment by United Kingdom, the world's first industrialised country and the nineteenth century's major power, to free trade after the abolition of the Corn Laws in 1846. In other words, one country was driving the process, even when others, such as Germany and the United States, which subsequently surpassed Britain, were industrialising behind tariff walls.

Today, however, the process is multilateral. No single nation advances it especially. Indeed, the United States, whose status has approximated to that of the United Kingdom in the mid-nineteenth century, has often seemed a reluctant advocate of free trade and we have probably seen the summit of the Pax Americana.

The nature of commerce has changed as well. As in the mid-nineteenth century, goods flow to and from almost every corner of the globe. But the most vivid symbol of modern globalisation is finance. True, many a member of the Victorian middle class could paper his drawing room with worthless bond certificates from Chinese gold loans or Buenos Aires tramways. But, as the recent crisis has unhappily shown, the size and degree of financial integration then did not begin to approach that of today. The crisis revealed a basic measure of contemporary globalisation: financial markets globally are very closely correlated, and they are particularly closely correlated on the downside.

We have seen this development in our lifetimes. The outbreak of war in 1914 abruptly ended the phase of globalisation Marx and Engels described. In the interwar period, globalisation reversed: countries became locked in a disastrous struggle for protectionist one-up-manship. The United Kingdom retreated into Empire Free Trade; the new Soviet Union under Stalin espoused 'socialism in one country'; the United States become isolationist: Germany fell to Nazism. The Second World War ensued.

That experience determined leaders in free countries to build a new international system. In 1944, heavily influenced by John Maynard Keynes, the British economist, the Allies and other countries met at Bretton Woods in New Hampshire to lay the foundations. They established the International Bank for Reconstruction and Development (the World Bank) to provide capital for countries which could not attract it themselves; the International Monetary Fund to prevent the balance of payments crises which had bedevilled the inter-war period; and the General Agreement on Tariffs and Trade, now under the wing of the World Trade Organisation, to open up markets on a multilateral legal basis.

These institutions are still with us. But the world in which they were founded has long gone. For a while, it remained recognisable. Trade was the global integrator. Between 1955 and the present, world trade has grown consistently faster than world output. World exports rose from 8.5% of world GDP in 1970 to more than 16% at the beginning of this century.

It is no accident that the word 'globalisation' began to crop up in the 1960s. Around the same time, we also began to talk of 'transnational corporations' or 'multinational corporations' - and with good reason. Today, approximately a third of world trade today is conducted within corporations.

Figures from the United Nations Conference on Trade and Development show that foreign direct investment by multinational corporations expanded from about $25 billion in 1980 to more than $900 billion 25 years later. In the 10 years alone from 1996, the inward stock of FDI quadrupled to $12 trillion.

Equally important, the structure of these transfers has shifted. In the nineteenth century, trade was overwhelmingly in material goods. Today, reflecting the transformation of the composition of modern economies, a third of international trade is in services. And today more than half of the stock of FDI is in developing countries.

We have also seen huge flows of people. Certainly, the nineteenth century was an age of emigration. But in the last 30 years migration flows around the world have doubled and an estimated 3 percent of the world's population lives outside the country of its birth. One result of globalisation in the United Kingdom has been a multicultural and multi-ethnic society - and passionate debate about what that means for national identity and solidarity.

Such numbers and trends indicate a degree of integration which would have staggered even the nineteenth century advocates of free trade. Since the 1980s, moreover, globalisation has opened a second economic front - finance. The volumes flowing across what nineteenth century commentators would have called the 'exchanges' are epic. Foreign exchange transactions are put at $3 trillion a day. According to the IMF, total cross-border flows of financial assets were $2 trillion in 1970 and more than $90 trillion in 2005, about 60% of it being debt.

Yet the forces propelling change in Marx and Engels's time are largely similar to our own: more open policies, causing flows of trade, capital and labour to expand; technical progress, notably in transport and communications; and the emergence of new markets geographically - developing countries - and in products and services.

At the political level, Bretton Woods implanted in the world a moral and practical commitment to free trade. The neo-liberal revolution of the 1980s and collapse of communism gave free trade further impetus while removing ideological barriers. The opening up of China and the Soviet bloc enormously increased the world market and left no major country outside the system. With eccentric exceptions such as North Korea, you would be hard pressed to find any country which did not at pay lip service to the virtues of free trade.

