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AN ALTERNATIVE PERSPECTIVE TO GOVERN GLOBALIZATION

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ABSTRACT

AN ALTERNATIVE PERSPECTIVE TO GOVERN GLOBALIZATION

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Along with a multiplicity of benefits, contemporary globalization is posing severe challenges upon individuals, states as well as the world community as a whole. In that context, this study puts forward the cosmopolitan social democracy (CSD) approach as an alternative perspective of global governance to minimize, even entirely eradicate the detrimental costs of globalization and thereby enable all to benefit from its positive outcomes.

Keywords: Globalization, governance, cosmopolitan social democracy

ÖZ

ALTERNATİF BİR KÜRESEL YÖNETİŞİM PERSPEKTİFİ

Bayar Fırat

Doktora, Uluslararası İlişkiler Bölümü

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Türlü yararlar yanında çağdaş küreselleşme bireyler, devletler ve de tüm dünya toplumu genelinde ciddi sorunlar yaratmaktadır. Bu çerçevede, bu çalışma, küreselleşmenin sözkonusu zarar verici sorunlarının en aza indirilmesi, hatta tamamen ortadan kaldırılması ve bu sayede küreselleşmenin olumlu sonuçlarından herkesin yararlanabilmesi için kozmopolit sosyal demokrasi yaklaşımını (KSD) alternatif bir küresel yönetim perspektifi olarak ortaya koymaktadır.

Anahtar Kelimeler: Küreselleşme, yönetim, kozmopolit sosyal demokrasi

To My Family

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INTRODUCTION

We live in a messy world. There are far too many people who survive on or below the poverty line. There are far too many societies paralysed by division. There is too much violence within and between countries. Terrorists are too successful. In many places there is too little water and too many overly populated, pollution-ridden cities. And, most conspicuously, there is all too little effective governance capable of ameliorating, if not resolving, these and numerous other problems that crowd high on the global agenda. Perhaps even more troubling, our generation lacks...the orientations necessary to sound assessments of how the authority of governance can be brought to bear on the challenges posed by the prevailing disarray. (Rosenau, 2002: 70)

Globalization is the buzzword of the day. It is most probably the most frequently referred concept within the context of social sciences in the last two decades. Although there is no single commonly-approved definition of globalization and it is a matter of a fairly controversial and contested topic, it generally refers to the process of rising connectedness and affiliation between different parts and peoples of the world.

The first and direct outcome of globalization is the expansion of human activity all over the world. This is due to the high level and multi-faceted interconnectedness between different parts of the world as multiplicity of events taking place in one location is yielding significant repercussions on the other. Therefore, globalization marks a movement along the local-global continuum, expressing itself in an expansion of human activity throughout the entire globe.

Perceived as such, globalization brings forth and gives rise to a variety of effects, both favourable and adverse. Obviously, it produces multiple benefits and opportunities for all communities in the world. This is valid in terms of both economic and political spheres. For instance, in terms of the economic domain, globalization promotes the well being of the financial system; contributes to the augmentation of domestic savings; improves global allocation of risks among parties; facilitates transfer of knowledge and know-how from developed to developing countries; and contributes to the welfare and quality of the lives of individuals.

Similarly, in terms of the political sphere, globalization contributes to bring greater possibilities of arms control and disarmament at the global level; opens new means of conflict management; promotes global awareness to global environmental concerns; enhances travelling facilities, etc.

However, along with these multiple benefits, contemporary globalization is posing crucial challenges upon individuals, states as well as the world community as a whole. This study enumerates these challenges under four headings: two economic and two political. The two economic challenges are related to global trade and financial governance; and global inequality and poverty.

With respect to global trade governance, the basic challenge today is in terms of the distribution of benefits of free trade between rich and poor countries. International trade is still largely concentrated among rich countries and developing countries are still far from exploiting the benefits of globalization. In particular, rich countries are reluctant to remove their trade barriers in front of developing countries, especially in the sectors that developing countries are comparatively the strongest: agriculture and textiles. Besides that, a similar unfair situation in global trade relations is evident in terms of trade liberalization in services,

distribution of subsidies, intellectual property rights, etc., which are all biased in the disadvantage of developing countries.

In terms of global financial governance, the emphasis is on the International Monetary Fund (IMF), the key institution in global financial governance. In that framework, today, there are basically two sets of problems associated with the IMF. One of these is related to the internal governance of the institution. This problem basically refers to the deficiency in current governance of IMF in terms of representation, transparency and accountability. The second core problem of IMF is related to the subject of conditionality attached to its programs. Since 1980s, IMF conditionality has been extended to areas beyond its traditional fields. That shift has affected country ownership of IMF programs in a negative manner and infringed national sovereignty of the borrower countries.

On the other hand, global inequality is one of the most pressing problems of the current world. Globalization is proceeding in an asymmetrical manner and thereby deepening and widening the disparities and unevenness between the winners and losers of the ongoing process. The income gap between the rich and poor countries is continuously increasing. But the indicators of global inequality are not solely restricted with income. It has many other dimensions in terms of trade, gender, life expectancy, education, health, etc. These problems obviously bring various adverse outcomes such as marginalization, exclusion, polarization, impoverishment of certain segments of the society that have significant global repercussions.

The situation in global poverty is even more severe. Half of the world's population is living below the international poverty line of \$2 per day (at purchasing power parity) and income of one-fourth of world's population is \$1 per day or less. However, current global poverty includes various

other dimensions apart from its traditional analysis of income poverty, such as non-access to food, improved water and sanitation facilities; lack of opportunity, power and security; and the lack of access to non-material needs such as community bonds and moral values. On that basis, to be able to fight against global poverty, a comprehensive and broad perspective is required which takes into consideration all dimensions of the problem and considers a new attitude to the concept of aid and securing new revenue streams towards that goal.

The other two challenges posed by contemporary globalization are political in nature. Just like in the case of economic sphere, there are two challenges in the political domain. These are the challenges of global insecurity and global environment.

As for the first one, we realize that globalization is exerting real pressure to alter the traditional conceptualization of security which is based on the principle of territoriality. Today, arms production, arms trade, dissemination of military and nuclear technology are at uniquely high levels. Besides, contemporary security agenda is posing non-traditional types of threats to the world community such as transnational organized crime, drug-trafficking, corruption, illegal and black markets, money laundering, rent-seeking, trade of narcotics, international circulation of illicit capital, etc. Last of all, the concept of terrorism is entirely different in the current era as terrorist activities no more originate from a specific geography or locality, they are transnational in nature and fully coordinated all over the world, benefiting from the advanced communications technologies. All these factors are severely curbing the capabilities of nation-states to cope with this new kind of terrorism. The concept of international security which is traditionally defined as the survival and protection of the state from outer attack is being more and more inapplicable in the current era.

The second core political challenge posed by contemporary globalization is related to global environment. Environmental degradation in the current era could be analyzed under three headings: Global commons; demographic expansion and resource consumption; and transboundary pollution. Global commons are the elements of global ecosystem that are consumed by all and under the jurisdiction of no single entity. Most obvious examples of global commons are the atmosphere and the climatic system. On the other hand, challenges related to demographic expansion and resource consumption refer to issues such as desertification, soil degradation, problems of biodiversity, shrinking forests, dwindling fisheries, overgrazed grasslands, extinction of certain species, air and water pollution, etc. As for transboundary pollution, the most crucial problems are the acid and contaminated rain, and river pollution. As a result of all these factors, current global environmental degradation is posing a great variety of risks to the entire world. What is more striking is that these challenges are quite new and unprecedented. Their extensity, intensity, velocity, impact propensity, institutionalization and stratification are at unique levels in the contemporary era.

All these challenges posed by economic and political features of globalization are at such a critical level that the organizing principles governing social life are being severely intimidated. This is carrying the world community in the midst of a critical juncture.

Nevertheless, it should also be stressed that these problems and challenges of globalization are not irrevocable or unmanageable. The solution here does not lie in abandoning globalization for good. This option is neither realistic nor desirable. The solution is to re-shape and re-structure the prevailing global governance mechanism in the direction to provide and ensure alternative ways to tackle these problems. Above all, global governance is an end result of human decisions and thereby could be modified.

On that basis, the first step is to figure out the appropriate account of global governance towards achieving that goal. In that framework, in general, two contending accounts of global governance are found in the literature. These are the traditionalist (anti-globalist/skeptic) and globalist (ultra/hyper-liberal) accounts of global governance.

The traditionalist account is based on the realist theory of international relations and essentially argues that globalization does not alter the core organization of world politics, which is the territorial division of sovereign nation-states. It might affect social, economic and cultural affairs; yet this is not the case in the political domain.

In the traditionalist account, sovereignty of independent states is still the major determining factor in international relations and therefore global order and architecture is designed solely by the most powerful states. In that sense, the process of globalization and its end-results are the product of these dominant powers rather than a combination and sequencing of natural and uncontrolled events. Hence, the ideology of globalization is nothing but a “necessary myth” that is exploited by individual nation states to maximize their national interests. In such a framework, the argument that nation states are dissolving in favour of a global world economy is obviously inapplicable.

At the other end of the spectrum is the globalist account of global governance. Originating from the liberal/neo-liberal/neo-classical theories, globalist account favours the superiority of free market in economic affairs and thereby tries to govern globalization on that basis.

Globalists believe that the solution to global problems could be found in the implementation of liberal policies such as openness to free market and competition, closer integration with the world economy, etc. They assert that technological changes and integration to global markets result

in de-nationalization of economic activities which pave the way for global capital and finance to rule overall economic power and wealth, instead of states which was the case before. For globalists, markets are global in nature and they cannot be bound by political regulation. Contemporary globalization is pressuring nation states to dissolve into a global economy determined by the world market forces.

Although both of these traditionalist and globalist accounts provide certain assets and advantages in coping with the challenges of current globalization era, neither of them is sufficient to accomplish that goal on individual basis. The traditionalist views disregarding and undermining the role of change in world politics and appraising globalization as nothing more than a myth or illusion are far from satisfactory to describe the current era. The process of globalization appears as an influential actor in the re-designing process of world politics in the contemporary world.

Similarly, the globalist arguments asserting that globalization is completely a new process and has swept away states and the state system is not entirely realistic. The view claimed by the globalist account asserting that states are nothing but only “decision-takers” in a globalized world economy, is not valid. Though it is a fact that there is a multi-dimensional process of transformation in the role and jurisdiction of nation-states in today’s world, they still constitute the core units of the system.

On that basis, profiting from a third and alternative account of global governance looks much more promising in enabling us to cope with the challenges of contemporary globalization. This account is called as transformationalism. The transformationalist account of global governance serves as the middle-way between traditionalism and globalism. Taking into consideration that there is a variety of strength and weaknesses in

both of these accounts, it captures the benefits from and ignores the deficiencies of these two extreme positions. It is the search for a platform of dialogue and an effort for the creation of a productive synthesis between these two parties, which makes it a more substantial and instrumental alternative to tackle the challenges of contemporary globalization.

According to the transformationalist view, globalization does not refer to a singular and linear process or a final end-point in social change. Therefore, the transformationalist position is not on the straightforward spectrum of globalization/anti-globalization domain. Globalization refers to a long term historical process and there is thereby room for change on its course.

In accordance, transformationalism holds the view that the state will remain as the ultimate actor in world politics, yet also acknowledges the fact that globalization is substantially re-structuring power, authority and functions of national governments. In the end, globalization is associated with the transformation of the relationship between territoriality, sovereignty and political power.

To sum up, this study argues that transformationalism presents a convenient basis for an alternative perspective which could tackle the challenges of contemporary globalization. In that context, the main subject-matter of this study, the project of cosmopolitan social democracy (CSD), is based on this transformationalist account of global governance.

CSD is simply the project of extending democracy to the entire world. The simple reason for this is that a great variety of the challenges human beings are faced today arise beyond national boundaries and their viable solutions could only be materialized through a global effort. However, the

most important tool to benefit in terms of initiating that global effort, namely democracy, is not viable at the global level. In other words, there is a lack of democracy at the global level and the degree of democratic legitimacy attained at the national level cannot move beyond the borders of nation states.

In that context, the fundamental objective of CSD project is to ensure democracy at the global level by an extension of the core values of social democracy, such as the rule of law, social justice, social solidarity, democratic politics, political equality, etc. to the global sphere. This process could be named as “double democratization” meaning that democracy that has already been attained at the nation-state level will penetrate beyond the territorial boundaries and be sustained also at the global level. CSD approach argues that this objective could only be realized by a major transformation in the global social organization through a cosmopolitan orientation.

In that context, cosmopolitanism has an important role in providing the universal application of core human values that no agent can violate. Values such as equal worth and dignity, inclusiveness and subsidiarity, avoidance of serious harm, etc. are universal in nature and cannot be defined solely on national, ethnic, cultural or gendered grounds or locations. In that sense, cosmopolitanism opens the way to move beyond mere “internationalism”, and favors instead a multilayered/multilevel governance and authority structure based on the principles of democratic deliberation, stakeholder representation, transparency, effectiveness, accountability, inter-group coordination, bargaining, impartiality, democratic legitimacy etc.

Such a cosmopolitan multilateralism paves the way to think, reason and conceptualize from the viewpoint of others and thereby facilitate a type of authentic dialogue in which all practices of exclusion are rejected. That is

nothing but the emergence of a new kind of citizenship, namely the cosmopolitan citizenship, which is not based on the membership of a territorially defined community; but on the general principles and rules mentioned above that are enjoyed by all.

To sum up, based on these cosmopolitan assumptions and foresight, the essential motive of CSD is to minimize, even entirely eradicate the detrimental costs of globalization and thereby enable all to benefit from its positive outcomes. This goal is tried to be substantiated by an analysis of CSD in terms of both political and economic domains due to the potent belief that these two domains do coexist along the same continuum of social affairs. This study argues that the spheres of politics and economics are integral to each other and the project of CSD could only be materialized as an end-result and functional combination of this interaction.

In that context, this dissertation is consisted of six chapters. The first chapter begins with a brief historical overview of globalization. Afterwards, an economic analysis of globalization is conducted in particular with respect to four features of contemporary economic globalization, global trade, global production, global capital markets and communications revolution. Following this section, political dimension of globalization is examined with an emphasis on stretching of political activity, thickening of interconnectedness, acceleration of global interactions, and deepening enmeshment of domestic/foreign divide. Then, a comprehensive analysis on the concept of global governance is undertaken in terms of its definition, features and different layers. This chapter comes to a conclusion with the enumeration of various opportunities and challenges due to the dynamics of both economic and political dimensions of globalization.

The second chapter examines three different accounts to govern globalization, namely traditionalist (anti-globalist/skeptic), globalist (ultra/hyper-liberal) and transformationalist accounts. In this chapter, it is tried to be emphasized that by capturing benefits from and ignoring deficiencies of the two former accounts, transformationalism serves as a more functional tool to construct a more appropriate framework to tackle the challenges of globalization. In this study, the latter is regarded as the first step to formulate an alternative perspective of global governance based on CSD.

The third chapter presents a brief introductory analysis on the concept of social democracy before beginning to elaborate on CSD. In that context, first of all, the position of social democracy in the left-right ideological spectrum is examined. This is followed by a brief historical outlook on the topic, describing its evolution in time. The latter is carried out in four stages: Emergence of the social democratic thinking (1875-1945); golden ages of social democracy (1945-1973); retreat of social democracy (1973-1990); and return of social democracy in the contemporary era in the form of social liberal synthesis (1990 onwards).

Based on the latter, the fourth chapter conducts a detailed analysis on the subject of CSD and its core elements. First of all, the fundamental values of cosmopolitanism are put forward. This is followed by an analysis on the concepts of cosmopolitan multilateralism and cosmopolitan citizenship. Then basic features of CSD are explored both in the economic and political spheres. As for the economic sphere, these are the distinction between market economy and capitalism; partnership of public and private spheres within the context of New Keynesianism; macroeconomic stability; and economic pragmatism. On the other hand, basic political features of CSD are the new role of the nation state; politics of inclusion within the context of critical theory (CT); global neighbourhood; and critical role of the global civil society.

The next and final two chapters elaborate on how CSD tackles the economic and political challenges of globalization, in turn. In that context, the fifth chapter is concerned with global trade and financial governance and global inequality and poverty. Whereas, in the sixth chapter, political challenges of globalization, which are global insecurity and the challenges in global environment, are examined. After a detailed and comprehensive analysis on all of these challenges in a respective manner, a number of CSD proposals are put forward towards the ultimate goal of forming an alternative perspective of global governance which could provide us the vital tools to tackle and ultimately eliminate these challenges for good.

The last chapter is consisted of brief concluding remarks.

CHAPTER I

AN ANALYSIS OF GLOBALIZATION AND ITS CHALLENGES

1.1 DEFINITION OF GLOBALIZATION

Globalization has probably been the most frequently used and referred concept within the context of social sciences in the last two decades. It is a topic which is fairly controversial and contested. This is the case with respect to its definition, history, impact, etc.

For instance, it is perceived as the processes of internationalization, liberalization, universalization, modernization, de-territorialization, etc. Moreover it is classified in terms of a variety of dimensions, economic, political, social, cultural, etc. A similar attitude is set forth with respect to its scale, chronology, impact, etc., as well.

In addition to that, the concept of globalization is in the midst of the danger of becoming a cliché, which is being used to encompass everything; yet which delivers little insight into the human condition in the contemporary era. (Held, McGrew, Goldblatt and Perraton, 1999: 1)

Therefore, it is obligatory to begin a study on globalization by being fairly precise with its definition employed. In that context, the definition of globalization that is assumed and used in this study is based upon the ones below:

Globalization means the process of increasing interconnectedness between

societies such that events in one part of the world more and more have effects on peoples and societies far away. (Baylis and Smith, 2004: 8)

Globalization can be thought of as a process (or set of processes) which embodies a transformation in the spatial organization of social relations and transactions—assessed in terms of their extensity, intensity, velocity and impact—generating transcontinental or interregional flows and networks of activity, interaction, and the exercise of power. (Held, McGrew, Goldblatt and Perraton, 1999: 16)

On that basis, globalization refers to “the expanding scale, growing magnitude, speeding up and deepening impact of interregional flows and patterns of social interaction”. In that sense it symbolizes a major transformation in the social organization of humanity which links distant communities with each other. In that way, it refers to the shift in the reach of power relations all over the world. (Held and McGrew, 2003: 4)

Globalization is thus located on a continuum, conceptualized, at the one end with relations and networks taking place at the local/national basis and at the other end that of at wider scale of regional/global domain. Globalization refers to the change in these spatio-temporal processes, underpinning the transformation in the organization of human affairs through expanding human activity all over the world. (Held, McGrew, Goldblatt and Perraton, 1999: 67)

Globalization process in the current era is related to the radical transformation in the “problematic of time-space distancing”, ordering of social life across time and space. Today, the degree of time-space distancing is significantly higher than before, and the relations between “local involvements” and “interactions across distance” get

“stretched”. Globalization basically refers to that stretching process. (Giddens, 2003: 60)

In order to make a comprehensive and consistent approach towards contemporary globalization and its effects, this study prefers to examine globalization in a broad perspective. Therefore, the analysis that will be conducted throughout this study will try to touch upon the global activities, listed in Table 1.1 given below.

Table 1.1 Global Activities in Summary

<p>Communications</p> <p>Air transport</p> <p>Telecommunications</p> <p>Electronic mass media</p> <p>Global publications</p>
<p>Markets</p> <p>Global products</p> <p>Global sales strategies</p>
<p>Production</p> <p>Global production chains</p> <p>Global sourcing of inputs</p>
<p>Money</p> <p>Global currencies</p> <p>Bank cards connected to global ATM networks</p> <p>Digital cash on electronic purses</p> <p>Global credit cards</p>
<p>Finance</p> <p>Global foreign-exchange markets</p> <p>Global banking (both deposits and loans)</p> <p>Global bonds ('Eurobonds') and bond trading</p>

Table 1 (cont'd)

Global shares and share dealing Global derivatives markets Global insurance business
Organizations Global governance agencies Global companies Global corporate strategic alliances Global civic associations
Social Ecology Global atmosphere (climate change, ozone depletion, radioactive fallout, acid rain) Global biosphere (loss of biological diversity, deforestation) Global hydrosphere (rising sea level, marine pollution, reduced fresh water) Global geosphere (desertification, loss of arable soil)
Consciousness Conceptions of the world as a single place Global symbols Global events Global solidarities

Source: Scholte, 2000

As figured out from the table above, the scope of this study will basically encompass both economic and political dimensions of globalization. The reason for that emanates from the belief that these two spheres are assumed to constitute a non-separable continuum in human life and social sciences, and thus a coherent analysis of globalization could only be conducted by dwelling on both of these spheres simultaneously.

To this end, following a brief historical overview of globalization in the next section, I will examine the main features of contemporary economic and political globalization respectively.

1.2 HISTORICAL OVERVIEW

It is widely acknowledged in the literature that globalization is not a new phenomenon. This view is valid for both economic and political dimensions of globalization.

Global economic relations have been viable in history as early as societies in different parts of the world began interaction. This process has been much more significant since the Industrial Revolution, as there has been a vast development in the modernization of production. The intrinsic nature of capitalism and entrepreneurial advances that went beyond state boundaries, and have been realized on worldwide scale have contributed to the emergence of globalization of the world economy.

Obviously, these global economic relations did not take place in a political vacuum. We could discern the origins of the idea of political globalization in the proposals for a supranational governance by scholars such as Dubois, Dante, Marsilius of Padua, etc. in the 14th century; notions of international law from the sixteenth century onwards with the basic premise that a single set of rules to apply the whole world; the ideas of globality that inspired voyagers to attempt circumnavigations around the earth in the fifteenth and sixteenth centuries; or the incipient global consciousness evident in the Enlightenment thought of eighteenth century in the scholarship of philosophers such as Turgot, Herder or Condorcet. Alongside the trend in economic globalization, political globalization has accelerated beginning from the second half of the 19th century onwards as more substantive relations began to develop on global scale. The advance in communications technologies and

enhanced level of globality in certain organizations, nurtured by the easing circumstances created by the accelerating dynamics of economic globalization, further developed and helped to spread a kind of global thinking to wider circles of people all around the world. (Scholte, 2000: 62-74)

Nonetheless, although we trace the origins and history of globalization much more backwards, it would be appropriate to argue that globalization as we mean today, has evolved through three consecutive stages. The first stage is the period from the late 19th century to 1914s. The second stage refers to the retreat from globalization that has taken place between 1914s to 1945-50s. The third period, which we still live in has commenced after this de-globalization process in which globalization dynamics have once more begun to function, albeit, on a much broader platform.

The first stage of globalization is characterized by the combination of sharp fall in transportation costs, reduction in tariff barriers, introduction of new technologies, enhanced productivity, rise in the volume of world trade, accelerated international migration and labor flows. These developments paved the way for a deepening process of integration of world markets and contributed to the achievement of high growth rates both for the developed and developing countries. (World Bank, 2002: 3, 24-25) As I have argued before, this economic globalization did not take place in the absence of a political transformation and the two basic spheres of human life, economics and politics, developed in a mutually interactive and interwoven way at the global domain.

However, beginning with the First World War and continuing with the Great Depression and the Second World War, global economic and political integration has interrupted. In particular, the inter-war period (1919-1939) could exactly be described as the age of “fragmentation” as

opposed to globalization. (Clark, 1997: 75-98) E.H. Carr's well-known account of inter-war crisis in his *Twenty Years' Crisis* summarized the period by basically asserting that once a considerable level of "integration" was achieved in the pre-World War I era, the pendulum has started swinging towards the opposite dynamics of "disintegration" in the inter-war period. This de-globalization period was characterized by tendencies and trends of disintegration, nationalism and particularism. Ascending nationalism; beggar-thy-neighbour protectionism; self-sufficiency; absence of effective international leadership; inability or unwillingness of individual nation-states to comply with international political and economic order; fragmentationist effects of the rise of Bolshevik Soviet Union; etc. were the dominant features of the era. In the end, a combination of autarchy in the economic sphere and totalitarianism in the political sphere resulted in a major breakdown and drawback from the globalization process. (World Bank, 2002: 3-4, 27; Clark, 1997: 7, 75-76, 199)

With the end of the Second World War and within the context of post-war international order, particularly since 1960s, the pace and scale of transworld relations have begun re-expanding and unfolding in a dramatic way. Therefore, it would be viable to define this era as full-scale globalization. (Scholte, 2000: 74) In particular, in the post-1980 era, globalization has turned into a distinct phenomenon compared with before and thus could be qualified as the "new wave of globalization". (World Bank, 2002 (b): 31)

This situation was evident both in terms of economic and political spheres. As Derviş states, contemporary globalization is significantly different from its precursor in the nineteenth century in terms of the nature of trade, capital flows, production processes and technological advances. He argues that trade in the nineteenth century was essentially driven by primary products and by inter-industry trade as opposed to the

current situation in which great proportion of trade is in manufactures and in intra-industry trade. Similarly, capital flows are much larger, internationally diversified and conducted in a variety of instruments as opposed to the nineteenth century. As for production processes, Derviş states that unlike the previous era of globalization, today, production is based on outsourcing and production of inputs with comparative advantage and efficient specialization. Last of all, technological advances and communications revolution in the contemporary era is unprecedented. (Derviş, 1997: 3, 7, 10)

Besides the economic sphere, political globalization has taken a new and distinctive shape in this era as well. The unprecedented calamities of the Second World War revitalized the commitments to an international outlook invigorated by a universalistic rhetoric. Thus the war played a catalyst role in terms of political globalization. This tendency has accelerated in the post-war period by a continuum of harnessing of state policies to the processes of globalization. In the end, though it might seem paradoxical, globalization and global integration has gained momentum within the Cold-War environment. (Clark, 1997: 7-8, 122, 199) Obviously, with the normalization of relations between the Western and Soviet blocks during 1980s and eventually with the end of the Cold War at the beginning of 1990s, the pace, scope and spread of political globalization has reached unprecedented levels.

Essentially, the benefits and opportunities as well as the challenges contemporary globalization generates, mainly result from the unique and distinctive characteristics of its current form. Therefore, it will be appropriate to discuss and evaluate these features of globalization in detail with respect to both economic and political aspects. This is where I turn now, respectively.

1.3 ANALYSIS OF ECONOMIC GLOBALIZATION

1.3.1 Definition of Economic Globalization

In accordance with the general definition of globalization put forward at the beginning of this section, it will be convenient to begin with a working definition of economic globalization:

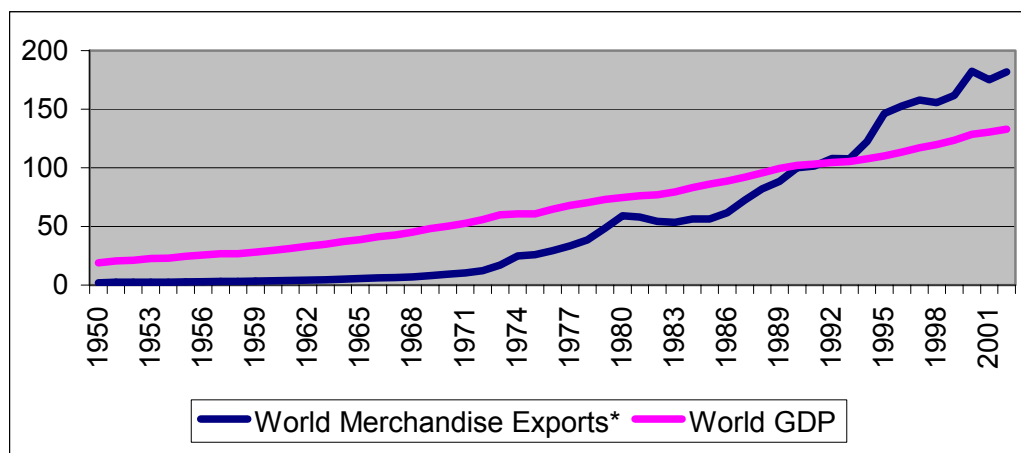
[Economic] globalization is the closer integration of the countries and peoples of the world which has been brought about by the enormous reduction of costs of transportation and communication, and the breaking down of artificial barriers to the flows of goods, services, capital, knowledge and (to a lesser extent) people across borders. (Stiglitz, 2001: 9)

On that basis, economic globalization could be analyzed under four headings. (Derviş, 2002: 6; 1997: 4) These are the distinctive characteristics of global trade, global production, global capital markets and communications revolution in the contemporary globalization process.

1.3.2 Features of Economic Globalization

1.3.2.1 Global Trade

Large-scale expansion in global trade in current era signifies one of the distinctive characteristics of contemporary globalization. As Figure 1.1 below illustrates, in the post-World War II period, about a six fold increase in world GDP has been accompanied by twenty-fold increase in world merchandise exports.



*Includes unspecified products.
Source: World Trade Organization

Fig. 1.1 World Merchandise Exports and World Real GDP (1950-2002)

In particular, the growth of world trade has mounted up in the post-1980 period with a significant acceleration during 1990s. Alongside the situation in goods, a similar path of growth could be discerned with respect to world trade in services as well.

When we examine the merchandise exports to GDP ratio for the main regions of the world, with the exclusion of Latin America and Africa, we figure out that the ratio has increased significantly since 1980s.

Table 1.2 Merchandise Exports/GDP (%)

	1870	1913	1950	1973	1998
Western Europe	8.8	14.1	8.7	18.7	35.8
Western offshoots	3.3	4.7	3.8	6.3	12.7
Eastern Europe and former USSR	1.6	2.5	2.1	6.2	13.2
Latin America	9.7	9.0	6.0	4.7	9.7
Asia	1.7	3.4	4.2	9.6	12.6
Africa	5.8	20.0	15.1	18.4	14.8
World	4.6	7.9	5.5	10.5	17.2

Source: Maddison in Held and McGrew, 2002

A similar rising trend is evident in the ratio of merchandise trade to merchandise value-added as well, in the case of major developed countries. This could be seen in Table 1.3 below.

Table 1.3 Merchandise Trade as a Percentage of Merchandise Value-Added (1890-2000)

	1890	1913	1960	1970	1980	1990	2000
France	18.5	23.3	16.8	25.7	44.0	53.5	68.0
Germany	22.7	29.2	24.6	31.3	48.5	57.8	78.5
Japan	10.2	23.9	15.3	15.7	25.8	18.9	27.5 *
Sweden	42.5	37.5	39.7	48.8	72.9	73.1	87.5**
UK	61.5	76.3	33.8	40.7	52.6	62.8	63.5
United States	14.3	13.2	9.6	13.7	30.9	35.8	48.3***

*1999; **1998; ***1997

Source: Perraton, 2003

One of the core reasons for this dramatic expansion in world trade in the post-World War II period is the sharp reductions in tariff rates. As Table 1.4 illustrates, especially since 1960s, both with the contribution of GATT system and various regional trading arrangements, the degree of protectionism and barriers in front of trade have substantially been lowered.

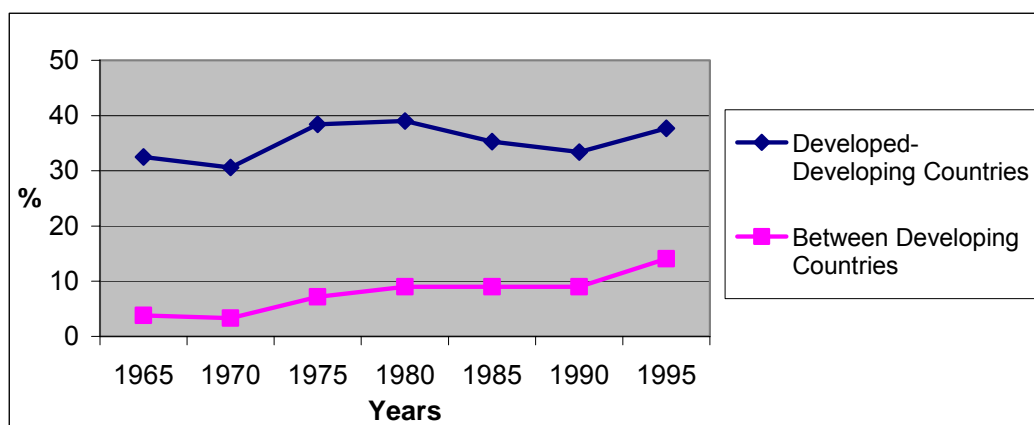
Table 1.4 Tariff Rates (%)

	1965	1970	1975	1980	1985
France	6.1	2.6	1.4	1.1	0.9
Germany	4.6	3.0	2.4	1.8	1.3
Japan	7.5	7.0	3.0	2.5	2.4
United Kingdom	6.0	2.8	1.8	2.2	1.7
United States	6.7	6.1	4.4	3.1	3.5

Source: Held, McGrew, Goldblatt and Perraton, 1999

In addition to this reduction in trade barriers, especially the tariffs, another and probably more determining reason for this expansion in world trade is that many new participants from the developing world have begun to take part in global trade relations. This is unlike the preceding period, in which trade relations have essentially taken place among OECD countries. As developing countries have begun to liberalize their trade regimes in the post-1980s, they started enjoying significant increases in their export and imports. Today, the share of world merchandise exports of developing countries is around 30 percent and world manufactured exports 27 percent, up from 17 percent in 1990 and 10 percent in 1980. (Tussie and Woods, 2000: 59; Perraton, 2003: 44)

In accordance with that argument, it is especially the 1990s that developing countries have achieved massive increases in their growth of trade. (Derviş, 1997: 5; Pierson, 2001: 2) As I have mentioned before, this is one of the major distinguishing features of the new wave of globalization. Trade between the developed and developing world as well as internal trade of developing countries among themselves have drastically increased, particularly since the beginning of 1990s. Both of these trends could be observed clearly in Figure 1.2 below.

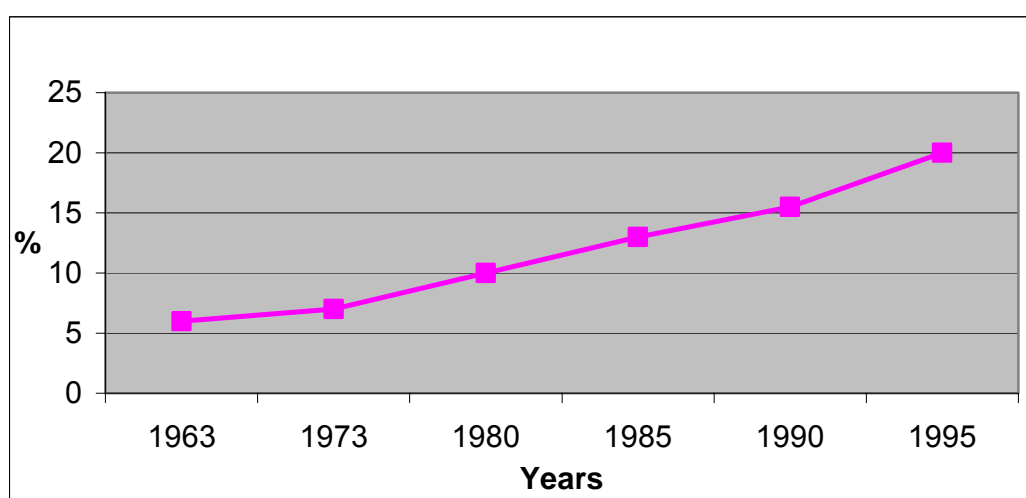


Source: Held, McGrew, Goldblatt and Perraton, 1999

**Fig. 1.2 Direction of World Exports
(Percentage of World Total, 1965-1995)**

Another important aspect of contemporary trade relations is related to the changes in the composition of trade. In the first half of the twentieth century, majority of trade was in primary goods. However, when we analyze the post-Second World War trade flows, we see that trade in manufacturing goods has an important share. In addition to that, since 1980s, trade in services has become much more important. Therefore, contrary to the previous situation, developing countries are no longer exporters of only primary products, yet they are engaged in trade in manufactures and services as well. (Held, McGrew, Goldblatt and Perraton, 1999: 172)

The increasing trend in developing countries' share in manufacturing trade is seen in Figure 1.3 below.



**Excluding China*

Source: Held, McGrew, Goldblatt and Perraton, 1999

Fig. 1.3 Developing Countries' Share in World Manufacturing Exports*

Lastly, it should be underlined that, most of the trade among developed countries at present is in the form of intra-industry trade as opposed to inter-industry trade that has been the case before. This is another

important factor in explaining the expansion of global trade in the current world. (Held, McGrew, Goldblatt and Perraton, 1999: 173-174) This trend is clearly visible in Table 1.5 below.

**Table 1.5 Intra-industry Trade Indices
(selected OECD Countries)**

	1964	1970	1980	1990
Canada	37	52	51	60
USA	48	44	46	71
Japan	23	21	17	32
Germany	44	55	56	72
France	64	67	70	77
Italy	49	48	54	57
UK	46	53	74	84
Sweden	-	52	58	64

Source: Held, McGrew, Goldblatt and Perraton, 1999

1.3.2.2 Global Production

The chain of production is drastically altered in the contemporary era. Production today can be articulated in different organizational and geographical bases. As for the organizational terms, research, production and servicing phases of production could be contained within a single firm or it could be subcontracted among a variety of them. In geographical terms, unlike the previous decades, phases of production processes do not take place within the boundaries of a single state; instead, they are dispersed around different parts of the globe. (Biersteker, 2000: 151)

Therefore, in opposition to territorially-centered production, in current global production processes, all stages, from initial research to after sales service, are considerably dispersed through global sourcing. Each

chain in the overall process creates economies of scale and/or benefits from cost differentials by specialization advantages. In that sense, production in today's global world is taking place in the so-called "global factories". (Scholte, 2004: 606)

These production processes in the new wave of globalization is closely related to two reinforcing concepts: the post industrial society and the new economy. These two are closely related to other dimensions of economic globalization, in particular the communications revolution.

Daniel Bell, in *The Coming of Post Industrial Society* has argued that we live in the so-called post industrial society which has fundamental distinctive characteristics compared to the former industrial one. The post industrial society is concerned with production of services rather than goods. Therefore it compels previous type of jobs to be replaced by the new ones, which are essentially dependent on knowledge and skill. Therefore, the most prominent factor in the post-industrial society is the determining role of human capital. The new stakeholder in the contemporary firm is human capital rather than plants or machines that were the case before. Hence, an educated intelligentsia is replacing the present hierarchies in the society. The major asset in this context turns out to be advanced education for societies to cope with new challenges of the era. (Bell, 1974; Marin and Verdier, 2002: 2-3)

Alongside this shift to the post-industrial society, we witness a parallel shift to the so-called new economy. (Bryan, Fraser, Oppenheim and Rall, 1999) The contemporary economy is said to function within the rules of the new economy, by which global competition is leading to lower unemployment and boost productivity. Besides, competition is giving rise to productivity-led growth as productivity moves higher at an accelerating rate just like the real personal income per capita and life standards of individuals.

