Reshaping Globalization

Multilateral Dialogues and New Policy Initiatives

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Globalization and Economic Systems: A Homogeneity Test

László Csaba

1. Introduction

It would be hard to find an issue that is more controversial among social scientists and the public than globalization. While some analysts hail it as the apotheosis of the final victory of the market over the state (Yergin and Stanislaw, 1998) or praise it as a way of overcoming an antiquated and dangerous construct of socio-economic organization, the nation-state (Ohmae, 1995), others strike a more skeptical tone. Leaving old-style ideologues apart, some leading contemporary political economists sound alarm over the potentially destabilizing influences of globalization, which, allegedly, upsets social norms and welfare systems that had lent capitalism a human face in many advanced countries (see, for example, Rodrik, 1997). Other critical observers highlight the parallel processes of disintegration and tribalization, as well as the spread of various (economic, criminal, political, and other) networks that may reinforce each other in a way that potentially results in the undermining of representative democracy and controlled power (Barber, 1995).

The distinct trend of leftist-critical analysis, which has emerged in the critical tradition within the social sciences, is documented richly in the volumes edited by Higgott and Payne (Higgott and Payne, eds., 2000). Besides this intellectual, academic critique, also various social movements, relying to a large degree on the new networking opportunities provided by the Internet and diminished travel costs, organized themselves in a colorful protest movement across the globe. Those raising their serious doubts over the state of the contemporary world and many of its complexities and ills, from environmental pollution to child labor, formed a mass movement around the various critical issues, and expressed their concerns in a recurring series of mass protests.[1] Whenever the perceived or real 'captains' of globalization and the world economy convened, at G–8 summits or WTO meetings, anti-globalization

1. These groups were later dubbed in the British press as the "people of Seattle."

protests followed. In other words, concerns about the perceived or real dangers of globalization have become a social fact that needs to be analyzed and tackled.

In the present contribution I do not aim at an exhaustive analysis of these social and intellectual movements, that in itself could be topic of a whole monograph. My focus is on a single, though rather comprehensive, question: Do the intermingling processes of globalization lead to a uniformity of economic systems along the lines of the Anglo-American model of capitalism? (Cf. e.g. Lányi, 2001.) Is it true that the universalism inherent in the modern analytical economic approach would imply a descriptive and normative conclusion favoring a single 'proper' model of market economy for all countries that wish to be successful in the international arena? If the answer was negative it would also signal that although the emotional and massive protests—that came to a temporary halt only as a consequence of the September 11 attacks—raise serious issues, they often are falsely addressed, as the protesters choose WTO, IMF, G–8, or World Economic Forum meetings to articulate these legitimate concerns. For if no uniformity is in the making, the fora of international coordination cannot be blamed for imposing their straightjackets on the vulnerable or defenseless societies of the globe.

2. What Do We Talk About?

There is no single, universally accepted definition of globalization in the social sciences. According to some of the foremost experts on the subject (see e.g. Lechner and Boli, eds., 2000), we find at least four, only partly overlapping dimensions: economic globalization, political globalization, cultural globalization, and the globalization of social problems—that is, issues pertaining to the changing world society, including environmental concerns. This approach to the subject is obviously so broad that it does not allow any single analytical framework to grapple with the issue, thus I will confine myself only to economic globalization.

In a narrower approach we may conceive the expansion of markets; the challenges to the nation state as a basic unit of economic regulation; and the rise of new social movements as the defining features of globalization. The most visible outcome of this process is that the strong states become stronger, while the weak ones become weaker (Woods, 2000: 3–6). In a still narrower approach we may see globalization in terms of trade and international economic policies, where multilateralism, regionalism, and unilateralism are the relevant dimensions of comparison (Lahiri, 2001: xix).

In the following I shall adopt a 'medium-broad' approach. This involves problems (not just issues) the solution of which requires the cooperation of all mankind, since their scope and nature is such that neither (sub)national, nor regional approaches can be satisfactory. It is clear that urgent action is needed in the interest of all humankind, if we think of such challenges as epidemic diseases (where the spread of an epidemic may be conditional on the expenditures of those caring the least); the shortage of water (especially clean water); contagion and volatility stemming from and through innovations in the international financial system; organized crime; urbanization crises; unregulated mass migration; disregard for human rights, among others women's rights; the steady growth (and non-attendance) of the millions of disposed persons; the consequences of failed states (from Afghanistan to Eritrea); famines and deforestation; the 'digital divide'; the lack of participative growth in most of the world; the lack of religious and ethnic tolerance and its dire consequences; and many more.[2]

