FABIAN SOCIETY

Progressive Globalisation

Towards an international social democracy

Michael Jacobs, Adam Lent
and Kevin Watkins

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Preface

This pamphlet is a product of the Fabian Society’s project on globalisation, the aim of which is to develop a more coherent social democratic approach to the management of globalisation and to build networks for its support among political parties, governments, NGOs, trade unions, academics and others. The project was launched in May 2002 with the establishment of the Fabian Global Forum website (www.fabianglobalforum.net). The site publishes a series of essays, commentaries, debates and interviews on various aspects of globalisation, along with a library of ‘global knowledge’.

Over 2002-03 two seminars were held in London to debate the ideas of this pamphlet in early drafts. One brought together a number of European social democratic parties, think tanks and institutes; the other a range of British development NGOs, trade unions, academics and government advisers. We are grateful to the Friedrich Ebert Stiftung and the TUC for assistance in holding these events, and to all the participants for their valuable contributions. The project continues into 2004, when it is hoped to hold further events and to produce a longer publication elaborating on the ideas of progressive globalisation.

We would welcome reactions to this pamphlet and to the project. This includes reaction to the name, ‘progressive globalisation', we have given to the approach we set out. We have considered others, including 'globalism' and 'global social democracy', and are conscious that still others may be preferred. As we argue in the pamphlet, the name is an important part of building support. Please send any comments to Adam Lent at mail@fabianglobalforum.net or Fabian Global Forum, Fabian Society, 11 Dartmouth St, London SW1H 9BN, UK.

In its final drafts the pamphlet has benefited from valuable comments from Duncan Green, Adrian Harvey, Peter Townsend and Matthew Walsham. Kate Lloyd and Chris Ennals provided expert research assistance. We are very grateful to the Dartmouth Street Trust and to John Jackson for their financial support of the project.

1| A New Political Approach

'Globalisation' has become one of the words of the age. Originally an obscure construct of sociologists and political economists trying to understand the new trends shaping the world in the late 20th century, it has now become the embodiment of an entire ideological conflict. There is not only 'globalisation' but 'anti-globalisation'. What was once simply descriptive has become value-laden. National politicians, international economists, non-governmental organisations and street protestors all cite globalisation or its negation as their cause. The media report occasional dramatic events – ministerial summit meetings ringed by angry protests in Seattle, Prague, Genoa, Cancun. Yet despite, or perhaps because of, its ubiquity, the daily impacts of the complex of forces summarised in the term globalisation – impacts in developed countries such as the UK as well as in the so-called Third World – still remain little understood. Globalisation is all around us, yet precisely what is going on is not always clear.

This is particularly true of the politics of globalisation, where the intense polarisation between those 'in favour' and those apparently 'against' now frequently militates against understanding. This pamphlet is a response to this. Its aim is to offer a more useful conceptual and political framework, not only for explaining the processes and impacts of globalisation, but for thinking about its politics. In particular, it seeks to offer a prospectus for those on the progressive wing of the political spectrum – for all those angered by economic and social injustice who seek feasible ways of shaping the world for the benefit of the least advantaged.

The approach we take is in many ways a familiar one. We argue that what is needed is a more managed form of capitalism, and a more redistributive and democratic form of international governance. In essence, what we propose is a global form of social democracy.[1] We are struck by the historical parallels. Social democracy on a national scale emerged in the 20th century in Western Europe after the Second World War.[2] But that war marked the terrible end of an earlier period of globalisation.

Despite the claims of its newness, the internationalisation of economic and cultural activity which we have witnessed over the last two decades is not in fact unprecedented. In the fifty years after 1870, the world experienced a similarly large increase in international commerce and investment, and the development of a new global culture and communications networks promoted by technological advance. Some countries experienced major growth in prosperity; others did not. Economic and political pressures led to the mass migration of peoples, notably from Europe to the United States. There was both world war and the creation of new multilateral institutions to attempt to avoid it.

But those institutions failed. By the 1930s the first phase of globalisation was ending in cataclysm. Nations proclaimed their right to act unilaterally, and self-interest took unashamed priority over international justice and cooperation. Whole populations were increasingly gripped by racism, xenophobia, political violence and extremist ideology. And as financial uncertainty and protectionism spread, the world was thrust into a deep economic depression. This combination of nationalism and economic collapse was ultimately to lead to the most bloody war humankind had ever suffered.[3]

It is fatuous to claim that history repeats itself. There are crucial differences between the first era of globalisation and the current one. The earlier phase was driven more by European countries' colonial plans to internationalise the division of labour and industrialise their domestic economies and less by global trade and capital liberalisation.[4] Economic and political structures today are more sophisticated – not least, because of the knowledge we have of the past. Nevertheless, the similarities are also noteworthy. Particularly striking, given the world's current uncertainties, is the way in which a drive to expand global economic, political and cultural relations, in part based on commercial and national self-interest and in part on ideals of human co-operation and peace, can be violently undone by a resurgence of nationalism and ideological or religious extremism. In turn these violent reactions can arise and spread in response to the perceived encroachments of dominant foreign interests on national cultures and economic security.

We argue in this pamphlet for the management of globalisation by multilateral institutions under principles of social justice. If this is not done – if globalisation is managed only in the interests of the powerful and wealthy – there is a clear risk of worsening the trends, already apparent, towards greater inequality, economic instability, social dislocation and political conflict. But if a balance can be struck between self-interest and the higher ideals of equality and justice, then the opportunities which globalisation offers may be realised, and the threat of conflagration contained.

It was just such a balance which social democrats struck after the Second World War in Western Europe. Through Keynesian economic policy and redistributive welfare states, social democracy at the national level proved that the worst impacts of unfettered capitalism could be controlled. Capitalism could be managed in the public interest by a democratic state, bringing huge gains to the mass of the population while retaining business profitability. For all the attempts during the 1980s and 1990s to roll it back, that social democratic settlement is still largely in place.

The core argument of this pamphlet is that the social democratic politics which transformed the lives of millions of people in Western Europe in the second half of the 20th century now needs, in the first half of the 21st, to be applied to the global stage. Obviously the national model cannot be lifted wholesale. The international arena is different in vital respects from the national one. Social democracy was not, and is not, perfect, and there are fierce arguments in most European countries about how it should now respond to contemporary social and economic trends. But the essential principles of social democracy remain valid, and they have powerful relevance at the international scale. Indeed, one of the arguments now underway within European social democratic parties (including Labour in the UK) is how they should respond to globalisation. This pamphlet argues both that the management of globalisation requires the application of social democratic principles at an international scale, and that by bringing these principles to bear, social democratic parties in Europe can reinvigorate their own domestic political appeal.

The argument is divided into three parts. The first part presents an analysis of the current phase of globalisation and the social democratic approach. The second part outlines what we describe as the 'four pillars' of progressive globalisation: equitable international trade, global economic regulation, redistribution of global wealth, and democratic global governance. The third explores the politics of change: the roles of social democratic parties, governments and campaigners in making progressive globalisation happen, drawing again on the lessons of social democratic history.

The need for a new political approach to globalisation is large and urgent. We live in a world of terrible suffering and deep insecurity. But there is an alternative.

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2 | Analysis of Globalisation

The issues

Most precisely, globalisation is the process by which interaction between humans, and the effects of that interaction, occurs across global distances with increasing regularity, intensity and speed.[5] However, the popular use of the term ‘globalisation’ tends to refer primarily, although not exclusively, to the increasing integration of national economies and the expanding global reach of transnational corporations.

Over the last two decades or so there is little question that globalisation has unleashed powerful new forces that have reshaped international economic and political relations. For those with the products, skills and resources to take advantage of the opportunities provided by global markets, the benefits have been clear enough. Some regions, countries and social groups have experienced a significant growth in incomes and standards of living. Global information technologies and increased international contact have enriched human life and culture for many.[6]

But the problems are equally apparent. World income inequality has stagnated or worsened to levels that would be regarded as socially unacceptable – even politically dangerous – in any country.[7] Over one billion people still live on less than $1 a day. 15 per cent of the world’s population – 800 million people

– suffer from chronic hunger. In Latin America, GDP per capita grew by 75 per cent from 1960-1980 but only 6 per cent from 1980-1998. For sub-Saharan Africa, GDP per capita grew by 36 per cent in the first period, while it has since fallen by 15 per cent. Indeed only East Asia has enjoyed higher regional growth in the period 1980-1998 than from 1960 to 1980. On these current trends fifty-nine countries will not achieve the modest targets set out in the United Nations Millennium Goals to reduce poverty and improve health and education by 2015. [8]

At the same time, financial crises have been amplified as the increasing activity of international capital markets have generated and transmitted economic instability across borders. Mexico, Russia, Thailand, Indonesia, Brazil, Argentina and Turkey have all experienced painful financial crises in the last few years.[9] Weak or non-existent regulation of global economic development is contributing to severe environmental degradation, both at local scales – deforestation, habitat loss, soil degradation, depletion of fish stocks, air and water pollution – and globally, in climate change, marine pollution and species extinction.[10] Meanwhile economic inequality, conflict and political instability are combining to force huge migrations of people across borders, causing immense social dislocation mainly in poor countries but also – as the controversies over 'asylum seekers' have shown in the UK – in the developed world.[11]

These trends inevitably have political effects. In developing nations, one of the most striking features of recent years has been the widespread occurrence of mass protests against the impact of so-called 'structural adjustment' policies imposed by international institutions, notably the International Monetary Fund and World Bank.[12] However, the economic problems afflicting the world have also given rise to other forms of protest based on ethnic hatred and religious zealotry. This is particularly apparent in the growing grassroots support for religious fundamentalism and communal chauvinism throughout the Middle East and Asia. In a number of developed countries, too, popular fear and resentment of the impacts of globalisation have allowed previously marginalised anti-immigrant and ultra-nationalist organisations to win greater support.

The globalisation debate

The debate about these problems has been dominated by two opposing positions. The dominant view in global discourse is that the expansion of global capitalism on a free market model is a relatively simple good. Free trade and capital movement raises incomes in both North and South. Therefore markets should, wherever possible, be liberalised.[13] Against this view the position widely characterised as 'anti-globalisation' has argued that global capitalism is a relatively simple bad. It increases inequality, destroys the environment and damages local cultures. The expansion of global markets should therefore be resisted, both through trade protection and through the promotion of local production for local markets.[14]

But this polarised debate has been extremely unhelpful, on two counts. First, it has not reflected, and therefore cannot explain, what is actually occurring in international economic relations. Free trade is not practised by the Northern countries which claim to espouse it. Europe and the USA, bastions of liberalisation rhetoric, actually retain huge trade barriers – tariffs and quotas which protect their domestic producers against foreign competition. Often these barriers are actually higher for developing countries' exports than for those of other developed nations. The rich countries have made successive agreements in international trade negotiations to reduce these barriers, but have actually done so at a snail's pace, effectively reneging on their promises. In the last few years some tariffs – such as for steel – have actually been raised by the US. At the same time agricultural surpluses generated from heavily subsidised production (notably, but not exclusively, through the Common Agricultural Policy of the European Union) are dumped on developing countries' markets, making it almost impossible for domestic farmers to compete. In these circumstances the theoretical debate about the merits or otherwise of 'free trade' which dominates so much globalisation discourse borders on the irrelevant. It distracts attention from the mercantile politics of commercial self-interest and power which governs real-world trade relations. A different analytical framework is needed.

