

Deacon, Bob

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## Globalization and social policy: The threat to equitable welfare

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Geneva 2000 Occasional Paper No. 5

March 2000

# **Globalization and Social Policy: The Threat to Equitable Welfare**

*by Bob Deacon*



United Nations Research Institute for Social Development

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UNRISD, Palais des Nations  
1211 Geneva 10, Switzerland

Tel: (41 22) 9173020  
Fax: (41 22) 9170650  
E-mail: [info@unrisd.org](mailto:info@unrisd.org)  
Web: <http://www.unrisd.org>

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## Acronyms

<b>ACP</b>	African, Caribbean and Pacific
<b>DAC</b>	Development Assistance Committee
<b>DFID</b>	Department for International Development (United Kingdom government)
<b>EPZ</b>	Export Processing Zone
<b>ETI</b>	Ethical Trading Initiative
<b>EU</b>	European Union
<b>GATS</b>	General Agreement on Trade in Services
<b>GDP</b>	gross domestic product
<b>GNP</b>	gross national product
<b>G-7</b>	Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States)
<b>HIPC</b>	highly indebted poor country
<b>ICFTU</b>	International Confederation of Free Trade Unions
<b>ILO</b>	International Labour Organization
<b>IMF</b>	International Monetary Fund
<b>MAI</b>	Multilateral Agreement on Investment
<b>NAFTA</b>	North American Free Trade Agreement
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>OSCE</b>	Organisation for Security and Cooperation in Europe
<b>PAYG</b>	pay-as-you-go
<b>TNC</b>	transnational corporation
<b>UK</b>	United Kingdom
<b>UN</b>	United Nations
<b>UNDP</b>	United Nations Development Programme
<b>UNESCO</b>	United Nations Educational, Social and Cultural Organization
<b>UNICEF</b>	United Nations Children's Fund
<b>US</b>	United States
<b>WHO</b>	World Health Organization

## Summary/Résumé/Resumen

### **Summary**

This paper argues that neoliberal globalization is presenting a challenge to welfare provisioning in the industrialized countries and to the prospects for equitable social development in developing and transition economies. This challenge flows partly from the unregulated nature of the emerging global economy and partly from intellectual currents dominant in the global discourse concerning social policy and social development. The paper contends that certain global conditions are undermining the prospects for the alternative: equitable public social provision in both developed and developing countries. These conditions include the World Bank's preference for a safety-net and privatizing strategy for welfare; the self-interest of international non-governmental organizations (NGOs) in providing basic education, health and livelihood services that might otherwise be provided by the state; and the World Trade Organization's (WTO's) push for an open global market in health services, education and social insurance. Yet these disturbing trends are taking place in parallel with an apparent shift in the politics of globalization from orthodox economic liberalism to global social concern.

The paper begins by reviewing the challenges faced by countries seeking to secure the social welfare of citizens and residents in the context of globalization. In the North, globalization has set welfare states in competition with each other. Moreover, the different kinds of welfare state are differently challenged by globalization, and have responded differently. Anglo-Saxon countries, which have residualized and privatized welfare provision, are in tune with liberalizing globalization, but at the cost of equity. Workplace-based welfare systems of the former state socialist countries, and payroll tax-based "Bismarkian" insurance systems common in many Western European countries, are proving vulnerable to global competitive pressures. The social democratic, citizenship-based welfare systems funded out of consumption and income taxes, found in the Nordic countries, have been surprisingly sustainable in the face of global competitive pressures due to political will to maintain them. In the South, globalization has generated indebtedness that has undermined the capacity of governments to secure education, health and social protection. It has threatened social and labour standards, segmented social policy within countries and created zones excluded from any of the benefits of globalization.

Next the paper considers the current global social policy discourse within and between international organizations and aid agencies. The International Monetary Fund (IMF) has recently shown signs of taking the social dimensions of globalization more seriously, by beginning to consider whether some degree of equity within countries is beneficial to economic growth. The World Bank has articulated more clearly its "individual risk management approach" to social protection in the context of globalization. The Organisation for Economic Cooperation and Development (OECD) has asserted that globalization may lead to the need for more, not less, social expenditure. While the International Labour Organization (ILO) has begun to show signs of making concessions to



the Bank's views on privatizing some aspects of social security, it has also shown an interest in a new universalism emerging from bottom-up movements in several countries. The views of the WTO on the desirability of a global market in health and social service provision are assuming new prominence. International NGOs are now more clearly divided into those acting as substitutes for government, and those advocating greater government responsibility for welfare.

Yet within this discordant global discourse can be discerned elements of a new politics of global social responsibility. Orthodox economic liberalism and inhumane structural adjustment appear to be giving way to concern in the World Bank and the IMF with the social consequences of globalization. International development assistance is increasingly focusing on social development. United Nations agencies are giving more attention to the negative social consequences of globalization. Among the shifts in policy thinking and concrete steps that are being taken, which could herald more socially responsible globalization, are moves to globalize social rights, indications that social policy issues are moving up the development agenda and steps to regulate the global economy.

The paper looks at each of these in turn, and at the disagreements as to how to proceed with this new orientation. It examines the dangers of the North moralizing about global social rights without providing the resources to realize them in practice. It also discusses whether the initiative to establish a code of principles and best practice for social policy will enable these dangers to be overcome. The paper then questions whether the move to establish development targets, such as basic education for all by 2015, represents global social progress or the legitimization of residual social policy. The obstacles to progressive North-South social policy and social development dialogue are also examined. In terms of the moves to inject social concerns into the global economy, the paper reviews conflicts of interest surrounding the failed WTO conference in Seattle, the proliferation of codes of conduct for transnational corporations and the debate about raising global taxes to finance social programmes.

The paper argues that despite the apparent shift from global neoliberalism to global social responsibility, four tendencies within the new global paradigm, if pursued, will undermine equitable social progress and development—at a time when the resources exist to fund such advances. These tendencies are:

- the World Bank's belief that governments should provide only minimal levels of social protection;
- the concern of the OECD's Development Assistance Committee (DAC) to focus funding on only basic education and healthcare;
- the self-interest of international NGOs in substituting for government provision of services; and
- the moves being made within the WTO to open the global market in private healthcare, education and social insurance.

Within the context of minimal and basic-level-only state provision, the middle classes of developing and transition economies will be enticed to purchase

private social security schemes, private secondary and tertiary education, and private hospital and medical care. The wider repercussions are predictable. We know that only services for the neediest will remain—and that services for the poor are poor services. We know that those developed countries without universal public health and education provision are not only more unequal than those that do, but also more unsafe and crime ridden. This is the prospect for all countries that buy into this new global social development paradigm.

Some policy measures to counteract this trend and to re-establish the place of equity in the discourse and practice of global social policy and development are suggested in this paper, together with an assessment of global forces that might be sympathetic to them. It is concluded that a major problem is the fragmentation and functional separation of agencies (WTO, World Bank, IMF, ILO, WHO, UNDP, UNESCO, OECD, regional groupings), and conflict and competition within and between them for the right to determine the content and other aspects of global social policy. Whether the five-year review of the World Summit for Social Development (Geneva 2000) begins the process of establishing a responsible and accountable global system of governance in the social sphere will depend to a large extent on political support from the European Union. It will also hinge on progressive voices from the South speaking out for improvements in the structure of global governance—in the interests of the North and the South, and of equity within and between countries.

Bob Deacon is Director of the Globalism and Social Policy Programme (GASPP), a five-year (1997-2002) research, advisory, education and public information programme based jointly at the National Research and Development Centre for Welfare and Health in Helsinki, Finland, and the Centre for Research on Globalisation and Social Policy, Department of Sociological Studies, University of Sheffield, United Kingdom.

## **Résumé**

La mondialisation néolibérale remet en question la protection sociale dans les pays industrialisés et les perspectives d'un développement social équitable dans les économies en développement ou en transition: telle est la thèse de cette étude. Cette remise en question vient en partie du caractère déréglementé de la nouvelle économie mondiale et en partie des courants intellectuels qui dominent le discours mondial sur la politique sociale et le développement social. Selon cette étude, certaines conditions générales empêcheraient une autre issue, celle d'une protection sociale équitable assurée par l'Etat dans les pays développés comme dans les pays en développement. Ces conditions sont notamment la préférence de la Banque mondiale pour une stratégie de la protection sociale conçue comme "filet de sécurité" et allant dans le sens de la privatisation; l'intérêt qu'ont les organisations non gouvernementales (ONG) internationales à fournir des services de base dans les domaines de l'éducation, de la santé et des moyens d'existence, services qui, sans elles, seraient sans doute dispensés par l'Etat; et les pressions de l'Organisation mondiale du commerce (OMC) en faveur d'un marché mondial ouvert pour les services de santé, d'éducation et les assurances. Cependant, parallèlement à ces tendances

inquiétantes, la politique de la mondialisation semble s'écarter du libéralisme économique orthodoxe pour se préoccuper davantage du social au niveau mondial.

L'auteur commence par recenser les difficultés rencontrées par les pays qui s'efforcent d'assurer la protection sociale de leurs citoyens et résidents à l'heure de la mondialisation. Au Nord, la mondialisation a mis les Etats-providence en concurrence les uns avec les autres. De plus, comme les difficultés soulevées par la mondialisation diffèrent selon le type d'Etat-providence, les solutions qui y ont été apportées diffèrent également. Les pays anglo-saxons, qui ont une protection sociale résiduelle et privatisée, sont dans la mouvance de la mondialisation libérale, mais aux dépens de l'équité. Les systèmes de protection sociale des pays anciennement socialistes, qui prennent pour base le poste de travail, et les systèmes d'assurance "bismarquiens", qui sont communs à de nombreux pays d'Europe occidentale et se fondent sur les cotisations sociales, se révèlent vulnérables aux pressions de la concurrence mondiale. Les systèmes socio-démocrates des pays nordiques, fondés sur la citoyenneté et financés par les impôts sur le revenu et les taxes à la consommation, y ont, en revanche, étonnamment bien résisté parce qu'il existe une volonté politique de les maintenir. Au Sud, la mondialisation a engendré l'endettement et, par là, l'effritement de la capacité des gouvernements d'assurer l'éducation, la santé et la protection sociale. Elle a ébranlé les acquis sociaux et les conditions d'emploi, compartimenté la politique sociale à l'intérieur des pays et créé des poches d'exclus qui ne tirent nul profit de la mondialisation.

L'auteur s'intéresse ensuite au discours tenu à l'intérieur des organisations internationales et des organismes d'aide, et entre eux, sur la politique sociale dans le monde actuel. Le Fonds monétaire international (FMI) semble depuis peu prendre davantage au sérieux les dimensions sociales de la mondialisation et l'a montré en commençant à se demander si un certain degré d'équité à l'intérieur d'un même pays ne favorisait pas la croissance économique. La Banque mondiale a explicité son approche de la protection sociale, qui est, dans le contexte de la mondialisation, celle de la "gestion des risques individuels". L'Organisation de coopération et de développement économiques (OCDE) a affirmé que la mondialisation risquait d'entraîner non pas une réduction mais une augmentation des dépenses sociales. L'Organisation internationale du Travail (OIT) a semblé faire des concessions à la Banque mondiale sur la privatisation de certains aspects de la sécurité sociale mais s'est aussi intéressée au nouvel universalisme qui pourrait naître des mouvements populaires de plusieurs pays. L'OMC, qui estime qu'un marché mondial des services sanitaires et sociaux est souhaitable, voit ses vues prendre une importance nouvelle. Entre les ONG internationales, la division est aujourd'hui plus nette entre celles qui se substituent à l'action du gouvernement et celles qui lui demandent d'assumer une plus grande part de responsabilité en matière de protection sociale.

Dans ce discours mondial discordant, on discerne pourtant des éléments d'une nouvelle politique de responsabilité sociale sur le plan mondial. A la Banque mondiale et au FMI, le libéralisme économique orthodoxe et l'ajustement structurel inhumain semblent céder le pas à l'inquiétude devant les conséquences sociales de la mondialisation. L'aide au développement international se concentre de plus en plus sur le développement social. Les

institutions des Nations Unies sont plus attentives aux retombées sociales néfastes de la mondialisation. Dans la réflexion sur les politiques et dans les mesures concrètes adoptées, des changements sont survenus qui pourraient augurer d'une mondialisation plus soucieuse du social, comme les initiatives visant à mondialiser les droits sociaux, les indices d'une remontée progressive des questions de politique sociale dans l'ordre du jour du développement, et les mesures de régulation de l'économie mondiale.