This non-exhaustive list of the major issues on the agenda demonstrates that action is required at the macro level, which needs to be coordinated across continents. These are rarely, however, representative of the wide variety of issues often emotionally raised by critics of the globalization process. While they bring up weighty issues such as income disparities or environmental concerns, these often fall under what Paul Krugman discusses as an "illusion of conflict" in international economic relations (Krugman, 1997: 69–84). In other words, legitimate concerns are being discussed under false headings and in an economic framework of "pop internationalism" that has little if anything in common with the established body of knowledge in general economics. The concept, for instance, of macroeconomics being like corporations competing with one another for a limited market; or the idea of a zero-sum international economy; or the fear of less developed participants losing out 'inevitably' in competition are, as Krugman shows, much more vague than the convincing points raised in the debate on globalization.

Therefore I shall define the process of globalization in standard economic terms, in order to underscore the peculiar features that characterize the Internet age—as opposed to the times of the Roman Empire or the colonial era, when sizable flows of international exchanges had also occurred. The economic concept of globalization thus outlined encompasses the worldwide intermingling among markets, among organizations, norms, and standards and forms of communication.

2. The notion/category of global problems is what we borrow from Bognár (1976), whilst the concrete examples are naturally different: in his time digital divide or organized crime networks were nowhere comparable to what is experienced nowadays.

The globalization of markets has at least three dimensions. The first is the increasingly unhampered, and by-and-large free flow of most commodities across borders, regulated by the disciplines of the World Trade Organization and its constituting multilateral agreements. Here there are industries where international flows are limited—such as in the sectors of farm products or in audiovisual products—and in some cases even classical command economy methods survive, such as in the various commodity agreements. Still, the bulk of international trade is transacted in industrial commodities, where both tariff and non-tariff barriers have seen a steady decline over the last half-century or so.

Second, capital used to be controlled in the Bretton Woods system. However, with the introduction of the flexible exchange-rate regimes in 1971, the ever growing importance of capital transactions, starting from the need to recycle large surpluses that emerged from the two oil price hikes of the 1970s, was followed by the gradual capital market liberalization of the 1980s. It should be stressed that this liberalization was only partly induced by the changes in the economic philosophies and the resulting turning away from the Keynesian approach of managed economy concepts. Technological innovation and financial innovation played a much more decisive role: in a truly Hayekian manner, the spread of information technology made possible a better utilization of decentralized knowledge. It allowed for a never-before-seen number of people involved in 24-hour financial transactions across the globe. In a way, the central controllability of the process has been irrevocably lost, since the size and dimensions of financial transactions, the channels of operation and the final outcomes have all become too complex to allow for the oversight by any national, let alone international, supervising or controlling agency.

This state of affairs has filled many people with unease or 'shivering', despite the overall welfare-enhancing nature of the process (Csontos, Király, and László, 1997). The fundamental concern voiced by the opponents has been caused by the dematerialization of wealth creation as well as by the lack of oversight over these processes by governments and the public alike. The latter rendered Keynesian demand management and prearranged controls over macroeconomic outcomes, targeted by the widespread neocorporatist arrangements, next to impossible to sustain. Although these claims about and fears of an uncontrolled and unbridled financial capitalism—exerting a dictatorship over everything from consumer needs to democracies—could be relatively easily proven wrong (Pete, 1999), the challenges to established patterns of welfare states and of economic arrangements remained to a large degree unanswered (an issue we shall come back to later).

Third, not only commodities and capital, but also services can and increasingly do flow across borders, which is represented, for example, in the GATS (General Agreement on Trade-Related Services), one of the new multilateral agreements constituting the WTO. This should not come as a surprise since most of the advanced economies have long ago entered the post-industrial age, in which wealth creation is increasingly concentrated in the non-tradable services industries. On the one hand, the tendency of trade localization diminishes the share of tradables in wealth creation and leads to a stagnant or declining international 'openness' (external trade per production ratio) among major economic powers such as the US (Krugman, 1997: 205–214). On the other hand, services become increasingly internationalized, which is particularly visible in, though by no means constrained to, the financial sector.

