



## **Who hates globalisation? Professor Michael Mainelli**

**20 November 2006**

Good evening Ladies and Gentlemen. It's my privilege to welcome you to Gresham College tonight. For those of you who don't know me I'm Michael Mainelli, the Mercers' School Memorial Professor of Commerce. With so many things to do around the world, I'm pleased you chose Globalisation and NGOs tonight. As you know, it wouldn't be a Commerce lecture without a commercial, so I'm glad to announce that the next Commerce lecture will continue our theme of better choice next year – "Corporation Tax or Income Tax: Which Is The Greatest Con?" The lecture should be great destructionist fun - here at Barnard's Inn Hall on Monday, 22 January at 18:00.

Well, as we say in Commerce – "To Business".

Horton Hears A Who!

[SLIDE: HORTON HEARS A WHO!]

I want to start a talk on globalisation with the mention of a shrinking population, elephants. You might suspect that I want to allude to Orwell's insightful 1936 snippet on empire, "Shooting An Elephant" where he concludes – "I often wondered whether any of the others grasped that I had done it solely to avoid looking a fool." No, I'd rather start with the most elementary text on globalisation, written during the postwar era in 1954 and now being turned into an animated film due for release in the next year or so. Of course I'm referring to Dr Seuss' highly-regarded treatise on globalisation, "Horton Hears A Who!". For those of you not familiar with this academic work, I would summarise the tale as "elephant named Horton meets dust-speck. Dust-speck is full of beings called Whos. Horton's kangaroo neighbour marks him down as rogue and with the help of the Wickersham Brothers intends to boil his dust-speck in Beezle-Nut oil unless she can hear that the Whos exist. Finally, the Whos manage to make themselves heard as one small Who adds to the noise and saves their dust-speck world from the deep fat fryer." I quote from the conclusion of this economic masterpiece:

"Their voices were heard! They rang out clear and clean.

And the Elephant smiled. "Do you see what I mean? ...

They've proved they are persons, no matter how small.

And their whole world was saved by the Smallest of All!"

Tonight we shall consider whether we need to change our viewpoints about our world, the direction of globalisation and the role of some of the smallest of all, the NGOs.

## [SLIDE: GLOBAL PRESSURE]

The world is an interconnected place. In our lifetimes we have seen the world shrink from maps of empires, to a world connected by air travel, to the global village so many writers describe today. I remember being privileged enough to take an airlight from the USA to Europe in the early 1960's, but on our budget we had to take the steamship USS Constitution for the return journey. Two decades later everyone was flying everywhere. From 1979 to 1984 I led the first project to digitise the world at a scale of 1:1 million, MundoCart. Two decades later, on 28 June 2005, Google announced the launch of Google Earth – enabling Googlers to fly from space to street level geographic information and explore places around the world. The world is shrinking fast.

Meanwhile the numbers are growing fast. The London foreign exchange markets trade over \$1 trillion dollars per day, over 30% of global foreign exchange. Overseas companies flock to list on AIM, the Alternative Investment Market. International foreign direct investment (FDI) into the UK last year was around \$165 billion. Global trade has grown to the point that we all talk knowledgeably about how Chinese demands for concrete, steel and copper affect our lives. And this appears to have helped development:

life expectancy has almost doubled in the developing world since WWII and is starting to close the gap with the developed world;

infant mortality has decreased in every developing region of the world;

democracy has increased dramatically from almost no nation with universal suffrage in 1900 to 62.5% of all nations in 2000;

the world's population living in countries where per-capita food supplies are less than 2,200 calories per day decreased from 56% in the mid-1960s to below 10% by the 1990s;

between 1950 and 1999, global literacy increased from 52% to 81% of the world and female literacy as a percentage of male literacy has increased from 59% in 1970 to 80% in 2000;

the percentage of children in the labour force has fallen from 24% in 1960 to 10% in 2000.

Things are getting more interconnected, and more confusing. Horton and his breed are rarer and rarer as the natural environment is under pressure from us - our breed that just grows and grows. On the environment, we seem to have reached the tipping point where any environmental connection has international ramifications. The 'Butterfly Effect' of Chaos Theory implies that "a small perturbation in the beat of an Amazonian butterfly's wings can create a hurricane in Florida". We now have the 'Butterfly Effect Corollary', "any small perturbation in a Western company somehow affects butterflies in the Amazon".