Second, the pro-globalisation/anti-globalisation debate has left some NGOs and social movements (in both the North and the South of the world) advocating an essentially utopian position which has little purchase on feasible politics. Anti-globalisation protestors have raised vital public awareness on a worldwide scale, for example about the role of transnational companies, the damage inflicted by unfair trade rules, and IMF-World Bank programmes. But as a movement, they have not forged a coherent programme for reform. Indeed, some of the prescriptions on offer – such as a return to localised economics and self-reliance – would arguably be more damaging for developing countries than the current order, even if they could be implemented, which seems in practice largely impossible. In this sense, the anti-globalisation movement has not provided that part of the wider public seeking constructive responses to the failures of current globalisation with a positive, feasible programme to support. In the last few years most of the major non-governmental organisations and charities have shifted their stance towards the language of 'global justice' rather than 'anti-globalisation'; but as campaigners their approach remains primarily a criticism of current global arrangements rather than the promotion of feasible structural alternatives.

But a further failure of the overall discourse is that of the social democratic parties and movements. What has been needed to fill the vacuum between 'globaphiles' and 'globaphobes' has been the articulation of a coherent alternative rooted in fundamental reform of the rules and institutions that govern global markets. This should naturally have fallen to the parties and movements of the centre-left. But, despite some important individual governmental initiatives on issues such as overseas aid and debt (notably by the UK Labour Government), it has not happened. On the contrary, political pressures have left social democratic parties in government apparently accepting of the dominant conservative consensus, both its free trade theory and – to a considerable extent – its self-interested commercial practice. This has led to what have been widely perceived as anti-development policy stances taken by the European Union – most notably in international trade negotiations – even when most of the national governments of the EU have been of the left. Moreover it has arguably robbed these governments of a coherent story to tell their own electorates about key domestic issues concerning economic management, employment and workers' rights, the environment, migration and asylum, drugs and a range of other issues.

Articulation of a clear and feasible social democratic response to globalisation could therefore have important benefits for progressive politics at both national and international levels. This requires, however, a common framework for understanding the issues among the various elements of progressive politics: social democratic parties and governments, the labour movement, enlightened businesses, and NGOs and campaigners.

Social democracy and the analysis of capitalism

A crucial starting point in the development of a social democratic response to globalisation is the recognition that these problems are products not of globalisation per se but of its current patterns. Both the 'pro' and 'anti' globalisation camps tend to argue as if the outcomes associated with globalisation are inevitable – that they are beyond the control of human agency in general and governments in particular. Social democrats should reject such fatalism. Of course, some aspects of globalisation are irreversible: new technologies cannot be uninvented. But current patterns of globalisation are the product of policy choice and institutional design. At risk of over-statement, the globalisation we have now is the one we choose, or at least the one that powerful actors – transnational companies, international institutions, and national governments – have chosen. Social democrats need to show that different choices are possible, just as they showed that a different form of capitalism was possible in the 20th century. They need to show how the enormous potential inherent in globalisation can be harnessed to work for poverty reduction, the elimination of gross disparities in wealth and life chances, environmental sustainability, and economic stability.

The current phase of globalisation has particular characteristics which mark it out from previous periods of capitalist change, such as the role of information technology. But it is still driven by the familiar logics of capitalism. The social democratic approach to globalisation should therefore be similar to that which social democrats took to national economies in the 20th century.

By the middle of that century it was widely recognised that unfettered capitalism created unsustainable levels of economic inequality and instability, social dislocation and ultimately political upheaval. There were some who argued throughout that period, even after the depression of the 1930s, that the solution was a freer capitalism rather than a more managed one. However, the credibility of their arguments was so damaged by simple empirical observation that they could offer little effective resistance to the new social democratic consensus which emerged in that period – including both Keynesian economic management and public welfare spending. Of course, arguments continued to be had about the extent to which capitalism should be controlled. But even the emergence of New Right governments in the 1980s – notably in the UK under Margaret Thatcher – could not remove the basic social democratic settlement of the welfare and redistributive systems established in mid-century.

Social democrats accept that markets are the best way of allocating most resources in the economy. However they make a crucial distinction between individual markets and market forces, which are the collective outcomes of those markets. If markets are left to themselves, market forces generate a series of problems damaging to the public good. The principal problems are inequality and the exclusion of sections of the population or geographical areas from a fair share of wealth; economic and financial instability, including periods of non-self-correcting slump and unemployment; and environmental degradation. If left unchecked the power of capitalism's commercial interests furthermore tends to undermine democracy, both in particular cases and generally; because market forces are not accountable, an economy governed by them is essentially not under democratic direction.

Social democracy therefore seeks to use the democratic state to manage capitalism to avoid the excessive and deleterious effects of market forces. At the 'micro' level, the state regulates individual markets – for labour, capital, goods and services – in order to protect employees, consumers and the environment from the undue exploitation which would otherwise occur if market actors were left to themselves. Standards are raised and firms prevented (either through legal sanction or tax incentive) from undercutting them. At the whole economy or 'macro' level, institutional structures and processes are established: to control instability (through active fiscal and monetary policy), to redistribute resources to the least advantaged (through direct transfers, welfare state spending and support for economic development in weaker regions and among the least advantaged in the labour market) and to provide a variety of social goods. A progressive tax system is used to fund the provision of essential public services such as education, health care and social services free at the point of use, along with other essential infrastructure services such as transport, land use and planning.

In doing this social democracy tells a crucial story about capitalism: that without these state interventions to affect the outcome of market forces it would not perform as well. This is both because capitalism is inherently unstable; and because in the long term inequality and environmental degradation will undermine its bases in human and natural capital. Social democracy therefore presents itself both as a moral force, aiming to create a decent human society; and as the ultimate guarantor of capitalist wealth creation.

Social democrats accept that, in the short term, regulation of markets and institutional intervention may reduce efficiency (and therefore the speed of wealth creation) in particular markets. However, on the one hand this can be a price worth paying to reduce exploitation, inequality or environmental degradation. On the other, in the longer term, it may support a higher level of efficiency and wealth creation by reducing instability and promoting both social and environmental sustainability. This necessary trade off between the micro and the macro, the short and the long term, is a crucial part of the social democratic argument.

All this is presented as an argument for 'controlling' what would otherwise be the unfettered forces of capitalism. But social democrats also accept that economic development will not occur (or not in conditions of freedom) without capitalism. Developing countries today for example need trade: they cannot develop fast enough to counter global inequality without it. So the question for social democrats is how trade can be made to work for the poorest people, and not simply for the richest. Similarly, developing countries need capital for economic development. Given the present distribution of capital resources, this inevitably means foreign investment. The question for social democrats is then how such investment can be directed and regulated so that a proper distribution of benefits accrue to the recipient countries, and economic self-determination is not undermined – yet without causing it to be withdrawn altogether. The trade-offs here may be sharp; they cannot be avoided.

In the 20th century, European social democracy (in some cases with the support of Christian democracy) built a form of managed national capitalism on these lines. However over the last twenty years the processes of globalisation have loosened some of the constraints of this system, and put tremendous pressures on others. Mobile capital has to some extent escaped national regulation, both through the expansion of production and consumption in countries without such developed regulatory systems, and through national policy specifically designed to 'liberate' it. Coming at the same time as technological change this has unleashed a powerful new wave of capital accumulation, bringing both benefits and problems. The task now is therefore to bring a social democratic approach to bear on the global capitalist economy in the same way as occurred in national economies in the last century.

The conditions which prevail at the international scale are obviously very different from those at national level. Yet in Europe supra-national economic regulation has already been put in place. Beyond its original purpose to cement the postwar peace, the European Union has developed principally as a mechanism for managing capitalism at a transnational level. It embodies a single market without internal tariff barriers, as exists in individual states but it then regulates market forces through common labour, consumer and environmental protection laws, providing a level floor for all firms. It overlays such regulation by crucial redistributive mechanisms – both through regional economic development policies (which have contributed greatly to the development of the economies of Southern Europe and Ireland and at a smaller scale to individual regions within the UK) and by allowing free migration of labour. It has now embarked on an attempt to control economic instability through a single currency and common monetary policy. All this is done under a form of democratic governance, with the directly elected European Parliament overseeing an inter-governmental executive.

The EU is far from perfect. As in all social democratic polities there is constant tension between the needs of capital and those of its regulation for public ends. This is particularly true of the fiscal rules and institutional arrangements underpinning the Euro, which have been designed under monetarist rather than social democratic principles. (But that is another story.) Its governance structures are notably flawed. Nevertheless, the EU does show that capitalism can be regulated beyond the nation state. Already it is expanding to apply those principles to the larger economy of Europe as a whole, East as well as West. A Global Union is not currently on the agenda. But it is possible to imagine the basic principles of social democracy being applied to the wider international economy. Global capitalism can be managed for the public good.

The four pillars

This social democratic approach to globalisation, designed to promote greater social justice and sustainable economic development, would rest on four fundamental pillars:

- an equitable system of global trade

- the regulation of global economic activity – for economic stability, and for the protection of employees, consumers and the environment
- global mechanisms for the redistribution of income and wealth from rich nations and actors to poorer ones
- a democratically legitimate system of global governance

In the following four chapters we explore what these basic principles mean and how they could be put into practice. Some of the proposals we make could be implemented now. Others are more ambitious. The development of a global social democracy will not occur overnight, and all effective strategies for change need medium and long term aims as well as immediate goals. If it is to offer genuine hope in a troubled world progressive globalisation must be radical in aspiration. But it must also be feasible in implementation. Utopian prospectuses which look wonderful in books and manifestos but have no chance of being brought into being in the real world are not ultimately of any use to those who need them. 'Feasibility' is of course contestable – as we argue in the final chapter, none of the following will happen without a political movement for change. Debating the appropriate balance of feasibility and radicalism will be an important task for progressive politics in the coming years.

3| Equitable Trade

Over the last few years trade policy has become the central issue in debates about globalisation. It is in this field that competing arguments about the theory and practice of economic development have come to a head.

Neoliberals in developed countries and their allies in global institutions have successfully sought the adoption of free trade as the dominant principle of trade policy. Free trade, they argue, ensures the most efficient allocation of resources and raises growth rates in developed and developing economies alike. Liberalisation – the reduction and elimination of trade barriers (tariffs and quotas) – is therefore urged on all countries. Indeed, neoliberals argue boldly that the principle applies not just to commercial trade but to trade in utilities and public services as well.

The World Trade Organisation

Under the neoliberal rationale, free trade has become the dominant principle at the World Trade Organisation (WTO), the body which manages world trade. This has made the WTO probably the most vilified of all the institutions of global governance. Globalisation campaigners have pointed to the imbalance in negotiating and research resources between rich and poor countries, which has resulted in significant advantages for the former. They have pointed out that trade negotiations in the WTO are conducted in almost complete secrecy, leading to widespread allegations of coercive bargaining practices and a lack of accountability. When a conflict arises between trade agreements and other international agreements, such as on the environment, the legally-binding character of WTO treaties and rulings almost always gives them priority.

