

Globalization, Development and Democracy

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I. INTRODUCTION

“We believe that the central challenge we face today is to ensure that globalization becomes a positive force for all the world’s people,” reads the fifth paragraph of the United Nations Millennium Declaration (United Nations, 2000). Although globalization reflects technological advances and economic forces, it can be molded by society and, particularly, by democratic political institutions. In fact, the form that globalization has been taking has been largely determined by explicit policy decisions.

In this sense, the most disturbing aspect is the uneven and unbalanced character of the current phase of globalization and of the international policy agenda that accompanies it. The latter reproduces the traditional asymmetries in the world economy and creates new ones. There are four issues that dominate the current economic agenda: free trade, intellectual property rights, investment protection and financial and capital account liberalization. In the latter case, certain additional conditions have been superimposed as a result of recent crises: It should be appropriately sequenced, and priority should be given to long-term flows and institutional develop-

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ment. Moreover, in the area of international trade, liberalization is incomplete and asymmetric: Various goods of special interest to the developing countries are subject to the highest levels of protection, and in the case of agriculture, to subsidies in the industrialized countries.

On the other hand, major issues have been left out of the international economic agenda: the mobility of labor, particularly unskilled labor; international norms regarding taxation, especially on capital, which is essential to guarantee an adequate contribution of this highly mobile factor to public sector financing; the formulation of truly international norms on competition and codes of conduct applicable to multinational corporations; the design of effective instruments to ensure an adequate technological transfer to developing countries; and compensatory financing to assure the inclusion of those countries and social groups that tend to fall behind in the process of globalization.

The preceding reflects, in turn, the most important asymmetry: that which exists between the rapid globalization of (some) markets and the relative weakness of the international social agenda, which has its best expression in the declarations and plans of action of the United Nations Conferences and Summits. The social agenda has to cope, in turn, with weak accountability and enforcement mechanisms, the limited supply of Official Development Assistance and the conditionality that characterizes international financial support.

In broader terms, it is increasingly recognized that globalization has made more evident the need to provide political, social, economic and environmental “global public goods” (Kaul et al., 2002), in view of the fact that, with the growing interdependence of nations, many areas of public interest that were previously national (and, in some cases, local) are becoming spheres of global attention.¹ Nevertheless, there is an undisputable contrast between the recognition of this fact and the weakness of the international structures and limited resources allocated to provide these global public goods.

This paper provides an analysis of some of the challenges faced in building a more balanced globalization. It is divided into three sec-

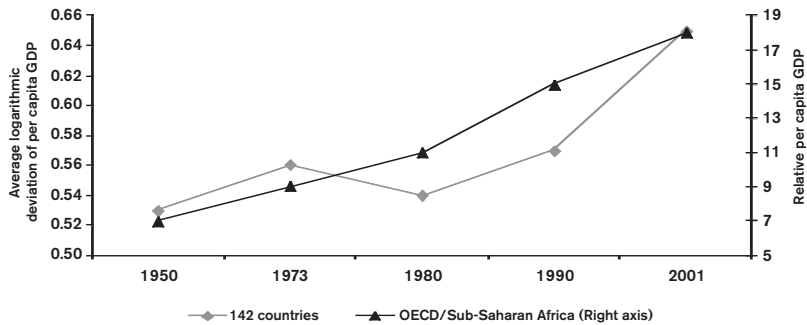
tions, the first of which is this introduction. The second focuses on economic inequalities and asymmetries and the international schemes and national policies needed to overcome them. The third deals with the broader relations between globalization and democracy and between globalization and social equity.

II. WORLD ECONOMIC INEQUALITIES AND ASYMMETRIES

1. Global inequalities

The extensive literature on economic growth makes clear that the world has experienced a long term *divergence* in the levels of per capita incomes among countries over the past two centuries. This trend was particularly strong in the nineteenth century and the first half of the twentieth century. It slowed down between 1950 and 1973, experienced a reversal between 1973 and 1980, but has resumed since then. Using levels of per capita income of the 142 countries included in the historical series of Angus Maddison (2003), it is possible to estimate that the average logarithmic deviation of this variable (one of the traditional measures of inequality) increased from 0.54 in 1980 to 0.65 in 2001. Divergence is stronger and more persistent if we focus on the ratio between per capita income of the industrialized countries and the poorest region of the world today, sub-Saharan Africa. This ratio was already high in 1973 and nearly doubled since then (Figure 1).