We even manage to have global belly laughs. Of "Borat: Cultural Learnings of America for Make Benefit Glorious Nation of Kazakhstan", Andrew Sullivan says, "He's a symbol of a deeper ridiculousness that globalisation has spawned, and the cultural clashes it has intensified." ["Borat Tickles America in Just the Right Place", Andrew Sullivan, The Sunday Times, News Review, page 4, 19 November 2006]

"G" Is For Global

## [SLIDE: GLOBAL RELIEF]

One big trend that often goes unremarked in the litany of globalisation is the increasing globalisation of non-governmental organisations, or NGOs. The Not-for-Profit sector is big business. The John Hopkins Center for Civil Society Studies [Salamon et al, 1999] estimated that the Not-for-Profit sector in 1999 was a \$1.1 trillion industry in the 22 countries examined (excluding religious congregations) with 19 million full-time equivalent paid workers. The International Year of Volunteers estimated in 2001 that a further 10 million people are active volunteers in the sector. By way of comparison, a \$1.1 trillion industry was roughly the same size as the GDP of the UK in 1999. Within each of these 22 countries, the Not-for-Profit sector averages 4.6% of GDP. The John Hopkins Center's latest estimate for the UK is that 5% of the economically active population is engaged in paid civil society activity, and 8.5% in total if you include volunteers. The United Nations Development Programme (UNDP) notes that "Most developing countries have seen an even sharper increase in the number of domestic NGOs and non-profits: in 1996 India had more than 1 million non-profits, and Brazil had 210,000."

Focusing on international NGOs (INGOs in the jargon), the UNDP states: "Though membership has fallen in political parties, trade unions and other traditional vehicles for collective action, there has been an explosion in support for non-governmental organizations (NGOs) and other new civil society groups. In 1914 there were 1,083 international NGOs. By 2000 there were more than 37,000—nearly one-fifth of them formed in the 1990s."

INGOs include groups such as Save the Children Fund, CARE, Helvetas, RESPECT Refugiados, Amnesty, International Alert or Médecins Sans Frontières. Then we have RINGOs, short for religious international NGOs such as Catholic Relief Services; ENGOS, short for environmental NGO, such as Global 2000, World Wide Fund for Nature or Greenpeace; BINGOs, short for business-oriented international NGOs; and even GONGOs, government-operated NGOs set up by governments to look like NGOs in order to qualify for outside aid or promote government interests. NGOs are as global as any other aspect of society today. Labour's Third Way has moved a very long way from Kansas, Dorothy!

Globalisation enfolds all our hopes and all our fears. With the exception of a few astronauts, our view must be that the globe is all we have. Globalisation can be a positive thought – we're all pulling together and uniting to make things work here on earth. Globalisation can be a negative thought – we are turning our limited planet into a monocolour morass.

Let's start with a definition of globalisation from University of Pittsburgh sociologist Roland Robertson - "The compression of the world and the intensification of the consciousness of the world as a whole." [Robertson, 1992]. Yet we almost expect to see people immediately protesting against 'globalisation' - from the WTO meeting in Seattle in 1999, to the Genoa G-8 summit in 2001, or even the past week's G-20 meeting protests in Melbourne. What are they objecting to? Are these protesters just objecting to a greater awareness of the world? Are they upset with better communication and greater consciousness? Are they just railing against life when they riot in city centres and burn down the outlets of major brands? It appears that their ire is directed against multi-nationals, but even more against a set of institutions consisting of the World Trade Organisation, the International Monetary Fund, and the World Bank (a combination of the International Bank for Reconstruction & Development and the International Development Association). But do they have a point?

Theodore Levitt is widely credited with coining the term globalization with an article in the May-June 1983 Harvard Business Review entitled "Globalization of Markets". Levitt brought 'globalization' to the attention of business, though the term was in use at least as early as 1944 and had been used by economists as early as 1981. In fact, intellectual objectors to the term may have, in true rugby style, got their retaliation in first because in 1943 Clare Boothe Luce coined the term 'globaloney' to trash Vice President Henry Wallace's 'global thinking'. Michael Veseth is right to resurrect globaloney to point out that globalisation involves "a complex and subtle web of economic, political, and social change" subject to much misconception. We seem to have debunked the myth that world trade and investment benefits the wealthy at the expense of the poor to the point that leading charities and development agencies now support free

trade, yet trades unions and the general public seem to have missed the exposure of anti-globalisation as claptrap. In my inaugural lecture last year I asked, “how can consumers, who persistently want low-priced goods in order to improve their standard of living, hate globalisation?” We may be winning some minds to support globalisation, but few hearts.

Interestingly, fear of foreign imports and the changes they bring is an old one. Whether we speak of trade imports, immigration or cultural imports, Egyptians, Greeks, Phoenicians, Chinese and Romans were as capable of conjuring up bogeymen and lamenting perceived losses from free trade as we are. London is built on globalization from Romans through Angles, Saxons, Danes, Normans, the expulsion of the Jews, the acceptance of the Huguenots through to Empire and post-Empire trade and immigration. Fear of foreign immigrants and globalization erupted in many outbursts and deaths from the early medieval era to the Cable Street riots to the May Day protests. The threat of foreign competition has altered London society from the foundations of many of the guilds, now livery companies; to the structure of the linen and watch industries; to electronic, aerospace and film industrial policy.