L'auteur examine tour à tour chacun de ces changements, ainsi que les désaccords sur la façon de traduire cette nouvelle orientation dans les faits. Il pèse les dangers qu'il y aurait à adopter une attitude moralisatrice sur les droits sociaux dans le monde si le Nord ne fournissait pas en même temps les ressources nécessaires à la réalisation de ces droits. Il se demande si l'établissement d'un code de conduite et le recensement des meilleures pratiques en matière de politique sociale permettront de surmonter ces dangers. Il se demande aussi si l'établissement d'objectifs de développement, tels que l'éducation fondamentale pour tous d'ici à 2015, représente un progrès social au niveau mondial ou ne fait que légitimer une politique sociale résiduelle. Il passe aussi en revue les obstacles à un dialogue progressif Nord-Sud sur la politique sociale et le développement social. S'agissant des initiatives prises pour intégrer le souci du social dans l'économie mondiale, l'auteur étudie les conflits d'intérêt qui entourent l'échec de la conférence de l'OMC à Seattle, la prolifération des codes de conduite pour sociétés transnationales et le débat sur la perception de taxes mondiales pour financer des programmes sociaux.

L'auteur explique que, malgré le passage apparent du néolibéralisme mondial à la responsabilité sociale mondiale, le nouveau paradigme mondial présente quatre tendances qui, s'il se maintient, feront obstacle à un progrès social équitable—à une époque où les ressources nécessaires au financement d'un développement équitable ne manquent pas. Ces tendances sont les suivantes:

- la conviction, qui est celle de la Banque mondiale, que les gouvernements ne devraient assurer que des niveaux minimaux de protection sociale;
- le fait que le Comité d'aide au développement (CAD) de l'OCDE ne finance que l'éducation fondamentale et les soins de santé de base;
- l'intérêt qu'ont les ONG internationales à se substituer aux gouvernements pour la prestation de services;
- les tentatives faites au sein de l'OMC pour étendre le marché mondial aux domaines des soins de santé privés, de l'éducation et des assurances sociales.

Avec des Etats n'assurant qu'une protection minimale et des services de base, les classes moyennes des économies en développement et des pays en transition seront tentées d'adhérer à des régimes privés de sécurité sociale et de choisir le privé pour l'enseignement secondaire et tertiaire comme pour les soins médicaux et hospitaliers. Les conséquences en sont prévisibles. On sait que seuls les services pour les plus nécessiteux subsisteront et que les services pour les pauvres sont de piètres services. On sait que les pays développés qui n'offrent pas un système universel de santé publique et d'éducation non

seulement présentent de plus fortes inégalités que les autres mais sont affligés aussi d'une insécurité et d'un taux de criminalité supérieurs. Voilà ce qui attend les pays prêts à adopter ce nouveau paradigme mondial du développement social.

L'auteur indique quelques mesures politiques susceptibles de combattre cette tendance et de redonner à l'équité la place qui lui revient dans le discours et la pratique de la politique sociale et du développement social dans le monde. Il évalue aussi les forces mondiales qui pourraient être favorables à de telles mesures. Il conclut que le morcellement des institutions (OMC, Banque mondiale, FMI, OIT, OMS, PNUD, UNESCO, OCDE, groupements régionaux) et des fonctions, les conflits qui les agitent et les opposent et le fait qu'elles se disputent le droit de décider du contenu et d'autres aspects de la politique sociale au niveau mondial, posent un problème majeur. Le bilan du Sommet mondial pour le développement social cinq ans après (Genève 2000) va-t-il déboucher sur la mise en place d'un système responsable de gouvernance mondiale dans le domaine social? La réponse à cette question dépendra dans une large mesure de l'appui politique de l'Union européenne. Elle dépendra aussi des progressistes du Sud et de leur ardeur à réclamer une amélioration de la structure de la gouvernance mondiale—dans l'intérêt du Nord et du Sud et pour que l'équité règne à l'intérieur des pays et entre eux.

Bob Deacon est directeur du programme Mondialisme et politique sociale (Globalism and Social Policy Programme—GASPP), programme quinquennal (1997-2002) de recherche, de conseils, d'éducation et d'information basé conjointement au Centre national de recherche-développement pour la protection sociale et la santé de Helsinki (Finlande) et au Centre de recherche sur la mondialisation et la politique sociale du Département de sociologie de l'Université de Sheffield (Royaume-Uni).

## **Resumen**

En el presente documento se argumenta que la mundialización neoliberal está presentando un desafío a la provisión del bienestar en los países industrializados y a las perspectivas de un desarrollo social equitativo en las economías en desarrollo y en transición. Este desafío obedece, por una parte, al carácter irregular de la economía mundial emergente y, por otra, a las corrientes intelectuales dominantes en el discurso mundial sobre la política y el desarrollo social. En este informe se sostiene que determinadas condiciones mundiales están menoscabando las perspectivas de la política alternativa de establecer un sistema social público equitativo, tanto en los países desarrollados como en desarrollo. Estas condiciones incluyen la preferencia del Banco Mundial por emprender una estrategia de red de seguridad y de privatización encaminada al bienestar, el interés propio de las organizaciones no gubernamentales (ONG) internacionales en prestar servicios básicos de educación, sanidad y sustento que, de otro modo, podrían ser facilitados por el Estado, y la presión de la Organización Mundial del Comercio (OMC) por establecer un mercado mundial abierto en el ámbito de los servicios de sanidad, educación y seguros. Sin embargo, estas inquietantes tendencias están manifestándose paralelamente al cambio aparente de las políticas de mundialización, que han pasado del

liberalismo económico ortodoxo a la preocupación por el bienestar social mundial.

El informe comienza con un análisis de los desafíos a los que se enfrentan los países que desean asegurar el bienestar social de sus ciudadanos y residentes en el marco de la mundialización. En el Norte, la mundialización ha enfrentado a los estados de bienestar. Además, los distintos tipos de estados de bienestar se ven desafiados por la mundialización de diferente modo, y responden a la misma de diferente manera. Los países anglosajones, que han conferido un carácter residual a la provisión del bienestar y han privatizado la misma, están en sintonía con la mundialización de la liberalización, pero a expensas de la equidad. Los sistemas de bienestar basados en el lugar de trabajo, propios de los antiguos países socialistas, y los sistemas de seguros “bismarkianos” de nóminas sujetas a impuestos, a menudo establecidos en muchos países de Europa Occidental, se están mostrando vulnerables a la presión de la competencia mundial. Los sistemas de bienestar social-demócratas basados en la ciudadanía, financiados por el consumo y los impuestos sobre la renta, propios de los países nórdicos, han demostrado una sorprendente sostenibilidad ante la presión de la competencia, debido a la voluntad política de mantener dichos sistemas. En el Sur, la mundialización ha generado un endeudamiento que ha menoscabado la capacidad de los gobiernos para asegurar protección en materia de educación, sanidad y bienestar social; ha supuesto una amenaza para las normas sociales y de trabajo, ha fragmentado la política social en los países y ha creado zonas totalmente excluidas de los beneficios de la mundialización.

A continuación se estudia el discurso actual sobre la política social mundial en y entre las organizaciones internacionales y organismos de ayuda. Recientemente, el Fondo Monetario Internacional (FMI) ha dado muestras de considerar más seriamente las dimensiones sociales de la mundialización, al empezar a plantearse si una mayor equidad en los países fomentaría el crecimiento económico. El Banco Mundial ha expresado más claramente su “concepto particular de la gestión de riesgos” en lo concerniente a la protección social en el marco de la mundialización. La Organización de Cooperación y Desarrollo Económico (OCDE) ha declarado que la mundialización puede conducir a la necesidad de un gasto social mayor, y no menor. Si bien la Organización Internacional del Trabajo (OIT) ha comenzado a dar indicios de coincidir con el Banco en la privatización de algunos aspectos de la seguridad social, también ha mostrado interés por un nuevo universalismo procedente de movimientos ascendentes en algunos países. Las consideraciones de la OMC sobre la conveniencia de establecer un mercado mundial, en lo que respecta a la prestación de servicios sanitarios y sociales, están adquiriendo mayor importancia. Hoy en día, las organizaciones no gubernamentales se dividen claramente entre las que sustituyen al gobierno y las que defienden que éste debe asumir mayor responsabilidad en lo tocante al bienestar.

Sin embargo, en el discordante discurso mundial se observan elementos de una nueva política de responsabilidad social mundial. El liberalismo económico ortodoxo y el reajuste estructural inhumano parecen llevar al Banco Mundial y al FMI a preocuparse por las consecuencias sociales de la mundialización. La asistencia para el desarrollo internacional se centra cada vez más en el desarrollo social. Los organismos de las Naciones Unidas están prestando

mayor atención a las repercusiones sociales negativas de la mundialización. Entre los cambios operados en la filosofía política y las medidas concretas que están adoptándose, que anunciarían una mundialización más responsable desde el punto de vista social, destacan los movimientos encaminados a la mundialización de los derechos sociales, los indicios de que las cuestiones de política social están recibiendo prioridad en los programas de desarrollo, y las medidas adoptadas para regularizar la economía mundial.

En el presente informe se examina sucesivamente cada uno de estos aspectos, así como los desacuerdos expresados sobre el plan de acción de este nuevo planteamiento. Se analiza el peligro de que el Norte moralice sobre los derechos sociales mundiales, sin facilitar los recursos necesarios para su aplicación. También se estudia si la elaboración de un código de principios y mejores prácticas en materia de política social permitiría superar este peligro. A continuación, se plantea si la iniciativa encaminada al establecimiento de objetivos de desarrollo, como la educación básica para todos en el año 2015, representa un progreso social mundial o la legitimación de una política social residual. También se examinan los aspectos que dificultan el diálogo progresivo entre el Norte y el Sur sobre el desarrollo político y social. En lo concerniente a las iniciativas emprendidas para que se consideren las cuestiones sociales en la economía mundial, se analizan los conflictos de interés en torno al fracaso de la conferencia de la OMC en Seattle, la proliferación de los códigos de conducta para las sociedades transnacionales y el debate sobre el aumento de los impuestos mundiales para financiar los programas sociales.

En el informe se sostiene que, pese al cambio aparente de un neoliberalismo mundial a una responsabilidad social mundial, existen cuatro tendencias en el nuevo modelo mundial, si se procede conforme al mismo, que menoscabarán el progreso social equitativo—cuando haya suficientes recursos para financiar el desarrollo equitativo. Estas tendencias son:

- el convencimiento del Banco Mundial de que los gobiernos solamente deberían asegurar una protección social mínima ;
- la financiación del Comité de ayuda al desarrollo (DAC) de la OCDE únicamente para la educación básica y la atención sanitaria;
- el interés propio de las ONG internacionales en sustituir al gobierno en lo que concierne a la prestación de servicios;
- las medidas adoptadas en la OMC para ampliar el mercado mundial en el ámbito de la atención sanitaria privada, la educación y el seguro social.

Cuando el Estado únicamente facilite servicios mínimos y básicos, las clases medias de las economías en desarrollo y en transición se verán tentadas a comprar programas privados de seguridad social, de educación secundaria y terciaria, y de asistencia hospitalaria y sanitaria privada. Se prevén repercusiones de gran alcance. Sabemos que sólo quedarán los servicios para los más necesitados—y que los servicios para los pobres son escasos. Sabemos que los países desarrollados que carecen de un sistema de sanidad o educación pública universal no sólo son más desiguales que los que cuentan con dicho sistema, sino también más inseguros y más azotados por el crimen. Este es el futuro que

aguarda a todos los países que apoyen este nuevo modelo de desarrollo social mundial.

En el presente documento se proponen algunas medidas políticas para contrarrestar esta tendencia y para restablecer la equidad en el discurso y la aplicación de la política y el desarrollo social mundiales, así como una evaluación de las fuerzas mundiales que posiblemente se muestren a favor. Se concluye que la fragmentación y separación funcional de los organismos constituye un grave problema (OMC, Banco Mundial, FMI, OIT, OMS, PNUD, UNESCO, OCDE, agrupamientos regionales), al igual que el enfrentamiento y la competencia en los mismos y entre los mismos, en lo que concierne al derecho de determinar el contenido y otros aspectos de la política social mundial. Que el análisis de cinco años que se lleve a cabo en la Cumbre Mundial para el Desarrollo Social (Ginebra, 2000) inicie o no el proceso de establecimiento de un sistema de gobierno mundial responsable en el ámbito social dependerá en gran parte del apoyo político de la Unión Europea. También dependerá de las voces progresistas del Sur, que pidan abiertamente la introducción de mejoras en la estructura del gobierno mundial – en el interés del Norte y del Sur, y de la equidad en los países y entre los países.

Bob Deacon es Director del Programa sobre Mundialización y Política Social (GASPP, siglas en inglés). Se trata de un programa de investigación, asesoramiento, educación e información pública de cinco años (1997-2002) con base tanto en el Centro nacional de investigación y desarrollo en materia de bienestar y sanidad, de Helsinki (Finlandia), como en el Centro de investigación sobre la mundialización y la política social (Departamento de estudios sociológicos), de la Universidad de Sheffield (Reino Unido).