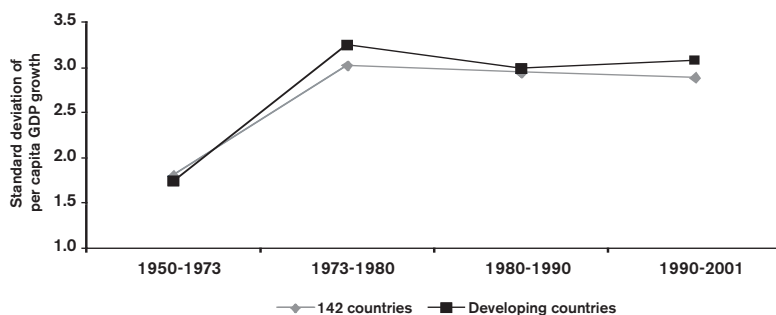
FIGURE 1: Increasing international inequalities



Source: Author estimates based on Maddison (2003)

The analysis of the same data source brings to light another and equally important phenomenon: the marked and growing dispersion of the rates of growth of the developing countries during the last quarter of the twentieth century—that is to say, the coexistence of “winners” and “losers” among them. In fact, for the same sample, the standard deviation of the rates of growth per capita of developing countries increased from 1.8 in 1950–73 to around 3.0 since 1973 (Figure 2). Furthermore, this trend is widespread, as it affects all regions, and low-income as well as middle-income countries.

FIGURE 2: Dispersion of growth rates of developing countries



Source: Author estimates based on Maddison (2003).

The divergence in per capita incomes has been accompanied by a fairly broad trend towards increasing inequality *within* countries. According to Cornia (2004, Part I), 48 out of 73 countries for which information is available experienced a deterioration of income distribution during the last decades of the twentieth century; these 48 countries contain 87.5 percent of the population of the sample of 73 countries (Table 1).² Furthermore, in four out of five countries that experienced a deterioration of income distribution, the worsening of the Gini coefficient was at least equivalent to three percentage points, a relatively large change. On the contrary, only nine countries, with 2.7 percent of the population, experienced a clear improvement in income distribution, and in the rest income distribution remained essentially stable. According to this study, inequality tended to increase, sometimes markedly, in a large group of industrial countries,³

in Central and Eastern Europe and in Latin America. Asian countries, among which China stands out, have increasingly shared in this trend. Africa is the only continent without a clear tendency of this sort, as a result of opposite patterns experienced by different countries in the continent.

TABLE 1: Changes in income inequality within countries, 1960s to the 1990s

	Developed countries	Developing countries	Transition economies	Total
A. Number of countries				
Rising inequality	12	16	20	48
Constant	4	10	2	16
Falling inequality	2	7	0	9
Total	18	33	22	73
B. Percent of population a/				
Rising inequality	13.3	66.7	7.5	87.5
Constant	2.3	7.3	0.3	9.8
Falling inequality	1.8	0.9	0.0	2.7
Total	17.4	74.8	7.7	100.0
a/ Percent of 73 countries population, that represent 78.5% of world population. Source: Based on Cornia (2004), Table 2.8 and population data from the United Nations.				

The reasons for the worsening income distribution within countries continue to be a subject of heated debate. The combination of the adverse distributive effects of market reforms (or at least of some of them) and the simultaneous weakening of the institutions of social protection, including the growing difficulties experienced by governments in providing effective social protection in a globalized world economy, offers the best explanation (Cornia, 2004). The increasing differentials in labor income according to skill levels provide a complementary explanation, perhaps the one that enjoys greater consensus among analysts. A third force, which has been subject to less attention, is the increasing asymmetry between the international mobility of some factors of production (capital and highly skilled labor) and the restrictions on the mobility of other factors (unskilled labor), which generate forces that distribute income to the disadvantage of the latter (see below).