As Giddens argues, impact of the new economy is vastly omnipresent in the contemporary world. (Giddens, 2001: 4) Technological innovation constitutes the prime factor in terms of shrinking of the manufacturing sector in developed countries. In the European Union countries for instance, the percentage of the labor force working in the manufacturing sector is close to 18 percent, compared to about 40 percent a generation ago. In the next fifteen to twenty years this ratio is expected to fall below 10 percent, just like in the case of the agricultural sector. This situation obviously curtails the importance of the so-called “blue-collar” working class, and it is the skilled workers who are in excess demand by the new economy. This results in the marginalization of the unskilled labor, which is a serious concern in current world.

In sum, these two concepts, namely the post-industrial society and new economy, considerably affect production processes in the new wave of globalization. They challenge traditional types of businesses and employment affairs. Human capital, specialization advantages and knowledge based intangible assets emerge as the primary and most worthwhile factors in the determination of production processes.

Within such an environment, firms feel obliged to re-orient themselves to capture access, scale and specialization opportunities, benefit from increasing returns and cross geographic arbitrage, and utilize from differences in the cost of production. Firms, in particular, try to operate globally, create unique value propositions, reduce their risks and eventually shape and dominate their industry, which will bring them stability in global markets. (Bryan, Fraser, Oppenheim and Rall, 1999)

Therefore, in the new wave of globalization, production processes on national basis continuously lose ground. As Kobrin argues, in the nineteenth century, production processes have taken place within discrete national markets which were linked to each other by cross-

border trade and portfolio investment. In this system the basic unit was the national market. However, in the contemporary era, national markets are losing their meaning as high scale of technology pull them into a larger domain. In this new system, nation state has still an important role in terms of global economic relations; yet the transition to electronic networks as a result of advanced communications technologies challenges territorially defined economic affairs of nation states. Markets are in a process of being global “networks” rather than “places”. (Kobrin, 2002: 56, 61)

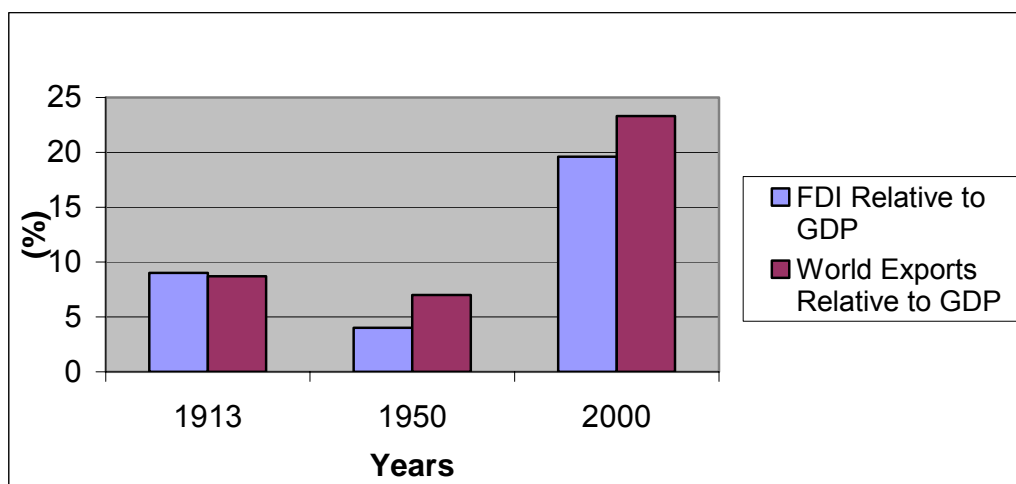
In this context, one of the most important actors in global production processes today is the multinational/transnational corporations (MNCs/TNCs) [used synonymously hereafter]. Incorporated in a home state with subsidiaries in various host states, these corporations account for around 25 percent of world production and 70 percent of world trade, and their sales are almost equivalent to 50 percent of world GDP (Perraton and UNCTAD in Held and McGrew, 2002: 53; Epstein, 2003: 150). MNCs operate in almost all sectors of the global economy, within and across the world’s major economic regions.

MNCs are involved in a variety of flows and transactions in the world economy such as:

- a) International trade in goods and services;
- b) Foreign direct investment;
- c) Portfolio investment;
- d) Profits, interests and dividends from the various types of foreign investment;
- e) Inter-organisational collaborative partnerships;
- f) Movements of people across borders for leisure or business activities or in search of jobs. (Ietto-Gillies, 2003: 141)

Dominance of these companies in the world economy is above all in the field of foreign direct investment (FDI) as they use it to expand overseas. Through FDI, these firms achieve control over marketing, production and other activities in host economies. Thus FDI is a crucial tool to establish a permanent position in these economies. FDI could go to different types of sectors such as manufacturing, services or commodity production, and it could be entailed either in the form of the purchase of existing economic activities or building new facilities. (Letto-Gillies, 2003: 141; Epstein, 2003: 151; Gilpin, 2000: 164)

Shown in Figure 1.4 below, the stock of FDI relative to GDP has increased by two-thirds since 1913 and quadrupled since 1950.



Source: Epstein, 2003

Fig. 1.4 World Stock of FDI and Exports Relative to World GDP (1913-2000)

Besides FDI, activities of MNCs have grown significantly in the last two decades. MNC activities have grown at a faster rate than the world GDP,

gross fixed capital formation, and exports of goods and non-factor services. Table 1.6 below displays the latter data.

Table 1.6 The Expansion of Multinational Corporations' International Activities, 1986-2000 (annual rates of growth, per cent)

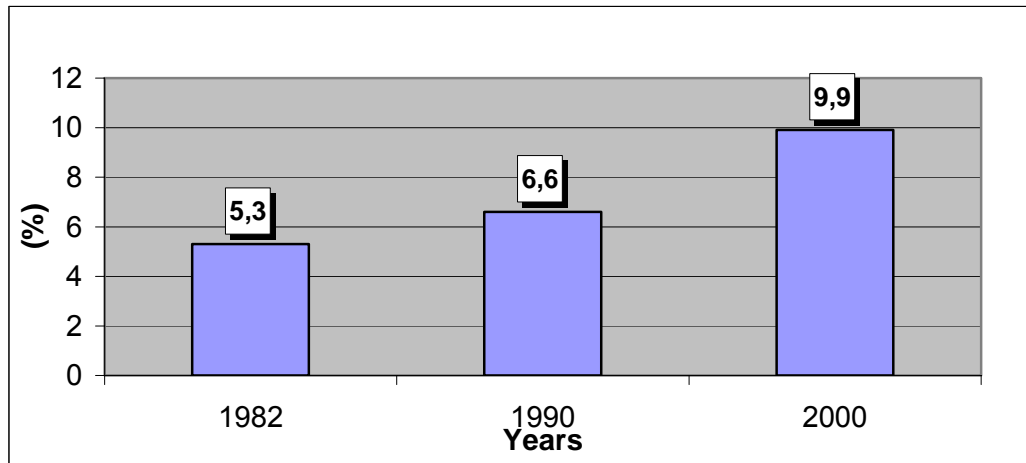
	1986-1990	1991-1995	1996-2000
FDI Inflows	24.0	20.0	40.1
FDI Outflows	15.7	27.0	36.7
Cross border M&As	26.4	23.3	49.8
Sales of Foreign Affiliates	16.9	10.5	14.5
Gross Product of Foreign Affiliates	18.8	6.7	12.9
Exports of Foreign Affiliates	14.9	7.4	9.7
Employment of Foreign Affiliates	6.8	5.1	11.7
Memorandum:			
GDP at Factor Cost	11.5	6.3	1.2
Gross Fixed Capital Formation	13.9	5.0	1.3
Exports of Goods and Non-Factor Services	15.8	8.7	4.2

Source: Epstein, 2003

Within that framework, since 1970s, there has been a drastic increase in the number of MNCs operating globally. The reasons for that could be briefly summarized as:

- a) A considerable number of companies from developed countries operating abroad;
- b) Increasing involvement of companies in foreign operations;
- c) Transnationalization of a large number of companies from developing countries. (Ietto-Gillies, 2003: 142)

Naturally, such a sharp increase in their quantity has considerably expanded their gross production. This could be overtly observed in Figure 1.5 below.



Source: Perraton, 2003

Fig. 1.5 Gross Production of Foreign Affiliates of MNCs/World GDP

To sum up, at present, production processes are significantly globalized. The latter is largely organized by the MNCs, functioning globally. Their role in world output, trade, technology transfer and investment is unprecedented. This is another distinguishing element of contemporary economic globalization.

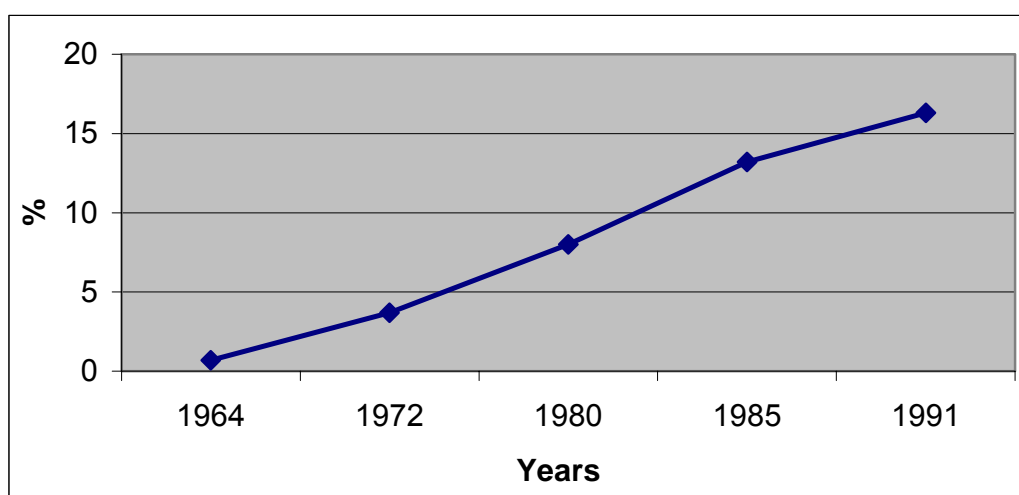
1.3.2.3 Global Capital Markets

When we analyze current world economy, we easily realize that surge in global capital flows and advanced state of global capital markets constitute one of the basic features of contemporary economic globalization. To cite brief illustrations, wholesale foreign exchange markets trade the annual world GDP at some \$30,000 billion in one month. (UNDP quoted in Scholte, 2002: 4) Similarly, world's securities

exchanges exceed many times the real assets behind them. The notional amount of outstanding over-the-counter contracts, excluding exchange-based derivatives was close to \$100,000 billion in 2001, etc. (BIS quoted in Scholte, 2002: 4)

Contemporary global financial relations are being conducted in an astounding scale embracing various aspects. These could be cited as FDI, international bank lending, international bonds, foreign exchange transactions and new financial instruments. (Held, McGrew, Goldblatt and Perraton, 1999: 203-209)

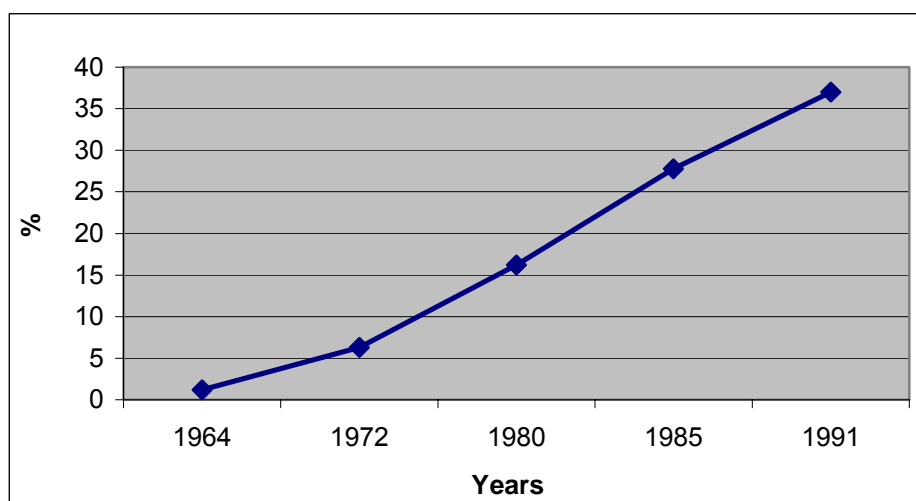
As the case of FDI is already dwelled above, I would like to begin with the discussion on international bank lending in the contemporary era. We could easily perceive that international bank lending has drastically expanded since 1960s. Figure 1.6 below demonstrates the evident rise in the percentage of net international bank loans to the world output.



Source: Held, McGrew, Goldblatt, Perraton, 1999

Fig. 1.6 Net International Bank Loans (Percentage of World Output)

Another figure indicating the expansion of international banking is the one below, demonstrating the increasing trend in the gross size of international banking market.



Source: Held, McGrew, Goldblatt, Perraton, 1999

**Fig. 1.7 Gross Size of International Banking Market
(Percentage of World Output)**

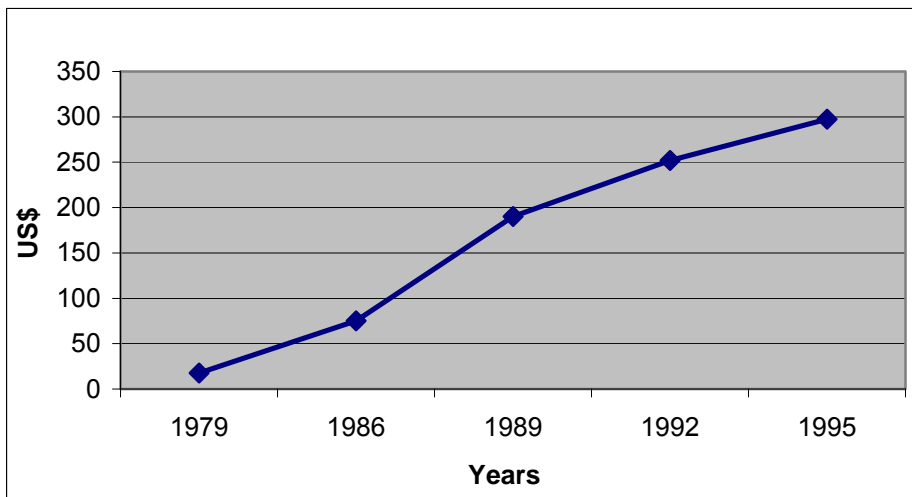
The second element of contemporary global finance is the upswing in international bonds. An international bond could be simply defined as a credit instrument which is issued by/to overseas creditors/debtors with the promise to pay a certain amount of money at a fixed date and pay the interest in periodical intervals. In that sense, we see a similar dramatic rise in international bond issues since 1960s just like in the case of international bank lending, particularly in an accelerating trend since 1980s. In that latter period, Eurobonds have constituted the overwhelming majority of total international bond issues. Table 1.7 below shows that how foreign holdings of government bonds in some OECD states have expanded since mid-1980s.

Table 1.7 Foreign Holdings of Central Government Debt
(As a percent of total)

	1980	1986	1992
France	-	0.8	42.6
Germany	9.1	20.2	26.3
Sweden	28.0	28.0	45.8
United Kingdom	8.9	9.8	17.4
United States	21.0	16.4	19.4

Source: Held, McGrew, Goldblatt and Perraton, 1999

Third of all, we need to dwell on the unique characteristics of foreign exchange transactions in today's world, while discussing current global finance. As seen in Figure 1.8 below, annual foreign exchange turnover has increased from 17.5 trillion US dollars in 1979 to about 300 trillion US dollars in 1995. This refers to a working daily turnover of 1.4 trillion US dollars.



Source: Held, McGrew, Goldblatt, Perraton, 1999

Fig. 1.8 Foreign Exchange Turnover (annual, trillion US dollars)

In addition to that, compared to the rising trend of world exports in the same period, we see that foreign exchange turnover has grown to over fifty times today.

Last point to mention about contemporary global finance is the diversification of new financial instruments. Since 1980s, there has been an appreciable increase in these instruments, notably in the so-called derivatives, essentially in the form of futures, options and swaps¹. Derivatives trading have begun to unfold particularly following the establishment of Chicago Options Exchange in 1972. Although, the market was initially dominated by developed countries, today, emerging markets are in the business as well which facilitate the evolution towards a global derivatives market.

To sum up, one of the fundamental and most visible features of contemporary economic globalization is the globalization of finance. As mentioned above, a combination of various developments have triggered that shift. What is striking here is that developing countries play an important role in the process. This is the basic distinguishing characteristic of current global financial relations as that they take place not only between developed countries, but also, though relatively limited, between developed and developing ones, as well as among developing countries themselves.

1.3.2.4 Communications Revolution

Last, but not least, another element of the new wave of globalization is the communications revolution. Today, a revolution is being witnessed in telecommunication systems. Nye calls this revolution the third industrial

¹ Futures are agreements to trade a quantity of product at an agreed price and date in the future. An option is a financial instrument giving its holder the right to buy and agreed quantity of product at an agreed price and date in the future. A swap occurs when two agents swap payments associated with two assets. (Held, McGrew, Goldblatt and Perraton, 1999: 207)

revolution, stating that the advanced level of computers and communication technology to the end of the twentieth century means what the introduction of the steam engine was to the end of the eighteenth century or the introduction of electricity to the end of the nineteenth century. (Nye, 2001: 251, 2003: 215)

In the last two decades, communications industry has been revolutionized particularly by the microprocessor and cheap memory. Today, international telephone calls is a fraction of what had been 15 years ago; all sorts of data can be transmitted through various global digital networks; and people can communicate with each other all around the world through a great variety of means. (Aronson, 2004: 621-622) Naturally such a transformation has a lot of political, economic, social, cultural, etc. consequences.

Table 1.8 Key Indicators for the World Telecommunication Service Sector, 1990-2002

	1990	1992	1994	1996	1998	2000	2002
Main Telephone Lines (m)	520	574	645	740	848	970	1.115
Mobile Cellular Subscribers (m)	11	23	55	145	319	650	1.000
International Telephone Traffic Minutes (bn)*	33	43	56	71	90	110	130
Personal Computers (m)	120	150	190	260	370	500	670
Internet Users (m)**	2.6	6.9	16	54	149	311	500

**From 1994 including traffic between countries of former Soviet Union*

***Internet user figures are hard to measure precisely, and different methodologies abound.*

Some estimate the figure of regular internet users to be higher than recent figures indicate.

In this regard, see Nua Internet Surveys at www.nua.ie/surveys/how_many_online/index.html

Source: International Telecommunication Union in Held and McGrew, 2002

This technological progress has obviously been one of the major driving forces for contemporary globalization. Large-scale cost reduction in communications enabled and eased all sorts of information to be disseminated around the world more rapidly and in greater volume. The notion of distance has been eclipsed by the advanced level of these networks. Obviously the latter has facilitated the formation of more efficient financial instruments and complex financial products. Enhanced information flows have enabled broadening of capital flows as well. (European Commission, 2002: 25; Thompson, 2003: 246)

Table 1.9 The Technology Drivers of Globalization

The cost of transmitting a million megabytes of information from Boston to Los Angeles has fallen from \$150,000 in 1970 to 12 cents today.
The cost of a three-minute phone call from New York to London was \$300 in 1930 and 20 cents in 2000 (1996 prices)
In 2001, more information could be sent over a single cable in a second than was sent over the entire Internet in a month in 1997
From 1930 to 1990 the cost per mile of air travel fell from 68 to 11 cents (1990 prices).
The number of international air passengers rose from 75 million in 1970 to 409 million in 1996.
From 1960 to 1990 the cost of a unit of computing power fell by 99 percent in real terms.
Six megabytes of computer memory in 1999 cost about \$1; in 1970 it cost about \$31,000.
In January 1993 there were 50 sites on the World Wide Web; 8 years later there were 350 million.

Source: Clark, 2003

In particular, three interrelated factors have played a major role in this development of new technologies and globalization of communication activities at the end of the twentieth century. (Thompson, 2003: 253) First

of all, more sophisticated and extensive cable systems have been deployed that eased the transmission of encoded information electronically with an enhanced capacity. Secondly, the use of satellites for long distance communication has widened. Last of all, utilization of digital methods of information processing, retrieval and storage have increased.

A readily observed outcome of the latter is the dramatic fall in the cost of transmitting information, seen in Table 1.10 below.

Table 1.10 Communication and Computer Costs

Years	Cost of a Three-Minute Call New York to London (in 2000 USD)	Price of Computers and Peripheral Equipment Relative to GDP Deflator (2000=1000)
1960	60.42	1,869,004
1970	41.61	199,983
1980	6.32	27,938
1990	4.37	7,275
2000	0.40	1,000

Source: Masson, 2001

Another result is the explosion in the quantity of information that could be transmitted worldwide. Nye mentions that, according to an estimate, there are 1.5 billion gigabytes of digital magnetically stored information (250 megabytes for each inhabitant of the earth) and the shipments of that information are doubling every year. Besides, the Internet brings a system in which power over information is much more widely distributed. Compared to radio, television and newspapers, it creates unlimited communication one-to-one (e-mail), one-to-many (personal homepage or electronic conference), many-to-one (electronic broadcast) and many-to-many (online chat room). (Nye, 2003: 215)

Therefore the revolution in information technology is one of the core factors in undermining the significance of location for many economic activities. In other words, the advancement of computer and data networks enable global financial market operators break free from the localities they operate and conduct their businesses irrespective of the places they reside. (Tanzi, 1998: 8)

In that context, the last point to emphasize is that, electronically networked global economy challenges the ascendancy of the nation-state as the primary regulator and basic unit of international economy. The latter disassembles its monopoly on collection and management of information. Enhanced access to information expands the number of actors who matter in the process. (Mathews, 2003: 204) Advance in telecommunications creates a cross-border world economy which challenges the spatially defined authority of nation-states. Markets shift from geographical spaces to cyberspaces as business to business and business to consumer electronic commerce grow rapidly. Besides, distribution of physical products is turning into digital services in the form of data transmitted via the Internet. Both of these trends render the geographically defined national markets functioning within territorial jurisdictions. (Kobrin, 2002: 43)

1.4 ANALYSIS OF POLITICAL GLOBALIZATION

1.4.1 Definition of Political Globalization

As I have mentioned at the beginning of this chapter, economic globalization did not take place in a political vacuum. Therefore we need to take into account the political dimension of globalization in order to complement the analysis. Political globalization refers to:

a growing tendency for issue to be perceived as global in scope, and hence requiring

global solutions, and to the development of international organizations and global institutions which attempt to address such issues. More tentatively, the concept also suggests the development of a global civil society, in which local organizations and grassroots organizations from all parts of the world interact. (Bretherton and Ponton in Clark, 1997: 22)

Political globalization refers to, in essence, the shift and transformation in political power, authority and forms of rule. Contemporary political globalization could be characterized by the emergence of the notion of “global politics”, simply referring to the worldwide ramifications of decisions or actions taken in one part of the world. (Held and McGrew, 1998: 232; Held and McGrew, 2002 (b): 5)

Within the framework of “global politics”, political action is embedded in extensive networks composed of states and non-state actors. Nations, peoples and social movements are interlinked with each other by various forms of communications. Obviously, the current revolution in information and communication technologies facilitate these networks in significant ways. These channels of communication facilitate free movement of concepts, symbols and images in a rapid fashion all around the world. In addition, they are extensively utilized for business and commercial purposes. In sum, developments taking place at local levels do have repercussions at the global level and it is getting increasingly difficult for people to live around the world in an isolated fashion. That situation obviously alters the organization of political life dramatically. The link between “physical setting”, “social situation” and politics is getting blurred. New communication systems, new forms of political reference and new modes of understanding create new ways of living. (Held, 2004: 364-368)

Just like in the case of economic globalization, contemporary political globalization has several distinctive features. Below, I briefly dwell on these by referring to McGrew. (McGrew, 2004: 22-24)

1.4.2 Features of Political Globalization

1.4.2.1 Stretching of political activity

Stretching of political activity refers to the fact that in the current world of affairs, events, decisions and activities taking place in one corner of the world have significant effects and outcomes in distant regions. Therefore politics today is “stretched”.

One of the obvious examples of this feature of political globalization is evidenced with respect to the rise in the number of asylum seekers and illegal migrants. These people are trying to move to advanced countries due to civil wars and conflicts. The latter constitutes one of the major so-called “global issues”. There are currently many other global issues such as human rights issues, environmental sustainability, nuclear safety, etc. Comprehensive response to these issues necessitates collaboration of states. Besides, the challenges of the spread of transnational crime, weapons, drugs and illegal immigrants cannot be regulated by individual states alone. Hence, the latter requires a political transformation in which several significant changes ought to be formulated with respect to the political power and authority in the current world. (Woods, 2000: 4)

1.4.2.2 Thickening of Interconnectedness

Stretching of political activity is accompanied by thickening of the infrastructures of worldwide political interaction. In the contemporary world, there are numerous global, regional, trans-national institutions, networks of rule-making and surveillance. Hundreds of multilateral organizations and thousands of NGOs monitor and regulate many sectors of global activity. Thus, states and governments are just individual members in this overall governance structure.

1.4.2.3 Acceleration of Global Interactions

Communications revolution and advance in information technologies emphasized before have many repercussions for the political sphere as well. Rapidness and velocity of global flow of ideas, events, news, information, etc. have drastically increased at the present era. As a result of that, the domain and context of politics is in the midst of a transformation process propelled by global communications facilities, and worldwide political action and decision-making.

1.4.2.4 Deepening Enmeshment of Domestic/Foreign Divide

Contemporary globalization nullifies the traditional distinction between the domestic and the foreign. Modern political thought as well as institution-building which have been based on this distinction are under scrutiny and questioned in today's world. "Global politics" is invalidating this distinction. In the contemporary world, in simplest terms, politics "everywhere" is related to politics "everywhere else". Therefore the traditional orthodox approaches to international relations based on the domestic/foreign duality provide limited insight in the functioning of current global affairs. In the contemporary state of world affairs, global activities have local repercussions, and the other way around. Therefore, today, the world is moving on the way towards becoming a shared social space. McGrew calls this process as "intermestic" [inter(national)(do)mestic]. (McGrew, 2004: 20, 23; Held, 2004: 365-366)

It should also be mentioned that, in addition to the erosion of the distinction between domestic and international, the traditional dividing line between "high" and "low" politics is being significantly challenged in the contemporary era. During 1960s and 1970s, this distinction between high and low politics was fairly powerful, the former referring to issues related to the interstate agenda of war and peace and the latter to essentially domestic issues onto the international agenda. (Brown, 2001: 147) In that sense, there was a clear-cut division between the spheres of

politics and economics in international relations. However, in the contemporary state of international affairs, this division between international political relations and international economic relations is blurred. The field of economics has a dominant role in terms of international political relations as well as foreign policy planning of nation states. And thus, it is not treated on the low side of politics any more.

1.4.3 Outcome of Political Globalization: Multilayered System of Global Governance

1.4.3.1 The Definition of Global Governance

Governance is the sum of the many ways individuals and institutions, public and private, manage their common affairs. It is a continuing process through which conflicting or diverse interests may be accommodated and co-operative action may be taken. It includes formal institutions and regimes empowered to enforce compliance, as well as informal arrangements that people and institutions either have agreed to or perceive to be in their interest (The Commission on Global Governance, 1995: 2)

The development of global governance is part of the evolution of human efforts to organize life on the planet....[W]e are convinced that it is time for the world to move on from the designs evolved over the centuries and given new form in the establishment of the United Nations nearly fifty years ago. We are in a time that demands freshness and innovation in global governance (The Commission on Global Governance in Latham, 1999: 31)

Defined as such, in simplest terms, governance is “the art of governing”. (Halliday, 2003: 489). It refers to the collectivity of ways individuals and

institutions, both public and private, manage their common affairs. Thereby, it reflects a continuing process in which diverse interests are accommodated to generate cooperative actions. Within that framework, governance encompasses both formal and informal institutions and arrangements to sustain that goal. (The Commission on Global Governance, 1995: 2) Therefore, it symbolizes a new paradigm of power which is characterized less by a static and fixed hierarchy and more of flexible and changeable networks instead. (Lamy and Laidi, 2003: 2)

When we extend this conception of governance to the global realm, we realize that the issue gets much more complicated as global governance refers to a much broader domain than what we know as the international system composed of territorial states. First of all, unlike the case in nation-states, there is no higher political authority or a type of world government in the global sphere. Second of all, in the current globalization era, we observe a considerable process of dis-aggregation in the authority of states, the primary units of the system. Therefore global governance addresses to a much broader domain than the formal institutions and organizations in the management of international affairs. It includes systems of rule at all levels of human activity in which the pursuit of goals have transnational repercussions. For instance, the domain of global governance embraces private agencies that seek to realize and resolve global problems. For Rosenau, the reason for that broad comprehension is very simple: "in an ever more interdependent world where what happens in one corner or at one level may have consequences for what occurs at every other corner and level." (Rosenau, 2000: 39)

Global governance is not equal to world/global government. It does not refer to a coercive global authority dictating order on the global level. On the contrary, interactions among constituent parts of global governance are not arranged and designed in formal hierarchies. Collectivity of

adequate mechanisms in the system is much more inclusive, participatory and democratic. Diverse sources of rule making, political authority and power take part in it. The governance arrangements taking place within this complex framework are public, private as well as hybrid. Therefore, the basic principle of global governance is “conflictual cooperation”. (Lamy and Laidi, 2003: 3; The Commission on Global Governance, 1995: 4-5; Koenig-Archibugi, 2002: 62; Keohane, 2003: 132; Held and McGrew, 2002 (b): 9)

The table below displays the basic features of global governance.

Table 1.11 Basic Features of Global Governance

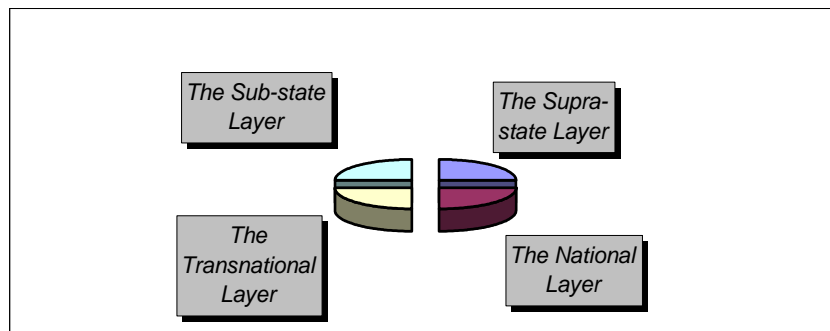
<p>Multilayered It is constituted by and through the structural enmeshment of several principal infrastructures of governance: the supranational (such as the UN system), the regional (EU, MERCOSUR, ASEAN, etc.), the transnational (civil society, business networks and so on), and the substate (community associations, and city governments). Sandwiched between these layers is national government</p>
<p>Polyarchic and Pluralistic There is no single locus of authority. This is not to imply any equality of power between the participants but simply to acknowledge that political authority is decidedly fragmented.</p>
<p>Variable geometry The relative political significance and regulatory capacities of these infrastructures vary considerably around the globe and from issue to issue.</p>
<p>Structurally complex It is composed of diverse agencies and networks with overlapping (functional and/or spatial) jurisdictions, not to mention differential power resources and competencies</p>
<p>Strategic role of national governments Far from being sidelined in this system, national governments become increasingly crucial as strategic sites for suturing together these various infrastructures of governance and legitimizing regulation beyond the state.</p>

Source: Held and McGrew, 2002 (b)

1.4.3.2. The Multilayered System of Global Governance

Backed by and together with the features of economic globalization discussed above, the above-mentioned elements of political globalization build up a complex multilayered/multidimensional/multi-actor system of global governance. In this latter governance system, there is no supreme and sole authority and thus it reflects a polyarchic and pluralist framework depending upon the convening and assembling of multiple agents to perform global policies and regulations. Therefore, global governance does not refer to a hierarchical, monolithic or unitary activity as there is mutual cooperation and coordination among various actors functioning in the process.

In that context, we could examine the infrastructure of global governance in four distinct layers. (McGrew, 2000: 138-148; Held and McGrew, 2002: 66) These are the supra-state, national, transnational and sub-state layers. This framework builds up the basic and central features of contemporary globalization.



Source: McGrew, 2000

Fig. 1.9 Infrastructure of Global Governance

1.4.3.2.1 The Supra-State Layer

The supra-state layer is essentially constituted from the inter-governmental organizations (IGOs). IGOs are international bodies, established by formal agreements between governments that have autonomous legal personalities.

We see that, a great number of IGOs have almost universal membership in the contemporary world. A plenty of these IGOs were established to regulate a specific functional issue-area of the global sphere; yet some other, such as the United Nations, have much wider-ranging activities, covering the entire globe.

Besides these bodies, especially in the last two decades, we see a remarkable upward shift in the number of regional bodies and organizations, throughout almost all continents.

Rosenau states that, in the contemporary era, tendencies of globalization and fragmentation are in simultaneous interaction, which results in the formation of, what he calls as, “fragmegration”. He argues that one of the basic inclinations in this process of fragmegration is the formation of regional bodies all over the world. (Rosenau, 2002: 223-235)

Alongside the most obvious example of European Union, alternative regional bodies in other geographies are also present. Among these could be exemplified NAFTA, APEC, MERCOSUR, etc.

The number of these regional bodies has increased considerably of recent date. Some of these regional bodies, established in the last two decades could be seen in Table 1.12 below.

Table 1.12 Regional Groupings Formed between 1980 and 2000

Organization	Acronym	Date of Formation
Organization of East Caribbean States	OECS	1981
Gulf Co-operation Council	GCC	1982
Economic Community of West African States	ECOWAS	1983
South Asian Association for Regional Co-operation	SAARC	1985
Arab Maghreb Union	AMU	1989
Asia-Pacific Economic Co-operation	APEC	1989
Latin American Integration Association	ALADI	1990
Visegrad Group		1991
South African Development Community	SADC	1992
Common Market for East and Southern Africa	COMESA	1993
Association of Caribbean States	ACS	1994
Group of 3-Colombia, Mexico and Venezuela		1994
North American Free Trade Agreement	NAFTA	1994
Economic and Monetary Community of Central America	CEMAC	1994
Union économique et monétaire ouest-africaine	UEMOA	1994
South American Common Market	MERCOSUR	1995

Source: McGrew, 2000

1.4.3.2.2 The National Layer

Although it is argued quite the contrary by some scholars, we realize that the state still retains its role as the major unit in the global system. However, it is also quite evident that globalization is fuelling a shift towards multi-layered global governance and therefore puts the state in the midst of a process of adaptation and transformation in which many aspects of its traditional authority and mandate are vanished. In Scholte's words, in the contemporary era, the content of *raison d'état* is more than the *raison de la nation*. (Scholte, 2004 (c): 12)

In order to apprehend this shift, it will be appropriate to elaborate a little more on this issue. For the last three centuries, fundamental organizing principle of societal life has been the separation of geographical space into distinct territorial entities in the name of nation-states. This type of international architecture is usually dated back to the conclusions of the Treaties of Westphalia in 1648. With this system, it had been recognized that the basic political unit would be the nation state, which would acquire exclusive jurisdiction within its own territory free from external interference. Since then, this has been the principle respected and acknowledged by all the parties belonging to that system and through that, an international architecture of co-existence has been secured.

Therefore, since the Treaties of Westphalia, the main unit of analysis in the system has been the sovereign nation states, qualified with the principle of non-intervention, in the first place in international relations. Sovereignty was regarded as a “double-headed” notion in this context as rulers saw themselves as sovereign to the extent that they accepted no “internal equals” and “external superiors”.

On that basis, one of the basic features of state sovereignty has been its emphasis on the division between the “domesticated interior” and “anarchical exterior“. The concept of sovereignty brought the inside/outside distinction, inside “embodying the possibility of peace, order, security and justice” and outside “the absence of what is achieved internally: war, anarchy, insecurity and injustice.” (Devetak and Higgott, 2000: 572)

The basic features that the Westphalian system rested upon are summarized in Table 1.13 below.

Table 1.13 Basic Principles of the Westphalian System

Territoriality	Nation states organized in discrete territorial communities
Sovereignty	Supreme and exclusive authority over, and allegiance from, their peoples of nation states
Autonomy	Separation of the domestic sphere from the outside world by fixed borders
Primacy	Domination of the global political landscape by the nation state
Anarchy	The presence of the self-help system in which all nation states look after themselves

Source: McGrew, 2000

However, in the contemporary era, due to dynamics of globalization, we witness that a new kind of state is emerging based on a new structure of governance. McGrew calls this state as the “reflexive” state which “seeks to reconstitute its power at the intersection of global, regional, transnational and local systems of rule and governance”. (McGrew, 2000: 163-164)

In this context, the above-mentioned features of the Westphalian state system are confronted with overwhelming pressure for radical transformation. (McGrew, 2000: 162-163) First of all, within the multilayered system of global governance, territoriality has lost its primary role and become solely one factor among different scales and structures on which policies are conducted. Secondly, though not entirely eroded, the state sovereignty is being re-defined and structured in the current world of affairs. Third of all, the pre-supposition of the Westphalian state system based on the differentiation between the domestic and international realms, continuously loses its meaning. A multi-dimensional trade-off is emerging between the two spheres as contemporary issue-areas do not entirely fall within the exclusive

domains of these realms; instead, they are often related to both. Fourthly, the states no longer possess the sole authority over policy-making and the trends in contemporary globalization weaken the primacy of the state. Last of all, rather than a state of anarchy, current global system could be qualified as a system of heterarchy, referring to a system in which political authority is divided between different layers of governance.

These features bring forth the emergence of the so-called post-Westphalian order.

