

# Globalization, Multilateralism, and Democracy by Robert W. Cox, 1992

## **The ACUNS 1992 John W. Holmes Memorial Lecture Globalization, Multilateralism, and Democracy by Robert W. Cox**

I am particularly grateful for quite personal reasons to be able to give the John Holmes memorial lecture. It was John Holmes who opened the way for me to return to Canada after some thirty years away. During that time, Canada had become for me more of an idea than a place on the map--an idea embodied in a few people amongst whom John Holmes was an archetype.

He was a diplomat, an historian and a master craftsman of the English language. He had that sense of duration that gives precedence to the long run over the immediate and transitory. He valued cooperation more than competition. He had a firm sense of right and wrong, but he expressed this through what Max Weber called an ethic of responsibility--always concerned in the first place about the effects of a word or an action, forsaking the satisfactions of self-proclaimed moral rectitude. He was intimately involved in the Cold War from its very beginnings in the Gouzenko affair but he never succumbed to the Manichaeism that corrupted politics and distorted mentalities for two generations.

Holmes spoke somewhat ironically about "middlepowermanship" as the vocation of Canadian foreign policy. He did not mean to suggest that there is a special virtue in being neither too big nor too small. Middlepowermanship really had nothing to do with size. It defined a conception of a country's role in the world. What he had in mind was the initiative and the restraint of the power in the middle. This perspective would identify national interest with the creation and maintenance of a predictable world order with rules that are intended to be binding upon the big as well as the small. This is the realpolitik of the middle power. It is why John Holmes saw the United Nations as the focus of international relations.

This year, this conference, marks a major change in the short history of ACUNS. During its founding and initial years ACUNS has been based with the Dickey Endowment at Dartmouth College. Gene Lyons, who piloted the enterprise with commitment, acute judgment, and infectious enthusiasm through this first phase of existence has been the Executive Director. He has built the network of individual and institutional members and shaped the consensus behind the orientation of ACUNS activities. ACUNS owes a great debt of appreciation to him.

Beginning next month, the headquarters will move to the Thomas J. Watson Jr. Institute for International Studies at Brown University, and Tom Weiss will take over as Executive Director. There will be continuity, as the fruit of Gene Lyons' work is consolidated and extended. And there will also be innovation in response to the accelerating changes in the world system and the challenge these present to international organization.

I am happy to be turning over the responsibilities of the chair to my friend and former colleague at Columbia University, Don Puchala. Don is one of those who has consistently studied international organization in the context of political, economic and social issues and of cultural differences at both regional and global levels. With Don Puchala and Tom Weiss at the helm, ACUNS is well served to build a program pertinent to a changed world upon the foundations now in place.

I would like to take your time today to reflect briefly upon the issues presented by this changed world, but first I should say something about how I conceive the relationship between academic research and the practical work of international organization. The difference is not just one between theoretician and practitioner. It is a difference that involves two kinds of time and two kinds of theory.

There is the time of immediacy, the problems that press for an immediate response; and there is the time of medium-term and longer-term change. The relationship between the two times is the relationship of agency to structure.

Two kinds of theory correspond to the two kinds of time. There is problem-solving theory which takes the present as given and reasons about how to deal with particular problems within the existing order of things. Then there is what, for want of a better term, I shall call critical theory. Critical theory stands back from the existing order of things to ask how that order came into being, how it may be changing, and how that change may be influenced or channelled. Where problem-solving theory focuses synchronically upon the immediate and reasons in terms of fixed relationships, critical theory works in a more historical and diachronic dimension. Its aim is the understanding of structural change.

There are also, correspondingly, two main functions of international organization: one, to respond effectively to the pressing problems of the present; the other, to be concerned with longer-term questions of global structural change and with how international organization--or we can use the broader term "multilateralism"--can help shape that change in a consensually desirable direction.

In an ideal perspective, both functions should be united in the top direction of international institutions. In practice, the top levels of responsibility are overwhelmed by the pressure of immediate problems and events. However much the executive head may aspire to the role of long-term planner, there is little time for it. The present is always more urgent. And furthermore, the existing political pressures bear in most forcefully upon the top authority. Tolstoy wrote, "A king is history's slave."