Since the 1980s, these two forces—the divergence in per capita income levels among countries and the growing inequality in income distribution within countries—have been counterbalanced by the rapid economic growth of China, and, to a lesser degree, India, the two most populous poor countries in the world. The trend in the distribution of income among the world's citizens thus depends on the statistical methodologies used to aggregate individual country distributions to estimate a world income distribution.⁴ Accordingly, different studies have reached different conclusions about the nature of that trend over the last decades of the twentieth century.⁵

Nonetheless, four conclusions can be drawn from this literature. The first and most important is that world inequality is appalling and remains at or very close to its historic peak. The second is that if there has been deterioration in the world distribution of income, it has been slower than that which characterized the nineteenth century and the first half of the twentieth century, during which the gap between per capita income of developed countries and developing countries increased markedly (see, in particular, Bourguignon and Morrison, 2002). The third is that any estimated improvement in world income distribution is exclusively due to the rapid growth of China and, to a lesser extent, India.⁶ Indeed, according to Berry and Serieux (2002), if we exclude the effect of the rapid growth of these two countries, there was a sharp increase in world inequality, due to the joint effect of increased intra-country inequalities and the adverse distributive effect of faster population growth in poorer countries. Finally, independent of the trend in the overall indicators of world income distribution, the richest 10 percent of the world population has increased its share of world income. Berry and Serieux (2002), who estimate that world income distribution improved in 1980–2000, also calculate that the share of the richest decile in world income increased from 46.6 to 49.3 percent during the same period.⁷

Taken as a whole, these studies also indicate that there was a major redistribution of world income over the last two decades of the twentieth century: China and India, where a large proportion of poor peo-

ple live, as well as the relatively rich households of industrial countries have gained in world income distribution, while the poor from sub-Saharan Africa and most poor and middle-income recipients from the less successful middle-income countries and transition economies have clearly lost. Furthermore, given the critical importance of China and India in global estimates, it is important to emphasize that their rapid economic growth can hardly be understood as the result of the ability of the globalization process to redistribute world income more equitably. These two experiences, as well as those of other Asian NICs, certainly reflect the fact that world trade has opened opportunities to developing countries, particularly to exporters of manufactures and services. However, these success stories of integration into the global economy have been matched by several failures.

In summary, existing studies underscore the widespread increase of inequality within countries that characterizes the current global order, as well as the fact that the opportunities that it provides to different countries are distributed very unevenly. Thus, “virtuous” and “vicious” circles have been put in place in the world over the past decades, resulting in some (certainly major) “winners” but also in an even larger set of “losers.” Several factors may be at work here, particularly agglomeration forces⁸ and the differential effects of major international shocks on more vulnerable economies. Three shocks are particularly relevant in this regard: the debt crisis of the 1980s, the strong downward trend of commodity prices since then⁹ and the global financial repercussions of the 1997 Asian crisis.

2. Economic asymmetries in the global order

The growing disparities in the levels of development among countries indicate that, although domestic economic, social and institutional factors are obviously important, economic opportunities are significantly affected by the position that countries occupy within the global hierarchy. This implies that rising up on this international ladder is a difficult task. The fundamental international asymmetries largely explain why the global economy is essentially *not* a “level playing field.”

These asymmetries are of three kinds (Ocampo and Martin, 2003). The first is associated with *the greater macroeconomic vulnerability of developing countries to external shocks*, which has tended to increase with the tighter integration of the world economy. The nature of this vulnerability has been changing, nevertheless, in the last decades. Thus, although the transmission of external shocks through trade remains important, financial shocks have come to play a more prominent role, revisiting patterns that have been observed in the past in many developing countries, especially during the boom and financial collapse of the 1920s and 1930s.

In this sense, macroeconomic asymmetries are associated with the fact that international currencies are the currencies of the industrial countries¹⁰ and with the asymmetric features of capital flows and their relation to macroeconomic policy in the industrial and developing world. Capital flows are pro-cyclical in most OECD and developing countries, but the volatility experienced by the latter is more marked. Even more importantly, whereas macroeconomic policy in developed countries tends to be counter-cyclical and independent of the capital account cycle, in developing countries pro-cyclical macroeconomic policies tend to reinforce the capital account cycle.¹¹ These patterns indicate that industrial countries have more room for maneuver to adopt counter-cyclical macroeconomic policies (particularly in the United States, which issues the major international currency). In contrast, developing countries generally lack that room for maneuver because they are subject to highly volatile financial flows, because pro-cyclical macroeconomic policies tend to amplify rather than smooth out the capital account cycle, and market players expect and evaluate authorities on their ability to adopt a pro-cyclical stance.