## Liberalizing Globalization: Challenges to Social Policy and Development

This is not the place to examine the nature and meaning of globalization in great depth (which may be found in the UNDP's 1999 **Human Development Report** on Globalization and Human Development). For the purposes of this paper, globalization includes all of the following processes, which have accelerated over the past 20 years or so:

- flows of short-term foreign investment based on speculative currency trading;
- longer term foreign direct investment;
- world trade, with policies aimed at further reducing barriers to trade;
- the share of global production and trade associated with transnational corporations (TNCs);
- the global interconnectedness of production, due in part to changes in the technology of production and servicing;
- the movement of people for trade and labour purposes;
- the global reach of new forms of communication, including television and Internet.

These processes and related phenomena have resulted in economic activity becoming more global. They have also led to the emergence of a global civil society sharing a common political and cultural space. Yet global political institutions lag behind these developments and remain stuck in an earlier historic epoch of intergovernmentalism.

The liberalizing globalization of the past decades has been shown to have a number of undesirable social consequences globally (UNDP, 1999). These include:

- increased inequality both within and between countries, and increased impoverishment;
- increased vulnerability of people to social risks, such as unemployment and crime; and
- increased chances of exclusion of individuals, communities, countries and regions from the benefits of globalization.

Processes of liberalizing globalization may also have damaged the capacity of governments to act in a socially compensatory way. In the past, countries were in the habit of implementing and benefiting from their own national policies. Even the more open economies felt they could manage their own destinies. Globalization may be changing this in the following ways.

- Countries pursuing macroeconomic policies that include deficit spending are punished by currency speculators and the outflow of capital.

- The taxation capabilities of countries are severely challenged by tax competition, tax havens and the transfer price mechanisms of multinational corporations.
- Governments confront difficulties in pursuing microeconomic policies, such as industrial strategies. Organizations such as the World Trade Organization (WTO) are quick to remind governments of the limits of autonomy in this sphere.
- Powerful TNCs bring capital, technology and management to their host country, but without any accountability to the country within which they operate.

While all this is happening, the social consequences of globalization generate the need for more—not fewer—measures of social protection. Inequality requires more social redistribution; vulnerability requires the strengthening of social rights, entitlements and systems of social protection; social exclusion creates the need for strategies of empowerment.

### ***Welfare states challenged in the North***

One way to examine how globalization affects the capacity of more developed countries to juggle openness with national-level social policy is to consider its impacts on the diverse kinds of welfare states in the Organisation for Economic Cooperation and Development (OECD). These include the following.

- **Globalization sets welfare states in competition with each other.** This generates the danger of social dumping, deregulation and a race to the bottom in terms of welfare provisioning. There are, however, political choices available to the welfare state. Does it cut expenditures, loosen labour and other regulations, and pursue the race to the welfare bottom? Does it spend on certain aspects of social welfare to increase productivity, and political and social stability, in order to attract investment? Does it steer a third course and maintain all welfare expenditures, funding them in ways that do least damage to competitiveness?
- **Globalization raises issues of social redistribution, social regulation and social empowerment to a regional and global level.** As a result, new supranational actors enter the picture, complicating the politics of welfare. These include inter-governmental organizations—such as the Bretton Woods institutions, the United Nations (UN) family of agencies and the OECD, international non-governmental organizations (NGOs), transnational corporations, global social movements, transnational policy networks, epistemic communities (such as development studies scholars and international social security professionals), and consultancy companies. There have thus been calls to regulate some global actors and to reform the contribution of others to global social governance.
- **Globalization generates a global discourse within and among global actors on the future of national and supranational social policy.** The future of social policy at the national and supranational levels is being shaped by a struggle between

supranational organizations for the *right to participate* in shaping policy, and within and between supranational organizations for the *content* of social policy. For example, certain assumptions held by the International Monetary Fund (IMF) and the World Bank about desirable social policy have led to an unnecessary convergence among countries in the residualization and privatization of social protection.

- **Globalization creates a global market in welfare providers.**

Globalization generates increased opportunities for private providers of welfare services to operate in many countries, undermining national social service provision and regulatory policies. For example, large insurance companies are waiting in the wings to sell their products (to the less risky sections of the population in Europe) if pressures on payroll taxes create political alliances in favour of reducing public pension commitments. Private international providers of healthcare services (Koivusalo and Ollila, 1997; WHO, 1998), social assistance and welfare benefits providers (**The Times**, 30 April 1999), and education services are already competing for clients and consumers in Europe. The Multilateral Agreement on Investment (MAI) (drafted under OECD auspices) would have made it much easier for such companies to expand into new markets and countries, potentially undermining public welfare provision (Clarke and Barlow, 1997).

Within this context, projections concerning the future impact of globalization on social policy in developed countries have ranged from those that foretell doom to those that are complacent. At one extreme, Martin and Schumann (1997:7) have written:

In a global pincers movement, the new International of capital is turning whole countries and social orders upside down. On one front, it threatens to pull out altogether according to the circumstances of the hour, thus forcing massive tax reductions as well as subsidies running into billions of marks or the provision of cost-free infrastructure. If that doesn't work, tax planning in the grand style can often help out: profits are revealed only in countries where the rate of taxation is really low. All round the world, the owners of capital and wealth are contributing less and less to the financing of public expenditure. On the other front, those who manage the global flows of capital are driving down the wage levels of their tax-paying employees. Wages as a share of national wealth are declining world-wide; no single nation is capable of resisting the pressure. The German model [will] be 'well and truly thinned down' by global competition.

Support for this type of view came from an unlikely source recently when Tanzi (of the IMF) warned that there were termites working away at the foundations of the fiscal house of governments. These termites included the growth of e-commerce, the use of transfer price mechanisms, the spread of tax havens and hedge funds, and the mobility of capital and labour. The "conclusion must be that the world must prepare itself for what could prove to be significant falls in tax levels" (Tanzi, 1999:14).

At the other extreme, writing on the capacity of governments to promote social goals, van den Broucke (1998:59) has concluded that:

Apart from the desirability of international economic co-operation and financial regulation . . . the crucial constraints for successful egalitarian employment policies hinge (a) upon willingness to redistribute resources from rich (often high-skilled) to poor (often low-skilled), to finance targeted employment policies by means of wage subsidies or public employment schemes, improved education and training, and to remedy unacceptable income inequalities which cannot be eliminated by such policies; (b) upon willingness to accept some discipline with regard to the average wage level in both slack and tight labour markets. . . . There are no convincing arguments that “globalization” has made it impossible to overcome these constraints.

Others (Pierson, 1999:34) have “cautioned against the acceptance of a grossly oversimplified vision of national welfare states under siege from the forces of footloose global capital”. According to this observer, while there is some truth to the account, other overlapping social transformations—such as the changing nature of technology and the aging population—generate their own challenges to welfare states.

In fact, developed European welfare states have so far been differently affected by globalization: some being more challenged, some (in principle) more sustainable and some flowing with the tide at the price of social equity (Sykes et al., 2000). Some of the considerations leading to this conclusion are set out in table 1, where globalization is unpacked into its component elements. Currency speculation and associated capital flows is one element; increased free trade is another; embeddedness in the international production system is a third; and fourth (of particular relevance to the post-communist developed countries) is the role of the global financial institutions in shaping—through loan conditionality—a particular model of social protection.

The review suggests that:

- Social policy involving residualization, individualization and privatization (as in the systems of North America) is consistent with the present phase of liberalizing globalization, but inequity is the cost.
- Workplace-based welfare systems of the former state socialist countries, and the “Bismarkian” social insurance systems found in a number of Western European countries are based on high payroll taxes vulnerable to global competitive pressures.
- Social democratic, citizenship-based welfare systems (as in the Nordic model) funded out of consumption taxes are, given the political will, surprisingly sustainable in the face of global pressures.

**Table 1: Impacts of globalization on European welfare states**

Type of welfare state	Impacts			
	Short-term capital flows	Lower trade barriers	Embeddedness in international production	Global financial actors
State socialist	Threatened	Short-term benefit of low wages	Not yet embedded, but challenges workplace welfare	Large push to liberal (residual) social policy
Bismarkian*	Potential protection by euro	Challenges labour market rigidities and payroll taxes	Positive history in high-tech production	Little
Social democratic	Potential protection for some by euro	Income and consumer tax-based benefits resistant if political will	Positive history in high-tech production	Little
Liberal Anglo-Saxon	Gamble on being outside euro	"Benefits" from job creation, but flexible and low-wage work at the price of inequity and poverty	High-tech production seen as threatened by some	Little

Note: \* So named because imperial Germany's social insurance system became the model for policy in most European countries. A social insurance approach has two main implications: first, social entitlements derive from employment rather than citizenship or from proven need, and it is assumed that family dependents rely on the entitlements of the (usually male) breadwinner; second, social protection tends to be differentiated by occupational class: benefits mirror accustomed status and earnings rather than redistributive ambitions (Esping-Andersen, 1996:66-67).

Therefore, one issue over which there is some agreement in Europe is the logic in the context of globalization (Tanzi's arguments notwithstanding) in shifting from payroll taxes and work-based insurance arrangements to taxes on and benefits for citizens and residents. Many contributions to the November 1999 high-level seminar on Financing Social Protection in Europe, organized under the auspices of the Finnish Presidency of the European Union (EU), drew this conclusion (see, among others, Moe, 1999; Lonroth, 1999; Chassard, 1999 and Korona, 1999). At the same time, however, it was noted that the tripartite political structures underpinning workplace welfare taxation make such funding shifts difficult (Kangas, 1999).

A second issue over which there is a measure of agreement is that the internationalization of the economy has had an impact on the labour market in both North and South. In particular, international trade and technological changes have contributed to a lowering of the cost of already low-wage, unskilled labour, particularly in those sectors exposed to international competition. A consequence has been an increase in the gap between the better paid and the worst (Wood, 1994). Pressures for more flexibility are strong, even in skilled labour markets (Rhodes, 1998). However, as van den Broucke argues, this only increases the moral case for more—not less—redistribution to

finance subsidies to low wages (van den Broucke, 1998). Since a meeting of OECD Ministers of Labour and Social Affairs in June 1998, the OECD has also been asserting that globalization may generate the pressure for more—not less—social expenditure (see OECD, 1999).

### ***Equitable social development threatened in the South***

For developing countries and many emerging economies, globalization has had the following effects.

- **Globalization has generated severe indebtedness**, undermining the capacity of governments to provide education, healthcare and social protection. In many countries it is now left to NGOs and bottom-up initiatives to provide a partial network of coverage.
- **Globalization has threatened assets and standards.** Globalization has encouraged the economically rational response of selling off country assets at any price, including assets arising from low labour costs, in order to attract capital. This has often taken place with little regard for emerging global labour, environmental and social standards. Tax havens for TNCs are another aspect of this strategy that further undermine governments' revenue-raising capacity.
- **Globalization has segmented social policy** within many countries so that different sectors of the population are living under very different internal welfare regimes. For example, workers in Export Processing Zones (EPZs) may have limited access to workplace and citizenship rights (ICFTU, 1998). Employees of transnational industries may be protected by company benefits that tap into global private provision funds. Some state employees may have access to health and welfare benefits and pension schemes established either in post-colonial days or as part of the state social provision in former socialist economies. But these, too, are withering.
- **Globalization has created zones of exclusion** from the formal global economy, in Africa and elsewhere, in which the normal functions of the state, such as taxation, regulation and social spending, are non-existent (Kabeer, 1999). In such areas, a form of "adverse incorporation" (G. Wood, 1999) is taking place whereby the poor, without formal rights, are obliged to engage in informal exchange and clientelist relationships to secure their survival needs. In this context the informal economy of drugs, prostitution, arms dealing and illegal trade flourishes.

Projections about the future for welfare in developing and transition economies have come from the prophets of doom as well as those who still consider sustained equitable social development possible, given the political will. Reviewing the positive experience that combined economic growth with conscious social development in Botswana, Mauritius, Zimbabwe, the Indian state of Kerala, Sri Lanka, the Republic of Korea, Malaysia, Barbados, Costa Rica and Cuba, Chen and Desai (1997:432) concluded:

The key ingredients to successful social development appear to be responsive governance, socially friendly economic policies, and the universal provisioning of social services. In all these endeavours the role of government is central.

I support the case advanced for the North (Van den Broucke, 1998) and for the South (Mehrota and Jolly, 1997), namely that social well-being can only be secured in an equitable context where government takes the lead as provider and regulator (a case that is belatedly being endorsed by the World Bank, as discussed below). However, the new realities of the global economy and, in particular, the emergence of global markets in health, education and social insurance are undermining this possibility by separating the middle and professional classes in developing—and developed—countries from an obligation to establish social welfare contracts with their working class and rural compatriots.