These are all valid criticisms. But globalisation campaigners are wrong to condemn the WTO and its dominant neoliberal agenda in the same breath. In fact the WTO has two vital characteristics to recommend it to progressives. First, it enshrines and upholds a rules-based trade system. The rules it currently applies may be problematic, and may at the moment be interpreted and applied in the interests of the wealthiest countries, but ultimately it is only through universally recognised and enforced rules that the developing world may be able to gain advantage over the power of the advanced economies. Poor countries need a rules-based system more than rich ones for an obvious reason: they lack the bargaining power conferred by market size and retaliatory capacity. India's forceful position in the current round of WTO negotiations, for example, has shown how the existence of a rules-based trading regime can give bargaining power to less developed countries determined to shift the dominant agenda. Abolition of the WTO, as some campaigners have called for, would not be an advance: a free-for-all on trade in which might had right and there were no constraints on economic exploitation would not serve the interests of the developing world or, in the longer term, the developed world either.

Second, the WTO is constitutionally based on the principle of one-member one-vote. Whereas in the International Monetary Fund and World Bank, for example, power lies with the major financial donors, at the WTO every member has equal status and one vote. In principle it operates on a consensus basis. It is true that these democratic principles are often negated by the economic power and bargaining practices of the rich industrialised countries. All too often, consensus-based rhetoric is a smokescreen behind which a small minority of WTO members (notably the EU, the US and Japan) have cut bilateral deals, bullied poor countries, and dictated rules on issues such as intellectual property, financial services, investment and agriculture which are opposed by the vast majority. Nevertheless, if protected from abuse, the WTO still presents an important constitutional model for global governance. The challenge for social democrats is not its abolition, but its transition from merely formal democracy to proper accountability.

Free trade and protection

The dominance of the neoliberal free trade agenda is, however, a serious problem. For the insistence that free trade is universally beneficial flies in the face of historical experience. Free trade was not the method by which today's economically advanced countries achieved industrialisation and reduced poverty. The UK and its competitors in Europe and the New World all used tariff barriers, industrial subsidies, nationalised infrastructure investment and public services free at the point of use to develop national economic strength. The same is true of those countries in East Asia which are often presented as paragons of liberalisation. Japan, South Korea, Taiwan and others have not made such rapid economic progress over the last three decades through free trade, but through highly controlled and protected industrial economic management. They have liberalised imports slowly, usually after economic growth has taken off, and most remain highly protected.[15]

At the same time experience from many developing countries shows that over-rapid, poorly planned, and badly sequenced import liberalisation can be economically disastrous. It can contribute to the collapse of fledgling local industries and of potentially competitive sectors. For example, in countries such as Mexico and Haiti rapid import liberalisation in agriculture has exposed vulnerable smallholder farmers to intensive competition from imports originating in the US, with devastating consequences for local livelihoods. The high level of subsidies attached to US exports raises profound questions about the fairness of WTO rules that allow such unequal competition. In Africa, rapid import liberalisation under structural adjustment programmes has frequently resulted in the destruction of local industries and a process of 'de-industrialisation'. Protectionism is clearly not a panacea for poverty – and import barriers can hurt, as well as protect, the poor. But it is clear that a dogmatic application of free trade principles can undermine poverty reduction efforts.[16]

The lessons of real-world experience, therefore, suggest a more complex understanding of the relationship of free trade to economic development than that provided by neoliberal theory. There is no question that free trade can benefit economic development and growth but it is an outcome of economic development rather than its cause.[17] To enjoy the benefits of international free trade, a national or regional economy has to be sufficiently developed to compete effectively in the global marketplace – and measures have to be put in place to prevent economic disadvantages from being converted into high levels of inequality.

Free trade in an integrated market is an important principle of the European Union, and it includes the poorer member states. But to counteract the potential for marginalisation of weaker regions the EU has also invested heavily in regional and social development. Within countries too, public action is needed to ensure that the benefits of trade do not bypass the poor. This implies a commitment to the redistribution of opportunity and assets – a social democratic project that has slipped off the development agenda and the national policy priorities of most developing countries.

More open trade in most sectors should remain the ultimate goal of progressive globalisation – and therefore of the world's trading rules. Social democrats wish to see a world economy in which all countries are strong enough to compete freely and fairly. But it should not be the goal today. For countries which have not yet reached a sufficient level of economic development, the protection of domestic sectors to allow for economic development remains a legitimate and necessary policy tool. The dangers of such protection are well known – it can be distortionary, can raise domestic prices and can lead to low efficiency and technological stagnation. Ultimately, in stages, it should be phased out. But the over-rapid deregulation of trade frequently prevents indigenous economic development occurring altogether.

The appropriate combination of protection and liberalisation varies according to sector, as well as developmental stage. In industry, protection plays a vital role when it is part of a clear industrialisation strategy, and should be targeted and temporary, being removed as fledgling industries grow stronger. At that point, the benefits of access to cheap imported inputs and the competitive disciplines of the export market outweigh the costs of exposure to international competition. Agriculture is more complex – in many traditional sectors, especially the growing of staple foods, huge numbers of farmers may not become internationally competitive for generations and long-term protection may be essential. 97 per cent of the world's farmers live in developing countries, and it is simply not an option for them to find new jobs in more competitive sectors.

Notably, in this context, rules already exist in the World Trade Organisation which allow for the 'special and differential treatment' for developing economies.[18] They recognise the right of developing countries to protect fledgling industries, restrict imports in the face of balance of payments problems, and liberalise at a slower pace than industrialised countries. The world's rich countries have been demanding that such rules be radically weakened in favour of the neoliberal free trade model. But a social democratic model would place this approach at the heart of trade governance. What is needed is the development of a series of rules and conditions which define how far protection is justified and allowed for different industry sectors at different stages of development, how such protection can benefit the poor, and how it would be controlled and phased out as development occurred.

Market access

None of this means that developed economies such as the UK should protect their own markets from imports. In an extremely unequal world economy, trade rules must inevitably be asymmetric. Precisely because industrialised economies are highly developed, we must be able to open our markets to imports from poor countries even while we accept that theirs cannot be fully open to trade with us. Such asymmetry is not 'unfair'; it is precisely a recognition of the different stages of economic development of different countries. It allies trade rules to the process of development rather than setting them against it.

The irony of the rich countries' current stance on liberalisation in developing countries is the fact that they already enjoy significant special and differential treatment protecting their own economies. This is despite the obvious fact that developing countries need access to markets if they are to enjoy the benefits of global integration. More specifically, they need access to markets in rich countries in which they possess a competitive advantage.

Despite repeated pledges to the contrary, rich countries continue to maintain high barriers against imports from poor countries. When developing countries export to the OECD countries they face average tariffs some four times higher than those on intra-OECD trade. In other words, the poorest countries face the highest trade taxes: a fact that helps explain why Bangladesh, one of the world's poorest countries, pays more in import duties in the United States than France, one of the richest. The average tax on goods from Bangladesh imported into the US is 14 per cent. For France and Britain the comparable figure is less than 1 per cent. In Britain, countries such as India and Brazil face average tariffs more than five times those applied to the US.[19]

There are good reasons for social democrats to oppose such patterns of trade taxation. Progressive taxation is one of the central principles of social democratic politics. If the principles applied in rich country trade tax policies were applied to domestic taxation, most people would be outraged. It would be analogous to single mothers on low incomes facing the highest average tax rates, while multi-millionaires operated in a tax free zone. Yet when applied through trade policies to poor countries, social democratic governments have either turned a blind eye, or asserted that protection is needed to prevent the transfer of jobs from rich to poor countries. There is certainly a need for an active industrial and social welfare policy to address this problem. But protectionism of this kind against the poorest countries is unjust, short-sighted and – ultimately – a threat to shared global prosperity and commitments to reduce poverty.

The social cost of northern protectionism for poor countries is very high. It is estimated that tariffs and quotas imposed by rich countries on textile and garment exports cost developing countries around 27 million jobs.[20] The vast majority of these jobs would go to women workers. And while the feminisation of labour forces in this and other sectors has been associated with serious problems in the area of labour rights, denying poor people employment opportunities is not an effective response.

One of the most pernicious problems facing poor countries is that of tariff escalation. Escalating tariffs help confine Ghana to the export of unprocessed cocoa beans, Burkina Faso to the export of raw cotton, and Uganda to the export of raw coffee. Chilean tomato exporters face a six fold increase in tariffs if the tomatoes are processed into paste.[21] Such practices help prevent developing countries adding value locally, skewing the benefits of trade towards richer countries. They also represent a formidable barrier to efforts aimed at diversifying out of poverty.

Social democrats should take a clear and principled position in favour of improving access to Northern markets for developing countries. Immediate goals should include:

- full duty and quota free access for all low income countries
- deep cuts in trade taxes on labour intensive goods produced by the poor, including agricultural commodities, textiles, and footwear
- steep reductions in tariff peaks (in areas such as agriculture) and low ceilings on tariff escalation
- a commitment to low tariffs on textiles and garments after the Multifibre Agreement (MFA) is phased out
- compensation for countries that stand to lose out as a result of the erosion of trade preferences

Beyond the problem of market access, many of the world's poorest countries are ill-equipped to take advantages of the opportunities provided by trade. Weak infrastructure, low levels of human capital, geographic location and other factors can militate strongly against successful integration into global markets. To the extent that import liberalisation erodes the trade preferences enjoyed by some poor countries – such as the EU's preferences for Africa – it runs the risk of causing their further marginalisation. Addressing these problems must be an important part of the progressive globalisation agenda. The solution is not to maintain high trade barriers against other developing countries, but to tackle through aid and other measures the supply constraints facing the most disadvantaged – and to ensure that any loss of preferences resulting from liberalisation is fully compensated.

The inequities of the trading system compound developing countries' problems in other ways. Many of the weakest governments depend to a large extent on revenue from import tariffs – liberalisation therefore has serious consequences for their ability to fund health and education programmes. Moreover, agricultural liberalisation, coupled with continued barriers to exports, has led to growing trade deficits that must be bridged by further foreign borrowing, exacerbating the developing world's debt burden.

Agriculture

Many developing countries depend heavily on agricultural exports for foreign exchange earnings. It follows that agricultural trade rules are of vital importance for poverty reduction. Yet no area of world trade is more distorted by the policies of industrialised countries, policies completely at odds with their professed commitment to liberalised trade.

The OECD estimates current levels of support to agriculture at around $1bn a day. About a third of this is in direct subsidies to farmers, the rest in the form of transfers from consumers due to higher prices. The support allocated to the average European cow – about $2.50 a day – is larger than the income of 75 per cent of Africa's population. Total aid to Africa is worth about two week's worth of farm subsidy spending. Social democrats have consistently raised concerns about current patterns of agricultural support. They have pointed out that most of the benefits go to the richest farmers and agribusiness corporations. And they have raised concerns about the consumer health and environmental costs of intensive agriculture.

Yet many of the old totems remain intact. French governments of both right and left present the Common Agricultural Policy (CAP) as part of Europe's 'social model'. The Bush Administration justified the hike in farm subsidies provided for under the 2002 Farm Act by reference to the virtues of smallholder family farming and the responsibility of the state to protect it. Such arguments defy credibility. In Britain, the CAP has generated windfall gains for the big grain and sugar farmers of East Anglia, and for assorted agribusiness interests, but it has done little or nothing to protect vulnerable hill farmers or the environment. In effect, current systems of farm support operate as a form of welfare for the rich financed by taxpayers and consumers.