#### [SLIDE: GLOBALISATION FACTORS]

There are perhaps six basic factors of globalization – goods, services, capital, people, culture and commons. The economic case for four of these factors is increasingly better understood:

goods – trade in goods underpins the rosier views of globalization among economists. From Smith’s Invisible Hand, to Torrens and Ricardo on the theory of comparative advantage, to empirical studies and the evangelism of Jagdish Bhagwati, free trade in goods seems to benefit all except those in transition. There are some richer points in all this, e.g. specific structures where free trade might be harmful and legitimate questions over the full cost of externalities such as transport and pollution, but for tonight we can largely take free trade in goods as good in itself. As Bhagwati states, “the modern evidence against an inward-looking or import substitution trade strategy is really quite overwhelming.” [Bhagwati, 2004, page 61]

services – trade in services is widely seen by economists to be good as well, but this is the big battleground in the current WTO Doha trade rounds and slow progress is being made within the EU, let alone globally. Bhagwati remarks, “Particularly onerous problems arise for the poor countries, in my view, not over opening their markets through trade concessions, but when the pressures are applied on them to consent to extraneous and harmful demands aimed at appeasing the domestic lobbies in the rich countries on trade-unrelated issues such as intellectual property protection and labor...” [Bhagwati, 2004, page 262].

capital – economists have significantly changed their thinking on free capital flows. The widely-cited case of Malaysia benefiting from imposing capital controls during the East Asian crisis and other theoretical and empirical evidence has led to statements such as this from The Economist: “If any cause commands the unswerving support of The Economist, it is that of liberal trade. For as long as it has existed, this newspaper has championed freedom of commerce across borders. Liberal trade, we have always argued, advances prosperity, encourages peace among nations and is an indispensable part of individual liberty. It seems natural to suppose that what goes for trade in goods must go for trade in capital, in which case capital controls would offend us as violently as, say, an import quota on bananas. The issues have much in common, but they are not the same. Untidy as it may be, economic liberals should acknowledge that capital controls - of a certain restricted sort, and in certain cases - have a role.” [The Economist, “Leaders: Global Finance – A Place for Capital Controls”, 1 May 2003, [http://www.economist.com/opinion/displaystory.cfm?story\\_id=E1\\_TSQRRJD](http://www.economist.com/opinion/displaystory.cfm?story_id=E1_TSQRRJD).]

people – economists are fairly indifferent about free flows of people. But economists aren’t people (sic). People in general seem to object to noticeable flows of newcomers, whatever the situation. Whether the newcomers bring wealth and riches, or do the jobs the natives find distasteful, they are unwelcome in large numbers. John Plender points out an obvious dilemma, “... a more far-sighted realpolitik would acknowledge a moral ambiguity in the developed countries’ advocacy of a globalization process that does

not extend to labour markets. If the west will not accept many of the developing world's immigrants, it has to export more capital to the developing world to help prevent it from becoming a breeding ground for disaffection and, in extremis, terrorism. That is in its own interest." [Plender, 2003, page 39]

We shall return to culture and commons later, but let's first explore why NGOs, along with just about everyone else, find it increasingly difficult to have a single point of view on globalization; and to do that we must examine how people address risk.

## Risky Business

### [SLIDE: RISK/REWARD PEOPLE TYPOLOGY]

You see before you a mapping of individuals taken from John Adams' Risk. Adams, Hollings, Geert Hofstede and others, began classifying people's views of risk as ways of classifying their cultures. Adams' first axis, the horizontal, divides people into those who look at collective risk versus those who look to themselves. His second axis, the vertical, divides those who see the world as one at the top where authority sets the rules, equally applied even if unfair, and the bottom where people make the rules themselves. The four resulting risk character types each view a different world.

Before I get deep into libel and slander, let me emphasise that people exhibit different risk profiles at different times and in different situations. Profiles are merely tools to help us make a small amount of sense of a confused world. Nevertheless, let's have a bit of fun using these stereotypes.

The Fatalist sees nature as capricious. At best, it'll all come back and bite 'em. At first glance, these folk are the least interesting, after all they just sit there and take it. Strangely, after you do this a few times, this position gets more and more interesting – it's how most of us react to the vast majority of decisions we face every day, including things like not turning out to vote or not contesting an invalid parking ticket or not changing our mortgage 'cause they're all the same in the end. The Fatalist attitude is *que sera sera*. If we had more time, I'd love to explore this further.