Table 1.14 The Post-Westphalian Order

<p>State Sovereignty The sovereign power and authority of national government-the entitlement of states to rule within their own territorial space-is being transformed but not necessarily eroded. Sovereignty today is increasingly understood as the shared exercise of public power and authority between national, regional, and global authorities.</p>
<p>State Autonomy In a more interdependent world, simply to achieve domestic objectives national governments are forced to engage in extensive multilateral collaboration and cooperation. But in becoming more embedded in frameworks of global and regional governance states confront a real dilemma: in return for more effective public policy and meeting their citizens' demands, whether in relation to the drugs trade or employment, their capacity for self governance-that is state autonomy-is compromised.</p>
<p>Territoriality Borders and territory still remain important, not least for administrative purposes. Under conditions of globalization, however, a new geography of political organization and political power is emerging which transcends territories and borders.</p>

Source: McGrew, 2004

To sum up, in the contemporary era, we witness that a post-Westphalian state system is being revealed. This movement does not abolish national loyalties; rather paves the way for the emergence of a complex state of overlapping political authorities. Thus, the overriding feature of this system turns out to “mediate between different political loyalties, identities and authorities that have become inescapable in the modern world”. (Linklater, 1998: 114)

The above mentioned global politics exist and flourish in this post-Westphalian world order. Politics becomes globalized and world politics moves beyond solely studying cooperation and conflict between states. Globalization challenges the one-dimensional accounts of politics which are based on struggle of power among states. Global politics focuses on global structures and procedures of decision-making, problem-solving on global level, which requires the conceptualization that states are not a priori units of the system; yet only one element of it. (McGrew, 2004: 30) However, this does not mean that the role of the state in the post-Westphalian order is totally vanished. On the contrary, the current circumstances necessitate a more activist state. This is due to the reason that in this new era, states need to cooperate and collaborate more to achieve their objectives and meet their citizens’ demands. (McGrew, 2004: 33-34)

1.4.3.2.3 The Transnational Layer

At the present era, we realize the so-called transnationalization of human activities. Transnationalization refers to “the growth of contacts, networks and organizations which link people, business and communities across national boundaries” (McGrew, 2000: 138)

As Willets argues, besides nearly 200 governments, including 191 members of the United Nations, there are four more categories of actors operating at current global politics. These are:

- a) 64000 major transnational companies (TNCs);
 - b) 9000 single-country non-governmental organizations (NGOs);
 - c) 240 intergovernmental organizations (IGOs);
 - d) 6600 international non-governmental organizations (INGOs).
- (Willets, 2004: 426)

Within such a framework, the above-mentioned distinction between domestic and international, which is one of the basic characteristics of the Westphalian system, continuously loses its relevance and meaning. In the contemporary era, there is a surge in the number of transnational movements, organizations and networks that operate beyond state boundaries and the anarchic structure of the international system.

All these factors contribute to the emergence of a transnational civil society, embracing collective activities of all non-governmental organizations in global politics, NGOs, various kinds of transnational organizations, citizen groups, etc. all of which have a considerable role in mobilizing, organizing and exercising people-power across national and territorial boundaries.

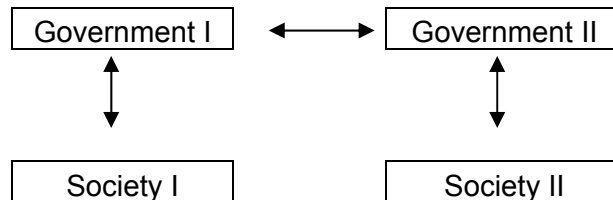
These transnational actors are engaged in various political strategy and activities, outlined as below:

- a) Influencing public attitudes;
- b) Redefining the agenda of local, national and global politics;
- c) Providing communities and citizens with a voice in global and regional decision-making forums;
- d) Exercising moral, spiritual, or technical authority;
- e) Seeking to make governments, international bodies and corporations accountable for their

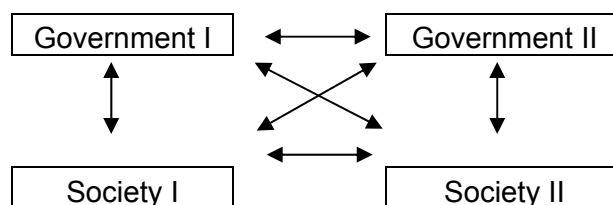
actions and decisions. (Held and McGrew, 2002: 69)

In that context, Table 1.10 below indicates the difference between traditional and transnational world politics in terms of state/government-society relations. Traditional world politics is being conducted along the solid lines shown in the upper panel of the table. If Society I wants to put pressure on Government II on a specific issue, first of all it needs to ask Government I to communicate with Government II. Whereas, in the case of transnational world politics, Society I could directly put pressure on Government II as well as Society II. The additional lines in the lower panel of the diagram symbolize the role of the civil society. This underlines the role of transnational relations within a framework of complex interdependence. (Nye, 2003: 224)

Fig. 1.10 Traditional World Politics



Transnational World Politics



Source: Nye, 2003

1.4.3.2.4 The Sub-State Layer

In the contemporary era, radical shifts take place in terms of the sub-state layer as well. The sub-state level refers to various types of local authorities, which have gained strength and been more active at regional and global levels. This enhanced activism is materialized in different forms, such as the establishment of local diplomatic missions abroad, representation in global and regional platforms, creation of local bodies, etc. (McGrew, 2000: 146)

Table 1.15 The Global Governance Complex

<p>UN Agencies International Monetary Fund (IMF), The World Bank, UN Development Programme (UNDP), etc.</p>
<p>Transnational Civil Society International Chamber of Commerce (ICC), Amnesty International (AI), Friends of the Earth (FOE), etc.</p>
<p>Informal Clubs Group of 8 (G8), Group of 77 (G77), etc.</p>
<p>International Institutions North Atlantic Treaty Organization (NATO), World Trade Organization (WTO), etc.</p>
<p>Global Public Policy Networks Global AIDS Fund, International Convention on the Elimination of Child Labour (ICECL), etc.</p>
<p>Regional Bodies European Union (EU), Asean Regional Forum (ARF), etc.</p>
<p>Private Governance International Accounting Standards Board (IASB), Global Credit Agencies, i.e. Standard and Poor, etc.</p>
<p>Local Associations, citizen groups, etc</p>
<p>National governments</p>

Source: McGrew, 2004

Table 1.15 above illustrates the global governance complex built from these four layers. It operates by the synchronic co-functioning of all these layers and actors in an interdependent manner. This complex constitutes the basis and essence of the conduct of contemporary global politics.

Table 1.16 below refers to the same governance complex presented in a different way.

Table 1.16 The Diffusion of Governance in the Twenty-first Century

	Private	Public	Third Sector
Supranational	Transnational Corporations (e.g. IMB, Shell)	Inter-Governmental Organizations (e.g. UN, WTO)	Non-governmental Organizations (e.g. Oxfam, Greenpeace)
National	National Corporations (e.g. US Airways)	Twentieth Century Central Government	National Non-Profits (e.g. American Red Cross)
Subnational	Local Businesses	State/Local Government	Local Groups

Source: Nye, 2003

1.5 BENEFITS AND CHALLENGES OF GLOBALIZATION

The collective power of people to shape the future is greater now than ever before, and the need to exercise it is more compelling. Mobilizing that power to make life in the twenty-first century more democratic, more secure, and more sustainable is the foremost challenge of this generation. The world needs a new vision that can galvanize people everywhere to achieve higher levels of co-operation in areas of common concern

and shared destiny. (Commission on Global Governance, 1995: 1)

I believe that globalization-the removal of barriers to free trade and the closer integration of national economies-can be a force for good and that it has the *potential* to enrich everyone in the world, particularly the poor. But I also believe that if this is to be the case, the way globalization has been managed, including the international trade agreements that have played such a large role in removing those barriers and the policies that have been imposed on developing countries in the process of globalization, need to be radically rethought. (Stiglitz, 2001: ix-x)

Globalization can be reshaped, and when it is properly, fairly run, with all countries having a voice in policies affecting them, there is a possibility that it will help create a new global economy in which growth is not only more sustainable and less volatile but the fruits of this growth are more equitably shared. (Stiglitz, 2001: 22)

Stiglitz begins his influential book on globalization by expressing that although protests against globalization are hardly new and different segments of the developing countries have rioted against the challenges of globalization for decades, what is new is that similar voices have begun to come from developed countries as well. (Stiglitz, 2001: 3) Confirming Stiglitz's argument, we realize today that besides developing countries, many academics, experts as well as politicians in developed countries and international institutions have begun arguing that globalization with its current shape is far from satisfactory in many aspects. Nonetheless, it is also generally admitted that, "the problem is not with globalization, but with the skewed agenda that governs it at present". (Rodrik, 2002(b): 2-3) A variety of deficiencies could be found

in contemporary globalization as a result of its inadequate governance. In this context, the solution does not lie in abandoning globalization. This is neither realistic nor desirable. Instead, the challenge is to re-shape and transform its governance enabling the utilization of its potential by all.

1.5.1 Benefits of Globalization

In the light of the above discussion, we could deduce that globalization yields various potential benefits in terms of both economic and political aspects.

1.5.1.1 Benefits of Economic Globalization:

One of the most commonly referred potential benefits of economic globalization in the literature is that globalization promotes the well being of the financial system in the economy. In particular, in the case of developing countries, globalization contributes to deeper, more stable and better-regulated financial markets. It achieves that through two paths. First of all, it raises available capital enhancing the provision of funds directed to productive investments. This means that borrowers do not rely solely on their domestic funds; yet they could also borrow from foreigners who are willing to invest in their domestic assets. As a natural corollary, market discipline gets strengthened. Secondly, globalization paves the way for a better financial infrastructure that mitigates information asymmetries and reduces the extent of adverse selection and moral hazard in the national economies. Within such an environment, borrowers and lenders could operate in a more transparent, competitive and efficient system. Moreover, the introduction and adoption of international code and standards contributes to the improvement of both public sector and corporate governance level in the economy. (Schmukler and Zoido-Lobaton, 2001: 3, 13-15)

A second related potential benefit of economic globalization is that it contributes to the augmentation of domestic savings. This aspect is beneficial for both developed and developing countries in the sense that capital flows result in the provision of higher returns in the former and increased investment in the latter type of countries. (Prasad, Rogoff, Wei, Köse, 2003: 23)

Third of all, economic globalization is assumed to improve global allocation of risks among parties. The risks are shared between domestic and foreign investors and this diversification encourages firms to increase their total investment. Besides, as capital flows mount up and the liquidity of stock market increases, the equity risk premium could further be lowered. These factors contribute to increase economic growth. (Prasad, Rogoff, Wei, Köse, 2003: 25)

Fourth of all, economic globalization contributes to facilitate the transfer of knowledge and know-how from developed to developing countries. Technological and managerial spillovers between countries are conducive to better policy-making. Moreover as a result of this transfer of know-how and risk sharing, specialization in production could be promoted in the prospective economy. (Prasad, Rogoff, Wei, Köse, 2003: 25-26)

Last but not least, economic globalization contributes to the welfare and quality of the lives of individuals. It paves the way for individuals to enjoy a much greater variety of goods and services at considerably lower prices. (European Commission, 2002: 27) (Tanzi, 1998: 9)

1.5.1.2 Benefits of Political Globalization:

Besides economic globalization, political globalization generates a variety of benefits. One of the benefits of political globalization could be cited as the fact that it contributes to bring greater possibilities of arms

control and disarmament at the global level. It activates the formation of global governance mechanisms to deal with this critical issue. For instance, signing of multilateral treaties restricting testing and deployment of nuclear warheads, discouraging the spread of nuclear, chemical and biological weapons and advancing control on land-mines could be cited as prominent examples in that respect. (Scholte, 2000: 209)

Political globalization and suprastate governance opens new means of conflict management as well. Peacekeeping operations since 1950s and expansion of humanitarian assistance since 1990s under the leadership of United Nations have contributed positively to conflict management in several cases. Besides, some regional governance bodies such as the Organization for Security and Cooperation in Europe (OSCE) and the Organization of African Unity (OAU) have undertaken several effective conflict management initiatives in their competitive regions. (Scholte, 2000: 209)

Third of all, a parallel benefit of political globalization is discerned with regard to global environmental matters. The problems of deteriorating ecological integrity and environmental degradation have begun to draw considerable attention and prominence since 1960s. This has been heavily realized as a result of various efforts of countless civic groups, official agencies, think tanks, etc. The latter had significantly contributed to raise global consciousness which has in turn promoted global awareness to global environmental concerns. (Scholte, 2000: 211, 232)

Fourth of all, due to the fall in costs of travelling and opening up of boundaries, travelling facilities are considerably enhanced today. Furthermore, through the communication revolution, globalization contributes to the strengthening of consciousness of world citizens with respect to critical issues such as vaccinations against communicable

diseases, basic hygiene, global environmental and climatic issues, etc. (European Commission, 2002: 27) (Tanzi, 1998: 9)

In addition to the latter above, as the World Commission on the Social Dimension of Globalization has mentioned, globalization generates an immense potential for good in the sense that growing interconnectivity among people around the world is nurturing the realization that all of us are parts of a global community. The level of interdependence, solidarity and commitment to shared universal values, could be used to build democratic global governance that will function in the interests of all. (World Commission on the Social Dimension of Globalization, 2004: x)

1.5.2 Challenges of Globalization

Having highlighted its various benefits, we need to stress that contemporary globalization poses severe challenges to the entire planet as well. As Woods argues, in a system that has been created for 51 countries, 193 states are enjoying their sovereignty today. The traditionally state-centered and hierarchical world order cannot reply to the new “global issues”, mentioned above. (Woods, 1999: 25) In addition, as Pench states, international institutional framework today still mirrors the power design at the end of the Second World War (Pench, 1999: 21) and therefore reflects a limited world governance framework based on cooperation solely between territorial nation-states. (Derviş, 2005: 23). This situation is obviously out of date and needs to be transcended.

Contemporary globalization is characterized with radical and rapid change which affects all spheres of human activity with concurrent dynamics of aggregation and disaggregation. Global change is not directed from a sole overarching trend; yet through various and contradictory tendencies. Therefore besides their multiplicity, the costs

incurred by globalization are perceived in a considerably rapid and destructive fashion. (Rosenau, 2002: 223-235; Held, 2003: 160-161)

These challenges create four significant regulatory and political gaps at global domain. These could be enumerated as below:

- a) A jurisdictional gap creating problems of externality such as the degradation of the global commons;
- b) A participation gap referring to the inadequacy of current international system to giving rise to voicelessness of many global actors both at the state and non-state levels;
- c) An incentive gap created by the failures of individual governments to find durable solutions to transnational problems in the absence of a global supranational entity;
- d) A moral gap defined by severe problems such as global inequality and poverty, etc. (Held, 2003 (b): 163-164)

In that context, this study assumes that there are basically four crucial challenges posed by contemporary globalization to the entire world. Two of these are economic and two political.

Table 1.17 Challenges of Contemporary Globalization

Economic Challenges Challenges in Global Trade and Financial Governance Challenges of Global Inequality and Poverty
Political Challenges Challenge of Global Insecurity Challenges in Global Environment

This study acknowledges that these challenges have driven humanity to a critical juncture in which the organizing principles that govern social life are being intimidated. At that point, it is inevitable that a new and comprehensive approach needs to be developed.

As Scholte and Stiglitz argued, globalization is not a phenomenon which is inherently good or bad; instead, outcomes of globalization derive from human decisions that can be debated and amended. (Scholte, 2000: 9; Stiglitz, 2003 (c): 480) Recognizing this statement, this study agrees with the view that globalization can be transformed into a force for good if its negative effects are “tamed”. (Koenig-Archibugi, 2003: 1)

In that direction, the following chapters are based on the belief that cosmopolitan social democracy (CSD) approach could serve as an alternative perspective of global governance to achieve that goal. By acknowledging the challenges of contemporary globalization outlined above, a novel and comprehensive framework of global governance could be formulated by benefiting from the CSD approach. In such a manner, benefits and promises of globalization can be captured and extended; whereas its costs minimized, even entirely eradicated.

On that basis, the first step is to determine and benefit from the most appropriate account of global governance towards achieving that goal. Within this framework, basically two contending accounts are found in the current debate on globalization and governance. These are the traditionalist (anti-globalist/skeptic) and globalist (ultra/hyper-liberal) accounts. A third probable account in between these two ends is the transformationalist one, serving as the middle-way between these two cases. (McGrew, 2000; Held and McGrew, 2002; Held, 2000: 169-177; Perraton, 2003: 37, Ietto-Gillies, 2003: 142, Woodward, 2003: 309; Scholte, 2000: 17; Held, McGrew, Goldblatt and Perraton, 1999: 2)

By capturing benefits from and ignoring deficiencies of the two former accounts, transformationalism is put forward in this study as a beneficial tool to construct a more appropriate and realistic account of global governance. This is the first step in formulating an alternative perspective of global governance based on CSD.

CHAPTER II

DIFFERENT APPROACHES TO GLOBAL GOVERNANCE

2.1. TRADITIONALIST APPROACH TO GLOBAL GOVERNANCE

2.1.1 Realist Theory: The Basis for Traditionalism

Although, there are several different ideological variants within its texture, traditionalist response to global governance is primarily based on the so called realist theory of international relations. Thus, in order to comprehend the arguments of traditionalism, it would be appropriate to briefly outline the framework of realism.

Realists believe that the primary units in international relations are the sovereign states. There is no other actor having authority above states within the domain of international relations. For realists, the description of international politics is a war of all against all and a relationship of pure conflict. Therefore, they do not believe in the existence of an international society. (Bull, 1976: 104) For them, power politics is the core of international life and thereby moral claims of states are reduced to a particular form of national interest. (Bull, 1972: 36-37)

It is argued in the literature that there are “many realisms” within the theory of international relations. For instance, Dunne and Schmidt make a taxonomy of realisms, differentiating between classical, structural, neo-classical and rational choice realisms. (Dunne and Schmidt, 2004: 166) Nonetheless, we could argue that, within that broad spectrum and numerous denominations in realism, all realists subscribe to the “three Ss”: statism, survival and self-help. These three elements of realism could be examined briefly in Table 2.1 below:

Table 2.1 Three Ss of Realism

<p>Statism</p> <p>Statism is the centrepiece of realism. This involves two claims: First, for the theorist, the state is the pre-eminent actor and all other actors in world politics are of lesser significance. Second, state "sovereignty" signifies the existence of an independent political community, one which has juridical authority over its territory.</p>
<p>Survival</p> <p>The primary objective of all states is survival; this is the supreme national interest to which all political leaders must adhere. All other goals such as economic prosperity are secondary (or "low politics"). In order to preserve the security of their state, leaders must adopt an ethical code which judges actions according to the outcome rather than in terms of a judgement about whether the individual act is right or wrong. If there are any moral universals for political realists, these can only be concretized in particular communities.</p>
<p>Self-help</p> <p>No other state or institution can be relied upon to guarantee your survival. In international politics, the structure of the system does not permit friendship, trust, and honour; only a perennial condition of uncertainty generated by the absence of a global government. Coexistence is achieved through the maintenance of the balance of power, and limited cooperation is possible in interactions where the realist state stands to gain more than other states.</p>

Source: Dunne and Schmidt, 2004

Traces of these basic premises of realism outlined above go back to the scholarship of philosophers such as Thucydides, Machiavelli and Hobbes. They are also encountered in the writings of well known contemporary realists such as Carr, Morgenthau, Waltz, Mearsheimer, etc. For instance, Carr advances a critique of ethical universalism to relativize the universalist claims of statesmen in terms of revealing their partial interests which drive their arguments. (Dunne, 1998: 143) For Carr, realism is an instrument, which enables the theorist to reveal the reality behind the mask. His insistence upon wielding the weapon of the "relativity of

thought” reflects his belief that there are no foundations upon which to formulate independently valid ethical practices. (Dunne and Wheeler, 1996: 45) That is the reason for him to see natural law as an empty shell which, like utopianism, failed because of its inability to provide any absolute and disinterested standard for the conduct of international affairs. (Carr, 1939: 88)

Morgenthau, on the other hand, considers politics as governed by objective laws that has roots in human nature. According to him, by nature, human being has a drive for power and is power seeking. The struggle for power is universal and is an undeniable fact of experience. Therefore international politics, like all politics, is a struggle for power. (Morgenthau, 1960: 4, 27, 33) Obviously Morgenthau’s conception of international system is an ahistorical and static one, determined by the laws of human nature.

In a similar vein, Waltz defines the structure of international system as anarchical in the sense of the absence of an hierarchical order. Anarchy for him is an explanatory rather than a mere descriptive term. (Dunne, 1995: 381) Waltz argues that the ordering principle in international relations is self-help, which emerges directly from coexistence of the states. (Waltz, 1979: 90-91)

Last of all, Mearsheimer, in his *Tragedy of Great Power Politics* argues that the anarchical, self-help system pushes states to maximize their relative power positions. (Dunne and Schmidt, 2004: 166)

To sum up, realism asserts that the state is the primary actor to secure order in national and international domains and it achieves that through exercise of national power. International relations are conducted and take place in an anarchical environment in which states depend on their individual power for survival. Therefore, international order is essentially

designed by the most powerful states and thus the role of international institutions is insignificant in this setting. (Held and McGrew, 2002: 15-16)

2.1.2 Traditionalist Account of Global Governance

When we examine how realism responds to the concept of globalization, in essence, it states that globalization does not change the basic organization of world politics, which is the territorial division of sovereign nation-states. Globalization might affect social, economic and cultural affairs; yet a similar impact is almost absent in the political domain. Sovereignty is still retained and struggle for political power among states remains as the major driving factor. Basic realist concepts such as balance of power or the threat to use force are not undermined by the processes of globalization. (Baylis and Smith, 2004: 7)

In that context, Woods appropriately describes the realist vision of globalization as a mercantilist one in which world economy is solely assumed as an arena of competition among states to maximize their relative power. States need to achieve that by self-sufficiency in industry and commodities. Hence, policies such as trade protectionism (tariffs and other limits on exports and imports), subsidies, and selective investments in the domestic economy, are much favored by the realists. Obviously, the global economic order is designed by the powerful states, in particular by the most powerful one, the hegemon. (Woods, 2004: 333)

Therefore, while assembling its view on globalization and governance, the traditionalist argument prefers to benefit from a type of hegemonic governance referring to the significance of dominant powers with respect to shaping and designing of the structure of global architecture. The traditionalist view states that the process of globalization and its end-results are the product of these dominant powers and the world order they follow. It does not proceed in a combination and sequence of natural and uncontrolled events. (McGrew, 2000: 130-131, 152-153)

Traditionalists claim that, rather than minimizing its role, globalization empowers the capacity of the nation-state, the primary actor in the management of human affairs. They believe that governments are not victimized due to internationalization; because, in essence, they are the primary architects of it. (Held, McGrew, Goldblatt and Perraton, 1999: 6)

In addition to the latter, although traditionalists acknowledge that the degree of interdependence and integration has increased in the contemporary era, they argue that international economy has not been altered to the extent to undermine the role of the nation-state in terms of regulating economic affairs. Therefore, the core actor in economic management and governance of global economy is still the nation state.

Naturally, they disagree with the idea that current era does eliminate the inequality gaps between the North and South. They state that there exist deeply embedded patterns of hierarchy and inequality inherent in the international system that marginalize a variety of countries of the Third World. This state of inequality nurtures fundamentalism and aggressive nationalism and thus triggers the fragmentationist tendencies into civilizational, cultural and ethnic blocs and enclaves. (Held, McGrew, Goldblatt and Perraton, 1999: 6) The latter is nothing but the prime theme of the “clash of civilizations” argument of Huntington.

In that context, one of the comprehensive studies on the traditionalist view of global governance begins:

This book is written with a mixture of scepticism about global economic processes and optimism about the possibilities of control of the international economy and of the viability of national political strategies. (Hirst and Thompson, 1996: 1)

This sentence belongs to Hirst and Thompson who are opposed to the liberal vision of global governance by the so-called globalists in three main respects: a commonly accepted global economy is absent and it does not differ from the international economy that of the past; there is a tendency to cite examples of internationalization of sectors and processes as if they were the evidence of an autonomous global market forces; and due to lack of historical depth, current changes are mistakenly being portrayed as unique and unprecedented. In the light of these arguments, they argue that the view of globalization presented by extreme globalists is nothing, but a myth. (Hirst and Thompson, 1996: 1-2)

Hirst and Thompson benefit from empirical data in terms of challenging the views of globalists. For instance, they try to evaluate the merchandise trade flows between the main economic blocs, North America, European Economic Area (EEA), Japan and East Asian traders. They argue that the trade/GDP ratio among these bloc/countries is fairly low. Therefore, globalization of trade is not as advanced as globalists anticipate. (Hirst and Thompson, 2003: 26-27)

Table 2.2 Merchandise Trade Flows as a percentage of originating Triad bloc/country GDP (1998)

From	To	North America	Western Europe*	Japan (J)	East Asian Traders (EAT)	J+EAT
North America		3.8	2.0	0.7	1.1	1.8
European* Economic Area (EEA)		2.3	18.0	0.4	1.0	1.4
Japan (J)		3.3	2.0	-	3.0	3.0
East Asian Traders** (EAT)		10.7	6.9	4.1	na	na
J+EAT		14.0	8.9	4.1	na	na

* EEA= EU+Switzerland, Turkey, Norway, Malta, Liechtenstein and the states of the former Yugoslavia

** EAT= China, Hong Kong, Taiwan, Korea, Malaysia, Thailand and Singapore

na: not available

Source: Hirst and Thompson, 2003

In a similar manner, they argue that the factor of distance will always be an impediment for a “complete” globalization as its effects can never be entirely eliminated. Although there has been a revolution in communications technology, total transport cost elimination is never possible. Hirst and Thompson put forward Table 2.3 below to illustrate the effects of distance on trade, FDI, equity flows and technology flows. They argue that economic interactions decrease dramatically with distance, i.e. if 7000 km distance is added between any nodal points, 97 percent of trade is gone. (Hirst and Thompson, 2003: 28-29)

**Table 2.3 The Effect of Distance on Economic Interactions
(percentage reductions in the value of magnitudes
relative to 1000 km)**

	Trade	FDI	Equity Flows	Technology Flows*
1000 km	0	0	0	0
2000 km	58	25	45	35
4000 km	82	44	69	72
8000 km	97	58	83	95

**R&D stock*

Source: Hirst and Thompson, 2003

Generally speaking, Hirst and Thompson base their traditionalist arguments on globalization and governance on the following:

- a) The current international economy is not unprecedented. It is less open and integrated than the period from 1870 to 1914;
- b) Transnational companies in a genuine sense are few in quantity. Most of these companies are nationally based;

- c) Capital mobility is fairly restricted from advanced to developing countries. It is highly concentrated among developed countries;
- d) The world economy is far from being genuinely global as opposed to globalist arguments. Trade, investment and financial flows take place in the triad of Europe, Japan and North America;
- e) These major economic powers, the G3, are able to exert governance pressures on markets. Therefore, they can control and regulate global markets. (Hirst and Thompson, 1996: 3; 2003 (b): 346)

Hirst and Thompson further argue in traditionalist lines by saying that nation states are not being undermined in the current era; and thereby a possibility of multilateral governance is not promising in the future as well. The nation state could “become more salient as a means of protection against global forces beyond supranational governance”. (Hirst and Thompson, 2003: 34)

Besides Hirst and Thompson, another traditionalist account is given by Gilpin. (Gilpin, 2003: 349-350) Gilpin argues in traditionalist sentiments while discussing the role of nation state in the global economy. He doubts the views stating that international and non-governmental organizations are replacing the dominant roles of nation states in the contemporary world of affairs. He also disagrees with the arguments that global economy undermined the primacy of nation states in the management of economic affairs. Although Gilpin acknowledges that various aspects of the sovereignty of the nation state have eroded, the latter still remains as the pre-eminent unit in both domestic and international economic relations. Quoting the American humorist Mark Twain, Gilpin states that “I would like to report that the rumors of the death of the state ‘have been greatly exaggerated’”.

Swank conducts a traditionalist approach to global governance as well while discussing the impact of globalization on taxation, institutions and control on overall macroeconomy. (Swank, 2003: 415) He states that international capital mobility does not essentially result in pressures for the retrenchment of the welfare state via its negative effects on the state's revenue-raising capacities, social corporatism and autonomy of macroeconomic policy. He highlights that internationalization is not related to reductions in overall tax shares of GDP, tax burdens on capital, etc. In addition to that, he argues that there is no systematic relationship between "international capital mobility and core elements of social corporatist systems of interest representation across the developed capitalist democracies during the last three decades or so". Finally, he adds that globalization does not erode all of the macroeconomic policy instruments in the hands of states.

Another traditionalist argument of global governance is done by Sutcliffe and Glyn. (Sutcliffe and Glyn, 2003: 75) These scholars argue that globalization is an exaggerated historical economic trend. They acknowledge the fact that the process of globalization is a factual reality for the last fifty years; yet they also state that, its current extent and significance is being misinterpreted and exaggerated. According to them, this exaggeration results from several features:

- a) Usage of inappropriate statistical measures;
- b) Assumptions of upward trends for variables where there are few reliable observations;
- c) The view that current globalization is unprecedented;
- d) The fallacy that although some variables have grown in absolute terms, though the same trend is not the case in relative terms;
- e) The fact that little attention has been paid to the analytical reasons of limits of globalization;

- f) The ignorance of counter-globalization tendencies;
- g) The insufficiency in arguing that recent quantitative changes resulted in qualitative ones.

A final traditionalist argument is the one by Vandebroucke. (Vandebroucke, 1998: 11, 17-18, 57) He states that the idea of a “global economy” is nothing but a myth and it does not symbolize anything different from the “international economy” in today’s world. Besides, according to Vandebroucke, although there are obvious changes between the modern world trade and the system in the previous golden age, this does not go further enough to conceptualize the ongoing era as unprecedented. Therefore, it is still the national governments which are the primary actors in the design and conduct of economic and social policies.

To sum up, traditionalists prefer to use “internalization” and “regionalization” rather than the word “globalization” to describe world affairs in the contemporary era. By internalization, they refer to the “growing links between essentially discrete national economies or societies”; whereas by regionalization, “the geographical clustering of cross-border economic and social exchanges”. For them, in the contemporary world, economic activity is being internationalized between discrete nation states. Therefore internationalization complements the significance of nation-states rather than their displacement. (Held and McGrew, 2002: 3, 40; Held and McGrew, 2003: 5)

Therefore, for traditionalists, emergence of global economic activity is not viable and thereby the globalist argument that nation states dissolve in favor of a global world economy is not satisfactory. On the contrary nation states are still the primary actors in the international system. Just like in the case of Hirst and Thompson, traditionalists believe that current level of global flows is not unprecedented and they are even relatively

lower than the levels in the period before World War I. Thus, they dismiss the idea of a unified world economy as they believe that the current world displays a situation in which different political and economic blocs in different forms of capitalism is flourishing. (Perraton, 2003: 38) For traditionalists, borders of global integration are restricted with the world economic activity being conducted within three blocs, Europe, Asia-Pacific and the Americas. They believe that territory, borders, and national governments are still the primary units in terms of the distribution and location of power, production and wealth in the contemporary world order. (Held and McGrew, 2002: 4, 38, 40; Burchill, 2001: 55) Therefore, the ideology of globalization is serving for a “necessary myth”, benefited by the states to conduct their traditional objective of maximizing their national interests. It helps to legitimize the neo-liberal project which tries to create a global free market, primarily in the interests of Anglo-American capitalism. (Held and McGrew, 2002: 4, 46, 48; Held and McGrew, 2003: 5) A brief summary of traditionalist approach to global governance is given below:

Table 2.4 Traditionalist (Sceptical) View of Globalization

1) By comparison with the period 1870 to 1914 the world is much less globalized economically, politically, and culturally.
2) Rather than globalization, the contemporary world is marked by intensifying regionalization and internationalization.
3) The vast bulk of international economic and political activity is concentrated within the group of OECD states.
4) By comparison with the heyday of European global empires the majority of the world's population and countries in the South are now much less integrated into the global system.
5) State power, nationalism, and territorial boundaries are of growing, not less, importance in world politics.
6) Internationalization and regionalization are creatures of states not corporations of capitalism.
7) Globalization is at best a self-serving myth or ideology which reinforces Western and particularly US hegemony in world politics.

Source: McGrew, 2004

2.2 GLOBALIST APPROACH TO GLOBAL GOVERNANCE

2.2.1 Liberal/Neo-Liberal/Neo-Classical Theory: The Basis for Globalism

Just like in the case of the traditionalist account, although its adherents do not constitute a perfectly homogeneous group, the underlying logic of the globalist account of global governance originates from the liberal/neo-liberal/neo-classical theories. The essence of these theories is their strict adherence to the superiority of free markets and limited state intervention.

According to liberals, market is the main instrument to increase economic efficiency and maximize economic growth. In this system, individuals behave rationally in terms of maximizing their utility with the lowest possible cost. Liberalism assumes that individuals have complete information in the market and thus have the ability to select the most beneficial option among alternatives. According to liberals, the market economy has a strong tendency towards equilibrium and stability, particularly in the long run. Markets exhibit self-correcting and self-regulating mechanisms. Once there emerges a state of temporary disequilibrium due to exogenous factors, the market has the capacity to correct it on its own. In addition to the latter, another core assumption of liberalism is that individual pursuit of self-interest in the market will result in the benefit of all and thereby increase general welfare. Despite the fact that the gain will not be equal for everyone as productivity of each individual will differ from the other. To sum up, for liberals, economics is governed by a set of impersonal and politically neutral laws of maximizing behavior which makes it an empirical science. In such a framework, economics and politics need to be separated from each other as they constitute two distinct spheres. Therefore, intervention of government to economic sphere should be kept at a minimum. (Gilpin, 1987: 28-30)

Once we examine the implementation of these liberal/neo-liberal/neo-classical theory premises in practice, we figure out that they have been fairly dominant all over the world since the beginning of the 1980s. These policy prescriptions were summarized under the name of Washington Consensus (WC), the term, first coined by Williamson in 1990. (Williamson, 1990)

Table 2.5 The Washington Consensus

1) Fiscal discipline
2) Reordering public expenditure priorities
3) Tax reform
4) Liberalizing interest rates
5) A competitive exchange rate
6) Trade liberalization
7) Liberalization of inward foreign direct investment
8) Privatization
9) Deregulation
10) Property rights

Source: Williamson, 1990

As seen in the table above, these liberal policy prescriptions rested on several interrelated features. (Rapley, 2002: 66-70) First among these was fiscal austerity. This has been an important component of structural adjustment and government-retrenchment programs since 1980s. Governments tried to reduce their spending by the process which is known as “belt-tightening”. Second component was privatization. The logic behind privatization was self evident that private sector was a much more reliable sphere compared to the public. Third component was trade liberalization, currency devaluation and the abolition of marketing boards. In such a way, it was tried to abolish all restrictions before free trade. Last of all, the implementation of this liberal agenda was completed by

retrenchment and deregulation, which aimed at deepening market freedom and reducing the constraints before entrepreneurs.

2.2.2 Globalist Account of Global Governance

This liberal tradition discussed above constitutes the basic framework for the globalist approach of global governance. The first and foremost characteristic of globalism is the assumption that the free market is the most efficient and desirable instrument for the government to employ in the current state of globalization. Globalists argue that free trade and free movement of capital will pave the way for investments to flow to the place where it is most profitable and gains are maximized.

The globalist approach sees free trade as the functional instrument for countries to benefit from comparative advantages. The economy functions within a global system in which the prices, as an invisible hand, fulfill the efficient and equitable distribution of goods and services within the world economy. As a natural corollary, order in the global economy is taken as a minimal one in which governments and institutions ensure the unfettered operation of markets. (Woods, 2004: 332)

Within that theoretical framework, Hurrell and Woods summarize the liberal view of globalization as follows:

- a) Increase in transactions across state boundaries is of great significance to the nature of the international system;
- b) The process of globalization has a logic and dynamics of its own, driven by technological change, enhanced knowledge, and rational decision making;
- c) As a result, societies across the world are increasingly linked through markets and an increasingly close-knit transnational civil society, rather than through the arena of inter-state competition;

- d) Hence, the states will no longer form the only or necessarily the most important holders of political authority;
- e) Thus, there is a growing tension between the reality of a globalizing world economy and an anachronistic states-system. This tension may be unsettling, but it does not involve any irreconcilable conflicts or contradictions.
- f) In particular, international institutions will grow as states perceive that their interests are better met in a globalizing world economy through institutionalized cooperation. (Hurrell and Woods, 2000: 451-452)

Globalists, in order to substantiate and strengthen their accounts on global governance, benefit from several propositions they claim:

- a) Poverty and inequality are falling on world wide scale for the first time in more than a century and a half;
- b) The underlying source for that decline is globalization;
- c) Therefore there is no empirical ground for the anti-globalization movement;
- d) The top economic policy priority of poor countries should be to enhance their economies' integration into world economy. (Wade, 2002: 37)

In that context, globalists argue that the real solution to global inequalities could be found in liberal policies such as openness to free market and competition, closer integration with the world economy, etc. Globalists acknowledge that globalization creates winners and losers; yet they argue that there is a growing diffusion of wealth and prosperity within the world economy. They state that global poverty has fallen to historically lowest levels and welfare of people at global context has considerably improved. Moreover they regard the problems of global inequality and poverty as transitional in nature which will disappear with

market-led globalization. Hence, they believe that the old North-South framework of division of labor is changing with the replacement of traditional core-periphery model of world economy. (Held and McGrew, 2003: 29)

This new global division of labor argument has an important place in the globalist thinking. According to globalists, there is a significant transformation in the “geographical pattern of specialization” at the global domain. In its original version, defined by Adam Smith, division of labor meant the specialization of labor in different sections of the production process, with no geographical connotation. However, in time, it has been associated with a geographical dimension as some regions and areas have begun to specialize in specific types of economic activity. At the global level, the consequence of the latter was that labor was mainly divided between the industrialized countries specialized in the production of manufactured goods and the non-industrialized countries basically supplying raw materials and production of agricultural and limited manufactured goods. Such a geographical specialization referred to a framework consisted of the core, periphery and the semi-periphery. (Dicken, 2003: 303-304)

Globalists argue that such a framework does not apply in the contemporary era. Due to the forces and dynamics of globalization, the straightforward relationship between the core and periphery is transformed into a complex and kaleidoscopic framework in which many production processes and their geographical relocation are being fragmented. Besides, in newly industrialized economies, new centers of industrial production are emerging. The technology of production is becoming more flexible; developments in transport and communications technologies are altering production processes; and thereby the division of labor. A new global division of labor is emerging. (Dicken, 2003: 304)

Globalists also make a distinction between the “world economy” and “global economy”. They say that world economy has existed since the sixteenth century and what is unprecedented today is the global economy. Global economy is the economy “whose core components have the institutional, organizational, and technological capacity to work as a unit in real time, or in chosen time, on a planetary scale”. It was only in the twentieth century that world economy has transformed into that global economy. (Castells, 2003: 311)

As a result of the points mentioned above, globalists believe that technological changes and integration of markets within the global market economy result in the de-nationalization process of economic activities. Therefore, global capital and finance, instead of states, rule overall economic power and wealth. Authority of states is territorially bound; however markets are global in nature and that is the reason markets cannot be bound with political regulation. In such a framework of global economy, there is no option for states other than accommodating with the global market forces. (Perraton, 2003: 37) In other words, politics is no more understood as the “art of the possible” but rather the practice of “sound economic management”. (Held, McGrew, Goldblatt and Perraton, 1999: 4)

Consequently, globalists argue that intensification of the features of globalization in the current world have paved the way for nation states to dissolve into a global economy determined by the world market forces. Globalist position is basically supported by economic liberals who basically assert that globalization, on its own accord, results in a win-win game that is beneficial for all parties. Within that global architecture, national borders are no more meaningful and thus the category of national economy is redundant. (Thompson, 2000: 88-90) The old North-Sound division gets increasingly anachronistic as the traditional core-

periphery structure is being replaced by the new division of labor, mentioned above. (Held, McGrew, Goldblatt and Perraton, 1999: 4)

As a result of the latter, globalists emphasize that global financial constraints and competitive disciplines make social democratic models of social protection redundant and untenable. Therefore, for them, there is no room for welfare state policies any more. (Held, McGrew, Goldblatt and Perraton, 1999: 4)

Globalists conceptualize globalization not as a sole economic phenomenon and they give emphasis on other dimensions of it as well. Within this multidimensional approach to globalization, they emphasize on the importance of political, military, cultural, etc. aspects of globalization. (Held and McGrew, 2003: 6) This is another issue that differentiates them from the traditionalists who prefer to emphasize more on economic dimension of globalization.