Less attention has been paid to the international consequences of current subsidy patterns. By generating large surpluses and dumping them on world markets, northern farm policies cause immense damage to poor countries and poor farmers. US farm subsidies are estimated to have cost West Africa alone some \$200m in 2001.[22] EU dumping of sugar and dairy surpluses has similarly undermined markets for producers in a large number of developing countries. In addition, heavy export subsidies mean that farmers in developing countries have to compete against ruinous competition from Europe and the US in their own local markets. Instead of operating on a level playing field, developing country farmers are competing against the finance ministries of the world's richest countries.

In the agricultural field WTO rules have also failed the poor. Far from following the free trade prescription, the rules have been carefully tailored to accommodate, rather than eliminate, the subsidies that cause export dumping. Through the WTO, rich countries have elaborated a whole series of measures – including the so-called Green Box and Blue Box payments – that enable them to provide subsidies on terms deemed consistent with world trade rules (rules which they wrote during the previous Uruguay Round of trade talks). The 2002 US Farm Act and the weak reform of the CAP adopted in June 2003 guarantee that rich countries will continue to subsidise at current levels, unless sufficient public pressure can be mobilised to achieve change. The result is bad for citizens in rich countries and for the poor in developing countries.

A properly social democratic agenda in the present Doha round of WTO negotiations would seek radical reform in the agricultural rules. This should include:

- a comprehensive ban on all forms of direct and indirect subsidisation of exports
- a re-gearing of support for agriculture in rich countries towards less intensive farming and poor areas and a ceiling on total levels of agricultural support
- a recognition of the right of developing countries to protect their food producers

Other issues

There are other issues too on which the pro-development perspective of progressive globalisation would cast a new light.

First is the question of the primary commodities market. The world's poorest countries depend critically on primary commodities for export earnings. Relative to import costs, prices for these commodities – their terms of trade – have been in decline for decades. This has contributed to the diminishing share of many of the world's poorest countries in international trade. Allied to deteriorating price trends, producers in developing countries are capturing a diminishing share of the final value of their production. Meanwhile Northern trading corporations and retailers are capturing a growing share. Yet discussion of how to ameliorate the enormous economic hardship this has caused across the developing world is simply not an issue in global trade negotiations.

Second, WTO rules on intellectual property rights need to be rewritten. These rules graphically illustrate how unbalanced trade can exacerbate inequality between countries, and poverty within countries. These rules were designed by the principal beneficiary (the United States) to serve the interests of powerful corporate lobbies (notably the pharmaceuticals industry), with scant regard for the consequences in poor countries. Intellectual property rules have to balance the private interests of inventors with those of the public. Patents seek to achieve this balance by creating incentives for investment by restricting copycat innovation, but for a time-bound period. During the Uruguay Round, industrialised countries demanded – and got – a system of WTO rules modelled on their own patent regimes. The result was global intellectual property rules providing 20-year patent protection.

Given that northern-based transnational companies account for over 90 per cent of global research and development spending and patents, this model is set to reap them windfall gains. The other side of the equation is self-evident: as importers of new technologies, developing countries will face higher costs in the shape of royalty payments on patents and increased difficulties in acquiring modern technology for their own industries. There is therefore a danger that the WTO patent regime will widen the technological divide between rich and poor countries, exacerbating inequalities in world trade and income distribution.

The application of patents to pharmaceutical products has created special problems. In the case of HIV/AIDS, pharmaceutical companies have sought to use WTO rules to restrict the right of generic manufacturers in developing countries from producing cheap copies of patented drugs. Looking to the future, as new patented drugs come on stream for treating a broad range of life-threatening diseases, there is a danger that patents will price medicines beyond the reach of those most in need. While the Doha ministerial meeting adopted a 'public health' declaration establishing the principle that health needs would be placed before patent claims, this has not been translated into practical rule changes.

Again, a progressive social democratic approach would demand a fundamental reform of WTO rules in this area. An agenda for action during the Doha Round and beyond would include:

- new WTO rules enshrining the right of developing countries to import generic drugs to address local health needs, with a parallel recognition of the right of generic drug companies to export
- a fundamental review of the TRIPS agreement with a view to the development of a new regime allowing for shorter, more flexible periods of patent protection in poor countries

A third problem is the attempt by developed countries to extend the remit of the WTO beyond core commercial trade issues. Under the General Agreement on Trade in Services, for example (which requires WTO members to remove trade barriers in services) negotiations are currently taking place to expand the principle of free trade into publicly-owned utilities and public services such as education and healthcare. This threatens to undermine the right of individual nations to make self-determined policy choices about how their public goods are delivered. Most social democrats would insist that public services should not be open to free trade in this way.

Similarly, the European Commission has been pressing for an expansion of the WTO's mandate to cover non-trade areas such as investment and competition policy. These issues go well beyond the original remit of trade rules, which were concerned with border measures; they concern instead areas of government regulation. If the liberalisation paradigm is questionable on trade, it is far more so on such ‘inside-the-border’ issues as investment, where historical experience suggests that the WTO’s core principle of non-discrimination between domestic and foreign companies is particularly inappropriate.[23] While so many core trade issues such as agriculture and market access remain unresolved, it is quite inappropriate for the WTO’s remit to be extended in this way.

4| Economic Regulation

The management of equitable trade is an example of how intergovernmental bodies can regulate capitalist economic activity for the global public good. But social democracy seeks the use of common rules to govern economic behaviour more widely than for trade alone.

At the level of the whole economy, the market forces generated by capitalism are unstable. So social democrats have sought forms of fiscal and monetary policy which can maintain demand and keep inflation low throughout the business cycle. They have established mechanisms to manage the creation of private credit, and to dampen the risks of excessive speculative capital movements. Recognising market failures in the provision of public economic goods, social democrats argue that the state needs to support productive investment, for example through aid for research and development, education and employment training. Some seek greater intervention in these areas; others look to change the governance arrangement of companies and the duties of institutional investors in order to secure public ends. But for all, the aim is to guide the overall direction of capitalist economies and maintain their stability under the democratic and accountable management of government.

Likewise, social democracy has sought to regulate market forces at the level of individual markets. Left to themselves markets can and do lead to the exploitation of workers, consumers and the environment, as profit-motivated firms seek to cut costs. By regulating markets, governments can protect these interests and raise socially acceptable standards over time.

Labour protection includes health and safety legislation, limitations on working time and entitlements to holidays, rights to trade union organisation and representation, minimum wage levels, entitlements to maternity, paternity and parental leave, and so on. Consumer protection includes product safety and quality standards, information provision and rights of redress for faulty goods. Environmental protection includes a wide range of regulations, taxes and charges, voluntary measures and information provision to control the way in which firms and consumers use energy and resources, produce pollution, affect land and habitat management and a wide range of other activities.

These basic principles and structures of the social democratic management of capitalism are now more or less universally established in Western European countries. Indeed they are so commonplace that most people would probably not recognise them as particularly social democratic at all. Indeed, they are equally supported by mainstream conservatives, however, that is a mark of their success: it is not a reason for social democrats to doubt their radical character. Arguments in domestic European politics therefore revolve not around the principles but about the extent and strength of their application. There can be considerable variation in the degrees of regulation.

In general higher standards cost more to implement, so reduce business profitability. Regulation in this sense is a mechanism for sharing the cake of wealth creation more equally. But in reducing profits it may also mean that the size of the total cake is less. On the other hand raising costs can force firms to become more productive – higher environmental or labour costs, for example, may encourage firms to innovate, to become more energy efficient or to raise product quality levels.

Regulation at a global scale

These issues are the subjects of legitimate argument between social democrats (and between social democrats and conservatives) at domestic level. However at an international level they are largely theoretical. For in the global economy, outside the developed nations of the North, very few of these regulatory mechanisms and structures apply to any serious extent at all.

One of the key drivers of economic globalisation has been the lower costs of production in developing countries in comparison with the regulated economies of the OECD. Most of the differences in costs are a function of wage levels, reflecting different stages of economic development of different countries. But some are the result of weaker or non-existent regulatory systems. Few developing countries have strong mechanisms for the protection of labour or consumer rights or the environment – and even fewer can afford to police or enforce those that do exist.[24] The result has been not just the growth of international trade but of huge transnational corporations (TNCs) which can organise their production on a global scale, seeking out the lowest costs of labour and environmental resources in order to maximise their profitability. Two-thirds of global trade is now controlled by a mere 500 firms, the largest of which are bigger (in value added terms) than the economies of many developing countries.[25] A number of once poor, now so-called middle income countries, such as South Korea and Malaysia, have developed major TNCs of their own.

The significance of TNCs is that they can escape the regulatory power of individual states. National governments which seek to raise labour or environmental protection standards are always now aware that they may drive away investment and jobs, as globally mobile firms decide that lower costs can be found elsewhere. Indeed the mere threat of relocation or non-investment is often sufficient to limit government action: the largest companies are just too large, employing too many people and bringing too many economic benefits, to be ignored. This is as true for developed as for developing nations: national governments can find themselves being played off against one another as companies seek to secure the greatest benefits and the lowest costs in return for their investment in any individual country. So, far from extending the reach of social democratic regulation, competing national governments are often pushed into offering inducements – including in many developing countries such assistance as the suppression of trade unions and lax environmental protection – to attract and retain global companies.

The processes by which global production and trade have expanded over the last thirty years have led to rapid economic development in many formerly poor parts of the world – particularly in South East Asia, and to a lesser extent in Latin America. But just as occurred two hundred years ago during the industrialisation of Western Europe, they have also led to growing disparities between rich and poor, between economically favoured regions and groups of workers and those left behind. In many regions and sectors wealth has been created through the exploitation of terrible working conditions for employees, leading to shocking health effects and mortality. Trade unions have often been banned and persecuted, child labour abused. Gross failure to control pollution has left some communities and natural environments badly damaged. Forests have been unsustainably mined and land degraded.[26]

Contrary to popular belief, transnational companies tend to have higher standards in most of these respects than local firms. In many countries they are the best employers and run the most environmentally sensitive operations. But this is not the point. It is their ability to reject national regulation by relocating elsewhere – and the sheer economic weight they can wield in threatening to do so – that presents the challenge to social democratic principles. In fact, there are enough examples of poor, sometimes appalling, TNC behaviour to show how unregulated markets inevitably work.[27] Some of the largest and most brand-aware companies in the world – such as Nestle (for its promotion of baby milk), Shell (for its oil operations in Nigeria) and Nike (for the sweatshop conditions in its Asian sports shoe sub-contractors) – have had shocking practices in developing countries publicly exposed in recent years.

In principle, the social democratic response is straightforward. A global economy needs global regulation. Only by creating and enforcing a common, transnational set of standards can nations and companies be prevented from undercutting. If standards are the same everywhere, there can be no threat to relocate. This is why in Europe basic labour, consumer and environmental laws are nearly all now set at the scale of the European Union rather than the nation state. A single market needs a level playing field of regulation to ensure that individual countries cannot compete by lowering their standards of social and environmental protection – and companies cannot push them into doing so. Nation states pool their sovereignty over the determination of such standards in order to reap the benefits of cooperation over competition.