2.2 The Globalization of Organizations

The second major dimension of economic globalization takes place among organizations. This process has at least three layers. First, the emergence of supranational agencies—especially in the post-Second World War period—have set new and effective limits to governmental sovereignty, traditionally postulated to be unconstrained in post-Westphalian theories. While some of the supranational arrangements, like the IMF or the EU, have emerged as a result of conscious self-limitations by the sovereign states, this is only part of the story. The emergence of multinational business, and especially of huge corporations transacting more than the total GDP of many developing nations—whose operations enhance the limitations on governmental freedoms to regulate, allocate, and redistribute—has been manifest.

Another layer of structures constraining governmental authority is that of intergovernmental organizations and agreements, such as the United Nations, the Council of Europe, and the WTO. Similar effects are being exerted by international conventions and agreements, like those on preserving biodiversity, the (recently modified) Kyoto protocol, the Geneva convention on refugees and prisoners of war, and the Hague Tribunal on international war crimes. In these cases, instead of developing supranational governance, compliance is being monitored and gradually enforced by the international community. The Milošević trial demonstrates that the appropriate and cooperative behavior of governments is enforced neither by force nor by a supranational authority, but via voluntary compliance brought about by the spread of norms and expectations of the international community. The pariah status of such countries as Belarus under Lukashenka, or of the North Cyprus 'Republic' are also points in case.

Last but not least, a third layer of organizations has emerged that can be labeled as meso-economic forms of coordination. These include such formal institutions as the ever more powerful regional municipalities in the European Union, the still quite powerful chambers of trade and industry, the trade unions, and the ever more vocal NGO sector (the latter, for example, by limiting governmental discretion in such cases as Chechnya or Kosovo). But aside from these formal institutions, such informal actors as the Mafia, the international networks of trafficking human beings, the terrorist networks, and the money-laundering establishments also put severe limits on how law and order can be enforced. The economic implications of these are so all-embracing that they need no further elaboration, since even international agencies routinely work to mitigate their negative effects.

2.3 The Globalization of Standards

A third dimension of economic globalization is traceable in the ever-growing role of uniform standards and norms. These include not only such points as the proscription of slave and child labor, but also the enforcement of such arrangements as international accounting and disclosure standards. While many transnational corporations are obliged to produce statistical figures in line with the regulations of local laws, none of them can spare producing the same types of statistics according to the international rules for their own headquarters. But the discussion of other issues, like quality standards, have also been spreading throughout the world.

2.4 The Globalization of Communication

Finally, the fourth formative dimension of economic globalization is the increasingly important channel of communication. The information technology revolution has made clandestine processing of information increasingly difficult, especially for authorities of various sorts that are in dire need of new cryptography technologies. Societies can be less and less isolated from the external world; governments, official ideologies, or traditions are less and less able to influence and form expectations, priorities, tastes, perceptions, and other cultural characteristics. This process, which is probably the greatest emancipatory step for the individual since the invention of book printing or contraceptives, makes at the same time various self-nominated vanguards see red: those who pose as guardians of controlled societies or traditions or those who intend to make decisions for millions, in issues ranging from state security to consumption patterns, savings habits, and investment decisions.

Ramifications of the IT revolution make various statist propositions—from introducing the Tobin tax to creating new institutions to limit volatility in the international financial system, such as an international bankruptcy court, or a lender of last resort, or an international liquidity control agency—not feasible (Rogoff, 1999). What remains is basically a set of unilateral reform measures to be instituted by developing countries to improve the solidity of their banking system, their reputation, and quality of regulatory frameworks. The ghost of international capital flows has been let out of the bottle and there is no way to force it back again. This, in turn, does put limit on what formally sovereign, especially small and open economies may or may not rationally do. As has been evidenced by the slowdown and stagnation in the US economy in 2000–2001, as well as the ensuing slowdown in the EU, there is no way for economic policies to set and attain prefixed quantitative plan, growth or income targets—even in the largest economic units of the globe. And conversely, if the slowdown is global, there is no way to opt for isolationist but growth-promoting policies in the longer run. The capital controls of Chile, often invoked as a good example of interventionism supplanting market friendly overall policies, has been shown to be both procyclical and ineffective (increasing cyclical crises of the economy, as opposed to mitigating their effects; see Edwards, 1999).