That said, successive rounds of trade negotiations have proved imperfect and the Doha round has stalled. But there is no question that products flow much more freely and in much greater quantity. Over the half century from 1950, duties as a percentage of the volume of trade in manufactures in mature economies have fallen sharply to generally low levels. The advent of trading blocs such as the European Union and the North American Free Trade Agreement has also brought about a sharp reduction in non-tariff barriers.

The concomitant of physical flows has been financial flows. Once President Nixon broke the link between the dollar and gold in 1971, a foundation of the 1944 system, governments had little choice but to allow currencies to float and capital to flow much more freely. That goes a long way to explaining the explosion in cross-border financial transactions I mentioned a minute ago.

Technology has also played a starring role - often in the face of national resistance. Communications have been critical. Let me take one example. On an index where 1930 is 100, by the year 2000 the cost of a three-minute transatlantic phone call had fallen to 1.4. And, if the futurologists are to be believed, this is just the beginning. The digital revolution - epitomised by the computer on every desk - will slash the cost of information and communication yet further. Truly global banking and financial firms are the offspring of this technology. Another offspring is the transfer of knowledge - the raw material of a modern economy. This is hard to measure, but patent citations suggest that the 'spillover' from advances in knowledge is becoming much more international instead of being largely national.

Sweeping though these changes have been, this is not the whole globalisation picture. Perhaps the most important development of the last 30 years or so has been cultural and intellectual. One of the most famous global brand names is McDonald's. Its physical manifestation is some 25,000 outlets in around 120 countries. But its cultural manifestation is a way of life - specifically, an American way of life. The homogenisation of beef into a hamburger is a metaphor for the homogenisation of culture into a global goo.

Talk of fast food may seem trivial. After all, the British appear to have embraced chicken massala - a product of immigration out of globalisation - at the expense of fish and chips without riots in the streets. But the tensions created by what is sometimes called 'cultural imperialism' are real. In recent years, France has been one of McDonald's fastest growing market. Yet Poujadist attacks on McDonald's restaurants win a sneaking sympathy in France. French governments heavily subsidise their film industry and inveigh against the shallowness of American culture. Yet 70 percent of cinema tickets sold in France are for Hollywood movies.

Real passions lie just beneath this surface. While engrossed in commerce, we risk ignoring or forgetting the values which billions of people the world over espouse and see embodied in their institutions and ways of life.

3. Winners, losers, and assorted others

Where has the process left people? Has the tide really lifted all boats?

In economic terms, the broad answer is yes. People all over the world are better off. The World Bank estimates that over the last quarter of a century average incomes per person in developing countries have more than doubled, 'a feat that took the United States nearly forty years, and the United Kingdom sixty years, to achieve'. Moreover, the proportion of people mired in absolute poverty has fallen despite a rising world population.

To take another measure which captures wellbeing in an even broader way, average life expectancy in developing countries is 10 years higher than a generation ago. And we only have to reflect briefly on our own lives - let alone those of our parents - to appreciate how material standards of living in rich countries have risen as well.

Of course, growing prosperity and globalisation might be coincidental, not causally connected. But economic theory suggests a causal connection. Comparative advantage, fair competition, economies of scale all suggest that opening up markets - the essence of globalisation - is likely to increase rather than decrease wealth. And we cannot know what might have happened otherwise. Counterfactuals are fascinating but frustrating.

Moreover, the empirical evidence is that globalisation, especially the integration of China and India into the world economy, has kept inflation down and raised productivity. The other side of downward pressure on wages in mature economies is downward pressure on prices.

There is another way of looking at the process, which takes us to the heart of the question of how people perceive globalisation. The process can be seen as a set of ever-changing micro-processes: shifts in technology, patterns of trade, migrations of people, political reactions to commercial events such as the financial crisis, and so on. Each micro-process may look small, but the cumulative effect is to deconstruct the national and construct the international.

The nature of this cumulative process becomes clearer when you start asking how globalisation really affects different groups. At the start, I identified four groups: Haves, Have Nots, Have Beens and Wannabes.

The Haves are you and me. Countries which were rich at the time of Bretton Woods in 1944 have tended to stay rich absolutely and relatively. That has prompted critics to claim that globalisation is history's biggest scam - a device for keeping one group dependent on another. There is evidence to support this case. The World Bank reckons that more than a billion people live on less than $1.25 a day at 2005 prices - and the recession has pushed that number up..