## **The Global Discourse on Social Policy and Social Development: Toward Socially Responsible Globalization?**

Elsewhere, I have argued that the IMF regarded welfare expenditure as a burden on the economy, favouring a “workfare”-style safety net approach to social policy, and that the World Bank’s focus on poverty alleviation led it to favour a safety net approach as well (Deacon, 1997). In the International Labour Organization (ILO) and some United Nations agencies, on the other hand, were to be found supporters of the view of social expenditure as a means of securing social cohesion. The ILO supported a conservative-corporatist, Bismarkian type of social protection. The OECD favoured the notion that certain state welfare expenditures should be regarded as a necessary investment. No international organization, except perhaps the United Nations Children’s Fund (UNICEF), could be said to defend the redistributive approach to social policy characteristic of the Scandinavian countries. In my study of the role played by such international organizations in shaping post-communist social policy, I concluded that the:

... opportunity created by the collapse of communism for the global actors to shape the future of social policy has been grasped enthusiastically by the dominant social liberal tendency in the World Bank. In alliance with social development NGOs who are being given a part to play especially in zones of instability, a social safety net future is being constructed. This NGO support combined with the political support of many Southern and some East European governments is challenging powerfully those defenders of universalist and social security-based welfare states to be found in the EU, the ILO and in smaller number in the Bank (1997:197).

These conclusions still stand in general, although there continue to be interesting shifts in the position of particular players within this debate. The IMF has begun to take the social dimension of globalization more seriously by considering whether some degree of equity is beneficial to economic growth. The World Bank has articulated more clearly its risk management approach to



social protection in the context of globalization. The OECD now warns that globalization may lead to the need for more, not less, social expenditure. The ILO has begun to show signs of making concessions to the Bank's views on privatizing some aspects of social security, while other moves within the ILO suggest an interest in a new universalism emerging from bottom-up movements in several countries. More recently, the view in the WTO on the desirability of a global market in healthcare and social service provision is assuming new prominence. International NGOs are increasingly divided into those acting as substitutes for government, and those advocating greater government responsibility for welfare. These developments and others are reviewed below.

### ***The Bank pursues safety nets and private sector-style risk management***

The intellectual map of the global discourse on social welfare is more complicated than is suggested by the simple European social market (ILO) versus US liberalism (World Bank, IMF) dichotomy. For example, the World Bank's employment of professionals attuned to the Western European tradition led to heated controversy about desirable social policies in the section of the Bank that deals with Eastern Europe and the former Soviet Union. This controversy has seeped into the heart of the Bank's human resources network in the following way. Reorganization of the World Bank in late 1996 gave rise to an extensive Human Development Network intended to design sector strategies and support country operations units in specific projects. Within this network are three sector families: (i) health, nutrition and population; (ii) education; and (iii) social protection. The first produced a strategy paper (World Bank, 1997), and the third is expected to deliver its paper shortly. Many Bank documents on social policy are highly ambiguous, however, and the health sector strategy paper is no exception (containing often mutually contradictory sentiments written as a compromise between several positions). For example, the text contains much to suggest that the Bank is leaving behind some of the worst excesses of a faith in free markets and is learning some positive lessons from countries with primarily public health services. It argues that:

. . . this involvement by the public sector is justified on both theoretical and practical grounds to improve equity, by securing access by the population to health, nutrition and reproductive services; and efficiency, by correcting for market failure, especially where there are significant externalities (public goods) or serious information asymmetries (health insurance). . . . the experience in developed and middle income countries is that universal access is one of the most effective ways to provide health care for the poor (World Bank, 1997:5-6).

However, by a sleight of hand a conclusion is drawn that a mix of private and public services is required, and because of presumed resource constraints the public sector is often best to concentrate in those areas where there are large externalities, such as preventive public health services. The report also argues that targeting is appropriate in lower income countries. This approach has been supported by the Bank's use of benefit incidence studies, which show what proportion of public expenditure on health or education benefits each quintile of the population. Because these studies show that the elite and middle class

often consume a disproportionate amount of the services, a call on the grounds of equity is made to target the poor. What seems to escape the human resource specialists in the Bank is the taxability and targeting trade-off: services for the poor run the danger of becoming poor-quality services, precisely because the middle class is no longer willing to pay taxes for services from which it does not directly benefit.

The dispute between supporters of neoliberal and more universalistic approaches to social policy continues within the social protection section of the Bank. The debate between European and North American perspectives on social protection policy that had been confined to the operations section dealing with Eastern Europe is now situated in the heart of the Bank and will influence its emerging social protection strategy. The section claims to be “meeting the challenge of social inclusion” laid down by James Wolfensohn:

... our goal must be to reduce these disparities across and within countries, to bring more people into the economic mainstream, to promote equitable access to the benefits of development regardless of nationality, race, or gender. This ... the Challenge of Inclusion ... is the key development challenge of our time.<sup>1</sup>

According to the social protection section, it is meeting the challenge of inclusion by focusing on risk management—that is, by helping people manage risks proactively in their households and communities (Holzmann and Jorgensen, 1999). It is working on labour market reform, pension reform and social assistance strategies, including supporting NGO and community social funds in many countries. This suggests a strategy that emphasizes an individual’s responsibility to insure against the increased risks and uncertainties of globalization, rather than one that puts emphasis on governmental responsibilities to pool risks, universalize provision and regulate the economy. Holzmann (1997), for example, has advocated a multi-pillar approach to pension reform that would reduce the state pay-as-you-go (PAYG) schemes to a minimal role of basic pension provision. This would be supplemented by a compulsory, fully funded, individualized, defined-contribution second pillar, and a voluntary third pillar. He claims to see a consensus along these lines emerging between the Bank and the ILO, which have hitherto favoured only PAYG schemes.

In autumn 1999 it seemed that the case for state PAYG pension policy was going to be given a huge boost inside the Bank: Chief Economist Joseph Stiglitz co-authored a paper against the privatization of pensions. The paper attacked 10 myths about social security and concluded that most of the arguments in favour of the private, non-redistributive, defined-contribution second pillar for pensions were “based on a set of myths that are often not substantiated in either theory or practice”. In particular, it noted that “less developed countries usually have less developed capital markets, with less informed investors and less regulatory capacity making the scope for potential abuse all the more greater” (Orszag and Stiglitz, 1999:40) However, this “rethink” inside the Bank looks likely to be shortlived, as Stiglitz has resigned,

<sup>1</sup> **The Challenge of Inclusion**, address by James D. Wolfensohn at the Annual Meetings of the World Bank Group and the IMF (Hong Kong, 23 September 1997).

reportedly under pressure from US Treasury Secretary Larry Summers (*Financial Times*, 25 November 1999).

### ***The IMF catches up with the social policy debate***

Concerns have been raised by some quarters that, as the Bank develops greater sensitivity to the social dimensions of structural adjustment, it will be left to the IMF alone to police the economies of the world with its traditional style of liberalism, demanding public expenditure cuts regardless of the social consequences. Two considerations suggest that this is an oversimplification. First, views have been expressed in IMF working papers that are not at one with neoliberal orthodoxy (Chand, 1990). Second, there is evidence that the financial crisis in Asia, among other things, has prompted serious reflection in the IMF on the adequacy of its current social policy.

The public response of the IMF to criticism of its handling of the Asian economic crisis suggests that a thorough review of policy is in train. While public statements may be designed to conceal rather than reveal, the comments of the Fund's director to the Washington Press Club (2 April 1998) are of interest:

. . . we must broaden the scope of our concerns to include other elements that, in a globalized world, are also important in achieving these goals . . . the new elements would also include higher and more cost-effective spending on primary health care and education; adequate social protection for the poor, unemployed and other vulnerable groups; environmental protection; greater transparency and accountability in government and corporate affairs, and a more effective dialogue with labour and the rest of civil society to increase support for adjustment and reform, and to ensure that all segments benefit from the resumption of growth while core labour rights are protected.

In follow-up to this statement, the IMF's Fiscal Affairs Department convened a conference on equity and economic policy. The conference background paper reflects upon the perceived trade-off between growth and equity, and concludes that evidence points both ways:

Large-scale tax and transfer programs may, in fact, slow growth, but poverty alleviation and universal access to basic health care and education can simultaneously improve equity and enhance the human capital upon which growth depends (IMF, 1998:2).

Conference participants reflected on whether an international consensus could be forged on a minimum set of equity conditions that should be met. Among the scholars invited to reflect on this issue were Amartya Sen and Anthony Atkinson, who have been associated with views concerning the desirability of universal entitlement to livelihood, and universal entitlement to a "participation income" (i.e., universal entitlement to a basic income for all who participate in some way in society—through employment, care provision, study, etc.), respectively.

Finally, it is to be noted that the head of the Fiscal Affairs Department has called for the establishment within 10 years of a World Taxing Authority with the power to levy taxes and orient the taxing policies of countries.<sup>2</sup>

### ***The ILO's universalism challenged by globalization***

The relatively reassuring notion that the future directions of globalization are being worked out by the World Bank and the IMF and include renewed concern with measures of social protection is challenged as soon we examine the perspectives of certain Southern governments. Arguments by Northern governments for common global labour and social standards are often perceived in the South as self-interested attempts to protect the social welfare of people in the developed countries from Southern competition. This perception bedevilled attempts in 1996 to include social clauses in world trade agreements. Such concerns have also limited the ability of United Nations agencies to put their weight behind social policies of the kind that have ensured a degree of equity in developed welfare states. Initial arguments for inserting social clauses into world trade agreements were derailed by a concerted campaign of some Southern governments, as illustrated by the resultant impasse within the ILO. Reviewing this debate, Lee of the ILO noted: "there is a deep fault line of distrust between industrialised and developing countries . . . the existing system of international labour standards as it has evolved through the ILO has, willy-nilly, been caught in the cross-fire of this debate" (1997:177). Two years later, the collapse at Seattle only serves to underline the correctness of this observation.

The positive aspect of this debate is the affirmation by all parties of support for what have come to be known as core labour standards. These are generally regarded to be those concerned with "the prohibition of forced labour and child labour, freedom of association and the right to organise and bargain collectively, equal remuneration for men and women for work of equal value, and non-discrimination in employment" (Kylloh, 1998).<sup>3</sup>

In the context of the global debate about pension policy, the ILO has felt pressure from the Bank to make concessions to its views. Edgren and Möller (1991) have argued that the ILO failed to play a proactive role in the debates on neoliberalism of the 1990s partly because of budget cuts in its research programme, and partly because the Bank was funding some ILO projects. And while a study by the ILO on its pension policy (Gillion et al., 2000; see also Gillion, 1999) expresses some criticisms of the Bank's approach, it uses the language of the Bank and advocates a four-tier pension policy. The first tier would be a state welfare pension, which could be means-tested. The second would be a compulsory, PAYG, defined-benefit pension with a moderate replacement rate of around 40-50 per cent of lifetime average earnings. The third would be a mandatory, capitalized, defined-contribution pension. The fourth would be a voluntary private addition. Thus the concession that the first tier could be means-tested, and the large role for individualized and capitalized

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<sup>2</sup> At the EU conference on Financing Social Protection (23 November 1999), Tanzi stated that he did not believe such a proposal was politically viable, if views within the US Congress were taken into account.

<sup>3</sup> See ILO Conventions 29, 87, 98, 100, 105, 111 and 138.

private pensions, suggest that the social security department of the ILO can no longer be regarded as a bulwark against Bretton Woods policies.

As is the case in the Bank, so within the ILO different tendencies are at work. Under the new Director-General, a number of InFocus work projects have been designed (ILO, 1999). One of these, Economic and Social Security in the 21st Century, has a broad brief to examine policies that might contribute in the twenty-first century to universal citizen (and resident) security in the context of global labour flexibility. This programme, if not undermined within the ILO by the more conservative focus on simply extending conventional social security to more workers in the informal sector (which is also needed), could track the emergence of a new universalism from below. This might be embodied, as it is in Brazil, for example, in the provision by town councils of income benefits to women conditional on their children's attendance at school. Such work suggests that the intellectual current within the ILO is not flowing only one way across the Atlantic.

### ***The OECD calls for more social spending in the context of globalization***

**The Crisis of the Welfare State** (OECD, 1981) was an important publication for those seeking to justify cuts in public social expenditures. It concluded that social policy in many countries created obstacles to growth. The beginnings of a paradigm shift within the OECD's Education, Employment and Social Affairs Secretariat could be noted in a subsequent report (OECD, 1994), however, which argued for new orientations in social policy and proposed that welfare expenditure contributed to economic growth, and encouraged and facilitated human development. More recently, **The Caring World** argued that "one of the effects of globalization could be to increase the demand for social protection . . . a more useful blueprint for reform would be to recognize that globalization reinforces the need for some social protection" (OECD, 1999:137).