The second asymmetry is derived from the *high concentration of technical progress in the developed countries*. The diffusion of technical progress from the source countries to the rest of the world remains “relatively slow and uneven” according to Prebisch’s (1950) classical predicament. This reflects the prohibitive costs of entry into the more dynamic technological activities, including the obstacles that developing countries face in technologically mature sectors, where oppor-

tunities for them may be largely confined to attracting multinationals that control the technology and global production and distribution networks. In its turn, technology transfer is subject to the payment of innovation rents, which have been rising due to the generalization and strengthening of intellectual property rights. The combined effect of these factors explains why, at the global level, the productive structure has exhibited a high and persistent concentration of technical progress in the industrialized countries, which thus maintain their dominant position in the most dynamic sectors of international trade and their hegemony in the establishment of large transnational enterprises.

The third asymmetry is associated with the *contrast between the high mobility of capital and the restrictions on the international movement of labor, particularly of unskilled labor*. This asymmetry is a characteristic of the present phase of globalization, since it was not manifested in the nineteenth and early twentieth centuries (a period characterized by large mobility of both capital and labor) nor in the first 25 years following the Second World War (a period in which both factors exhibited very little mobility). As has been pointed out by Rodrik (1997), these asymmetries in the international mobility of the factors of production generate biases in the distribution of income in favor of the more mobile factors (capital and skilled labor) and against the less mobile factors (less-skilled labor) and, in turn, affect relations between developed and developing countries in as much as the latter have a relative abundance of less-skilled labor.

3. Global asymmetries and international economic structures

Since the creation of the United Nations Conference on Trade and Development (UNCTAD),¹³ the need to correct the asymmetries that characterized and continue to characterize the international economic system has been explicitly recognized. The commitments concerning the flow of Official Development Assistance and “special and differential treatment” for developing countries in trade issues were some of the partial, although relatively frustrating results of this effort to build a “new international economic order.” This vision has been

radically eroded in the last decades and has been replaced by an alternative paradigm according to which the basic objective of the international economic system should be to ensure a uniform set of rules—a level playing field—leading to the efficient functioning of free market forces.

It is important to emphasize that, contrary to this trend, in the area of sustainable development new principles were agreed to at the outset of the 1990s, notably Principle 7 of the Declaration of the Conference on the Environment and Development that took place in Rio de Janeiro in 1992 (commonly known as the Earth Summit), relative to “common but differentiated responsibilities” of developed and developing countries.

In the new vision of the international economic system that emphasizes the need for a level playing field, the essential gains for the developing countries lie in the eventual dismantling of protectionism of “sensitive” sectors in industrialized countries, in the guarantees that export sectors derive from an international trading system with clear and stable rules, and in the design of preventive macroeconomic policies which serve as “self-protection” against international financial volatility. The correction of the international asymmetries is only confined to the recognition of international responsibility towards least-developed countries, replicating at an international level the vision of social policy as a strategy that focuses state activities on the poorest segments of the population.

Even though all these actions are desirable, would they be sufficient in themselves to generate a greater convergence in levels of development? In light of the previous considerations, the answer is probably “no.” The application of the same measures in very different situations can even aggravate existing inequalities. Moreover, “leveling the playing field” implies restrictions on the developing countries that the industrial countries themselves never faced in previous periods of their history: standards of intellectual property protection, which are those of countries that generate technology rather than those which were adopted by countries that copied technology, and limitations on policy options for promoting new productive sectors for either the domes-

tic or the external markets (Chang, 2002). Thus, the concept of “common but differentiated responsibilities” of the Rio Declaration and the already classic principle of “special and differential treatment” incorporated in the agenda of international trade negotiations are more appropriate guidelines for building a more equitable global order than the “leveling of the playing field,” the norm that has guided efforts to reform the international economic system in recent decades.

