

## ASSESSING GLOBALIZATION'S CRITICS: "TALKERS ARE NO GOOD DOERS???"

Kimberly Ann Elliott, Debayani Kar, and J. David Richardson<sup>1</sup>

In Shakespeare's *King Richard III* (Act I, Scene 3), the Duke of Gloucester hires two men to do away with a rival and encourages them to do it quickly, so the victim will not have the chance to plead for mercy and perhaps "move [their] hearts to pity...." The first murderer reassures the Duke, "Fear not, my lord, we will not stand to prate [prattle]; talkers are no good doers...."

This paper is about the critics of the "doers" of globalization. It describes who they are, where they came from, what they want, how economists and others might understand them better, and where globalization might head from here. Globalization has been "happening" so rapidly, widely, and deeply that to many it seems inexorable. But to the critics its character seems unbalanced, narrow, destabilizing, undemocratic and, therefore, illegitimate. Their protests have become louder and even more globalized. The critics say the doers should stop and talk. The doers say the critics have nothing concrete to offer.

Fifteen years ago, various activists and others concerned about the direction of the international economy might have sympathized with the Duke's intended victim, feeling that they could not get a word in edgewise before the forces of globalization rolled over them. Many proponents of globalization did not want to talk and they did not want to listen. They rejected activists' concerns as unrelated to trade or as misinformed and tried to keep the globalization bandwagon rolling unimpeded. Since then, however, the so-called anti-globalization movement has gained momentum. Activists have succeeded in getting debt relief, worker rights, the AIDS crisis, and environmental sustainability onto the international agenda.

Now the question has been turned around: are the critics only talkers or are they also doers? As South African Finance Minister Trevor Manuel said at the International Monetary Fund-World Bank Annual Meetings in Prague in September 2000, "I know what they're against but have no sense of what they're for" (*Washington Post*, September 27, 2000, A16).

This is in part because "the movement" has thus far focused much of its effort on mounting large street protests at each major meeting of the key international organizations—the WTO in Geneva (1998) and Seattle (1999); the IMF and World Bank in Prague and Washington, DC (2000); the FTAA in Quebec (2001), the G-8 in Genoa (2001). And slogans fit on posters better than elaborate plans to change the world—Fifty Years is Enough... Fix it or nix it... Dump the debt... People over profits... Jobs with justice... Another world is possible....

But there is more to the story. We deliberately referred to "globalization's critics" in the paper's title because we do not believe it is accurate to refer to them collectively as "anti-globalization." Some are, but others are not. Many of these critics are strongly internationalist and want to see globalization proceed, but under different rules. Some, particularly the protesters in the streets, focus mainly on what is wrong with the world. But some of them put forward broad alternative visions and others offer detailed recommendations for alleviating the problems they see arising from globalization. To encompass this broad range of groups more accurately, we call them the "alternative globalization movement."

<sup>1</sup> Elliott and Richardson are Fellows at the Institute for International Economics. Kar is a Research Associate at the Center for Economic and Policy Research. Richardson is also a Professor of Economics at the Maxwell School of Syracuse University and Research Associate of the NBER.

Naomi Klein (*The Nation*, July 10, 2000), among others, notes that the protesters in the streets represent a number of different movements brought together by a shared “belief that the disparate problems with which they are wrestling all derive from global deregulation, an agenda that is concentrating power and wealth into fewer and fewer hands.” Above all else, the disparate elements of this broad “Mobilization for Global Justice,” as the umbrella coalition is called, are held together by a concern that the *process* by which globalization’s rules are being written and implemented is undermining democracy, at both the national and international levels. Under this umbrella of shared concerns, the various groups tend to cluster around one of three issues as a focus of their particular globalization critique:

- ?? the environment,
- ?? human rights and worker rights, and
- ?? inequality and poverty, particularly in developing countries.

This paper will attempt to identify the key groups involved in the alternative globalization movement. It will also attempt to sketch a picture of the key issues and concerns that motivate them in a way that is broadly representative and intelligible to economists.<sup>2</sup> In so doing, we hope to capture the concerns of Southern as well as Northern groups and to analyze the issues that divide as well as bring them together. Finally, we will analyze key elements of the critiques of current globalization and representative alternative proposals, assessing both their merits and weaknesses.

The sections on the “roots of the movement” and “who they are,” cast a rather wide net, but the presentation and analysis of “what they want” focuses on groups that have offered alternatives, detailed recommendations, or specific critiques. We will address only in passing the true anti-globalizers, those who might be characterized as localists on the left and nationalists on the right. Their main concern is sovereignty, especially sub-national or “community” sovereignty on the left.

On the right, anti-globalizers oppose international rules that constrain national sovereignty and power, and trade or investment that undermines American industry and control (Buchanan 2000). Some of these critics are xenophobic as well. Also on the right but anti-globalist rather than anti-globalization are those who embrace a laissez-faire approach to global integration and who favor largely unfettered flows of goods, services, and capital. Many of these critics can find common ground with the Fifty Years is Enough agenda of paring back the role of the international financial institutions (see, for example, International Financial Institutions Advisory Commission 2000, more commonly known as the Meltzer Commission).

On the left, localists want to maintain maximal independence at the grassroots and oppose most broader centralization, including the economic centralization of national and global markets.<sup>3</sup> Unlike the nationalists on the right, the localists are not anti-internationalist and their interests sometimes overlap with the alternative globalization movement, for example on increasing aid flows to poor countries. And their agenda has sometimes been embraced by the alternative globalization movement, which favors, for example, constitutional or other guarantees for the rights of indigenous peoples as an element of a more legitimate and democratic process.

<sup>2</sup> Similar efforts include Ostry (2001).

<sup>3</sup> On the left, see, for example, International Forum on Globalization (2002); Hines (2000) and echoes in Korten (1999) and even in Ghandi (??).

Ultimately, for the localist agenda to succeed, however, their talking and doing has to change attitudes at the local level and laws at the national level. Reforms in the global rules would be complementary but would not produce the fundamental changes in the locus of economic and social activity that they seek. In other words, the localists need to change globalization from the ground up, not from the top down. On the right, the nationalists embrace unilateralism and have no interest in a dialogue on globalization's alternative forms. In this paper, we try to identify the common ground, if any, between talkers and doers who approach globalization from a variety of perspectives.

### **The Roots of the Alternative Globalization Movement**

Poverty, inequality, human rights, and protection of the environment are hardly new issues. Transnational advocacy on human rights by non-governmental organizations (NGOs) pre-dates World War I, going back at least to the anti-slavery movement of the 18<sup>th</sup> and 19<sup>th</sup> centuries (Keck and Sikkink; Lorenz). The International Labor Organization, charged with protecting peace by promoting social justice, was founded in 1919 and is the only surviving League of Nations institution. The UN's Universal Declaration on Human Rights dates to 1948. Concern for the environment is a more recent issue for global activists but is one that has grown rapidly since the first UN conference on the environment in 1972. NGO involvement in poverty and development issues has traditionally been more on the operational side, raising and distributing funds and planning projects, particularly emergency relief. Transnational policy advocacy on behalf of poor people in poor countries emerged more recently as a result of the debt crisis and increased involvement on the part of the international financial institutions.

Thus, the "Mobilization for Global Justice" that has been dogging international meetings and summits for the past five years represents a coming together of several advocacy strands that have been operating on largely separate tracks for a number of years. Advocacy groups working on environmental issues, human rights, and development issues began to come together in the 1990s because they perceived that pro-globalization priorities were diverging from their own and, therefore, that they had a common interest in challenging both the substance and the process as the rules governing globalization were developed. In addition, demands by civil society to be included in international rule-making on economic issues expanded as the scope of that rule-making expanded. A brief summary of the evolution of each of the strands follows.

#### ***The environment***

Since the creation of the UN Environmental Program (UNEP) at the global Conference on the Human Environment in 1972, the UN has been a key institutional focus for transnational advocacy on environmental issues ranging from fisheries, forestry and other resource management to combating the ozone hole and global warming. And, almost from the beginning, NGOs were recognized as playing an important role in the process, in part because many of them bring technical expertise that would otherwise not be available.<sup>4</sup> Just a year after UNEP was created, an NGO office was established to oversee civil society participation in its activities. Today, there are roughly 200 multilateral environmental agreements, with representatives of civil society often playing an important role in various aspects of the negotiation and implementation.<sup>5</sup>

<sup>4</sup> UN Environmental Program, Enhancing Civil Society Engagement in the Work of UNEP, Strategy Paper on General Council decision no. 21/19, October 2001; available at [www.unep.org](http://www.unep.org).

<sup>5</sup> For example, see chapter 19 of Benedick (1998) on the negotiation of the Montreal Protocol on ozone depletion.

An ambitious attempt to integrate environmental issues under the sustainable development rubric was made at the 1992 UN Conference on Environment and Development (UNCED) held in Rio de Janeiro, Brazil, with extensive involvement from NGOs. UNEP estimates that representatives from 800 NGOs from 160 countries were present in Rio, reflecting as well their intense involvement in planning the conference (UNEP 2001). UNCED resulted in an action plan for addressing a long list of environmental problems, dubbed “Agenda 21,” as well as the founding of the Commission on Sustainable Development (CSD) to monitor implementation of the, largely voluntary, commitments. In order to facilitate their ongoing involvement, an NGO Steering Committee was created by the CSD and roughly 400 groups were accredited as of the end of 2001.