The Individualist is almost a parody of an 80's yuppie. Nature is benign – it won't hurt him or her. If they hit you with their German sports car, well, let them know how much they owe – see you later. At the extreme, we could put quite a few NGO fund-raisers into this category – a bit of tobacco sponsorship might just be a good thing, after all the money was going to go somewhere. The Individualist is *laissez-faire*.

The Über-egalitarian is almost a parody of a 60's or 70's socially-conscious individual – Earth Day, the Good Life, sandals. Nature is ephemeral, about to be overwhelmed at any minute, thirty years ago it was the coming Ice Age, today it's global warming. The über-egalitarian mode could be assumed to be the working mode of most activists. Their battle cry is often "there ought to be a law...". Clearly, the Über-egalitarian's guiding rule is the precautionary principle.

The Hierarchist sees nature as something to be overcome, but manageable. The hierarchist is a natural bureaucrat and loves decisions based on sound thinking, however irrational the result. He or she is most likely to be the only one of the four character types who would value cost/benefit analysis. Hierarchists conflict over rules with the Über-egalitarians, but agree with Über-egalitarians that Individualists need to be

contained. The Hierarchist is interventionist, within limits.

Please remember – all this risk profile stereotyping is a crude tool. Individuals inhabit different positions at different times in different circumstances for different decisions. I may be a fatalist about comet disasters - \*\*it happens; an individualist about my children's education – why can't I have school vouchers; an über-egalitarian about corporate pollution – it's a crime and shouldn't happen; a hierarchist about corporate rules – we need to enforce our expenses policy.

Just to warm up, let's see how these four risk profiles map onto a topic such as anti-money-laundering.

Fatalist: such as a man at the bank for his umpteenth passport presentation, i.e. most people – “nothing can be done”;

Individualist: such as most economists – “clearly an equilibrium will be found between high compliance regimes and low compliance regimes through competition among financial centres”;

Über-egalitarian: such as most politicians and newspapers – “oh my gosh! if just one terrorist were to be able to buy some fertiliser using sterling - this must be stopped at all costs”;

Hierarchist: such as most senior bankers, regulators and government officials – “the system just needs some tweaking and, after all, you don't want any terrorists to get cash do you, though we're a bit busy chasing tax dodgers with the information we get”.

Just to stir things up, I often ask, “Where do the money-launderers fit?” Some people find it easier to remember AA Milne's Winnie-the-Pooh risk profiling. Eeyore is obviously the fatalist. Pooh is the individualist who sees it all coming right in the end – there's always a hunnypot. Piglet is the über-egalitarian (Chicken Little too, “the sky is falling”). Owl is the hierarchist who wants to understand the order in the world and make sure that others follow it.

## Fatalism and The Bed-Pan Economie

[SLIDE: UNSETTLED TIMES]

In the two columns before you, I set out some of the characteristics we expect in a Fatalist scenario. We won't spend much time today on the fatalist. He or she would expect us to ignore them. Don't mind me, nothing matters, why does it always rain on me? This risk profile can be the most interesting – as I said earlier – but takes a bit of time and discussion. I will leave you with one thought, possibly an unsettling one, that this is the risk profile we and NGOs most often give to beneficiaries, whether they fit there or not. I will also leave you with the unsettling future of being the Brazilian finance minister in 2026 looking at the “Bed-Pan” economies. You know the “Bed-Pan” economies, where the principal employment is looking after the elderly and living off returns on investments made earlier in this century?

As the Brazilian finance minister, you also remember the problems in the early part of this century when the Bed-Pan economies failed to send in the gunboats to a bunch of energy exporters in the Isle of Man. These energy exporters had a 200 meter high neon sign – “All Tankers Welcome”. The UK government and other European governments claimed that they weren't sure if these exporters had carbon permits for



burning the oil, but that their countries were only importing electricity. If these European governments couldn't stop genocide in the former Yugoslavia, then why did you expect them to stop a few carbon pirates no further away?

Your advisors warn you that you really shouldn't burn the nice forests set aside for carbon sequestration, you really shouldn't appropriate first-world drug patents, you really shouldn't slap on controls against exporting returns on investment from the pension funds that invested in 2006 – after all, remember that Argentina took three years to recover from default? But you think, what's three years against winning the next election? From here, I ask you to sit back and listen to three short stories from the Year 2026, two decades from now.

