

## GLOBALISATION MAY SERVE THE MAN

BEDŘICH VYMĚTALÍK

Globalisation evokes increasing fear, the number of its adversaries seems to be growing. Current problems of the world economies – often perceived as consequences of globalisation – support these tendencies too.

The economic recession that has been affecting these last years both American and West-European economies, financial crises gradually and repeatedly produced in various parts of the world bringing drastic consequences upon the standard of living of the population in the affected countries – all that seems to justify any anti-globalisation fight in the view of its adversaries.

Critical remarks mainly highlight the following facts:

1) Actual globalisation only serves a small group of winners while the number of the defeated is growing,

2) Decisions are influenced by multinational enterprises and financial markets, and realised outside the framework of democratic processes,

3) Decisions mostly encumber social justice as well as the environment without any respect for man,

4) The evil fruits of globalisation – evil, criminality, violence – are becoming more visible,

5) The largely deregulated financial system becomes incomprehensible, unstable, without the necessary rules; it enables the rise of duty-free capitalism, which makes profit even from crises all over the world and at the same time brings poverty and income deflation to many underdeveloped countries.

After the crisis in Malaysia, George Soros – one of the protagonists of the financial capital – openly said: 'There is something wrong with the market if an individual like me can damage the financial system of the whole country'.

But globalisation itself cannot be found guilty of that. Globalisation by itself is not good or bad. It depends on the way people cope with it. Globalisation may serve the man, too.

Of course, certain rules and certain limits are to be supposed. They can usually give positive results in a long-term perspective, and obviously they are not the interest of those seeking benefits in the current situation.

The glorified shareholder value – prevailingly perceived as an immediate maximum profit without any respect for long-term consequences – therefore seems to be far more attractive. Furthermore, if nowadays the financial world loses the link with the goods and services exchange and if it tends to be transferred into the sphere of speculations, then it is easy to understand that the character of such speculations itself excludes any long-term perspective.

Therefore, pessimists are convinced that a change may only be provoked by a big crisis, the result of which – in the interest of its own salvation – shall be a change of ‘the rules of play’.

Optimists speak about the necessity to create a global world order taking into consideration all people. Especially in the financial area a need for a new world financial architecture is generally recognised. But it is not clear how to achieve it. Ideas such as a world central bank, world insurance or even the well-known Tobin tax are being repeated as evergreens without any effective result. Suggestions to establish world rules for procedures in the case of state bankruptcy are not being considered as serious.

The world ostentatiously glorifying egoism as a way to success meets with little understanding of any effort to observe ethical rules or even solidarity (although extremely needed).

Outside any attention is also the fact that, in the economies of many countries, out-of-date and no longer effective approaches are still accepted, furthermore increasing the gap between poverty and wealth. The American economist *Robert Reich* in his well-known book *The Work of Nations* (Alfred A. Knopf, New York 1991) speaks about the ways of out-of-date, obsolete, old-fashioned thinking. Replacing such ‘ways’ with other ones – modern, positively contributing to both wealthy and poor people – might be the first generally acceptable step which could help to achieve an initial consent for seeking ways towards a globalisation which is a servant of mankind.

Let me present several examples:

1) Nowadays it is generally accepted and recognised that human knowledge is the decisive source of growth of wealth in the present world. Work as its practical application is becoming the decisive factor of success in world competition. Uncertainty dominating the present labour

world, the threat of discharging people from their work even if they are qualified specialists – all this is not in favour of optimum success in world competition. Sooner or later it will be indispensable to seek new alternatives with more benefits for man.

2) The pressure to decrease salaries or even to transfer production into countries with inexpensive labour force is generally considered as a possible way to improve economic results or even to 'recover' enterprises. This is true in a short-term perspective or to a very limited extent only. In a long-term context or on a global scale – if no alternative income sources for potential clients are found – such an approach obviously results in a decreasing effective demand. The long-term economic perspective is endangered.

3) It is also generally accepted that productivity growth makes it possible to dismiss people out of the working process without any possibility for them to find new employment. Within a measurable space of time only the fifth part of the population able to work should ensure the needed quantity of goods for everybody. Step-by-step discharging of employees is considered unavoidable and fatal, and in this opinion mankind has to look for other ways of survival. But this opinion is rather one-sided. In the collection of lectures presented at the symposium in Bonn in 1997 published by Prof. Arthur Utz under the title 'Massive Unemployment and the Economics Order' (A.F. Utz: *Die massive Arbeitslosigkeit und die Wirtschaftsordnung*, Duncker & Humblot, Berlin 1998) an interesting comparison is presented between productivity and employment growth in Germany and in the USA in the years 1961 – 1995. In Germany productivity increased in the course of 35 years by 154% whereas in the USA only by 54%. Germany was oriented to rationalisation investments, the USA much more to increasing production capacities. 90% of the growth of German production was covered by existing workers whereas in the USA just by one third of them. The system accepted in Germany managed to decrease the employment rate, whereas and on the contrary in the USA the production capacities extended and the number of working positions increased. The considerations concerning the end of labour possibilities seem to be at least premature. The possibilities of increasing investments in new fields, especially in the environmental area, alternative energy sources etc. are not at all exhausted, and the first enterprises to use these possibilities will undoubtedly gain competitive advantages.

4) Another idea is also broadly accepted: the idea of the need to limit taxation of wealthy people in order to make it possible for them to spend more on investments and thus to support economic development, and at

the same time the need to limit public expenses and thus reduce deficits of the state budget. A large political party in the Czech Republic even proposed to forbid deficit budget by law.

In Professor Robert Reich's view, nowadays such ideas are no longer valid. The free movement of capital all over the world makes the former liaison between savings level and capital price weaker and weaker. On the contrary, public expenses in the education system and in an up-to-date infrastructure are a really significant factor able to attract investors and to create relatively good labour positions.

5) I could give you more examples where a re-evaluation of the existing approaches may benefit both the economies and man.

At this time it seems problematic to make suggestions for creating a specific form of global order by putting away or at least moderating existing problems. The experience of the former League of Nations or the United Nations is not too encouraging, and it does not provide too much hope of achieving a global agreement, either. Furthermore, there is a fear of an eventual totalitarian world rule. The ideas of a democratic co-operation are in general unrealistic in the world where egoism and ruthlessness are manifested.

Maybe, some positive solutions could be achieved with the help of the experience acquired in the creation of the European Union, and maybe the origin of similar blocks built from below on democratic principles could lead to a certain form of a global co-ordination.

Anyway, it is nowadays possible to use in a positive way many possibilities presented by the globalisation process, in the first place to stop extending the gap between poverty and wealth.

It may be dangerous not to respect these possibilities. It may even be a mortal distress to omit this key problem in the present society whose life is based on an unavoidable growth of consumer demand.

In this sense, some of the positive possibilities were shown in the past years in the USA by creating a large stratum of 'employed capitalists'.

If it is possible to renew successfully the confidence lost as a result of accounting frauds and corruption affairs, to introduce more efficient measures against further plotting, to achieve share prices corresponding to real values, to overcome current critical phenomena in the world economies, and especially to find appropriate forms to improve the standard of living of the population (maybe not directly connected with salary growth), then all these may be considered significant steps to use the changes caused by the globalisation process for the benefit of man.