The Have Nots are concentrated in a few countries. Some 90% of the world's absolute poor are in places such as Brazil, Central America, rural China, Indochina, Mongolia, South Asia and Sub-Saharan Africa. Of those, Brazil, China and India are among the rising stars identified as the inheritors of the twenty-first century. With 10% growth rates, the economies of China and India may match those of the biggest industrial countries in forty years. China is already an industrial giant and recently overtook Germany as the world's biggest exporter; India, which is only beginning to realise its potential, is the world's biggest exporter of IT services.

Yet even when they achieve this feat of parity, their average incomes are likely to be well below those of the US or Germany or the United Kingdom. By 2050 China may well be a middle-income country, but it will still have many millions of the absolute poor. In other words, the Haves and Have Nots will be jumbled up.

I could make the same point about the Have Beens and Wannabes. Take the United Kingdom. In a sense, the UK is a Has Been. We have patently and painfully slipped down the pecking order. According to the latest World Economic Forum Global Competitiveness rankings, the United Kingdom has fallen to thirteenth place. But we are still one of the world's biggest economies, enjoying a standard of life the Have Nots and Wannabes envy. There is much angst in this country over What Might Have Been, but life in the United Kingdom is not that bad. Indeed, it looks very good seen from Bangla Desh or Mozambique.

Wannabes are the people we should be worried about. Globalisation has spread to countries such as China which were outside its ambit. But it has failed to work the same magic on much of Africa, other parts of Asia, and some Latin American countries. These people see globalisation all around them - who it seems does not own a Nike baseball cap' - but have yet to see the benefits.

We can consider this problem from another angle. Have Nots, Have Beens and Wannabes are also particular groups and occupations - textile workers in Lancashire, steel workers in Gar, Indiana, cocoa farmers in Ghana, Yangtse River fishermen whose living has been destroyed by pollution.

The impact is perhaps most pronounced in rich countries - exactly those supposed to gain most from globalisation. Wages have stagnated for poorer and less skilled workers in the United Kingdom or United States, while earnings by people better equipped to reap advantages from globalisation have grown significantly. The globalisation of supply chains - which partly explains why so much trade is intra-company - and outsourcing of services have been a boon to Guangdong and Bangalore. It has been less well received in Coventry and Detroit.

At the same time, a new globalised class has appeared, united by the same designer labels, the same MBAs and too much familiarity with the same airport lounges. An advertising executive in Mumbai may have more in common with his counterpart in Soho than does a car worker in Luton with a counterpart in Shanghai.

In his monumental book, 'The Wealth and Poverty of Nations', the American economic historian David Landes writes: 'I just want to say that the current pattern of technological diffusion and catch-up development will press hard on the haves, especially the individual victims of economic regrouping, while bringing 'goodies' and hope to some of the have-nots and despair, disappointment and anger to many of the others.'

The financial crisis has sharpened this dilemma. It has reminded us that disasters can occur and that history does not promise a happy ending. In their recent book on sovereign debt defaults, 'This Time is Different', Professors Carmen M. Reinhart and Kenneth S. Rogoff warn us: ''sovereign defaults on external debt have been an almost universal rite of passage for every country as it matured from an emerging market economy to an advanced developed economy. The process of economic, financial and political development can take centuries.' History can be cruel.

4. Making history less cruel

This survey reveals several big changes over the last half century, changes which the financial crisis has exposed as severe weaknesses requiring remedy. One is the gradual broadening of the political and economic power base from the permanent members of the United Nations Security Council, to the G7, its half-hearted offspring the G8, and now the G20. This reflects the relative shift in power from the dominance of the Bretton Woods partners of the 1940s, led by the United States, to a more equal distribution incorporating the increasing weight of the BRICs - Brazil, Russia, India and China - specifically and of Asia and Latin America more generally.

Another change is that, paradoxically, in the absence of a single dominant power, globalisation is becoming genuinely global. The United States will remain perhaps the major power for decades to come, but its influence is no longer automatic. Equally paradoxical, the former controllers have become Wannabes. Rich countries will have to shout louder to have their voice heard.

