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THE LABOUR PAINS OF GLOBALISTAN

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I would like to defend the view that the present crisis represents the birth pains of a new world – or to be more precise, a new world community – which we might call Globalistan. Yet, the pregnancy could still end in stillbirth.

Under the old order, the changes were so slow that no one noticed them; today, the changes are so fast that few people perceive them or are able to assess their scale properly. We are entering the future backwards, while looking in the rear-view mirror.

Government and market, socialism and liberalism, democracy and technocracy, competition and cooperation, multiculturalism and interculturalism, nation and state, knowledge and wealth, intellectual property and the spread of the Internet, education and university, language and culture, religion and reason: all are being transformed and bringing about fundamental social change in turn. As a result, the challenges that transcend national boundaries are mounting: climate problems, energy supply, food and water shortages, an ageing population in Europe and China, the demographic explosion (10 billion inhabitants in 2050, of whom just 5% will be European), the multipolarisation of global politics, the rejection of modernity by fundamentalist regimes, disease, exploitation, international crime, ethnic violence and terrorism, the proliferation of weapons of mass destruction, poverty: and even this list, this litany of complaints, is not comprehensive.

The financial and economic crisis is just one aspect of a much more fundamental and all-embracing worldwide process: the accelerated emergence of the knowledge society, driven by information and communication technologies (ICT) and their applications, all derived in one way or another from the invention of the wonder tool, the computer. World history can now be divided into before and after the computer. Scientifically, technologically and economically the world is becoming one, which means that countries are becoming highly interdependent. Thus a global world is emerging, our global village, which, however, has remained provincial in terms of governance. National governments are too small for the big challenges and too big for the small ones. There is a gaping asymmetry between the globalisation of the world economy and the localisation of the conduct of policy via national States.

I believe that the ICT revolution has brought about two critical turning points in the past 25 years. The first was political in nature, and with the fall of the Berlin Wall in 1989 led to the implosion of communism and collectivist socialism. The second and more recent is economic in nature, and is seriously undermining liberal capitalism. The two great ideologies which have dominated social thinking over the past 250 years, liberalism and socialism, offshoots of the first and second industrial revolutions, have been rendered obsolete by the new scientific and technological developments.

A phenomenon of general *decollectivisation* is occurring. When knowledge and the innovative creativity it fuels become the most important production factors, the Marxist recipe of the

collectivisation or nationalisation of the capitalist production factors completely falls apart. Factories, machines and raw materials can be taken over by the State and collectivistically managed via the communist party; human knowledge cannot. Incomes and assets can and must be distributed in accordance with basic social justice. For politicians, this often leads to an embarrassing zero-sum game with winners and losers. By contrast, knowledge has to be multiplied rather than divided up. Society's zero-sum game becomes a plus-sum game which only has winners. In the process, a totally new social paradigm arises.

The ICT revolution confronted communism and socialism with decollectivisation, but it has also assailed liberalism through *deprivatisation*. Nothing is private any more, and ideas, proposals, discoveries and inventions spread around the world, often at the speed of light. Industrial and intellectual property is *de facto* unprotected. Counterfeiting or imitation is believed to account for 25% of global production. In a number of Asian countries, copyright is being reinterpreted as 'the right to copy'. For over two centuries, the basic paradigm of liberal capitalism has referred to the ancient Roman legal concept of private ownership. This has now lost all stability. Moreover, it is argued that discoveries and inventions represent part of mankind's intellectual heritage and should thus be accessible to all. In addition, middlemen are disappearing from the markets – the phenomenon of disintermediation – so that supply and demand now come directly into contact with each other – e-Bay is an obvious example –, a development which is fundamentally altering the workings of the market and which also has implications for the capacity of nation States to raise taxes through VAT. The most important point of all, though, is that in a unified global economy, the big players have the best chance in all sectors, leading to oligopolistic competition. Competitive pressure and the enormous costs of research and development are forcing companies to upsize. This explains the frequent mergers and acquisitions and has resulted in a worldwide life-and-death competitive struggle. This involves forms of competition – often innovative competition – that greatly diminish the advantages of market activity and sometimes eliminate them altogether (once the sale price no longer equals the marginal cost of the product). The financial sector plays a strategic role in this process, because it must be capable of financing the corporate giants on the oligopolistic markets, in which small and medium-sized companies are often turned into satellites of these businesses or sectors. As money is a homogenous commodity – money is money, filthy lucre – the competition between financial institutions is extremely fierce. Personnel are partly rewarded with bonuses based on the recorded turnover figures, meaning that more risks are taken. Executives enjoy substantial bonuses and stock options, which lose social support when bank shares plummet, although public opinion has proved to be less troubled about the high salaries paid to certain sports stars and all kinds of more or less questionable entertainers and singers. It is primarily the frenzied global competition in the financial sector, in which risky financing practices and products, toxic products, have been launched, that has brought about the current financial and economic crisis. As a result, a certain type of liberal capitalism has had its effectiveness and credibility undermined.

The political crisis of the late 20th century and the financial and economic crisis of the present century thus reveal the existential crisis which is afflicting both socialism and liberalism. The global community is looking for a new, coherent social vision, which obviously needs to extend further than 'Googlism' or 'Internetism'.

Globalistan's governance needs to be devised by recalibrating the market–government pair in a totally new context. It should be noted at this point that the market is not the exclusive preserve of liberalism; the trading market is almost as old as mankind, and is an anthropological category. The market today is largely virtual, brings supply and demand into direct contact and is worldwide. Like all markets, it displays the tendency to eliminate annoying

competition. Thus an international authority is needed enforce a competition policy worldwide. The European Union has set an example in this respect for years with the role played by the European Commission's Commissioner for Competition Policy. It would make sense for the World Trade Organization to be reformed to become a sort of economic magistracy. Thus an authority really is needed which will supervise market activity and keep it running efficiently and so maximising prosperity for the greater good. However, such an authority can no longer be the nation State, which lacks the scope to regulate global economic processes. A collective policy is required which is as international as possible, which will have to be able in the future to prevent systemic crises like the present one. It therefore seems to me essential that the International Monetary Fund, the World Bank and the World Trade Organization should start working together much more intensively, and that within the United Nations, in addition to the political Security Council, an Economic Security Council should be created representing the distribution of economic power in the world, for example by the inclusion of the G20. And if the dollar gradually loses its status as the international reserve currency, it would be inadvisable for that role to be taken over by the euro, which would then be subject to the perils of speculation. Rather, an international credit and payment instrument should be introduced, based on the existing special drawing rights in the International Monetary Fund.

The spread of the knowledge society is ushering in a new phase in the history of mankind. The future can only be safeguarded by promoting and developing science and technology as intensively as possible. But of course, not every change is an improvement, and a distinction should therefore be drawn between what is beneficial to human progress and what is harmful, between the good and the bad. This age-old ethical question is more topical than ever. The global community needs to be organised and transformed into an international community based on law. And for this, the propagation and acceptance of an ethics of change is far more important than a change of ethics.



The **Leuven Centre for Global Governance Studies** is an interdisciplinary research centre of the Humanities and Social Sciences at the Katholieke Universiteit Leuven. It was set up in the Spring of 2007 to promote, support and carry out high-quality international, innovative and interdisciplinary research on global governance. In addition to its fundamental research activities the Centre carries out independent applied research and offers innovative policy advice and solutions to policy-makers on multilateral governance and global public policy issues.

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