

The Global Economy: Crisis in Ethics and Outcomes

■ Marcos Arruda

Marcos Arruda's paper reflects on ways to introduce ethical principles into economic and social relations at both national and international levels. While the global economy is dominated by financial flows and at present is in crisis, the ethical dimension of the challenges faced have received only limited attention. Instead of a globalisation centred on markets the author proposes an alternative approach centred on the welfare of human beings and their environment and based on principles of co-responsibility, collaboration and solidarity. To achieve this outcome requires creating new individuals and new societies, aware and involved in promoting the well-being of our common humanity.

Ethics and human relations

All human relations are permeated by some kind of ethics, which are commonly understood as a collection of values and criteria that serve to give all action a connotation as "good" or "bad". However pragmatic the choices of states, transnational business or other actors their choices are always based on ethical values and criteria. The problem facing the global economy is not a lack of ethics in the international relations that have shaped our world order, with its striking inequality and injustice, but rather that the ethics

adopted are centred on false values, which are based on the interests of wealth, prestige and power. Such a limited and distorted view of ethics is blind to the deeper and wider reality of the human person who is at once a unique individual and a member of society, a being who is constantly developing in physical, cultural and spiritual terms. Just as human beings are defined by their relationships – with themselves, with nature, with mankind, with society and with each other – so too each nation is defined by its relationships – with itself, with other nations, with its history and its future.

The word economics translated from Greek means “rules of the house”. As such it begs the question how well we manage the households we live in. By household we can mean our own family, community, nation or the global economy. Yet in neoclassical economic theory human beings are viewed in spectacularly narrow terms and in particular are seen as agents of production and consumption whose only interest is self-interest. While the invisible hand of competitive markets, according to Adam Smith’s treatise *The Wealth of Nations* (1776) concludes that pursuing self-interest will, as an unintended side effect, lead to optimal outcomes in terms of society, the reality in modern economies is quite different. Furthermore the outlook for nations and individuals is mixed and a cause for concern to those observing global economic trends.

While in biblical terms a tree is judged by its fruits in economic terms an economy must be judged by its outputs or outcomes. The report card for the global economy has some very poor results when viewed in terms of distribution, environmental and social impacts.

The world has become a more unequal place. My own country Brazil is one of the most unequal countries in the world with average per capita income of the richest 20% being over 34 times that of the poorest 20%.¹ Moreover, while the role of nation-states in economic decision-making has declined considerably as TNCs account for rapidly rising shares of global investment, capital flows and output. These corporations also have a major influence on the decision-making process in international fora such as the World Trade Organisation and are identifying important future sources of profits and income in areas such as the patenting of genetic resources and so on. Their control over technological resources places them above all other economic actors in the race for accelerated rates of profit.

At the same time there have been advances in technology which have increased life expectancy, improved educational

opportunities for many and facilitated global communications between developed and developing nations. Yet one of the linchpins of global communications, the media, is increasingly being concentrated in fewer hands. Given the power of the media to shape consumer tastes and to influence lifestyles, not to mention voting patterns and social attitudes this development is particularly alarming. So too is the globalisation of corruption from which no countries are immune but some are more structurally vulnerable than others. Moreover, in a global economy, a black hole in one economy has instantaneous effects far away as the crises in Russia have vividly highlighted. Another area for concern is the globalisation of certain odious trades, particularly the drugs trade (worth over \$400 billion last year and thus exceeding the value of global trade in textiles), the trade in arms, money laundering and worst of all the trade in human beings as women and children are trafficked into prostitution.

A number of other factors of impoverishment are characteristic of international socioeconomic relations, including:

- structural adjustment programmes (SAPs) which are accentuating poor countries' subordinate insertion in the world market economy;
- linked to SAPs, the vicious circle of foreign indebtedness facing some of the world's poorest nations, which continues to divert funds vital for overcoming hunger and poverty and for human development to creditors in the North;
- protectionism and unequal trade relations between the North and South; and
- continuing cuts in official development assistance to an all time low of 0.22% of combined OECD donors' GNP.

The ethics of the total market

International economic and political relations centred on the isolated individual, on the market and on money as absolute ends have not proved capable of responding satisfactorily to the needs of the majority of humanity. Under this type of approach there is a corresponding ethics of the total market under which anything that limits the free flow of capital and its tendency to accumulate and concentrate must be suppressed and eliminated.

However, even among the poor – who are the majority of the world's population – there is consensus about the perversity of these relations, and for at least two reasons. One is that those who defend the global market system are good at gilding the bright side and concealing or evading the issue of the system's ugly side. The other is that the culture of capital consists of a set of values and aims, and with it social and institutional mechanisms which have a profound influence over the attitudes, behaviour and expectations of the majority poor.

The capitalist market-centred system is complex and dynamic. Its objective is not stagnation, but growth and innovation. Yet therein lies its weakness as well as its strength. The fruit it bears includes economic and social inequalities, environmental destruction and the rapid depletion of non-renewable natural resources associated with excessive production and consumption, and an extreme materialism in relations among people and nations along with personal loneliness, isolation and loss of identity, which lead some people to seek escape into drugs and even suicide. Hence the United Nations Development Programme in devising a measure of human poverty includes social exclusion as itself being a form of poverty. As such it recognises the relational nature of every human being as opposed to their market value as measured by their wages. So the system that has lifted human existence to unprecedented levels of material progress has also substantially lowered the value of the human person to the basest levels. This paradox conceals a lesson that must be learned.