On the other hand, the OECD hosted initial discussions on a Multilateral Agreement on Investment (MAI), which would have facilitated the expansion of the global market in health and social care. This was derailed by an articulate network of Internet opponents and the objection of certain countries, notably France. The task of developing an "MAI Mark Two" now falls to the World Trade Organization.

### ***The WTO emerges as an important player***

Objection to the MAI was based on the perceived unfairness of allowing private foreign providers to challenge national public social service provision or national government subsidy to non-profit providers (Clarke and Barlow, 1997; Sanger, 1998). The full range of health and social services, from childcare centres, not-for-profit hospitals and community clinics, to private labs and independent physicians, would have been covered by the MAI.<sup>4</sup> Applying the MAI rules to grants and subsidies would have considerably restricted the ability

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<sup>4</sup> The MAI rules governing the treatment of investors applied to a much broader range of health and social service than the North American Free Trade Agreement (NAFTA) investment chapter, for example.

of national, provincial and regional authorities to manage and regulate health and social services by attaching conditions to the receipt of public money. The main pillar of the MAI was the prohibition of discriminatory treatment by one country of investors based in another country party to the MAI. For example, it would have entitled a foreign-based health or social services provider operating in, say, Canada to receive public grants and subsidies on the same terms as a similar Canadian healthcare provider (see Sanger, 1998).

The issue will continue to resurface within the WTO even after the collapse of the 1999 Seattle talks, which is commented on below (see also Price et al., 1999; Koivusalo, 1999). A working paper by the Secretariat of the WTO Council for Trade in Services confirms this (WTO, 1998a), noting that the forthcoming round “offers members (of the WTO) the opportunity to reconsider the breadth and depth of their commitments on health and social services, which are currently trailing behind other large sectors” (p. 1). It notes with approval signs of increased global trade in healthcare from developing to developed countries, “with better-off people seeking rapid access to high-quality services abroad” (p. 5). Under Article 1:3(c) of the General Agreement on Trade in Services (GATS), services being provided in the exercise of governmental authority neither on a commercial basis nor in competition are excluded from free trade obligations. Thus the 1998 working paper notes that “the coexistence of private and public hospitals may raise questions, however, concerning their competitive relationship and the applicability of the GATS” (p. 11). Indeed, it argues that it is unrealistic to argue for the continued application of Article 1.3 to these situations. This seems to confirm the concerns of Sanger, noted above.

The parallel paper on education (WTO, 1998b) is a little more restrained in its ambitions for increased trade. It does not explicitly question the view of basic education (which it defines as both primary and secondary education) as a service supplied in the exercise of governmental authority and therefore supplied neither on a commercial basis nor in competition. In relation to higher education, however, the paper reviews the possible non-tariff barriers to trade: cross-border supply, consumption abroad, foreign commercial presence and the presence of “natural” persons (i.e. foreign professionals). It invites trade ministers to consider how these might be reduced. A worst-case scenario of what might have happened to public and regulated private education if the global market had been unleashed at Seattle is provided by the Movement for Democracy and Education (Frase and O’Sullivan, 1999). Causes for concern include the fact that government subsidies to national education establishments, the regulation of the content of educational materials and the provision of student grants to citizens could all be deemed unfair practices and barriers to free trade in education.

The global discourse on social policy thus goes in different directions. The IMF, the OECD and the World Bank appear to be increasingly concerned about the negative social impacts of globalization and are revising their remedies accordingly. The ILO, however, appears to be retreating from its earlier commitment to universal public pension provision; and the secretariat of the WTO seems uncritically committed to a global market in private welfare.

I have argued elsewhere (Deacon, 1999a) that within this discordant discourse can be discerned elements of what appears to be a new politics of global social

responsibility. Orthodox economic liberalism and inhumane structural adjustment appear to be giving way to a concern on the part of the Bank and the IMF with the social consequences of globalization. International development assistance is concerned to focus on social development. United Nations agencies are increasingly troubled by the negative social consequences of globalization. Some of the shifts in policy thinking, as well as the concrete steps being taken that could herald more socially responsible globalization, are outlined in table 2. Possible criticisms of these steps are also noted.

**Table 2: Toward more socially responsible globalization**

<b>Shifts in policy thinking and concrete steps being taken</b>	<b>Possible criticisms</b>
Moves from human rights to social rights and from declaration to implementation	<i>But moralizing about rights without resource transfers is counterproductive</i>
Trends in international development co-operation toward setting goals and monitoring progress	<i>But attainable development targets may be a legitimization of residual social policy</i>
Moves to secure global minimum labour, social and health standards	<i>But core labour standards are a lowering of standards for some</i>
Moves to establish codes of practice for socially responsible investment and business	<i>But codes may lead to disinvestment in the South</i>
Calls for global economic regulation and taxation	<i>But are principles and good practice in social policy being ignored by the IMF?</i>
Moves to extend constructive regionalism with a social dimension	<i>But are regions also social protectionist blocks?</i>

Not all of these steps are emphasized by the Bretton Woods institutions—the Bank is reluctant to embrace the language of labour or social rights—and each is problematic in some ways. But taken together they do seem to suggest a shift away from a global politics of liberalism to a global politics of social concern. In the next three sections we subject some of these developments to closer scrutiny.

## Globalizing Social Rights?

In this section we examine one of the steps toward socially responsible globalization that appears to be receiving priority attention in international dialogue. First some of the controversy surrounding the West's concern with human rights is reviewed, then the most recent contribution to this debate—social rights—is summarized.

### ***Moralizing about rights is counterproductive***

The opposition of some Southern governments to calls to uphold global labour standards in the context of free trade is also reflected in an increasingly articulate opposition to Western claims, in the name of the world community,

that the West is upholding universal human rights. Human rights activists seeking to implement the Universal Declaration of Human Rights have come to be seen not as “guardian angels” but as supporters of “global (imperialist) gangsters” who are using ethical claims to assert a new global hegemony (Wheeler, 1996). Since the end of the Cold War, Chandler (1996) has argued, the focus on the protection of minority rights by the West through agencies such as the Organisation for Security and Cooperation on Europe (OSCE) is re-creating the East-West divide, asserting the moral superiority of the West and demonizing the East.

The view that Western countries are often hypocritical on these questions and do not address human rights abuses at home has been given prominence recently by Amnesty International. The Prime Minister of Malaysia’s much reported comment that the West does not have a monopoly on human rights is one of the most visible aspects of this controversy: cultural diversity has been used to justify a different moral and social policy agenda in Islamic societies (Dean and Khan, 1997). It has also been used to argue that, in China, the European-like policy reforms being suggested for social security and social assistance schemes are likely to founder on the rock of Confucian indifference to the concept of rights granted by a state to its citizens (Wong, 1998; Tao and Driver, 1997).

The most powerful criticism of the human rights stance of Western donors has been made by Katarina Tomasevski. She argues that the audience for the strand of human rights conditionality in aid policy is primarily domestic (in the aid-giving countries), as is its more recent compliment: the encouragement of democratic electoralism in recipient countries. The key problem, from the standpoint of a West seriously interested in improving well-being in recipient countries, is that the call for political liberalism has gone hand in hand with the fostering of economic liberalism, which undermines the capacity of recipient governments to provide the social services that could underpin human rights rhetoric with substantive social rights.

The assumption underlying donors’ policy that economic and political liberalisation go hand in hand undermined human rights by combining political empowerment with economic dis-empowerment, which was reflected in dis-empowering (and impoverishing) the government, thus ultimately precluding it from implementing human rights obligations. The very notion of human rights entails corollary government obligations. If a government is unable to raise revenue so as to be able to comply with its human rights obligations, human rights guarantees become illusory (Tomasevski, 1997:240).

Thus it might be argued that the strategy of the “international community” was to foster universal human rights while, at the same time, refusing to redistribute adequate resources from those governments that have to those that do not. This hypocrisy has led progressive voices in the South and East to dismiss even the arguments of Northern and Western social democrats—who would support such necessary redistribution—as merely Western free market imperialism wearing the new moral garb of social rights. The defence, conversely, of cultural diversity by some in the South and East then leads inevitably to the abandonment of a reasoned search for a globally agreed form of social progress.



### ***Principles and good practice in social policy***

Notwithstanding these powerful arguments—and perhaps emboldened by concerted moves to back up the West’s concerns with more resources in the form of debt relief, etc.—there is now a renewed push to assert (i) the universalism of human rights; (ii) their social dimensions; and (iii) the means by which global social rights could be more effectively realized.

The background to this move was a call by the Chancellor of the Exchequer of the United Kingdom, Gordon Brown, to link discussion of regulation of the flow of international capital with a perceived need to attend to, or rather prevent, the damaging social consequences of speculative capital flows. He argued for a:

. . . code of global best practice in social policy which will apply for every country, will set minimum standards and will ensure that when IMF and World Bank help a country in trouble the agreed programme of reform will preserve investments in the social, education, and employment programmes which are essential for growth.

Moreover, he asserted this code

. . . should not be seen in narrow terms as merely the creation of social safety nets. We should see it as creating opportunities for all by investing more not less in education, employment and vital public services (Brown, 1999:6-7).

Brown suggested that this code should be agreed at the spring 1999 meeting of the World Bank. But how should the code be devised? Some initial thinking was provided by the Social Development Section of the UK Department for International Development (DFID), which proposed that best practice in social policy should involve (i) equitable access to basic health, education, water and sanitation services, and shelter; (ii) social protection, enabling individuals to reduce their vulnerability to shocks; and (iii) core labour standards. However, controversy developed over which international organization should have the mandate to devise the code of global social policy: the Bank, with its concern to claim global expertise on these issues, or the UN, with its mandate to deal with social policy? The Bank initially suggested (23 March 1999) a twin track approach, whereby “the detailed work on best practices for these social policy principles [would] be done as part of a delineated work programme by the World Bank”, with subsequent agreement that the United Nations would then carry forward this work as part of the five-year review of the World Summit for Social Development. However, the next (9 April 1999) proposal, presented to the Development Committee of the Bank, shifted the balance of responsibilities toward the United Nations. Its twin track approach now asserted that “the UN take the lead role . . . in development of universal principles of social policy”, and the Bank would help its members to implement these principles. The final communiqué from the 28 April 1999 meeting of the Development Committee announced that “further development of the principles of good practice in social policy was best pursued within the

framework of the United Nations as part of . . . the follow-up on . . . the World Summit for Social Development”<sup>5</sup>.

This referral to the UN was motivated more by the concern of some Southern governments that the IMF and Bank would use the new principles as a set of social conditions in the context of loans or debt relief, than by any concern to empower the United Nations. While some in the UN have welcomed this move, others have suggested it lets the Bank and Fund off the hook of global social responsibility that these principles were designed to facilitate. The danger is that a new global financial architecture will be shaped without reference to the social policy principles. Regardless of which view is more accurate, it is now left to the United Nations, in particular the Preparatory Committee for the Social Summit review meeting, to do the technical work. Initial deliberations in the Bank led to a first draft, which may be built upon, that suggests the principles should be based on (i) achieving universal and equitable access to basic social services, including quality basic education and healthcare; (ii) enabling all men and women to attain secure and sustainable livelihoods and decent working conditions; (iii) promoting systems of social protection; and (iv) fostering social inclusion. This draft excluded the core labour standards suggested by the UK government. The Division for Social Policy and Development of the United Nations Department of Economic and Social Affairs has emphasized that the principles must be taken forward in a way that encompasses both the “soft” aspects of social policy and the “hard” aspects of economic policy. If this were to be an outcome of the Social Summit review process, the UN might be empowered in the management of global economic and social policy.<sup>6</sup>

It is timely that a DFID staff member has produced a background paper aimed at influencing these deliberations. Addressing the topic of Global Social Policy and Human Rights, it argues that the “global architecture of UN conventions, declarations, and world conference documents provide the most authoritative available source for the construction of these principles” (Ferguson, 1999:1; see also Eyben, 1998). United Nations documentation provides an internationally legitimated set of agreements on social, economic and political issues. Ferguson dismisses cultural relativist arguments by reference to these international agreements and asserts the equal weight of social and economic rights alongside civil and political rights. The paper then extracts a set of social policy principles and practices from the numerous United Nations conventions and declarations. Social policy thus defined embraces the “empowerment” of people, “livelihood security”, the “provision of services” and efforts that “foster social integration”. The United Nations conventions and conference agreements are then reviewed, generating a set of policies that includes (i) the

<sup>5</sup> This information comes from the following International Bank for Reconstruction and Development documents: **Principles of Good Practice in Social Policy: A Draft Outline for Discussion and Guidance** (as circulated on 23 March for comment and consideration by executive directors meeting as a committee of the whole on 1 April); **Principles and Good Practice in Social Policy: A Draft Note for Discussion by the Development Committee** (28 April); and the 28 April **Communiqué** of the Development Committee.

