
Global Governance: The Democratic Mirage?

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INTRODUCTION

A recent Global Development Briefing announced that the World Bank had delayed release of US\$ 200 million earmarked for Zambia because of the country's poor economic performance, and offered to raise the amount to US\$ 400 million if the government improved fiscal policy. The Bank was also pressing the Zambians to cede government control over the power utility Zesco, an ownership change that had been made a condition for a US\$ 3.8 billion debt write-off. In the same month, the Briefing reported that the authorities in Zanzibar were rebuffing pressure from the World Bank and the IMF to retrench civil servants. It also reported that the US Government was postponing US\$ 4 billion of reconstruction work in Iraq, with the aim of exercising leverage over the next Iraqi government.

Such stories have become familiar in the globalization era. Critics of foreign aid and technical assistance dislike the donor's use of *conditionality*, the arrogance of power, the pressure of commercial interests, the intrusiveness of financial agencies, the lack of accountability, the lack of transparency and the obviousness of what interests are being served. Yet all these are part of the *micro-politics* of globalization.

It is the failure to address the micro-politics that is most worrying about Keith Griffin's characteristically elegant article on global governance, a crucial challenge of the twenty-first century (Griffin, 2003). What he is surely most eager to address is the social justice failure of the orthodox set of policies underlying globalization. But ultimately one feels he has put forward a liberal's wish list instead of a realistic analysis. The following comment concentrates on three concerns, although there are others. First, it considers Griffin's appeal for global democracy; second, it considers his appeal for greater liberalization; third, it looks briefly at the evolution of *regulation*.

THIN DEMOCRACY AND GLOBAL BUREAUCRACY

One should not be dismissed as a cynic for noting that 'democratization' is a prominent part of the *rhetoric* of the advocates of globalization. One reason is that the affluent, and representatives of conservative ideologies, have come to

realize that as people are bombarded with filtered information, it has fostered a collective 'attention deficit syndrome'. Sound bites and buzzwords are replacing more time-consuming deliberation, and class-based politics is harder to envisage. For much of the time, sufficient numbers of potential electors and potential politicians can be manipulated by clever use of information and advertising. In the commodification of human existence, the selling of 'democracy' is part of the legitimization of the liberalization agenda.

Democracy is a very loosely used word. In Italy, Berlusconi controls the media and is elected Prime Minister; in the USA, successive Presidents win power with a small minority of the electorate voting for them, and it is inconceivable that anyone would be elected who was poor or a representative of the poor; in the UK and elsewhere, Prime-Ministers-in-waiting beat their way to the doors of Rupert Murdoch and the like to secure their support. As for developing countries, most are small, and their rulers are easily encouraged to adhere to outside interests. Haiti is only a recent example of what happens if that is not done, with the ousted elected President having a private bodyguard kindly supplied by a firm in California.

In a world of such realities, calling for 'democracy' is not enough to constitute an answer to the ills of 'globalization'. The world is formally more democratic than at any previous time, in that more countries purport to subscribe to democratic practices. But how many countries have governments elected by a majority of their electorates? Very few. And only a few more could claim to have been elected by a majority of those who voted. Electoral turnouts are falling in most countries, so that we are faced with more governments being elected by rather small *minorities*. The world is increasingly ruled by *thin democracy*, and by wealthy interests manipulating electoral systems. Griffin is uncritical in praising democracy. One suspects that at the global level — even more than at national level — substance might be replaced by charisma, the manipulative power of advertising and use of 'focus groups'.

Griffin laments the fact that the USA acts unilaterally, often refusing to stick to international treaties or internationally agreed rules. He recognizes the threats posed by US-dominated agencies, such as the IMF and World Bank, but seems to think that global democracy would somehow curtail all that, and that actually 'US hegemony may prove to be rather fleeting' (Griffin, 2003: 791). It would be more sensible to assume that this 'fleeting' period may prove rather long, and to devise realistic responses that take that as a reality. It is no coincidence that influential advisers to successive US Presidents openly state that the USA should set the rules and not adhere to international treaties itself.¹

1. See, for instance, Bobbit (2002), who advocates a world of 'market states', rejects the old idea of national sovereignty, and asserts that the USA should not adopt 'the regimes that it urges on others' (ibid.: 691). The author was Director of Intelligence on the National Security Council under Clinton, and is a member of the US Council on Foreign Relations.