The UN system today is a vast organizational complex. It has more of a segmented than a hierarchically coordinated structure. There are those who would like more centralized control; but the great advantage of the segmented structure is openness, flexibility, and room for initiative. Centers of reflection, of longer-term structural thinking, can arise within it. I can think of the ECE during the early Cold War years under the directorship of Gunnar Myrdal, or the ECLA under Raul Prebisch, and one could add to the list.

I do not discern any logic or pattern in how and when and where such creative and innovative segments appeared. Yet their appearance has been important in the development and transformation of the UN system and to the system's influence. Once active, they do not continue indefinitely to perform the reflective-creative function. It might be a useful exercise to make a study of the conditions of their existence and duration.

Looking at the other side of the relationship, the role of the academic, I would suggest that the essence of the scholarly responsibility lies in the sphere of critical theory--the ability to place the process of international organization in the framework of global change, to take the structural, diachronic approach. This critical perspective is particularly necessary in a moment of world history when there is a whole series of interacting fundamental changes. This, I would hope, is the vocation of ACUNS.

How should one approach the understanding of global structural change having the future of international organization in mind? The point of departure, which governs the kind of questions we should be asking, is either optimistic or pessimistic. The optimist sees the end of the Cold War as the beginning of a new beneficent era. The pessimist sees rather the strains and stresses of a declining order. The optimistic viewpoint, promoted in the current discourse of western political leadership and media, speaks of a "new world order," the "end of history," the apotheosis of western capitalism, and the return of the United Nations to its initially intended functions.

As a matter of prudence as well as reasoning from the evidence, I take the pessimistic perspective as my starting point. The world about us is full of conflicts and inequities, some long obscured by the Cold War, and some generated or accelerated by more recent developments. Furthermore, we should be alive to the gravity of the dangers to the United Nations system inherent in the new political relationships and in their ineffective grasp upon mounting social and ecological risks. My point is not to spread gloom. As one master thinker of the twentieth century prescribed: "Pessimism of the intellect; optimism of the will."

The longer-range issues are best approached in the realm of political economy. The evidence today indicates a world-wide expansion of a certain type of capitalism. Although the ideology in which the new capitalism is grounded proclaims a universality exclusive of other types, this particular type is historically specific and of fairly recent origin in

America and Britain. It has made some impact in Europe and in Japan, although different forms of capitalism, with their own distinctive historical conditioning, retain strong roots there. The new capitalism seems now to be carrying all before it in Latin America, Africa, and the geographic zone that has just recently abandoned so-called "real socialism."

Capitalism, as the French historian Fernand Braudel emphasized, is not just a way of organizing an economy. Capitalism, in each of its different historical forms, has also been a distinct system of values, pattern of consumption, social structure, and form of state. Each form has also projected a conception of world order. The new capitalism with its global vocation encompasses all of these things. So do alternative capitalisms, anchored in European and Japanese traditions, and possibly other forms of economic organization that could be based in less developed areas.

It is said that those who ignore history are condemned to repeat it. Karl Polanyi, whose work is ignored in current neo-liberal economics but who bears rereading for his historical analysis, illustrates the point. Polanyi examined what he called substantive economics, that is to say economic processes embedded in specific historical societies--how these societies organized themselves to satisfy their material wants. There are, of course, a variety of substantive economies. He distinguished this study from formal economics, which is based upon an analytical separation of economic behavior from other human activities and is grounded upon certain postulated human characteristics assumed to be universal--the classical concept of economic man. Substantive economics orients thinking in an historical diachronic dimension. Formal economics, in its quest for universally valid rules, follows a synchronic logic.

In *The Great Transformation*, Polanyi's analysis of the development of capitalism from the industrial revolution through the first half of the twentieth century, he discerned a double movement. In the first phase, the state was evacuated from substantive economic activity, but took on the role of enforcer of the rules of the market. The market was assumed to be self-regulating; and its automaticity, through the instrumentality of the invisible hand, was assumed by theory to promote the general good.

The second phase of the double movement was society's response to the socially destructive consequences, unanticipated in theory, of the self-regulating market--the response to the Dickensian picture of a society torn apart by competition and greed. This response relegated the state as regulator of the economy and as guarantor of a modicum of social equity. Conservative politicians like Bismarck and Disraeli, who understood that the state required a strong social base (unlike the so-called neo-conservatives today), initiated this second phase; and it continued through the action of labor and socialist movements, culminating in the welfare state and the idea of social democracy.