Another point of differentiation of globalists from traditionalists is their historical analysis of globalization. They try to place contemporary globalization within the context of distinctive phases of world history. In that context, they compare and contrast current globalization era with the previous ones in terms of defining the distinguishing features of the latter. This obviously paves the way to assess globalization as an open-ended process rather than a fixed or static concept. (Held and McGrew, 2003: 7)

One of the major globalist accounts of global governance is by Ohmae. (Ohmae, 1996: 1-5) Ohmae argues that, today states are not furnished with their former powers and thus are not the primary actors in the current global economy. In that context, he enumerates what he calls as the four "Is" to explain the transformation in the contemporary world.

Four “Is” symbolize investment, industry, information technology and individual consumers.

Ohmae asserts that the first “I”, investment, is no more geographically constrained in the contemporary era. He says that “now, wherever you sit in the world, if the opportunity is attractive, the money will come in”. He asserts that, contrary to the previous case in which flow of cross-border funds was essentially between governments or from multilateral lending agencies to governments, this is no longer the case. Today, a great proportion of money in motion is private in nature, and thus there is no role for the governments in the process.

According to Ohmae, the second “I”, industry, has become globalized as well. Previously, companies were involved with governments to bring in resources and skills to have the access to local markets. Whereas, today, the strategies of multilateral companies is not shaped by the reasons of state; yet by the desire to serve the markets wherever they exist. In that context, the role of government in economic matters is continuously losing its relevance.

Ohmae asserts that the transformation in investment and industry is facilitated by the third “I”, the information technology. Information technology enables companies to operate in different parts of the world without the requirement of establishing an entire business in these regions. Thus, capability is resided in the networks and available in virtually everywhere.

Final “I” is the individual consumers who are much more globally oriented today. They have more access to and are better informed about the lifestyles and markets around the globe. Hence, they can buy the cheapest and most comfortable goods and services without any constraint and no matter where they are originated.

Table 2.6 Optimal Operating Unit Changes as We Move from the Industrial to the Information Age

	Old Game Industrial Age		New Game Information Age
Timing	19-20th century		Late 20th-21st century
Description	Driven by nation-state government	RISE OF THE REGION STATE*	Driven by private capital and information
	National sovereignty		Citizen sovereignty
	Strong control by centralized forces		Autonomous networks of interdependence
	Sensitive to borders		private enterprises and regional entities
	Favors domestic capital and protects domestic companies		Inherently borderless
	Aims for one-state prosperity through development of export-led, manufacturing-driven economic growth		Welcomes foreign capital world-class companies/expertise, creating high-quality jobs
	Government initiatives		Aims for harmonious regional prosperity based on interdependent, network-centric companies creating information-intensive services to capture value from customers
	Good government strengthens priority industries		Entrepreneurial initiatives
	Change occurs gradually over decades		Good government nurtures regional development, not focused in specific industry
			Change occurs suddenly in months to years
Winners	Germany		Hong Kong/Shenzhen
	Japan/"New Japans"		Singapore/Johor/Batam
	United Kingdom		Taiwan/Fujian
	United States		Southern China (Pearl River Delta)
			Southern India (e.g., Bangalore)
		North Mexico/Southwestern US	
		Silicon Valley	
		New Zealand	
		Lombardia	
		Pacific Northwest of the United States	

* Region-state is defined as an area (often cross-border) developed around a regional economic center with a population of a few million to 10-20 million

Source: Ohmae, 1996

These four “Is”, altogether make the traditional “middleman” function of nation states obsolete. Markets function efficient and adequately without government intervention. That is why, Ohmae argues that the borders of nation states are pretty artificial in the current global world economy and it should be more focused on geographical units in which the real economic activity takes place. He calls these as the “region states”. What is the distinguishing character of these region states is not the location of their political borders; yet the fact that they are the real natural units of the borderless world.

A summary of Ohmae’s globalist vision of global governance is illustrated in Table 2.6 above. According to Ohmae, current globalization symbolizes the shift from the industrial to the information age.

Another comprehensive globalist approach to global governance was done by Thomas L. Friedman in his well known book *The Lexus and the Olive Tree*. (Friedman, 1999) Friedman begins his book by the opening scene entitled “The World is Ten Years Old”, which he borrowed from the ads of the company Merrill Lynch in major newspapers of America on October 11, 1998. The ads read as:

It was born when the Wall fell in 1989. It’s no surprise that the world’s youngest economy—the global economy—is still finding its bearings. The intricate checks and balances that stabilize economies are only incorporated with time. Many world markets are only recently freed, governed for the first time by the emotions of the people rather than the fists of the state...The spread of free markets and democracy around the world is permitting more people everywhere to turn their aspirations into achievements. And technology, properly harnessed and liberally distributed, has the power to erase not just

geographical borders but also human ones...
(Friedman, 1999: xiii-xiv)

This quotation is a perfect summary of the globalist argument towards global governance in accordance with the general theme discussed by Friedman in his book. Friedman argues that the slow, stable and chopped-up Cold War system has come to an end with the fall of the Berlin Wall in 1989 and this system has been replaced by an interconnected one called globalization. He continues that if we did not realize this fact in 1989, we do a decade later. Today, “we are all one river”. (Friedman, 1999: xiii)

While acknowledging that there was a former era of globalization from the mid-1800s to late 1920s, Friedman argues unlike the traditionalist argument that the current era of globalization is new in the sense that the degree and intensity it carries is unprecedented. He states that what is also new in the current era is the number of people and countries participating in the process. In the previous wave of globalization, many developing countries were left out; now they have a prominent role in the conduct of current global economic affairs. In addition, not only the degree, but also the kind of globalization is different today. The previous era was characterized by the fall in transportation costs; whereas the current one by the fall in communications costs. New technologies affect the conduct of entire business systems and benefit not only the developed countries; but also the developing ones. Therefore, the current era is unique as it is “farther, faster, cheaper and deeper”. Friedman sums up his assertion by telling that current globalization is different than the previous one in the sense that “if the first era of globalization shrank the world from a size “large” to a size “medium”, this era of globalization is shrinking the world from a size “medium” to a size “small”.” (Friedman, 1999: xv-xvi)

To sum up the discussion on globalist approach to global governance, we could conclude by Milton Friedman's words. Friedman has said that today, it is possible "to produce a product anywhere, using resources from anywhere, by a company located anywhere, to be sold anywhere". (Friedman quoted in Scholte, 2004: 600) In that sense, for the globalists, political empires are being replaced by corporate empires at the present era. The unwritten constitution of global governance is based on the agenda of global markets and capital, at the expense of the nation state. (McGrew, 2000: 153)

Especially with the demise of the Soviet Union and the end of the Cold War, globalist account has been quite powerful among scholars and policy-makers all over the world. Globalists began preferring rather extreme positions such as the "end of history" argument by Fukuyama who argued that the triumph of liberalism on any alternative ideology is sustained with the end of the Cold War, and thus the latter constitutes the ultimate form of human organization. This argument recalls Margaret Thatcher's famous "there is no alternative" (TINA) expression she made during 1980s to disregard any alternative to neo-liberalism.

2.3 TRANSFORMATIONALIST APPROACH TO GLOBAL GOVERNANCE

This study essentially argues that there is a variety of problems posed by contemporary globalization and these challenges require immediate solutions. However, lack of existence of a democratically legitimate type of global governance prevents us to address these challenges on a sustainable basis. At that point, this study argues that it is obligatory to extend the state of legitimacy attained at the national domain to the global sphere. While doing that, the views put forward by the traditionalists and globalists towards global governance, summarized in Table 2.7 below, are under suspect in terms of achieving this latter goal.

Table 2.7 Contrasting Interpretations of Global Governance

	Traditionalists	Globalists
Who governs?	US, G7 states versus national monopoly capital through dominant capitalist states	US, G7 global directorate, transnational capitalist class (informal empire) versus multiplicity of agencies: national/suprastate, governmental, non-governmental and corporate, varying from issue to issue
In whose interests?	US, Western, national interests versus national capital	Global corporate capitalism, US and G7 states versus diverse global and particular interests varying from issue to issue within a framework of distorted global governance
To what ends?	Maintain US/Western dominance, sustain Western security community, defend and promote an open liberal world order	Promote and reproduce global liberal capitalist order versus plurality of purposes, regulating and promoting globalization, advancing global public policies
By what means?	International institutions, hegemonic power and hard power-coercion, geopolitics	Liberal global governance, hegemony and consent versus multilayered global governance: suprastate agencies, regimes, NGOs, global networks
Key source of change?	Dependent on challenge to US hegemony	Dependent on structural limits to global capitalism and its contestation by diverse anti-capitalist forces versus transformations produced by complex global interdependence, agencies of transnational civil society, and globalization of political activity/governance

Source: Held and McGrew, 2002

Therefore, this study agrees with Woodward's arguments stating that it is empirically difficult to sustain the position favoured by traditionalists who say that there is no change in world politics and equally the globalists who argue that globalization has swept away states and the state system. (Woodward, 2003: 312)

The globalist argument that we are living in a globalized world economy in which states are nothing but only "decision-takers" is not valid. States are still powerful; they dominate significant amount of resources, have bureaucratic capacity and own technologies of control. Similarly, the argument of traditionalists stating that globalization is nothing more than a myth or illusion is far from satisfactory at present circumstances. (Held, 1999: 97)

That is why, the third approach of global governance, namely transformationalism, constitutes the most appropriate and substantial alternative to cope with the challenges of contemporary globalization. Transformationalist account of global governance gives us the vital tools to extend the legitimacy attained at national level to the global domain, the latter, which is simply the working project of CSD. A summary of this transformationalist vision is discussed below. (Held and McGrew, 2002: 106-110; 118-136; Held, McGrew, Goldblatt and Perraton, 1999: 7-8; Perraton, 2003: 38-39; Held, 1999: 3)

The superiority of the transformationalist approach is that it creates a productive synthesis between traditionalist and globalist accounts. Taking into consideration that there is a variety of strength and weaknesses in both of these accounts, transformationalism tries to construct a comprehensive and inclusive via media by benefiting from both. Rather than lying on the extreme cases of traditionalist and globalist accounts, situated at the diverse ends of the political spectrum, transformationalist account is the search for a platform of dialogue

between these two parties. The greatest strength of this approach lies at this point that, by choosing a stance above these two ends, it has the ability to borrow from the common ground between the two approaches, shown at Table 2.8 below.

Table 2.8 Points of Common Ground that Traditionalists and Globalists would Both Accept

<p>1) There has been marked growth in recent decades in economic interconnectedness within and among regions, albeit with multifaceted and uneven consequences across different communities</p>
<p>2) Interregional and global (political, economic and cultural) competition challenges old hierarchies and generates new inequalities of wealth, power, privilege and knowledge</p>
<p>3) Transnational and transborder problems, such as the spread of genetically modified foodstuffs, money laundering and global terrorism, have become increasingly salient, calling into question aspects of the traditional role, functions and institutions of accountability of national government</p>
<p>4) There has been an expansion of international governance at regional and global levels- from the EU to the WTO-which poses significant normative questions about the kind of world order being constructed and whose interests it serves</p>
<p>5) These developments require new modes of thinking about politics, economics and cultural change. They also require imaginative responses from politicians and policy-makers about the future possibilities and forms of effective political regulation and democratic accountability</p>

Source: Held and McGrew, 2002

As mentioned before, this is the fundamental aspect that differentiates transformationalists from traditionalists and globalists. Their position is not on the straightforward spectrum of globalization/anti-globalization domain. The transformationalist view conceives globalization as a set of processes that refers to a transformation in the spatial organization of social relations which denotes a shift to transcontinental patterns of

human organization. It is the factor responsible from the “shake-out” of economies, societies, institutions of governance and world order.

Obviously this brings a stretching of economic activity across all frontiers which is in company with its intensification of interconnectedness. These tendencies of extensity and intensity converge to the point that the effect of an event happening somewhere has repercussions on elsewhere. Therefore, according to transformationalists, the distinction between local and global is fairly blurred.

However, in the transformationalist view, the direction of the above-mentioned “shake-out” is not certain as in the cases of traditionalist or globalist accounts. This is due to the reason that globalization does not refer to a singular and linear process or a final end-point in social change. Therefore transformationalism interprets globalization as a process; not an end-state in itself.

In such a framework, as opposed to both of these accounts, transformationalism does not make a straightforward claim on the future course of globalization and does not appraise current era in a fixed type of “globalized world”. Instead, it sees globalization as a long term historical process characterized by various challenges and shaped by conjunctural factors.

Thus, in such a setting, transformationalist approach holds the view that globalization in contemporary world is substantially “re-engineering” power, authority and functions of national governments. Although it acknowledges that the state will remain as the ultimate actor in world politics, transformationalism also stresses that it cannot still retain the sole command of what transpires on its territorial boundaries as before. The image of the state as a self-governing, autonomous unit is not applicable any more. In the end, globalization is associated with the

transformation of the relationship between territoriality, sovereignty and political power.

To sum up this chapter, it could be stated that transformationalism contrasts with the globalist view stating that globalization is something completely new and also the traditionalist view arguing that it is not unprecedented. By situating itself somewhere between and above these two ends, it empowers us to develop alternative policies to cope with the challenges of globalization.

The summary of basic differences between these three approaches to global governance could be seen in Table 2.9 below.

Table 2.9 Theories of Global Governance

	Traditionalist (Hegemonic Governance)	Globalist (Rule of Global Capital)	Transformationalist (Technocratic Governance, Governance from Below)
Key Agents/ Agencies of Rule	Dominant states	Global corporate and financial capital	Epistemic communities, NGOs and social movements
Who Rules?	Hierarchy-the US as the hegemon	Cosmocracy-transnational business civilization	Polyarchy-diverse social forces and interests
In Whose Interests?	National and geo-strategic interests	Global capital	Sectional and collective People's and planetary interests
Through What Means?	Coercion and consent	Structural power-global markets constrain what nation states can do	Application of knowledge, procedures and technical deliberation Mobilization across borders, transnational coalition building
To What Ends?	Maintenance of global order conducive to hegemonic interests	Stability and reproduction of global capitalist order	Efficient, accountable and effective governance Contesting and resisting globalization from above

Source: McGrew, 2000

CHAPTER III

CONCEPT AND HISTORY OF SOCIAL DEMOCRACY

In order to conduct a consistent analysis on cosmopolitan social democracy (CSD), it is required to begin with a conceptual and historical analysis of social democracy. On that basis, first of all, the position of social democracy in the left-right ideological spectrum will be examined. This will be followed by a brief historical outlook on the subject, describing its evolution in time.

3.1 THE CONCEPT OF SOCIAL DEMOCRACY

An ideology is a value system or belief system as fact or truth by some group. It is composed of sets of attitudes toward the various institutions and processes of society. An ideology provides the believer with a picture of the world both as it is and as it should be, and; in doing so, organizes the tremendous complexity of the world into something fairly simple and understandable. (Sargent, 1999: 3)

Within that framework, since the late 19th century, particularly during the 20th century, the most prevalent ideological differentiation has been between socialism and liberalism, which refers to the distinction between the political stances of the left and the right. Therefore, before dwelling on the concept of social democracy, it would be appropriate to begin with a brief analysis of these latter, respectively.

3.1.1 Ideology of the Left

The left is, in essence, associated with traditional socialism. Although the seeds of socialist thought are inherited from scholars such as Saint-Simon, Fourier, More, it would be convenient to date its origins to the late nineteenth century. As Heywood argues, the birth of socialist ideas came as a result of the development of industrial capitalism in Europe, which created a large group of industrial workers suffering from poverty and degradation in this process. (Heywood, 1998: 103-104)

In that context, Karl Marx has emerged as the most influential figure in formulating the ideological framework of socialism. He developed an historical, dialectical and materialist body of thought, claiming that capitalism would inevitably be replaced by socialism, and eventually by full fledged communism.

Within that framework, the basic tenets of socialist thinking could be figured out as follows:

- a) An optimistic view of human nature;
- b) The argument that human nature is malleable and social, and economic structure could be re-designed to enable people live in a cooperative manner;
- c) The belief that private property should be banned as the principal means of production and it should be publicly rather than privately owned;
- d) An organic view of society and rejection of liberalism in favor of order and social responsibility;
- e) An emphasis on political and economic equality;
- f) Belief in positive liberty or the freedom to act, entailing both state intervention and the argument that true liberty could be attained within a community. (Gibbins and Youngman, 1996: 93)

The elements of the ideology of socialism are outlined in Table 3.1 below.

Table 3.1 The Ideology of Socialism

Scope	Addresses virtually all political issues, although only some forms of socialism embrace private morality. Strong focus on economic issues. Socialism has been brought into play around the world.
Internal Consistency	Argues that human nature is malleable; a positively constructed socioeconomic system creates a positive human. Restructuring the economy is the key to establishing a positive system.
Durability	Socialism has been an important ideology for over 150 years.
Normative Framework	Humans have the potential to live cooperatively and equally; economic and political systems should be structured to encourage communalism and equality. Society is an organic whole; the exploitation and misery of one undermines the whole.
Practical Guide for Political Action	The free market should be replaced (at least partially) by a state-run and centrally planned economy. Private property should be restricted and class divisions reduced or eliminated. Social democrats seek to achieve these ends democratically, whereas communists believe that the existing capitalist system can only be overthrown by force.
Formal Articulation	Socialist thought has generated an immense volume of written text. Although much of this material finds its intellectual roots in the works of Engels, Lenin and Marx, there have been a host of independent contributors, including Saint-Simon, Charles Fourier, Robert Owen, T.H. Green, G.D.H. Cole and Harold Laski.

Source: Gibbins and Youngman, 1996

Variants of socialist thought have been the alleged organizing principle of societies in nearly one third of the world population till the 1990s. After the end of World War I, in the continental Europe as well as in other parts of

the world, socialist governments seized power, which were more or less based on Marxist body of thought.

3.1.2 Ideology of the Right

This approach is based on the liberalist body of thought. As I have dwelled on liberalism in the previous chapter, I would like to be as brief as possible here to avoid repetition while discussing this ideology. Liberalism basically argued for reduced government intervention in economic affairs; greater role for laissez faire capitalism; monetarist policies as a means for controlling inflation; and supply side economics as a means for economic growth. Liberal/neoliberal assumptions could be summarized in the following premises:

- a) All humans are rational and motivated solely by self-interest; and all human interaction, economic, political, or social, can be explained only in terms of this mood of self-interest;
- b) Self-interest does not, as one may think, lead to chaos, but rather, to harmony, because interaction driven by self-interest is part of a natural order;
- c) This natural order finds its greatest expression in the market;
- d) Resources should be awarded according to talent and effort and human beings should compete to get those rewards;
- e) Because the market is naturally occurred, market outcomes are the best that are to be hoped for; therefore, interference to the functioning of the market, by government or any other actor, is undesirable. (Waligorski, 1990: 18-45) (Gibbins and Youngman, 1996: 31).

The basic tenets of the ideology of liberalism are seen in Table 3.2 below.

Table 3.2 The Ideology of Liberalism

Scope	Addresses questions of economic, social and . political liberty. Addresses all issues excluding questions of personal morality.
Internal Consistency	Argues that the role of government should be limited to the purpose of protecting the life, liberty and property of individuals. Divisions within liberalism largely revolve around the interpretation of liberty: Classical liberals hold that liberty refers to absence from coercion, whereas reform liberals argue that liberty requires the ability to act. These different interpretations lead to different roles for government.
Durability	Liberalism has enjoyed intellectual and political support for over three centuries. Classical liberalism dominated the ideological landscape of the nineteenth century, while reform liberalism has structured debate in the twentieth century.
Normative Framework	Humans are rational, egocentric individualists. Government and law should be designed to draw on these traits and maximize the potential of individuals, while at the same time advising the interests of society as a whole. Progress and evolution are the goals of society.
Practical Guide for Political Action	Issues are seen as they affect personal liberties. Policies should be designed to minimize the infringement upon economic (free market) and social liberties; such policies will in turn naturally advance the welfare of society as a whole. The focus is on individual rights and social progress, rather than upon issues of morality. Rights ensure that individuals are protected against both a positive government and the rampant, competitive individualism of their fellow citizens.
Formal Articulation	Isiah Berlin, Four Essays on Liberty; Thomas Jefferson, The American Declaration of Independence; F.A. Hayek, Law Legislation and Liberty; John Locke, The Second Treatise of Government; J.S. Mill, On Liberty; Adam Smith, The Wealth of Nations; Equity; The Financial Post; The New Republic.

Source: Gibbins and Youngman, 1996

Liberal/neoliberal policies are designed to free the market from "unnatural" distortions. The solution of all economic problems ought to be understood in terms of adapting to the "natural" order of the market. This entails

privatization of state-owned enterprises; a balancing of government budgets; an elimination of social programs; an end to market distortions caused by trade unions and labor arbitration; and the removal of all government intervention which would interfere with the self-interested free exchange of goods between consumers and producers. (Lairson and Skidmore, 1993:209)

As mentioned in the previous chapter, these premises have been put forward by right-oriented policy makers to solve economic, political and social problems. They have been deeply influential on US and UK policies during 1980s as well as on other developing countries all over the world.

3.1.3 Difference between the Ideologies of Left and Right

The basic dichotomy between the ideologies of left and right could be summarized in following points:

First of these is related to their dissimilar attitude towards the concept of freedom, as figured out in Table 3.3 below.

Table 3.3 Perspectives on Freedom

Liberals	Socialists
Give priority to freedom as the supreme individualist value. While classical liberals support negative freedom, understood as the absence of constraints or freedom of choice, modern liberals advocate positive freedom in the sense of personal development and human flourishing	Have generally understood freedom in positive terms to refer to self-fulfilment achieved through either free creative labour or cooperative social interaction. Social democrats have drawn close to modern liberalism in treating freedom as the realisation of individual potential.

Source: Heywood, 1998

As mentioned before, the ideologies of left and right have different perspectives on the content and functioning of economy.

Table 3.4 Perspectives on Economy

Liberals	Socialists
See the economy as a vital part of civil society and have a strong preference for a market or capitalist economic order based on property, competition and material incentives. However, while classical liberals favour laissez-faire capitalism, modern liberals recognise the limitations of the market and accept limited economic management.	In the market tradition have expressed a preference for common ownership and absolute social equality, which in orthodox communism was expressed in state collectivisation and central planning. Social democrats, though, support welfare or regulated capitalism, believing that the market is a good servant but a bad master.
<i>Source: Heywood, 1998</i>	

Another fundamental differentiation between the ideologies of left and right result from their counter approaches towards the concept of equality. The left believes that in order to maintain equality, the state is obliged to interfere in the private domain. Whereas the right emphasizes that the fundamental focus needs to be on the market; and even though the market could create inequalities, these do not matter once people can rise to the positions that fit their capacities (Giddens and Pierson, 1998: 13).

Table 3.5 Perspectives on Equality

Liberals	Socialists
Believe that people are "born" equal in the sense that they are of equal moral worth. This implies formal equality, notably legal and political equality, as well as equality of opportunity; but social equality is likely to be purchased at the expense of freedom and through the penalising of talent.	Regard equality as a fundamental value. Despite shifts within social democracy towards the liberal view, social equality, whether in its relative or absolute sense, has been seen as essential to ensuring social cohesion and fraternity, establishing justice or equity, and enlarging freedom in a positive sense.

Source: Heywood, 1998

It is evident that the two ideologies have different views with respect to the concept of democracy as well, which is briefed in Table 3.6 below.

Table 3.6 Perspectives on Democracy

Liberals	Socialists
Understand democracy in individualist terms as consent expressed through the ballot-box, democracy being equated with regular and competitive elections. Whilst democracy constrains abuses of power, it must always be conducted within a constitutional framework in order to prevent majoritarian tyranny.	Traditionally endorsed a form of radical democracy based on popular participation and the desire to bring economic life under public control, dismissing liberal democracy as simply capitalist democracy. Nevertheless modern social democrats are now firmly committed to liberal-democratic structures.

Source: Heywood, 1998

3.1.4 The Concept of Social Democracy

Having put forward the ideologies of left and the right and the basic differences between them, we could carry on with the concept of social democracy, the main subject in this chapter.

Social democracy is a hybrid political tradition of socialism and liberalism. It is the product of a division in the socialist tradition between those who seek to realize socialist ideals within the institutions of liberal capitalist society (social democrats) and those who remain outside those institutions with the objective of superseding them through revolutionary force (communists). In particular, social democrats are fully committed to participation in the electoral process and in parliamentary democracy. Indeed, social democracy is often referred to as 'parliamentary socialism'. Social democracy is inspired by socialist ideals, but is heavily conditioned by its political environment, and it incorporates liberal

values. The social democratic project may be defined as the attempt to reconcile socialism with liberal politics and capitalist society. (Padgett and Paterson, 1991: 1)

While conducting an analysis on social democracy the initial step to take is to clarify the complications in definitions. It would be false to see social democracy as a pure *via media* between socialism and capitalism. Social democracy is situated within the socialist body of thought. However, as the above definition states, it attempts to incorporate liberal values in the domain of socialism, particularly the concept of democracy. That is why the term “democratic socialism” is often used synonymously with social democracy.

This study assumes that, in simplest terms, socialism has two sub-groups: communism and social democracy. Although all three terms, socialism, communism and social democracy, have been used interchangeably at the beginning of the labour movement in the mid-19th century, the latter two have come to mean fairly different ideologies in the twentieth century, in particular following the Russian revolution in 1917.

Within that framework, social democracy is the ideology, focusing on the evolutionary path of socialism and humanization of capitalism. It includes parliamentary process of reform, provision of state benefits to the population, agreements between labor and state, and the revisionist movement away from revolutionary communism. It has emerged as a critique of dogmatic version of Marxism and inhumane capitalism. From its very outset, it has always been a defender of liberal principles of openness, pluralism, provisionality and tolerance. It has not been hostile to the concepts of free market and private property; yet adopted these within a dense framework of social control and responsibility. In other words, it

has perceived market and private property not as basic values *per se*; but within a system of freedom, justice and solidarity.

3.2 HISTORY OF SOCIAL DEMOCRACY

In accordance with our comprehension outlined above, historical roots and origins of social democracy rely on socialism. Social democracy came into existence as a result of industrial capitalism which forced industrial workers get organized to cope with the challenges of the era. Obviously, the movement was inspired by the scholarship of Marx, who has developed his theory on class differentiation.

To enable an analytical framework in terms of the history of social democracy, this study makes a classification in four stages, as seen in Table 3.7 below.

Table 3.7 Four Stages of Social Democracy

	Dates	Stage
Stage I	1875-1945	Emergence of Social Democratic Thinking
Stage II	1945-1973	Golden Ages of Social Democracy
Stage III	1973-1990	Retreat of Social Democracy
Stage IV	1990-present	Social-Liberal Synthesis

The first stage may be said to have begun with the establishment of the German Social Democratic Party with the Gotha Program in 1875 and lasted till the end of the Second World War in 1945. The second stage comprises the period between 1945 and 1973, ending with the First Oil Crisis, which is called as the Golden Ages of Social Democracy. The third stage has taken place in the period between 1973 and 1990 which is called as the retreat of social democracy. The last stage refers to the post-

1990 period. The remaining part of this chapter deals with these four historical stages.

3.2.1 Emergence of the Social Democratic Thinking (1875-1945)

In the late 19th century, though the concepts of socialism and social democracy were being used interchangeably, approaching towards the end of the century, social democratic movement has begun to diverge and decompose itself from orthodox Marxism. One of the obvious illustrations of the latter was the Gotha Programme of Social Democratic Party (SPD) in Germany. As criticized by Marx in his *The Critique of the Gotha Programme*, the essence of this program was very much divergent from the Marxist body of thought. In that context, two aspects were remarkable. First of all, the Programme “advocated the development of a free state by means of universal suffrage, direct legislation, civil rights and a popular militia” and believed that these could only be sustained by peaceful means. Obviously, this was a significant deviation from the Marxist thought, which considered state as an instrument of class domination and accredited revolutionary transformation as the sole way to establish socialism. Second prominent aspect of the Gotha Program was its attempt to define socialism in terms of social justice, as the Program called “a fair distribution of the proceeds of labor”. Marx has criticized this aspect by arguing that moral values such as justice and fairness could not operate free of class relations. (Miller, 1987: 482)

In that regard, Bernstein appeared at the scene as an influential figure in the development of social democratic thinking. He has undertaken a substantial revision of the Marxian analysis of capitalism and socialism. Bernstein argued that most of the predictions anticipated by Marx have not been materialized and therefore a comprehensive re-formulation is inescapable in the overall thought. He stated that, since the establishment of German Reich, prosperity and wealth have benefited all types of classes, not only the capitalist but also the working class. However, unlike

the predictions of the Marxian theory, no large-scale polarization did take place between the proletariat and capitalist classes. Hence, the system did not collapse as presupposed by Marx. In this context, in *How is Scientific Socialism Possible?*, Bernstein broke with the scientific approach of Marxian thought, arguing that socialism was not a direct result of capitalist development, yet an ideal that should be struggled for its own sake. (Miller, 1987: 482-483) In that way, he opposed to the requirement of revolution and preferred a gradual and reformist path to socialism instead. This was the essence of the concept of “democratic gradualism” that he has developed in his *Evolutionary Socialism*. (Callaghan, 2000: 1)

A similar diverging tendency from classical Marxism was discernable in Britain as well. The emergence of social democratic ideas in Britain was influenced by Fabianism and New Liberalism. The basic features of Fabianism were as follows:

- a) Emphasis on meritocracy and the role of experts in public sector management;
- b) Reliance on gradual and planned reform;
- c) Trust of reason as the desirable motivating aspect of politics;
- d) Pursuit of efficiency in public affairs;
- e) Commitment to democracy. (Miller, 1987: 145-146)

Fabian Society, which was formed in 1884, has been influential on the development of social democracy in Britain up until the 1930s. Although, the Society displayed a heterogeneous character among its members, a common sense of meritocracy was to be found in the group. Among prominent members of the group could be cited Hugh Dalton, Anthony Crosland, Annie Besant, Sydney Olivier, Beatrice Webb, George Bernard Shaw, H.G Wells, etc.

Besides Fabians, New Liberalism has contributed to the development of social democracy in Britain as well. In *Social Evolution and Political Theory*, Hobhouse tried to connect liberalism with social democracy. Wallas in his *Fabian Essays*, argued that his ultimate objective was to retrieve social democracy. (Miller, 1987: 145-146)

In both the Fabian and New Liberalist arguments, there is significant overlap with Bernstein's idea affirming that state intervention and political reforms could be favored as vital instruments to secure social life in the benefit of all. Moreover, all supported the idea of gradualism and research towards socialist goals rather than an immediate revolutionary upheaval as in the case of Marxist understanding. Last of all, the concept of democracy has constituted the core value in the scholarship of them all.

Just like in the cases of Germany and Britain, both in Northern and Southern European countries, social democratic parties have made substantial revisions of their programs, loosening their adherence to orthodox Marxist prescriptions. The latter could be discerned in the programs of socialist parties in Austria, France, Spain, Italy, etc. The Australian Socialist Party was founded in 1891, Italian in 1892 and its French counterpart in 1905, among many, all on parliamentary socialist grounds. (Heywood, 1998: 120)

However, principal departure of social democracy from orthodox Marxism occurred in 1917. The Bolshevik Revolution in Russia symbolized a turning point in the communist/social democrat discourse. In the Second International at the beginning of the twentieth century, disagreement between revolutionary communists such as Lenin and socialists such as the SPD theoretician Karl Kautsky were partly apparent. However, the Third International in the aftermath of the revolution has been the turning point in terms of the decomposition of two sides. The latter required all its members to adhere to strict Marxist principles, with the prior commitment

to revolution, evasion of reformism and abstention from democratic institutions. These conditions barred the doors to social democrats and have created an immutable break between the two sides. (Padgett and Paterson, 1991: 8) (Heywood, 1998: 104, 120)

3.2.2 Golden Ages of Social Democracy (1945-1973)

In the post-World War II period, social democratic ideas were ascendant all over Europe. The major boost of social democracy in this era came with Keynes' *General Theory of Employment, Interest and Money*. Prior to Keynes, it was assumed that laissez faire economics would be sufficient to move the economy towards full employment and equilibrium. In his *General Theory*, Keynes basically argued that full employment could be attained before that level and the government needed to intervene in the market to sustain equilibrium by stimulating aggregate demand. Keynesian economics depended in essence on the demand side and its main tool was fiscal policies of the government.

Keynes, according to many, is the father of macroeconomics, who demonstrated the aggregate behavior of consumption, saving and investment as the primary engines of economy. In accordance with that, Keynesianism formed the basis of economic policy formation in most Western European countries after the Second World War.

In that respect, although, Keynes was a liberal himself, his scholarship has been attractive for social democrats. Padgett and Paterson outline several reasons for that. (Padgett and Paterson, 1991: 22-23) First of all, Keynesian economics aimed at bringing economy under political control. State would be the primary institution to reconcile the demands of private ownership with the democratic management of economy. This would contribute to the desired conundrum of reconciliation between capitalism and socialism/communism, the latter which social democrats favored wholeheartedly. Secondly, Keynesian emphasis on the concept of equality

was in harmony with social democrat priorities. Third of all, Keynes tried to formulate a high performing economy, in which all sections of the society would be able to benefit. This was the essence of the counter-class confrontation argument of the social democrats. Last of all, Keynes was trying to cite the prescriptions of “welfare capitalism” that social democrats have long aspired for.

In that context, Crosland’s *The Future of Socialism* has been very influential. Crosland favored five aspects as the core tenets of social democratic thinking. These were political liberalism, mixed economy, welfare state, Keynesian economics and adherence to equality. By referring to the post war policies of the Labour parties in Europe, he argued that ownership had been more spread throughout the society, trade unions were empowered, state intervention was used for the benefit of all sections of the society, poverty was reduced and an efficient welfare state was established. Crosland attributed specific prominence to the concept of “equality” and he argued that it should be put at the highest place on the agenda of social democratic parties. (Miller, 1987: 484) (Padgett and Paterson, 1991: 2)

During the so-called “Golden Ages” of Social Democracy, referring to the post war years up until mid 1970s, many of the ideals and aspirations of social democratic thinking have been realized. Workers have gained widespread rights within the community; educational facilities have become available to great portions of the society; welfare state has been instrumental in distributing an unprecedented level of social justice; etc. (Berger, 2000: 231) Social security, equality of opportunity, welfare, and more specifically the pension rights, unemployment benefits, work safety regulations, health care, compulsory education, etc. have been major achievements of the era. (Derviş, 2002: 3)

3.2.3 Retreat of Social Democracy (1973-1990)

The basic problems with Keynesian economics have started to become apparent at the beginning of 1970s, especially following the oil shock in 1973. In essence, Keynesian economics did not have a comprehensive remedy for stagflation, the latter defined as the coexistence of rising unemployment and inflation. The global recession resulted in deep criticisms towards social democratic assumptions in a variety of ways. First of all, the interventionist state was considered to aggravate the problems it was designed to solve. Secondly, fiscal crisis of the state curbed its capacity to alleviate the recession. Third of all, bureaucratic state intervention has come to be criticized for its inefficiency. (Padgett and Patterson, 1991: 257)

The recession in 1970s has precipitated a fiscal crisis as unemployment increased drastically which reduced tax revenues that financed welfare spending. In that context, welfare state has been considered as a burden on wealth creation. After all, conventional Keynesianism was based on the capacity of governments to regulate their economies at the national sphere. However, globalization resulted in curbing national economic sovereignty of states and deprived governments to distribute welfare to their citizens. (Heywood, 1998: 146-147)

Due to these factors, a process of turning back to classical liberal economic thinking came into being. In that context, 1980s and early 1990s could be characterized by the preponderance of neo-liberal policies with a worldwide implementation. As mentioned before, the essence of these policies were reduced government intervention in economic affairs, greater role for laissez faire capitalism, outward orientation initiatives, monetarist policies as a means for controlling inflation, supply side economics for achieving economic growth, etc.

3.2.4 Return of Social Democracy in the Contemporary Era: Social Liberal Synthesis (1990 onwards)

However, especially since the mid-1990s, there has emerged a tendency of turning back to social democratic thinking. The primary reason for this reversal was the broken promises of the neo-liberal era. Though 1980s and early 1990s were the years that these neo-liberal policies have been adopted all over the world, they were not able to generate the intended outcomes.

As Öniş and Şenses stated, neoliberal era has been associated with “weak growth performance, persistent poverty, rising inequality and endemic crises with costly ramifications”. Besides, an important point to stress is that better performing countries in this era have been the ones which substantially deviated from tight norms and policies of neoliberal prescriptions. (Öniş and Şenses, 2005: 27)

Table 3.8 Unweighted and population-weighted growth rates, 1960-1998*

	Growth rate of GDP per capita (%, p.a., unweighted)		Growth rate of GDP per capita (%, p.a., population weighted)	
	1960-1978	1978-1998	1960-1978	1978-1998
	Africa	2.0	0.6	1.5
Asia	6.3	0.9	4.0	3.6
Latin America	2.4	0.9	2.8	0.8
E.Europe/FSU**	5.3	-0.4	5.1	1.1
WENAO***	3.1	2.0	2.9	1.6
World	3.4	1.1	2.7	1.4

*Each country is one observation (each observation is weighted by country's

population in population weighted part of the figure)

**Former Soviet Union

***Western Europe, North America, and Oceania countries

Source: Milanovic, 2003

Probably, the most noteworthy indicator of these broken promises was in terms of growth failures, especially in the case of developing countries. As explicitly seen in Table 3.8 above, growth rates of gross domestic product (GDP) per capita, both at unweighted and population-weighted basis, have fallen drastically during the years of neoliberal era which is comprising the 1978-1998 period.

In this context, fiscal austerity policies of neoliberal programs did not lead to resumption of stable growth. Privatization efforts failed in many countries. Pre-mature liberalizations in trade and capital accounts of developing countries have damaged the general well being of their economies. Retrenchment and deregulation efforts have resulted in the worsening of income distribution and welfare.