## Free for All - Individualis

[SLIDE: FREE FOR ALL

In a series of “smash and grab” raids, southern NAFTA non-profits have been taking unauthorised liberties within the EU voluntary sector. Working from headquarters in the NGO tax-free zone in Dubai, these groups are displacing authorised giving in areas such as humanitarian aid, cancer research and environmental relief, these NAFTA Nifties are being rooted out by the Continental Revenue and the EU Border Patrol. Of course, these disputes are not new - an Oxford charity has a three-decade long dispute over tax and the commercial sales of publications in Spain. It is testimony to the impoverished state of NGO's globally that unauthorised NGO's have targeted the richer European markets for smash and grab fund-raising while EU authorities have had to shut down over 5,000 European NGO's in the last year for illegal activities in support of their causes

Within Europe, NGO's spend at least as much effort fighting their European brethren. Battle lines exist not just in the long-running abortion versus birth-control or slavery-purchase versus child-labour conflicts, but also in the pharmaceutical-cooperative versus patent-breaking malaria and AIDS conflicts, the children's rights versus less-than-zero-tolerance conflicts and the legalise versus criminalise drugs conflicts. The Southern African Control Zone has banned all EU activist, and most relief, organisations since the incident in 2017 when a pitched battle and bombings led to a small-scale war with over 1,800 casualties. To this day, Swiss NGO staff still have trouble getting clearance because of their military service.

NGO's have also struggled with middling growth. While some of the headline causes remain as popular as ever, donors seem to want evidence of smaller NGO's intention to seek their own superfluity – “we hold ourselves accountable to both those we seek to assist and those from whom we accept resources, until our own demise which we seek”. Some NGO's renounce all government funding as detracting from the main mission. Voluntary sector groups have witnessed severe schisms between those who will, and those who will not, work with government. Perhaps the most vivid illustration of these schisms was last year's successful “Say No to Government” boycott

Clearly, some of the middling growth is down to the anti-tax-break movement of 2011. In a strong bid to catch up with the USA, the EU decided to unite on at least one tax-break area; all NGO tax exemptions were abolished as too arbitrary and unfair. Despite years of legal wrangling, this abolition has held up in the European courts and has intensified over the years as consumers refuse to deal with charities that take from government – “A Charity is for Life, Not Just a Tax Break”. On the other hand, a number of donors find the NGO focus on financial reserves disturbing. While they sympathise with the difficulties of running an organisation hand-to-mouth, they give money to NGOs to take risk, not avoid risk. If NGOs are there to experiment with new ways of development and new ways of making globalisation work, then they shall measure them on the loss or gain of requisite variety, not on whether they are there to fight another day.

## [SLIDE: CONTROL FREAKS]

NGO's are the new glamour sector. Since the early 00's and the emergence of the MCA (Master of Charities' Administration), the voluntary sector has been the career of choice for more and more high-fliers. The sector's closeness to government, particularly as the second career of choice for ex-Prime Ministers given the powerlessness of the House of Lords, has led to increasing power and influence. On the international scene, the voluntary sector is the new cavalry, riding to the rescue. Since Aid & Administration for Africa took over the management of three African countries five years ago, with at least limited success in two of the three countries, NGO's have been the mechanism of choice for dealing with international systemic failures

Naturally, all this activity requires resource, currently up to 20% of OECD GDP is within the voluntary sector. Much of this is tax expenditure; NGO's working for government, implementing government policy. Charities claim that they are there to realise a better society when government and the market are unwilling or unable. Critics claim that the larger charities are too cost-obsessed to take risks. More severe critics claim that the larger charities are government lackeys, "outsourced government", unable to say 'No' when confronted with an unjust or unworkable policy. Some criticism has been mitigated through direct participation, for instance when the Red Cross was voted out of North Korea on vote4me.com, although the Charities Council always retains the right to overrule these votes

Critics complain of bloated policy and administration, but charities have a tremendous amount of government regulation, particularly since the £24 billion "Hug the Globe" scandal of 2009. Charities are perhaps their own best cops. Most of the charity scams over the past ten years have been reported to the authorities by other voluntary organisations, among whom the "Angels of Malfeasance" are probably the best known. Mandatory Beneficiaries' Councils, while perhaps a great idea at the time, are frequently hijacked by special interests. A case in point is probably the diversion of some AIDS serum from the developing countries back to the UK because of a temporary shortage in Britain for which the Beneficiary Council insisted on taking no chances

Some countries, notably the USA, have been testing CMO's (Charity Maintenance Organisations). In these, members are tithed on a combination of income and voluntary time. In return, members in need are guaranteed a minimum level of CMO support if they fall on hard times. What distinguishes CMO's are semi-compulsory government recruitment and the implicit guarantee of aid for members - although critics claim that this policy of CMO annuities is merely "milk the grannies" or "beat the legacy"

## Power Brokers - Hierarchist

## [SLIDE: POWER BROKERS]

The voluntary sector in Britain and the USA is 15% of GDP in 2026, the result of sustained 10% real growth relative to the regular economy. European and Asian voluntary sectors are showing similar growth, albeit about a decade behind. With size has come recognition. The first meeting of the Charity 8 (C-8) in 2011 revealed that their combined annual expenditure was larger than Italy's economy. Today, IMF and World Bank meetings honour the Observer status of the C-8's General Treasurer, while the UN Peacekeeping forces frequently report to the C-8's Commander of Voluntary Relief in non-combat situations. C-8 Councils, and the new Voluntary Parliament, have struggled to inform public opinion while working with, and within, the larger international organisations. In particular, the ISO31000 standard, and its enforcement through the C-8, has led to better practices and clearer delineation of the charitable sector from activists

