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Facing the Challenge of Globalization

by
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The following article represents excerpts from a paper presented by Dr. Gupta at a conference on globalization in Cambridge, England at the Ridley Hall Foundation in June of 2002. Gupta is the executive director of organizational development at Wolfsberg, a wholly owned subsidiary of UBS in Switzerland. He also supervises doctoral research at the International Institute for Management in Technology at the University of Fribourg in Switzerland. The longer paper from which these excerpts are drawn can be accessed at the author's website: www.prabhu.guptara.net. —The Editor

Most thinking people share at least some disquiet about the forces that are shaping our world. I do not propose here to engage in arguments about the definition of globalization, but it is clear that the movement toward an ever more interconnected and interdependent world offers much that is good as well as much that is less good.

At the outset it is important to specify some of the deleterious effects of globalization which are not often thought about. Take the worldwide decline of the middle classes and the increasing tendency for societies to split into richer and poorer; or for societies to be divided into an increasing number who have no jobs and the few who have jobs but are forced to work incredibly long hours; or the curious fact that we have more wealth than at any other time yet we also have more poor people than ever before in the recorded history of the world; or our increasing technological proficiency alongside the apparently decreasing sense of responsibility for nature, especially in the USA and China; or the division of the world into the owners of capital (largely in the North) and the workers in the factories of the South (increasingly in China).

Technological Momentum

In order to examine such matters it is essential to have at least some elementary understanding of one of the key forces that is driving globalization, namely, the changes in the character and effects of technology, particularly in business and industry. I summarize a sequence of these changes in my ABCDE model: (1) technology *automates* existing processes; (2) technology *builds bridges* between processes and organizational divisions that traditionally had little to do with one another; (3) technology *cancels* old possibilities and *creates* new possibilities of structuring organizations; (4) technology *destroys* the walls between organizational divisions; and finally (5) technology *eliminates* the walls between organizational divisions.

The boundary-breaking potential of technology is countered at present by the fashion among businesses to emphasize “core competencies” and “to stick to one’s knitting.” These may be catch phrases by which the present generation of company leaders is protecting itself from the new world which will undoubtedly be created by boundary-breaking technologies. But the future belongs to a younger generation of leaders less burdened by the paradigms of the past, more in tune with technology, endowed with insight into what the technology enables, and brimming with the energy and skills to create the first new megacorporations. Overall, in spite of the current slowdown in the world economy, the impact of technology on business (and thus on the global economy) will be unimaginably revolutionary.

Our World Today

For the first time in history we live in a world of overproduction and overcapacity. The car industry has 33 percent overcapacity, not taking into account factories yet to open in Brazil, China, India, and elsewhere. In the steel industry chronic overcapacity has been forcing down prices by more than two percent annually for the past 25 years, and masses of steelworkers have lost their jobs. The world is already capable of producing more of everything than we need, from potato chips (agricultural products) to computer chips. The USA would dearly love to dump all its surplus agricultural produce on the rest of the world, and the rest of the world, which is incapable of producing so much, primarily for political reasons, is loath to let the USA swamp its own agricultural capacities. The European Union struggles with the Common Agricultural Policy (an enormous proportion of its entire budget) and is trying to find out what to do with its meat mountains and wine lakes.

At the same time, however, in this world of overproduction and overcapacity, 32,000 children died yesterday. And 32,000 more will die today. And tomorrow. And every day until we decide to do something about it. What was “only” a tragedy yesterday in a world of resource shortage is today, in a world of resource overabundance, an outrage as well as a tragedy.

Economic theory meanwhile continues to depend on the assumption of resource shortage! This assumption is entirely out of date and we do not yet have a new economic theory for our world. For example, forget the “trickle down” theory—the idea that as the economic tide rises, all boats rise with it. Many do rise with the tide, but others remain obstinately stuck on some reef or beach, prevented from the benefit of

the tide by walls created by kleptocracies in countries such as Sudan, Pakistan, and North Korea.

Theoretically, capitalism should have no booms and busts; the reasons that used to be given to explain booms and busts included the lack of information transparency and the existence of national boundaries that distort world trade. However, as the availability of information of all sorts has improved exponentially and national borders have become permeable at least in substantial areas of finance and economics since the fall of the Berlin Wall, we have actually seen more booms and more busts than at any other time in history, excluding the Great Depression.