Ultimately a social democratic world would almost certainly involve an equivalent kind of body at the global level – a Global Union or Community, with a common set of basic labour, consumer and environmental protection laws. It is difficult to see how nation states could ensure the maintenance of high social and environmental standards in a fully integrated global economy without some kind of supranational regulatory body of this kind. A Global Community might well develop from a number of regional blocs like the European Union. It is not inconceivable to imagine such blocs eventually forming in East Asia and Latin America to agree common social and environmental standards, for the same reason as the European Union developed in Europe. But a Global Community is not a realistic prospect in the short or medium term – and perhaps more importantly, nor should it be.

In the world as it is today, with countries at very different levels of economic development, it would be impossible and wrong to seek to impose a universal set of social and environmental standards. Seeing the differences between conditions in developed and developing countries, campaigners often accuse TNCs of 'double standards'. But different standards are inevitable in different circumstances. One would not expect employment rights and environmental protection – let alone pay – to be exactly the same in a developing country as in a rich one. Part of what it means to be a rich country is precisely to be able to afford higher standards. Indeed any attempt by rich world governments or campaigners to force poorer countries to operate with developed economy standards is fiercely resisted by those countries, who see it as a form of protectionism, removing from them the right of national self-determination to set their own economic conditions.

This does not mean that developing countries should impose no social and environmental protection (or of course that they do not already): the point is that in most cases their standards have to be self-determined, and not subject to the pooled sovereignty of international agreement. But in turn this does not mean that the social democratic ideal of international regulation is ruled out altogether. There are three important forms that such regulation can take. It is these which should be the focus of a progressive globalisation agenda now.

Trade union rights

The first is international enforcement of universal rights to trade union membership, organisation and representation. In general labour standards have to be nationally determined. But the right to trade union representation is different. The right to belong to a trade union is a human right already enshrined in the UN Declaration of Human Rights and the Convention of the International Labour Organisation. But even more importantly, trade union organisation is the basis of other labour standards. It is through the activities of freely organised trade unions that pay and working conditions are improved in capitalist economies – both at the level of individual firms and, through political organisation and pressure, at the level of national legislation. This was true in the industrialised countries as we developed, and it remains true in almost all developing countries now. The suppression of trade unions is one of the primary mechanisms that countries (and companies) have used to hold down wages and conditions. Ensuring that trade unions can organise freely, that individuals can belong to unions of their choice, and that firms must recognise unions where membership reaches a certain threshold of the workforce, should now become a matter for international enforcement, and not just voluntary compliance.

Formally this would best be done through international treaty under the auspices of the International Labour Organisation (ILO). But since many governments would presently be opposed this is likely in practice to be the final stage of the process. A more useful objective would be to build free trade union laws into the conditionality of international aid and financial support. It is now widely accepted that making multilateral and bilateral support conditional on 'good governance' – that is, on rudimentary democratic practices – is a legitimate way of ensuring that such aid is used well. There is every reason to argue that making the existence and enforcement of statutory trade union rights into a similar condition would have the same beneficial effect. This mechanism would have the advantage that it could be introduced by individual donor countries or groups of countries, such as the EU, even before it were accepted at the level of multilateral institutions such as the International Monetary Fund and World Bank. It would require, of course, close monitoring: many countries have fine laws which are not enforced. But this in itself would be an excellent form of protection for unionists and their work, which is often undertaken in great danger. Experience has shown that strengthening the labour movement is one of the most important ways to promote not just employment protection but wider forms of social development in many parts of the world.

Incentive-based agreements

The second form of feasible international regulation is the use of economic incentives within the framework of international agreements and legally binding treaties. Such incentives have become a particularly important mechanism for global environmental regulation.

As with labour standards, most environmental protection must inevitably be nationally determined. But where environmental problems are themselves global, or otherwise cross-border, there are obviously major advantages in international agreements which can bind nations to collectively determined standards and levels of protection. A number of such agreements have been concluded in the last fifteen years, relating to issues such as marine pollution, ocean fisheries, ozone depletion and greenhouse gas emissions.[28]

In the case of the latter two agreements, the Montreal Protocol on ozone-depleting chemicals and the Kyoto Treaty on climate change, a key feature is the use of incentive mechanisms to encourage poorer countries to comply and to promote the efficient distribution of costs. The agreements allocate individual nations effective 'permits' for a certain level of polluting emissions, with targets for their reduction over time. But these permits are then (partially) tradable. By trading permits which they do not require (because their emissions have not reached the permitted level), poorer countries can earn income from richer ones which do need them. At the same time more efficient nations and companies can sell permits to less efficient ones, thereby reducing the total cost of reaching the target and encouraging efficient production. In addition, developing countries have been offered various aid and support packages by the rich world to help them reduce their environmental impacts and to adopt higher technological standards.

In this way environmental agreements have become mechanisms for aid and technology transfer as well as for environmental protection. This model offers considerable opportunities in the environmental field but also potentially in other areas of transnational regulation as well.

The regulation of transnational companies

Both the enshrining of trade union rights and incentive-based international agreements are regulatory mechanisms which apply to nation states. The third form of regulation is applied direct to transnational companies. It offers potentially important opportunities to raise labour, consumer and environmental standards in developing countries.

Over recent years many transnational companies have submitted to various internationally agreed voluntary codes of practice. Some of the most notable include the United Nations Global Compact (which covers a range of issues include trade union representation, child labour and environmental good practice), the International Labour Organisation's Tripartite

Declaration of Principles Concerning Multinational Enterprises, and the UNCTAD Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices. Mostly these agreements simply codify good practices with which the signatory companies are already complying. But for new signatories in particular they can be useful mechanisms for raising standards in particular areas of corporate behaviour. Once a company has signed, such agreements do exert a certain degree of sanction: it is clearly bad for a firm's corporate image to be seen to be breaking a code of practice to which it has voluntarily subscribed. But important though image can be in a highly competitive and political trading environment, it is only one factor to be weighed against the cost reductions or competitive advantage which may be gained by non-compliance.

And of course voluntary agreements by their very nature exert no sanction at all over companies which do not sign up to them. For companies with a high profile in developed-country consumer markets, public image may be particularly important, and exposure of bad practice by the media or pressure groups a constant possibility. But many companies, even very large ones, operate much more invisibly and are consequently at much less risk of their practices being discovered. There are plenty of transnational companies who have not signed any of these various voluntary codes. And this of course then affects the kinds of conditions which the codes lay down. If signatories know that their non-signing competitors can significantly undercut them, the agreement it is likely to be particularly weak.

For this reason social democrats must inevitably argue for voluntary agreements to be gradually transformed into legally binding measures which apply to all companies, not just those which volunteer for them. But this in turn raises the question with which we started, namely how such regulation can be applied to globally mobile companies which can simply walk away from countries in which they face excessive costs. The answer is that the regulations can be imposed in one country, but apply to company operations in others.

There is a very important example of such regulation in the United States, which many might assume a bastion of free market practice. The Foreign Corrupt Practices Act of 1977 makes it illegal for US-based firms to engage in corrupt practices abroad, such as the payment of bribes to foreign governments.[29] The significance of the Act is that it applies legal sanctions in the USA to activities which occur in other countries. Effectively, it makes companies' licence to operate in their home country conditional upon their behaviour elsewhere. In theory, companies which did not like such regulation could simply leave the US and relocate abroad. But the United States is much too large and important a market for this to be a likely reaction. It helps, of course, that no company would wish to be seen to be in favour of corruption.

This is a model which could be applied more widely.[30] Companies could be required by their home states to sign up to codes of practice governing labour, consumer and environmental protection standards throughout their global operations. It might be difficult for individual countries smaller than the US to impose external conditions on companies operating within their jurisdiction but the European Union could certainly do so. Like the US it is too large a market for companies simply to leave; a majority of transnational companies have offices and/or production facilities located within it. Thus, it is quite conceivable that a Europe committed to a progressive global agenda could impose conditions on companies with European bases.

Initially such conditions should simply be the codes of practice which many of the companies have already signed. It would become a requirement of operation in Europe that companies and their subsidiaries recognised trade unions, obeyed environmental laws, were not corrupt, and so on, wherever they operated in the world. This would have the advantage of making it difficult for the signatory firms to object – indeed, they might even welcome their own self-imposed conditions being applied to their competitors. Just as American firms do not wish to be seen to be in favour of corruption, it would be difficult for European firms to be seen to advocate, for example, child labour. But over time the principle could be used to raise these standards beyond those prevailing in current voluntary agreements. At the same time, they could be extended to cover not just the companies themselves but their sub-contractors too – a crucial mechanism to raise the standards of indigenous firms in many developing countries.

Conditions imposed only on companies with European operations would of course disadvantage such firms in comparison with domestic or other foreign competitors. But this would then set off another useful dynamic. It would turn the regulated companies into advocates of wider reform. They would wish to see such regulation applied also to other companies – to those based in the US, for example, and to domestic companies in developing countries. Companies always resist being regulated, usually lobbying very actively (often invisibly) against change. However, once introduced, regulations change firms' vested interests. They want to ensure that their competitors are regulated too. This is, in fact, precisely what happened with the anti-corruption legislation in the USA thus encouraging its spread across the developed world. Companies themselves become the agents of progressive change.

Financial regulation

There is a final form of regulation which is also very important for the proper management of the global economy. This is the regulation of the financial system. Since the 'big bang' liberalisations of financial markets in the 1980s there has been a sharp rise in the flows of capital across borders.[31] Some of this takes the form of foreign direct investment (FDI) where monies are invested directly, and for a relatively long period, in new plant and production facilities. But a larger proportion consists of relatively short term flows for principally speculative ends.

These short term flows can be very damaging, distorting macroeconomic variables, particularly the exchange rate, and posing the risk of very sharp reversals. The rapid and large scale withdrawal of funds from East Asian and South American countries in the 1990s set off major currency crises, with disastrous effects. In 1998, Indonesia's GDP fell 15 per cent, and the number of people living in poverty rose from 20 to 80 million, reversing years of successful poverty reduction. In Thailand GDP fell by 8 per cent with major impacts on unemployment and real incomes. Brazil, Argentina and Russia have all suffered similarly large currency crises of the same kind.[32]

At national level financial markets and capital flows are in general strongly regulated by central banks and supervision authorities but at international level the regulation of financial flows is very weak. It has been somewhat strengthened since (and in response to) the Asian crisis, through the formation of a Financial Stability Forum. But there remains a strong risk of future currency crises, particularly through the activities of highly leveraged forms of investment such as hedge funds. A number of new regulatory measures can be suggested.[33]

First, there is a strong case to be made for a World Financial Authority to undertake the proper supervision of international financial markets and flows.[34] Such an Authority could set common standards, in particular, for transparency and the provision of information. Had more been known about the extent and form of short term investment and lending in Asia in 1998, the crisis might well have been anticipated and remedial action taken. Second, hedge funds and other speculative investment vehicles could be required to deposit cash reserves with central banks to reduce risk. Nation states should retain the capacity to impose capital controls, or to use taxation or cash reserves, as mechanisms for dampening speculative flows.