### ***Human rights and worker rights***

Like environmental groups, human rights groups have traditionally focused on governments and the UN (for promoting universal norms and standards). In the 1970s and 1980s, however, transnational advocacy groups involved in the fight against apartheid in South Africa, frustrated by the unresponsiveness of governments, turned their attention directly to corporations. Many of the groups that are active today in the anti-sweatshop movement have their roots in the anti-apartheid movement, as do many of the tactics used today—corporate codes of conduct, shareholder resolutions, boycotts, and other market-based campaigns to promote change. After years of futilely pushing governments and the UN to formally sanction the apartheid regime, activists turned to pressuring multinational corporations operating in South Africa as a second-best conduit for pressuring the government there. At a minimum, activists such as Leon Sullivan hoped that the code of corporate conduct bearing his name would improve the day-to-day lives of black workers under apartheid. Among those trying to apply the lessons of South Africa to smoothing the rough edges of globalization are the Interfaith Center for Corporate Responsibility, the Investor Responsibility Research Council, and Reverend Sullivan, who has developed a set of “global principles” to promote “social responsibility” in multinational corporations (MNCs).

### ***Development and poverty***

Other international organizations became targets of NGOs in the 1980s, beginning with criticism of the World Bank for ignoring the environmental and human consequences of its large infrastructure projects and for failing to consult with local people affected by those projects. The International Monetary Fund became a target somewhat later as policies developed to respond to the debt crisis, triggered by Mexico in 1982, failed either to resolve the debt problem quickly or to restore economic growth. As the 1980s became the “lost decade,” at least for the major debtors in Latin America, many NGOs blamed the IMF. In the 1990s, many of these concerns coalesced around the issue of debt relief and Jubilee 2000, which began in the United Kingdom, and became a global phenomenon, fronted by rock stars and consulted by world leaders (Birdsall and Williamson 2002). Beginning in 1994, under the name “50 Years is Enough,” a more radical group of development-oriented NGOs went further, calling not just for broad and unconditional debt relief, but for radical reform, or else abolition, of the IMF and World Bank.

### ***The trade system and social issues***

The General Agreement on Tariffs and Trade (GATT) was created in 1948 as a mechanism for “contracting parties” to multilaterally negotiate reductions in trade barriers. It was regarded by affiliated governments and most observers as relatively effective in unwinding the high depression-era tariffs that lingered after World War II, but as relatively weak in settling disputes over more difficult issues, such as agricultural protection and nontariff barriers (Elliott and

Hufbauer 2001). Thus, for most of its first 40 years it was largely ignored by advocacy groups, other than unions. In this period, neither governments nor civil society groups particularly challenged the notion that the major constituencies that needed to be consulted about trade negotiations were business and labor. The dynamics of trade negotiations changed dramatically in the 1990s, however, particularly after conclusion of the Uruguay Round negotiations, which expanded the scope of trade rules in areas such as product health and safety, drugs and other patents, and instituted a more binding enforcement system under the World Trade Organization.

As the Uruguay Round progressed, it appeared to many critics that all of the major international economic organizations were moving in a similar, deregulatory direction, placing more and more constraints on the ability of governments to organize economic activity. In the early 1990s, GATT dispute settlement panels twice ruled against a US ban on imported tuna, the harvesting of which resulted in the killing of dolphins. The decisions shocked and angered environmental advocates who had lobbied for the Marine Mammal Protection Act to protect the environment and who had no protectionist intent. Around the same time, the United States and Mexico (joined later by Canada) decided to negotiate a “deep integration” trade agreement without accompanying rules on the environment or working conditions.

The decision to negotiate the North American Free Trade Area (NAFTA) seemed to the critics to bring the specter of a race to the bottom right to America’s borders and it began to pull together the separate strands of environmental, human rights, and development advocacy into today’s movement for alternative globalization. The initial rallying point was President George H. W. Bush’s request to Congress to extend so-called “fast-track” authority, under which trade agreements had been negotiated since 1974.<sup>6</sup> With a vote on the fast-track extension due in the spring, Pharis Harvey of the International Labor Rights Education and Research Fund, Stewart Hudson of the National Wildlife Federation, and Cam Duncan of Greenpeace organized a conference for January 15, 1991, to highlight their concerns about the potential impact of the agreement on the environment and workers—in all three countries. A month later, after receiving unexpected attention and attendance at the forum, the organizers announced that they had formed a coalition of 62 environmental, human rights, religious, and consumer groups, as well as several unions, to oppose fast-track unless the administration agreed to address their concerns. Responding to press reports about blue-green alliances and other strange bedfellows, and demonstrating that they had a sense of humor, they coalition dubbed itself the Mobilization on Development, Trade, Labor, and the Environment—MODTLE (Mayer 1998, chapter 4; Aaronson 2001, chapter 5).

As is well known, Congress permitted the extension of fast-track and, in November 1993, after much debate, approved the NAFTA agreement. In deference to concerns of the MODTLE critics, President Bill Clinton had directed his trade representative to negotiate side deals to accompany the agreement completed by his predecessor just before the election. The labor agreement did little to appease labor opponents but the side agreement on environmental issues was regarded by moderate environmental groups as a positive step forward and several of them endorsed NAFTA. Within a few years, however, those groups became disillusioned with the implementation of the side agreement and increasingly concerned by corporate challenges to environmental regulations under NAFTA’s investment provisions. When renewal of fast-track

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<sup>6</sup> Fast-track legislation typically gives guidance to the executive branch on congressional priorities and concerns regarding trade agreements and, in exchange for consultation during and after the negotiations, commits Congress to vote up or down on the agreement the President presents to them, without amendment. See Destler (1995) for details and a complete history.

negotiating authority was debated again in the late 1990s, the environmental community was much more unified in its opposition to fast-track without substantial reform.

Many of these NGOs, with a central role played by Public Citizen's Lori Wallach and the Citizens' Trade Campaign (now under Global Trade Watch), also opposed US-led efforts to negotiate a Multilateral Agreement on Investment (MAI) in the Organization for Economic Cooperation and Development. The opposition again centered as much on process as substance and particularly the perception that this was an attempt to *secretly* negotiate rules to further empower global corporations. When the OECD finally admitted failure in 1998, the anti-MAI forces were more than happy to declare victory in defeating it, even though careful analysis suggests that the agreement might well have fallen under the weight of its own contradictions—driven by inter-governmental differences on policy—even without the NGO protests (Graham 2000). Regardless, the movement had more than enough momentum to carry them into the streets of Seattle for a WTO ministerial meeting intended to launch a new round of multilateral trade negotiations. Like the MAI, the differences in Seattle were as much between governments as between them and the protesters, but the “turtle-teamster” coalition and others were more than happy to take credit and to continue riding the wave of momentum.<sup>7</sup>

### Who Are Globalization's Critics Today?

Clearly transnational advocacy is not a recent phenomenon, but just as clearly the scale of activity has increased sharply in recent years. As of the late 1990s, Edwards (2001, p. 4) and Florini (2001, p. 29) cite figures ranging from 15,000 to 20,000 for the number of transnational NGOs, most of them formed since 1970 and many inspired by and focused on UN activities in a variety of areas. As of 2001, more than 120 NGOs had “general accreditation” status with the UN's Economic and Social Council, meaning they could send observers to meetings and submit written statements to ECOSOC and its subsidiary bodies; roughly 1,000 had “special accreditation” status, meaning they may be consulted and attend meetings on specific issues where they have specific competence; and nearly 1,000 were on the UN's third-tier roster of groups that can be called on by UN bodies as appropriate.<sup>8</sup> Edwards (2001, p. 9) notes, however, that less than a fifth of the NGOs with consultative status are from developing countries.

Focusing on the alternative globalization movement, the spectrum of views is wide-ranging, from the anarchists of the Black Bloc, who are against all forms of institutional control, to mainstream religious or charitable organizations, such as the American Friends Service Committee and Doctors without Borders, which won the Nobel Peace Prize in 1999. In between are groups that fundamentally oppose the capitalist economic model and others that just want to tweak it a bit. A few explicitly endorse a democratic socialist alternative and others, exemplified by the International Forum on Globalization's “A Better World is Possible! Alternatives to Economic Globalization,” emphasize local control of as much economic activity as possible so as to enhance democratic control and reduce the negative environmental consequences they see arising from excessive, consumption-based growth. Other groups seek significant reforms of

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<sup>7</sup> In 1998, a WTO panel ruled against a US law banning shrimp imports from countries that did not require the use of “turtle-excluder devices” to allow endangered sea turtles to escape from shrimp nets. To highlight what they viewed as yet another outrageous decision, many activists wore turtle costumes during the Seattle protests.