Polanyi did not live to see the crisis of this second phase of the double movement. We can trace it to the late 1960s and early 1970s when the pattern of regulation built up through the second phase of his double movement seemed to reach its limits in stagflation and fiscal crisis.

In retrospect, this crisis appears as the consequence of a transition from an international economy to a global economy. In the international economy, states retained a good deal of control over their national economies and could regulate their relationship to the external world economy. The Bretton Woods institutions were conceived as a means of achieving cooperation among states in carrying out this regulatory function. In the emerging global economy, this autonomous capacity of states has been reduced for all states, although in a greater degree for some than for others. States are, by and large, reduced to the role of adjusting national economies to the dynamics of an unregulated global economy. We are back again to the beginning of Polanyi's first phase of movement, but now at the global rather than the national level.

The new capitalism is conceived in this historical context. Its basic instinct is to free itself from any form of state control or intervention. Its thrust is deregulation, privatization, and the dismantling of state protection for the vulnerable elements of society. It preaches that the unregulated global market is good for everybody, although some may reap its benefits earlier than others. The state retains a function as enforcer of contracts and as instrument of political leverage to secure access to resources and markets world-wide. It is also at times expected to salvage reckless enterprises, if they are big enough, and to compensate an innocent public for plunder by unscrupulous financial operators. But, by and large, the state is conceived as subordinate to the economy. Competitiveness in the global economy is the ultimate criterion of public policy.

During the 1980s, this new form of capitalism seemed ubiquitously triumphant. Critics in its homelands could be plausibly represented as clinging to an irrelevant past. The aura of superstar surrounded its heroes--some of whom are now in jail. The doctrines and practices of the new capitalism brought about a revolution in economic policy in countries of Latin America and Africa whose governments had hitherto put their faith in more autocratic, state directed development. Third World initiatives from the 1960s and 1970s towards collective management of world economic relations--the New International Economic Order and UNCTAD--became marginalized. And the collapse of "real socialism" unleashed a feverish rush to emulate the most extreme versions of new capitalist theory.

The euphoria has been challenged rather abruptly more recently. We have been made vividly aware of the socially destructive consequences of the new capitalism, both in its homelands and in its global reach. These consequences can be enumerated:

- In the first place there has been an accentuation of social polarization between rich and poor. UNDP's Human Development Report for 1992<sup>1</sup> dwells upon this. The report attempts to measure the increasing gap between rich and poor, not only in country aggregates but also in terms of incomes of social categories on a global basis. It estimates that between 1960 and 1989 there was an eight-fold increase in the absolute difference in incomes between the richest fifth and the poorest fifth of the world population. This polarization is manifest in the poorer areas of Africa and Latin America, and it has appeared in ex-socialist countries converted to the new capitalism, but it is present in rich countries as well. Other sources indicate that during the past decade, the income of the bottom 40 million Americans declined by ten percent.<sup>2</sup> During the same period, the U.S. prison population doubled; and the numbers of private security guards now exceeds the numbers of publicly-employed police.<sup>3</sup> All over the world, the rich are getting richer and fewer, and the poor poorer and more numerous.

The explanation of this increasing gap between rich and poor is traceable to globalization. Those segments of the populations in both rich and poor countries that are linked most directly to the global economy have fared well, but they are relatively very small. Those with a more local economic orientation, whether they are among the upper classes or the lower classes, have fared badly. The salaried middle classes have lost ground, as have most of the peasantry, except for a few relatively prosperous commercial farmers. Increasing numbers of people have entered the informal economy.<sup>4</sup>

- Another factor is that the relationship between finance and production has become problematic. Peter Drucker<sup>5</sup> spoke of a "decoupling" of the "symbolic economy" of money from the real economy of production and distribution. There is a marked disproportion in the level of activity between symbolic and real economies. Foreign exchange trading in the world's financial centers is about forty times the amount of world trade every day.<sup>6</sup> The relative autonomy of finance and the tendency for finance to feed upon itself has some negative effects on production. New financial mechanisms that facilitate changes in ownership (LBOs and junk bonds) also lead to asset stripping and bankruptcies that are destructive of production. Poor countries have been incurring new debt in order to service old debt, without being able to invest significantly in new productive resources.<sup>7</sup> Transnationalized corporate and state debt is a heavy obstacle to the revival of production. Moreover, the synchronic mode of thought characteristic of the symbolic economy (cash flow and quick returns) squeezes out the diachronic planning essential to productive investment.