It is important to bear in mind that information technology has the potential to spread rapidly in societies, above the control of national governments, often much to their dismay. The Chinese government may switch off the broadcast of CNN in Beijing, or the Iranian government may prohibit women to follow Paris fashion, nevertheless with today's diversity of international intercourse there are fewer ways to stop news, products and people from getting where they wish to. In a different way, the terrorist attack on the US and the resultant 'war on terror' has supplied more than sufficient evidence for the changed modus operandi of the globe. Likewise, the organization of the million-strong protests against globalization in Genoa in 2001 via e-mails, and despite extreme police and border control measures, has sent a clear signal to the limits of even combined and joint governmental efforts.

This implies, *inter alia*, that only such patterns of reforming the international financial architecture can be considered as non-utopian and policy-relevant that take the ensuing decentralization and decontrol of processes for granted. These advocate measures which view the dominance of market processes as a given, and suggest modifications that enhance their transparency (by good fiscal practice code and by the imposition of international accounting and disclosure standards). This may be complemented by those that aim to bail out the private sector rather than replacing its activities in the old-styled Keynesian fashion (for more on this see Fischer, 1999).

2.5 Why Globalization Is a Dominant Trend?

Finally we need to address the issue of why globalization is a dominant trend even in the view of those who would like to tame it or domesticate it, because they perceive it as something like a wild animal. The answer is certainly in line with mainstream international economic theory: that it is a welfare-enhancing process, which must be beneficial to all participants involved, at the macro and micro levels. And indeed, long-term reviews of the developments in the world economy (Maddison, 1995; Craft, 2001) are clearly indicative of an overlooked fact: namely, the big differences in current per-capita GDP and per-capita consumption (and even more in terms of other human development indicators, like life expectancy or health) that emerge between the countries that have been incorporated into the global economy and those that have been left out of the process. Thus while traditional, say Sub-Saharan African economies stagnate, wealth creation explodes in the countries that participate in and are the driving forces of globalization.

There are two ways of how we can support this insight. First, if the combination of factors of production is not hindered, it can be maximally efficient in intertemporal, intersectoral, and international terms. If we look, however, at the mechanics of growth, this must translate into a productivity-enhancing measure of more globalization, since at the bottom line, it is national productivity that sets the pace of welfare improvement. And indeed empirical studies of sectoral impacts of "more globalization" (Gersbach, 2002: 227–228) have indicated that there is a strong empirical correlation between more globalization and higher productivity (although with a time lag), and that the differences between the local and the globally most efficient producers are declining. Therefore the pay-offs, in terms of welfare, from more globalization can be shown to be significant (with the numbers, of course, varying across countries and sectors, but the trend being unequivocal).

Even with reference to the simplest neoclassical Solow-model, it can be expected and demonstrated that less developed countries can benefit disproportionately: by importing more advanced technologies, by relying on more advanced forms of management knowledge and by improving their capacity to process information. This requires a degree of domestic social capital (in the sense of Amartya Sen) and supportive institutions. Thus the causal link is a non-automatic one.

Last but not least it is hard to overlook that once a centrally uncontrollable global market has emerged, by and large spontaneously from technological innovations, its structure, organization, and modus operandi is unlikely to be reducible to previously known and tested forms of societal organization, such as the Bretton Woods system, or the interwar bilateralism and state trading. The only way national governments may rationally react to this is by redefining their roles and perceptions as well as their regulatory instruments to be in line with the new challenges—an issue we shall revisit in the concluding part of this study.

3. Globalization and Macro Systems

3.1 An Historical Perspective

As indicated above, it would be misleading to identify globalization with one of its features—such as financial globalization or the global flow of information technologies, that have, indeed, been salient features of the developments in the last fifteen years or so. All in all, most other features of the process have already been unfolding with the emergence of capitalism as a global system, that is, ever since the 16th and 17th centuries.

As we know from Max Weber (1982: 43–87) there is a world of difference between profit maximizing as an individual or stratum-specific behavior, and a capitalist market economy, where the entire macro system is organized around the "commercial spirit," with formal and informal institutions serving the same purpose. From this perspective, starting with colonialism, the geographical spread and the parallel 'deepening' of capitalist institutions have also been the features of what we may call globalization. As Marx highlighted in many of his writings, capitalism is unlike all other previous forms of human organizations in its universalist, cosmopolitan, and expansionary nature. Thus the history of the modern market economy is also a history of extending the peculiar logic of economic calculation to the whole earth. Let us list very shortly, how this has taken place by the factors of production.