<sup>8</sup> The UN website has a list of NGOs with consultative status at [www.un.org/partners/civil\\_society/ngo/n-ecosoc.htm#top](http://www.un.org/partners/civil_society/ngo/n-ecosoc.htm#top). The search function allows visitors to search for particular organizations and then get contact information for them.

rules and institutions, particularly as they relate to the regulation of multinational corporations, but more or less within the existing framework. One such example is Oxfam International's "Harnessing Trade for Development."

The groups in the alternative globalization movement differ in three important dimensions: issues on which they focus; roles they play within the movement; and their advocacy style. Table 1 lists roughly 100 coalitions, networks, and groups working on globalization issues from a critical perspective. (Table 2 lists alternative media that cover globalization issues.) Because we cannot identify the full universe of alternative globalization groups, it is difficult to determine the criteria for a representative sample. For the purposes of creating Table 1, only the most general criteria were used. Groups listed are concerned with the consequences of *economic* globalization and are involved in *advocacy*. This excludes large numbers of *local* community groups concerned about the environment or economic justice; others that are interested in global but non-economic issues, for example land mines; and some research or development groups that do not also engage in advocacy.

We began with the list compiled for a *Financial Times* series on the "counter-capitalist" movement (October 2001), then added others with which we were personally familiar and which seem to show up again and again, at protests and in the press.<sup>9</sup> In an effort to exclude marginal groups while ensuring that we did not leave out major ones, we turned to the internet search engine Google, which has a toolbar that provides a website's page rank, backward links, and a list of similar pages. Google's "page rank" purports to show the relative importance of a website, on a scale from one to ten, based on how many other pages link to it, weighted in turn by the relative importance of those pages. "Backward links" gives the number of links from other websites to a particular website. The "similar pages" function lists roughly two dozen websites that are most similar to the website in question.<sup>10</sup>

Groups that had a page rank of at least 6, the majority, were kept on the list; the highest rank of any group is 8. Besides the two large networking sites at the top of the list, large membership groups with lots of chapters, such as the Sierra Club, Greenpeace, and Amnesty International, generally have the highest rankings in the sample. To put the rankings in perspective, we were unable to find any website that received a rank of 10. The UN, the World Bank, and the White House websites have rankings of 9, while the IMF, WTO, and ILO get 8s. After culling the low-ranking groups, we selected the highest-ranked groups in each of our functional areas—human/worker rights, environment, and development and used the similar pages function to ensure that other important groups were not left out. While there are no doubt many others NGOs in the potential universe, we believe we were able to single out the key players in the movement and avoid including any that are unimportant.

### ***Explanation of categories***

*Key issues:* We categorized groups by the broad strands of transnational advocacy discussed above—development, human rights, and the environment—and added a fourth category of multi-issue group or coalition/network for the many groups that advocate broad reforms of global

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<sup>9</sup> The first part of the planned series appeared in the *Financial Times* on September 10 as part of the run-up to the Bank-Fund meetings at the end of the month. After the September 11 terrorist attacks, the series was put on the shelf until October 10, when a new piece, on the challenges facing the "counter-capitalism" movement in the new environment, appeared. At the same time, the full series was published on the FT's website at <http://specials.ft.com/countercap/index.html>.

<sup>10</sup> Note that as Google is updating its database of websites and links all the time, the numbers change a bit from day to day. Our numbers are accurate up to May 3, 2002, the date on which we ran the Google search and rankings.

institutions or, even, the system as a whole. This was not easy. Human rights and environmental groups are usually interested in sustainable, equitable, and democratic development as well. And development-oriented groups are obviously interested in human rights and the environment. We tried to assign the groups to categories based on the *lens* through which they approach issues, not the narrowness with which they focus.

*Roles in the movement:* NGOs, collectively and individually, play a variety of roles in the movement and the assignment of categories was, again, not easy. Some tilt more toward activism and others more toward research; some also provide not-for-profit services, such as emergency relief in crises; monitoring and verification of corporate compliance with codes of conduct; and legal services in advocacy lawsuits. For reasons of access, we have focused on groups that have websites, as most do today, which means that all groups have some role in disseminating information. Those identified as such here, however, are those that focus on collecting and disseminating information, either of a general nature (Common Dreams) or of particular utility in activist campaigns (CorpWatch). Although they may include briefing papers or articles by group staff on their websites, original research is not the focus of these groups.

*Advocacy style:* Morton Winston of the College of New Jersey and Amnesty International has categorized groups working on corporate social responsibility issues into Confronters, who take a confrontational and adversarial approach to corporations in the belief that only the threat of reduced profits will induce them to improve conditions; and Engagers, who work to help firms do “the right thing” (Winston forthcoming). Though not all NGOs working on globalization issues fall into one of these two categories, similar labels could be applied to groups working in other areas, such as those seeking to reform the international financial institutions and the WTO (“fix it or nix it?”). Classification under this heading is based on Morton Winston’s confronter-engager distinction, which does not apply to all groups. Following Winston’s lead, we define these categories based, not on their protest tactics, which may be quite confrontational, but on their willingness to engage with the “enemy,” whether MNCs or international economic institutions. Thus, those that have explicitly rejected any cooperation with or called for the abolition of existing economic institutions are classified as confronters; those that have joined in multi-stakeholder initiatives that include representatives of all parties interested in an issue, such as the UN Global Compact or the Forestry Stewardship Council, are classified as engagers.

### **What Do They Want?**

Many of these talkers *are* also doers. The Jubilee movement is perhaps the most successful, with rock stars such as Bono helping thousands of average church-goers and other activists to put debt relief at the center of development discussions. Oxfam International is now following up that campaign with a new one to “make trade fair” and ensure that the new Doha round of multilateral trade negotiations will be, as promised, a “development round.” In the former case, activists were able to focus on broad goals—reducing debt burdens as broadly and deeply as possible and using the proceeds to alleviate poverty—while the trade campaign is based on a nearly 300 page report calling for detailed changes in national and international policies by a variety of actors.

But what of all the other groups in the street in Geneva, Genoa, and Seattle? Is it just cacophony or is there a coherent message? While it is clear from Table 1 that this is a

“movement of movements,” with no single leader or agenda, it is possible to identify common concerns that bring them together. First, the critics reject arguments that growth is both necessary *and* sufficient to spread globalization’s benefits equitably. They believe that, under current rules, well-off mobile “haves” benefit relatively more than immobile “have-nots;” salaries and dividends more than wages. And they believe that this is, in part, the result of disproportionate corporate influence on the rule-making process. Thus, in order to achieve more inclusive outcomes from globalization, the critics believe it is also necessary to make the process of rule-making more inclusive.

More fundamentally, the critics fear that the current process of globalization suffers from a democratic deficit (see Hamilton in this volume). There is a feeling that globalization is a homogenizing force that squeezes out cultural diversity and national and local policy autonomy in many areas. Almost every group involved in the protests against the IMF, World Bank, and WTO emphasize *process* as much as substance. The International Labor Rights Fund’s Pharis Harvey opposed fast-track in 1991 as much because he thought the process was an end-run around democracy as because of what might be negotiated with it (Mayer 1998, p. 76). Thus, whatever other issues are raised, globalization’s critics put increased transparency and accountability at the top of their list of demands for how national governments and the international institutions address globalization issues.

Critics also see far more market failure and regulatory imbalance in current globalization than proponents do. They also trust government regulation more, at least in transparent and accountable systems. This in turn leads the critics to different conclusions than enthusiasts regarding which rules and regulations need to be harmonized and in which areas diversity should be respected. Figure 1 illustrates some of the differences as they relate to the major international economic institutions. WTO rules, for example, promote harmonization of product standards while defending diversity in process standards—with the important exception of the agreement on trade-related intellectual property right (TRIPs). Critics also object to IFI conditionality that often pushes labor “flexibility” without ensuring protection of core worker rights or predicating it on the presence of an adequate social safety net. Globalization’s critics typically want to preserve more space for national policy autonomy, particularly as it relates to the policy options available to developing countries, but to harmonize in areas where there are global externalities or public goods. Their exception is support for *global* labor standards and some environmental issues, even where international spillovers are limited. And on these, Northern and Southern critics sometimes part company.

With these common concerns as background, we return to the roots of the alternative globalization movement in organizationally separate if conceptually linked strands focusing on the environment, human rights and worker rights, and development. The conceptual links are most obvious with NGOs working on development issues. These groups tend to combine general concerns with the “Washington consensus” model of development (as promoted by the international financial institutions, rather than as proposed by John Williamson (1997)) with concerns about how that model affects the environment and the human rights of the poor and indigenous peoples, in particular. In other words, the development critique of globalization, which is often joined by human rights and environmental NGOs, is more holistic and, on average, less divisive than some of the narrower issues, such as international labor standards or how to address climate change.

Therefore, we begin with the broad development critique of globalization as it is currently proceeding and then follow with some of the more specific labor, human rights, and

environmental criticisms. We conclude with a summary of a far-reaching proposal from a broad coalition, including representatives from the North and South, for a fundamentally different approach to globalization and economic and social organization.