Third, when crises do occur, there need to be better and more rapid mechanisms to provide liquidity for governments and markets, and to support capital accounts and currencies under threat. The establishment of an international lender of last resort would be valuable here. This might be the Bank for International Settlements rather than the International Monetary Fund, which has a record of imposing controversial forms of conditionality on loans. Fourth, and more generally, the conditionality attached to financial support from the IMF to developing countries needs fundamental review. The IMF's characteristic 'stabilisation' and 'structural adjustment' packages, aimed at bearing down on inflation, subsidies and public spending, frequently result in the incomes of the very poorest being hardest hit.[35]

By contrast with short term speculative flows, foreign direct investment (FDI) is generally beneficial, particularly for developing countries for whom it can bring valuable technology transfer and access to markets. Most low income countries, with low rates of domestic saving, have little access to large scale capital without FDI. But it is entirely appropriate that national governments should seek to ensure that foreign investment genuinely supports economic development, and does not simply involve the repatriation of profits to the source country. As we argued in the last chapter, the WTO-inspired liberalisation agenda should not be applied here. Industrialised countries did not develop significant industrial centres through the mechanism of free trade. They protected their infant industries until they were strong enough to compete, and they maintained controls on capital movement where necessary.[36] The same rights should be available to developing countries today.

Conclusion

Social democrats favour the regulation of economic activity because they see the instability and damage generated by unfettered markets. But they are also well aware that capitalism is a dynamic, wealth-creating motor of economic development. Too much regulation – if the costs it imposes are excessive – can certainly damage the process of economic development. Sometimes this may be justified – certain kinds of labour and environmental exploitation are unacceptable whatever the cost savings they may bring. In general, however, social democrats are aware that a balance must be struck. Regulation can be more or less smartly designed – in the environmental field, for example, the search is now on for incentive-based regulatory regimes which can encourage innovation in clean technologies.[37] But there are also limits to economic intervention of these kinds. Production and investment will simply not be forthcoming if business profits cannot be made.

As they have been and are at national level, the location of these limits will be the focus of intense contest and argument. What can be said with some certainty, however, is that at the international level – looking at the economic and social conditions which prevail in much of the world – there is a considerable way to go before they come into view.

5 | Global Redistribution

The gross poverty and inequality which characterise the global distribution of income and wealth today are not new. For many decades similar extremes blighted those countries which are now the most economically advanced and which in the last fifty years have brought the majority of their populations to a standard of living that was once only available to the wealthiest.

The classical liberal view of the 19th century was that poverty resulted from the distortionary effects of anti-competitive and protectionist practices and would be gradually alleviated as the wealth generated by free trade and commerce trickled down to the poorest. It was a powerful argument which led to the adoption of policies more or less based on free market principles across the industrialised world. However, it became increasingly clear during the early 20th century that the free market alone could not alleviate poverty and would not end intolerable levels of inequality. It was perhaps the greatest contribution of social democrats that they alone argued for robust state intervention to ensure that the tendency of the unfettered market to create great chasms of inequality in wealth, education, housing, health and opportunity was checked by redistributive welfare systems. They argued not only that such inequality was morally unjust. It was economically unproductive, and politically unsustainable.

A parallel argument is being conducted today. The inheritors of the mantle of the 19th century liberals are the neoliberals and their supporters in international institutions who argue that ever freer trade and deregulated commerce are the surest ways to end global poverty and inequality. Yet the evidence does not support this. As it has always done, capitalist growth is benefiting some groups but leaving others behind. The mathematics are not difficult. Even if the incomes of the richest nations and social groups grow more slowly than those of the poorest, this will almost always still mean that the absolute gap between them grows, not lessens. In fact in the last two decades many nations and social groups have not seen their incomes grow at all. The lauded benefits of globalisation have simply passed them by.

Yet at the same time a number of countries have developed with relatively equal distributions of income and are well on the way to eliminating absolute poverty. These are not the countries which have followed the free market path. They are those with highly developed welfare states – South Korea, Malaysia, Singapore.[38] Their remarkable achievement of social as well as economic development, with notably high rates of public spending in education and healthcare, parallels the success of the most developed social democratic states in Europe, those of Sweden, Norway and Denmark.

National social democracy has used six principal mechanisms of redistribution. The first is the regulation of labour markets to improve the pay and conditions of employees, including the establishment of minimum wage legislation. Second is a progressive system of taxation and spending, raising marginal tax rates as income rises and spending the revenues disproportionately (but not completely) on those with below average incomes. Third is the provision of public services funded from these tax revenues, largely or completely free at the point of use, thereby again benefiting those on lower incomes more than proportionately to their financial contribution. Fourth is the use of direct financial transfers through the social security system, some based on particular socially recognised needs (eg. child benefit), some means-tested (eg. income support), others based on the contributory principle and the social pooling of risk (eg. state pensions).

Fifth, governments have provided support for economic development in disadvantaged and poor regions and for disadvantaged groups, such as investment and training grants. Last, they have allowed the free migration of labour from richer to poorer regions. While not often recognised as such, because migration within national borders has simply been an unquestioned right, migration has historically been a very important redistributive mechanism. As has again become obvious following the enlargement of the European Union to the east, the principle of unfettered migration between EU member states has been one of the most radical of its social democratic principles. Migrants from poor regions do not just get access themselves to the economic wealth generated in richer ones; they frequently support their communities and the processes of economic development at home through the remittances they send back – and often, if and when they return, with the skills and resources they have acquired.

Global taxation

Of these six mechanisms of redistribution, we have already considered the first, the improvement of employment conditions through regulation. The next four can all be grouped together. They involve the taxation of those with economic resources and the spending of the revenues in various ways to benefit the less advantaged.

A full global welfare state is obviously not on the horizon. It would require a global government, as the creation of welfare states needed democratically legitimate governments at national level. But it is not impossible to envisage the principles underpinning the social democratic welfare state being applied internationally.[39]

Indeed, something like this already happens at international level. Richer countries provide development aid to poorer ones, both through bilateral programmes (direct from donor to recipient) and through multilateral institutions such as the United Nations Development Programme and the World Bank. The money is spent on programmes which parallel those of national welfare states – social spending on educational, health and other services, economic development programmes, such as infrastructure and industrial investment, and, in emergencies, direct transfers of food and basic supplies.

But there is a fundamental difference between national welfare states and the system of international aid. Tax is compulsory and is levied according to the ability to pay. Aid is discretionary, fluctuating with annual budgetary decisions influenced as much by short-term domestic political considerations as by the needs of the world's poor. Much aid remains tied to the donor country's exports or to its geopolitical objectives. Moreover the sums given by different countries bear little relationship to their national income. In these senses aid is more like charity than taxation. The United Nations has a longstanding target that developed countries should give 0.7 per cent of their GNP in overseas aid. But only five of the 22 members of the OECD's Development Assistance Committee have achieved that level in 2002: Norway, Sweden, Denmark, the Netherlands and Luxembourg. The richest country of all, the United States, gave the lowest proportion in 2002 at 0.12 per cent. The UK's aid contributions have risen significantly under the Labour Government but still only amount to 0.3 per cent. Ten of the 22 have actually seen aid levels fall recently.[40]

Clearly, the short term aim for progressive globalisation is to raise aid levels. One influential proposal put forward recently was for the European Union to set an example of a standard of 1 per cent of GDP for overseas aid.[41]

However, a proper global welfare system would make transfers from rich countries non-discretionary. It would effectively establish a system of global taxation.

The principle of international taxation is simple but important. It is that for a nation and/or corporation to benefit from membership of the international community and its economy, it is required to contribute non-discretionary funds to help alleviate the worst effects of poverty and inequality which result from the workings of that economy. In effect, the philanthropic principle which underlies the aid system would be replaced by the principle of global citizenship, in which membership of global society carries an obligation to contribute to it.

There are a number of different possibilities for the organisation of a system of global taxation. First there is the question of the basis of the tax. The most obvious mechanism would be a levy on all countries in proportion to their national income, with perhaps a progressive structure increasing tax rates for richer countries. This would have the advantage of relating tax levels directly to ability to pay. A second possibility is the so-called 'Tobin tax', a proposed charge (usually suggested at around 0.5 per cent) on currency transactions. Set at this kind of level a Tobin tax would probably not have much impact on speculation despite the claims of some of its keenest proponents, but (partly for that reason) it might yield considerable revenue. There are doubts about whether a Tobin tax would ever be practically feasible, given the possibility of offshore financial centres simply refusing to levy it and then offering themselves as cheaper locations for currency transactions. But it is certainly worth serious consideration.[42] A third possibility is for a tax to be levied on carbon emissions, a useful metric since virtually all economic actors generate such emissions.[43] However this would need to be integrated with the developing systems of international carbon trading, which might not be easy; and it would have the disadvantage afflicting all taxes designed to change economic behaviour (in this case, to reduce emissions) that if it was successful in doing so the revenues would decline. But again it is worth consideration.

The second question is how any global tax revenues should be spent and by whom. If the funds were earmarked for poverty reduction there would be a strong case for their collection and disbursement by a multilateral institution – perhaps through an agency of the United Nations. Many countries already operate different systems of social security but in the poorest countries the 'system' may involve only some civil service workers and groups in particular industries, and there are major problems in setting-up an infrastructure to allow a more comprehensive approach to be administered. The creation of an international social security fund financed by a global tax, and administered with regional, UN and NGO support could bring benefits directly to the most impoverished groups.[44] However, at this stage the principle of automatic, non-discretionary taxation is the key point.[45]

Interestingly, a recent proposal by the UK Government might be seen as a staging post on the way to this. The UK Treasury has proposed an International Finance Facility through which donor countries would increase their current aid flows by borrowing money from capital markets and then paying it back over thirty years out of future aid budgets. The intention is to double the volume of overseas aid in the years to 2015 in order to speed up progress towards meeting the UN's Millennium Goals.[46] One of the consequences would be to remove future discretion in the setting of aid budgets. Effectively, countries would commit themselves to automatic aid payments, a principle not far from that of global taxation.

Migration

We noted earlier that there were six mechanisms of redistribution used in national social democratic states. The sixth was migration. This is a particularly important mechanism at the international level. A detailed examination of this issue is beyond the scope of this pamphlet but it must be recognised that the proper management of international migration is an important element in any progressive approach to globalisation.

Economic migration is the natural consequence of uneven rates of economic development between regions and the inequalities that result. In an era of mass communications it is unsurprising that people seek to better themselves by moving to areas offering visibly greater opportunities. It should be part of a commitment to social justice for poorer countries that a certain level of migration into developed countries be allowed, and not just by those with specialised skills. Social democrats argue for greater planning of economic development in general; a planned migration policy – managed through international cooperation at the EU level – should be part of this. There are almost certainly economic benefits of migration to recipient countries; politically, allowing legal avenues of entry to economic migrants is likely to help take the pressure off the asylum system. By linking migration quotas to development aid to source countries such a policy could help to ensure that they too were benefited. In the long term, as the experiences of countries such as Ireland, Portugal and Greece over the last three decades have shown, it is economic development which stems the flow of out-migration. It is a more equal world for which social democrats strive.

6| Democratic Governance

At the national scale social democracy rests on the legitimacy of democratic government. Regulation of the economy by the state is justified by the mandate of elected governments. And public support for redistribution and the provision of social goods is won through the democratic processes of politics.

Any system of international social democracy must likewise rest on legitimate governance arrangements. However, this is clearly problematic, since the institutions of democracy – parliament, government, even the basic notion of political citizenship – do not exist at a global scale. On the contrary, from a democratic point of view the current system of global governance has deep flaws.