Far from being infallible or beyond reproach the liberalisation of markets, particularly in the financial sphere, has spurred financial crises which have impacted most heavily on the poor in the real economy. Greed for profit overcame prudent financial management and thus allowed massive speculative capital flows. Once fear of losses set in, capital sought to defend its interests, to find a safe home (even if not as lucrative as emerging markets had been) and with these fears the “contagion” effect was felt as capital exited rapidly from a range of economies beyond those where the original instability lay. Such capital flows follow their own logic, more correctly termed a herd instinct, as against following market fundamentals.

This ambivalence of markets is bewildering and deceptive. It enables the system to present its public face as if it were the only reality and to attribute its private face to fleeting internal circumstances or to external scapegoats. Capital's cultural hegemony can be attributed largely to the power of information

and propaganda. Its promises of material well-being and freedom have been convincing and millions believe that this market-centred world economy is the only one possible or desirable. In addition, responsibility for the decisions that lie at the root of the system's prejudicial and dehumanizing manifestations are spread among a variety of actors, corporations, governments and international organisations.

The ethics of the total state

In my opinion it was not *collectivisation per se* which failed in Central and Eastern Europe, but the statist, totalitarian way it was undertaken. Corresponding to this mistaken form of socialism is the *ethics of the total state*, according to which the individual has value only as an impersonal part of the collective, and where the collective is personified by the state dominated by a single party, single proprietor, single manager and single effective decision-maker. In fact, to use the term socialism to describe this is a misnomer as such a state is anything but socialist to the extent it prevents the emergence of civil societies that are organised, aware, active and participatory.

The collapse of these communist regimes opened up room for us to draw lessons from the failure of this exacerbated form of collectivism and to seek realistic and innovative forms of socialism. More than anything else, its collapse made it possible to spread worldwide the beliefs that capital and the market are the definitive victors, that socialism is dead and buried and that the Earth's future belongs to a democracy based on the power of global capital. As a result many advocates of a socialist alternative lost hope or grew cynical and the spirit of citizenship atrophied. At a global level the ideology of the *res privata* predominated over that of the *res publica*.

The ethics of solidarity

Yet another kind of organisational process is possible in the relations of production at both the national and world levels; and just as capital and its institutions are globalising, so too an alternative globalisation is taking place. This is the globalisation of human awareness. This is a sign of hope and carries within it the vision and application of a higher ethic.

However, discussions on alternative forms of social relations always proceed along a knife-edge between the risks, on one side, of straying into utopia and, on the other, of sliding into fatalist conformism. The world today is hard on the majority poor but within it can be found the seeds of another reality. Each one of us has not only the right to dream of this other reality but also is co-responsible for helping it emerge and unfold.

This alternative has as its core long-term aim the reintegration of the market economy into its national and global social ecosystem, thus converting markets into a mechanism for generating well-being for each and every citizen. Rejecting the total market and its ethics does not mean either the abolition of the market nor a reversion to state-led economies. What it does mean and require is the promotion of each organ of society to the status of active participants in the economy.

In political and economic terms, this entails democratising the state, so it can serve as the driving force behind this new form of development and it also means democratising the ownership of the means of production, so as to ensure that all citizens also participate in key decisions which affect their lives. This is already happening to a growing extent in the USA, where nearly 1,500 firms, some of them mega-corporations, have shifted from being purely private organisations to ones where workers have an increased role. At a broader level this is linked to the more active role played by shareholders in the US, 80% of whom vote in annual general meetings, a much higher figure than in many parts of Europe. Under an alternative approach it would be possible to recreate the market under the control of society and a democratised state, and to internalise into the market mechanism and into the priorities of private economic agents the wider development objectives of the societies in which they are based.

From this line of reasoning, a series of redefinitions emerge. *The human person* ceases to be conceived as an isolated individual in permanent competition with others and comes to be seen as a being-in-relation, and a citizen who is aware of the common challenges to be faced and of a common existence to be shared by different members of society. *The market* comes to be seen as a relationship among conscious social agents which must be limited in scope by the public interest and which needs to be regulated if it is to serve the greater objectives of social and human development. *The economy* comes to be conceived as a sub-system which is responsible for meeting the material needs

of all citizens in a just and sustainable manner. The value of *labour* ceases to be equated with its wage.

The above forms the basis for an ethics of human-centred development: on the one hand, relating economic activity to human and environmental needs, and thus to the issues of planetary survival (an ethics of co-responsibility among present and future generations for our common welfare); on the other hand, generating new forms of remuneration and redistribution of resources (an ethics of solidarity).

In the wake of the financial crisis in Asia global policymakers are at last showing some recognition that the global economic system needs to be cooperatively managed so some hope of progress exists. There has been a deficit in global leadership in this regard, hence the need for a social economy of solidarity which will clean up an economy which has gone out of control as soul-less capital has almost free reign.

Thus the challenge is to reform existing and create new forms of international relations. These include building democratic, public-spirited regional and international financial institutions; managing migration flows with justice and equity; protecting the environment; and instilling international relations with *an ethics of co-responsibility, collaboration and solidarity*.

Turning to the globalisation of human awareness, this trend in social relations and human development, springing from the local level to the global level, and from the inner sphere of the person to the outer spheres of community and society, is a sign of hope for the future. For humankind to grow spiritually as communications make new forms of relationships possible, requires that people and nations, in the process of their development, grow closer to one another in a way that values diversity and builds on common agendas. The flourishing of NGOs and civil society groups evident in so many parts of the world, North and South is a sign of this. Their challenge is to set new rules for our global household, and maybe even to create a new discipline called *econom-ethics* where the ethical base of economics is restored to its central place.

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Footnote

- 1 UNDP, *Human Development Report*, 1998, UNDP/Oxford University Press, p.146