***The development NGO critique of the international economic institutions***

In anticipation of the 2001 joint Bank-Fund meetings in Washington, DC, the **Mobilization for Global Justice** and its affiliated groups coalesced around four core demands for reform of the two institutions, two relating to the process of decisionmaking and two relating to substance:<sup>11</sup>

1. More transparency and accountability to, and involvement in decisionmaking of people affected by Bank/Fund policies.
2. Reform of World Bank decision-making on “socially and environmentally destructive” projects in energy (including dams) and mining sectors.
3. Reform of structural adjustment policies to take poverty, inequality of access to resources, and environmental effects more explicitly into account, and to allow more local/national autonomy in determining the shape of economic and social policies.
4. Broader and deeper debt relief.

In addition, many development activists, particularly in the wake of the Asian financial crisis and, more recently Argentina, are concerned about capital market volatility and want the Bank and Fund to allow more measures to head off potential financial crises, including measures such as an international Tobin tax or more latitude for countries to impose capital controls.

**ATTAC** (the **A**ssociation for the **T**axation of financial **T**ransactions for the **A**id of **C**itizens at <http://www.attac.org/indexen.htm>) started with the Tobin tax as its key proposal, both to reduce capital market volatility and to raise funds for development.

In the run-up to the spring 2002 meetings of the Bank and Fund, a “U.S. Civil Society Coalition,” representing 27 labor, environmental, religious, and other groups, released a proposal for “Responsible Reform of the World Bank.”<sup>12</sup> Besides addressing the usual issues of debt relief, transparency, and poverty and environmental impact statements, the document also includes specific proposals on worker rights, forest protection, pesticides, gender issues, HIV/AIDS, and water policy. These groups are not against international financial flows, per se, but they do want to see different rules to govern them.

More fundamentally, many critics of globalization argue that it has not produced the promised growth. The **Center for Economic and Policy Research**, based in Washington, DC, has published several papers highlighting the lack of growth in many developing countries during a period of rapid globalization under the tutelage of the Bank, IMF, and the WTO. Their papers, “Scorecard on Globalization” and “The Emperor Has No Growth,”<sup>13</sup> point out that, even as the influence of these institutions increased over the last twenty years, growth in many low- and middle-income countries lagged. They see this lack of growth as evidence that the neo-liberal Washington consensus is not benefiting the majority of the world’s peoples.<sup>14</sup>

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<sup>11</sup> For the presentation of the demands, see [www.globalizethis.org/s30/feature.cfm?ID=37](http://www.globalizethis.org/s30/feature.cfm?ID=37). For the World Bank’s response and a counter-response by Jubilee USA and 19 other groups, see, [www.worldbank.org/html/extdr/pb/pbfourdemands.htm](http://www.worldbank.org/html/extdr/pb/pbfourdemands.htm) and [www.jubileeusa.org/jubilee.cgi?path=/learn\\_more/&page=rebuttal.html](http://www.jubileeusa.org/jubilee.cgi?path=/learn_more/&page=rebuttal.html).

<sup>12</sup> The report is available on the website of the Bank Information Center, [www.bicusa.org](http://www.bicusa.org).

<sup>13</sup> See [www.cepr.net](http://www.cepr.net) for links to all of their publications.

<sup>14</sup> For other skeptical analyses of growth-globalization links, see Khor (2000), Rodrik (2001a), and Rodriguez and Rodrik (2001).

**Fifty Years is Enough** has taken a more radical stance than these critics, calling for reparations for the effects of structural adjustment policies and for the social and environmental effects Bank projects; privatization or abolition of Bank entities (IFC and MIGA) that provide assistance to the private sector; and personal and institutional accountability for Bank and Fund complicity in corruption. Fifty Years also calls for an assessment of the IFIs' future, including the possibility of abolition in the absence of radical reform, but at a minimum this group wants to weaken and reduce the funding available to them.<sup>15</sup> Fifty Years calls for the money to be transferred to other, more acceptable forms of assistance but the group is vague on the details.

The demand to reduce IFI funds, along with differences among some groups over the details of debt relief, have at times divided Northern and Southern NGOs working on development issues (Nelson 71-72). While largely agreeing with Northern NGO demands to reform IFI programs and conditionality, and restructure the institutions to give client countries more of a say in decisionmaking, Southern NGOs have been more skeptical of demands to reduce the funds available to their countries from these institutions. Other differences have arisen over debt relief, with **Jubilee South** going further than some Northern-based Jubilee groups in terms of demanding unconditional debt relief and reparations for slavery, colonialism, and "odious debt" (Collins, Gariyo, and Burdon; [www.jubileesouth.net](http://www.jubileesouth.net)).

Despite these difference, debt relief has been perhaps the area of greatest influence for globalization's critics, even if they remain dissatisfied with the results (Birdsall and Williamson 2002). Although development-oriented NGOs continue to push for broader and deeper debt relief, they are increasingly focusing on what is needed to restore growth and promote equitable development *after* debt relief. Perhaps inspired by the call in Doha in November 2001 to make the just-launched WTO trade negotiations a "development round," many NGOs are now focusing on what they see as inequities in the trading system that discriminate against developing country exports.

In two publications linked to planning for and implementation of the new Doha round, **Oxfam International** recognizes the potential benefits of international trade and investment as part of economic development in poor countries. But Oxfam criticizes the hypocrisy of rich countries that promote globalization's growth benefits while disproportionately restricting developing country exports to their markets. At the same time, Oxfam International has not embraced unconditional free trade and their vision of "Harnessing Trade for Development" (Oxfam International 2001) couples increased market access for poor-country exports with increased flexibility for those countries to use industrial and trade policies, so-called special and differential treatment, as part of their development strategy. This report focuses on reforms to WTO rules and procedures to make it more development friendly, including:

- ?? "transition periods for implementing WTO agreements [that are] based on development milestones not arbitrary dates;"
- ?? decision-making processes that "increase effective participation of developing countries;"
- ?? replacement of the Single Undertaking to give developing countries more flexibility in signing on to WTO agreements;
- ?? increased access to documents and public scrutiny through "more active involvement of national parliaments and regular consultations with civil society;"

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<sup>15</sup> See [www.50years.org/s28/demands.html](http://www.50years.org/s28/demands.html); see also, [www.50years.org/about/platform.html](http://www.50years.org/about/platform.html).

- ?? reform of the Dispute Settlement Understanding to make it fairer and more workable for LDCs and to ensure that rulings take into account poverty, human rights and environmental effects (consider joint panels with specialized UN bodies)
- ?? increased technical assistance and capacity-building for LDCs.

In addition to procedural reforms, both Oxfam reports also focus on the inequities in the agriculture and intellectual property agreements that were negotiated during the Uruguay Round. In addition, the report underlying the new Oxfam International campaign to “make trade fair,” puts trade into the broader context of national and international development policies, including trade-related conditionality and project selection in the IMF and World Bank, as well as the application of WTO rules to poor countries. But the concluding chapter, “Making Trade Work for the Poor,” begins with the *national* policies—to improve health and education and to reduce corruption—that need to be in place if poor countries are to take advantage of the opportunities offered by globalization.<sup>16</sup>

***Development, human rights, and the environmental effects of resource extraction***

A specific issue that has attracted increasing attention in recent years is natural resource extraction, particularly in institutionally weak and often corrupt developing countries. In a number of cases in recent years, NGOs, including many local ones, have criticized these projects for infringing human rights, particularly of indigenous groups, degrading the environment, and feeding corrupt, often repressive regimes. These issues have been raised in the context of World Bank projects, as well as with respect to private foreign investments, though often with support from the World Bank or other publicly-financed credit programs.

**Oxfam America** recently weighed in on these issues in a policy paper, “Extractive Sectors and the Poor” (<http://www.oxfamamerica.org/advocacy/index.html>). The commissioned report analyzes the failure of heavy dependence on resource extraction to reduce poverty in many cases, even if it succeeds in raising growth. The report calls for international assistance to oil and mineral dependent countries to diversify their economies; full disclosure of financial transactions between extractive firms and host governments; international financial assistance to develop extractive sectors *only* if the host governments are democratic and “have demonstrated a commitment to fighting poverty;” and support for projects only with safeguards to ensure that revenues go to poverty alleviation and with independent monitoring to guard against corruption.

One example of efforts to address some of these issues may be found in the guidelines negotiated by the World Bank and other stakeholders when the Bank agreed to support a Chad-Cameroon oil pipeline project ([www.worldbank.org/afr/ccproj](http://www.worldbank.org/afr/ccproj)). The safeguards include extensive reviews of the potential environmental impacts, dialogue with local people along the pipeline route regarding resettlement, compensation, and a revenue management plan, along with independent external monitoring, to guard against corruption. While the agreement may serve as a model for these projects, questions about implementation were raised almost immediately when Chad’s government appeared to divert some of the project revenues to buy weapons for the military. Additional criticisms followed quickly (Friends of the Earth International 2001).<sup>17</sup>

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<sup>16</sup> “Harnessing Trade for Development” seems a more apt title or slogan for Oxfam’s campaign, which includes special and differential treatment for developing countries, than the more recent and more polemical “Rigged Rules and Double Standards” (Oxfam International 2002). Both reports are available on the Oxfam International website, [www.oxfam.org](http://www.oxfam.org). See also Rodrik (2001b) on “the global governance of trade as if development really mattered.”