a) Colonialism followed national and religious ideologies, but also resulted in incorporating all, previously dispersed, and differently organized societies in the dominant mode of production. Most visibly, land and natural resources—primarily in the Americas, Africa, and Asia—were included into the sourcing of inputs for states and companies of the core colonial powers. In the colonial system, trade barriers had been demoted, traditional societies disrupted, new production lines introduced to serve the world markets. Improving transport facilities, coupled with their falling costs following the invention of the steam engine, all contributed to the intensification of the process.

b) It has been particularly important for the global economy to channel surplus labor and thereby solve a major puzzle of overpopulation and social strains in contemporary Europe. It is quite well known that the overpopulation of Ireland, Italy, Austria-Hungary, and the United Kingdom was partially remedied by emigration to the New World. Conversely, the sparse population and the labor shortages of the new states were relieved through immigration to those countries. Immigration played a major role in the lasting economic boom in the Austro-Hungarian Monarchy in the second half of the 19th century (O'Rourke, 2002). Labor mobility thus has been an entirely realistic common assumption of classical economics.

c) With the consolidation of the colonial system and with the strengthening of the post-revolutionary systems in nineteenth-century Europe, the spread of industrial and corporate organization following capitalist principles became unstoppable. International corporations in trade, banking, and insurance, together with the emergence of the global commodity and stock markets and the invention of the telegraph, extended the profit principle as the basic way of social organization across the world.

d) Closely related to the above transformations we can observe several waves of industrial revolution. The defining moment in these is the wide-scale industrial use of innovations, in other words, the unprecedented spread of technological skills and inventions in society. This has to do with social improvements, like universal schooling; but still, it is hard to oversee the importance of market conditions for this outcome. For it is common knowledge that many technical inventions, such as printing, had already long been known in non-European cultures. Still, these were not heavily used before the competitive spirit started to dominate the entire social fabric. It is hardly surprising that inventions and publications (as scientific output) emerge from all quarters of the globe, still most applications, patenting and embodied technological innovations are registered in the United States. Technological leadership is not unrelated to social organization.

e) It is hard to disregard that the flow of capital reached its peak in the years preceding the First World War, and that net flows of trade measured against GDP recovered to their 1914 levels only in 1995 (Williamson, 1998).

f) Lastly, mention should be made of the role of the gold standard that implied full current and capital account convertibility coupled with zero exchange rate risks. Since credit has not been fiat money, the expansion needed to service an ever-growing economy has been constrained by the quantities of gold production or irresponsible emission. Still, monetary stability and the ensuing calculability allowed for a truly global flow of scarce finances according to considerations of best return.

It is common knowledge that the restoration of the global economy based on the gold standard was only partial in the 1920–1929 period, and the Great Depression of 1929–1933 introduced a paradigmatic change in economic theory and policy. Up until about 1989, various state-led models of management dominated economic theory and practice alike. With the benefit of hindsight, it may be legitimate to ask whether this represented a mainstream human development, or a mere digression, despite the considerable variation of national models.

In the following I try to survey the major economic models of this period. By relying on the recent textbook of the Budapest University of Economics (Bara and Szabó, eds., 2000)[3] and some supplementary materials I try to address the decisive issue of sustainability of the respective alternatives. For it is common knowledge that if an economic model is a non-sustainable, it must be seen as a mere digression, even if it is extremely popular. The stop-go cycles observed under populist Latin American régimes may serve as a yardstick: no matter how popular the expansionary phase is with voters, it cannot be sustained as it creates inflation and, in the end, balance of payments crises. Thus, once global embeddedness is given, the re-emergence of stop-go cycles is a sign of notorious miscalculation. Or else: our question is directed at the sustainability of alternative arrangements that emerged in response to the Great Depression, alternatives aiming at national economic policy autonomy.

a) The most decisive alternative to the free market has been the centrally administered economy, in its Nazi Germany and Soviet variants. In the first, though property rights were formally observed, decisions on major investments and price calculations, on resource allocation and foreign trade were under the control of the state administration. In the second variant, full nationalization and a constant mobilization along a few priority investments dominated all horizontal forms of coordination. Sustaining each of these systems required oppressive politics and expansionary ideology that led to the belligerence of Germany and explosive economic development in the Soviet Union. While solving imminent

3. This is the only textbook available on comparative economic systems in the post-communist world, and to my knowledge, the only textbook (rather than reader) covering post-communist transition (besides discussing Latin American and East Asian models) and globalization, beyond the usual opposition of centralized and market systems.