These considerations lay down the essential elements that should guide international economic reform vis-à-vis the developing countries (Ocampo and Martin, 2003). The first of these asymmetries suggests that the essential function of the international financial institutions, from the perspective of the developing countries, is to compensate for the pro-cyclical impact of financial markets, smoothing financial boom and bust at its source through adequate regulation, and providing a larger degree of freedom for countries to adopt counter-cyclical macroeconomic policies. This implies, in turn, adequate surveillance during boom periods to avoid accumulating excessive macroeconomic and financial risks, and adequate financing during crises to smooth the required adjustment in the face of “sudden stops” of external financing. An additional function, which is equally essential, is to act as a counter-vailing force to the concentration of credit in private capital markets, making resources available to countries and economic agents that have limited access to credit in international capital markets.

With respect to the second asymmetry, the multilateral trade system must facilitate the smooth transfer to developing countries of the production of primary commodities, technologically mature manufacturing activities and standardized services. It should, therefore, avoid erecting obstacles to such transfers through protection or subsidies. Moreover, this system must also accelerate developing countries’ access to technology and ensure their increasing participation in the generation of technology and in the production of goods and services with high technological content.

In light of the problems that developing countries face in ensuring a dynamic transformation of their productive structures, a “special and differential treatment” is required, particularly in two critical

areas: (i) regimes for intellectual property protection that avoid creating excessive costs for developing countries and limiting the modalities through which the transfer can be made and which provide instead clear incentives for the transfer of technology towards them; and (ii) instruments to promote new exports (“infant export industries”), which foster diversification and increase their value added. All this requires, obviously, a search for the appropriate instruments in order to avoid a sterile competition among countries to attract foot-loose industries.

Lastly, to overcome the third asymmetry, labor migration must be fully included in the international agenda through a globally agreed-upon framework for migration policies and strict protection of human and labor rights of migrants, complemented with regional and bilateral frameworks and negotiations. Moreover, such agreements must envisage complementary mechanisms to facilitate migration, such as the recognition of educational, professional and labor credentials; the transferability of social security benefits, and a low cost for transferring remittances.

A “development friendly” international system should start by overcoming the basic asymmetries of the global system, but cannot ignore the fact that the responsibility for development resides in the first instance with the countries themselves. This has been reiterated in numerous international declarations, particularly in the United Nations Conference on Financing for Development (United Nations, 2002). This principle also responds to an old postulate of development literature: that institutional development, the creation of mechanisms of social cohesion, and the accumulation of human capital and technological capacities (“knowledge capital”) are essentially *endogenous* processes. To use a term coined by Latin American structuralism, in all these cases development can only come “from within” (Sunkel, 1993). There are no universal models and there is, therefore, vast scope for institutional learning and diversity and, as we will see below, for the exercise of democracy.

However, the previous analysis implies that such a development-friendly international system must provide enough room for the

adoption of the development strategies that developing countries consider adequate to their economic circumstances—“policy space,” to use the terminology of UNCTAD XI, that took place in June 2004 in São Paulo. Such policy space is particularly critical in the design of policies and strategies in three areas: (i) macroeconomic policies that reduce external vulnerability and facilitate productive investment, (ii) active productive development strategies aimed at developing system-wide competitiveness, and (iii) ambitious social policies designed to increase equity and guarantee social inclusion.¹⁴

III. A MORE BALANCED GLOBALIZATION

1. The long road to better global governance

As the World Commission on the Social Dimension of Globalization (2004) has indicated, the road to a balanced globalization inevitably lies in better global governance. However, this road is long and rocky since the asymmetries that characterize the present globalization and the resulting distributive tensions reflect the intrinsic characteristics of politics and the political economy of the world today.

In fact, the imbalance of the current globalization agenda reflects the greater influence exerted thereon by the more powerful states and the large multinational firms. It is also the result of the disorganization of other actors, particularly developing countries, in international debates. This behavior is linked not only to the weakening of historical mechanisms of collective action of the developing countries (such as the Group of 77)¹⁵ but also to the “policy competition” that globalization itself has created: the incentive for each country to show its attractiveness to investors in an era of capital mobility and greater susceptibility to relocation of production.

This situation is also affected by an element of politics and political economy: the resistance of the majority of countries to giving up their economic sovereignty to international organizations. Under the strong market forces that characterize globalization and weaken nation-states, as well as the unilateral liberalization processes simultaneously undertaken by countries, regulations of markets have weak-

ened worldwide. Many analysts see this as progress, but it is also a source of serious distortion and risk. In addition, although open regionalism is one of the traits of the current globalization process and has led to integration efforts in many regions of the developing world (such as in Latin America, Southeast Asia and, more recently, Africa), these efforts have thus far not resulted in strong coalitions among developing countries. In fact, the European Union aside (and, in this case, only in a limited way), countries are not ready to give up their sovereignty even to regional organizations.