<sup>17</sup> At the end of the Clinton administration, the US State Department and the UK Foreign Ministry unveiled a narrower initiative involving a set of voluntary principles negotiated with MNCs and NGOs to ensure that security

### *More specific globalization critiques*

A principal aim of development NGO critiques of globalization is to increase resource transfers from North to South and, therefore, Northern and Southern NGOs are *generally* on the same page. When it comes to labor and environment, however, the direction of the redistribution of incomes is less clear and divisions between groups, environmentalists and unions, for example, or between North and South, tend to increase. Sometimes the differences are over *ends*, such as whether development of oil resources in the Alaskan National Wildlife Refuge would destroy the environment or create thousands of jobs at acceptable cost. But often they are over *means*, such as whether trade measures should be used to enforce labor or environmental standards.

### *Labor issues*

Organizations involved in labor rights issues are concerned both with the impact of globalization on low-skilled workers in developed countries and on low-wage workers in developing countries. The International Labor Organization, which pro-globalization advocates want to take the lead, has proposed a “decent work” agenda to address the concerns of workers in both the North and South. Particular priorities and programs would obviously differ by country but the ILO agenda is built around four strategic objectives that are applicable to all countries, regardless of the level of development: employment (job creation); standards; social protection (safety nets and adjustment programs); and social dialogue.

Although the ILO has emphasized the need for an integrated strategy, labor activists have focused largely on standards issues. Their most notable success in this area was when 175 members of the ILO agreed in 1998 that all members, regardless of whether they have ratified the related conventions and regardless of their level of development, have an obligation to respect and promote four “fundamental principles and rights at work:”

- ?? freedom of association and the right to organize and bargain collectively;
- ?? freedom from forced labor;
- ?? freedom from child labor;
- ?? freedom from discrimination.

Differences remain over how to implement these principles in practice, but even the legally-binding conventions associated with them are broad and process-oriented, rather than outcome-oriented, thereby leaving considerable latitude to countries to adapt them to local conditions.

While the meaning of freedom of association remains controversial in many countries, the most divisive part of the debate has been over proposals to incorporate labor standards in trade agreements and to give the WTO the major role in enforcing them. Most of the discussion of social clauses has been general, unfocused, and usually driven by the biases of the debater, whether pro or con. At least two specific proposals have been made, by the **International Labor Rights Fund** and the **International Confederation of Free Trade Unions**, and both show sensitivity to the concerns of developing country governments, trade economists, and TNCs to the possibility of protectionist abuse. In the former, the proposal requires that a panel of independent experts must verify that a violation has occurred before any sanction can be imposed while the latter relies on the ILO to play a similar role. In neither case are individual governments authorized to impose sanctions without independent or multilateral review.<sup>18</sup>

arrangements to protect investments do not result in human rights abuses, as has been alleged in mining projects in Indonesia and oil extraction in Nigeria ([www.state.gov/www/global/human\\_rights/001220\\_fsdr1\\_principles.html](http://www.state.gov/www/global/human_rights/001220_fsdr1_principles.html)).

<sup>18</sup> See Harvey, Collingsworth, and Athreya; and ICFTU (1999).

In addition to trying to use trade to strengthen enforcement of core labor standards, labor and human rights NGOs are also pressing development institutions to be more sensitive to workers' concerns when responding to financial crises or planning development projects. In particular, they argue that IFI concerns about labor market flexibility should be balanced with concern for protection of worker rights and the adequacy of social safety nets to ease the adjustment of displaced workers. Labor and human rights organizations are also involved in monitoring corporations (**Workers Rights Consortium, Fair Labor Association**) and in putting pressure on individual companies to change their practices (**Sweatshop Watch, United Students Against Sweatshops**). These groups criticize existing globalization rules for promoting the *rights* of foreign investors with little or no attention to what *responsibility* they have towards workers or the environment.

#### *Environment*

It is perhaps most difficult to summarize or distill environmental concerns about current trends in globalization. The range of issues is broad, the linkages to globalization often complex, and the differences between North and South often sharp. Groups are working to combat pollution, climate change, species loss, and deforestation, to preserve whole ecosystems that are particularly rich in biodiversity, and are advocating more protection for food health and safety.

There is a tension, however, between the desire to preserve domestic policy autonomy but at the same time the need to negotiate enforceable multilateral agreements to address global problems—at least when those agreements are not universal. Thus, environmentalists slammed WTO dispute settlement rulings that appeared to impinge on domestic policy autonomy, for example, American clean-air regulations on gasoline or the European ban on hormone-treated beef. A particular target in recent years are the provisions in NAFTA chapter 11 that allow investors to challenge environmental or other regulations that lower the value of their investments. At the same time, many of the same groups have been equally harsh in criticizing other WTO decisions intended to protect other countries' sovereignty by limiting the use of trade measures to enforce environmental laws (shrimp-turtle and tuna-dolphin disputes). In some of these cases there are multilateral agreements, but without enforcement rules that address the dispute, and in others there are no rules at all.

There is also a tension between the priorities of Northern groups and Southern groups. LDCs tend to be more concerned about developed country regulations, for example relating to food safety, that impede their exports, and their lack of capacity to develop standards of their own. They also strongly oppose use of trade measures to enforce environmental standards and agreements. There are also differences between developing country governments and Northern groups over the latter's advocacy of increased transparency and access, especially in dispute settlement in the WTO context, because of the asymmetries in capacity, between Northern and Southern NGOs, and the lack of LDC governments' legal capacity in dispute settlement cases.

A variety of disputes, with differing alignments and coalitions, have also arisen in recent years over the potential environmental, ethical, and human health effects of biotechnology—some North-South and some North-North. Some developing country researchers join US companies and advocates in defending the potential benefits for poor people of disease-resistant strains of subsistence crops, but others oppose patenting of traditional knowledge, which may restrict access while failing to adequately compensate the “inventors.”

There are areas of agreement between environmentalists, economists, and LDC governments (who cannot afford them) on the perniciousness of subsidies to fishery fleets, forestry firms, and other resource sectors. There is also agreement between many

environmentalists and economists on agriculture subsidies, but differences arise with small farm advocates and some developing country advocates that want protection for small farmers and the rural poor for poverty reasons. There is also often broad agreement on the reality of global commons problems, for example global warming and the ozone hole, but there are big differences on the distribution of the costs of addressing those problems and over the relative use of carrots and sticks in implementation.

### ***Globalization from the ground up***

Ultimately, many critics view current international rules as promoting a particular neo-liberal economic model that they reject and clearly do not want to see globalized. Responding to complaints from pro-globalization critics such as *New York Times* columnist Thomas Friedman that they have no coherent alternative, the International Forum on Globalization embarked in 1999 on a multi-year, transnational effort to develop a broad, comprehensive proposal for fundamental reform of the global (and national and local) economy(ies). The preliminary result, “A Better World is Possible! Alternatives to Economic Globalization,” stresses that believers and critics of globalization trends have very different views of the direction of those trends—one side believing that globalization is creating growth and spreading prosperity, and the other seeing mainly increasing inequality, erosion of community values, and a degraded environment.<sup>19</sup>

The IFG is an “alliance of sixty leading activists, scholars, economists, researchers and writers” from 25 countries, including the United States, Canada, Europe, Brazil, Chile, India, Japan, Mexico, Malaysia, the Philippines, South Africa, and Thailand. Their alternative vision tilts relatively more toward anti- than “alter”-globalization because it does not agree that maximizing incomes and growth should be the goal of economic policy and, therefore, rejects the key theoretical arguments in favor of free trade and capital flows. The central values in this vision are democracy and sustainability and the key policy approach derived by the IFG is “subsidiarity,” an approach to policy that “consciously favor[s] the local,” and that redistributes power from “global bureaucracies and global corporations” to local communities and national governments. In this alternative view, “The proper role of global institutions is to facilitate the cooperative coordination of national policies on matters where the interests of nations are inherently intertwined—as with action on global warming” (ibid.,” p. 6).

### **How’s An Economist To Understand It All ... ?**

Economists have been taken aback by the growing scope and intensity of the global protest movement over the past ten years. To them, the recent history of globalization seemed largely to have delivered on once-wishful 1960s hopes for development and prosperity.<sup>20</sup> “What’s it all about?” is still a common question<sup>21</sup> -- don’t we deserve thanks?

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<sup>19</sup> Though the full report is due for release in Spring 2002, only a summary was available as of the end of April [http://www.ifg.org/alt\\_eng.pdf](http://www.ifg.org/alt_eng.pdf).

<sup>20</sup> Three recent and comprehensive articulations of the gains from globalization are Lindert and Williamson (2001) and World Bank (2002a, 2002b), respectively historical, current, and forward looking.

<sup>21</sup> One well-known economist recently wrote, “I don’t really understand what it is that gets the protestors in the streets,” articulating a common bafflement within the profession, though he, like they had several conjectures.

In this section we try to respond to economists. This presentation may not do full justice to an “ideal” characterization of the critics’ concerns, but is at least an early attempt to translate the concerns cross-culturally for a tribe who speak a different language.

We try here to rationalize the opposition to globalization, using the logic of rational choice, of course ... but not individualistic self-interest, nor materialism. Neither self-interest nor materialism is necessary to the discourse of economics, however prevalent.