- Nevertheless, production is being restructured as an integral aspect of economic globalization, very largely through the agency of multinational corporations that have been able to escape these financial constraints. This restructuring has very significant social consequences. The mass production assembly-line industries that maximized economies of scale (and which incidentally were the basis for trade union strength in the advanced economies) are being phased out in favour of a more flexible combination of smaller production units capable of producing a greater variety of products for much more diversified demand. These new methods use smaller core workforces, skilled and securely employed, but also a larger more precariously employed secondary workforce. Some of this secondary workforce are support staff in main plants and others work in a multitude of production units spread across the globe. The obstacles to collective action are formidable among these workers who are separated by geography, nationality, ethnicity, religion, and gender. The global restructuring of production has undermined the power of labor in relation to capital.
- Not only is capital moving to set up production organizations that are global in extent, but people are moving from South to North and from East to West, and so providing a steady flow of recruits to the secondary workforce in the richer countries. The ability of states to control this movement of peoples is limited, while it often arouses xenophobic reactions, particularly among unemployed and down-graded workers in the countries they come to. Migration is a growing but also increasingly conflictual aspect of globalization.
- The terms "core" and "periphery" were introduced into political economy as geographical terms, distinguishing dominant and rich national economies from dependent and poor ones--broadly, North from South. While this geographical and state-centered distinction remains valid, the terms "core" and "periphery" have acquired a new meaning indicative of the polarized structure of a global society. The North is generating its own internal South; and the South has formed a thin layer of society that is fully integrated into the economic North. The social core and the social periphery cut across national boundaries.
- It is hardly necessary, in this month of this year, to add that the pattern of growth and of consumption of the new capitalism has some drastic ecological implications. To posit the continuing extension of its consumption model in terms of energy use and greenhouse effects makes no sense; and yet the political obstacles to changing these habits entrenched in the richer countries are intractable. In poorer areas of the world, integration into the global economy may provide more foreign exchange to service accumulated debt, but it

often has grave implications for local populations. The most fertile lands are given over to export crops, while desertification and famine attack subsistence farmers, who incidentally happen in most cases to be women. The power relations of the global economy are very clear and peasant women are near the bottom of the scale. The contradictions between economic globalization and ecological balance ultimately threaten everybody.

All of these tendencies, which confirm my pessimistic point of departure, have implications for political life. One hopeful sign is that democratization seems to have been on an upward swing. "Democracy" is a term with several meanings.

The classic meaning of liberal democracy separates the political and economic spheres. Democracy applies to the political sphere in which individual citizens are recognized as equal in their civil and political rights. In the economic sphere property, not the individual citizen, enjoys rights. Individuals experience the hierarchical subordination of the labor market. This democracy risks becoming formal, while the reality of daily life is determined by the power relations of the market.

The distinction between the economic and political spheres became somewhat blurred during the second phase of Polanyi's double movement when people used their political rights to limit and to channel the rights of property--to correct the inequities of the market. Now, the new capitalism is reviving the distinction between economic and political spheres in a more rigorous form. Efforts are being made to protect the economic sphere from political intervention through legislative and constitutional limitations. The new capitalism is haunted by the specter of revived political controls.

There is another meaning of democracy that corresponds to this fear. It is what we may call "populist democracy," that is to say a form of politics that does not recognize any barriers to entry into the economic sphere. This is no doubt what the ideologues of the Trilateral Commission had in mind when they warned about the "ungovernability of democracies."<sup>8</sup> They feared that popular demands were overloading the capacity of governments to respond, leading to inflation and deepening fiscal crisis. The implication of their warning was that more unemployment and more fiscal restraint would correct the problem.

Today, a different kind of crisis affects democracies: a disillusionment of people with political leadership, a turning away from politics with a certain disgust, an association of politics with corruption, a sense that politics doesn't really matter except to the politicians, a widespread depoliticization. This phenomenon is more evident in some countries



than others, and it is most evident among that part of the population that is poorest and most adversely affected by the social consequences of the new capitalism.

It is difficult not to see a correlation between the success of the new capitalism and this effect of depoliticization. By removing the economic sphere from political control--whether this is achieved by law or by ideology--what determines the condition of people in their everyday lives is removed from their control. Politics becomes irrelevant. The sense of civic efficacy is removed; and many people, the most disadvantaged, are left in the futility of alienation. Their rage is unchannelled, ineffective, self-consuming. It marks an impasse. It does not herald the construction of a future.