Would global democracy work, whether or not US hegemony prevails? It has always been a maxim of democracy that it works best when it can be *deliberative* in character and when the governed can look their elected representatives in the eye, that is, when the unit is reasonably small. In that context, the idea of global democracy may be regarded as something rather frightening, a means of legitimizing the status quo and making structures more conservative. While we may say with Churchill that it would be the least bad form of governance, we should scarcely be too sanguine about its likely effects.

An example of the danger of supra-national democracy is the development of social policy within the 'democratic' European Union, which Griffin (2003: 802) cites with evident approval. It is widely recognized that EU institutions have been seen as alienating and bureaucratic, as well as very costly. Less recognized is that social policy is determined increasingly by the lawyers operating through the European Court of Justice (ECJ), not by democratically-elected politicians. Traditionally, social protection was a matter of national policy, and in one way or another it had a function of promoting *social solidarity*, involving principles of reciprocity and inter-generational and inter-class transfers. But as national policies have been 'liberalized', the ECJ has had a greater say in how they should be allowed to operate. The Court has ruled that in such circumstances market rules must be enforced, and has accordingly banned some national schemes that did not correspond to market rules. To claim that 'internationalists in particular should applaud the extension of the rule of law to the international arena' (Griffin, 2003: 797) is not enough to dispel the concern that often laws have biases that are contrary to normative ideas of distributive justice.

Griffin also argues that the international agencies should be made more democratic. Of course. However, we should also be sceptical about the likely effects. Having witnessed them in action over many years, and worked in what is arguably the most 'democratic' of the major institutions, the image that comes to mind is a babble of platitudes coupled with timidity and deepening inertia, thinly hiding a deep conservatism. The example of the ILO is merely illustrative. Griffin seems to approve of its 'tripartism', although his approval seems relative (*ibid.*: 802). He is wrong in thinking that the governance structure consists of governments, trade unions 'representing large urban industries' and management mainly 'representing multinational corporations'.

It is not clear how many of the world's large-scale employers are in the International Organization of Employers, which is the employers' representative, and it is clear that the vast majority of workers across the world do not belong to trade unions, let alone one affiliated to the ICFTU. Thus, the appearance of representative democracy is questionable, and any attempt to broaden the democratic base would be resisted by the two entrenched parties, as has been the case in connection with recognition of NGOs, the treatment of informal economy workers, and most fundamentally of all, the attitude to forms of work that are not labour.

Griffin makes the seemingly sensible point that specialized international agencies should have responsibility for their areas of expertise, because having multi-purpose agencies confuses. To an outsider, this may seem eminently reasonable. To somebody who has seen rather a lot of the inside, this brings to mind King Canute. It is also hard to give this division of labour a clear definition. Which agency should be responsible for income inequality or 'poverty', for example?

The reality is that in this 'linked-up' globalization era, health, work, rights, development, trade, finance and much more are inherently inter-related, and it is fanciful to preach that each agency should have its turf and not trespass on the turf of others. It may seem sensible and proper on paper, and be used as implicit criticism of the World Bank, which has been the arch trespasser. But it does not stand up to professional scrutiny. A better way forward is to argue that international challenges should be tackled by setting up an international mechanism to identify the multiple factors involved and then organize an integrated multi-agency approach. One can see easily how this should be done with something like TB or HIV/AIDS. But there are many other spheres that also require a co-ordinated multi-agency approach. The structure of international agencies is more artificial and arbitrary than is implied by Griffin's call for 'specialization and a division of labour' (ibid.: 798).

Ultimately, while we may all support some idea of democracy, Griffin has not addressed the hard issues. We have no idea of what form of democratic governance is being advocated and no reason to think that he has formulated a strategy to overcome the fear that, in the current reality of US hegemony, democratic rhetoric would merely translate into a way of controlling local autonomy.

SOCIAL POLICY LIBERALIZATION

Griffin makes the bald assertion that 'the solution is greater liberalization, not less' (ibid.: 792). There are no caveats; he wants liberalization to be 'symmetrical' and 'complete' (ibid.: 805), and asserts that the problem is that only some areas have been liberalized, not all. To appreciate what this implies, consider several forms of liberalization that are taking place.

