

The Case for Globalisation/2

Response by Marcus Graetsch - University of Bremen
September 2001

Introduction

The last issue of the Politikon had three articles who were about the globalization question in specific, also the article on transnational parties can be related to that phenomenon. But Guldbergs article raised in me especially attention. I personally think also for myself that the problems which come with the so-called globalization, or better those problems which raised more attention in the public sphere especially in the last 6-8 years, namely economic, social, political inequality, racism, climate change to name just a few. And I personally believe that those problems are that much important, that humans should try hard and harder to solve them. But these attitude which are that one should be careful and rigorous towards ones own and others work, which is done to understand and maybe to help solving the problems is an ethical necessity which has to be taken into account. And the ethical necessity is especially needed for the few rich (in relation to global population) in the north. The ethical necessity is needed because the problems we are facing are caused by humans and, as I believe, caused by the few rich in the north. And the problems are death of hunger, diseases, racism, and even climate change.

Guldberg, as I see it, is also trying to help solving at least one problem just mentioned. His main point is that free trade is the solution for global inequality. In concluding so he is on the line with International Institutions like the WTO, IMF and the Worldbank and also with various governments, like the USA as main actor or with governmental organization like the EU as another important actor in the policy making within the so-called globalization.

I personally see, honestly, not really a solution (if there is only one) for those problems, simple because my own studies and knowledge in general is below that point to give an or more answers to those very important problems. If I would do give an answer, it would be nothing else than just opinion rather than a very well reasoned answer based on hard research and analysis. Off course, there is the desperate need to solve that problem, but as an individual and now with my limited resources I shall not try to give an answer, because the problems need, as said, an ethical necessity to do a careful and strength analysis. Opinion making in the armchair is not helping anyone.

So, the reason why I am responding is more to give some critiques about statements in Guldbergs article. These critique is not there to discredit anybody personally, it is more made to give some hints how these ethical necessity maybe can become fulfilled. It is thought as an encouragement for others and myself in trying harder to analyse the problems which threaten millions of lives.

Spontaneous market actors ?

Guldberg starts his article with some ideas on social justice. In doing so, he takes the book by Friedrich A. Hayek 'Law, Legislation, Liberty' and from that piece especially chapter nine on social justice. But before Guldberg comes to the social justice question, he gives the reader some assumptions, which, as Guldberg says "the whole school of Austrian economics" is using:

They assume that the market order is a spontaneous process. My first critique on Guldbergs article, or maybe on "the whole school of Austrian economists" (although I do not believe that Austria had only one school of economists and even the so called Austrian school had very different assumptions (look for example the works of Ludwig van Mises in comparison with Hayeks)) is that a market is not a "spontaneous" process. Spontaneity, as I see it, is more irrational, less grounded in reason. If someone acts spontaneous, than he/she acts in a way which is more randomly rather than based on reasonable thought. In contrary the market actors act in many ways (not always) on reason. If someone goes to a marketplace he/she has a purpose, a rational desire which should be fulfilled. A consumer, for example, looks for food to feed his/her hunger, an reasoned process. A merchant offers goods for the reason grounded purpose to sell it and maybe to sell it for more than what he/she actually paid for the good in the production process. In seeing it so, I do not believe, that the market is spontaneous.

Guldberg than states that a central authority who wants to emulate this, as he says, "spontaneous" process is totalitarian.

I will, or can not, elaborate the question if this is totalitarian or not, mainly because Guldberg gives no explanation what he (or Hayek) means by totalitarian. However, I will just rise attention toward the United States economy during the second world war. There most of the economic sectors where to a very much extend state regulated. Was then the USA total in Guldbergs sense ? As I said, a difficult answer, because of the lack of Guldbergs definition. I am aware that one could use ones own definition or just look into the book of Hayek to use his, but the main point here shall be, that in these article there is a lack of it and thus makes a clear understanding more difficult.

Social justice ?

After that comes to "the issue of social justice". He sees it, at that point in his article, as a difference in wealth and/or income between different individuals. What springs to my mind is, that here the concept of social justice is very narrow. What about justice in jurisprudence, justice in political participation possibilities ? Are those "justices" not social ? Is social justice really only about economic justice in terms of wealth distribution ? Guldberg seems to think so, as one should conclude, because of his statement that social justice "is the question of ...".

Alternative ?

The next statement which is noteworthy to me is that "the market is not perfect, but indefinitely better than the alternative".