If this condition foreshadows the end of a cycle of world history, what may be the possibilities of a new beginning? Let me say here that I am no believer in historical inevitability. People, collectively, may be confronted with opportunity, but whether or not they take it is up to them. Human agency, conditioned by past experience, is the ultimate maker of history.

The way out of the impasse created by economic deregulation and depoliticization is reregulation and repoliticization attuned to the changed global structures. This can hardly come about in one country at a time, since each country is caught in the net of economic globalization. Secession or isolationism on a country basis will be self-defeating. It seems as though the cure can only come, perhaps as a first stage, through world regions, and ultimately at the global level; and it can only come there if it is firmly based in global society. A dual approach is involved: the building of a sufficient foundation in social organization at the base; and a creative response and initiative through multilateralism.

Reregulation on this basis would imply revision of currently dominant economic ideology and reform of economic practices:

- competitiveness as the criterion of economic action would be subordinated to forms of regulation intended to manage economic growth in a manner consistent with ecological balance and social equity;
- consumption models would be evolved which are more respectful of ecological balance;

- finance would be regulated so as to serve the real economy and to curb speculation, destructive asset stripping, and corruption.

Such changes are not likely to come about as a result of moral exhortation or utopian schemes of institutional reform. They are more likely to come about through two currently observable historical processes. One is the struggle between rival forms of substantive economy--rival capitalisms.<sup>9</sup> The other is the recomposition of civil society that is taking place in response to the disruptive consequences of the new capitalism. Both tendencies merit much more attention than they have received.

The first underlines the importance of challenging the "end of history" thesis. There is not one universal form of capitalism, henceforth perpetual and triumphant. There are several forms of which one--the new capitalism--appears now to have the dominant influence but whose warts and weaknesses are more and more apparent. There are also persistent traditions of social market or social democratic forms of capitalism most resilient in parts of Europe, a Japanese capitalism that has yet other social and international consequences, and a rising concern for devising a more ecologically conscious mode of production and consumption. Current debates in the European Community about entrenching guarantees for a "social Europe" and about overcoming the perceived "democratic deficit" in the Community's institutions may become a first test of strength of rival conceptions of economic and social organization.

The social forces challenging the new capitalism are perhaps stronger and better organized in Europe than elsewhere, but challenges could come from many places. Trade unions have been weakened in relation to management, but the labor movement retains an organizational capability that can be valuable to a broader social coalition. Neighborhood and self-help organizations have been formed to deal with basic needs of marginalized groups in both rich and poor countries. Women are especially prominent in the new basic organizations of self-help and self-defense.<sup>10</sup> People are dropping out of the world market and the formal structures of national economies, to seek their survival in the informal sector. It results in a lowering of incomes and a worsening of safety and health conditions. But it can also become a stimulus to new forms of cooperation and self-governance. Loss of confidence in the state can, in a measure, be compensated by growth in civil society. One African scholar has described these developments as a "silent revolution."<sup>11</sup>

There is a meaning of democracy that could be built upon such a development of civil society--a "participative democracy," the organization of civic life upon the basis of a variety of self-governing groups that deal with the whole range of people's substantive concerns.

Multilateralism, if it is to seize the opportunity opened by these developments, will be schizophrenic--one part of its being involved in the present predicaments of the state system, another part probing the social and political foundations of a future order. This second part can only exist within the shadow of the first. It can only develop when shielded from the day-to-day constraints of inter-state politics.

The responsibility of this second sector of international institutions is to become the point of contact, the interlocutor, for the new social forces. The debate about alternative forms of economic organization, about alternative development strategies, will also be a debate within the UN system. Different segments of the system develop policy approaches that respond to the interests and needs of different social groups. I have in mind particularly the needs of the relatively disadvantaged and the imperative of ecological sustainability. The segments of multilateralism that take on the task of envisaging a world order in this perspective will also foster linkage among supportive social forces in different countries and thereby help to build a political base for a globally coherent alternative set of policies.

Institutional change, I would suggest, is more likely to follow than to precede a new direction in global economic and social policy. The new order will have to be built from the bottom up, when the present order alters in its attempt to hold things in place from the top down. Freedom of initiative and freedom to build is the critical condition for the emergence of the new order. This is also the practical meaning of democracy in international organization.

## Endnotes

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