Much research has been done on the impact of trade liberalization, with the consensus that it may be beneficial for economic growth. However, the impact of financial market liberalization is less positive. At the ILO, we have recently carried out a cross-national empirical study, which indicates that low-income countries that liberalize their capital markets are likely to suffer from greater economic instability and economic insecurity (ILO, 2004: Ch.11). Others have argued something similar, and even the IMF has come round to admitting that liberalizing capital markets may indeed

cause more economic volatility (see, for example, Rogoff et al., 2003).² Yet Griffin is implicitly favouring this by arguing for complete and symmetrical liberalization.

Now consider the accelerating liberalization of social policy, which has involved commercialization, through changing financial provision (shifting from social insurance, for example, to a mix of tax, user fees and other client payments), and through privatization. As a result, so far, multi-pillar (or tier) pension schemes and healthcare systems have been emerging, and the World Bank has been encouraging a general move to individual accounts. Many forms of social service are being liberalized, including such unlikely candidates as prison services. This liberalization is being leveraged by the international financial agencies (most notably by the World Bank's International Finance Corporation) and by bilateral donors, particularly as they have rushed to sign up to the Poverty Reduction Strategy Papers (PRSPs).

For many years, the international financial agencies (IFAs), and bilateral donors in their wake, have been extending the range of conditions attached to grants, loans, debt relief and technical assistance. As we know, they have reached the stage of focusing on so-called *governance* and social policy conditionality. The PRSPs are the latest ratcheting up of conditionality. Griffin is against conditionality, as far as one can tell. He favours an automatic transfer mechanism for aid (2003: 804). I agree. Unfortunately, this is as another King Canute scenario, and about as likely to happen as a halting of the waves, since all sorts of conditionality are part of the micro-politics of globalization,³ and liberalization of social policy is very high up on the priority list of conditionalities.

The role of the WTO's General Agreement on Trade in Services (GATS) has been secondary so far. Nevertheless, GATS promotes the *liberalization* of social services, which in practice is a means of leveraging the privatization of social policy. In many areas, it means opening up domestic markets for multinationals, mainly American. In whose interest is the liberalization of, say, higher educational services? Increasingly, curricula are set to suit norms established in the USA.⁴ Once national educational bodies are converted to this internationally liberalized agenda, they are likely to enforce common standards in their educational institutions, which then produce students with that orientation, which in turn results in the exclusion of those in other traditions, who are no longer able to participate in a common intellectual language. Liberalization, paradoxically, is likely to lead to a

2. The IMF's World Economic Outlook of 2003 admitted that there was no evidence that financial liberalization benefited growth and that there was evidence that it increased consumption volatility in developing countries (IMF, 2003).

3. For a typology of the formal and informal conditionalities, see Standing (2000).

4. This is one of the services being examined by the ILO's Socio-Economic Security Programme in a project on social policy liberalization.

standardization, along the lines dictated by the hegemonic leader in the service.

Griffin salutes the WTO (ibid.: 796–7), primarily because he wants to ‘applaud the extension of the rule of law’. What he does not mention is that the extension has been contrary to his view that ‘our institutions of global economic governance should be expected to practise specialization and a division of labour’ (ibid.: 798). The WTO, through GATS and other mechanisms, is an instrument for influencing the form and character of a very wide range of policies and institutions, including social protection systems. The rule of law that Griffin applauds is actually the rule of market competition, overruling or weakening national sovereignty.

The liberalization of social policy, which will be seen as a major trend of this decade, is actually strengthening the position of multinational corporations and is tending to lead to global homogeneity. It is fostering greater inequality and more dualistic workforces within dwindling public sectors and in those services that are being privatized in the name of liberalization. Unless one has a set of recommendations to avoid these developments, calls for ‘greater liberalization’ do not have much appeal.

As part of the liberalization of social policy, there has been what might be called the *liberalization of aid*. Griffin’s views on aid (ibid.: 802–3) are surely correct. However, I would argue that he has failed to address a major trend that cannot be ignored. While direct public aid has been declining, and while the PRSPs are reducing the range of policies supported by bilateral aid, there has been a relative and absolute growth in private, partly philanthropic aid, selectively given, partly benevolent and partly tied to questionable political or ideological agendas. Many NGOs are being drawn into the net, eager to attract funds. Faith-based organizations are particularly favoured, and USAID and other aid donors have come along to support them as well. The liberalization of aid may well mean that a handful of very rich individuals will shape what areas of policy and what types of policy are supported, and which are not. More liberalization in this respect is not entirely welcome.