First one might think back that Guldberg means the alternative of 'emulating' the 'spontaneous' market process. I want to stress out that especially in the contemporary critiques of the so-called globalization process (and Guldberg seems to aim his article towards those critics) the alternative is not just one. There are a lot of different alternatives to the whole issue of contemporary global economics. Deliberalization in some market, Deliberalization in all markets, Tobin Tax, reorganizing food production and distribution, different access possibilities, democratization, benefits, debt cancellation, subsidies and a lot more. It is not about *the* alternative.

Logic ?

If one carefully reads Guldbergs essay than especially in the then following paragraph one should raise doubts. Guldberg tries to elaborate the question if poverty increased or is increasing. In doing so, he uses the United Nations Development Report of 1999 and puts as a counterargument against it a report by the Norwegian Institute of Foreign Policy. Basically the UNDP report states that inequality in income terms rose between the year 1960 and 1990 and between 1990 and 1997.

The NIFP report states that this is a false picture. I can not confirm this or even try to look for myself because I do not speak the Norwegian language, but what strikes me is the conclusion drawn from this.

Guldberg writes that in the UNDP report a 95 ratio of the top and bottom quintile is being used. It was then 82:1. He concludes that this "must mean that in the last six years inequality has been decreasing". Here I can not say whether that this is true or not. In the original text of Guldberg there is no hint towards the ratio of 2001. Or what is also dodgy did he mean 2001 or 2002 (because the article was published 2002) ? However, the crux in that counterargument is, that then Guldberg refers to the findings of the NIFP which says that the UNDP failed "to adjust there findings for purchasing power".

Two things are to be said on this: Does the last statement mean that the council who wrote the report want to purchase power by not adjusting there findings or does that mean that they did not adjust the findings towards the inclusion of the possibility to purchase power (ie by broaden the access to participation in the decision making process) ? It is not clear.

But even one things of the second option , which sounds more convincing to me, than the second thing is to be mentioned: We had already the social justice concept which was given by Guldberg himself. Having that in mind, here suddenly, the inequality or injustice one might add, is more than that concept which was given before. But furthermore I want to ask the author how is it possible to operationalize "purchasing of power" in that way, that a scholar can use it to analyse it with the Gini coefficient, as stated in the last sentence of that paragraph ?

Another thing which is quite difficult to understand in the context of Guldberg is that "Africa is still *obviously* behind". Why obviously ? What is so obvious on that surely true fact, but at that stage in the article not related to anything which makes it obvious to the reader.

Passed by ?

In Guldbergs paragraphs which are titled with "the three basic questions", he starts to state that the "obvious" poor Africa countries are lagging behind, because the "this globalization has passed them by".

Here again, I think the use of language is quite important. In saying that "*this* globalization ..." one could assume that Guldberg has in mind many or at least more than one globalizations. I think that's simply false. Globalization is a historic process and by the way one which started hundreds years ago (or maybe already with the early settlers which left the African territory to enter into new lands). However, it may be possible that the phenomenon had different paces and maybe some different characters (for example the globalization of the exchange of goods and/or the globalization of capital/investment). In seeing it as Guldberg one may believe that the poorness of Africa has always been so, and thus the people there just staying poor because "this globalization" passes them by. Guldberg makes here I think the fault which is done by most of the mainstream neoclassical economists, he forgets about history, colonization thus had simple not happened.

Mutual benefits ?

The next statement which is concerning me is that "trade and an act of trade is generally not a process in which one person is left poorer and the other richer, but an exchange for the mutual benefit of both traders." This statement seems to be a social law for Guldberg. Here I would like to put the spotlight on Karl Marx. Trade can also be understood as the exchange of labor which is always needed for the whole production process. And here everybody who had or has to sell its own labor for earning money can on itself experience that this law is not necessarily valid. Or furthermore where one is left poor and the other one richer.

In a capitalist market system that law is definitely not valid. If a poor worker is working for the rich capitalist (or at the end in part for the small shareholder) he/she is not benefitting in a mutual sense. Earning 1\$ or less a day in a sweatshop which produces T-shirts for GAP or shoes for Nike in Indonesia is giving you maybe the possibility to eat one meal a day. In the same time the company sells the stuff in big numbers and makes thousands a day, so that shareholders or managers can get high salaries, which allow them every day a visit in the Ritz at Piccadilly in London. Is that mutual benefit ?

Conclusion

I will not bore the reader any longer. Rather I want to conclude with that what has been said at the beginning of these article. If we maybe take the issues more seriously with an ethical responsibility in mind we could make clearer an argumentation. We could more look if it is clear what we want to say. Furthermore we should really set up and use a peer review system to make assure that the articles which are presented on our website have at least a standard which will not make other people believe that we just write about those really serious issues because of having nothing else to do.