These characteristics of politics and political economy have had important consequences for international reform. The most obvious is that efforts towards substantial reform are weak. Furthermore, they have prevented a more balanced negotiation process, thus undermining or even ignoring the interests of some actors. Hence, the asymmetries in global power relations and the high cost of establishing international coalitions to compensate for them have taken on greater importance.

The absence of a strong drive towards institution building at the international level implies that the institutions thus far created at the national level will not exist at the global level or will only have limited functions. Given the likelihood of incomplete international arrangements, developing countries should continue to claim autonomy in areas of critical importance, particularly in the definition of strategies of economic and social development and, as we have seen, adequate “policy space” to implement them. Moreover, as we see below, national autonomy in this area is the only system coherent with the promotion of democracy at the global level.

A final implication of the aforementioned analysis is that no international architecture is neutral in terms of the balance of power in international relations. In this regard, an international system that depends exclusively on a few global institutions will be less balanced than a system that relies also on regional institutions. The positions of countries lacking power at the international level will improve if they actively participate in such regional schemes. In fact, these schemes offer levels of autonomy and mutual assistance that countries would

otherwise not be able to obtain in isolation. Therefore, the international order should offer ample room for the functioning of strong regional institutions respectful of a global order based on clear rules—in other words, a system of “open regionalism.” In fact, building a strong network of regional institutions could be the best way to gradually build a better international order.

2. Globalization and Democracy

Despite the strength of the asymmetries that characterize the world economic system and the distributive tensions that it generates, the current phase of globalization is a multidimensional phenomenon that has also included the gradual spread of common ethical principles and international social objectives. These principles have been sanctioned in international declarations and agreements on human rights, and in the declarations and plans of action of the United Nations Conferences and Summits, including in particular the Millennium Declaration (United Nations, 2000) and the Millennium Development Goals that have derived from it. These principles and international goals represent, in a deep sense, the “social dimensions of globalization.” These processes are also rooted in the long history of struggle by international civil society for human rights, social equity, gender equality, protection of the environment and, more recently, globalization of solidarity and the “right to be different” (cultural diversity).

This “globalization of values” (ECLAC, 2000; Ocampo and Martin, 2003) has been instrumental in spreading democratic principles and a broad vision of citizenship, based on the spread of both civil and political rights, as well as economic, social and cultural rights—i.e., on a “rights-based” approach to the design of political as well as economic and social institutions. However, the simultaneity of this process with the liberalization of market forces has generated tensions without creating mechanisms to attenuate them. The main reason for this is that the process of globalization, while supporting the recent spread of democracy and the establishment of international social objectives, has also eroded the capacity for action by nation-states. It has kept the complex task of sustaining social cohesion in the hands

of nation-states, but has constrained at the same time their room for maneuver. Moreover, the necessary space required by democracy to engender diversity has been reduced as a result of the homogeneity of norms and the strong weight of conditionality in international financial assistance.

In this sense, the absence of a true internationalization of politics is the major paradox of the current globalization process. In other words, the simultaneous growth of democratic forces and distributive tensions has not been accompanied by the strengthening of the political institutions that would reduce the tension between them. Although there are incipient instances of global citizenship that take place in the form of struggles by international civil society, their capacity to affect the course of globalization still depends on their influence on national political processes.

This has deep implications for the international order. In the first place, it implies that it is necessary to create democratic spaces of a global character. However, this process will be necessarily slow and incomplete. Therefore, as long as the nation-state remains the main space for the expression of political citizenry, the promotion of democracy as a universal value will only make sense if national processes of representation and participation are allowed to determine economic and social development strategies and to mediate the tensions created by globalization. This coincides with the idea that institutional development, social cohesion and the accumulation of human capital and technological capacity (“knowledge capital”) are essentially endogenous processes (see Section II.3).