All this is unsettling. But perhaps a more disturbing development is that technology - a major impetus behind globalisation - has outstripped political and social change. It is not just that communication costs have plummeted or that capital's instinctively global nature has come to the fore. It is that the institutions of global governance have been left panting far behind the process of globalisation. The debacle at the Copenhagen climate change meeting is but the latest evidence.

Our institutions seem to have only a begrudging place for the new companies which are emerging on to the world scene from markets whose importance we still do not fully appreciate. These companies, such as Reliance in India and the Industrial and Commercial Bank of China, or entrepreneurs such as Carlos Slim in Mexico, are not multinational in the sense that - like the American multinationals of the 1950s - they are really the international business expressions of national culture. Rather, they are globalised businesses with global shareholders and global managements. Their culture is a combination of local cultural traits, for example understanding how to do business with millions of the poor, and western business school values, most notably a thoroughly capitalist commitment to the bottom line.

There is no shortage of responses to these changes. Well-intentioned groups have pushed fair trade, on the premise that coffee farmers, for example, are doomed to be exploited by multinationals. They have enjoyed some success - no supermarket range is complete without fair trade coffee. Others have advocated foreign aid, preferential treatment for developing country farmers, or - obversely - protection for manufacturers in rich countries.

Some of these initiatives are helpful, or harmful, or harmless. As I said earlier, there are genuine concerns. Globalisation spreads its bounty unevenly and unpredictably. But none of these initiatives amount to a wholesale revision of globalisation, a change of process or direction. Indeed, fair trade is an affirmation of globalisation.

It is easy to dismiss the anti-globalisation movement on the grounds that it has only two unifying characteristics: it knows what is against and it does not know what it is for. But we should respect its voice. As a process, globalisation is immense, impersonal and implacable. Feeling powerless, uprooted and vulnerable is natural in the face of such a force. The cries of the disenchanted should call us to devise a globalisation which serves all - and is seen to serve all.

Allowing for the uncertainties of globalisation as a process - uncertainties which are inherent in free markets - how can we help to ensure that the bounty is spread more evenly and more predictably?

Let me spell out straight away what I believe we should not have. We should not have global government. And we should not have the undiluted Chinese model. There is, in my view, a blindness or complacency in the west which fails to appreciate how attractive China's model might be to other emerging nations. African leaders might say: 'China has succeeded in exactly the way the west has told us you cannot succeed. Democracy and capitalism are not twins. Why should we listen to the self-appointed leaders of the world who brought us the ultimate immorality of the financial crisis?' And we do not want an equality of turpitude - weaving the false values of the old order into the new order.

So, my reply is this. First, globalisation will continue. We cannot put the genies of technological change, product choice, intellectual freedom back into the bottle, short of a catastrophe none of us would want and after which all bets would be off. Free trade is here to stay. But we have to go with the grain. That grain is revealed in the shift of power from West to East and from a bipolar world - the US and the Soviet Union - to a unipolar world - the US as sole super power - to a multipolar world. The virtual disappearance into irrelevance of the G7, even when artfully disguised as the G8, and the rise to prominence of the G20, including countries such as Mexico and Brazil, illustrates the trend.

We understand and applaud what you, the emerging powers, have achieved. China's accession to the WTO in 2001 was a seminal moment. In 1980, China's share of world output was 2.6 percent. Today it is more like 6 percent of a $50 trillion global economy. China and India have increased their shares of world output in every year since 1994. Equity markets tell a similar story. The market capitalisation of stocks on the Hong Kong Stock Exchange has grown consistently faster than on the London and New York stock exchanges. Hong Kong is able to attract some of the biggest new listings - not least because they often come from mainland China.

More generally, assets held by Sovereign Wealth Funds - not all of which admittedly belonging to developing countries - have swelled to $3 trillion. With buoyant commodity prices and competitive exports, the financial clout of SWFs can only increase.

Second, that said, it is in nobody's interest blindly to follow the trend, eastward or or otherwise. Globalisation poses some grave challenges to which we are all vulnerable. I have already mentioned the environment, which by definition is nothing less than global. The relation between economic growth and carbon consumption has become a central battleground of globalisation. Not for nothing is China the world's biggest emitter of greenhouse gases and the country most suspicious of restrictions on carbon emissions.