The present system

International economic and political relations are governed by a more or less uncoordinated system of structures and norms which have grown up at different times for different reasons. Some rest on universal, supranational values transcending particular national or other interests – notably the edifice of international law, including the UN Declaration of Human Rights, the Geneva Convention and the International Criminal Court. The structure of the UN Security Council, with its five permanent seats and veto powers, reflects the balance of military power at a particular historical moment at the end of the Second World War. The International Monetary Fund and World Bank answer to economic power, with voting rights proportional to the financial contributions made by members. (This virtually gives the USA control of these institutions.) The World Trade Organisation, on the other hand, has a 'democratic' one-member one-vote structure, with every nation having formally equal status. The International Labour Organisation has an interest-based constitution made up of government, corporations and trade unions – but its influence extends only to voluntary agreements, whereas the WTO's negotiations conclude in legally-binding treaties backed by powerful economic sanctions. A few newer, specialist international institutions, such as the Global Environmental Facility and the International Fund for Agricultural Development, have wider 'stakeholder' representation drawing in civil society institutions with relevant interests. Around and within each of these bodies, whatever their formal constitutions, are played the regular power relations of international affairs, where raw military and economic muscle count for most.

Overall, it is difficult to say that this rather chaotic system of global governance is legitimate in any democratic sense. The formal equality of representation which underpins democratic constitutions is largely absent: a significant proportion of the world's population, particularly those living in relatively small and poor states, have very little effective voice in it at all. International law, largely unenforceable, operates only in particular areas, and can be overridden by nations with the military or economic power to act unilaterally. As a general rule power follows economic and military strength, most of it therefore residing with the United States and the other rich world members of the G8 and the OECD. In turn this gives the opportunity for disproportionate influence to be brought to bear by powerful corporate lobbies. It is notable that business interests tend to have a much larger influence in the international arena than in most democratic national states.

This is partly because of the absence of equivalent lobbies from the trade union movement and NGOs. In national democracies civil society and its organisations play a vital role in scrutinising government and representing social interests to it. While we may now just about speak of a 'global civil society'[47] – with increasing numbers of NGOs, trade unions, faith groups and so on now operating at an international level and coordinating their actions with others from different countries – its ability to influence international governance is still extremely weak.

A particular characteristic of the uncoordinated nature of the system is that it carries little common purpose. The United Nations does its best, through programmes such as the Millennium Goals for poverty reduction and the various initiatives for sustainable development arising out of the 1992 Earth Summit but these remain marginal to the main directions of international relations. There is no equivalent to the purposeful executive of national democratic systems and few mechanisms by which the various interests of the global public can be independently articulated and expressed. This inevitably breeds a sense in much of the world's population that the system is not legitimate. In turn this robs it of one of democracy's most important features, its capacity to resolve differences peacefully. For millions of people who feel oppressed or exploited there is little expectation of peaceful redress through the UN or other global bodies, and therefore little incentive to pursue peaceful means.

Principles of global governance

The establishment of a democratically legitimate system of international governance should therefore be a key objective of progressive globalisation. The social democratic management of the global economy and its redistributive aims need to rest on a stronger foundation of democratic legitimacy and public support. Essentially – or at least ultimately – social democrats need to be working towards the idea of a new 'global constitution' which could command widespread assent.

Several principles can be identified which should underpin such a process. First, the core unit of democratic governance must of necessity be the nation state. Many campaigners for global democracy cherish the idea of international institutions – possibly even a World Parliament or Government – based on a direct democracy of global citizen voting. But this is not a feasible ideal. Many voters feel estranged enough as it is from their national governments; a global democracy of 6 billion people would surely feel far less representative, not more. The difficulties of establishing a sufficient sense of European citizenship to enthuse participation in elections to the European Parliament make the prospects of global political identification scarcely attractive. The nation state remains the core locus of political sovereignty and citizen identification, and an international system of governance based on it is likely to command much wider consent. International agreements and supranational bodies involve the pooling of sovereignty. But the acceptability of this process rests on the democratic legitimacy of the nation states whose sovereignty is being shared.

In this sense – as was mentioned above – the World Trade Organisation is probably the best model we have of social democratic global governance: not in the neo-liberal agenda it pursues, but in its one-member, one-vote structure. Of course, the WTO shows up the limitations of the nation state-based model. The disparities of economic power and the ability of economically stronger nations to pressurise weaker ones mean that many members do not in practice exercise 'free' votes. This would, however, be true in any institution. Formal power is always compromised by informal influence. The point is that the power is there, and can be used, as the developing country members are now showing at the WTO.

In principle, all the major international economic institutions, including the IMF and the World Bank, should be based on a one-member, one-vote governance structure. This is unlikely to happen quickly – the rich countries will be deeply resistant to giving up their economic influence – but it should be the ultimate goal of social democratic reform. In the meantime gradual change should be worked for to make these institutions' governing structures and processes more representative of the international community they serve. The exception will be the UN Security Council, which must inevitably reflect the balance of military power – though here too reform is possible to reflect the very different make-up of the world today from that which prevailed when the UN was established after the war. Such reform could include an enlargement of representation to include additional permanent members from Asia, Africa and Latin America, and a reduction in the power of national veto. The remit of the Security Council could also potentially be expanded to include consideration of non-military security threats, including poverty and environmental degradation.[48]

Making the nation state the core unit of democratic global governance is necessary, but it is not sufficient. For national governments may themselves not be democratic, and inter-governmental processes are frequently not transparent. Moreover, democracy extends well beyond national government. The second principle therefore is that of democratic pluralism. The global governance system should accommodate not just nation states, but the overlapping layers of state and civil society institutions including regional and local government and supranational bodies such as the European Union. It should provide open structures for participation by organisations from civil society, including NGOs, trade unions and businesses. There should be a principle of 'stakeholder' representation for those particularly affected by decisions.

Pluralism demands a culture of democracy. It should be expected that both state and non-state institutions should themselves be democratic, and pressures should exist within the global system to make them so. The processes of intergovernmental negotiation in global bodies should be transparent, so that the public can see how decisions are made and governments can be accountable for them. In general the social democratic vision is of a global governance system informed by the ideal of deliberative democracy, where conflicts are resolved and positions reconciled through argument and negotiation about the global public good, and not simply the trading off of economic and strategic national interests.[49]

Third, a social democratic 'global constitution' would rest on a basis of supranational law. The gradual expansion of international law has been an important process in international relations since the Second World War, with the establishment of the International Criminal Court the most recent and significant development. Although international law is based to a considerable extent on the concept of national sovereignty, the recognition of individual rights and the increasing acknowledgement that national self-determination can be over-ridden in cases of their severe abuse, such as genocide, makes international law an important check on the principle of nation state-based governance. It creates a further element of pluralism within the global system and makes a significant constitutional appeal to a notion of universal human values and rights above those simply granted by sovereign states.

Fourth, a more social democratic system of global governance would seek a stronger sense of purpose and coordination through the United Nations.[50] Global government is not on the horizon. But over time there is every reason for the UN, under the overall sovereignty of the General Assembly (which is organised on the democratic principle of one member state, one vote), to take a more positive role in coordinating the activities of international institutions and other global programmes in pursuit of agreed goals such as the elimination of poverty and environmentally sustainable development. This should include those institutions, such as the WTO, IMF and World Bank, which are currently outside the UN system.

Finally, democratic legitimacy requires that international institutions are subject to proper external scrutiny. At the moment this occurs far too little or not at all, leaving many such institutions almost unaccountable in a formal sense. In most democratic constitutions, democratic scrutiny of the executive is undertaken by parliamentary bodies. For international institutions this could be done by national parliaments and by the European Parliament (which indeed already undertakes some work of this kind). But ultimately, in the long term, it is not inconceivable to imagine a global parliament attached to the United Nations playing this role. Direct election to such a body is unrealistic. But the indirect election of national parliamentarians to a global parliament is perhaps not. Such a body would not just provide some proper oversight of the activities of international institutions, with the right to interrogate witnesses and documents. It would also give ordinary citizens a form of representation within the global system.

Ultimately if a new global constitution is to be built, a new sense of global citizenship will have to be constructed with it. The increasing awareness of global interdependence among ordinary people throughout the world, promoted by new communications and media, is already apparent. A vibrant form of global civil society is developing in response. There can be few illusions that any realistic kind of global constitution will be perfect. But if it can have some purchase on the sense of political identity and engagement of ordinary citizens across the globe, it may gain the democratic legitimacy which present arrangements so damagingly lack.

7| The Politics of Global Change

As set out in this pamphlet, the agenda of progressive globalisation includes short term demands in areas of current international negotiation, such as trade; medium-term proposals for the fairer management of global capitalism and the redistribution of the wealth it generates; and longer term ideals to restructure global governance arrangements. None of this can happen, however, without a political movement behind it. What are the dynamics which will motivate the necessary changes?

The history of national social democracy in the 20th century offers important lessons here too.[51] The story is slightly different in every country, of course, but the basic pattern is straightforward enough. Social democracy at the level of the nation state was built by social democratic parties which secured a national consensus for their programme, got elected to government on the basis of it, and then implemented it once in power. (In some cases European welfare states were built as much by Christian democratic parties as by social democrats.) They were both supported and pressured, in the building of the prior public consensus and then in government, by social movements campaigning for change – principally the trade union movement. And they limited opposition by co-opting key sections of the business community, persuading them that Keynesian economic management and welfare states would secure rather than damage the profitability of enlightened businesses. Social democracy thus gathered a coalition of interests and actors in its support. This both helped build public opinion and sustained the process of implementation.

It seems fairly clear that any possibility of establishing a global social democracy will require a similar kind of coalition of forces. But of course building such a coalition on a global scale will be considerably harder than doing it on a national one.

The role of social democratic parties and governments

It is vital to recognise that it cannot be done by social movements alone. In recent years some anti-globalisation writers and campaigners have rejected attempts to lobby and influence governments and have argued that global social movements can somehow build a better world on their own.[52] But this is a dangerous fantasy. However active, global social movements are frankly tiny in relation to the global economy and the global population, and the suggestion that they could help individual communities effectively opt out of global capitalism and build a new, egalitarian economic and social system is in, in terms of the real world, absurd. To change the way in which capitalism works requires the coercive power of states – legislation, taxation, international agreement, enforcement. And to secure these there must be governments in power with progressive ideals.

This is why the coalition for progressive globalisation must include, and must ultimately rely on, social democratic, socialist and labour parties around the world (sometimes no doubt in partnership with greens, liberals and others with similar values). It is these parties which in general can combine the possibility of election to power with commitment to progressive aims.

They have not always shown such commitment. In Europe in particular the record of social democratic parties in government on many of the issues raised in this pamphlet has been extremely disappointing. There have been some important initiatives – by the UK Government over the cancellation of international debt, for example, and in raising overseas aid. But on trade policy, in particular, European social democrats have departed very little from the dominant neoliberal consensus. As we have seen, social democratic governments, including Labour in the UK, have maintained unjust and hypocritical trade barriers and agricultural subsidies while pushing for the rapid liberalisation of developing country markets. With barely any dissent from the positions taken by conservative governments and international institutions, they have consistently tried to extend the processes of liberalisation for their own benefit and to the detriment of the world's poor.