PRIVATE REGULATION

Finally, consider the liberalization of regulations. The period between 1945 and the mid-1970s can be characterized as the *era of statutory regulation*, in that governments and the international agencies placed faith in rules and regulations operated by the state to achieve advances in social equity and protection, whereas the period since then can be called the *era of market regulation* (Standing, 1999). What the latter should not be called is a period of ‘de-regulation’, since governments were actively encouraged by the international agencies, in particular, to re-regulate in favour of ‘market forces’.

If one were to risk a generalization it would be to say that the trend has been to strengthen the position of relatively powerful groups in society and weaken the role of others. In the sphere of labour and social policy, the tendency has been to promote 'free' labour markets, through curtailing union rights, eroding minimum wages, and reducing universalism and social solidarity principles in social security and other types of social protection. It is little compensation that the period was also one of increased political democracy.

The very word 'free' is misused and misleading. One understands why Griffin wants 'free' global labour mobility. It is asymmetrical to promote free capital markets and free trade, and not free labour markets, especially at the international level. But what is this 'freedom'? Marx and others have long taught us that it actually means the double freedom and thus an existence of social and economic insecurity. One should at least entertain the idea that the oppressed should have a right not to move. Migration is a safety valve, and as such allowing mass departure from a country could hinder the growth of pressure to overcome the causes of discontent. Enabling the relatively energetic types to flee may not be in the best interests of the community. One cannot presume that migration would be beneficial for both sending and receiving communities.

One argument is that free migration into industrialized countries tends to erode welfare state capacities, contributing to greater inequality (as in the USA) and undermining electoral support for redistributive social policy. In other words, free labour mobility may increase inequalities within countries. Griffin may believe either that this is not true or that it is a minor concern in the wider international context. However, it is so important that one cannot fairly argue for free labour mobility without addressing that issue.

The liberalization of regulations is among the less noticed aspects of global liberalization that Griffin and others want to see extended. In some spheres of policy, there is reference to 'self-regulation'. In global corporate governance, the emphasis has been on development of 'voluntary codes of conduct', including the UN's famous Global Compact. In the liberalization of agriculture in developing countries, such as India, it has been the abandonment of regulatory boards which has led to large price fluctuations and wipe-outs of low-income farmers when hit by a poor harvest. In the liberalization of labour markets, it has meant re-regulating in favour of employers, leaving workers exposed to more uncertainty and insecurity.

There is one area of liberalization of regulation that has scarcely attracted any attention, but which is becoming enormously influential. The world is drifting into an era in which there is private regulation by several means, most notably by credit rating agencies (CRAs), which means essentially two US-based firms (Moody's and Standard and Poor). These have enormous power, but are publicly unaccountable. They are able to influence national and corporate policies by their ratings, and they sell their services to advise governments and companies on how to improve their ratings. If you want a

completely *liberalized* global market economy, the power of such bodies will continue to grow. Democratic governance in such circumstances will look increasingly hollow.

CONCLUDING THOUGHTS

We are in the midst of a great transformation, which is being distorted by the linear interpretation of ‘globalization’. This is an ideology and a strategy to achieve certain structures and mechanisms of distribution and protection and regulation. But it is inherently unstable. We need new systems of protection, regulation and redistribution that fit the more open economic system that is emerging.

Although one respects his views, and knows that he belongs to a respectable and decent tradition, the concern one feels about Keith Griffin’s paper starts with a sense that it sidesteps the issue of *power*. Globalization is about the redistribution of power towards the interests of financial and industrial capital. Increasingly, the very rich and the commercially powerful can manipulate global debates and ‘policy’ options. They can do so in part by manipulating the language of those debates and the information that is regarded as legitimate for assessing options. In that context, a countervailing strategy must offer a realistic prospect of redressing the power imbalance.

Hoping that global institutions will somehow become democratic and that such engineered democracy will redress the global inequalities that are partly associated with liberalization is rather akin to spitting into the wind.

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