social and economic problems, these arrangements proved self-defeating in the long run.

b) The social market economy then emerged as a search for a third way between *laissez-faire* capitalism and the centrally administered economy. It proved to be a tremendous success in the 1950s and 1960s, with seven to eight percent annual growth rates in the German Wirtschaftswunder, and the absorption of twelve million refugees in a country of 50 million. However, following the oil price hikes the German consensual model proved unable to adjust to the challenges of world economic changes. When in the 1990s it was confronted with reunification, the process thwarted all reforms and postponed organizational adjustment further. As an authoritative analysis (Cassel and Rauhut, 1998) pinpoints, the improvised nature of the construct as well as its inability to innovate resulted in a stagnant economy, where state expenditures exceed 50 percent of the GDP. What was conceived as a competitive order turned into a bargaining society where defending the status quo remained a dominant concern.

c) In Hungary and Yugoslavia market socialism was beginning in the 1960s. These changes of policy and of organizational structure have tried to combine plan and market, self-management and free prices, and political centralization with economic decentralization. While better performing than those countries that adopted the Soviet model, lagging behind the Western countries proved a lasting trend. Moreover, when more radical reforms were introduced, Hungary turned to a market economy without adjective in 1990, while Yugoslavia disintegrated along the lines of winners and losers of the similarly market-economy-type Marković-reforms of the same period. In sum, none of these attempts proved sustainable when geopolitical constraints derived from bipolarism were lifted.

d) Following decolonialization the idea of non-capitalist developmentalism emerged as a dominant paradigm both in theory and policy-making. The emphasis was put on capital accumulation, on import substitution, on state management of macroprocesses, and on defending autochthonous structures from the swings in international markets. In hindsight (Stiglitz and Hoff, 2001), these attempts appear to have failed, both in terms of generating growth in the long run, and even more in delivering for the poor. The wider scope of human development indicators we invoke, the more dismal this performance is. And while the survey quoted above provides insightful feedback and inferences to general economic theory on the role of institutions and good governance, the failure of the original paradigm is hardly a discussion issue any longer. As a matter of fact, failed forms of nationalism and industrialization often contributed to the heart of social problems and even partially induced the Islamic revolution of the late 1970s. Lacking institutions and governmental structures that developmentalism tended to presume as a given, many states were confronted with trends they were unable to deal with and radical solutions were often the result.[4]

e) Mention should be made of the changing nature of technological progress. If in the previous centuries economies of scale and scope seemed to be the name of the game, this situation has dramatically changed, not least due to the 'intrusion' of IT into the conventional activities of various sorts. While large scale investment was previously needed for any new business, and industrial forms of mass production were dominant, currently IT individualizes both producers and consumers. Individual sourcing, lean organization, outsourcing, subcontractor networking, and tailor-made production are now dominant. It is no longer fixed capital, but the ability to absorb and utilize information that constitutes the major competitive edge (a leading corporation's major asset is its loyal and motivated workforce in the new management paradigm).

3.2 *New Trends*

These changes have triggered wide-ranging consequences. Small states, once relegated to the status of anachronistic historical formations, have gained new viability, not least due to the sharply diminishing costs of producing various necessities, including symbols and national language cultural outputs (Brada, 2000). The growing importance of the meso-level—summed up in the concept of the 'Europe of Regions'—is yet another sign, supported by the wide-ranging decentralizations affecting the formerly highly centralized, uniform states such as France, Italy, Spain, the United Kingdom and Belgium.

In sum, inward-looking and state-led models have not proven sustainable, while globalization and new trends in technology and industrial organization all move towards a new direction. Thus while the future, as always, is open-ended, the solutions managed in the 1929–1989 period are no longer applicable.

The only question that remains to be addressed in closing this section relates to the mechanism, through which globalization affects the evolution of macro systems. This takes place in the competition among various solutions that emerge in a variety of layers.

4. This has emerged, alas, as one of the very few consensus points from the discussions at the University of Warwick conference entitled "Globalisation, Growth, and (In)equality," held on March 15–17, 2002.

The competition among commodities is trivially valid in a system of open trade regimes and under WTO disciplines. Hence, arrangements protecting non-viable or inferior producers tend to be crowed out. Technologies also compete, with more advanced ones being not only often cheaper but creating indirect spillovers, especially via the IT sector. Also the growing concern for the environment and the related change in priorities and self-perception of leading firms creates a competition for excellence.