Then there is nuclear proliferation, the dark side of technological diffusion, or the deeply rooted sentiment that national protection can fend off the forces of change such as cultural homogenisation. Above all, we have moral obligation to cement the gains from globalisation and persist with a process which has slashed the ranks of the very poor.

So, third, what we need now is new or at least renovated machinery. Such machinery will need to be representative and resilient. I appreciate that achieving this is no easy task. Countries such as the United Kingdom and France cling on to their permanent seats on the UN Security Council by virtue of having been on the winning side 60 years ago. Germany and Japan continue to be denied a permanent seat in punishment for being on the losing side. Nobody has ever wound up a major UN agency.

But there is scope for reform and improvement. Some blame globalisation for the financial crisis. Interdependence was definitely not the defence against contagion some believed it to be. However, without cooperation between governments to contain the disease, the suffering might have been a lot worse. The financial crisis has therefore concentrated minds on strengthening regulation and corporate governance. While the IMF is supposed to police potentially destabilising fiscal behaviour by countries, and the World Trade Organisation to keep the trade rules, there is no real equivalent for finance.

New machinery has arisen. The European Union has stepped in to try to prevent the Greek contagion from spreading, although it may well transpire that the IMF is still the policeman with the bigger stick. I might mention en passant that a Greek default should not surprise. According to Professors Reinhart and Rogoff, Greece has defaulted on debt on average every two years since independence!

The importance of new machinery is not just more effective policing. It is also to address basic issues in the world economy such as the global imbalance caused by Chinese saving on the one hand and US dissaving on the other. Without a new framework able to help China manage a revaluation of its currency and the United States to reduce its fiscal deficit, the risks of further economic and financial ructions are high.

We would be grossly negligent if we failed to regard the crisis an opportunity to think again about how to make globalisation work better in the twenty-first century for as many people as possible. We cannot expect to win all the intellectual and political battles - and there will certainly be many ahead. But we can strive to reach the broadest agreement on the values which will underpin the next stage of globalisation. Different values - held even as those holding them all gain from globalisation - explain much of the opposition to, or suspicion of, globalisation.

Although the Copenhagen climate change summit was a debacle, it was a sign of the times that President Obama called Brazil and China into his meeting. That deceptively simple act recognised that an indispensable feature of the twenty-first century global system will be genuine two-way traffic of ideas, a dialectic. The financial crisis destroyed much more than paper values. It destroyed once and for all the moral authority of the West to determine the essential architecture and process of globalisation. We cannot get the house in order without the emerging powers.

Where will we find common ground? I believe that the crucial values are growth and profitability, integrity, transparency and responsibility.

By growth and profitability, I mean that practically and morally globalisation and the companies driving it have no purpose if they cannot add value and generate the wealth directly to reward risk-taking shareholders and indirectly to reduce poverty and provide investment in environmental protection.

By integrity, I mean that companies, governments, international institutions and other actors follow the golden rule - do unto others what you would have done unto you. Growing power breeds a growing temptation to exploit. China's perception of the West is still coloured by the United Kingdom forcing open the opium trade and imposing the Unequal Treaties, such as the Treaty of Nanking in 1842. But following the example of British imperialism would be to pile Pelion on Ossa. More mundanely, enlightened globalisation cannot be the expense of contract.

By transparency, I mean open, honest and timely communication about work, goals and values to all stakeholders such as shareholders, customers, employees and governments, which have a reasonable claim to know. Increasingly, for example, the presentation of accounts must allow for much more diversity among shareholders and others.

By responsibility, I mean capturing the moral spirit by recognising the silent partner - the community in which we all move, the society that makes our endeavours possible. Even the most destitute of Have Nots and Wannabes must feel they have a stake in the system. This is a tall order. Many millions of Chinese may not feel they have a stake in China, let alone a global system.

But if it is right that globalisation is essential for poor countries to meet their citizens' aspirations - aspirations which are themselves a product of globalisation - we have a practical and moral interest in strengthening the global system to include them to the fullest extent. Without the greatest possible inclusiveness globalisation may falter and even founder - and the biggest losers will be the poorest.

Ladies and gentlemen, we can seize the opportunity the financial crisis offers to guide globalisation into the twenty-first century - an enlightened globalisation based on shared, unimpeachable values and a respectful fusion of ideas. There will be no 'clash of civilisations' if globalisation eschews cultural imperialism in favour of commerce which is profitable yet grounded in local cultures.