Table 3.9 The Promises and Outcomes of the Free Marketers

	Promise	Outcome
Capital-labour relation	Deregulation will allow full employment	No clear impact
Forms of competition	Deregulation will erode oligopolistic market power and restore free competition	Re-regulation, less producers: from one oligopolistic form of competition to another
Monetary regime	Control of monetary base is possible	Monetary innovation prevents this control
State	Minimal state will enhance growth and productivity	Poor private productivity due to the lack of education infrastructures
International regime	Smooth currency adjustments	Large up and down of exchange rates
	Vanishing external disequilibria	Unprecedented and stable polarization of deficit and surplus countries
	Complete autonomy of national economic policies	Stronger constraints upon national room for manoeuvre

Source: Boyer, 1996

Table 3.9 above is a good illustration of the imbalance between the promises and outcomes of neoliberal policies that have been implemented in this period.

As a result of these developments, a wide-scale debate has emerged in the mid-1990s. As it was discovered that neither of the two previous accounts was self-fulfilling *per se*, the belief was arised that a new perspective was needed. In that sense, social democracy has been put through a major modernization process. The essence of the latter was a firm adherence to the synthesis between the domains of public and private spheres, on the one hand by acknowledging the necessity for private property in spheres of economic activity; on the other hand by respecting the role of state in terms of providing social security, equality of opportunity and a strong re-distribution.

Within such a framework, the new economic policy formation consisted of the utilization of the market with the public interest in mind. In order to establish the public-private sector alliance, it depended on the supremacy of an effective public sector providing the strong legal and regulatory framework enabling the private initiative and entrepreneurship to function as the engine of economic progress. The model aimed at individual freedom, equality and pluralism with an emphasis on a dynamic model of egalitarianism. It has been constructed to respond to various kinds of inequality and thus stressed upon active welfare politics of inclusion and partnership.

In essence, this modern type of social democracy was the re-birth of what lied in the heart of social democratic thinking, albeit in a modernized way: markets are central units for economic well-being; yet they suffer from generation and unequal distribution of risks for the citizens, and creation of inequalities and negative externalities in the absence of appropriate regulation. (Held, 2004 (b): 13)

This new model of social democracy could be called as the social-liberal synthesis (SLS), “liberal” referring to the belief in markets, entrepreneurship and democracy; and “social” symbolizing solidarity, equity, and active public policy. (Derviş, 2005: 11)

As I have mentioned, SLS is, in essence, the reorganization and reshaping of the social democratic thinking in accordance with the challenges and problems of the contemporary world. It aims at being a more pragmatic and applicable variant of social democracy in full consciousness and awareness of the circumstances of the day. It is simply the re-appraisal and re-formulation of social democratic thinking by building a synthesis between the core elements of the market and the welfare state.

In the contemporary era, we figure out that SLS is acknowledged and being implemented by most of the states at the national basis. In other words, states have re-designed and begun conducting their policies in accordance with the basic premises of SLS. This gives SLS a significant degree of legitimacy at the national level.

However, real challenge of the contemporary world is to extend SLS and its legitimacy to the global domain. The simple reason for that requirement is that many of the challenges humanity is faced today arise beyond national boundaries due to the process of globalization and the viable solutions of these challenges could only be realized through a global effort.

At that point, we are faced with a severe difficulty. Archibugi is absolutely right in asking “why must the principles and rules of democracy stop at the borders of a political community?” (Archibugi, 2002: 28) As Derviş states, in the contemporary world, SLS, and hence democratic legitimacy

is unable to move beyond the border of the nation-state. (Derviş, 2005: 19)

Therefore, the overriding goal and project in today's world should be to ensure democracy at the global level. In other words, the SLS that has been attained at the national level needs to be extended all over the world. This is nothing but the challenge of "taking embedded liberalism global" in Ruggie's words. Ruggie had argued that it has taken several decades for capitalist countries to reconcile functioning of markets with the core values of social community. He calls this process as the "embedded liberalism" compromise which is in effect at the national level today. In the context of contemporary era, Ruggie asserts, the real challenge is to attain a similar framing and architecture at the global domain. (Ruggie, 2003: 93-129)

Similarly, Held argues that the major challenge today is to defend and elaborate the core values of social democracy, such as the rule of law, social justice, social solidarity, democratic politics, political equality and economic efficiency not only at the national level, but also at regional and global levels. Once this is achieved, the newly emerged global governance framework could function as the basis for global promotion of these values. (Held, 2004 (b): 16)

In such a way, the so-called "double sidedness" of democracy or process of double democratization will be accomplished meaning that democracy will not only be attained solely at the level of nation-state but also across territorial boundaries worldwide. (Held and McGrew, 2002: 107; McGrew, 2003: 503)

Therefore, as Barber put it, today, "the democratic project is to globalize democracy as we have globalized the economy". (Barber quoted in Clark, 2004: 738) This is the only way to correct the "mismatch" between

the overdeveloped global economy and underdeveloped global polity (Higgott, 2004: 2) and to address what Linklater has mentioned: “Global structures violate commitments to the politics of consent: There is a global democratic deficit that must be reduced if world-wide arrangements are to be legitimate”. (Linklater quoted in Clark, 2004: 738)

In that context, the rest of this study tries to discuss this new perspective of global governance which aims to extend SLS and thereby democracy to the global sphere. This perspective is called cosmopolitan social democracy (CSD) and it is based on the transformationalist account of global governance discussed in the previous chapter.

CHAPTER IV

COSMOPOLITAN SOCIAL DEMOCRACY: CONCEPT AND FEATURES

As I have mentioned at the end of the previous chapter, the underlying motive and principal objective of this study is that cosmopolitan social democracy (CSD) approach constitutes an alternative perspective of global governance to cope with the challenges of contemporary globalization.

In that direction, this chapter is composed of two sections. The first section will introduce the concept of CSD by putting forward its definition and elaborating on the related topics of cosmopolitanism, cosmopolitan multilateralism and cosmopolitan citizenship. In that sense it will present an introductory framework on which the second section is built upon. The latter will examine various features of CSD, both in terms of economic and political aspects.

4.1 THE CONCEPT OF COSMOPOLITAN SOCIAL DEMOCRACY

Democracy I take to be a mode of decision-making about collectively binding rules and policies over which the people exercise control, and the most democratic arrangement to be what where all members of the collectivity enjoy effective equal rights to take part in such decision-making directly. (Beetham quoted in Archibugi, Held and Köhler, 1998: 199)

The term cosmopolitan, when applied to political institutions, implies a layer of governance that constitutes a limitation of the sovereignty of states and yet does not itself constitute a state. In other words, a cosmopolitan institution would coexist with a system of states but would override states in certain clearly defined spheres of activity. (Kaldor in quoted Archibugi, Held and Köhler, 1998: 216)

Cosmopolitan democracy is the case for the creation of new political institutions which would coexist with the system of states but which would override states in clearly defined spheres of activity where those activities have demonstrable transnational and international consequences, require regional or global initiatives in the interests of effectiveness and depend on such initiatives for democratic legitimacy. (Held, 1998: 24)

CSD approach is based on the transformationalist approach of global governance discussed in the second chapter of this study. Here, the main argument is that, CSD constitutes the appropriate approach to cope with the challenges of contemporary globalization and construct an alternative perspective of global governance by eliminating the democratic deficit of “distorted global politics”. In order to realize a more humane and just world order, a more democratic system of global governance is required and the latter is the project of CSD. CSD seeks to institutionalize and adapt ingredients of social democracy, “the rule of law, political equality, democratic politics, social justice, social solidarity and economic effectiveness”, to the global realm. The approach is based on the premise that the current world symbolizes “overlapping communities of fate”, in which the fate of one country is more interlinked with the others ever than before. In such an environment, there are many issues that stretch beyond the boundaries of individual states. In that context, CSD asserts that these issues need to be brought within the

sphere of global democracy. In line with the latter, it serves as the basis for promoting impartial administration of law at the international level; greater accountability, transparency and democracy in global governance; commitment to social justice in pursuit of the world's resources and human security; protection and re-invention of community from the local to the global; regulation of the global economy through public management of global trade and financial flows, provision of global public goods, and the engagement of leading stakeholders in corporate governance. In such a way, CSD presents a concrete and comprehensive framework to construct an alternative perspective of global governance. By generating functional and practical responses to the challenges of contemporary globalization, it illustrates that "global social justice is not simply a utopian goal" (Held and McGrew, 2002: 130-131; Held, 1998: 25-26; 2003: 185; McGrew, 2004: 35; Held, 2002: 307)

4.1.1 Cosmopolitanism

The domain of cosmopolitanism is associated with fundamental values that no agent can violate. These values are tied to the idea that human-beings are equal, and they deserve equal treatment free from the communities they were born or brought up. Therefore, cosmopolitanism asserts that well being of human-beings is not defined by national, ethnic or gendered boundaries or geographical and cultural locations. All human-beings have the right to equal moral respect and concern. (Held, 2003: 200)

In that context, three broad historical accounts of cosmopolitanism could be figured out which contribute to its contemporary meaning. (Held, 2002: 308-313) First of these is the one that had been used by the Stoics. Stoics were the first who called themselves as cosmopolitans. They believed that each individual lived in a local and also in a wider community on the basis of "equal worth of reason and humanity in every person". Allegiance was owed to the moral realm of humanity rather than

contingent groupings such as the nation, ethnicity or class. In essence, the basic notion in this classical notion of cosmopolitanism was the belief that each person was “a citizen of the world” and owed a duty “to the worldwide community of human beings”. (Nussbaum quoted in Held, 2002: 309)

The second conception of cosmopolitanism originated from the term “weltbürger” (world citizen), which was used during the Enlightenment in the 18th century. In that context, the scholarship of Kant emerged as an important contribution which linked cosmopolitanism to the conception of “the public use of reason”. Kant argued that, people are potentially members of a “cosmopolitan society” through which they can “enjoy a right to the free and unrestricted public use of their reason”. (Schmidt quoted in Held, 2002: 309) He has evaluated participation in cosmopolitan society as an entitlement to enter into open dialogue and adapted the latter in his formulation of “cosmopolitan right”. (Kant quoted in Held, 2002: 310) Cosmopolitan right referred to the capacity of presentation of one within and across political communities. Therefore the latter transcended the claims of nation and states, and extended to the “universal community”. Such an understanding of cosmopolitanism paved the way for individuals to be citizens of specific nation-states as well as being a part of the universal system of “cosmo-political” governance.

The third conception of cosmopolitanism is the attempt to explicate and elucidate the classical conception of belonging to the human community as a whole and the Kantian conception of testing all practices, relations and beliefs in terms of whether they bring “open-ended interaction, uncoerced agreement and impartial judgement”. This conception of cosmopolitanism involves three key principles:

- a) Egalitarian individualism;

- b) Reciprocal recognition;
- c) Impartial treatment.

All these three conceptions of cosmopolitanism contribute to its contemporary meaning in various ways. If we briefly outline basic features of contemporary cosmopolitanism, we realize that, its essential philosophy lies in the mediation between alternative styles of life by opening the basis for dialogue between different traditions and cultures. In such a way, it paves the way to broaden and expand one's horizon by eliminating inherent prejudice and biases towards others. It donates political agents to reason from the viewpoint of others and hence facilitates to resolve challenges of contemporary globalization that create "overlapping communities of fate". (Held: 2003 (b): 168-169)

In that context, cosmopolitan values could be expressed in eight principles under the heading of three clusters. (Held, 2004: 388-391; Held, 2003 (c): 515; Held, 2003 (b): 170) The first cluster enumerates the main organizational characteristics of cosmopolitan moral universe. The second one builds up the basis for translating individually initiated or privately determined activities into collectively agreed or sanctioned frameworks. The final cluster prioritizes urgent needs and resource conservation. Collectivity of these cosmopolitan principles within these clusters constitutes the foundations for a fair, humane and decent society free from any religion or culture. They are universal in nature and form the building blocks of articulating equal liberty of all human beings. Through these principles, cosmopolitanism connotes the space of ethics and politics that create the terms of reference for recognizing people's moral equality, active agency and the essential components for their autonomy and development. Hence, these principles form the ethical basis of the cosmopolitan polity and thereby constitute the fundamentals of a CSD approach towards global governance.

**Table 4.1 Principles of
Cosmopolitanism**

Cluster I
Equal worth and dignity
Active agency
Personal responsibility and accountability
Cluster II
Consent
Collective decision-making about public matters through voting procedures
Inclusiveness and subsidiarity
Cluster III
Avoidance of serious harm
Sustainability

Source: Held, 2004

Within this framework, cosmopolitanism is a concept going beyond merely “internationalism”. The domain of international, by definition, refers to the existence of states and an international system composed of these states. Whereas, cosmopolitanism aims at a broader and inclusive participation of individuals in global affairs as they play a dual role: “that of citizens of the state; and that of citizens of the world”. (Archibugi, 2004: 456) Above all, this refers to the point Habermas argues: “Even if we have a long way to go before fully achieving it, the cosmopolitan condition is no longer merely a mirage”. (Habermas quoted in Linklater, 2004: 720)

To sum up with a last word, the challenge today is simply swinging the pendulum away from being a citizen of the classical Greek “polis” towards that of the Stoic “cosmos”. Where the pendulum will or should come to a halt is the topic of another debate.

4.1.2 Shift to Cosmopolitan Social Democracy

As Scholte argued, although the concept of democracy has various definitions and meanings according to different times and places, a common assertion through all conceptualizations of democracy is that it sets the conditions in which a group of people exercise collective self-determination. Therefore, democracy is the instrument utilized by the public, the demos, to decide on their destiny with equal rights and opportunities of participation. Consequently, democratic governance is basically participatory, transparent, consultative and publicly accountable. It rests on the consent of the governed. (Scholte, 2002: 7) In that sense, democracy is the vital instrument which ensures that all kinds of policies and affairs are conducted compatible with the interests and wishes of the governed. (The Commission on Global Governance, 1995: 57-58) Therefore, it is the best guarantor of good governance, not only in the economic sphere but also in the political sphere. (Rodrik, 2001(b): 1)

In that context, Yves Mèny argued that, today, the Western model of democracy is in a process of universalization. He tries to discuss that by the worldwide exponential historical progress towards democracy:

- a) 1790: Two or three so-called “democratic” systems, on which there could be much to question;
- b) 1920: A dozen incomplete, imperfect, often fragile democracies;
- c) 1950: A score of countries could claim to be democracies, on condition that the quality of that democracy was not looked at too closely;
- d) 1999: The label democracy has become so dominant that only a few countries reject the forms and the rites of the Western model. Everything happens as if there were no longer any alternatives. (Mèny, 2001:259)

Mèny continues his argument by putting forward five (hypo)theses on the future of democracy which are extremely important from the viewpoint of CSD. These are enumerated in Table 4.2 below.

Table 4.2 Five (Hypo)thesis on the Future of Democracy

<p>1) The absence of any alternative to the Western political model has eliminated external threats; but enhanced internal challenges. Democratic consolidation concerns not just the new democracies, but all democracies</p>
<p>2) Western-type democracy and the market are historically linked (even if not totally inseparable), and each claim universality. But democracies do not have suitable instruments for coping with a major economic and social crisis.</p>
<p>3) The major phenomenon of contemporary pluralist democracy is its enormous geographical extension over the last twenty years. The trend is for the democratic system to evolve towards universality, but its forms must allow a diversity of models and enable cultural particularisms to be accommodated to.</p>
<p>4) Internationalization constitutes a major challenge for democratic systems, the birth and development of which went hand in hand with that of the nation state. The democracy of the future will have to be able to reconcile the contradictions between its rootedness in the nation state and the transfer of powers to universal but sectoralized authorities.</p>
<p>5) Globalization calls into question a number of concepts, perceptions and interests shaped by the historical merger between the nation state and the democratic area. A new definition of democratic values (liberty, equality, solidarity) is inevitable.</p>

Source: Mèny, 2001

In the light of these hypotheses, CSD interprets democracy as a “double-sided process”. Double-sidedness refers to the process that democracy within national communities needs to be developed and combined with its extension beyond territorially defined nation states. As Held argues, democracy for the new millennium should pave the way for cosmopolitan citizens to gain access to, mediate between and render accountable the

political, economic and social processes and flows that cut across and transform their traditional community boundaries. (Held, 2001: 400)

This is the point where we start discussing the cosmopolitan (cosmopolitical) social democracy. CSD is essentially based on the assumption that core human and social values such as respect for human rights, control of the use of force, protection of environment, etc. could only be realized by the spread of democracy to the global domain. CSD is not just a call for the responsibility on these affairs; yet an actual attempt for implementation. CSD does not argue that the system of states needs to be entirely demolished to achieve that goal. On the contrary, it favours the existence of states to undertake certain political and administrative functions. However, CSD also aims at establishing a new form of organization which is not merely constructed from states; a system in which a variety of other units take part along with them. The distinguishing aspect of CSD is the attempt to form institutions that will enable the voice of all individuals get heard in the global sphere. Therefore CSD tries to develop a new perspective of global governance in which democracy is realized on three inter-related domains: within states, between states and at a world level. (Archibugi, 2003: 7-8)

Therefore, inter-state democracy *per se* is a required; yet not a sufficient condition to sustain democracy at the global level. Obviously, if rising number of states attain democracy at national level, this will contribute to the strengthening of international rule of law and lessen the conditions that could lead to war and conflict. However, global democracy will not automatically be guaranteed by achieving the latter. Because global democracy refers to a concept more than the “absence of war” and it necessitates the extension of all democratic elements to the global domain. (Archibugi, 2004: 442-443)

In that context, the key motive of CSD is to achieve double democratization by applying the core values of democracy to the global level. The latter constitutes the basis for:

- a) The promotion of the impartial administration of law in the international domain;
- b) Enhanced accountability, transparency and democracy in global governance;
- c) Deeper commitment to social justice on the way towards distribution of world resources in a more equitable attitude and human security;
- d) Reinvention and protection of community at diverse levels (from local to global);
- e) Regulation of the global economy via provision of global public goods, public management of global financial and trade flows and engagement of leading stakeholders in corporate governance. (Held and McGrew, 2002: 131)

As a result of these elements, CSD makes the ends meet, in the sense that it accommodates contrasting positions in the globalist/anti-globalist spectrum, the globalist and traditionalist accounts of global governance, discussed before.

The project of CSD, which argues that global social justice is not a utopian dream, is illustrated Table 4.3 below. (Held and McGrew, 2002: 131-132)

The last two chapters of this study will elaborate on how CSD is involved in the issues mentioned in this table.

Table 4.3 Towards Cosmopolitan Social Democracy

Guiding Ethical Principles	Equal moral worth, equal liberty, equal political status, collective decision-making about public affairs, amelioration of urgent need, development for all, environmental sustainability
Institutional Goals	Rule of law, political equality, democratic politics, global social justice, social solidarity and community, economic efficiency, global ecological balance
Priority Measures	<p><i>Economy</i> Regulating Global Markets: Salvaging the Doha trade negotiating round; removal of EU and US subsidies of agriculture and textiles; Reforming TRIPS Promoting Development: Phasing in trade and financial global market integration (particularly of portfolio capital markets); expanding the negotiating capacity of developing countries at WTO; enhancing developing country participation in international financial institutions; abolition of debt for highly indebted poor countries (HIPC); linking debt cancellation to the funding of children's Education and basic health; meeting UN aid targets of 0.7 percent of GNP; establishing new international finance facility to aid investment in poorest countries</p> <p><i>Governance</i> Reform of Global Governance: Establishing a representative Security Council; establishment of Economic and Social Security Council to coordinate poverty reduction and global development policies; creation of environmental IGO; strengthening the negotiating capacity of developing countries; developing criteria for fair negotiations among states and non-state actors; improving cooperation among IGOs; enhanced parliamentary scrutiny of regional and international bodies</p> <p><i>Law</i> Convene an international convention to begin the process of reconnecting the security and human rights agendas through the consolidation of international humanitarian law</p> <p><i>Security</i> Developing UN Security Council principles and procedures in relation to threats to the peace and the use of armed force to intervene in the affairs of another state; enhancing monitoring capacity of the risks of, and developments concerning, humanitarian crisis; implementation of existing global poverty reduction and human development commitments and policies; strengthening of arms control and arms trade regulation</p>

Table 4.3 cont'd

Long-term Measures	<i>Economy</i> Taming Global Markets: World financial authority Market Correcting: Mandatory global environmental standards Market Promoting: Privileged market access for developing countries where fledging industries require protection
	<i>Governance</i> Democratization of national and suprastate governance (multilevel citizenship); establishment of new international tax mechanism; enhanced global public goods provision
	<i>Law</i> Entrenchment of welfare and environmental standards in the modus operandi of corporate practice
	<i>Security</i> Establishment of permanent peace-making and peacekeeping Forces; developing security and human rights threshold tests for membership in key IGOs; security, social exclusion and equity impact reviews of all global development measures
Institutional/ Political Conditions	Activist states, global progressive coalition (involving key Western and developing states and civil society forces), strong multilateral institutions, open regionalism, global civil society, redistributive regimes, regulation of global markets, transnational public sphere

Source: Adapted from Held, 2004 (b) and Held and McGrew, 2002

4.1.3 Cosmopolitan Multilateralism

The shift to CSD is accompanied by the concept of cosmopolitan multilateralism. Along the way to construct an alternative perspective of global governance, CSD advocates the transition from executive to cosmopolitan multilateralism.

The reason for this transition stems from the obligation to regulate “overlapping communities of fate”, which is the core feature of the contemporary era. Overlapping communities of fate refers to “a state of affairs in which the fortunes and prospects of individual political communities are increasingly bound together”. Cosmopolitan multilateralism acknowledges that, in the current state of world affairs, certain issues fall within the domain of delimited political spaces such as

the city, region or state. However, it also underlines that some other issues such as environmental or economic regulation require new and extensive global institutions of governance. Cosmopolitan multilateralism refers to the initiative to form an overarching network of democratic forums covering all layers of global governance, the supra-state, national, transnational and sub-state domains. In such a way, it could enable an effective regulatory framework at the global and regional levels that can complement the ones at the national and local levels. (Held, 2004: 382-386; 2004 (b): 107; 2003 (b): 173-183; 2001: 397)

Table 4.4 Ideal Types of Multilateralism

	Executive	Cosmopolitan
Organizational Principle	Intergovernmentalism and geopolitics	Multilayered governance, multilevel authority Democratic deliberation, stakeholder representation (public and private), and impartiality as regulative ideals
Organizational Interests	Particular state interests, accommodation to interstate and geoeconomic system	State interests, global civil society coalitions, environmental sustainability (the common heritage of humankind)
Mode of Organization	Secrecy, efficiency, statecraft, diplomatic interchange, geopolitical bargaining	Transparency, effectiveness, accountability and intergroup coordination and bargaining
Mode of Voting	Eclectic; from weighted voting by financial muscle (IMF, World Bank), geopolitical strength (UN Security Council) to consensus (WTO)	Eclectic; from majority rule to consensus depending on types of issues involved
Legitimacy	Reasons of state, state consent, world order values	Democratic legitimacy, social justice, and environmental protection

Source: Held, 2003

As seen in Table 4.4 above, cosmopolitan multilateralism has several differentiating features compared to executive multilateralism. First of all, cosmopolitan multilateralism favors a multilayered/multilevel governance and authority structure and emphasizes on the principles of democratic deliberation, stakeholder representation and impartiality.

Secondly, the organizational interests in cosmopolitan multilateralism are much more dispersed among different actors of global governance as opposed to the case in executive multilateralism in which they are predominantly based on particular state interests.

Thirdly, the mode of organization in cosmopolitan multilateralism is based on principles such as transparency, effectiveness, accountability, inter-group coordination and bargaining which are absent in executive multilateralism. In addition to that, there are significant differences between the two approaches in terms of the modes of voting.

Last of all, and fairly critically, cosmopolitan multilateralism is based on democratic legitimacy, social justice and environmental protection whereas executive multilateralism on reasons of state, state consent and world order values.

4.1.4 The Emergence of Cosmopolitan Citizenship

Last concept to discuss in this context is the emergence of cosmopolitan citizenship. As argued above, cosmopolitanism serves as the tool to mediate between different layers of global governance. It provides the tools that enable to “reason from the point of view of others” and “resolve fairly the challenging transboundary issues that create overlapping communities of fate” (Held, 2003: 168-169).

Therefore, cosmopolitanism radically overthrows the traditional distinction between domestic/international, territorial/non-territorial,

insider/outsider, etc. As in the discourse theory of morality, elaborated in the literature of critical theory, cosmopolitanism objects to the practices of exclusion and challenges bounded communities, as they could exclude certain groups from taking part in dialogues related to their vital interests. In accordance with that, cosmopolitanism acknowledges that the latter could only be realized once they are established through dialogue, which are open to everyone. This refers to a type of authentic dialogue, in which no person or moral position is excluded from the process. (Linklater, 1998: 121-122)

Therefore, a natural outcome of cosmopolitanism is the emergence of cosmopolitan citizenship. This kind of citizenship is not based on the membership of a territorially defined community; but relies on general principles and rules which are enjoyed by all. Therefore, as cosmopolitan citizens, all people have equivalent rights and duties in decision-making processes at the global level. In a world of cosmopolitan citizens, each citizen is allowed to benefit from equality of status in terms of processes and institutions governing their lives. Therefore opportunities of citizenship are extended to all communities. In such a way, citizenship gains a multi-level and multi-dimensional character as these citizens are allowed to reason from the viewpoint of others' and enjoy multiple citizenships. They do not belong solely to their own communities, but also different layers in the infrastructure of global governance. This eventually paves the way to manage the overlapping communities of fate. (Held, 2001: 399-400; 2004: 386; Archibugi, 1995: 134)

The concept of cosmopolitan citizenship is based on the realization of three main principles: Egalitarian individualism, reciprocal recognition and impartialist reasoning. (Held, 2001: 400) Egalitarian individualism refers to the idea that individuals rather than states or other particular types of organizations constitute the ultimate units of moral concern. Reciprocal recognition means that everyone ought to acknowledge the

status of equal worth. In other words, each person is equal with each other and this fact has to be respected by all. Last of all, impartialist reasoning asserts that “each person should enjoy the impartial treatment of their claims – that is, treatment based on principles upon which all could act”. Respecting these principles contribute to the fulfillment of the “double sided process” of democratization, which is the core objective of CSD.

This process allows cosmopolitan citizens to cope with the challenges of globalization and accommodate themselves to construct a progressive model of to govern it. Above all, as Held stated: “in the current period, cosmopolitanism is a less utopian project than that set out by the theory of the modern state at the time of Hobbes’s Leviathan”. (Held, 2003: 168-169, 183)

4.2 BASIC FEATURES OF COSMOPOLITAN SOCIAL DEMOCRACY

As I have mentioned, this study holds the belief that the CSD approach constitutes the most viable alternative of global governance in the current era. It achieves that through an extension of SLS beyond the national level. This latter conviction is tried to be substantiated by an analysis of CSD in terms of both political and economic domains. This stems from the belief that these two domains do coexist along the same continuum of social affairs.

In that latter point, as Latham argued, much of the public debate so far has fallen into the false divide between the economy and society; in other words between the so-called economic rationalists who are assumed to have an interest in economic efficiency and are said to disregard the society; and those committed to a strong society, the so-called social elites. This tendency has dominated the public debate in the sense of wet versus dry; pro-society versus pro-economy. (Latham, 2001: 29)

However, as Yalman, Yildizoglu and Scholte have very precisely argued, the two spheres of politics and economics cannot be separated. Yalman mentions that “the state and the economy do not exist as externally related entities one of which is determining and/or dominating the other”. (Yalman, 2002: 1). In accordance with that, Yalman and Yildizoglu argue that the premise of an “external” relation between the political and economic domains as distinct ontological realities will not be sufficient in terms of enhancing our understanding of policymaking. (Yalman and Yildizoglu, 2003: 2) Similarly Scholte states that politics (acquisition, exercise and distribution of power) is integral to economics (production, consumption and exchange of resources); and simultaneously, economics is integral to politics as it helps to determine where power lies and how it is exercised. (Scholte, 2004: 600)

In accordance with these views, this study asserts that CSD could bring these two spheres of politics and economics together in a mutually reinforcing variety. Moreover, this is the sole way to cope with the challenges of contemporary globalization. Within this framework, the next two sections of this chapter will examine economic and political features of CSD, respectively. While doing that, the inherent rationale will be to identify various assets of CSD in terms of formulating an alternative perspective of global governance. In that context, CSD will come into being as an end-result of this interaction and functional combination of these two spheres, which is the overriding goal of the social democratic project in 21st century.

4.2.1 Economic Features of Cosmopolitan Social Democracy

4.2.1.1 The Distinction between Market Economy and Capitalism

Fernand Braudel, in his *Civilization and Capitalism*, made a fundamental distinction between market economy and capitalism. (Braudel, 1984) In his hierarchical three-tiered stratification composed of the material life, market economy and capitalism, he inserted capitalism at the top his

pyramid above the two other layers. This differentiation between capitalism and market economy is very important for both the SLS and CSD approaches.

By the market economy, Braudel refers to the transparent mechanisms enabling the adjustment of the dynamics of supply and demand within a competitive environment. In this economy, agents are aware of the rules, outcomes and circumstances of the markets, and the exchanges in advance which provide them to refrain from asymmetric information that could cause economic disadvantage.

On the other hand, capitalism for Braudel poses a complex and complicated order, in which both the agents and mechanisms differ from that of market economy. It lacks regulation, control and transparency. It does not have a competitive character among agents; thus high profits are generated for a small group of people, who benefit from possession of entire information and cash readiness. It has a continuous movement towards sectors where high profits lie and thus is extremely conjunctural in nature.

This distinction between the market economy and capitalism constitutes the first economic feature of CSD approach. Both the SLS and its extension to the global level, the CSD, favour a competitive and functioning market economy and deeply criticize capitalism in the Braudelian sense. Moreover, both SLS and CSD support the Braudelian view that capitalism is not solely an economic system and could not be understood in purely economic terms as it has close connections with institutions and social norms and order of societies. As Braudel states:

The worst error of all is to suppose that capitalism is simply “an economic” system,

whereas in fact it lives off the social order, standing almost on a footing with the state, whether as adversary or accomplice: It is and always has been a massive force, filling the horizon. (Braudel, 1984, 623)

In that sense, CSD holds the belief that, fifty years after the publication of Polanyi's *The Great Transformation*, Braudelian capitalism still maintains its dehumanizing role. It keeps creating fictitious commodities that lead to the separation of human beings from their social environment. This means nothing but the negation of human existence.

Therefore, one of the major goals of CSD is to ensure the transformation from global capitalism to a system of global market economies. Once that global market economy, consisting of individual competitive markets, is established, it could function in the benefit for all. As Edwards mentioned, this will be an important achievement towards humanization of capitalism. Humanizing capitalism is simply obtained by preserving the dynamism of the markets, concurrently finding alternative ways to distribute the surplus they create. (Edwards, 2001: 384)

4.2.1.2 Partnership of Public and Private Spheres within the context of New Keynesianism

As Hutton argued, New Keynesian economics presents a roadmap for the redefinition of state in the pursuit of social democratic ends (Hutton, 1999: 101). In that sense, CSD benefits extensively from New Keynesianism in terms of formulating its broad economic policy approach, in particular with respect to the concept of partnership.

The concept of partnership is one of the core features of New Keynesianism asserting that the role of the state should retain in economic affairs; yet its intervention should be limited to ensuring that

markets work more efficiently. Rather than a huge bureaucratic state, a minor, yet more effective state is desired in that respect. The latter naturally necessitates a high level of partnership between the public and private domains.

New Keynesians believe, unlike the classical Keynesians that even if the households have maximized their utility and firms maximized their profits, the economy could still be below the full employment level. One of the primary reasons for that are the market failures due to asymmetric or imperfect information (Greenwald and Stiglitz, 1993: 24; Stiglitz, 1999: 22). Within the market exist inherent asymmetries of information between firms and investors. In addition to that, as Rodrik mentions, markets suffer from various syndromes such as agency problems, self-fulfilling expectations, bubbles and myopia. (Rodrik, 2000: 8) These lead to considerable irrationalities in the markets and hence necessitate government intervention for them to perform better.

However, New Keynesians are also aware of the concept of government failure. They argue that governments can hamper proper functioning of the market by discretionary activities, especially with fiscal policies. In that context, diverging from classical Keynesian economics here, New Keynesians perceive monetary policy as a beneficial tool to sustain economic equilibrium and stability. Moreover, they believe that, within the environment of asymmetric information, creation of a credible and independent monetary authority is mandatory. New Keynesians argue that monetary policy should not be conducted by politicians, as they will be tempted to use monetary policy for short term gains at the expense of long term losses. Therefore, central banks should function independently by experts, which will increase credibility towards sustaining the objective of price stability. (Arestis and Sawyer, 2002: 2)

These views of New Keynesians set the ground for CSD to develop its views on the issue of partnership between public and private spheres. CSD holds the belief that modern governance requires new roles for these two domains, by which new societal policies could be created. Government, in many aspects, could be the partner, moderator or facilitator for the private sector. (Meyer, 1998: 12-13)

This new line of thinking considers government and market as complements and therefore does not question whether a specific economic activity should remain exclusively within the domain of one of these. Instead, at some junctures, it supports government intervention, in some other areas, it prefers the collaboration of public and private spheres, and in some specific sectors, it leaves the ground to private initiative and entrepreneurship backed by government regulation. (Stiglitz, 2001: 346)

This partnership initiative between these two spheres is essentially dependent on two interrelated concepts: the “embedded market” and the “ensuring state”. Embedded market is the market in which economic activity is being conducted through political, social and cultural institutions. In an embedded market, there are no precise boundaries between the state and market and a dichotomy between public and private actions, because that fails to acknowledge the real and rich complexity of modern economic life. (Kay, 2003: 49)

On the other hand, the ensuring state refers to the state responsibility in spheres where non-state agents have a dominant role in the provision of public services. This concept is much broader than the “enabling state”, as there is a public responsibility of the state “after enabling”. Even though these public services could be provided by non-governmental organizations, still the state has a prominent role in ensuring these public goods. (Schuppert, 2003: 75)

To sum up, public-private partnership creates a *via media* between the two contrasting ideological extremes, one preferring large scale state intervention in economic affairs and the other believing in the unconditional supremacy of unfettered markets. (Stiglitz, 1991: 1) This facilitates a more balanced approach better suiting to the conditions of current globalization era.

4.2.1.3 Emphasis on Macroeconomic Stability

Macroeconomic stability is an important theme in social democratic thinking. The reasons for that are two-fold. First of all, an unstable economy and concurrent crises primarily affect the poorer and most vulnerable segments of the society. Second of all, an unstable economy cannot grow, even it grows, that is not sustainable. (Derviş and Işık, 2004: 13)

In addition to that, the significance of macroeconomic stability results from the fact that it generates confidence for the overall economy in various aspects. As Rodrik states, in current global economy, one of the basic vulnerabilities arises from the short-run liabilities of mobile capital; and in such an environment, the role of confidence is utmost critical. If there is no confidence, “money flees, interest rates shoot up, and the currency plummets”. (Rodrik, 1999: 11)

As the UN Economic Commission for Latin America and Caribbean (ECLAC) has stated very appropriately, outcome of macroeconomic disequilibrium is socially and economically very costly. In that context, the experience of Latin American and Caribbean countries during the last quarter of the 20th century is fairly striking. It would be appropriate to conceive the concept of macroeconomic stability within a broad framework including balance of payments sustainability, soundness of the financial system, fiscal and monetary sustainability and stability in real economic variables. In order to succeed in all these objectives,

authorities ought to lengthen the time horizon of macroeconomic management and support long-term sustainable growth. Such a policy orientation will be instrumental in achieving countercyclical macroeconomic policies which could help in forestalling unsustainability and affording flexibility in tackling external crises. (UN, 2002: 102-103)

4.2.1.4 Economic Pragmatism

Last but not least, pragmatism in economic affairs is one of the fundamental economic features of CSD. CSD borrowed the concept of economic pragmatism from SLS. Pragmatism is generally defined as the “philosophy that stresses the relation of theory to praxis and takes the continuity of experience and nature as revealed through the outcome of directed action as the starting point for reflection”. (Audi, 1999: 730)

In that context, economic pragmatism enables modern social democracy to survive in the highly complex and changing world circumstances. This aspect is defined as “principled pragmatism”, which denotes “unconditional validity of the basic values combined with conditional choice concerning possible policy alternatives.” (Meyer, 1998: 3, 7-8)

The importance of economic pragmatism is clear in terms of economic performance. Rodrik states that, the last half century in terms of economic affairs has revealed that best performing states have been the ones that have liberalized their economies in a partial and gradual way. China is one of the best examples of that with her strategy based on experimentalism and gradualism. Similarly, almost all East Asian states have followed a similar method. (Rodrik, 2000 (b): 26) It is evident that these countries have conducted these policies in a pragmatic manner rather than sticking to a rapid and unsustainable method during their transition to market economy. They have taken into consideration the specific conditions of their socio-economic framework and avoided putting on straitjackets or blueprints imported from abroad. The best

example for these impractical preferences is the Latin American countries, which have strictly followed WC prescriptions disregarding their own specific circumstances, still facing severe problems in their transformation.

4.2.2 Political Features of Cosmopolitan Social Democracy

4.2.2.1 New Role of the Nation-state

One of the core political features of CSD is related to the new role of the nation state in the contemporary era. CSD fully acknowledges that contemporary globalization has radically altered the traditional role of the nation state. It has caused an extensive reconfiguration in its power, jurisdiction, authority, and legitimacy. Nonetheless, it should be underlined that, unlike the globalist account, CSD believes that the nation state is still a primary and influential unit in the international system. Nation states did not totally vanish from the scene; yet they have adjusted themselves to the altering circumstances in which their power and sovereignty got re-defined. Moreover, in some activities, their role has grown stronger. (Thompson, 2000: 90-91 and Held, 2001: 395)

In this context, it could be argued that sovereignty of states got not entirely subverted; yet transformed. This indicates that political power is being reconfigured, as sovereignty is displaced as an exclusive form of public power embodied in an individual state, but also embedded in a system of multiple, power centres and overlapping spheres of authority. (Held and McGrew, 2002: 125-126)

Within that framework, reform of the state is utmost critical. An activist role of state with major restoration and refurbishment of public institutions is the *sine qua non* requirement to cope with the challenges of globalization. Making state agencies more democratic, transparent and open have pressing priority. In such a way, state will get smaller, yet more effective. A large state does not mean that it is strong. A smaller

but a regulator state will be much more instrumental in confining negative outcomes of the market mechanism and thereby function substantially in providing social development and justice. The state should be a facilitator, an enabler, which is still involved in funding and regulation of services; but not in their provision. Besides, the state needs to be an “ensuring” one referring to the obligations of care and protection for its citizens. (Giddens, 2001: 5-7 and 2003: 19; Latham, 2001. 27)

4.2.2.2 Politics of Inclusion within the context of Critical Theory (CT)

Just like the role of New Keynesianism in economic features of CSD, critical theory (CT) has a prominent place in terms of political characteristics of CSD. The interdisciplinary methodology of CT, seeking a synthesis between sociology, psychology, philosophy, economics and political theory; and its normative, practical, self-reflexive and explanatory character provide CSD several important assets.