The support for these endogenous processes, the respect for diversity and the formulation of norms that would facilitate it are essential for a development-friendly international democratic order. This means, therefore, that *the international order should be strongly respectful of diversity*, obviously within the limits of interdependence. It also implies that an essential function of international organizations is to support national strategies that contribute to reducing, through political citizenry, the strong tensions that exist today between the principle of equality and the functioning of globalized markets.

3. International social goals and Official Development Assistance

Within a rights-based approach, the construction of a global social agenda should recognize that all members of society are citizens and, as such, are bearers of economic, social and cultural rights. The international declaration and covenants of human rights, as well as international agreements adopted at United Nations Conferences and Summits, should thus be considered an initial definition of the concept of global citizenship.

However, in this respect, there has not been a full transition from domestic to international responsibilities. In fact, respect for human rights and the responsibility of achieving social objectives still remains at the national level. Moreover, the execution of these obligations and commitments still lies with the nation-state and does not explicitly include other social agents. Lastly, as of now, there are no clear mechanisms for guaranteeing that these rights and international commitments are respected by nation-states.

One essential activity in this field is the production, dissemination and analysis of information on the situation of economic, social and cultural rights, and on the provision of “public goods” and “goods of social value,”¹⁶ as well as on the fulfillment of objectives agreed upon at world conferences and summits. These periodic evaluations should be discussed at representative national forums, with active participation by parliaments and civil society. A process of this type would contribute to creating a culture of responsibility for meeting international objectives and commitments, and to adjusting domestic public policies accordingly. It would thus help building strong *political accountability* for international commitments.

The political visibility and the mechanism designed to evaluate progress towards the Millennium Development Goals represent major progress in this regard. It would be important to build on this experience and create new and broader mechanisms to promote accountability that would eventually lead to an integrated evaluation covering the declaration and covenants of human rights and other internationally agreed social rights (e.g., the principles and fundamental rights to employment, agreed upon at the International Labour

Organization, and the rights of children, women and ethnic groups) and the closely related commitments reached at global Conferences and Summits of the United Nations.

In some cases, this political accountability can gradually make room for the possibility of citizens being able to *judicially demand* the fulfillment of their economic, social and cultural rights and of other international social commitments in competent national and international courts. The European Union has been the only region in the world where this process has been initiated. In all cases, the obligations of states must correspond to the degree of development of countries and, in particular, with their ability to reach goals that can indeed benefit *all* citizens. This avoids both voluntarism, whose more ambitious social goals may exceed the means of achieving them and thus generate frustration, as well as populism, whose efforts to satisfy popular demands beyond fiscal means can generate adverse macro-economic effects.

At the same time, it is important to recognize that the responsibility for the comprehensive enforcement or implementation of human rights and social goals goes beyond the aegis of the state. For this reason, the international community has moved towards various innovative initiatives, including the concept of corporate social responsibility. One concrete example of such initiatives is the Global Compact of the United Nations, through which the private firms that participate in the program commit themselves to voluntarily promote human rights in their areas of activity, to respect basic labor rights, to protect the environment and, more recently, to combat corruption.¹⁷ This process has been accompanied by private initiatives, both in the corporate sector and in social movements of diverse origins.¹⁸ These principles and commitments of corporate social responsibility have begun to be pursued on a regular basis by different institutions. It is worth noting, however, that there is still a great deal of controversy between those who argue for compulsory corporate responsibility schemes (mainly NGOs) and those (private firms) that prefer voluntary standards that will be gradually extended through emulation.

On the other hand, the existence of significant global inequalities

and asymmetries means that economic globalization will succeed in achieving convergence in the levels of development between countries only if accompanied by resource flows explicitly aimed at that objective. The European Union, through its policy of “social cohesion,” has undoubtedly provided the institutional mechanisms through which this principle has been applied most clearly. It is indicative of the underlying political philosophy of these arrangements that the deepening of economic integration in the last decade of the twentieth century was accompanied by the strengthening of its cohesion policy (Marín, 1999). There is, however, no similar experience outside the European context. For this reason, as some analysts have argued, it would be desirable to extend this experience to other regional arrangements.¹⁹

At the global level, the critical instrument for the achievement of social goals has been and will continue to be Official Development Assistance (ODA). Such assistance should be provided in accordance with the international commitments agreed to at the United Nations (to allocate ODA equivalent to 0.7 percent of the Gross National Income of developed countries) and with the basic criteria agreed to by the international community in the 2002 Monterrey Conference on Financing for Development: to give priority to the fight against poverty and to the ownership of socio-economic development policies by the countries that adopt them (United Nations, 2002).