The latter implies the massive flow of people. The more a society proves unable to cope with multiculturalism, the less it is able to profit from the major factor of long term growth, i.e. human capital. It is worth mentioning that current trends of migration are nowhere close to what had been the case at the *fin-de-siècle*, or to those in the USA during the past century.

Similarly important are the application of new organizational techniques and management skills. The more some stick to the outdated Taylorist-Fordist solutions, the higher the likelihood of these losing out to those familiar with more sophisticated technologies of coordinating activities of physically disconnected people.

Last but not least secularly divergent trends in living standards penalize those societies which stick to antiquated, non-performance related remuneration, over taxation and oppressive societal arrangements. This creates a vicious circle of stagnation, while others continue to generate new momentum. Only Cubas and North Koreas are able to seal off their frontiers.

4. Does Globalization Homogenize or Differentiate?

The methodological universalism built into modern analytical economics, like the standard McDonald hamburger or the standard Hilton room, leads many people to fear the unifying influence of globalization. True, some observers talk of unification of the mindset and denationalization of production and organizations alike (Ohmae, 1995); nevertheless, analytical economists have emphatically called our attention to the market as a creative process, where non-linearities are typically present. This means that even small changes may trigger large effects, thus indeterminism of future states is an inherent feature of evolution (Buchanan and Vanberg, 2001: 101–102).

In the following, I try to contrast the unifying and differentiating features of contemporary developments so as to be able to answer the question raised in the subtitle.

a) As we have seen above, the unstoppable spread of IT has already been revolutionizing management and industrial organization. Those wanting to profit from new technologies must be involved in global sourcing, in networking and in the processes leading to organizations without boundaries, since those sticking to Taylorism and self-sufficiency inevitably lag behind. In a non-factory type of production and marketing organization long hierarchies are counterproductive. The same holds for individual remuneration in overseeing and managing tasks requiring cooperation and a conscientious effort even in the lack of constant observance or without policing private e-mails and phone calls. These innovations have already penetrated many traditional sectors and thus this trend is not conditional upon the recovery of the IT sector as reflected in NASDAQ indices.

b) Large-scale corporations raise additional funding from capital markets. The more one is interested or reliant on non-bound equity financing, the more one needs to observe the accounting rules and disclosure requirements. Following the bad experiences of 1997–1999 in East Asia and more recently with the collapse of Enron and its auditor, Andersen, market participants might be even more concerned about solidity and adhering to conservative behavior. The emerging Basle Two Accord on Sound Banking Principles will decentralize risk assessment and impose more burden on those involved in emerging markets. This might, indeed, reduce available amounts for less developed countries (Griffith-Jones, 2002), but in the meantime it may mean better screening functions in the use of available money. And similarly, awareness raising about the real costs of additional funding might be the best way to discourage developing country politicians from engaging in yet another wasteful mega-project. Thus capital market discipline may indeed be severed, but this may be good news for both sides. Still, the overall validity of solid financial practices can hardly be doubted any longer.

c) As we have seen above, environmental concerns tend to be growingly endogenized by the leading corporations, or a growing segment of them. This has to do with the spread of the green agenda, with the presence of green parties (or like-minded value conservatives) in many governments, enforcement of ever-stiffer environmental legislation, and the extremely negative publicity of environmental scandals that loom for culpable companies.

One of the oldest wisdoms is that an attack is the best defense; thus leading firms have already been engaged in building up their corporate image as a green and clean organization. This may have to do with their activity area, their use of computers, their emphasis on high value added and many similar features. And nobody should underestimate the deterrent effect of the recurring environmental scandals on any management with a long-term strategy concerned with corporate image (not to speak of his own). The bigger and the more multinational a company, the stronger both positive and negative incentives are for it to adopt a modern profile.

d) Last but not least is the growing use of international standards and codes of conduct, be that the Code of Good Fiscal Practices of the IMF or the TRIM agreement of the WTO. The latter, limiting the use of local contents, minimum export requirements, and obligations to export, have limited the use of these as a redistributory measure, although it equally limited the distortion of markets and the resulting welfare losses in a dynamic perspective (Greenaway and Milner, 2001: 157). In rejecting customary, non-efficient and welfare reducing policies, poor countries though sacrificed their 'sovereign rights', still improved their policy quality and the welfare of their populations. Similarly, by renouncing fiscal misreporting, though freedom of administration to cheat is diminished, still by the same token, the ability of the public to check its government in a democratic fashion improves. The same goes for the 'outlawing' of corruption or the disregard for women's and children's rights with reference to cultural specificities. The more often the non-representative nature of governments is raised, the higher is the possibility of Pareto-improvements,[5] should these criticisms be heeded, since that would diminish policy-induced distortions (like prestige projects) common in the developing world.