CT favours a standing apart from the prevailing world order and asks how that order came about. It does not take actors and relations of that order as granted, and questions their origins and transformation. It conducts an analysis towards the social and political complex as a whole rather than on individual basis. Therefore, one of the most important assets of CT is that it is a “bottom-up” approach. (Cox quoted in Schechter: 1999, 239)

As Bronner and Kellner argue, CT is able to avoid from the fragmented nature of established academic disciplines; it maintains a non-dogmatic perspective and sets forth a normative social theory in connection with an empirical analysis of the world. Thus, it could thematize social reality by a well articulated standpoint and facilitates an emancipatory alternative to the prevailing order. (Bronner and Kellner, 1989: 2)

CT is associated with scholars such as Max Horkheimer, Theodor Adorno, Erich Fromm, Walter Benjamin, Herbert Marcuse, Franz Neumann, Otto Kirchheimer, Jürgen Habermas, etc. (Rohmann, 1999: 81; Held, 1980: 14) Although, these scholars did not create a unitary social theory, they shared a common dialectical outlook. They all criticized modern capitalism; yet also rejected Soviet communism and questioned many aspects of orthodox Marxism. As Held argued, this aspect opens the possibility for an alternative approach for social development. (Held, 1980: 14) Moreover, as Linklater argued, a critical theory of international relations is viable by moving beyond the realist and Marxist perspectives. (Linklater, 1990: 165)

In addition to the latter, critical theorists had all been unsatisfied with authoritarianism and racism; applied an aesthetic critique of the nature of form and meaning; conducted a reappraisal of the Enlightenment ideal of reason; and a repudiation of modern social science's positivism. For them, the main theme is to be rational; to detect loopholes in both capitalism and socialism while benefiting from both; and to reach a theorizing of state and world politics for the well being of entire humanity. In that context, one of the main features of their scholarship, which is significant for CSD, is their critic of the fabrics of society in existence: the society, which exclude certain groups from economic and political participation, or which systematically render powerless. According to the critical theorists, this is nothing but an irrational behaviour. By virtue of being human, all individuals possess the quality of rational thought. Thus creation of a rational society, a rational state and a rational world is attainable. Critical theorists stated that this transition could only be achieved by the participation of all, including whole groups of society that were previously excluded.

Inclusion means here that "everybody should be given an opportunity to get included in economic and social life in some way at whatever level

and under whatever conditions.” (Meyer, 1998: 9) It is a goal to be achieved not only at the national, but also at the global level. That is why it constitutes one of the core concepts of both SLS and CSD.

In accordance with CT, CSD challenges all sorts of exclusion at the global level. In that context, it fights against the meritocracy created by neo liberalism, in which various forms of social exclusion have become dominant. It tries to achieve that by questioning the instrumental world we live in. The separation of fact and value, insider and outsider, us and them, etc. needs to be challenged and we should move further beyond these conceptualizations. Here, naturally, CSD comes into the picture on the global level with its strive for systemic change and CSD benefits from CT to open the door to liberate existing scholarship and prevailing order.

4.2.2.3 Global Neighbourhood: Ethical Dimension of Global Governance

The Commission on Global Governance has persuasively argued that one of the core determinants of the quality of global governance will be the acceptance of a global civic ethic to guide the set of actions within our global neighbourhood. Once we acknowledge the fact that we live in a global neighbourhood, tensions and frictions of life would not be tolerable in the absence of such a global ethic. In that context, the Commission puts forward a threefold approach to establish the ethical dimension of global governance (The Commission on Global Governance, 1995: 41-77), which is entirely supported by the CSD approach:

- a) Enunciating and encouraging commitment to core values concerned with the quality of life and relationships, and strengthen the sense of common responsibility for the global neighbourhood;

- b) Expressing these values through a global civic ethic of specific rights and responsibilities that are shared by all actors, public and private, collective and individual;
- c) Embodying this ethic in the evolving system of international norms, adapting, where necessary, existing norms of sovereignty and self-determination to changing realities.

In that context, the core values shared by all people in the world with different cultural, political, religious and philosophical backgrounds are as follows (The Commission on Global Governance, 1995: 41-77):

- a) Respect for life;
- b) Liberty;
- c) Justice and equity;
- d) Mutual respect;
- e) Caring;
- f) Integrity.

Table 4.5 Rights and Responsibilities in Ethical Dimension of Global Governance

Common Rights	Shared Responsibilities
A secure life	Contribute to the common good
Equitable Treatment	Consider the impact of their actions on security and welfare of others
An opportunity to earn a fair living and provide for their own welfare	Promote equality, including gender Equity
The definition and preservation of their differences through peaceful Means	Protect the interests of future generations by pursuing sustainable development and safeguarding the global commons
Participation in governance at all Levels	Preserve humanity's cultural and intellectual heritage
Free and fair petition for redress of gross injustices	Be active participants in governance
Equal access to information	Work to eliminate corruption
Equal access to global commons	

Source: *The Commission on Global Governance, 1995*

With the acceptance and promotion of these values, a global ethic could be formed. This will depend on moving beyond the self-interested drives of individuals and states, and acknowledging that interests of humanity as a whole could only be sustained through common rights and shared responsibilities. The latter is shown in Table 4.5 above.

CSD approach claims that full adherence and respect to these rights and responsibilities, and the formation of a global ethic is the first step to add a social dimension to contemporary globalization. In essence, this is what the World Commission on the Social Dimension of Globalization strives for, as well. The Commission puts forward the view that globalization came into being in an “ethical vacuum”. Therefore, there is a huge demand to reaffirm these ethical values, calling for an “ethical globalization”. In order to do that, a global consensus needs to be attained on shared values which will create the basis for a global ethical framework. These are shown in Table 4.6 below. (World Commission on the Social Dimension of Globalization, 2004: 7)

Table 4.6 Universally Shared Values for a more Ethical Globalization

Respect for human rights and human dignity, including gender equality. This lies at the heart of commitments already undertaken by the international community.
Respect for diversity of culture, religion, political and social opinion, while fully respecting universal principles.
Fairness. Fairness is a notion which is deeply felt and clearly recognized by people in every country. It is a standard of justice which many use to judge globalization and the equitable distribution of its benefits.
Solidarity is the awareness of a common humanity and global citizenship and the voluntary acceptance of the responsibilities which go with it. It is the conscious commitment to redress inequalities both within and between countries. It is based on recognition that in an interdependent world, poverty or oppression anywhere is a threat to prosperity and stability everywhere.
Respect for nature requires globalization to be ecologically sustainable, respecting the natural diversity of life on earth and the viability of the planet's ecosystem, as well as ensuring equity between present and future generations.

Source: World Commission on the Social Dimension of Globalization, 2004

Just like in the case of the Commission on Global Governance, the World Commission on the Social Dimension of Globalization highlights the prominence of “universally shared values” as core requirements for a more “humane” globalization. The major mission here is “a process of globalization which puts people first; which respects human dignity and the equal worth of every human being”. Therefore the Commission asks for a more inclusive, fair, democratic process which will be beneficial for more people and countries. In this type of globalization, there will be a strong social dimension that will sustain and nurture human values and thereby contribute to the well-being of all people, by promoting a variety of areas such as freedom, prosperity and security. (World Commission on the Social Dimension of Globalization, 2004: 5)

In that context, respect for these universal ethical values and incorporation of a social dimension to globalization constitutes one of the most pressing challenges in today’s world. In the light of its basic features and assumptions, discussed at the beginning of this chapter, cosmopolitanism and CSD have various advantages in terms of filling that ethical vacuum. The simple reason for that is the fact that the above mentioned common rights and shared values are essentially cosmopolitan notions.

4.2.2.4 Critical Role of the Global Civil Society

Global civil society occupies a central role in CSD thinking. Civil society, in essence, refers to the engagement in activities from outside the state and market, to shape policies, norms and social structures. Via civil society, various civic groups give concerted effort to mould rules. Therefore, in the current state of world affairs, politics is not solely shaped and conducted by states; instead within a process of mutual interaction and partnership between the state and civil society groupings. In that context, it will be more appropriate to conceptualize civil society in a broad perspective consisting of academic institutions, consumer

advocates, business forums, clan and kinship circles, environmental movements, labour unionists, local community groups, ethnic lobbies, development cooperation initiatives, foundations, human rights promoters, relief organizations, professional bodies, peace movements, religious institutions, think tanks, women's networks, youth associations and more. (Scholte, 2001: 6).

Though the concept of civil society is fairly an old one, global civil society is pretty new. Kaldor argues that two developments during 1990s have been influential in the emergence of global civil society: "spread of demands for democratization and the intensifying process of global interconnectedness". (Kaldor, 2003: 559)

In this context, global civil society is associated with the civic activity that:

- a) Addresses trans-world issues;
- b) Involves trans-border communication;
- c) Has a global organization;
- d) Works on a premise of supra-territorial solidarity. (Scholte, 2000: 180)

In the contemporary era, the size and diversity of these civil society actors is unprecedented. Obviously, communications revolution and advances in technology have facilitated the networking and interaction of these civil groupings on a global scale. (Scholte, 2000: 174-175; Axtmann and Grant, 2000: 42) Although, they initially originated in developed countries, today, there are many civil society groups in developing countries as well. Their quantity has come to unanticipated levels today. That is why Salamon refers to the latter as the global "association revolution". (Salamon quoted in Bhagwati, 2004: 36)

In the contemporary era, global civil society is involved in many activities and makes substantial contributions at both national and international levels. They offer knowledge, skills as well as develop grassroots perspectives in a non-bureaucratic approach that complement official agencies. Besides, many NGOs raise important sums for humanitarian and development projects and they have a significant role in promoting dispute settlement and other security-related issues. (The Commission on Global Governance, 1995: 32-33)

NGOs lobby for issues such as debt relief, human rights, environmental protection, etc. They represent neither countries nor any specific commercial interests (despite their accountability to their members and donors; and many of them are in the aid or similar goods delivering business). They have a deliberative function in global governance. They draw attention of policy-makers and firms; they have a role in the monitoring process of global governance. In the end, they enhance accountability of both public and private authorities. (Woods, 2002: 27)

In accordance with the latter, Scholte enumerates the contribution of global civil society to accountable global governance in several aspects. These are:

- a) Transparency;
- b) Policy monitoring and review;
- c) Pursuit of redress;
- d) Promoting formal accountability mechanisms (Scholte, 2004: 217-222)

Transparency is the first of these contributions. It is obvious that if governance activities of governors are invisible to their constituents, there will be no public accountability in the process. As the citizens will not be aware of the decision-making processes, they will lack the

adequate ground to judge the rulers. Therefore transparency is one of the most critical requirements of democratic accountability. In that respect, civil society provides service by pushing agencies of global governance to undertake greater transparency about their work. For instance, civil society associations demand from these institutions to increase their publicly visible reports, brochures, websites, speeches, etc.

Secondly, once transparency is achieved with respect to policy practices of these institutions, civil society associations get involved in evaluation activities. For instance, they check whether these institutions act in accordance with their constitutions or comply with their commitments. Besides, civil society organizations conduct various kinds of studies and inform public on global governance policies; and thus in a sense they fulfill a review function as well.

Third of all, civil society organizations facilitate the process in which citizens could seek the correction of mistakes in terms of global governance issues. In that context, they press to change rules, replace officials, re-construct institutions, etc. There are various examples that these activities of civil society organizations have been successful and they have assisted to correct activities of global governance institutions.

Last of all, civil society organizations improve the level of democratic accountability in global governance by pressing for the creation of formal mechanisms. One of the examples of the latter is that the French government has began submitting a publicly available annual report to the National Assembly on its activities at the Bretton Woods institutions in 1999 as a result of a campaign of some 40 civil society groups.

In sum, civil society functions as a net contributor to increasing the level of accountability in global governance. In that respect, one of the most

beneficial assets of civil society is that, it constitutes a different realm than the state and the market as it is non-governmental and non-commercial. Therefore civil society associations do not pursue public office or pecuniary gains for themselves. However, they have close relations with the two and that could be used as an instrument to create a functioning partnership between them. (Scholte, 2004: 214)

Above all, global civil society contributes in a considerable level to security of material welfare, civic education, giving voice, fueling debate, increasing transparency and accountability, promoting legitimation, enhancing social cohesion. (Scholte, 2004: 222; 2000: 191-196) All these contributions are cosmopolitan goals in themselves. Therefore CSD approach fully supports the role undertaken by global civil society at current global affairs and favors its further development.

CHAPTER V

COSMOPOLITAN SOCIAL DEMOCRACY AND ECONOMIC CHALLENGES OF GLOBALIZATION

This study supports the belief that CSD approach offers the optimal response to economic and political challenges of contemporary globalization that have been identified in this study. In other words, compared to the global governance approaches of traditionalism and globalism, situated at the two ends of the globalization spectrum, CSD tackles these challenges in a more effective and comprehensive way. This chapter essentially tries to develop solid arguments to make that visible.

In the first chapter of this study, it was argued that contemporary economic globalization had two basic challenges. These were:

- a) Challenges in global trade and financial governance and
- b) Challenges of global inequality and poverty

In the next two consecutive sections, I will elaborate on these two challenges respectively and try to discuss their probable solutions within the CSD framework. At the end of each of these sections, a set of CSD proposals will be highlighted in that respect.

5.1 GLOBAL TRADE AND FINANCIAL GOVERNANCE

Today, there is a significant gap between the magnitude of global challenges and the capacity of international institutions authorized to deal with them. (Nayyar and Court, 2002: vii). This gap is particularly

pretty viable at the spheres of global trade and finance; and global inequality and poverty, which are discussed in turn.

5.1.1 Global Trade Governance

As Hertel and Reimer argue (Hertel and Reimer, 2004: 1), international trade constitutes the most direct means that rich countries can influence the poor. At the same time, unfortunately, one of the major areas of inequality in the global arena is in terms of the distribution of benefits of free trade between rich and poor countries. As Woods states, though the level of international trade has considerably increased in the current era, it is still largely concentrated among rich countries. Although many countries have liberalized their trade regimes during the last two decades, they are still far from exploiting the benefits of globalization. (Woods, 1999: 21-22) In addition, mostly as a result of the pressures of strong lobbies in their countries, rich countries do not remove their trade barriers to developing countries in the fullest sense. Particularly, their protectionism gets heavier towards sectors that developing countries are comparatively the strongest: agriculture and textiles. (Clark, 2003: 21)

Fischer argues in similar lines and states that there is a bias in international trading system against developing countries. He also shares the view that, particularly in agricultural and textile sectors, protection levels against the exports of developing countries is very high in rich countries such as United States and Japan. (Fischer, 2003: 20)

In order to be able to address these problems, current global trade architecture needs to be analyzed. The post-Second World War global trading system was planned and designed at Bretton Woods in 1944. In establishing a “new world economic order”, along with the creation of the International Monetary Fund (IMF) and the World Bank, the General Agreements on Tariffs and Trade (GATT) was signed in 1947. However, GATT had a fairly different structure than the two other institutions, IMF

and the World Bank. Unlike a full scale international institution, like for instance Keynes' proposal for International Trade Organization (ITO), GATT was designed in essence as a "facilitator" for intergovernmental negotiations and conferences. (Derviř, 2005: 164-165)

GATT was based on three pillars. (Derviř, 2005: 165) First of these was non-discrimination, resting on the principles of most favored nation clause (MFN) and the national treatment rule. Second pillar of it was tariff bindings referring to the adherence of members to tariff concessions. The last one was elimination of quantitative restrictions on exports and imports with the exceptions of agricultural products and "voluntary" export restrictions in the context of the Multi Fiber Arrangement (MFA).

Thus, GATT has been essentially a platform for international trade discussions and negotiations for trade liberalization. This has been the case until the creation of World Trade Organization (WTO) in 1995, following the Uruguay Round talks (1986-1994).

WTO was empowered to oversee international trade procedure and laws; function as a forum for multilateral trade negotiations; administer trade dispute settlements; monitor national trade policies; provide technical assistance and training for developing countries; incorporate crucial conventions, etc. (Woods, 2004: 326-330; Axtmann and Grant, 2000: 37)

Obviously, establishment of WTO was a major achievement as it has profoundly transformed multilateral trading system in several aspects compared to the GATT era. These could be enumerated briefly as follows (Sinclair, 2003: 347-348):

- a) WTO emerged as a fully-fledged multilateral institution with its “member governments” as opposed to GATT’s “contracting parties”;
- b) GATT rules were basically covering the trade in goods; WTO not only dealt with that but also agriculture, standards-setting, intellectual property and services;
- c) GATT focussed on “at-the-border” trade restrictions; whereas WTO intruded into many “behind-the-border” regulatory matters;
- d) GATT was primarily concerned with challenging discriminatory policies; yet many of the WTO agreements (TRIPS, TBT, GATS, etc.) aimed to discipline explicitly non-discriminatory measures;
- e) Unlike GATT, WTO agreements were a “single undertaking”, referring that members had to be bound by all WTO agreements;
- f) GATT dispute settlement system was “diplomatic”; whereas it is “legally binding” in the case of WTO.

In essence, today, WTO constitutes the core of global trade architecture. Therefore, while analysing the current problems of global trade governance, they should be evaluated in conjunction with the WTO and its policies. The next part of this section is trying to underline these problems.

One of the founding principles of WTO was to raise the standards of living of developing countries by securing their share in international trade and to eliminate discriminatory treatment in international trade relations. These ideas had been furthered strengthened at the ministerial meeting in Doha by stating that “international trade can play a major role in the promotion of economic development and the alleviation of poverty...” (WTO quoted in Clark, 2003: 23-24)

However, so far, WTO has not been so sufficient to make global trade work for poor people. The basic problem here is essentially political. WTO cannot escape from being a platform in which self interested nation-states compete with each other. The power of the organization lags behind strong member countries trying to influence the decisions of the organization in their interests. In the end, WTO policies cannot contribute much to increase the living standards of people in developing and poor countries, and ends up with retaining the trade advantages of developed countries. (Clark, 2003: 23-24)

One of the best examples of the latter is WTO's passive and paralyzed status in terms of correcting restrictive policies of developed countries towards the exports of developing countries, especially in agricultural and textile sectors. These are the sectors in which developing countries have significant comparative advantages. Although developed countries exert various pressures on developing countries to open up their borders and liberalize their trade regimes, they do not follow a similar attitude themselves. Heavy protection of agriculture, textile and apparel industries by developed countries locks trade potential of many developing and poor countries all over the world. In the case of textiles and apparel, tariffs are in the range of 10 to 20 percent. Quotas continue to be in effect despite the agreement reached at the Uruguay Round stating that these would be phased out by 2005. In the agricultural sector, the degree of protection is much greater with tariff protection averages around 9 percent for United States, 30 percent for European Union and Canada, and 76 percent for Japan. In addition to that developed countries' farmers still continue to benefit from a variety of subsidies, i.e. direct income support, export, input, production, and rural infrastructure subsidies. The cotton subsidies of United States alone reduce income in several Sub-Saharan countries by 1-2 percent through depressing international prices. (Stiglitz, 2003: 56; Birdsall, 2002: 11; Derviş, 2005: 182-183)

A similar unfair situation in global trade relations is with respect to trade liberalization in services. One of the most important achievements of the Uruguay Round was to extend liberalization towards the service sector. However, the services that are on the current agenda are financial services and information technology. Obviously, in these sectors, the greatest comparative advantage belongs to the developed countries. Others such as maritime and construction services are not taken into consideration, which are more important for developing countries. (Stiglitz, 2003: 56-57)

Unfairness at the global level is evident in intellectual property rights as well. These rights are regulated by WTO at global level under the Trade-Related Aspects of Intellectual-Property Rights Agreement (TRIPS). As Birdsall argues, it is highly debatable that whether this regime sustains an appropriate balance between the developed and developing countries. (Birdsall, 2002: 12)

In sum, costs of these unfair conditions to developing countries are fairly significant. An unpublished World Bank estimate lists the costs of protectionist barriers to developing countries as the following:

- a) The cost of tariff protection on goods to developing countries is \$12 billion in agricultural exports and \$31 billion in manufactures;
- b) Non-tariff barriers, including the quota restrictions, excessively rigid trade standards costs and use of anti-dumping restrictions, cost about \$50 billion;
- c) Protection of developed country service sector costs about \$50 billion;
- d) Trade-related intellectual property rights generate South-North transfers of approximately \$20 billion a year. (Clark, 2003: 25)

These costs in total is about \$163 billion a year, which makes four times the amount of aid developing countries received in 1999. (Clark, 2003: 26) Such an unfair situation naturally hampers the accountability of WTO and global trading regime in the eyes of developing countries. This situation is further deteriorated by the deficiencies of the existing structure of WTO that does not provide equal opportunity in terms of representation to developing countries. (Nayyar and Court, 2002: 9) In the end, all these factors affect global legitimacy of WTO in a very negative manner.

Therefore, reform in global trade governance is inescapable. In that respect CSD offers a comprehensive reform package, composed of the following premises (Held, 2003: 190-192; Held, 2004 (b): 59-61):

- a) Pursuit of an impartial, rule-based free trade needs to be sustained immediately. The trade round that has started at Doha ought to be brought about a development round which will bring real benefits to poor countries;
- b) Access of developing countries to the markets of developed countries should be improved. The removal of quotas and tighter application of anti-dumping measures is critical in that respect;
- c) Agricultural subsidies in all OECD countries which discriminate against developing countries should be phased out. Obviously, this means the reform of Common Agricultural Policy (CAP), which will bring the abolition of subsidies for EU agricultural products. The same step needs to be taken in the case of US subsidies of the agricultural sector as well;
- d) All kinds of subsidies that affect poor producers negatively and result in perverse economic incentives causing unsustainable use of natural resources need to be removed in time;
- e) Trade-Related Aspects of Intellectual-Property Rights Agreement (TRIPS) should be reformed in a comprehensive

manner in favour of developing countries. Currently, TRIPS has certain disadvantages for poor countries. For instance, it increases the price of all technology and know-how: patented rice planted by poor farmers, copyrighted textbooks needed by poor students, patented software used by poor businessmen, etc. In that context, the universal application of WTO intellectual property blueprint should be removed; there should be a strong commitment to put public health priorities before the claims of patent holders; patent protection for genetic resources for food and agriculture should be prohibited; and the option to enforce TRIPS by imposing trade sanctions ought to be removed;

- f) An international knowledge bank could be established to assist defray the costs of the use of patents, where they are already established and specific knowledge-related inventions are vital for development; (Stiglitz quoted in Held, 2004 (b): 60)
- g) The liberalization agenda needs to incorporate temporary labour flows, particularly the unskilled labour. For instance, a program to increase temporary work visas in developing countries might result in significant amount of income gains for the workers from poorest countries;
- h) Capacity of developing countries' participation in international trade negotiations should be strengthened. This is particularly important in the case of WTO as many of the poorest countries do not have permanent representations at WTO headquarters;
- i) Promotion of good governance at all levels of economic activity should be improved to ensure markets work more effectively, free from political, bureaucratic and corrupt impediments;
- j) Infrastructures of transport and support of developing countries need to be strengthened to pave the way for them to export more;
- k) A social chapter or clause could be incorporated in the core provisions of WTO enabling the means to "ban forced and child

labor, enforce trade union freedom, collective bargaining and the right to strike”. It should aim at the elimination of all sorts of violence as well.

This reform proposal offered by CSD could transform WTO into a more developmental character. In other words, acknowledging the fact that trade is not an end but a means for development, WTO could take into consideration and prioritize the goal of development.

In that sense, fighting against global poverty and employment creation could be inserted in WTO objectives besides its classic goals of trade liberalization and expansion. (Nayyar and Court, 2002: 18)

5.1.2 Global Financial Governance

Finance constitutes the functional link between savings and investment. It carries out that function through various instruments such as deposits, securities, financial derivatives, insurance arrangements, etc. It has a crucial role in proper functioning of economies. This is the case at the global domain as well. However, once we analyze the conduct and governance of global finance, we easily figure out that it is far from perfect. (Scholte, 2002: 4, 9)

There are five areas that current regulations of global finance are far from satisfactory. These are listed as efficiency, stability, social justice, ecological integrity and democracy problems. These issues make up the core challenges of contemporary financial globalization. (Scholte, 2002: 15)

To mention these problems briefly, efficiency problems of global finance refer to the issues such as data deficiency, rumor, manipulation, herding behaviour, ill-informed panics, limited competition, divorce of finance from “real” economy, etc. In terms of stability, it is easily figured out that

global financial markets are extremely volatile. This volatility stems from several sources such as speculative swings, withdrawals of transborder investments, short-term capital flows, etc. Third of all, there is no social justice and equity in global finance between different parts of the world. There is a considerable inequality of opportunity between Northern and Southern countries in terms of access and benefiting from financial flows. The largest gains from financial markets go to specific wealthy investors in advanced countries who already control the greatest resources. Fourth of all, there is a negative relationship between global finance and ecological integrity. For instance, some governments have caused severe ecological damages while trying to pay their transborder debts or meet the conditions of structural adjustment loans. (Durbin and Welch and Reed in Scholte, 2002: 18) Last of all, current rules governing global finance are undemocratic. They are not participatory and publicly accountable. Most states do not have voices in G-7, G-10, G-20, OECD and Bretton Woods institutions.

Besides these problems, contemporary globalization nurtures additional challenges in the sphere of global finance such as major disruptive swings in foreign-exchange values, heavy transborder debt burdens, a string of crashes among global derivative players and a perpetual roller coaster in the securities markets of global financial centers. (Scholte, 2002: 3)

Within such an environment, securing global financial governance appears as one of the top priorities on global agenda. Various actors function and operate within the contemporary governance of global finance, such as nation-states (through national central banks, national treasuries, etc.), G-7, Organization for Economic Cooperation and Development (OECD), International Organization of Securities Commissions (IOSCO), International Association of Insurance Supervisors (IAIS), Bank for International Settlements (BIS), etc.

However, the key institution in terms of global financial governance today is the International Monetary Fund (IMF). Therefore, IMF has a central place in the design of a new global financial architecture through resolving challenges posed by contemporary financial globalization.

Within this framework, while acknowledging the fact that global financial governance refers to a much wider domain of inquiry, in this section, I try to dwell on the current role and reform prospects of IMF in terms of formulating an alternative perspective of global financial governance.

To begin with a brief historical analysis, we see that IMF was established in 1945 to manage international payments regime in the post-Second World War era. Its objectives were:

- a) To restore a system of multilateral payments for current transactions between its members;
 - b) To shorten the duration and lessen the degree of disequilibrium in the international balances of payments of members;
 - c) To promote exchange stability;
 - d) To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income.
- (Toye, 2003: 358)

IMF's role and functions have evolved and altered in significant ways since the time of its establishment. In a very interesting article, Boughton has summarized this evolution of IMF within "ten events" and "ten ideas". (Boughton, 2004)

The latter is illustrated in Table 5.1 below.

Table 5.1 Ten Events and Ten Ideas that Shaped IMF

Ten Events
The Paris Peace Conference
The Great depression
World War II
The rise of multiple economic centers
The Cold War
African independence
The Vietnam War
Globalization of financial markets
The international debt crisis
Collapse of communism
Ten Ideas
Keynesian macroeconomics
The monetary approach to the balance of payments
The open-economy macro model
Monetarism
The case for floating exchange rates
Supply-side macroeconomics
New classical economics
The silent revolution
The Washington consensus
Inflation targeting

Source: Boughton, 2004

As this study is rather concerned with the current situation of IMF, I do not get into details with the latter and begin examining its role in contemporary global financial affairs. In that context, we see that, today, IMF essentially fulfils two functions: Economic surveillance and rescue operations. (Derviř, 2004: 4-5) The former includes elaboration of globally desirable and acceptable codes and standards which is accompanied by pooling of experience and knowledge. The latter is in the forms of work-outs when the countries face acute balance of payments and related problems of debt rollover.

In that context, today, there are basically two sets of problems associated with the IMF. These are related to the internal governance of the institution and the conditionality attached to its programs. These problems have always been expressed by a variety of actors since the establishment of the Fund. Yet, what is striking today, unlike the case in previous decades is that the proposals for IMF reform are increasingly coming from the center in addition to the periphery. This creates a unique opportunity for a major reformation effort of the institution.

To start discussing the problems associated with IMF, it could be consistent to begin with the internal governance problems of the institution. The current governance of IMF is deficient in terms of representation, transparency and accountability. Representation at IMF, embodied in voting rights based on quotas, creates an unfair situation among member countries. Transparency of IMF is severely limited as there are almost no checks and balances in the system. Most of its programs are being conducted in secrecy. In addition to that, there are accountability problems in the Fund, especially to governments, let alone peoples.

Practical outcomes of these governance problems are as follows (Woods, 2003: 84-88):

- a) Representation on the Executive Boards is too unequal;
- b) The Executive Board does not adequately hold the staff and the management to account;
- c) Managing director of IMF is selected by a non-transparent process that excludes most member countries;
- d) The role of the IMF has expanded; whereas its decision-making structure and accountability has not.

Unequal representation on the board basically stems from the fact that United States has close to 17 percent of the total vote, making it the most important single player in decision-making process at the Fund. As Stiglitz mentioned, at IMF, there is only one country with an effective “veto” power, which is the United States. (Stiglitz, 2003 (b): 132; Leech, 2002: 375) This is the situation both at the board of governors and the executive board. (Leech and Leech, 2004: 2) Although the collection of EU votes, composed from 25 member states, constitute almost twice of the American vote on the boards, due to the fact that EU member states cannot act together leaves the ground to US as the most important power. Obviously this situation severely hampers the global legitimacy of the institution. (Derviş, 2005: 81-85)

An interrelated governance and legitimacy problem for IMF is the high degree of US involvement in this institution, particularly the US Treasury. This involvement is far beyond the limits suggested by the voting power of US at IMF and hence gives rise to the view that IMF is an “American” institution. (Derviş, 2005: 84-85)

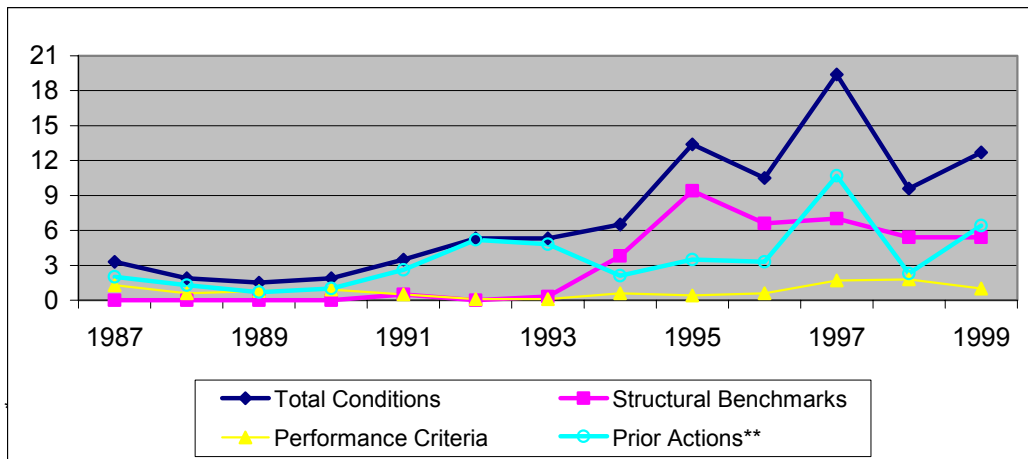
In addition to the US supremacy at IMF, on a broader basis, G-7 has a dominant role in the governance of IMF. G-7 has significant power in the governance of all international economic and financial institutions. G-7 summits and regular contacts of G-7 “deputies” constitute the primary mediums on which direction are set, new initiatives are taken, endorsed and blocked in economic and financial affairs. All these obviously have direct results on the operational management of IMF as the latter is largely bound with the directions set by G-7 conferences. Two tragic episodes in that regard were the bailouts of Russia in mid-1990s and continued support for the Argentine Currency Board. Both of these inappropriate decisions of IMF were determined by the pressure of G-7. (Derviş, 2005: 85-87)

A related problem is that treasuries and central banks carry significant weight in the design of policies of G-7 towards IMF and this solidifies the vision that governance of these institutions is dominated by the G-7 financial community and their outlook. (Derviş, 2005: 86)

In terms of the selection process of the head of IMF, we figure out that IMF has serious governance problems as well. This comes from both its articles of agreement and informal de facto arrangements. The Managing Director of IMF has always been a European (unlike the World Bank whose president is an American), who is appointed in not a very transparent manner. Taking into consideration that the director holds a considerable power in terms of decision-making processes in the institution, and who is nominated rather in a discretionary way, naturally deteriorates the legitimacy of IMF. (Derviş, 2005: 84)

In addition to governance issues, another important problem of IMF is related to the concept of conditionality. In the context of IMF, conditionality could be defined as the “policies a member is expected to follow in order to secure access to the financial resources of the Fund” (Buiru, 2003: 3). We see that, although till early 1980s, IMF conditionality had a limited scope, mostly focusing on monetary and exchange rate affairs, since then, its conditionality has extended to areas beyond the traditional fields, such as public sector management, public safety nets, restructuring and privatization of public enterprises, agricultural, energy and financial sectors, labor market and more recently to the issues of governance. In 1990s, structural conditionalities in Fund programs have expanded drastically as evidenced by Figure 5.1 below.¹

¹ The establishment of Structural Adjustment Facility (SFA) in 1986 and Enhanced Structural Adjustment Facility (ESAF) in 1988 has contributed to the shifting of the orientation of Fund lending towards programs having a structural component. By the mid-1990s, nearly all arrangements included some structural conditions. (IMF, 2001b: 9).



*Covering programs with at least one of the following structural conditions: Performance criteria, structural benchmarks, prior actions, or conditions for completing of review; adjusted for differences in program length

**Including conditions for completion of review

Source: IMF, 2001a

Fig. 5.1 Structural Conditions of Stand-by Arrangements by Type of Condition, 1987-1999 (Conditions per Program Year*; Averages)

Naturally, this radical shift in the magnitude and scope of IMF conditionality has been severely criticized by developing countries which are the primary beneficiaries of IMF credits. Nayyar and Court argue that this increased conditionality has been detrimental for country ownership of programs and infringed national sovereignty of borrower countries. (Nayyar and Court: 2002: 14)

Acknowledging these two sets of problems on governance and conditionality, IMF has initiated a comprehensive reform process. To start with the governance segment of these reforms, significant steps have been taken to improve transparency and accountability of the institution. IMF began publishing a huge amount of its research and work on its web site. It also began to push governments to permit greater disclosure and publication of documents in terms of their relations with the Fund. In that way, IMF tried to strengthen the ownership of its programs by both the governments and people. Last of all, IMF has

recently begun to engage in more dialogue with non governmental organizations (NGOs) by making its work more available to them. (Woods, 2003: 91, 92)

In addition to these, in order to subvert the impression that IMF safeguards and deepens the interests of the G-7, and in particular the US, IMF began to design its reforms agenda in a more developmental way. Voices of developing countries have more been taken into consideration. For instance, IMF began taking a more moderate and flexible attitude towards some of the policies and issues demanded by developing countries. Among these could be cited:

- a) The recognition that functional public interventions could be useful;
- b) The realization that controls on external capital movements and prudential regulation could be used to contain financial fragility;
- c) The abandonment of the doctrine that raising local interest rate will stimulate saving and thereby growth;
- d) The initiatives to roll over or forgive the bulk of official debt owed by the poorest economies. (Taylor, 1997: 150)

In addition to these, due to the criticisms of borrowing countries that IMF loans were inadequate and could not be disbursed in a short period of time, IMF has increased the amount of resources that could be drawn, and introduced new facilities to enhance the deployment of resources at a short notice. Among these could be cited the inception of Emergency Financing Mechanism following the Mexican crisis and Supplemental Reserve Facility (SRF) in 1997. (Park and Wang, 2001: 3)

Another innovation of IMF in 1990s has been the Heavily Indebted Poor Countries initiative which was accompanied by the Poverty Reduction Strategy Papers, in collaboration with the World Bank. That was a major

move in not only rescheduling but also reducing the debt trap of poorest countries. (Derviş, 2005: 76-77)

The second broad reform field of IMF was related to the conditionality issue. Due to the above-mentioned criticisms, in 2002, IMF has introduced new conditionality guidelines. This was essentially an initiative to “reform the Fund’s operating procedures, and as an attempt to establish a new attitude among the staff with a view to attaining a higher rate of program success” (Buirra, 2003: 15).

Table 5.2 New Guidelines of IMF Conditionality

<p>National Ownership of reform programs</p>	<p>Willing assumption of responsibility for a program of policies, by country officials who have the responsibility to formulate and carry out those policies, based on an understanding that the program is achievable and is in the the country's best interests</p>
<p>Parsimony in the application of program-related conditions</p>	<p>Program related conditions should be limited to the minimum necessary to achieve the goals of the Fund-supported program or to monitor its implementation and that the choice of conditions should be clearly focused on those goals</p>
<p>Tailoring of programs to the member's circumstances</p>	<p>A recognition that the causes of balance of payments difficulties and the emphasis to be given to various program goals may differ among members. The specification and timing of policy adjustments and the appropriate mix of financing and adjustment will reflect the member's circumstances and the provisions of the facility under which the Fund's financing is best provided.</p>
<p>Effective coordination with other multilateral institutions</p>	<p>Coordination with other multilateral institutions is necessary in order for the Fund to provide consistent and effective assistance to members. The primary relationship in this context is between the IMF and the World Bank</p>
<p>Clarity in the specification of conditions</p>	<p>Program-related conditions should be transparently distinguished from other elements of the authorities' program both in staff reports and in the member's program documents.</p>

Source: IMF, 2002

These new guidelines were aimed at streamlining IMF conditionalities, in particular the structural ones. As seen in Table 5.2 above, among these the most prominent initiatives were the emphasis on national ownership of programs; parsimony in the application of program-related conditions; tailoring of programs to the program country's circumstances; effective coordination with other international institutions such as the World Bank; and clarity in the specification of conditions.