Growth has not been painless. The formation of the C-8 saw the suppression of heretical voluntary organisations, acting outside the Code of Government Co-operation agreed by the major organisations within the C-8. Rogue organisations, frequently based in Charity Havens, have been using the internet and



other surreptitious fund-raising activities to breach the agreed 15% expenditure level agreed with the major governments. Violation of the 15% GDP expenditure level will force governments, acting to preserve a reasonable economy for their tax base, to enforce even stricter definitions of voluntary work, as France recently required a “test of total unemployability” before exempting charitable staff expenditure

All this growth owes quite a bit to the ever-more-aggressive and successful fund raisers. By uniting globally, and with a few public “outings” of non-givers, voluntary sector giving is trendy. Making the individual 5% Norm work led to the corporate 5% Norm being successful. By structuring the funding through payrolls, the C-8 Councils have been able to increase their power through ensuring control of financial resources. Responsible funders now only deal through a Fund Manager. Fund Management Organisations in the Square Mile, controlling over £862 billion, are the only authorised fund distributors in the UK. Renegade donors need significant sums, in one Sunday Times exposé £10 million, before they can get attention. USA regulators are increasingly forcing charities worldwide to meet US listing standards

Increased leisure time, combined with an aged, but too-early-pensioned retirement generation, led to the National Service Act of 2010, a major help to voluntary organisations, particularly as it forced older people back into helping with care. It was ironic that some pensioners were caught by National Service both coming and going

## Reasons To Be Fearful?

[SLIDE: REASONS TO BE FEARFUL?]

These stories show possible global interactions of power with money, of noble forces working together or political forces working apart. Neither one nor the other will come true, but it might help you to realise that NGOs are at the heart of globalisation and some of the big tensions arising from globalisation. As the UNDP notes, “Civil society groups do not fit easily into traditional models of governance and accountability - which is part of their value to democracies. But when such groups spring from agendas or use tactics that are contrary to democratic values, they can be both civil and ‘uncivil’. The rise of such groups poses challenges for truly democratic political engagement.”

But NGOs should be about development and, therefore, broadly, pro-globalisation. Dr Mahbub ul Haq, the eminent Pakistani economist, pointed out that, “The basic purpose of development is to enlarge people’s choices. In principle, these choices can be infinite and can change over time. People often value achievements that do not show up at all, or not immediately, in income or growth figures: greater access to knowledge, better nutrition and health services, more secure livelihoods, security against crime and physical violence, satisfying leisure hours, political and cultural freedoms and sense of participation in community activities. The objective of development is to create an enabling environment for people to enjoy long, healthy and creative lives.”

The United Nations has attempted to set out some measurable Development Goals. “The Millennium Development Goals are the world’s time-bound and quantified targets for addressing extreme poverty in its many dimensions ... They are also basic human rights - the rights of each person on the planet to health, education, shelter, and security.”

There are eight goals:

- 1: Eradicate Extreme Hunger and Poverty
- 2: Achieve Universal Primary Education
- 3: Promote Gender Equality and Empower Women
- 4: Reduce Child Mortality

- 5: Improve Maternal Health
- 6: Combat HIV/AIDS, Malaria and other diseases
- 7: Ensure Environmental Sustainability
- 8: Develop a Global Partnership for Development

Significant progress has been made in achieving many of the Goals, whether through design or benign motives. However, the UN notes, "... progress has been far from uniform across the world - or across the Goals. There are huge disparities across and within countries."

[SLIDE: INSTITUTIONS]

Joseph Stiglitz, winner of the Nobel Prize for Economics in 2001, says of globalization, "Fundamentally, it is the closer integration of the countries and peoples of the world which has been brought about by the enormous reduction of costs of transportation and communication, and the breaking down of artificial barrier to the flow of goods, services, capital, knowledge, and (to a lesser extent) people across borders." So things may be more integrated, but inequality remains. Remember that Adams' risk profiles have two axes, and one axis is about attitudes to inequality. Stiglitz goes on to make some pointed criticisms of the key institutions, particularly the International Monetary Fund, which are quite telling as he himself worked at the World Bank as a chief economist and senior vice president - "Fiscal austerity, privatization and market liberalization were the three pillars of Washington Consensus advice throughout the 1980s and 1990s." [Stiglitz, 2002, page 53] Stiglitz's points out that a prescriptive, one-size-fits-all answer to economic crises is wrong. He identifies situations where fiscal austerity is dangerous, where competition matters much more than privatisation and where market liberalisation needs to avoid too-early capital market liberalisation. In short, to Stiglitz, there are two types of error, poor recognition of local circumstances and errors in sequencing liberalisation, but the general benefit of globalisation is not in doubt. Stiglitz and Bhagwati both call for better governance structures rather than technical economic solutions.