<sup>6</sup> The issue was not considered in any detail at the annual meetings of the World Bank and IMF in September 1999, even though Gordon Brown chaired the International Monetary and Financial Committee. It thus seems that a social code will not be among those that the IMF is asked to monitor.

security of person; (ii) democratic participation; (iii) civil society; (iv) minimum livelihood; (v) productive employment; (vi) labour standards; and (vii) service provision.

The coming months will be important in firming these up for adoption at the five-year review of the Social Summit, to be held in Geneva in June 2000. It is to be hoped that the final code for best practice in social policy will not slant too far in the direction of targeting and privatization. It would have to explain what the alternative poles of universalism and public responsibility might mean for countries at different levels of development. It is also to be hoped the code will be concerned with more than *basic* education and health services. The danger of limiting global social rights to only basic-level provision is addressed in the final section of this paper.

## Moving Social Policy Up the Development Agenda?

The quantity of aid flowing from North to South declined in the past decade in terms of a percentage of GNP in almost all donor countries. At the same time, however, there has been concerted international effort to use this aid more effectively, to allocate more of it to the social sectors (including health and education), and to win the co-operation of developing countries through, for example, the 20/20 initiative to use 20 per cent of aid for social purposes, matched by 20 per cent of developing countries' public expenditure. Targets such as halving the number of people living in extreme poverty by 2015 (and others, discussed below), which are believed to be attainable, have been set by the major donors. Furthermore, there is the real prospect of significant debt relief, conditional on the released funds being used for poverty alleviation purposes, in the first year of the new century. In this section we review some of the controversy around these aspects of development policy.

### ***Attainable development targets: Global social progress or legitimating residual social policy?***

International development co-operation appears to have moved a long way from the days of structural adjustment programmes overseen by the Bank and IMF with no concern for their short-term negative social consequences. A new development co-operation paradigm is emerging which embodies a "new consensus that aid ought to go to poor countries based on assessments of performance in areas of macroeconomic policy, poverty reduction, and the exercise of good governance" (Gwin, 1999:2). Responding to the criticisms of global civil society and United Nations agencies, the World Bank first articulated a concern for poverty alleviation in 1990. This signalled a move in the dominant aid paradigm toward broad-based growth, basic social services and safety nets. Many argued that, while marking some progress, this represented the institutionalization, globally, of a residual approach to social policy and provisioning. Elsewhere I have argued (Deacon, 1997) that the focus of the development lobby at that time on "the poorest of the poor" challenged in some countries the agreements between trade unions, employers and the

government to provide social security and other welfare benefits for some urban workers—agreements negotiated during the period of import substitution (or what some call now premature state building). It was true that PAYG social security provisions in Latin America, and the state pensions of Indian and African civil servants, were available only to relatively privileged sectors, and that ways of extending these rights to informal employment are only now being addressed (van Ginneken, 1998). It could, however, be argued that they provided a sounder and potentially more acceptable universal basis on which to build than the individualized and privatized savings accounts now being developed under the pressures of structural adjustment. The World Bank's approach to social policy in countries that had negotiated such tripartite agreements was the following (Graham, 1994; Deacon, 1997). By striking an alliance with the excluded poor, international NGOs and the development lobby, incipient welfare states could be bypassed and left to wither in favour of a targeted safety net approach. With this focus on safety nets, on which the Bank saw eye to eye with the development lobby, it could co-opt NGOs into being the agents for the provision of social funds to the poor in the framework of its New Policy Agenda (Hulme and Edwards, 1995; Fowler, 1995). Structural adjustment and debt burden had crippled the nascent welfare role of the state in many developing countries, laying the foundations for a safety net approach in which international NGOs would have a role and strong self-interest.

In a 1998 article, Stiglitz argued for the need to rethink the Washington Consensus. Two years later it remains to be seen whether thinking and policy within the Bank on social development issues are truly moving away from liberalism with safety nets. There are mixed messages. The first draft of the 2001 **World Development Report** on poverty (see <http://www.worldbank.org/devforum>) proposes a four-pronged approach involving empowerment, security, opportunity and international structural issues. In the section dealing with unemployment insurance, however, the obsession with targeting the poor remains: "the key issue . . . is to design (these schemes) so that they maintain their function of providing insurance for the very poor and are not captured by the not so poor". At the same time, World Bank President James Wolfensohn's proposal for a Comprehensive Development Framework (Wolfensohn, 1999a) covers good governance, an effective legal system and supervised financial systems, but it still talks in terms of safety nets and emphasizes universal primary education, and communal and local-level health services. On the positive side, the draft 2001 **World Development Report** does not come down firmly on the side of private provision of higher levels of education and healthcare.

The Social Protection section of the Bank's Human Development Network has prepared a policy paper acknowledging a case for income redistribution between income cohorts, between generations and between nations and regions (Holzmann and Jorgensen, 1999). The main thrust of the analytical work, however, is a risk management strategy that would enable individuals and families to protect themselves from risk. In terms of income maintenance policy, the paper's interim conclusions are in keeping with the market orientation of the Bank. This analysis, the paper argues, "fosters the importance of . . . multi-pillar pension systems, individual social accounts to handle multiple risks (unemployment, sickness, disability, survivorship, old-age)" and "puts the role of government in perspective: governments have an important role for the establishing and functioning of informal and market-

based arrangements; governments and public administration also have their own agenda, exposing such arrangements to political risk". Hardly a rally cry for sound, publicly provided, universal services financed out of redistributive taxation!

It should thus not be taken for granted that the new fashion in international development co-operation for setting achievable development targets is unalloyed global social progress. Indeed, many European social policy ministries would be very worried if some of the logic that inspired these moves in social development policy as concerns the South were to be applied to social policy in the North. The OECD Development Assistance Committee (DAC) report, **Shaping the 21st Century: The Contribution of Development Co-operation** (1997), set a number of targets for development policy. This led to a joint venture between DAC, bilateral donors and the World Bank to establish indicators of progress toward their achievement (see <http://www.oecd.org/dac/indicators>). These targets, which are thought to be realizable by 2015, focus on the poorest of the poor in poor countries. They include halving the number of people in extreme poverty; making basic education available to all girls and boys; and enabling access for all to reproductive health services, with concomitant reductions in maternal and infant mortality rates and gender inequality. Two positive aspects of this approach are, first, the inclusion in the agreed measures of poverty of one indicator of inequality (the poorest fifth's share of national consumption), which suggests that redistribution policies are not forgotten entirely, and second, the fact that measurable and attainable targets have been specified, and monitoring mechanisms are in place. An important negative aspect remains the limited goal in terms of public provision of universal primary education and universal reproductive healthcare. This leaves ample scope for the privatization of the rest of social provision while international attention is focused on these issues of basic service delivery only.

### **Obstacles to a progressive North-South dialogue on social policy and development**

It is hard to challenge the view of concerned aid workers who insist that, in the absence of government provision, some kind of NGO-assisted, targeted social fund is preferable to nothing at all. It is equally hard to find fault with the view that when resources are limited, public money should be spent on primary and not secondary education. The same applies to prioritizing expenditure on basic health services. Such views become open to challenge, however, when the implications are thought through in terms of the consequential development of privileged and private provision of secondary and tertiary education, and private hospital care. The siphoning-off into the global market for private medical care and higher education of elites from countries in the situations described above could destroy forever the solidarity between classes that is needed to fashion, over the longer term, adequate systems of universal education, healthcare and social protection for all. What defenders of a residualist approach to social development in the South have to show is how this strategy will lead to acceptable public provision at all levels, for all. Table 3 sets out some of the obstacles to a progressive North-South dialogue on these matters. The fashionable trend in discourse about the South (targeting, focus on basic education, role for NGOs in service provision) (column one) is shown

to challenge the discourse of universalism more prevalent in the North (column two).

**Table 3: Obstacles to a progressive North-South dialogue on social policy and development**

<b>Discourses on targeting and safety nets</b>	
<b>Applied to the South</b>	<b>Applied to the North</b>
<p>Targeting to be supported.</p> <p>Resources are limited; distributive equity as measured by the Bank's beneficiary index is required: targeting helps us do this.</p> <p>Earlier formal universal social security was available only to a privileged working or civil service class.</p>	<p>Targeting directly challenges the universalism of the European tradition in favour of US-style residualism.</p> <p>Targeting is to be avoided, as it is necessary that the middle class also benefit from social spending in order to ensure a willingness to be taxed.</p>
<b>Discourses on basic education and health</b>	
<b>Applied to the South</b>	<b>Applied to the North</b>
<p>Resource limitations dictate priorities.</p> <p>Primary education and reproductive health must be given priority as basic human needs.</p> <p>In the past, free tertiary education and hospital medical services were used only by the elite, which was unfair.</p>	<p>Limiting state provision to only basic education and health leaves secondary and tertiary education, and hospital care, to be privatized. This feeds the global market in private social welfare, which undermines European universal social policy tradition.</p>
<b>Discourses on NGO contribution to welfare</b>	
<b>Applied to the South</b>	<b>Applied to the North</b>
<p>Many governments in Africa and elsewhere were corrupt.</p> <p>Civil society was underdeveloped.</p> <p>NGOs can mobilize new resources and involve the poor. It is good to expand the NGO role.</p>	<p>Governments have a responsibility to universalize good social policy.</p> <p>Key questions of resource priorities related to social policy can only be settled by government. NGOs can prevent this.</p>

The disjuncture in policy approaches at the level of discourse is—fortunately—probably greater than the reality on the ground. For example, despite the World Bank's insistence that the use by the middle class of public hospitals is a nonequitable use of resources, the practice continues in India and elsewhere. Recent data from a number of countries (Gwatkin, 1999) suggest that the use of public health facilities by the richest 20 per cent of the population in these countries is only slightly less than the poorest 20 per cent. The professional middle class in most of the countries we are concerned with cannot afford private hospital care. The same applies to higher education in many countries. The picture is rather different, however, in some Asian and Latin American countries.

As debt relief approaches, and the search becomes more urgent for ways to ensure that the liberated funds are spent on social welfare, these issues take on

more importance. They are linked closely to the emerging code of global principles for social policy discussed earlier. At stake is whether at the start of a new century the world lines up behind a set of best practices for social policy fashioned out of the immediate contingencies of a South made poor by the North, which reflect the residualist orientation dominant in the United States, or whether it learns from and applies to the task of social development the lessons of the European struggle for social welfare: that only universalistic and inclusive approaches to social provision ensure stability, peace, security and social well-being for all.

## **Injecting Social Concerns into the Global Economy?**

Moves toward declaring a global set of social rights, or toward a focus on universalistic social provision in development co-operation, will contribute little to socially responsible globalization unless they are complemented by consistent efforts to bring global economic processes into line with these concerns. This is a broad topic embracing the regulation of speculative financial flows, the injection of a social dimension into world and bilateral trade, the adoption by TNCs of a socially responsible investment strategy, and the reform of tax structures both to eliminate tax competition and to raise revenues at the global level for social purposes. This section reviews the global debate on these topics.

### ***Social regulation of the global economy?***

Despite the negative social consequences of the Asian and other financial crises, which were brought about in part by speculative capital flows, global agreement on what is to be done has been painfully slow. Moves to reduce short-term speculative flows by taxing them will be examined below. There is general accord that some kind of regulation of the banking sectors in economies prone to speculation is needed, but how this is to be done and with what instruments is far from clear. The IMF has expressed concern about protecting the poor in the context of its supervision of national economies. The IMF's Managing Director, Michel Camdessus, has argued that good governance at the national level "will have to be rounded off with a firm commitment to sound social and human development policies", and he has expressed support for the development of a code of best practice in social policy discussed above (Camdessus, 1999:3). Elsewhere, the IMF has stated that regard for the human costs of in adjustment is essential if adjustment efforts are to be successful (IMF, 1998). Gordon Brown, UK Chancellor of the Exchequer, has argued for a surveillance unit within the IMF charged with ensuring that countries comply with codes of conduct on financial, fiscal and social policy, and corporate governance (The Guardian, 22 April 1999). Furthermore, he wanted these codes brought within the remit of IMF's Article 4 consultations, held with all 182 member countries. This would refute the charge that the codes would be a new form of conditionality directed only at some countries. Progress was made on the development of codes of practice on fiscal, monetary and financial transparency, corporate governance and other

aspects of the banking and insurance sectors. However, as described above, the code for social policy was passed to the World Bank's Development Committee and from there to the United Nations. It bears repeating that this might be perceived as letting the IMF off the hook in terms of considering social issues in its advice to governments.