NOTES

1. As pointed out in Section III (see also footnote 16), the concept of “global public goods” may be understood as encompassing “goods of social value” that have been determined by international conferences and summits.

2. See, in particular, Table 2.8 of Cornia’s book. The data on population come from the United Nations and refer to the year 2000. The percentages were estimated in relation to the population of the 73 countries reported in that table, where 78.5 percent of the world’s population is concentrated.

3. The trend in income inequality in OECD countries also comes clearly from the analysis of pay inequality in Galbraith and Kum (2004), who do not find, however, such a clear trend of pay inequality in developing countries, except in the period

from the mid-1980s to the mid-1990s. It can be argued, however, that the methodology and data (industrial statistics) used by these authors is more applicable to industrialized than to developing countries.

4. There are two issues that are critical in regard to the statistical methodologies: (1) the use of market prices vs. purchasing-power estimates of national income (as well as the specific PPP estimate used) and (2) whether the information provided by household surveys is exclusively used or, alternatively, it is combined with that provided by the national accounts on national income and consumption.

5. Among the studies which claim that there was a deterioration in world income distribution in recent decades, we could include Dikhanov and Ward (2001) for the period 1970–1999, Bourguignon and Morrison (2002) for 1970–1992 using the Theil inequality index (the other two indexes used by these authors show no clear trend during that period) and Milanovic (2002) for 1988–1993. See also the comments on Galbraith and Kum (2004) in footnote 3. The opposite conclusion is reached by Berry and Serieux (2002 and 2004), Bhalla (2002), Sala-i-Martin (2002) and Sutcliffe (2004). The last study provides a very useful comparison of different estimates of world inequality.

6. The effect of this rapid growth in China and India comes strikingly in the different calculations of Berry and Serieux (2004).

7. This is also the conclusion of the estimates of Bourguignon and Morrison for 1980–1992, which indicate that the share of the richest decile in world income increased from 51.6 to 53.4 percent.

8. The process of agglomeration forces was emphasized in the past by the literature on regional economics and, more recently, by that on economic geography (see, for example, Krugman, 1995).

9. See Ocampo and Parra (2003). This downward trend of commodity prices has been recently, but only partially, counterbalanced by the effects on world commodity markets of the rapid growth of China.

10. This international currency phenomenon has come to be called the “original sin.” See an analysis of this issue and a contrast with competing concepts in Eichengreen et al. (2003).

11. See Kamisky et al. (2004), who call this feature of developing countries the “when-it-rains-it-pours syndrome.”

12. See an extensive analysis of this issue in United Nations (2004).

13. See, for example, the first report of the Secretary-General of UNCTAD (Prebisch, 1964).

14. For a more extended analysis of the issues raised in this section, see Ocampo (2002) and Ocampo and Martin (2003), Chapter 5.

15. A recent development has been, however, the rise of new groupings of developing countries that cross regions and have had an important influence on trade negotiations (e.g., the G-20 led by Brazil, and the coalition of ACP countries and LDCs).

16. The concept of “goods of social value” captures what in the literature on welfare economics have been called “merit goods.” Thus, “public goods” focus on the interdependence of consumers and other economic agents (in the case of pure public goods, on the fact that consumption is collective), whereas “goods of social value” emphasize the decision of society to provide certain goods to all citizens, and is thus akin to the concept of economic and social rights. Although the differentiation between these concepts makes sense in the context of welfare economics, the common use of the term “public goods” in social and political analysis usually encompasses both. Thus, as pointed out in footnote 1, the concept of “global public goods” should be understood as including international social objectives, in particular the Millennium Development Goals.

17. See www.unglobalcompact.org

18. Among relevant initiatives, there are directives for multinational enterprises prepared by the OECD in 2001, the Dow Jones Sustainability Index, the international code on environmental management (ISO14001) and the Corporate Responsibility Index promoted by the British organization Business and the Community and associated with the British stock-exchange index (FTSE).

19. See, for example, Bustillo and Ocampo (2004) in relation to the application of this framework to a possible Free Trade Area of the Americas.

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