Culture Quash

[SLIDE: CULTURE QUASH]

All of which leads us back to two of the six anti-globalisation factors which I said I'd raise after the four of goods, services, capital and people, i.e. culture and commons:

culture divides into two elements – in-country and out-of-country. In-country we're all happy with a nice blend of ethnic restaurants and a few exotic folk at dinner parties and receptions. However, we seem to rebel when these numbers exceed the genteel. Out-of-country, we love the idea of wild frontiers until our yacht founders or our mountain climbers fall, whereupon we expect global standards of rescue. We want to get far from the beaten track, but not contract dysentery or lose our Blackberry's reception. We excel at getting deep into the culture of a country, but expect to be bungee-jump-rescued when we have an anaphylactic shock. There are deep cultural issues of the McDonaldisation of the world, the loss of languages and customs. But one person's quaint rural lifestyle is another's poverty. There must be ways to recognize that culture is deeper than building styles and clothing;

commons – the global commons is the biggest area for future conflict. Most of the basics seem sorted, i.e. national boundaries, sea boundaries or basic property rights, but aren't. Of course, stating the obvious is

easy, so I expect the big battlefields of the future to be climate change (actually setting global emissions that matter) and intellectual property rights. I also anticipate lower-level conflicts on general pollution, water scarcity, and fisheries.

But strangely, climate change and intellectual property rights aren't the big issues for protesters. Firstly, and somewhat unfairly, there is a class of anti-globalisation protester who simply objects to the world the way it is. I'm sure we can all sympathize, and we all regret the loss of safe diversity, but it probably doesn't get us far. There is often a related objection to capital markets – globalization as synonymous with capital flows. Oddly, we find quite a few strange bedfellows here. There is a vicarious thrill associated with ginormous (a technical term) gobs (equally technical) of cash whizzing around in complex deals, but there is also a righteous indignation at the takings of apparently unearned wealth. I won't debate this point at length. Suffice it to say that most of the supposed 'victims' are in the first world, shareholders and consumers, that their participation is in part voluntary and that, while this inequity needs to be addressed, it is not core to valid anti-globalisation arguments.

Secondly, there is anti-globalisation directed at multi-nationals. Defending multi-nationals is a thankless task, but it is also probably an unnecessary task. So long as multi-nationals are subject to competition, they should not grow too large nor abuse their position. I don't want to seem complacent, but the principal abuses perpetrated by multi-nationals have typically been when they are in cahoots with what most anti-globalisation protesters claim is the best control for multi-nationals, governments. I disagree; the best control for a multi-national is a competitor, not a government. Governments need to assure that the economic environment allows competition to flourish before we can assume that multi-nationals are, *res ipsa loquitur*, the problem. Even here in the UK we can look back to recent lack of competition in airlines or telecommunications to see how easily society accepts government in cahoots with large corporations and how quickly things change for the better with competition as opposed to regulation.

[SLIDE: GLOBALISATION – HOPE AND FEAR]

Thirdly, change and globalization do not occur without transition costs. Of course, while transitions are underway it is easy to find victims. "Transition costs" – what a great phrase. A nice, tidy, abstract euphemism, a bit like "collateral damage"? Sadly, too much like "collateral damage" these people wind up "taking friendly fire" - real people lose real jobs, real livelihoods, real health and real opportunities. However, too often the question should be "why haven't we changed this inequitable situation earlier and borne the costs so these people weren't in this situation to start with?" As The Economist remarked, "In their eagerness to applaud the befits of globalization to economies as a whole, economists were strangely reluctant to admit that in recent years the average real pay of rich-country workers has stagnated or even fallen". ["Economic Focus: On the Hiking Trail", The Economist, 2 September 2006, page 74] On the other hand, it is easy to assert that these are merely transitions to a greater nirvana beyond and the gains to poorer countries much greater. If things take a turn for the better, free movement is good; if things take a turn for the worse, free movement was poorly implemented. Critics have valid points on a number of dimensions:

poverty – where trade has increased, in general poverty has diminished. As the IMF notes online [<http://www.imf.org/external/np/exr/ib/2000/041200.htm#X>] - "As globalization has progressed, living conditions (particularly when measured by broader indicators of well being) have improved significantly in virtually all countries. However, the strongest gains have been made by the advanced countries and only some of the developing countries." So there is clearly some increased inequality and work to understand why some countries gain and others stagnate;

women and children – numerous studies have shown that overall women and children gain, but it is easy to blame globalization for women or children in near or actual slavery when their goods turn up in our shops.