Beyond doubt, these reforms were positive steps and they have quite paid off as well. However, the present situation is still far from perfect in some aspects. (Alper and Öniş, 2002: 12-13) First of all, interests of borrowers could not be adequately reflected in the reform process. Secondly, IMF's traditional weak interest in socio-political effects of its programs could not be reversed much. In addition to that, despite its enhanced emphasis on longer term in various ways, IMF has continued to be pre-occupied by a state of short-term orientation in program design. Last of all, its financial assistance and lending facilities have continued to be insufficient to meet the demands of borrowing countries.

Therefore further reform of IMF is a necessity. In that respect, CSD offers a set of reform proposals regarding IMF and global financial governance in general. These could be summarized as follows:

- a) Developing countries should be given greater access and more participatory role in major international financial institutions. Although these countries constitute the large majority of membership in these institutions, they are underrepresented compared to the minority shareholders composed of a small group of developed countries. (Van Heutven, 2002: 3) Birdsall is absolutely right in highlighting that if global economic governance gets more representative of the poorest countries, it will be much more legitimate and effective,

and thereby more conducive to rapid global poverty reduction and faster income convergence of poor countries towards the rich ones. (Birdsall, 2003: 4)

- b) Developing countries should be included in various platforms of global finance that they are currently excluded. In that context, the newly emerging so called “networks” is functional in terms of reforming international financial architecture. These networks consist of market actors and governments having the expertise to forge rules and institutions required in current global economy who can act in a more flexible and non-institutionalized manner. One of the primary examples of these networks is the Financial Stability Forum (FSF). (Woods, 2001: 6) FSF, with its broad representation from various institutions displays a beneficial platform of discussion in terms of global financial affairs. Therefore, if the representation of FSF could be broadened to include representatives from developing countries, it will surely enhance the participation and voice of developing countries in global financial governance as well as contribute to the development of global democracy. (Held, 2004 (b): 67-68)
- c) Cooperation between international financial institutions and other donor institutions needs to be improved. Today, different global financial institutions operate in separate, conflicting and overlapping policy-making agendas and thus display a highly fairly fragmented nature undermining the jurisdiction of each other. As Derviş states, this refers to the inefficiency of international bureaucracy due to problems of agency duplication and lack of coordination. (Derviş, 2005: 41) Thus, a new coordinating economic agency, working on both regional and global levels is immediately required which will be capable to deliberate about emergency economic situations, broad balance of public investment priorities and expenditure

patterns and the dynamics of international capital markets. Such a body would be filling the vacuum in regional and global economic policy coordination (Held, 2001: 403; 2004 (b): 68) One of the most viable and feasible alternatives to function as the latter institution could be a newly launched UN Economic and Social Security Council/Economic Security Council alongside the UN Security Council. (Daws and Stewart, UN, Bertrand, UNDP, Commission on Global Governance, UI Haq, Stewart and Daws in Woods, 2002: 41-42; Derviş, 2005) Such a body could function with the same standing on international economic matters with the existing UN Security Council whose specialization is on political issues. (Woods, 2002: 42) As Derviş states, through such an initiative, top governance of BWIs and other global economic institutions could be brought under the umbrella of the United Nations, together with the existing specialized agencies of the UN system such as UN Development Program (UNDP), UN Conference on Trade and Development (UNCTAD), etc. Such a body could function as the primary actor in overseeing global governance in economic, social and environmental domains and could fulfil coordination and legitimizing roles for all UN agencies, WTO and BWIs. Creation of such a body will naturally enhance the degree of legitimacy of these institutions. (Derviş, 2005: 51, 96, 98, 103)

- d) Current international financial institutions were created fifty years ago in a context which was entirely different than today. Thus, these institutions need a broad and comprehensive re-examination and review process to be compatible with current circumstances. Such a review needs to include evaluation of conditionality, change in the capital quotas of the IMF, or establishment of different kinds of financial institutions at regional or global level. (Held, 2004 (b): 68; 2003: 198-199)

- e) Accountability and transparency of these financial institutions need to be further improved. In other words, as Baker and Weisbrot, appropriately said: “economics” should be applied to “economists” in terms of improving their governance. (Baker and Weisbrot, 2004: 1) In the end, “information is empowerment” (Kapur and Webb, 2000: 18) and thereby all kinds of information under the privileged access of IMF need to be shared with the global community. That will be a major step in terms of increasing transparency, accountability and hence global legitimacy of this institution.
- f) Various kinds of initiatives need to be taken to improve regulatory, lender-of-last resort and safety net functions of these institutions, especially the IMF. That will be a major contribution for enhancing financial stability in the global realm. In the end, international financial markets are just like the national ones in the sense that they suffer from inefficiency and excess volatility because of information failures, herd behaviour and the ability of some players to distort the market. (Derviş, 2003: 50) Thus international financial markets need regulation as well. In that sense, a set of codes and standards should be reinforced in international financial architecture, based on fiscal transparency, monetary and financial policy banking supervision, data dissemination, corporate governance and structure, accounting standards, etc. (Rodrik, 1999: 2, 17)
- g) Ownership of IMF programs needs to be enhanced. The experience has shown that primary source of development is the country itself. A country’s own initiative, political readiness and capacity are the basic factors that will drive policy change and institutional reform. (Stern, 2004: 16) Therefore country ownership of programs should be improved. This will be beneficial for both parties: Programs will generate better

outcomes for the countries and global legitimacy of IMF will be increased.

- h) IMF, with the cooperation of the World Bank, needs to enhance its role in assisting middle-income emerging market economies to overcome their problem of debt trap. A comprehensive solution for that is that IMF can offer these countries a “Stability and Growth Facility” (SGF) to cope with their debt-related problems over a period of time. Through such a mechanism, a medium-term growth and debt reduction program could be formed between the emerging market country and the IMF which will essentially aim for growth of real income and reduction of a set of indebtedness indicators. (Derviş, 2005: 126)
- i) In the light of various episodes during 1980s and 1990s, IMF should halt pressuring countries for absolute and rapid capital account liberalization. As Fischer argued, capital account liberalization is not a purpose of the Fund coming from its Articles of Agreement. (Fischer, 2002: 10) Instead, IMF should collaborate with country officials and support a gradualist approach towards liberalization. Even, IMF should back these countries once they choose to intervene in their capital markets to stabilize short term capital flows. (Stiglitz, 2004: 65) In the end, successful integration to global financial markets require the “blessed trinity”, referring to the presence of international currency, flexible exchange rates and sound institutions; whereas the developing countries, in general, suffer from the “unblessed trinity”, weak currency, fear of floating and weak institutions. (de la Torre, Levy Yeyati and Schmukler, 2002: 2) Moreover, poor segments of the society are the ones who are affected intensively by adverse results of premature capital account liberalization (Charlton and Stiglitz,

2004: 2) and therefore their situation should be taken into particular consideration.

5.2 GLOBAL INEQUALITY AND POVERTY

5.2.1 Global Inequality

The United Nations General Assembly Resolution on the “Declaration on the Establishment of a New International Economic Order” in 1974 is as follows:

Current events have brought into sharp focus the realization that...there is a close inter-relationship between the prosperity of the developed countries and the growth and development of the developing countries....International cooperation for development is the shared goal and common duty of all countries. (Beitz, 1979: 126)

However, since 1974, global economic conditions did not improve much, even worsened in particular areas. Globalization today, proceeds in an asymmetrical fashion, enhancing disparities between winners and losers, resulting in deep-rooted distortions in the global system. That is why the metaphor “uneven playing field” is being frequently used in recent debates describing contemporary world economy. (UN, 2002: 75)

The gap between the rich and the poor is widening and globalization is generating new dimensions in inequality. Disparity of power among states is becoming more and more viable at the global level pushing underdeveloped countries in a position of sole “rule takers”. Technologically developed countries dominate the deployment and employment of these technologies. As a result of that, present state of inequality in global economy is being further buttressed and in that sense, globalization is cementing economic inequalities among

countries. That is why we are moving towards a bipolar world, in which the division is between the haves/have-nots, nurturing the “worlds apart”. (Hurrell and Woods, 1999: 1; Woods, 1999: 21; Axtmann and Grant, 2000: 30; Clark, 2003: 10, 17; Cable, 1999: 27)

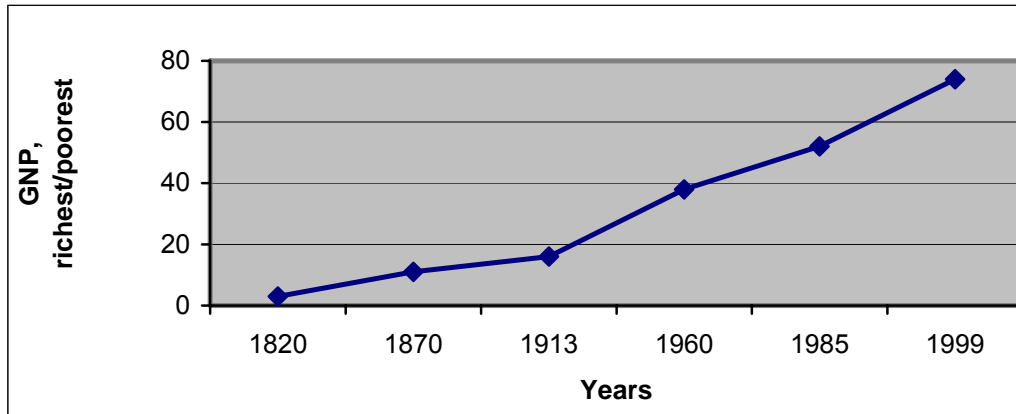
This “outside dictating” or “rule-taking” process is causing significant problems such as poverty, voicelessness, weakening social fabrics, rising insecurity, increasing volatility, and weaker democracies at global level. (Stiglitz, 2003: 53) [As this study is concerned with inequality among countries, I do not discuss the issue of within country inequality.]

The symptoms of contemporary world inequality are displayed in Table 5.3 below.

Table 5.3 Indicators of World Inequality

One-fifth of the world' population are living in extreme poverty.
Average incomes in the richest 20 countries are 37 times higher than in the poorest 20-this ratio has doubled in the last 20 years.
In the developed world subsidies to agricultural producers are six times higher than overseas development aid.
Tariffs on manufactured goods from the developing world are four times higher than those on manufactured goods from other OECD countries.
70 percent of the world's poor and two-thirds of the world's illiterates are women.
In 34 countries in the world life expectancy is now lower than it was in 1990.
More than 30,000 children die everyday from easily preventable diseases.
In Africa only one child in three completes primary education.
In Sub-Saharan Africa a woman is 100 times more likely to die in childbirth than women in high-income OECD countries.
One billion people lack access to clean water.
African countries pay out \$us40 million everyday on debt repayment.

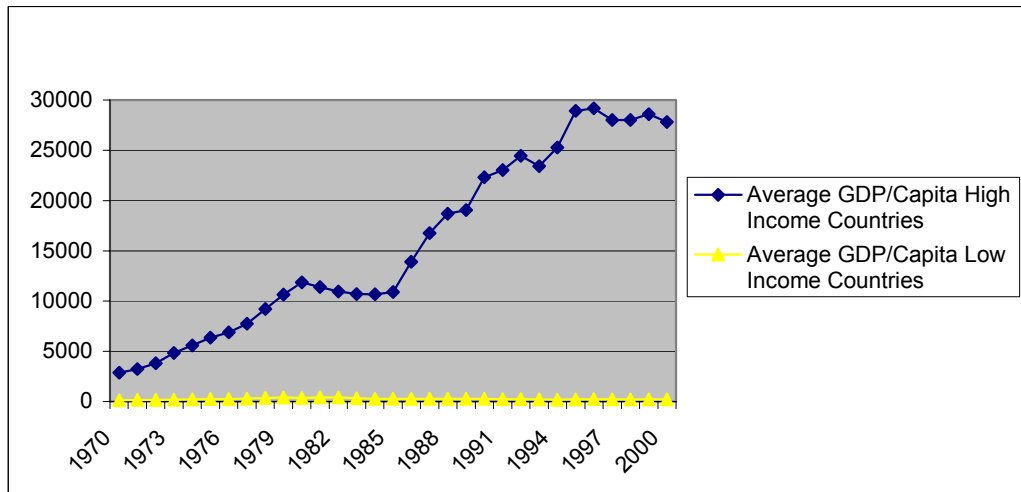
Source: Hobden and Jones, 2004



Source: Clark, 2003

Fig. 5.2 Ratio of Richest to Poorest Country's GNP over Time

In accordance with the latter, Figure 5.2 above illustrates the evolution of the ratio of richest to poorest country's gross national product (GNP) which clearly shows the upward trend in global inequality.



*Average based on 20 countries with the highest GDP per Capita and 20 countries with the lowest in both 1970 and 2000

**In USD, current prices

Source: Global Policy Forum

Fig. 5.3 Comparison of GDP/Capita, High and Low Income Countries

A similar situation is evident in Figure 5.3 above as well, this time showing the comparison in terms of per capita GDP between high and low income countries.

Regards to this rising inequality in the current era, Nye argues that the ratio of incomes of the 20 percent of the people living in the richest countries compared to 20 percent of the poorest countries in the world has increased from 30:1 in 1960 to 74:1 in 1997. The same trend was an increase from a 7:1 in 1870 to 11:1 in 1913. In purchasing power terms, the average family in US is 60 times richer than the average family in Ethiopia or Bangladesh. (Nye, 2003: 194; Birdsall, 2002: 4)

Table 5.4 Change in Income Ratios

Year	Income Ratio*
1960	30:1
1990	60:1
1997	74:1

**20% global population in richest countries to 20% in poorest*
Source: Thomas, 2004

With respect to increasing inequality among countries, Held and McGrew argue that in the current era, the world is not divided on the basis of geographical lines, i.e. between North and South; yet rather in terms of a new social architecture. This architecture is on the basis of the differentiation between winners and losers of globalization. This process results in various negative outcomes such as marginalization, polarization, exclusion and impoverishment of certain segments of the society and hence deteriorates social solidarity. (Held and McGrew,

2002: 81) As Basu argues, if this marginalization process remains unchecked, that could cause worldwide political instability and even social decay. (Basu, 2003: 10)

That is why Amartya Sen states:

The real debate on globalization is, ultimately, not about the efficiency of markets, nor about the importance of modern technology. The debate, rather, is about the inequality of power, for which there is much less tolerance now than in the world that emerged at the end of the Second World War. (Sen quoted in Clark, 2003: 15)

In that context, accordingly, McGrew enumerates three determining causes for increasing global inequality:

- a) There are vast power inequalities between states;
- b) Global governance is being shaped by an unwritten constitution which privileges the interests of global capitalism;
- c) Technocratic nature of global decision-making excludes many with a stake in the end-results. (McGrew, 2004: 35)

As a result of these factors, McGrew argues that contemporary global politics could be described as “distorted global politics”. Its distortion results from the fact that it is not democratic enough. (McGrew, 2004: 35)

In that context, “strong” states are much more able to influence the rules and regulations of international economy. Besides, they are much more successful in controlling the nature and speed of their integration into the world economy, thereby shaping globalization. However, the “weak” states suffer from lack of choice in their policies. They do not have much

effect in terms of the creation and enforcement of global rules. Therefore they end up with being much more vulnerable to the challenges of globalization. (Woods, 2000: 10-12)

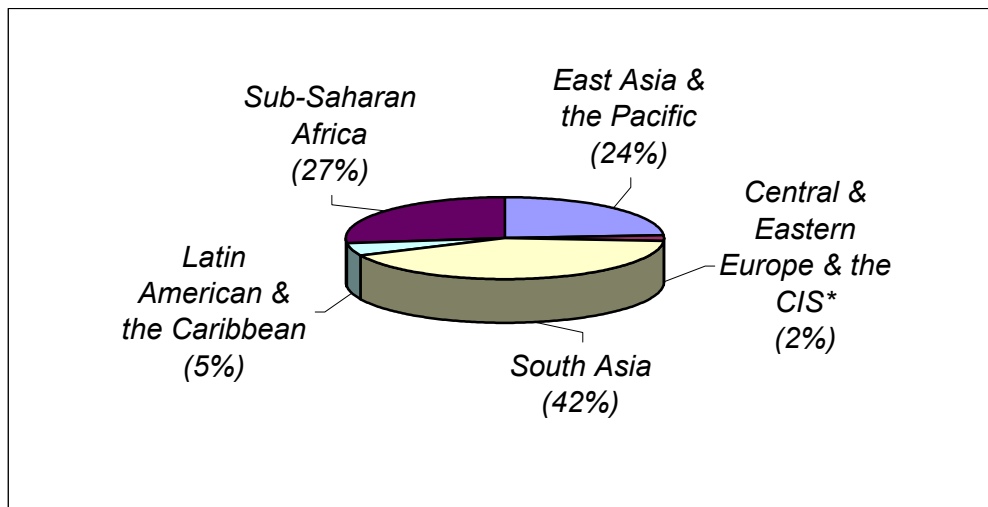
Khor argues in similar lines. He states that distribution of wealth and income is significantly unequal among countries and the process of globalization is worsening this situation even further. This imbalance creates a polarization between winners and losers from the process. (Khor, 1999: 3-4)

To sum up, global inequality is one of the major economic challenges in the contemporary era. The absolute gap between the world's rich and poor today is fairly large, and even worse, still growing.

5.2.2 Global Poverty

The situation with respect to global poverty is even more problematic. As Stern argued, absolute poverty is the most pressing problem of the world today. Poverty is exacerbating hunger, communicable diseases, illiteracy, state failure, and civil and international conflicts. Poor people suffer from great income insecurity and deprivation in relation to human development. They have difficulty in shaping their own lives properly. (Stern, 2004: 13)

Several indicators demonstrate the graveness of this situation. Half of the world's population is living below the international poverty line of \$2 per day (at purchasing power parity). Income of one-fourth of world's population is \$1 per day or less. Half of these people live in China and India, and one fourth in the least developed countries (LDCs), heavily indebted poor countries (HIPC) and sub-Saharan Africa (SSA). Although the proportion in poverty decreased in the last decade, absolute number has not altered due to population growth. (Cline, 2004: 1, 10)

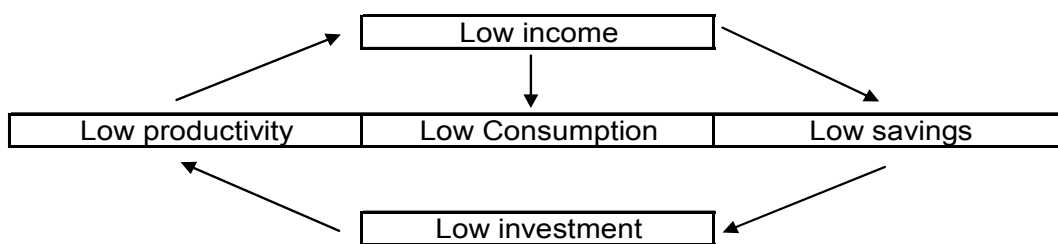


*CIS: Commonwealth of Independent States
 Source: Thomas, 2004

Fig. 5.4 Income Poverty (Living on less than \$1 a day, %)

In addition to these, 3 million people are dying each year as a result of AIDS and a million of malaria. Overall life expectancy in the developing world is 14 years below that of the rich countries. With respect to education, more than 100 million children of primary school age do not go to school, and a third of adult women in the developing countries are illiterate. (Stern, 2004: 13)

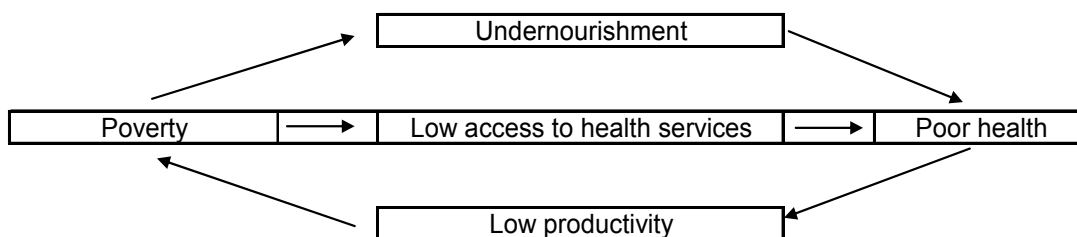
As Figure 5.5 below demonstrates, poor countries are trapped in a vicious circle of poverty in which people spend most of their income to meet their urgent needs. Therefore national saving level is considerably low. As a result of that, pool of savings available to investment in physical and human capital is relatively limited. The outcome of that are low productivity levels and hence low levels of income. (Soubotina, 2004: 35, 36)



Source: Soubbotina, 2004

Fig. 5.5 The Vicious Circle of Poverty

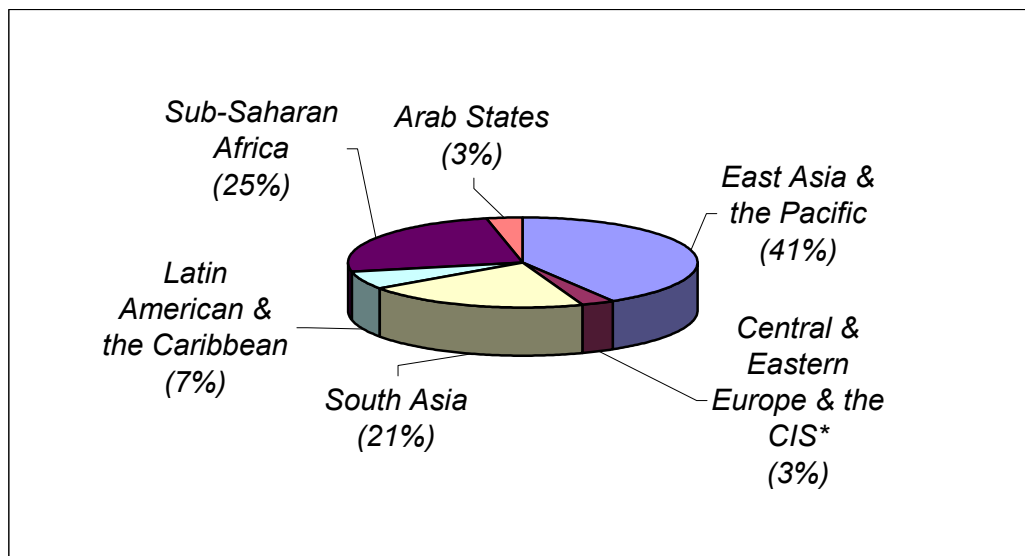
A similar pattern is figured out in the case of hunger, which is shown in Figure 5.6 below. In this case, poverty is a cause as well as one of the outcomes of hunger. (Soubbotina, 2004: 40)



Source: Soubbotina, 2004

Fig. 5.6 The Vicious Circle of Hunger

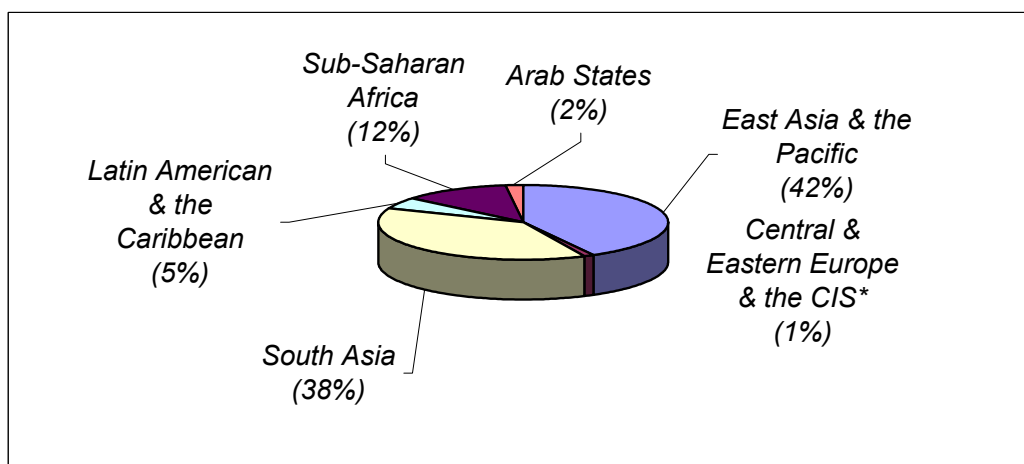
In order to be able to combat global poverty in a sustainable manner, we need to approach the problem in a comprehensive and broad perspective. This is due to the reason that global poverty today includes various other dimensions apart from its traditional analysis of income poverty. For instance, the below Figure 5.7, illustrating people without access to improved water is another, yet very important aspect of global poverty.



*CIS: Commonwealth of Independent States
 Source: Thomas, 2004

**Fig. 5.7 Access to Water
 (People without access to improved water)**

A similar situation is seen in the case of access to sanitation facilities.



*CIS: Commonwealth of Independent States
 Source: Thomas, 2004

Fig. 5.8 Access to Sanitation

Last, but not least, global poverty has a serious gender dimension as well. This is well observed in Table 5.5 below, displaying the world statistics with respect to women's position.

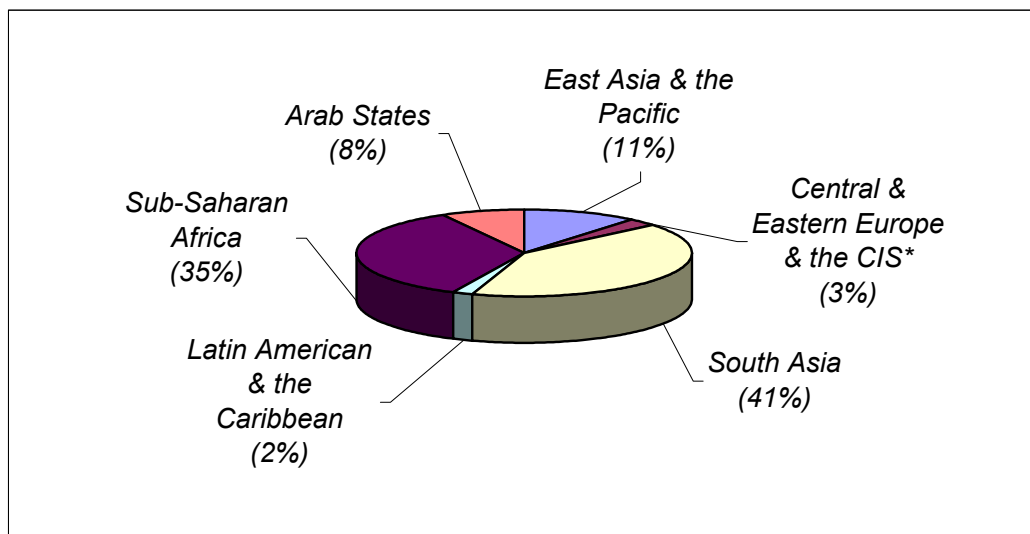
Table 5.5 Women's World Statistics

Women possess roughly 1 percent of the land in the world.
Today only six countries can boast the following: close to complete sexual equality in the area of secondary education, 30 percent representation of women in elected government positions, roughly 50 percent of non-agricultural jobs occupied by women.
In nearly 100 years, only 24 women have been elected as head of state.
Around 80 percent of the 27 million refugees around the planet are women.
Two thirds of the 300 million children who have no access to education are girls.
Out of almost a billion people who are unable to read and write, two thirds of them are women.
Over 200,000 women die every year as a result of back street abortions.
Women produce 80 percent of the food in the poorest areas of the world; in some places, the figure is high as 95 percent.
Officially, 110 million girls worldwide between the ages of 5 and 14 work, and this does not include domestic tasks.

Source: Pettman, 2004

As an elaboration on the access of women to educational facilities, the following Figure 5.9 is fairly striking.

As seen in the figure, primary age girls who are not enrolled in school is 41% in South Asia and 35% in sub-Saharan Africa.



*CIS: Commonwealth of Independent States
 Source: Thomas, 2004

**Fig. 5.9 Gender Equality
 (Primary age girls not enrolled in school)**

In that context, the three-tiered strategy put forward by the World Bank is highly useful to develop a broad perspective in attacking global poverty. The latter consists of promoting opportunity, facilitating empowerment and enhancing security. (World Bank, 2001: 6-7) Promotion of opportunity for poor people refers to jobs, credit, electricity, roads, markets for their products, sanitation, schools, water, health services, etc. As for facilitating empowerment, choice and implementation of public actions, access to market opportunities as well as public services should be accountable and responsive to poor people. Functional amendments need to be carried out in governance structures to facilitate legal institutions, public administration and public services delivery to become more accountable and efficient to all citizens. Last of all, the level of security should be enhanced for poor people in the sense of reducing vulnerability to natural disasters, ill health, economic shocks, personal violence, disability, etc.

Table 5.6 UN Millennium Development Goals, 1999-2015

<p>1) Eradicate extreme poverty and hunger: Reduce by half the proportion of people living on less than one dollar a day Reduce by half the proportion of people who suffer from hunger</p>
<p>2) Achieve universal primary education: Ensure that all boys and girls complete a full course of primary schooling</p>
<p>3) Promote gender equality and empower women: Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015</p>
<p>4) Reduce child mortality: Reduce by two-thirds the mortality rate among children under five</p>
<p>5) Improve maternal health: Reduce by three-quarters the maternal mortality ratio</p>
<p>6) Combat HIV/AIDS, malaria and other diseases: Halt and begin to reverse the spread of HIV/AIDS Halt and begin to reverse the incidence of malaria and other major diseases</p>
<p>7) Ensure environmental sustainability: Integrate the principles of sustainable development into country policies and programmes; reverse loss of environmental resources Reduce by half the proportion of people without sustainable access to safe drinking water Achieve significant improvement in the lives of at least 100 million slum dwellers by 2020</p>
<p>8) Develop a global partnership for development: Develop a further an open trading and financial system that is rule-based and non-discriminatory. Includes a commitment to good governance, development and poverty reduction-nationally and internationally Address the least developed countries' special needs. This includes tariff-and quota-free access for their exports; enhanced debt relief for heavily indebted poor countries; cancellation of official bilateral debt; and more generous official development assistance for countries committed to poverty reduction Address the special needs of landlocked and small island developing states Deal comprehensively with developing countries' debt problems through national and international measures to make debt sustainable in the long term In cooperation with the developing countries, develop decent and productive work for youth In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries In cooperation with the private sector, make available the benefits of new technologies-especially information and communications technologies</p>

Source: United Nations

The concrete guideline in terms of achieving these initiatives is the Millennium Development Goals (MDG) adopted by United Nations in 2000. These goals present a holistic and comprehensive approach to global poverty and an ambitious effort for its eradication. An entire global effort should be given for achieving these goals by 2015.

Last but not least, it should be emphasized that, the eighth goal of MDG is applicable to the rich countries in the process. This has been reaffirmed at the 2002 UN Financing for Development Conference in Monterrey as well. According to this eighth goal, rich countries have agreed and promised to pledge policy changes and financial support in various areas such as debt relief, trade, etc. to assist poor countries for them to meet the MDG. Therefore, it is very important for developed countries to keep their promises and be held accountable in their commitments both by their own people and the world community as well. (Birdsall and Clemens, 2003: 1-2)

5.2.3 Alternative Approach to Development

In terms of developing original policies to cope with contemporary global inequality and poverty, CSD favors an alternative approach to development. This new approach is a comprehensive and inclusive one open to all kinds of progressive economic thinking. In that broad sense, it involves significant elements to cope with not only global inequality and poverty but also the deficiencies in global trade and financial governance, the subject of the preceding section.

To begin with the rationale of this alternative approach to development, a brief historical overlook will be useful. In that context, we realize that two approaches have been dominant over the previous several decades towards the issue of development. One of these considered the market and the other the state as the primary medium of development. The former was consisted of market fundamentalists who basically argued

that there should be no government interference in the functioning of the economy. Whereas, at the other end of the spectrum were those believing in the virtues of central planning. (Derviş, 2004: 2)

As both Derviş and Giddens have argued, history has proved us that both models have failed in their own terms. (Derviş, 2004: 2; Giddens, 2001: 315) Thus there appeared the necessity of a new perspective based on the alliance between these two domains accompanied with a pragmatic assessment of what a specific economy needed at a particular time.

This latter perspective constitutes the essence of this alternative approach to development favoured by CSD. It supports an intermediate stand of economic policy framework between the two extreme positions, outlined above. Such an approach is assumed to put market forces and private initiative in the driving seat. Yet, at the same time, it gives a prominent role to the government in its strategic role in the productive sphere which goes beyond solely ensuring property rights, macroeconomic stability and contract enforcement. (Rodrik, 2004 (b): 2)

This new development approach determines the essentials of CSD vision with respect to economic globalization and its governance. CSD thinking considers globalization as neither the sole cause nor the solution for inequality and poverty in the contemporary world. (Birdsall, 2002: 6, 12) The real challenge is to design an alternative developmental framework and strategy to make globalization “work” for poor and developing countries. As Nayyar and Court argue, a new world view is needed to provide a new development agenda with the basic objective of sustaining decent living conditions for all citizens of the world. (Nayyar and Court, 2002: 6)

Distinguishing elements of this new alternative view from the orthodox one could be noted in Table 5.7 below.

Table 5.7 Different Views towards Development

The Orthodox View	The Alternative View
<p>Poverty A situation suffered by people who do not have the money to buy food and satisfy other basic material needs</p>	<p>Poverty A situation suffered by people who are not able to meet their material and non-material needs through their own effort.</p>
<p>Purpose Transformation of traditional subsistence economies defined as "backward" into industrial, commodified economies defined as "modern" Production of surplus Individuals sell their labor for money, rather than producing to meet their family's needs</p>	<p>Purpose Creation of human well-being through sustainable societies in social, cultural, political, and economic terms</p>
<p>Core Ideas and Assumptions The possibility of unlimited economic growth in a free-market system Economies would reach a "take-off" point and thereafter wealth would trickle down to those at the bottom Superiority of the "Western" model and knowledge Belief that the process would ultimately benefit everyone Domination, exploitation of nature</p>	<p>Core Ideas and Assumptions Sufficiency The inherent value of nature, cultural diversity, and the community-controlled commons (water, land, air, forest) Human activity in balance with nature Self-reliance Democratic inclusion, participation, for example, voice for marginalized groups, e.g. women, indigenous groups Local control</p>
<p>Measurements Economic growth Gross Domestic Product (GDP) per capita: Industrialization, including of agriculture</p>	<p>Measurements Fulfilment of basic material and non-material human needs of everyone Condition of the natural environment Political empowerment of marginalized</p>
<p>Process Top-down Reliance on "expert knowledge", usually Western and definitely external Large capital investments in large projects Advanced technology Expansion of private sphere</p>	<p>Process Bottom-up Participatory Reliance on appropriate (often local) knowledge and technology Small investments in small-scale projects Protection of the commons</p>

Source: Thomas, 2004

As clearly seen in the table above, there are significant differences between the two approaches. The orthodox version depends heavily on the belief that development is synonymous with economic growth within

the framework of a free market international economy. It sees poverty as an issue related only to material needs and could be managed through cash transactions.

The alternative approach, on the other hand offers a much broader and holistic perspective of development. The main concern here is on distribution and entitlement. Definition of poverty is expanded to the non-material sphere as well. It incorporates vital components to the debate such as participation, empowerment, protection of the commons, emphasis on pro-poor growth, etc. Pro-poor growth, defined as growth by which poor people benefit in absolute terms (Ravallion, 2004: 2) is the key “quality” of growth which requires that pro-growth policies need to be complemented by pro-poor measures. (Lopez, 2004: 18)

To sum up, CSD favors this alternative approach to development in terms of coping with the challenges of contemporary economic globalization. This approach is composed of multiple interrelated features that I group under ten headings. The rest of this chapter will examine these features in turn. This alternative approach to development offered by CSD should be taken as the end result of the functional interaction of these interdependent factors.

5.2.3.1 Construction of the Developmental State

As argued by a great majority of economists worldwide, robust and sustainable economic growth is a major determinant in attacking poverty. As Wade argues, economic growth plays a significant role in raising standards of living of individuals in the poorest regions of the world. (Wade, 2003: 39) However, as stressed above, economic growth needs to be pro-poor as well. In that context, the Washington Consensus (WC) spirit stating that sole growth will be sufficient enough to trickle down to the poor is inadequate. The primary example for the latter is the comparison of Latin American and East Asian countries. In Latin

America, growth was not accompanied with poverty reduction. Yet, in East Asia, governments took active steps to extend the rising tide of growth to all segments of the society and they have been comparably more successful. (Stiglitz, 2001: 78-79)

This is exactly the point where the concept of “developmental state” gets into the picture. Developmental state makes the goal of comprehensive development its top priority. It guides the market; has control over investment flows; promotes technological change; invests in human capital; and protects selected infant industries. (Rapley, 2002: 119)

As Chang states, today’s developed countries have adopted and implemented interventionist industrial, trade and technology policies in the past to promote their infant industries. This was especially the case for Britain and United States. Chang refers to Bairoch who argues that, Britain’s shift to free trade regime was achieved “behind high and long-lasting tariff barriers” and the most ardent beneficiary of infant industry strategy was the United States, “the mother country and bastion of modern protectionism”. It was the end of World War II when United States started to champion free trade liberalism. (Chang, 2003: 24-26; Bairoch quoted in Chang, 2003: 24-25)

In addition to that historical fact, the productivity gap between developed and developing countries is much larger today compared to the past. (Chang, 2003: 27) In these circumstances, state needs be strategically and functionally “brought back” in the case of developing countries. Conduct of economic affairs should not be left alone to the market, and state intervention, especially in regulatory affairs, needs to be applied.

In that context, Öniş has constructed a highly purposive and convenient framework summarizing the fundamental domains that the state could be activated in economic affairs. (Öniş, 1994: 117) As seen in Table 5.8

below, there are basically three areas for the latter: strategic intervention, regulation and redistributive role.

Table 5.8 Principal Domains of State Intervention in Late Industrialization in the Context of Globalization

Strategic Intervention
Physical infrastructure
Building technological capacity
Human capital formation
Regulation
Competition
Property rights
Foreign investment
Environment
Redistributive Role
Macroeconomic stability
Consensus building
Effective provision of welfare
Measures aimed directly to alleviate poverty via a focus on target groups; policies aimed at reducing interregional inequality

Source: Öniş, 1994

As for strategic intervention, Öniş states that, existence of market failures justify state intervention in labelling industries with long-run promise; investing in the creation of complementary assets in which private investors are reluctant to invest; and influencing resource and investment allocation in the required direction. This strategic intervention of state is concerned with physical infrastructure, technological capacity and human capital formation.

Second role of the state is in terms of regulation which is critical for building up competitiveness in the economy; bargaining with

transnational companies on the forms of foreign investment and technology transfer; protecting property rights; and regulating industrialization in harmony with environmental and ecological balance.

Last role of the state is related to redistribution, referring to its function in terms of alleviating poverty and fighting inequality of wealth and income.