This is an unfortunate record which does not inspire confidence in the prospects for progressive globalisation. But there are some signs that European social democratic parties, particularly those now in opposition, may be rethinking their stances. This process would be strongly helped by more contact between Northern parties and those from the South. The left of centre governments of both Chile and Brazil, for example, are now confronting the forces of globalisation in a very stark way, and their responses – in practice and in thought – have much to teach their European sister parties. The same is true of many of the Southern social movements campaigning for global change. The organisation of such exchanges should become a key activity in the years ahead.

The fact that social democratic parties have not up to now been particularly progressive in government in some of these areas does not mean that they can therefore be ignored. It means that the social movements for global change have to apply more, and more effective, pressure on them. Labour and social democratic parties are always subject to tremendous pressure from conservative and commercial forces; such pressures must be countered, not given a free run, by progressive movements.

How can this best be done? Again there are lessons in social democracy's own past. Two historical factors are particularly salient for today's global campaigners: the need for collective identity and the need to combine moral with sectional claims.

The need for collective identity

A movement for global change does exist. It is extremely diverse. It includes single-issue campaign groups, development NGOs, trade unions, political parties, faith groups, journalists, a few academics and many thousands of individuals across the world. It is engaged in a wide variety of campaigns connected to the processes of globalisation: on poverty, trade, employment rights, foreign investment, the environment, transnational company regulation, the 'localisation' of economic development, the reform of global institutions, and so on. The ideologies underpinning these campaigns are often loosely connected, but they are by no means uniform.

The labour social movement of the 20th century was not dissimilar. It too drew support from a diverse range of organisations and individuals and included a wide spectrum of political belief. And like the current movement for global change it was often divided by personal, ideological and institutional rivalries. But what it did have was a common discourse. The 20th century campaign for social change was united under the banner of 'socialism'. Despite the fact that what socialism meant in detail was much disputed, the existence the common socialist discourse was a source of unity and strength.

First, it gave members of the movement a strong sense of identity and association – they called themselves 'socialists', they fought for 'socialism' and they stood alongside their 'socialist comrades'. This sense of identity was crucial to the movement's growth, encouraging a conversionary zeal amongst its supporters and creating debate and awareness outside the movement. Second, the sense of working together under a common umbrella encouraged different organisations to find common ground on which they could campaign and organise. Most notable were the various confederations of trade unions which established rules of co-existence, provided a forum for debate and established a single union voice. Third, the sense of being part of a single movement created not just unity but an appreciation of continuity. Supporters recognised not only that theirs was a struggle with long historical roots but that, in all likelihood, it would not bring about genuine change for many years. Such a sense of continuity was vital to sustain it against the inevitable setbacks of a long campaign.

The importance of creating a common discourse of this kind cannot be underestimated. A similar process has occurred in the environmental field over the last twenty years. The term 'sustainable development' has united a broad range of institutions – campaigning groups, businesses and governments – in favour of environmental and social goals. As with socialism there is much dispute over what sustainable development means in practice: but the term has helped to create an important 'discourse coalition' which has substantially shifted the course of international and national environmental policy over recent years.[53]

But no such collective identity or discourse has yet taken a positive grip on the movement for global change. 'Anti-globalisation' appeared to do so. But it was clear very early on that it would not do: it was negative, it was unanalytical, it was inaccurate (many of the campaigners were highly supportive of some aspects of globalisation, such as the new technologies through which they communicated), and it was eventually rejected by the major NGOs who command the largest campaigning resources. Yet it continues to dominate lazy media perceptions and has in this sense been a damaging distraction. The movement still seeks a unifying discourse. We put forward the term 'progressive globalisation' – and the ideas behind it – as an attempt to fill this gap.

The need for a sectional base

The second lesson from the history of social movements as a whole, but exemplified most clearly by social democracy, is that the most effective long-term movements are those that combine universal moral claims with sectional interests. The labour movement combined the ideals of socialism and social democracy with a hard-headed campaign to improve the material lot of the industrial working classes. The liberation movements of the 19th century combined the ideals of liberalism and democracy with the sectional interests of the middle classes, professionals and artisans. The civil rights movement combined the ideals of human rights, equality and Christianity with the sectional interests of the black population of the southern US states. The women's movement combined the ideals of feminism with the sectional interests of a class of newly educated and professional women.

Equally the social movements which have had much more limited political success have been those without a sectional base or a clear match between their ideals and interests. The decades-old peace movement, for example, has had no shortage of powerful ideals but has always lacked a clear sectional cause. The student rebellions of the late 1960s proclaimed social revolution but actually represented a privileged group whose sectional interest went no further than greater freedom and choice in university education.[54]

Ideals may inspire action and commitment and provide the all-important sense of collective identity but a sectional base gives a political, social and economic leverage that ideals alone never can. The socialist and social democratic movement of the 20th century was the prime example of this. That movement's base in a well-organised industrial working class not only provided it with huge bargaining power over a range of issues from fair pay to public ownership but ultimately helped propel its social democratic parties into government.

The problem facing the movement for global change is that while its ideals and values are clearly becoming more sophisticated, its sectional base in the developed world remains weak. In the developing world, it is putting down roots amongst the low-paid, unemployed and dispossessed – those who have lost out from the processes of globalisation. The remarkable global phenomenon of mass demonstrations against the policies of the IMF and World Bank, along with the election of leftist governments in some countries, such as that of President Lula in Brazil, are testament to this.[55] But in the developed world, the movement for global change remains a largely idealistic, even a moralistic, movement that urges its supporters to action on behalf of those suffering in the south. There has been no sustained attempt to explore or explain how globalisation directly affects the lives of people in the north and how global change could meet their grievances.

The result is that the global movement is much weaker than it might be. Lacking a sectional base in the North it offers little effective opposition in the very locations where global power lies, in Northern governments and transnational businesses. And its ideals are constantly at risk of being represented as a battle between North and South.

The future of social democracy

But in fact there is an obvious sectional interest in developed countries which could be allied to the global movement. There are very large numbers of people whose working conditions, job security, pay, work-life balance and enjoyment of public services are deeply affected by the new pressures of global competition. The movement for global change needs to persuade these groups that the material and personal stresses they are experiencing are not a natural phenomenon about which nothing can be done. They are the direct result of the new global economic order, in which jobs and industries can be moved wholesale from one country to another transmitting competitive pressures directly onto employees and restricting governments' freedom to impose higher labour standards. At the same time trade liberalisation policy is helping to promote the processes of marketisation in the public sector (opening up public services to private companies) which have created new pressures for public service workers and often dubious benefits for service users.

Globalisation is therefore not just a phenomenon affecting the Third World. It is also shaping the economies of the industrialised countries, with particular effects on employees in internationally competitive sectors. There are therefore genuinely common interests between those in the North and South. They are not identical – in some sectors groups of workers may find themselves effectively in competition for the same jobs which could be located in different countries. But all have an interest in regulating the system so that standards can be raised across the board and companies cannot simply play off nations and workforces against one another.

This should be natural territory both for social democratic parties and for trade unions. It may even attract some enlightened global businesses keen to ensure that their own high standards are not undercut by less scrupulous competitors. Many such businesses know that in the long term strong labour standards and good public services secure highly motivated and skilled workforces and strong environmental standards safeguard the resource base on which they depend. If progressive globalisation is to have any purchase, the experience of previous social movements suggests it will have to find allies in the business community as well as among unions and public.

Meanwhile the message for social democratic parties and their supporters is clear: they must 'go global'. In a competitive global economy social democracy on a national scale can no longer defend the interests either of its own domestic constituency or those of the world's poorest people and its environment. The critical sphere of action is now global, the key institutions international and multilateral. The progressive transformation of these institutions is thus the starting-point for a wider progressive transformation of the world.

8 | Conclusion and Summary of Recommendations

In this pamphlet we have argued that globalisation, as it is currently managed, produces economic inequality, exploitation and instability. This has serious political implications which threaten the security and future of the world. However, we do not believe this is an automatic product of globalisation. Indeed, globalisation itself could offer new opportunities for human co-operation and peace. The problems arise from the fact that globalisation is currently governed by an ideological agenda designed to fulfil the self-interest of the largest corporations and the wealthiest nations.

In opposition to this we have proposed progressive globalisation – an agenda that seeks to strike a balance between commercial self-interest and the ideals of equality and justice. To do this we have drawn heavily on the social democratic principles and policies that reshaped Western Europe after 1945.

The key demands of the Progressive Globalisation agenda are as follows:

An equitable system of global trade

- the end to the domination of the neoliberal agenda of rapid liberalisation in the key institutions of global economic governance. Its replacement by a policy which recognises

that the lowering of national barriers to trade in developing countries should only occur after individual commercial sectors have developed sufficiently to be able to compete effectively in the global economy
- a rapid expansion of the access to the markets of developed economies for producers in the developing and least developed countries
- an end to the system that subsidises, protects and favours the largest agricultural producers in the developed economies
- the establishment of global negotiations on how to ease the crisis in the primary commodities market in the developing world
- the rewriting of the WTO rules on intellectual property rights to allow developing countries to address their health needs and economic development
- no expansion of the remit of the WTO beyond core commercial trade issues and no further attempt to expand the principle of liberalisation into publicly-owned utilities and public services

The regulation of global economic activity for economic stability and for the protection of employees, consumers and the environment

- the universal right to trade union membership to be built in to the conditions for governments to receive development aid and financial support and, ultimately, to be enshrined in an international treaty
- economic incentives for governments to uphold and enhance standards for employees, consumers and the environment to be built into international agreements and treaties
- legislation to be passed in the home countries of transna-

tional corporations forbidding them breaking codes of practice, on employee, consumer and environmental protection, in foreign countries
- the establishment of a World Financial Authority to undertake proper supervision of international financial markets and flows
- national governments to remain free to impose capital controls or use taxation and cash reserves to dampen speculative flows
- the establishment of an international lender of last resort.
- a fundamental review of the conditions attached to IMF financial support

The establishment of global mechanisms for the redistribution of income and wealth from rich nations and actors to poorer ones

- in the short term, a considerable increase in levels of development aid from the OECD nations possibly through the establishment of an International Finance Facility
- in the longer term, the replacement of discretionary aid donations by a non-discretionary global development tax probably levied in proportion to national income and disbursed through national governments and/or non-governmental organisations
- the establishment of a planned migration policy based on international cooperation which allows agreed levels of economic migration to developed countries for those with and without specialised skills

The introduction of democratic legitimacy into the system of global governance

- The United Nations to play a stronger co-ordinating role over the key institutions of global governance

- the UN Security Council to be expanded to include new permanent members from Asia, Africa and Latin America. There should also be a reduction in the power of the national veto and an expansion of its remit to include consideration of non-military security threats such as poverty and environmental degradation
- representation in institutions of global governance should be expanded to include key stakeholders affected by decisions. This would include representation for local, regional and supranational government, non-governmental organisations, trade unions and business
- ultimately, all major international economic institutions to be based on the principle of one-member, one-vote
- institutions of global governance to face much tougher scrutiny by national parliaments and the European Parliament and ultimately by a global assembly attached to the UN and made up of national and supra-national parliamentarians
- international law to be expanded to allow national sovereignty to be over-ridden in cases of severe abuse of human rights

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FABIAN SOCIETY

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