In every case, we try to explain how an economist might more easily understand the agendas of the critics ... and perhaps respond to them more constructively. We organize our discussion in three parts: micro-, macro-, and “meta”-economics.

### ***Microeconomic Critiques:***

Microeconomics is the study of decision-making by various types of agents under various constraints and in various environments. Though identified with individualism, microeconomic agents often represent social groups—firms, both profit-seeking and not-for-profits, households, and governments. This is perhaps the simplest and most fundamental way to understand the critics’ agenda. It is often motivated by social identity, not individual identity, and sometimes by relative social-group objectives (solidarity), in a manner familiar to most social scientists, but less so to economists.

In this microeconomic spirit, globalization’s critics often have:

#### **1. Different Objectives:**

“*Family Preference.*” Some of today’s globalization critics still have at heart the welfare of the “national family” with whom they identify. To them, family preference is not protectionism, any more than the kind of special treatment accorded to one’s own spouse, siblings, and children. It makes sense from this perspective that those outside the family should be tolerantly and justly treated, but not *specialy*. To be indiscriminate in one’s treatment of family members and outsiders would be just wrong, unloving.

But discrimination in favor of one’s family is implicit discrimination against others. And classically free trade is defined as the *absence* of such discrimination or family preference. This is not popularly understood. The case for open trade (i.e., no border barriers) is **not** the case for free markets uber-alles. Open trade simply implies no border discrimination against foreign suppliers or demanders. Open trade does **not** imply unregulated markets – only that such regulation be even-handed, applying equally to “us” and “them” (non-discrimination). Likewise the case for openness in services and foreign direct investment (national treatment of firms).

Of course, even classically, well-accepted reasons for discrimination and national preference include: responsibilities of citizenship (hence migration barriers at the border) and national security. But some critics want a more thorough return to the view that one’s nation is one’s family, and should be treated specially.<sup>22</sup>

Others, however, have emphasized class and other common interests and experience as the grounds for social identity, and suspect free traders of having corporate class interest at heart, whatever their rhetoric. These critics are often themselves globalist. Some critics emphasize traditional class categories, such as workers, and favor globalized labor relations.<sup>23</sup> Others

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<sup>22</sup> See Anderson (1983) for a widely cited, though critical, treatment.

<sup>23</sup> See, for, example Dana Frank (1999). This is, obviously, one way of rationalizing why I might care about *how* things are made abroad, production *processes*, not usually admitted by trade economists as a permissible reason to oppose trade (but see Rodrik (1997)).

emphasize religious identity (e.g., global Muslim opposition) or cultural parallelism (e.g., global opposition on behalf of the world's indigenous peoples). Still others emphasize gender.<sup>24</sup>

With these understandings, economists may see better that what matters most to many critics are the effects of globalization that economists usually think are income-distributional, and secondary to the efficiency gains that globalization allows to national families. The critics, by contrast, see the income-distributional effects as *primary*.

*Relative Position and Positional-Goods.* To many critics, furthermore, the relative welfare of one's family/community is just as important or more important than its absolute welfare. Economists have been willing to accept this from the perspective of national security, and political economists from the perspective of inter-national power. But increasingly micro-economists are analyzing the *general* microeconomics of *relative* objectives (envy, altruism, revenge) and discovering rational behaviors that appear costly and inefficient, yet satisfy deep non-material human and social needs and preferences.<sup>25</sup>

## **2. Greater Sensitivity to Values Reflected in "Goods":**

Not all goods are "good" in the value schemes of many of the critics. Globalization has facilitated exchange in a number of "bads." Many progressives identify arms trade as bad; many moralists oppose globalized gambling. People of many persuasions oppose global sexual trafficking and trade in drugs, though often for different reasons. Economists claim traditionally to be reluctant to include values in their reasoning. Yet when they are included as a type of preference, they have the same foundational character as other preferences, including some non-material preferences that economists have come to accept without hesitation (e.g., risk aversion, altruism), and they can be analyzed using familiar economic methods.

## **3. Greater Sensitivity to the Unevenness of Constraints:**

Economists never tire of showing how global trading opportunities expand the choice available to individuals, groups, and countries. Critics are sensitive both to the gap between those enjoying greater choice and those without it, and to the possibility that when the "haves" exercise their expanded choice, the opportunities available to the "have-nots" may actually shrink.

Thus, for example, it is not clear that the world's indigenous peoples or illiterate populations find enhanced choices from globalization, and may in fact lose.<sup>26</sup> Nor is it clear that globalization enhances choice for those whose genes or culture make them locally and occupationally immobile relative to others (e.g., women, teachers of tribal languages). Nor is it obvious that the geographically immobile (workers of average skills facing migration barriers) gain opportunity as a group from the enhanced choices of geographically mobile skilled workers and owners of capital and other mobile resources.

Economists almost always answer that social re-distribution of the overall gains from globalization (compensation) can leave everyone better off, which is of course true. But as

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<sup>24</sup> See Catagay (2001) or Heyzer (2001).

<sup>25</sup> Much of the recent work of Robert Frank represents this view, as does research by Danny Blanchflower and others (...) on whether and when material prosperity correlates with perceptual measures of satisfaction/happiness. Recent experimental-economics research (Zizzo and Oswald (2002), as summarized in *The Economist*, 2/16/02, p. 69) suggests that the poor are indeed willing to pay out some of their scarce resources to reduce the incomes of the rich. On the general economics of envy, see Mui (.).

<sup>26</sup> See, for two classic treatments, Wood (1994) or Sen (1999).

public advocates, economists rarely argue as strongly for practical diffusion-of-gains schemes within societies as they do for increased openness. “I do international economics, not public/distributional economics,” they say implicitly, and often boldly, “potential compensation is enough.” But that does not satisfy the critics, who smell irresponsibility.<sup>27</sup>

It is surprisingly rare for economists to construct comprehensive distributional accounts of a “Northern” country’s gainers and losers from global integration -- the identification of such gainers and losers occupies much of the political debate. (It is curious that there is much more “Southern” research on these themes.<sup>28</sup>) There is, of course, massive economic research on the functional income distribution<sup>29</sup> and on sectors (appropriate work when there are sector-specific factors). Yet there is little research on the regional effects of globalization,<sup>30</sup> little research on its effects by size distribution,<sup>31</sup> and little research on its effects on income-distributional volatility and mobility (e.g., mobility between quintiles within generations and across generations).

#### 4. Realism About the Need for Protest.

Economists sometimes find protest intrinsically baffling, in contrast to negotiation. Yet microeconomists who study the economics of contracts are familiar with the “hold-up” problem and its implicit tensions. Applying its insights to explicit or implicit social contracts is perhaps a helpful way to understand the economics of protest from a microeconomic perspective.

The hold-up problem is endemic to contracts. Once negotiated, contracts are usually costly to break. In many cases the contract’s value depends on the sustainability of the relationship among the contracting agents, and the assets involved in that contract have relationship-specific value. In that case there is an incentive for each agent, through opportunistic behavior, including threats, to tilt the distribution of the relationship-specific value in their favor. The natural response of the other agent is resistance, protest. And opportunistic behavior is often provoked by some change in the external environment of the contract that widens opportunities, e.g., global opportunities ....

Such opportunism and protest turn out to be more than just a distributional question. Hold-up problems cause microeconomic inefficiency, specifically under-investment in all relation-specific assets.

Applied to social contracts, commercial opportunism coupled with protest may be more than just a distributional matter, too. Economists should perhaps be more concerned than they seem to be if globalization encourages opportunism and protest, and these problems in turn cause under-investment in social capital of all kinds, ranging from “hard” infrastructure to “softer” trust in institutions and in each other.<sup>32</sup>

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<sup>27</sup> Some economists who blithely leave the issue of actual compensation on the doorstep of domestic government simultaneously criticize government for doing its business wastefully and corruptly.

<sup>28</sup> We have in mind research in development studies on Gini coefficients and on rural-urban differences.

<sup>29</sup> Showing that, as a presumption for small and modest-sized countries, deeper globalization necessarily worsens the living standards of some factor-owners (Stolper-Samuelson) – unlike other policy trends and reforms.

<sup>30</sup> But see Yusuf, Wu, and Evenett (2000) and McCulloch, Winters, and Cirera (2002)..

<sup>31</sup> Smeeding (...) has pioneered cross-country comparisons of welfare of similar groups at similar positions in their own country’s size distribution, but there is not yet enough time depth in the underlying data to do cross-country studies of response to trends such as globalization. Economists who have pioneered continuum-of-goods models of general-equilibrium trade might easily shift their attention and skills to continuum-of-talents models of factor rewards and exhaustively explore the complete-distributional effects of globalization.

<sup>32</sup> A putative example of hold-up opportunism leading to loss of trust in the American context is the failure of the American government to implement adequately the NAFTA side accords on environment and labor, contributing in turn to distrust-based lack of Congressional support for expedited legislative rules (fast track) for considering the

This material provides a natural transition to macroeconomic articulations of the critics' concerns.