Let me sum up the argument to this point: as a result of the impact of changes in the nature and effects of technology, we live, for the first time in history, in a world of global overproduction as well as of global starvation; we live in a world of capitalist booms and busts which should not, in theory, exist; and we live in a world of global interdependency where we all benefit from the strongest economies in the world but where simultaneously we are exposed to the world's weakest economies. We live therefore in a world in which individuals, families, nations, regions, and indeed global society need to prepare for all eventualities—an impossibility for human planning.

The Aspiration-Structure Clash

In a world of such rapid change we witness the clash between aspirations and structures, between things we want to achieve and the institutional structures we've created. Let me give a few examples.

1. There is increasing rhetoric regarding the need to ensure long-term sustainability and medium-term (rather than short-term) shareholder returns on investments. But we have a stock market system that focuses on immediate returns.

2. Everyone decries environmental problems, even if there is disagreement about both the extent of these problems and the best solutions to them. The essence of the dilemma is that our entire economy starts collapsing or stagnating whenever consumption drops. Our entire economic system is predicated on the need to increase consumption faster and faster, and such consumption raises the question of nonrenewable resources as well as the question of what to do with the waste.

3. Technology has always promised us power and choice, but we are living in what may come to be called the ETC Century (erosion, technological transformation, and corporate concentration). Technological power is becoming concentrated in a corporate elite that seems to be struggling for dominance over the rest of the earth. Thus, power and choice for most people may remain elusive—an unrealizable aspiration.

4. Never before have so many people been so rich and yet felt so poor: 64 percent of wealthy respondents to a poll (those with an average income of \$38 million) feel financially insecure! It has always been known that wealth does not equal happiness. While it may be better to be rich than to be poor, the surprising truth is that excessive wealth generates greater unhappiness than does excessive poverty. Why else would the richest parts of the world have the highest rates of suicide, divorce, and consumption of antidepressants?

5. Many people philosophize about social justice and the growing gap between rich and poor. Yet they do not seem to realize that we have put in place throughout the globe a particular structure which is responsible for increasing the gap. The whole international financial system is now based on a mechanism that is specifically forbidden in the Jewish Bible, in the New Testament, in the Koran, in the Indian Scriptures, in Chinese tradition, and among the Greeks, Romans, and Native Americans. Indeed, every traditional society forbade it. The system, technically called usury, allows owners of assets (including money) to charge rent for the use of those assets.

If, therefore, we want to consider serious reforms of the economic systems we have created, including laws defining corporations, the world financial system with its interest-bearing (“usury”) basis, and our fixation with growth, then we must realize that the big question facing us is about the future shape of capitalism. This is primarily but not exclusively a question relating to economics, but it ties in closely with questions about the future of the earth (the environment); the future of democracy (governance); and the future of science and technology.

Is Healthy Globalization Possible?

What positive steps can be taken to ensure a good rather than a disastrous future for us all? It seems fairly clear to me that, leaving aside for the moment radical calls for change such as those for abolishing usury, the following five steps would constitute a minimum agenda for creating a better sort of globalization.

1. Inculcate a culture in which there is a high place for the idea of “enough.”
2. Promote self-restraint of, or penalize, demands for ever higher profits and wages.
3. Move away from a fascination with economic expansion for its own sake and toward a concern with holistic human development.
4. Replace the notion of private limited companies with that of publicly authorized companies (PACs)—companies that take seriously the environment, labor, consumers, and civil society.
5. Establish suitable international treaties governing international finance, trade, technology, justice, and the environment.

Does that sound like an impossible challenge? It may be if attitudes, aspirations, and cultures do not change. But consider this: today’s situation is remarkably similar to that of pre-Reformation Europe. The Protestant Reformation was the work of a few well-known, but multitudes of little-known, people who were not only prepared to, but actually did sacrifice their lives and careers to communicate a biblical view of the value of work, the value of time, the urgency of literacy, respect for the views of others, and the importance of gaining knowledge of the world—God’s creation—of which we are a part.

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