Personally, I wouldn't blame globalization so much as poor local government. A number of multi-nationals, for example Nike, are busy exporting their standards on employment and providing some evidence that globalization is helping;

anti-democratic – things could be improved here, particularly with regard to WTO representation and controls on the corrosive effects of corruption, but overall globalization seems to have increased democratic voice as people have more ways of expressing themselves, more ways of attracting support and more ways of exercising their commercial freedoms, e.g. fishermen using mobile phones to seek better prices than those given in the existing power structure;

Fourthly, there is the “wealth isn't everything” argument. A number of analysts have pointed out, quite rightly, that GDP growth isn't everything. However, GDP remains important. GDP is certainly not the best measure of happiness, and many economists welcome analytical work on happiness and distribution of wealth, but without GDP growth above population growth, there is a low likelihood of happiness. As John Kenneth Galbraith teased, “Wealth is not without its advantages, and the case to the contrary, although it has often been made, has never proved widely persuasive.”

### A Plea For Risk-Taking

[SLIDE: SO WHAT?]

On globalization, I believe money is odourless, and poverty stinks, so we must reach out to all the returnees to world trade, such as Brasil, Russia, India and China – the BRIC countries. ‘Globalization’ is one of the key concepts of our time. For both the right and the left ‘globalisation’ is fundamental to their analysis of international politics and the world economy. Both right and left assume that the process of economic globalization is well under way and that this represents a qualitatively new stage in social development. Globalization is not new; nor is it irreversible. A great freeing and movement in trade, migration, and international capital flows in the Atlantic economies in the century prior to 1914 - the first great globalization boom – unwound very rapidly after WWI. Sir Howard Davies’ Tacitus lecture in 2005 was a sobering reminder of the importance of trade. In the 18th century China was the world’s biggest economy, with a GDP seven times that of Britain’s. But China closed its doors to trade missing the industrial revolution, the capital revolution and the information revolution. I heard a great sound-bite at the City’s Institute of Directors’ China Interest Group, “we’ve had a commercial break these past 200 years, but now we’re back, on air.”

Of course, Gresham College devotees realize that there is more to life than money – as comedian Steve Wright says – “You can’t have everything, where would you put it?” So let’s try a hoary question: How many economists does it take to install a light bulb? The Answer: None, Adam Smith’s invisible hand will do it all.

Adam Smith knew that markets alone are not enough. Smith’s argument is too rich to take in quickly, but Smith’s Moral Sentiments were Propriety, Prudence, and Benevolence, combined with Reason. Smith would agree with Jared Diamond, “The single most important problem [facing the world today] is our misguided focus on identifying the single most important problem!” [Diamond, 2005, page 498] Sadly, our environment is a mess. The Doha round is stymied. Valid social and ethical concerns transmogrify into trade restrictions. Property rights are a battleground, from carbon emissions to intellectual capital. Our state sectors swell out of recognition, crowding out the private sector that actually developed much of the infrastructure we admire. Global politics is local politics, from online gambling arrests to capital market regulation.

We must make globalization work before it unwinds. In many ways, we need more globalization, not less. Stiglitz again – “Globalisation can be changed, indeed it is clear it will be changed. The question is: will change be forced on us as the result of a crisis, or will we take control of the globalization process? The former risks a backlash against globalization or a haphazard reshaping in a way that only sets the stage for more problems. The latter holds out the possibility of remaking globalization so that it can live up to its potential to improve living standards throughout the world.”

I’ll leave the last word to the influential developing world economist, Hernando de Soto, who says, “I am not a diehard capitalist. I do not view capitalism as a credo. Much more important to me are freedom, compassion for the poor, respect for the social contract and equal opportunity. But for the moment, to achieve those goals, capitalism is the only game in town. It is the only system we know that provides us with the tools required to create massive surplus value.” [De Soto, 2001, page 242]

The real answer to the light bulb joke is that “many hands make light work”. But BRICs rightfully worry that “the things that come to those that wait may be the things left by those who got there first”. We must prove that statement wrong. Sustainable commerce means doing things differently, not just by the BRICs, but even more by us. We must clasp the hands of the BRICS, support the invisible hand of commerce, restrain the visible hand of government and slap the grabbing hands of special interests. We must prove that a global Commerce Manifesto deserves to replace a soiled Communist Manifesto.

Thank you.

[SLIDE: DISCUSSION]

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## Further Discussion

Can globalisation ever be popular?

At what point should international NGOs fade away?

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My thanks for help with this lecture go to Ian Harris, particularly for his NGO insights over many years.