***Macroeconomic, General-Equilibrium, and Political-Economic Critiques:***

In a more macroeconomic spirit, globalization's critics often seem to have intuitively sensed thorny problems. They are often skeptics about markets in general, whereas economists are enthusiasts, especially for global and inter-temporal (financial) markets. But economists turn out often to share the skepticism of the critics in very specific ways. They recognize and accept familiar shortcomings of markets across time, contingency, and jurisdiction (e.g., local public goods). Economists in turn are often skeptics about government intervention, whereas critics are enthusiasts, especially for intervention by accountable, transparent, democratic governments, their preferred polity.

**1. Financial Volatility, Dependence, and Debt Relief.**

Globalization makes available immense gains from inter-temporal trade and trade across contingencies.<sup>33</sup> But it also exposes economies to financial volatility and crises of many kinds – bubbles, banking crises, exchange crises, and sovereign-debt crises. Though there is a strong economic consensus on best-practice (and second-best practice!) national institutions and policies to modulate and deter financial crises, almost none of these institutions and policies exist at the global level. There is no global equities regulator, merely informal protocols for difficulties of sovereign debtors or the private agents they guarantee, and only primitive systemic banking regulation (the Basel Agreements on bank capital). But financial and insurance markets have grown at the global level without any of this, without adequate prudential discipline and insurance against fraud.<sup>34</sup> Under these conditions, economists should be more chary than they are about “unprotected” financial globalization, and more sympathetic to the critics.

Furthermore there is a longstanding economics of efficient debt relief, on which much of modern bankruptcy law is based.<sup>35</sup> Without any formal provisions at the global level, there is no guarantee that open, global financial markets will avoid inefficient rationing and discrimination, nor inequitable odious debt<sup>36</sup> -- to say nothing of the “bad equilibria” discussed below.

**2. Concerns over Homogenization and Vicious Circles.**

Critics often oppose both homogenization (Westernization or Americanization) and wasteful diversity (excessive variety, excessive provision of luxury). Economists might understand this more sympathetically by remembering the uncertain general-equilibrium optimality of free-entry differentiated-product (monopolistic) competition. From Hotelling's classic example of inefficient concentration of hot dog vendors on a beach to the familiar conclusion that monopolistic competition can sometimes create excess competition, excess

results of trade negotiations. An even more worrisome example in the multilateral trade context is the impending renegeing by the rich countries on agricultural and textile/apparel concessions made in the Uruguay Round in return for poor-country acceptance of the TRIPs Agreement (on Trade-Related Intellectual Property).

<sup>33</sup> Obstfeld and Rogoff (), World Bank (2001a), and DeSoto (2000) more popularly.

<sup>34</sup> Litan (2000) or Padoa-Schioppa and Saccomanni (1994) presciently in Kenen (1994).

<sup>35</sup> [Supply ref].

<sup>36</sup> See Birdsall and Williamson (2002) for a recent treatment.

capacity,<sup>37</sup> economists have a suitcase full of reasons to doubt the automatic welfare maximizing character of free trade under differentiated-product monopolistic competition – itself a strong candidate for the most relevant truly global market structure.

Furthermore, critics often worry—more generally than regarding merely debt relief – about poverty traps and vicious circles that might afflict poorer countries and sub-populations. Once again, it is surprising that economists do not understand this more sympathetically. They have pioneered models of multiple equilibria in spatial and dynamic competition both within and among nations. In such models, some equilibria are demonstrably better than others on the usual welfare criteria. It is not clear why economists should have so reflexive and unyielding confidence that capital markets will assure that the best equilibrium gets “picked,” when imperfect-information economics shows us so often how capital markets fail to do so, and are themselves subject to multiple equilibria.<sup>38</sup>

So with these models in mind it is puzzling why economists do not adopt a more nuanced, pragmatic, less-ideological defense of openness .

### **3. Inter-Temporal Concerns over Environment, Public Health, Education.**

Critics worry over inadequate bequests of environment, durable public goods, educational capital, and other property to the future, and worry further that globalization increases the rate at which the future is mortgaged to reward those living now. It is ironic that economists cannot reassure them better, relying instead on models with infinitely-lived actors and on over-casual appeals to the way that “history hasn’t worked out that way (yet).”<sup>39</sup> The reason, of course, is that market solutions seem impossible when the problem is missing markets for inter-generational valuing of durable goods, both public and private. And democratic social-choice solutions do not help if there is the corresponding problem of missing polities for voting on relevant policies.

Elementary models of ideal inter-generational equity and sustainable development are, of course, well-established.<sup>40</sup> But such models often involve extra-market ombudsmen/planners with (fiduciary?) responsibility to the future, and ignore how such actors should be “situated” institutionally, for example, the issue of ideal political scope and accountability for such future-oriented actors (local, national, global? – see below). A very practical application of the economics called mechanism design is called for, but to the authors’ knowledge, does not exist.

Cases in point are easy to identify; these are not just abstract, academic theories. Future generations, for example, are excluded from planning how to cope with global warming and from debating how to manage global investment markets and worker/taxpayer migration with an eye to the looming public-pension under-funding of many currently rich “Northern” countries.

### **4. Grass-Roots and Median-Voter Concerns.**

Critics also worry about whether globalization over-empowers elites, and what it does to the “ordinary citizen” and the poor. Economists should recognize such concerns as relating to medians and “lower tails” of the income and other distributions. But economists seem pre-

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<sup>37</sup> E.g., Suzumura ().

<sup>38</sup> E.g., Hoff (2002).

<sup>39</sup> E.g., in reaction to Club-of-Rome concerns over global resource depletion.

<sup>40</sup> E.g., Phelps-Solow “golden-rule” saving, consumption, and growth paths, or overlapping-generations models of social insurance.

occupied instead with aggregate gains from global integration – that is to say, with mean gains, not medians or similar measures.

Is globalization less attractive the greater the difference between the mean gains from trade and the gains from trade earned by the median earner/voter in the distribution?<sup>41</sup> And if the median earner/voter actually loses, why should a democracy embrace deeper globalism? Should it not resist? ...protest? At least until some explicit provision is made for diffusing the gains from trade more widely (i.e., until potential compensation becomes actual)?

### 5. Regulatory Capture, Corruption, Checks-and-Balances.

Critics often complain that the institutional architecture of globalization unduly reflects a Corporate Agenda. They may have it right with respect to business capture of nascent global regulatory initiatives, such as in the TRIPs Agreement, in the attempt to forge a multilateral investment pact with legal recourse for foreign investors that arguably exceeds that of local firms,<sup>42</sup> and in quasi-official institutions such as the Transatlantic Business Dialogue and standards-setting bodies. Economists familiar with the economics of regulatory capture will immediately recognize the potential for global versions of its inefficiencies and inequities.

Furthermore, there are many channels by which globalization may facilitate the diversion of public goods, property, and revenues into private gains.<sup>43</sup> Resource-wasting rent-seeking and the possible growth of cross-border versions of it is just one example of how open trade facilitates trade in perceived “bads” as well as goods. Neither economists nor others ought to rush to judgment over whether the gains of the goods exceed the banes of the bads.

Finally it is worth remembering that the WTO and GATT have a peculiar and unique parentage in the Havana Charter for the stillborn International Trade Organization. Whatever one thinks of its merits and demerits, its *intent* was clearly to provide balanced rules for global commerce, including attention to small business and workers. Therefore why is it so obvious to economists and other defenders of status-quo globalization that the current boundaries and precedents of the WTO are appropriate ... that there are adequate checks and balances to the narrowly commercial interests reflected there? Why not a constitutional convention on the new WTO<sup>44</sup> or on a genuinely “New” international economic order? As the critics often say, “we don’t oppose globalization; we oppose the *unbalanced rules* governing *this* globalization.”

### 6. Centralization/Subsidiarity Concerns

Last, it is worth remembering that some of the classic economics of fiscal federalism and urbanization have some morphological application to the concerns of globalization critics. For example:

- ?? The local public goods model in a global setting, where only some (skilled, elite) voters can shift jurisdictions. Efficiency and equity implications of such a model.
- ?? The uncertain welfare economics of inter-jurisdictional tax and infrastructure competition with capital (and other factor) mobility across boundaries.
- ?? Efficiency and equity implications of global and local regulation; the value of local political autonomy; e.g., better information about activities being regulated; “optimal subsidiarity.”

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<sup>41</sup> Dutt and Mitra (), for example, show so in capital-abundant countries.

<sup>42</sup> E.g., Chapter 11 of the NAFTA Agreement.

<sup>43</sup> See Elliott (1997) and Wei ().

<sup>44</sup> Barfield (2001), Howse and Nicolaidis (2001), others on the “constitutional” problem in the WTO.

?? Among other considerations, whether burdens of capture and perils of corruption are greater or less when regulation is global versus local.

***Meta-Economic Critiques:***

In addition, there are still broader concerns that we call meta-economic.

Most spring from the fact that commercial “rights” are being harmonized and globalized steadily – property rights, intellectual-property rights, rights to have local regulatory standards recognized abroad (mutual recognition), rights to local judicial standing and compensation for foreign investors in host countries, rights to migrate temporarily for skilled business professionals. But is such narrow global momentum on commercial rights self-evidently desirable?