Within this context and that of imminent debt relief, Oxfam has suggested that countries spending 85-100 per cent of obtained debt relief on health and social services and poverty alleviation should be rewarded with further relief more quickly (Oxfam, 1998). Other international NGOs, such as the Catholic Aid Foundation (CAFOD) and Christian Aid, have articulated similar positions (A. Wood, 1999). This may look like global progress, but a report prepared by a task force on the global economic crisis for the United Nations Executive Committee on Economic and Social Affairs asserts that "conditionality should not include issues related to economic and social development . . . which . . . should be decided by legitimate national authorities" (United Nations, 1999a:5).

Similarly, how to (i) secure "positive conditionality" by agreement between donors and recipients, rather than by sanctions; and (ii) ensure the IMF accepts the World Bank's view that poverty alleviation is a priority in structural adjustment, were at the forefront of issues facing the Bank and IMF in September 1999. A joint World Bank/IMF paper for the Bank's Development Committee states that although growth is necessary for a sustained attack on poverty, it is not alone sufficient to reduce poverty; and policy actions directed specifically at poverty reduction are required, such as directing public social spending at helping the poor improve their health and education (see **The Guardian**, 24 September 1999). The joint meetings did gather some resources from donors to implement a debt relief initiative with linked anti-poverty aspects, with indebted countries accessing funds after three years of IMF scrutiny instead of six, as under the previous version of the Highly Indebted Poor Countries (HIPC) initiative. This anti-poverty debt relief process would be led by the Bank; to reflect the new consensus, the IMF was to change the name of its structural adjustment mechanism to "Poverty Reduction and Growth Facility" (**The Guardian**, 27 September 1999). The issue of positive conditionality seems to have been solved by agreement that potential recipient countries would be left to design their own blueprint for reducing poverty, while planning to spend released money on basic education and health services. Such a blueprint—a poverty reduction strategy paper—would, ideally, be drawn up in consultation with NGOs (A. Wood, 1999). Neither the modalities of IMF/Bank approval of the plans nor the process leading up to them is clear at present. What link, if any, there is to be to the emerging principles of social policy best practice is also not clear. Nonetheless, Gordon Brown felt positive enough about the developments to assert:

. . . let it be said of this historic meeting that those to whom the world's greatest wealth has been given have joined with those burdened down by the world's greatest debt and destitution to form today a new and world-wide alliance against poverty so that in the new century all peoples in all countries will have a chance to build a better future.<sup>7</sup>

<sup>7</sup> See Larry Elliott, "Brown hails alliance against debt", **The Guardian**, 28 September 1999, p. 24.



### **Social regulation of world trade?**

Progress on injecting a social dimension into international trade agreements has been stymied by the same types of conflicts that bedevil the social regulation of capital flows. Above, we mentioned that attempts by the North to argue for common global labour and social standards in the context of trade have been perceived to be self-interested attempts to protect the social welfare of people in developed countries from being undercut by competition from the South. Lee has suggested that for progress to be made there is a need to link common standards with much more significant North-South resource transfers. “Industrialised countries should share part of this burden (of enabling developing countries to implement labour standards), since they also benefit from the reduction of these ‘international public bads’” (1997:180). For example, calls to eliminate child labour should be accompanied by aid to compensate children and families.

This re-emphasizes the point that in terms of the debate about desirable social policies in the context of globalization, the struggle of ideas is not only drawn along North-South lines, but also in the North between a European and an Anglo-Saxon perspective, and in the South between those who see a comparative advantage in exploiting the current absence of equitable social policy and those who do not.

The discussions leading up to the failed WTO conference in Seattle in November 1999 and the acrimony at that time bring out these issues yet again. Some socially concerned and/or social protectionist Northern governments and organizations wanted to link labour standards and trade either directly, through sanctions, or through discussions in other fora. The International Confederation of Free Trade Unions (ICFTU), for example, sought such a connection (1999). Many progressive Southern voices did not want the connection made—and were more concerned to prevent the incursion of the WTO into the new agenda of investment, competition policy and government procurement being tabled by the EU (Khor, 1998; 1999). In Seattle, the United States adhered rather self-interestedly to the labour standards issue, while the EU and, in particular, the United Kingdom made some tentative steps toward a more comprehensive “global governance” approach to the problem. For example, the United Kingdom suggested that the United Nations should chair a working group including representatives of the WTO, the ILO and the Bank to study how to link trade to standards and poverty alleviation through debt relief. The suggestion was noteworthy because, in principle, it implies that global regulation has to be linked to global redistribution (so that regulation can be paid for) and global empowerment (so that regulations are owned by those affected).

Agriculture and trade in services (including health and education) were on the agenda in Seattle and will remain at the forefront of trade concerns regardless of the collapse of negotiations there. These two areas generated controversy in the run-up to and at Seattle that reflects the North-North, South-South and North-South differences mentioned above. The EU was prepared to drop some agricultural tariffs that disfavoured the poorest countries, whereas the United Kingdom wanted them all abolished as a move toward free trade that would really benefit the South. Meanwhile African, Caribbean and Pacific

(ACP) states already displeased about the condition of good governance imposed by the EU in recent preferential tariff reduction talks were outraged by the high-handed way some negotiations seemed to ignore their voice. And the French Education Minister accused the United States of using Seattle to brainwash the world by trying to open US universities around the globe (see **International Herald Tribune**, 24 November 1999). Seattle was a historic turning point because of its predictable collapse, which reflects the shortcomings of global mechanisms when aspects of social policy (health, labour and social security, education) arise in competing international institutions (WTO, Bank, UN) where the struggle to have the *right to participate* in shaping global social policy and the power struggle over the *content* of that policy continue unabated. The positive outcome of Seattle will be to focus attention sharply on these global social governance issues.

### **Social regulation of TNCs?**

Another aspect of global economic activity where there have been moves to inject greater social responsibility is in the employment and social policy practices of TNCs. In order to prevent a possible race to the welfare bottom by TNCs exploiting the low labour and social standards of some countries, it has been suggested that they should adopt the same employment practices and submit themselves to the same levels of taxation wherever they invest. In many areas, systems of global production are replacing trade as the major means of international economic integration. The consequent trend toward arm's-length commercial relationships, including subcontracting within and across national borders, challenges current regulatory norms. Such production processes may lead to a "slash and burn" approach to production (and development) as TNCs seek suppliers around the world, in pursuit of the cheapest and least regulated labour force. One aspect of the globalization of production has been the growth in Export Processing Zones (EPZs). Evidence suggests that workers in EPZs are often employed with little or no recognition of core labour standards, and workers who try to organize to defend their rights face intimidation (ICFTU, 1998).

Campaigns by lobbies and the international trade union movement have effectively used the media and electronic telecommunications to highlight areas where corporate social and environmental responsibility are wanting, mobilizing consumers and shareholders across national boundaries. Companies, keen to avoid negative publicity that might effect their image and, ultimately, profitability, have had to respond. On 13 May 1998, for example, Nike announced that it would no longer hire anyone under the age of 18. This was the result of shareholders' criticism of Nike's employment practices. There is growing evidence that firms adopting codes of conduct are perceived as more efficient and receive more investor support.

In the absence of an enforceable international framework governing the operations of multinationals, pressuring companies to adopt voluntary codes of conduct has become a major strategy for enforcing labour standards. For example, the Ethical Trading Initiative (ETI), based in the United Kingdom, brought together hundreds of people from a range of (large) companies, trade unions and NGOs in late 1998 to discuss fair trade issues and company codes of conduct. Recent research has found that six out of the nine UK companies

in the top 100 multinationals (ranked by foreign assets) are currently drafting codes (Ferguson, 1998). The codes define minimum labour standards that the company and, significantly, all its subcontractors, including those overseas, are expected to comply with. Different codes vary enormously in content, but there has recently been a shift toward standardization. The ETI code, to which over 15 major UK companies have agreed, is rooted in the ILO conventions and contains clauses on freedom of association, health and safety standards, child labour, hours of employment, discrimination, etc.

It is important to place the development of codes of conduct within the wider context of the rapid growth of the ethical business and fair trade movement. In the space of a few years, fairly traded products and the fair trade movement appear to have gone from the margins to the mainstream as a strategy for promoting labour rights. During the past decade, there has been significant growth in the scope and presence of fair trade; by 1995 retail sales of fair trade goods amounted to a quarter of a billion dollars in Europe alone.

This is not to suggest there are no problems with such a strategy, however. As the experience of the US apparel sector with the issue of child labour has shown, the demands of the ethical Northern consumer do not always promote actions that are in the best interest of the Southern worker. In this case, to respond to public outcry in the United States about children working in sweatshops, a number of companies, such as Levi's, introduced codes including provisions banning the use of child labour in their production processes. Cutting children out of the labour supply chain entailed a lesser risk of negative publicity than trying to improve their labour conditions. The evidence suggests that the result of companies' actions has been a decrease in the use of child labour in garment industries exporting to the United States. But in the absence of alternative sources of reliable income, this has not necessarily been in the best interest of all working children in Southern countries. Codes of conduct are supposed to address the demands of Northern consumers, NGOs, company shareholders *and* Southern workers. Where these claims conflict, the interests of Southern workers have suffered in some cases. Companies respond more easily to the demand of consumers for immediate action than the workers' need for gradual improvements. In order to be effective, codes have to be constructed and implemented in a way which surmounts these contradictions and addresses the needs of the least powerful. There is also a danger that the introduction of codes of conduct in export industries will exacerbate differences in working conditions between this sector and others, with the most vulnerable workers being pushed out of the better paid and regulated export industries.

### ***Global taxes for social purposes?***

The final question that bears consideration concerns global tax regulation and revenue raising. In the OECD countries, a race to the welfare bottom may be feared because social programmes funded by taxes on capital may lose their source of finance when capital has the option of relocating to a country or zone with lower tax rates. It is also possible that taxes on labour, or at least payroll taxes paid directly by firms, will be discouraged in the same way, as investors look to countries where the total cost of labour is lower. There are, of course, arguments against such worst-case scenarios. Some aspects of social spending,

even if they fall on capital, are beneficial to capital. Improved worker productivity, and increased social and political stability are benefits, as far as long-term investment is concerned. Similarly, there are reasons why some fixed capital is better located near product markets, so capital flight may not be as extensive as feared. Trends in taxation and in social spending in developed economies suggest that while globalization is beginning to exercise some constraints on taxation policy, they are far from overwhelming. Furthermore, distinct differences persist between the desire and the capacity of governments to provide for social protection measures in the context of globalization. Government expenditure in the OECD countries increased from just under 30 per cent of GDP in 1960 to nearly 50 per cent in 1995. Over half of this increase was due to increases in social transfers, which grew from 9 to 20 per cent of GDP (OECD, 1998). This increased expenditure has been reconciled with commitments to balanced budgets (described above) through increased taxation. The ratio of taxes to GDP across the OECD has increased since 1985. However, during this period a number of countries cut social spending in certain areas to balance the books.

Among the trends in taxation are the following: (i) reduction in the share of taxation falling on capital income (Rodrik 1997); (ii) increase in the share of taxation falling on labour income (Rodrik, 1997); (iii) pressures to reduce payroll taxation to stimulate low-wage employment (Scharpf, 1998); (iv) reduction in the marginal rate of income taxation (the burden of taxation thus falls disproportionately on lower incomes); (v) concern that a limit may have been reached in taxation on incomes and consumption, i.e. on labour income (OECD, 1998), and the associated emergence of a global market in skilled and professional labour seeking out low tax rates; and (vi) experiments with new forms of eco-friendly taxation (O'Riordan, 1997). The double dividend available from eco-taxation would appear to create a common interest between defenders of the tradition of high-taxation and high-spending welfare states, and protectors of the environment in the context of globalization.

The most comprehensive proposal for reform is to shift taxes from taxing employment to taxing pollution and other environmental damage. Although the idea is in its infancy, initial studies are promising. An OECD study for Norway suggests that a revenue-neutral shift of this sort might reduce unemployment by one percentage point while substantially reducing environmental damage (UNDP, 1998:100).

A strategy of environmental taxation would, however, require cross-border agreement and in that sense is no different from measures required at the global level to reach agreement on common levels of corporate taxation.

As stated above, globalization has shifted taxes toward labour income, yet income taxes are increasingly perceived to have reached the limits of viability. This situation can only be reversed, and compensating taxation on capital income increased, through international agreement worked out under the authority of a new global tax authority. Steps are being taken within the EU to harmonize corporate tax rates, but UK opposition to this is fed by the absence of a global agreement. Similar accord at the global level may also be needed on rates of labour, consumption and savings taxation. In this context it is encouraging to note that the Social Policy and Development Division of the UN Department of Economic and Social Affairs has tabled the need to contain

tax competition as a possible action agenda item for the meeting to review progress in implementation of the outcomes of the Social Summit (United Nations, 1999b). The first Preparatory Committee meeting for the five-year review was, however, a long way from reaching agreement on the concrete steps to be taken when it ended on 28 May 1999.