4.2 Factors Inducing Diversity

a) Modern management literature is supportive of insights from industrial organization literature and economics over the paramount importance of culture in shaping forms of corporate governance. When Japanese carmakers attempted in Britain to induce the workforce to start the day by singing the corporate anthem, they were met with stiff resistance. Similar rebukes were experienced by Americans wanting to introduce individual remuneration schemes or individual initiative projects in Korea. German and Italian managers still dislike the idea of going to the capital market, and the British government still is terrified by the EU idea to introduce some form of 'employee co-decision' in the Statute on the European corporations.

5. This means a state in which improving the welfare position of one actor does not deteriorate the position of anybody else.

b) Equally dissimilar are the arrangements of the labor markets. If we only look at the best performers, the diversity is already astounding. In Japan, the life-long employment scheme, or the practice of re-employing 'heavenly envoys' (former high ranking bureaucrats in business positions) is still not buried. In Switzerland, guild-like arrangements produce outcomes where an unemployment rate over two percent is already a cause for concern. Meanwhile in Britain, Blair's New Labour has vigorously deregulated; in the Netherlands, part-time working has halved the army of unemployed; and Hungary leads transition economies via a practically liberalized labor market. In sum, there is no sign of any uniform arrangement.

c) One of the longest observations of comparative studies has been the differences in the performance and orientation of civil service. While in some countries this is seen as a property of the political class to support its clients, in other cases non-partisan public administration ensures high professionalism across stormy party politics. In some countries the 'high tax, high service' ideal is still popular, as in Scandinavia; in other cases public distrust is deeply seated, thus free market options are selling better. There is no 'iron law' prescribing, say thirty percent, as an ideal benchmark for the optimal level of public spending. Some analyses pointed to the marked diversity of public dues across the OECD countries and concluded that a big government may actually be quite attractive for big business. The reason is that big government provides more law and order, more externalities in terms of public service, and generally a more amenable business environment including better human capital (Garrett, 2000: 114; cf. also Rodrik, 1998). By contrast, low taxes or tax holidays may be seen as a way to try to compensate for a lack of institutional infrastructure or rule of law. These may be deterrents just as too low prices may indicate theft or inferior quality.

d) Lastly, we may reiterate one of the basic qualities of any competitive arrangement. Those following some standards, like benchmarking or market leaders, though opt for a low risk, also accept a low premium. Those going after a high return take more risks by innovating in various dimensions, or looking for yet untested markets, uncharted waters, and may, though by no means will, be rewarded lavishly. This Schumpeterian nature of any market implies a constant trial and error, but also ensures a diversity of competing options and strategies as the fundamental feature of the arrangement. If market entry cannot be blocked, and public power ensures this, then diversity will remain the defining feature of the market game.

In sum, we find both diversity and uniformity as lasting features in the globalization process. Uniformity relates basically to features that form the rules of the game. Diversity relates to the concrete steps that yield the best outcomes.

5. Conclusion

Thus we come to a conclusion that converges to what we observe in any game that is being played globally, like soccer. While the general rules of the game are the same everywhere, individual strategies may continue to differ just as much as the styles of the Brazilian and German teams tend to differ. The more we believe that general rules require different solutions under different contextual settings, the less we are surprised to see this outcome. Good governance these days thus implies facing sovereignty constraints, but also taking up public policy goals such as creating solid institutions and good quality regulatory environments that favor investors, foreign and domestic alike (Prakash, 2001: 560). This means nothing less that the open-ended nature of market economy and the principal indeterminacy of outcomes seems to be dominant over any fashionable concept of maximization. The latter can not even be postulated, since the global welfare function is even less definable than the social welfare function according to Kenneth Arrow, for much the same reasons (Arrow, 1950). Even if we accept his (mathematically proven) classic claim that in a nation-state it would take a dictator to order individual preferences according to a fiat social preference, this insight lends itself to easy generalization at the level of the world community. Therefore globalization is likely to increase, rather than diminish, the diversity of economic arrangements of the world.

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IV.

New Sources of Founding and Reforming the Aid System