?? ... without global governance structures that nest those rights within some democratically accountable (global?) polity that develops such rights, conditions them, implements them, and enforces them. If the only real human rights (as opposed to hortatory ideals) pre-suppose nation states that oversee them<sup>45</sup> shouldn't international human rights, including commercial rights, pre-suppose a more serious global political order than is currently embedded in the United Nations?

?? ... without equal global momentum on other important human rights, such as freedom from forced labor and freedom of association?

?? ... without renewed debate over whether such rights should be assigned only to individuals or to groups also, and if so, what kind of groups would be sanctioned to enjoy such rights, e.g., “free” labor unions, religious and civil-society associations, indigenous people groups (land rights, ...)? The reason this is an issue is that global commercial rights increasingly accrue to incorporated firms that are taken all too reflexively to be groups of “persons” entitled to enjoying such rights. But if so, why not rights for other groups?

?? Historical American jurisprudence validated the identification of American firms as “persons” with respect to property rights<sup>46</sup> but the global suitability of such validation has not yet been established. More generally, American, German, and other countries’ economic, political, and social history is worth studying seriously for possibly global lessons about the “necessary nexus” among single-market deepening, federal political procedure, law and judicial oversight, social mobility, and regulatory protocols and institutions.<sup>47</sup>

**Where do “We” Go From Here?**

Having tried to characterize globalization’s critics in terms and concepts familiar to its defenders, we finish by asking whether there is any common ground at all between critics and defenders. Or is it a fight for raw supremacy? Can talkers and doers talk together? Can they “do” together? What might the “doing” look like? One of way of identifying areas of potential compromise or collaboration is to examine areas where globalization’s critics have had some impact, either in terms of changing existing policies or processes, or in blocking the development of new policies.

<sup>45</sup> E.g., Ignatieff et al. (2001).

<sup>46</sup> See, for an economic analysis, Glaeser and Schliefer (2001).

<sup>47</sup> DeSoto (2000), for example, treats a number of these topics, most deeply for Peru and the United States.

The former indicate the potential for further collaboration, while the latter may suggest the need for compromise.

In broad terms, the critics have had the most impact on the *process* of international economic policymaking. As argued above, many NGOs got involved in “anti-globalization” protests, not because they are against globalization per se, but because they saw global economic rule-making as increasingly impinging upon their immediate areas of concern. That is, the increased reach and scope of international economic rules increases the importance of ensuring that the process of international negotiation, decisionmaking, and rule enforcement is perceived as legitimate.

The World Bank, International Monetary Fund, and World Trade Organization are all more transparent than they used to be and, to varying degrees, also more open to input from a broader variety of stakeholders than before. NGOs and grassroots groups do not necessarily get a *vote* in these intergovernmental institutions, but the institutions, particularly the Bank, have recognized the value in designing more effective and sustainable projects and policies of listening to a wider variety of *voices*. In designing poverty reduction strategies, the IMF requires that countries develop the strategies themselves so that they “own” them and also encourages them to consult with a wide variety of civil society groups so as to ensure broad acceptance and sustainability. There are complaints that the consultation process is often on paper only and that, in fact, the strategies simply parrot what the country believes the IMF wants to hear. Nevertheless, the idea of increased transparency and accountability in Bank/Fund policies appears to have been accepted.

The WTO remains the least open of the three. It is releasing more documents more quickly and the Appellate Body has agreed that it will accept submissions from NGOs, under certain circumstances, in dispute settlement cases. But the latter remains controversial and the WTO remains the most government-centered of the international economic institutions. This, in turn, raises the question of the legitimacy of national governments and policymaking institutions. China’s accession as the largest and least democratic of members highlights the difficulty of relying on governments alone to confer legitimacy on the institution. And, as the scope of international trade negotiations widens, questions about the legitimacy of trade policymaking processes have been raised even in democracies. In the United States, many question whether so-called “fast-track” or “trade-promotion authority,” which requires that the Congress vote up or down, without amendment, on trade agreements, is still appropriate for agreements that might include harmonization of food safety rules or international competition policies.

All three major international economic institutions have also begun to address poverty and inequality more explicitly in their rhetoric and, to varying degrees, in their programs. While some question whether the IMF should be in this area at all, it has responded to the critics by shifting the focus of its longer-term lending from “extended structural adjustment” to “poverty reduction and growth.” The World Bank is funding fewer large infrastructure project and lending more for “human resource development.” Health and education are at the top of the list of “millennium development goals” developed by the United Nations and, along with social protection, accounted for nearly a third of new World Bank loan commitments in 2001 (World Bank 2001b).

The WTO has also responded in a variety of ways to charges that its rules are skewed against the interests of developing countries and deepen rather than alleviate poverty. The most obvious manifestation of changed attitudes is that the outcome of the negotiations in Doha, Qatar, to launch a new round of trade negotiations is being called the “Doha Development

Agenda.” In addition to pledging to address issues that are of particular concern to developing countries, developed-country members are also committed to providing increased technical assistance and capacity-building resources so that developing country governments can better represent *themselves*.

The area that remains the most contentious is the substance of the rules themselves—what needs to be harmonized, coordinated, or globalized, and what can be reserved to national or local governments? Not just NGOs but many economists have been critical of the IMF in recent years for piling too many conditions on borrowing countries and in areas where they have no expertise (Goldstein...). IMF Director Horst Koehler, when he took office in 2000 after the Asian financial crisis, pledged to reduce and more carefully focus the list of conditions imposed on borrowing countries. There have been many questions, however, about the implementation of that promise in practice.

But there are also areas where pro-globalizers and the critics of current globalization should be able to agree on the need for new rules. Concerns about corruption are broadly shared and recognition by the IFIs of the importance of governance in development is useful, though they must be careful to emphasize broad principles rather than a particular model. Promoters and critics of globalization might also agree on trade rules in some new areas that could both improve the functioning of markets and make globalization more equitable, environmentally friendly, and politically sustainable. Already, a number of governments, economists, NGOs and others agree that a “win-win-win” proposal for promoting trade, environmental sustainability, and development would target subsidies for farming and fishing. More controversially, economists and activists might agree that reforms to the TRIPs agreement could balance intellectual property protection with incentives for diffusion (Richardson ???). Activists who are concerned about the increased, potentially anti-competitive reach of MNCs might join with economists and others who favor limited competition rules, for example to guard against cartels (*ibid.*; Oxfam International 2002).

Finally, the NGOs who are seeking a more prominent voice will increasingly be asked to demonstrate their own legitimacy through increased transparency, for example regarding funding, and to be explicit about to whom they are accountable and who they represent. One close observer, who has worked both with NGOs and as a “civil society specialist” at the World Bank, notes that it is important to analyze “Who enjoys the benefits and suffers the costs of what the movement achieves, especially at the grassroots level?” (Edwards 2001, p. 6).<sup>48</sup>

In addition, after the death of the young man during the G-8 protests in Genoa, and particularly after the September 11 terrorist attacks, activists are reconsidering their methods. Organizing large protests around each major international economic meeting appears to be reaping diminishing returns. Concrete demonstrations of protest will almost certainly continue to play an important role, but the movement seems ready to move beyond “serial protesting” or being “a movement of meeting-stalkers, following the trade bureaucrats as if they were the Grateful Dead” (Klein 2000, pp. 20-21). Forgoing large street protests outside the Waldorf Astoria in New York during the World Economic Forum meeting in January 2002 and gathering instead in Porto Alegre to discuss alternatives could prove to be a turning point toward dialogue and more constructive interaction.

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<sup>48</sup> See Florini (2001, 39) and Clark (2001, p. 26) for other recommended NGO reforms to increase transparency and accountability.

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**FIGURE 1 CRITICS' VIEWS OF HARMONIZATION AND DIVERSITY IN THE CURRENT INTERNATIONAL ECONOMIC ORDER**

	<b>RULES THAT ARE TOO CONSTRAINING (pro-diversity arguments)</b>	<b>RULES THAT ARE MISSING (pro-harmonization arguments)</b>
<b>WTO and trade agreements</b>	TRIPs SPS/TBT Government procurement Trade remedy laws NAFTA chapter 11 Article XX interpretations of national environmental laws  <i>Free trade in (public) services</i> <i>Rights without responsibilities for foreign investors</i> <i>S&amp;D in subsidy and other industrial policies for LDCs</i> <i>Relation between WTO and MEAs</i>	Core labor standards Global tax evasion Climate change Species/habitat loss  <i>Competition policy</i>
<b>IMF (in implicit collusion with financial markets)</b>	“Washington consensus” conditionality Macroeconomic austerity Capital mobility (now under review)	“Odious debt” avoidance and relief Financial market volatility (Tobin tax) CLS and environmental protections
<b>World Bank</b>	Structural adjustment lending conditionality	Protection of human (indigenous peoples) rights and environment in project and sectoral lending...  especially in resource extraction

NB: Rules in italics have been proposed by various groups but not yet negotiated.

- TRIPs = trade-related intellectual property rights agreement  
 SPS/TBT = agreements on sanitary and phytosanitary, and technical barriers to trade  
 S&D = special and differential treatment  
 MEA = multilateral environmental agreement  
 CLS = core labor standards