In terms not only of limiting speculative flows of capital, but also of raising revenue at the global level for social purposes, the Tobin tax remains an important proposal, as do others such as a tax on airline travel (Cassimon, 1999). It has also been suggested that all revenue arising from transactions in poor countries should be retained by them, while some of the revenue arising from transactions in richer countries should be remitted to a new global spending authority under United Nations auspices (Kaul and Langmore, 1996). On 22 December 1999 the United Nations resolved to hold a high-level conference on Financing for Development in 2001. The resolution states that the meeting should consider “national, international and systemic issues relating to financing for development in a holistic manner in the context of globalization and interdependence” (United Nations, 1999c). The preparation for this meeting will involve a range of stakeholders, including the World Bank, the IMF, the WTO, international NGOs and the private sector. The conference itself might just be the place where a version of the Tobin tax is given serious intergovernmental consideration as a means of meeting specific development targets. Such a global tax being levied, and resources from it channelled in part through United Nations agencies, would have a range of positive impacts on social welfare in both North and South. For example, it could:

- ensure that OECD DAC’s targets were met (securing basic education and health services, as well as water, sanitation and shelter for *all* the world’s citizens), *and* enable the targets to be realistically extended to secondary education and hospital care;
- shift the balance of power at the international level back to the United Nations from the World Bank and the IMF, which might weaken the ideology of privatization and residualization in public welfare provision;
- encourage global demand management and an element of global Keynesianism, which would have a positive impact on growth. This would create a better environment within which to continue the search for a North-South compromise on global labour, social and health standards;
- contribute, through more egalitarianism within and between countries, to the erosion of global public bads that stem from inequity: international crime, drug trafficking, illegal economic migration and environmental degradation; and
- provide resources to turn the emerging global code of best practice in social policy, and the associated set of global social rights, into reality.

## Challenges that undermine conditions for equitable social development

This paper has argued that global discourse on the social consequences of globalization has been shifting from a politics of global social irresponsibility to one of global social concern. There is increasing agreement in the international development community that:

- global macroeconomic management needs to address the social consequences of globalization;
- a global set of social rights and entitlements to which citizens might aspire can be fashioned;
- international development aid should focus on meeting basic social needs;
- debt relief should be accelerated as long as the funds thus released are used to alleviate poverty;
- international trade generates the need for the globalization of labour and social standards; and
- good governments are an essential ingredient in encouraging socially responsible development.

This is a long way from the situation that prompted the writing of **Adjustment with a Human Face** (Cornia et al., 1987). One could be tempted to label the new era “globalization with a human face”. There are, however, a number of disagreements as to how to proceed with this new orientation.

- Much of the South is suspicious of even progressive social conditionality.
- How world trade and world labour standards can co-exist without being reduced to minimal core standards or being used for protectionist purposes is far from clear.
- Initiatives to empower the United Nations with global revenue-raising powers are firmly resisted by some.

The arguments running through this paper raise a different concern: even if the disagreements could be overcome about how to fund and implement the new global social agenda, this would threaten equitable social policy and development in the North and South. Why? The history of the struggle to build welfare states teaches us that social equity, with high levels of social service provision accessible to all, has only been secured and retained when welfare services are available to and used by the middle class. It is the sharp elbow of the middle class—every bit as much as working class pressure and/or concern for the poor—that has ensured good-quality social provision. The better off will only accept to be taxed if they also benefit.

Four tendencies within the new global paradigm, if allowed to be pursued, will undermine this essential precondition for equitable social progress just as the world enters a new millennium *with the resources to fund such equitable development*. These are:

- the World Bank's belief that governments should only provide minimal levels of social protection;
- the concern of the OECD Development Assistance Committee to focus funding on only basic education and healthcare;
- the self-interest of international NGOs in substituting for government provision of services; and
- the moves being made within the WTO to open the global market in private healthcare, education and social insurance.

In the context of withering state provision, the middle classes of developing and transition economies will be enticed into the purchase of private social security schemes, into the purchase for their children of private secondary and tertiary education, and into the purchase even at the expense of subsequent personal impoverishment of private hospital medical care. The providers of such private services will be North American or Western European. The potential to build on cross-class social contracts from the colonial era, or to fashion new ones in countries in transition, in order to build new welfare states will be undermined by the existence of a global market in private social provision. The conditions facing the emerging middle class of many countries in the context of globalization will be fundamentally different from the conditions that faced earlier middle classes who helped fashion earlier welfare states. The result is predictable. We know that services for the poor are poor services. We know that those developed countries without universal provision of public healthcare and education are not only more unequal but also more unsafe and crime ridden.

The global social development lobby is congratulating itself on shifting the global agenda toward debt relief to reduce poverty and provide universal access to basic education. Yet it is, for the most part, blind to the threat posed to social equity in both the South and the North by the moves of the Bank and WTO to fashion a private future for welfare for the global middle class. To put it differently, "globalization is unravelling the social bond" (Devetak and Higgott, 1999) that ensured social justice within countries during the twentieth century. This bond will have to be recreated at the supranational level in the twenty-first century.

## **Re-establishing equity in the global social policy and development discourse**

Countering this tendency will not be easy. Re-establishing the case for equity in social policy and social development would require major analytical and policy changes. For example, development analysis must shift from its focus on the poor and their condition to the rich and their private privileges. The mapping of the emerging global markets in social welfare is urgently necessary.

It would also require the United Nations, UNDP, WHO, UNESCO (etc.) to be funded out of new global taxes and empowered to work with the new Group of 10 countries, the IMF, World Bank, WTO and regional groupings to *plan* in an accountable way for equitable global development. This type of planning would also begin to rationalize the chaos of subcontracted governance that has arisen over the past decade with the proliferation of NGOs and private aid agencies competing for tenders.<sup>8</sup> Planning may be an unfashionable and ideologically suspect word at the moment, but it is, in effect, what James Wolfensohn called for recently when he wrote “What is needed is a global partnership to harmonise programmes, policies and practice . . . there must be common standards for procurement [and] operations . . . the time is ripe for a co-ordinated attack on the inefficiencies of the development system” (1999b:8). However, it must not be left to the Bank alone (through, for example its new Global Development Network<sup>9</sup>) to shape this planning process.

It would require major intra- and inter-regional, public and private resource transfers to finance this type of public provision at all levels. It would also require a wave of global social regulation to ensure standards of service and accessibility to all (through government subsidy) of private health, education and social services, where they exist in lieu of public provision.

The global social agenda for the twenty-first century must be nothing less. But who is likely to support such a change in approach to ensure that the twenty-first century achieves globalization with a human face, socially responsible globalization—and *moreover*, globalization with equity in social policy within and between countries?

In **The Global Trap**, Martin et al. argue that if the dangers of global economic liberalization are to be avoided:

The countries of Europe can and must start acting together against this danger (of a liberalising globalization), but the solution does not lie in opposing a Fortress Europe to the coming Fortress America . . . the aim would be to counter destructive . . . neo-liberalism with a potent and viable European alternative . . . in the unfettered global capitalism only a united Europe could push through new rules providing for a greater social balance and ecological restructuring. . . . A European Union truly worthy of the name could insist that the tax havens be cleared, demand the enforcement of minimum social and ecological standards, or raise a turnover tax on the capital and currency trade (1997:219).

Is the EU playing such a globally progressive role? It may not be, according to an evaluation carried out by GASPP for the Finnish Ministry of Social Affairs and Health (during the Finnish presidency of the EU in the second half of 1999).<sup>10</sup>

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<sup>8</sup> For more on this, see “Third Seminar” on <http://www.stakes.fi/gaspp>.

<sup>9</sup> For more on this, see <http://www.gdnet.org>.

<sup>10</sup> It was not surprising that it should have been a social democratic country that requested the evaluation. From within Finland has emerged a body of writing which already advances the idea of nothing less than global social reformism (Patomaki, 1999; Kiljunen, 1999). Patomaki has argued that:



Indeed, for those who feel that the EU can and should act to counter destructive global neoliberalism with socially responsible globalization, the results of the evaluation make depressing reading (Deacon, 1999b). In a number of arenas and policy areas where steps are being taken toward socially responsible globalization, it might have been expected that the EU would put forth a case for global social equity rather than global social residualism and privatization. However, the EU is certainly not at the forefront of debate. For example, the move to fashion a set of global social rights that could complement the emerging global code of best practice in social policy owes little to the EU. Although the EU contributes a large proportion of international aid, its development policy lags behind that of other actors in terms of focus on global inequality. It has thus not been in a position to enter the debate about whether targeting the poor abroad contradicts the more universalistic social policy approaches operating within Europe. Furthermore, the European Commission seems to be contributing little at this stage to debates about global taxation policy or moves to socially regulate TNCs.

The GASPP report suggested changes that would be required if the European Union—as a Union—is to intervene more effectively in shaping the dynamics of globalization, such that the social dimensions and social equity are taken more seriously. Changes are required in the constitution of the EU, in policy both at a very general level and in a number of specific areas, in organization and in process. New initiatives are also needed. At a general level, what is required is the formulation of a clearer and more consistent European policy addressing the negative social consequences of globalization, which treads a path between a relapse into protectionism and an accommodation with liberal globalization. If high-level, intergovernmental agreement could be reached, the prospects for the EU speaking with one strong voice in favour of socially responsible globalization would be greater. Similarly, there is a need for greater coherence across the diverse dimensions of EU policy. Internal discussions about tax harmonization can make little sense unless they are linked to discussions in the G-7 about global financial regulation, or to discussions about internal social policy. In the same way, policy positions cannot be formulated for the next round of world trade negotiations or a resurrected MAI without rigorous examination of their links with the EU's health and social policies.

The international development co-operation of the EU should focus on reducing global inequities and poverty through increased aid for the formulation of universalistic approaches to social provision—not only at a basic level but also, eventually, at all levels. The EU's trade policy, bilateral and multilateral, should link to raised social and labour standards through aid geared toward enabling countries to improve standards—by agreement, and

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. . . it is in the real interests of the Nordics to struggle for changing the conditions which have made it so difficult to sustain social/democratic ideals . . . this process should at least be partially detached and freed from the notion of a sovereign state. Instead the focus should be on democratising and socialising world politics . . . the neat model of inside progress and universal welfare—combined with outside foreign policy . . . presupposes a context that is not there anymore . . . any meaningful Nordic emancipation must be connected to regional and global social/democratic reforms . . . and last but not least, as the only universalist and somewhat representative organisation, the United Nations should be the focal point of global social/democratic reforms . . . (1999:18, 21, 26).

with the support of the ILO, WHO, etc. EU policy on the regulation of global financial flows should include support for a global code of best practice in social policy, informed by best practice in European social policy. Policy should include support for a global taxation authority and a global revenue-raising process, such as the Tobin tax.<sup>11</sup>

Just how far even the EU needs to go before it has fashioned a policy that aims at global social equity is a necessary reminder of the mess in the global politics of welfare as we begin the twenty-first century. The WTO steals the clothes of global health policy from the WHO and turns them inside out. "Health for all" becomes health markets for all. Bill Gates, by way of nineteenth century-style philanthropy, provides more money for vaccines via NGOs than the WHO can muster. The Chief Economist of the World Bank, key defender of equity as a global goal and opponent of the myths pedalled by the private pension lobby, resigns prematurely. The ILO squabbles internally about how to make a strong case for the future of human security. Inspired global principles of social policy are sidelined just when they are needed in the context of debt relief. The IMF warns of termites eating away at the foundations of state budgets but claims powerlessness to do anything because of domestic politics in the United States.

Another problem as far as global social policy and development are concerned is the fragmentation and functional separation of agencies (WTO, Bank, IMF, ILO, WHO, UNDP, UNESCO, OECD, regional groupings), and conflict and competition, within and between them, for the *right to participate* in shaping global social policy and over the *content* of that policy. Perhaps the five-year review of the Social Summit in June 2000, and the UN meeting on Financing for Development planned for 2001, could begin to reverse this slide into global social policy anarchy. These gatherings might also initiate the process of establishing a responsible, accountable and funded global system of governance in the social sphere as a means of working toward the goals of intra- and inter-country equity. Much will depend on the EU improving on present practice. A lot will also hinge on progressive voices from the South speaking out for improvements in the structure of global governance in the interests of both the North and the South.

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<sup>11</sup> Since this report (Deacon, 1999a), a new Commission has taken over and there are signs of coordinated and progressive thinking. The new Commissioner for Development has supported prioritization of global poverty alleviation (Nelson, 1999). And the Commission's strategic objectives for 2000-2005 state that the "... Union can make a vital contribution to the reform of the international economic architecture and to the establishment of a mechanism for collective governance" (European Commission, 2000:8).

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