In that context, Öniş's account above is in conformity with Rodrik's prescription of the core elements of growth strategy in contemporary era. (Rodrik, 2002 (b): 4-7). Rodrik says that empirical record shows us that there are two key elements of a successful growth program. The first of these is an investment strategy that will be implemented in the short run to kick start growth. Rodrik argues that, state intervention is needed to achieve that by encouraging investment in non-traditional areas and weeding out the projects that fail. This is a functional and optimal "carrot and stick" policy as the government encourages investment and entrepreneurship in the modern sector, ex ante and weeds out poor performers, ex post.

As for the second crucial aspect of growth strategy, Rodrik refers to an institution building strategy in the medium or long run to strengthen the resilience of the economy to cope with volatility and adverse shocks. This aspect is elaborated just below, as the second element of the alternative approach to development.

5.2.3.2 Acknowledging the Role of Institutions in terms of Development

In order to attain public private partnership and enable an alternative approach to development, the role of institutions is the key. Institutions could be defined as "a set of humanly devised behavioural rules that govern and shape the interactions of human beings, in part by helping

them to form expectations of what other people will do”. (Lin and Nugent in Rodrik, 2000 (c): 3)

The theory of economic growth has traditionally focussed on the accumulation of physical and human capital and their endogenous variant, technology as proximate causes of economic growth. However, there are “deeper” determinants which are prominent in terms of determining the level of innovation and accumulation enabling development. The most important of these deeper determinants is the institutions. (Rodrik, 2002 (c): 1-2 and 4-5; Rodrik, Subramanian and Trebbi, 2002: 2; Acemoglu, Johnson, Robinson, 2004; Rodrik, 2004: 1)

Above all, markets are not “self-regulating, self-stabilizing, or self-legitimizing”. They cannot function in the absence of regulations concerning anti-trust, prudential limits, information disclosure, public health and safety, etc. They cannot sustain their legitimacy for a long period of time without safety nets and social insurance mechanisms that reduce inherent risks and inequalities. In sum, non-market institutions are required for markets to perform well. (Rodrik, 2002: 3; 2002 (b): 6)

In that context, three recent events have increased the importance of institutions on the agenda of development practitioners. First was the failure of Russia in price reform and privatization in the absence of a legal, political and regulatory framework. Second was the dissatisfaction of the market-oriented reform process in Latin America which did not pay adequate attention to social insurance and safety nets. Final one was the Asian financial crisis which demonstrated that results of financial liberalization prior to financial regulation were destructive. (Rodrik, 2000 (c): 2)

In that context, once we identify major functions of institutions in economic affairs, we see that they basically “create, regulate, stabilize, and legitimate markets”. (Rodrik, 2002: 3; 2002 (b): 6)

Table 5.9 Types of Institutions for Market Efficiency

<p>Market Creating Institutions (Property rights and contract enforcement)</p>
<p>Market Regulating Institutions (To deal with externalities, scale economies, informational incompleteness)</p>
<p>Market Stabilizing Institutions (For monetary and fiscal management)</p>
<p>Market Legitimizing Institutions (Social protection and insurance, redistributive policies, institutions of conflict management, social partnerships)</p>

Source: Rodrik, 2002 (b)

Through these functions, institutions have influence not only on distribution of assets, incomes and costs but also incentives of market participants and efficiency of market transactions. They could enhance productivity and growth by distributing rights to the most efficient agent; they could affect investment levels and adoption of new technology by affecting the incentives to invest; they could limit producer rents and protect consumers from high prices by delineating market rights; and they could affect the lives of poor people in a direct manner by clarifying rights for the disadvantaged in markets. (World Bank, 2002: 6) In such a way, institutions pave the way for proper functioning of markets such as they guarantee that contracts are enforced, antifraud laws must be effective and codes of conduct should be widely accepted. (Stiglitz, 2001: 346-347)

The concept of institutions is in the heart of the public-private partnership discussion of CSD, as well. Recognizing institutions as important elements of market economy, the traditional distinction between the state and market makes less sense. These two domains converge in a state of partnership where they become complementary. The simple reason for the latter is the fact that a successful economy is a mix of state and market, a combination of intervention and laissez-faire. (Rodrik, 2000 (c): 13)

In that context, the scholarship of neo-institutionalists has beneficial insights that the alternative approach to development could benefit. Neo-institutional economics is simply the project of incorporation of institutions into economics (North, 1995: 17) and constructing an account of institutions from micro-foundations. (Bates, 1995: 27) Neo-institutionalism does not constraint itself with the traditional duality of the state and market, and asserts that neither of them alone is sufficient to organize provision of goods and services. It conceptualizes institutions as basic instruments and determinants of market efficiency and economic performance. Besides, neo-institutionalism delivers a notion of change and dynamism in terms of explaining economic affairs which is considerably absent in neo-classical theory. (Harriss, Hunter and Lewis, 1995: 1, 3) Neo-institutionalism argues that markets do not function in a vacuum and in that context, regulatory role of the state is obligatory. In addition, it points out that markets have arised from human design and in the absence an institutional infrastructure, economic agents could resort to improvisation, which is detrimental to the economy. (Rapley, 2002: 117-118) In sum, neo-institutionalist thinking paves the way for a “grand theory of development”, which provides a “dynamic theory of social change”. (Harriss, Hunter and Lewis, 1995: 10) Therefore, I believe that, in terms of constructing an alternative development approach, CSD could extensively benefit from that scholarship.

Last but not least, quality of institutions has a significant determining role on the success and effectiveness of aid given to developing countries. Once a recipient country has strong institutions, effectiveness of aid-sponsored projects significantly increases. For instance, almost all donor projects have worked in China in the past where there are good institutions and strong rule of law; whereas a majority of efforts failed in sub-Saharan African countries in the absence of the latter. (Dollar and Levin, 2005: 8, 12; Tungodden, Kolstad and Stern, 2004: 2, 8)

5.2.3.3 Clarifying the means-ends confusion

The alternative development approach tries to overcome the problem of means/ends confusion in economic policy making. During the last decades, attention has been extensively devoted to macroeconomic variables such as exchange rates, inflation rates, interest rates, trade and fiscal deficits, etc. Beyond doubt, these variables are important indicators in terms of the well-being of economies. However, real variables that should be taken care of are the ones related to economic performance involving output, employment, incomes, etc. (Stiglitz, 1999: 48)

Therefore, “development” cannot be measured purely in terms of “GDP growth *per se*, or kilowatts of electricity generated, or other measures of material output”. (Derviş, 1999: 3) In that direction, for instance, we need to approach to the issue of capital flows as “a vehicle for prosperity, not a policy objective in their own right”. (Rodrik, 1999: 22)

A similar confusion of means with ends is valid in terms of trade relations as trade became the lens to perceive development rather than other way around. Thus the real question should be “How do we enable countries to grow out of poverty?” instead of “How do we maximize trade and market access?” (Rodrik, 2001 (d): 5)

Likewise globalization should not be treated as an end in itself; it should be taken as a means to eradicate poverty, reduce inequality, improve well-being and quality of life. (Culpeper, 2002: 40-41) Above all, as former World Bank President Barber Conable said: “when we read statistics, we must see real people”. (World Bank, 2004: iii)

5.2.3.4 Improving Investment Climate

In a recent Annual World Bank Conference on Development Economics, then Senior Vice President of this institution, Nicholas Stern has given a keynote address titled “A Strategy for Development”. (Stern, 2002) In this speech, Stern has strongly stressed on the role of investment climate as an important source for development and poverty reduction. His ideas on investment climate and the connection he established with development were significant for the new developmental approach of CSD.

Stern means by investment climate “the policy, institutional and behavioural environment, both present and expected, that influences the risks and returns associated with investment”. Therefore this term refers to a wide variety of issues such as institutions, policies, stability, governance, infrastructure that affect not only capital investment levels but also the productivity of existing investments. On that basis, investment climate depends on different aspects of public and private action such as macroeconomic stability and openness; good governance and strong institutions; and quality of infrastructure.

Taken in that way, in terms of developmental perspectives, it would be profitable for the government to create and encourage an investment environment in which firms and entrepreneurs can function efficiently. As Stern argues, the latter is fairly important with respect to small and medium size enterprises that account for the majority of firms and great share of employment in developing countries.

Once the investment climate is created in that way, this will pave the way for sustainable growth and subsequent poverty reduction. In that context, Stern argues that developing countries which have improved their investment climate did also well in growth. There is a positive relationship between the two and a similar link is also viable between growth and poverty reduction. Stern argues that per capita income growth and growth in the incomes of the poor people are positively correlated. Obviously, the target should be pro-poor growth and in that respect Stern stresses on basically three types of investments: “investment in education; investment in social protection; and investment in participatory processes and social and economic inclusion”.

To sum up, investment climate-growth-poverty reduction connection is a fairly important one in terms of developmental goals. This issue is examined in detail in the 2005 World Development Report, *A Better Investment Climate for Everyone*, as well. The main message given here is that improving investment climate has positive outcomes for growth and poverty reduction. (World Bank, 2004)

5.2.3.5 Emphasis on Specificity

An important aspect in the new development idea is the fact that what works in one country does not necessarily work in the other. There is no room for dogmatic or doctrinaire approaches in the field of economics. Specific circumstances of each country should be taken into consideration before initiating the reform process. Examples of best practices could be useful anecdotes, yet they are no substitutes for analyses of the realities and specific circumstances of the individual countries. All in all, the most successful countries have been the ones which have benefited from the process of globalization; yet they have done that in their own terms and specific attitudes. (Stiglitz, 2001: 354-355 and 2003: 51)

The importance of specificity is acknowledged by Stanley Fischer as well. Fischer argues that there cannot be any general prescriptions in the liberalization processes of countries and these policies need to take into account the circumstances of each country. (Fischer, 2003: 13)

Rodrik argues in similar lines and states that all of the successful economies in the contemporary world have depended on different approaches towards development consisting of unconventional institutions and “orthodox” strategies. He states that, institutional experimentation based on local knowledge and domestic experience plays a dominant role in economic development. Therefore, Rodrik entirely disagrees with the conventional wisdom that there is only one single model of development (the Anglo-American model) that all countries need to adhere. Country specific initiatives are key determinants of success as such an approach has a “bottom-down” character relying on local experimentation. Rodrik gives the example of China, the success case in terms of economic growth and development today. He argues that success of China stems rather from her domestically created specific policies instead of a strict adherence to predominant best practices. (Rodrik, 2002: 3, 8; 2002 (b): 7; 2001(b): 2; 2001 (c): 8; 2000 (c): 19; 1998: 12)

5.2.3.6 Emphasis on Gradualism

Worldwide experience shows us that economic and financial liberalization should be done by gradual market openings enhanced by selective state interventions. Moreover, the less developed the country, the more state intervention is required. In Rapley’s words, states need to be “a parent, who nurtures a child best by not stifling it, but by preparing it to go off into the world on its own”. (Rapley, 2002: 100)

Gradualism constitutes the key determinant here. Especially in the case of capital account liberalization, existence of preconditions and

infrastructure such as a sustainable macroeconomic framework is vital before liberalization. (Fischer, 2003: 14)

Gradualism is also supported by the fact that opening up capital account liberalization immediately does not form a pre-condition for attracting FDI, as some proponents of globalist account of global governance claim. The best example for that is the case of China which is one of the best receivers of FDI which preferred a gradualist approach towards capital account liberalization. (Stiglitz, 2002: 8; Wade, 2001: 25)

5.2.3.7 Emphasis on Capital Controls

A useful tool for the new developmental strategy of CSD could be the implementation of various types of capital control mechanisms. That might be useful in terms of taming short term capital flows and thereby enhancing financial stability, especially in the case of developing countries.

As Epstein, Grabel and Jomo argued, various “capital management techniques” could be instrumentally used to achieve key macroeconomic objectives. (Epstein, Grabel and Jomo, 2003: 2) Based on case studies on seven countries which employed such techniques during 1990s, these authors assert that these techniques were successful in the preventing the maturity and locational mismatch; insulating from the contagion effects of financial crises; reducing overall financial fragility, currency risk, and speculative pressures in the economy; attracting favored forms of foreign investment; and enhancing the autonomy of economic and social policy. In that context, one of the conclusions Epstein, Grabel and Jomo derive is that capital management techniques could be used to enhance currency and financial stability. They bias investment toward the long-term and buttress the autonomy of macro and micro-economic policy.

The so-called Tobin tax, a fractional charge on foreign-exchange transactions, or some forms of its modifications such as the Spahn tax (Dieter, 2002: 16), are appealing alternatives in that respect. As mentioned before, one of the features of contemporary globalization is the huge volume of foreign-exchange transactions and thus implementation of Tobin tax might contribute to financial stability in foreign-exchange markets by eliminating currency speculation. (Scholte, 2000: 299)

One of the successful cases in implementing capital controls was Chile. Chile put a reserve requirement on all short-term capital inflows, essentially in the form of a tax on short-maturity loans. We see that this policy has been considerably effective as it lengthened maturities of capital inflows to the country and did not have negative effects on long-term capital. (Stiglitz, 1999: 38)

Fischer agrees with Stiglitz that the Chilean experience of controls have been successful in terms of allowing monetary policy independence and shifting the capital inflows composition towards longer term. Moreover, he argues that China and India which had used capital controls, could manage to escape from the Asian crisis. (Fischer, 2003: 14-15; 2002: 10)

In sum, the tool of capital control mechanisms on speculative flows should not be regarded as a non-realistic alternative by policy-makers and thus should take place in the development agenda of CSD approach.

5.2.3.8 Emphasis on the Vital Connection between Democracy and Higher-Quality Growth

Another important element of CSD approach to development is the positive correlation between level of democracy and higher quality growth. Based on various empirical studies, Rodrik asserts that the level

of democracy and participatory politics is very much influential on growth realizations of countries. He states that economic reform processes are more prone to fail under authoritarian regimes. He cites the cases of Zaire, Uganda and Haiti and states that most successful transitions in former socialist economies were the ones that had most democratic regimes. (Rodrik, 2000 (c): 22)

Rodrik argues that there is concrete evidence that democracies are more successful in:

- a) Yielding long-run growth rates which are more predictable;
- b) Generating greater short-run stability;
- c) Handling adverse shocks;
- d) Delivering better distributional outcomes. (Rodrik, 2000 (c): 23)

5.2.3.9 The Transition from Washington to Post-Washington Consensus

The last two elements of the alternative CSD approach to development refer to a much broader domain of economic policy reform. The first of these is concerned with the transition from Washington Consensus (WC) to post-Washington Consensus (PWC). This is directly related to the preceding section, reform of global trade and financial governance, as well.

I have already discussed the concept of WC before. Therefore, I would like to dwell here only on the shift to emerging PWC. Kuhn had argued that a paradigm begins to get questioned when anomalies arise between paradigmatic expectations and actual events. (Gore, 2000: 799). I believe this is the basic reason explaining the emerging shift from WC to PWC in the contemporary world.

The last two decades have proved us that WC failed in several aspects. Stabilization policies did not ensure economic growth and stability; capital market liberalization, sequenced in a wrong and premature way exposed countries to high levels of risks; trade liberalization in developing countries did not create intended outcomes; privatization, done in a wrong way, damaged the well being of the economies and increased inequality, etc. (Stiglitz, 2002: 3-5) In accordance with the latter, one of the problems with the WC is that it has dictated strict adherence to a set of economic initiatives and closed the door to other alternatives that had worked in the past, and probably could work in the future. Such a stance was wrong by definition simply because “we know a lot less about what makes for good economic policy than we recognize”. (Rodrik, 1999: 3, 10)

Not only in the economic sphere, but also in the socio-political domain, neoliberalism could not be successful. In that sense, Giddens appropriately argues that neo-liberalism failed to function as a viable political philosophy to cope with the challenges of the era; because it had no effective theory or set of policies related to developing a cohesive and integrated society. Neo-liberal adherence to unfettered rule of market forces cannot bring continuity and social solidarity. (Giddens, 2001: 18)

As a result of these developments, a new discussion emerged in late 1990s searching alternatives to move beyond the WC prescriptions. Emerging Post-Washington Consensus (PWC) aims at a more progressive developmental policy which tries to avoid strict generalizations and be more inclusive of various approaches towards development.

As Öniş and Şenses have mentioned, its major characteristic is the novel synthesis between national developmentalism and neo-liberalism, the two fundamental paradigms. PWC is inspired by the former in the sense

that it attributes a critical role of the state in tackling market failures; and as for the latter, it takes into account the benefits generated by the free market. PWC stresses on the prominence of democratic governance and institutional innovation. It emphasizes on the importance of poverty and inequality as objectives in their own right. In that sense, PWC is more progressive than WC. (Öniş and Şenses, 2005: 27-28)

Such a change in vision and attitudes is discerned in the so called prevailing “establishment” or mainstream as well. For instance, former First Deputy Managing Director of IMF, Stanley Fischer argued that the policy approach designed by WC needs to be enhanced in the current era. He discussed four enhancements in that respect:

- a) Greater emphasis should be given to social justice, which could be implemented via health and education spending, social safety nets and infrastructure spending;
- b) Greater attention needs to be attributed to the development of institutions of economic governance such as efficient judicial systems, civil service, tax system, etc.;
- c) Crisis-proofing the economy, particularly by strengthening the financial system, and macroeconomic policies needs to be improved;
- d) Labor-market reform should be implemented to allow the greater proportion of the workforce to take part in the formal labor market. (Fischer, 2003: 24)

The debates ongoing at the World Bank are even much more developmental in nature. In a recent report of World Bank, *Globalization, Growth and Poverty: Building an Inclusive World Economy*, the approach of Bank experts towards the prescriptions of WC, for instance in case of trade liberalization, is relatively critical compared to the past. (Rodrik, 2001(a): 1)

Similarly, former President of the World Bank, Wolfensohn has frequently drawn attention to the need to go beyond WC, especially by stressing on the inadequacy of it with respect to socio-economic goals. For instance, he asserted in 1998 that if there is no greater equity and social justice, there will be no political stability and without political stability, no financial stability. (Munck, 2003: 500-501)

The buzzwords of WC were liberalization, privatization and deregulation. PWC adds important concepts to it such as civil society, governance, transparency, governance, new international financial architecture, institution building, safety nets, etc. The basic motive of WC was to attain economic growth. In PWC, goals are much broader. Improvement in health and education, increase in living standards, and securing sustainable, equitable and democratic development are core components of it. (Stiglitz, 1998: 31) Thus, PWC arises from the recognition to “humanize” the neo-liberal framework in some key aspects. The concept of governance, both at national and global levels, operates as the vital bridge between WC and PWC. (Phillips and Higgott, 1999: 16, 36)

In sum, one of the greatest assets of PWC is that it aligns previously divorced spheres of politics and economics. Therefore, it indicates a departure from the narrowly defined technocratic forms of decision-making predominant in WC. (Phillips and Higgott, 1999: 15) Such a formulation is in full conformity with the CSD thinking mentioned before.

Nonetheless, before concluding this section, two additional comments need to be expressed on the emerging PWC. First of all, as Rodrik has argued, while creating PWC, in his words the “Augmented Washington Consensus”, it should not be fallen into a similar fallacy of formulating another impractical blueprint which will be regarded as the “correct” set of policies for growth and development, just like in the case of WC. In

other words, this new framework should attach great emphasis to the concept of specificity mentioned above and thus be utmost sensitive to local needs and context while comprehending how development really takes place. (Rodrik, 2002 (b): 1-2)

Second of all, as Öniş and Şenses have persuasively put forward, PWC, in its present form lags behind to address the determining role of power relations in the design of global economy. It rather takes a narrow vision towards state-market relations at both national and global spheres. (Öniş and Şenses, 2005: 28) In that context, it is the duty of CSD to push PWC in the opposite direction and thereby contribute to the formation of a more progressive developmental agenda.

5.2.3.10 Fight against Global Poverty and Hunger

The second broad element of CSD developmental agenda is related to the fight against global poverty and hunger. This constitutes the most important element of the new approach to development. Therefore, it will be appropriate to discuss it in more detail.

As mentioned before, the orthodox approach towards the issue of poverty originates from a rather narrow perspective, taking into consideration solely the material aspects of the problem. In other words, the emphasis is on unfulfilled material needs such as lack of water, food, sanitation, etc. In addition, this view links poverty to the lack of money of these people as it is assumed that these people are essentially un/underemployed and do not have adequate amount of money to satisfy their basic needs. In such an analysis, eradication of poverty is considered to depend on cash transactions in the market; and development depends on these transactions defined only in terms of economic growth.

Besides poverty, in terms of the problem of hunger, originating from Malthusian grounds, the orthodox approach argues that human overpopulation is the primary cause for the latter. Therefore, it seeks the solution in the reduction of the fertility of human race via family-planning policies, etc. In sum, in the orthodox understanding, poverty and hunger are defined as concepts external to the developed countries, problems unique for the Third World. (Thomas, 2004: 647-648)

This orthodox approach to poverty and hunger cannot be efficient to cope with the complex challenges in the current era. Therefore CSD should introduce a comprehensive alternative framework to the fight against poverty and hunger. As summarized in Table 5.10 below, the critical alternative approach mentioned by Thomas constitutes a useful starting point in that respect.

Table 5.10 Mainstream and Alternative Approaches to Poverty, Development, and Hunger

	Poverty	Hunger
Mainstream Approach	Unfulfilled material needs	Not enough food to go around everyone
Critical Alternative Approach	Unfulfilled material and non-material needs	There is enough food, the problem is distribution and entitlement

Source: Thomas, 2004

In terms of poverty, unlike the orthodox view, the critical alternative view takes into consideration the non-material needs while discussing poverty. In accordance with that, rather than dwelling on simply money transactions, this view emphasizes on the lack of access to “spiritual

values, community ties, and availability of common resources”. (Thomas, 2004: 647)

As for the concept of hunger, the alternative critical view finds the orthodox view too simplistic, totally ignoring the role of food distribution. The real paradox is that although there has been a significant increase in food production in the last half-century due to the progress in industrial agricultural techniques and high-yielding seeds, its impact on people living in chronic hunger has been negligible. In addition, the striking point is that the Third World countries, in which majority of starving people live, produce much of the food for the world. As Table 5.11 below demonstrates, China and India, the great producers of agricultural output, consume much less grain and livestock products compared to United States and Italy. This situation obviously invalidates the argument for the causes of hunger in the orthodox view and leads us to question social, economic and political factors in determining global distribution of food. Because, the real reason for hunger is not the amount of food available; yet the lack of entitlement to that food. (Thomas, 2004: 663)

Table 5.11 Annual per Capita Grain Use and Consumption of Livestock Products (Selected Countries, 1990)

Country	Consumption (in kilograms)				
	Grain	Beef	Poultry	Lamb	Milk
United States	800	42	44	1	271
Italy	400	16	19	1	182
China	300	1	3	1	4
India	200	-	0.4	0.2	31

Source: Thomas, 2004

Such a reformed vision towards eradication of poverty and hunger necessitates a new attitude to the concept of aid and securing new revenue streams. In that context CSD proposals for reform towards the subject of aid are as follows:

- a) All developed countries need to adopt minimum levels of overseas development assistance. For instance, they need to set a clear timetable to reach the UN's 0.7 percent of GNP target. Besides, aid ought to be refocused on poverty reduction in low income countries and should be linked directly to support own poverty reduction strategies of developing countries;
- b) Governments should untie their aid budgets to facilitate developing countries to strengthen their own procurement systems and buy from the most cost effective sources;
- c) Various policies should be developed to bring down debt burden of poor countries to sustainable levels;
- d) The reduction in that debt servicing could be linked to realize social goals such as the funding of children in schools, basic health provisions or infrastructural investments;
- e) An international poverty line should be established with a clearly defined threshold of income. This standard should form the basis for the monitoring of anti-poverty policies and should be linked to future aid programs. (Held, 2004 (b): 62-63)

As for securing new revenue streams and redistributive mechanisms to benefit in the funding of anti-poverty and human development programs, CSD stresses on two points. (Held, 2004 (b): 63-66) First of these is related to the initiatives like International Finance Facility (IFF). Creation of such a facility will contribute to meet poverty reduction targets set at MDG and also serve to tackle poverty, illiteracy, communicable diseases, and underdevelopment in poor countries. Allocation of Special Drawing

Rights (SDR) of IMF in a development-focused approach could be taken as another proposal in that respect. (Reisen, 2004: 8)

Second of these CSD proposals is the creation of a new transfer mechanism to allow generation of resources to the poorest regions of the world in the long-run. In this system, there should be a fundraising and distributive system that will function at the global level just like the national level. For instance, new instruments for regional or global taxation could be developed. Among these, environmental taxes, taxation of arms exports, a brain drain tax, an international airport tax, a “bit” tax on computer use, currency transaction taxes, taxation of ocean fishing or a luxury goods tax have been suggested. (Reisen, 2004: 7-8)

As for the last word before concluding this chapter, a very important issue to shortly touch on is the gender-biased nature of poverty. The alternative perspective of global governance based on CSD needs to be utmost gender-sensitive. It should back equity between men and women. Gender impacts of all global decisions and policies should be taken into consideration. In particular, female poverty should be targeted on its own. Global labour standards should be designed in more attention towards the promotion of equal opportunities for both sexes. More resources should be devoted to promotion of women’s human rights. In sum, gender equity concerns should be brought on the top of global public policy agenda. (Scholte, 2000: 301)

CHAPTER VI

COSMOPOLITAN SOCIAL DEMOCRACY AND POLITICAL CHALLENGES OF GLOBALIZATION

The preceding chapter analyzed the two economic challenges of contemporary globalization and tried to develop a set of alternatives to address them. As I have mentioned before, globalization is not a concept solely related to the economic sphere. Economic activity can only be materialized within a political domain. Therefore, globalization has an important political dimension as well.

This chapter is related to this political dimension of globalization and the challenges arising from it. As I had stated, this study underlines two challenges posed by political globalization. These are:

- a) The challenge of global insecurity;
- b) The challenges in global environment.

In that context, the next two sections will elaborate on these challenges and try to specify on how CSD tries to deal with them.

6.1 GLOBAL INSECURITY

The concept of security has been one of the most territorialized issues within the discipline of international relations. Security has traditionally been defined in terms of the protection of interests within delimited sovereign spaces. Therefore, territory “tied down” security and in its absence, a conceptual difficulty arises in specifying the concept. (Clark, 2003 (b): 179) At that point, globalization is precisely challenging this territorial conceptualization of security.

To be able to conduct an analysis on the concept of security, we should begin by discussing the distinctive features of military globalization and world military order in the contemporary era. This section indicates that present aspects of world military order display unique characteristics compared to the previous cases.

In that context, referring to the analysis of Held, McGrew, Goldblatt and Perraton, I will begin by stressing on the three key mechanisms through which military globalization could be articulated. (Held, McGrew, Goldblatt and Perraton, 1999: 87-148) Via these factors, I will try to put forward the distinctive features of contemporary military globalization. Following that, I will try to discuss the basic premises of CSD approach in terms of finding alternative solutions to the challenges of contemporary military globalization, and thereby global insecurity.

The three facets, these scholars base their arguments are as follows:

- a) The war system (geopolitical order, rivalry between great powers, security and conflict relations);
- b) The arms dynamic (through which military capabilities and armaments production technologies are diffused around the globe);
- c) The geogovernance of organized violence (embracing the formal and informal international regulation of the deployment, acquisition and use of military power).

Table 6.1 below compares the contemporary period (from 1945 onwards) with the modern era (19th-20th century) on the basis of these three facets. We easily realize that there are profound differences between the two eras.

**Table 6.1 The World Military Order:
Comparison of Modern and Contemporary Eras**

	Modern (19th-20th Century)	Contemporary (1945 on)
Geopolitics	Global empires Total war	Global rivalry Cooperative security and collective defence Rivalry and competition within institutionalized Cooperative frameworks Overlapping regional and global security complexes
Arms transfer systems	Industrialization of war Emergence of global arms dynamic Unregulated private world market in arms Diffusion of defence productive capacity	Intensification of global arms dynamic Expanding scale and volume of trade in arms Transnationalization of arms Production Commercialization of arms trade in regulated global Market
Geogovernance	Beginnings of multilateral and legal regulation Failure of collective security	Generalization, legalization, institutionalization of regulatory Regimes

Source: Held, McGrew, Goldblatt and Perraton, 1999

In that context, the following points are worth mentioning in terms of stressing these distinctive characteristics, and challenges, of contemporary military globalization:

- a) Patterns of military/security interconnectedness are much more extensive;
- b) Intensity of global military expenditure, arms transfers and military-diplomatic connectedness have remarkably increased;

- c) Institutionalization and regulation of arms production, arms trade and networks of military/security relations are much more developed;
- d) Military-technological revolution has accelerated global arms dynamics;
- e) World military order has become more decentred as new concentrations of military power have come into being;
- f) The diffusion of military technology, knowledge and practices has acquired its own dynamics;
- g) The security agenda today is expanding to incorporate new kinds of threats, for instance related to environment. (Held, McGrew, Goldblatt and Perraton, 1999: 134-136)

These distinctive aspects of military globalization cause severe problems to global security in the current era. Moreover, with the end of the Cold War, these challenges have become much more problematic as a variety of new threats have been added to this list.

In the last two decades, dissemination of high military technology has drastically expanded. Today, the number of states acquiring nuclear weapons is continuously increasing. Although with the end of the Cold War, a considerable rate of reduction was attained in nuclear stockpiles of various countries, the world is currently in the midst of an arms race to acquire weapons of mass destruction, including biological, chemical as well as nuclear weapons.

Therefore, one of the main problems of contemporary globalization is the rapid proliferation and dissemination of manufacturing capabilities of various kinds of weapons all around the world. In addition to that, apart from states, emergence of transnational nuclear supply networks has brought another problematic aspect to the nuclear proliferation issue which further complicated the matter. This creates severe challenges for

the global community, as there are today much more parties, and wider range of interests and motives involved in the issue. (The Commission on Global Governance, 1995: 12-13; Howlett, 2004: 501, 511)

Second of all, the concept of terrorism is entirely different in the current era. Terrorist activities no more originate from a specific geography or locality. They are truly global in nature and fully coordinated all over the world, facilitated by the advanced communications technologies. In such a framework, capabilities of nation-states are severely limited to cope with this transnational characteristic of terrorism.

In addition to that, “issues of identity” have emerged as one of the primary sources of insecurity in the contemporary era. Globalization adds societal dimensions to security as it facilitates the destabilization process of existing identities. Cultural particularism appears as an opponent and defensive reaction against globalization. (Clark, 2003: 181; Bretherton quoted in Clark, 2003 (b): 181) “Ethnic identity” has been a major source of insecurity during the 1990s, particularly in Eastern Europe, Balkans, former Soviet Union and Africa. These regions have been severely affected by this new notion of insecurity on ethnic grounds.

Kaldor describes these conflicts as “new wars”. (Kaldor, 1999, 1-11; 69-90) In that context, she refers to the post 1980 period and argues that what makes these conflicts “new” is that they involve a blurring of the distinction between war, organized crime and large-scale violations of human rights. Besides, these wars are new in terms of their ambitions, types of warfare and finance. Kaldor states that these new wars should be understood within the context of contemporary globalization due to the fact that they essentially result from “identity politics”, referring to the claims on the basis of identity. At that point, Kaldor links sources of identity politics to the globalization process and argues that identity politics is both local and global as well as national and transnational.

Besides, it benefits from the technological and communicational advances of the new era.

Fourth of all, state failure due to bad governance, in the form of corruption, abuse of power, weak institutions and lack of accountability nurtures global terrorism and insecurity as well. This was the case seen especially in Somalia, Liberia, and Afghanistan under the Taliban regime. State failure and collapses are associated with significant threats to global security. Besides, they severely block global governance efforts as well. (Solana, 2003: 6)

Fifth of all, in the current era, essentially non-traditional problems such as transnational organized crime, drug-trafficking, illegal markets, corruption, black-markets, rent-seeking, money laundering, trade of narcotics, international circulation of illicit capital, etc. pose great challenges to global security. If we define organized crime as “the continuation of business by criminal means”, we could deduce that just like businesses became transnational in today’s world, so did organized crime. (Williams and Baudin-O’Hayon, 2002: 128-130; UN, 2002: 21)

Last but not least, there is the crucial problem of migration and population movements, particularly referring to the great inflow of people from underdeveloped countries to the richer ones. Though migration relatively constitutes one of the issues that governments can effectively deal at the national basis, it still constitutes a major source of global insecurity. Migration is driven by both short-term emergencies and also long-term structural elements concerning economic opportunities and better quality of life. (Clark, 2003 (b): 182) Obviously, this problem has transboundary outcomes, and hence could only be resolved at the global level.

To sum up, the concept of international security which has been traditionally defined as the survival and protection of the state from outer attack is being more and more inapplicable in the current era. Globalization facilitates a new set of security problems which cannot be addressed by traditional nation-state policies.

This new security concept was tragically witnessed in the “9/11” events, the terrorist attacks to United States (US) on September 11th, 2001. As Held stated, 9/11 was an atrocity in extraordinary proportions: a crime against US as well as all humanity; a massive breach of international law; an attack on the basic principles of sanctity of life, self-determination, human rights and equal liberty. (Held, 2004 (b): xi) However, what was completely distinctive of 9/11 was that it was a great challenge to the conventional wisdom on security and terrorism. The traditional state-centric view of security was entirely challenged by this unprecedented and large-scale event conducted by a non-state entity. (Derviş, 2005: 33)

As Hoffmann stated, 9/11 was just the opposite of what the conventional approach to international relations stated: war takes place among states. What happened in September 2001 was that armed individuals wounded the dominant superpower of the world. These events proved that globalization could facilitate the access of fanatics to violence. Today, countless actors take place in the global arena along with states which increase insecurity and vulnerability as terrorism functions as “the bloody link between interstate relations and global society”. (Hoffmann, 2003: 106)

In that sense, the new world we live in is one in which both vertical and horizontal polarization, both on the basis of class and ethnicity, has become rampant; violence is both more globalized and fragmented at the same time; and there is no longer a question of wars between states but

sub-state conflicts which are globally networked and financed in which states have become only one actor amongst others. (Friedman quoted in Baylis, 2004: 301) This kind of terrorism is a new phenomenon nurtured by globalization, which could be called as the “dark side” of political transformationalism. This transnational terrorism consists of various networks of extremists organized in many parts of the world. Its goals, recruitment, tactics, etc. are entirely transnational. (Falk and Strauss, 2003: 204-205) Therefore, in the current era, the concept of “vulnerability” is getting more and more reciprocal. This was clearly the case in 9/11 as the uncontested military superiority of the “new hegemon” could not deter these terrorist acts. (Nye, 2003: 112; Archibugi, 2002: 27)

In that context, the impact of globalization on terrorism, especially through the advances in communications technologies, could be illustrated in five interrelated areas: proselytizing, coordination, security, mobility and lethality. (Kiras, 2004: 489-493)

Due to the dramatic rise in the number of Internet service providers and more capable and cheaper computer systems and wireless technologies, terrorist individuals and groups are able to acquire various worldwide connection facilities. They are capable to send messages to each other through the World Wide Web and even create their own web sites. They can prepare propaganda leaflets, distance learning materials, multimedia presentations at negligible costs and in large quantities. This is what is meant by proselytizing in the contemporary globalization era.

Secondly, current level of coordination between the terrorist individuals and groups is highly sophisticated. The technological advances mentioned above facilitate the latter to mount highly coordinated attacks and actions at substantial distances in several countries all over the world. Simultaneous bombings of United States embassies in

neighbouring African countries in 1998 or the recent events in United States in 2001 or Madrid in 2004 could be cited as primary examples for the latter.

Besides, technological advances of globalization are being used instrumentally in various ways to preserve security to the leaders and cells of these organizations. For instance, development in software technologies enables clandestine and/or encrypted communications between terrorist cells which are spread all around the world. Besides, the use of Internet protocol address generators, rerouted communications, anonymity protection programs and private chat rooms enhance the level of security for these groupings as well.

Another interrelated issue is that enhanced power of personal electronics improves mobility facilities of terrorists which have been a serious handicap for them in previous decades. Terrorists can move within and across borders very rapidly. One of the primary illustrations of the latter is the exponential increase in volume of air travel in the contemporary era and its exploitation by these groups. Besides, this increased mobility gives these terrorist cells to train each other and share tactics, methods, techniques, etc.

Last of all, today, terrorists can acquire and have the capacity to use weapons of mass destruction in their actions. For instance, the statements of Osama Bin Laden of Al Qaeda note that such weapons should be used to kill people and detriment US economy which is seen as the primary engine of globalization. Paradoxically, globalization process facilitates the access of these terrorist cells to these weapons as various terrorist groups can easily come together in the manufacturing phase and share their expertise of these lethal weapons mainly due to the facilities created by globalization.

To sum up, today, nation states are inadequate to provide their own national security. (Luard, 1990: viii, 18-19) The concept of national security turns out to be a multilateral affair. It can be attained only if nation-states come together and collaborate. Therefore unilateralism in security related affairs is not a viable and credible option any more. Security institutions at both global and regional levels are becoming much more important platforms. Most of the states in the current era prefer to make multilateral arrangements and join international organizations to enhance their security. Therefore, high levels of interdependence in global security affairs result in the emergence of the concept of “world security”. (Held and McGrew, 2002: 21-22; Held and McGrew, 2003: 13; Clark, 2003 (b): 178)

One of the best examples of the latter was the war against Iraq in 2003. Before the start of the war, US, the sole super-power in the world, preferred to act unilaterally against Iraq. However, it could not succeed in protecting its soldiers and win the ultimate peace. Therefore, it had to search for multilateral military and financial assistance and began to support the role of United Nations in restoring legitimacy in Iraq. This situation is a good example to illustrate that contemporary global security challenges cannot be solved unilaterally, even by the most powerful state. (Held, 2004 (b): 86)

Therefore, as Falk and Strauss have argued, today, we need to choose between two alternative approaches of security. The first is the national security approach mentioned above. It is the traditionalist statist approach associated with “centralization of domestic authority, secrecy, militarism, nationalism, and an emphasis on unconditional citizen loyalty” to the state. The alternative to that could be named as democratic transnationalism which is based on the democratic settlement of security problems. In this approach, resolution of political conflicts could be settled via open transnational (rather than state or market) based

processes whose legitimacy lies in fairness, the rule of law, adherence to human rights and representation. In this approach, the primary tool to sustain security of individuals and groups is essentially international human rights law. (Falk and Strauss, 2003: 203-204)

This latter approach is detailed by the Commission on Global Governance which proposes the following as the norms of security in the contemporary era (The Commission on Global Governance, 1995: 84-85):

- a) All people have the right to a secure existence, and all states are obliged to protect those rights;
- b) The primary goals of global security policy are to prevent conflict and war, maintain the integrity of the planet's life-support systems;
- c) Military force is not legitimate except in self-defence or under UN auspices;
- d) The development of military capabilities further beyond that needed for national defence and support of UN action is a potential threat to security;
- e) Weapons of mass destruction cannot be regarded as legitimate instruments of national defence;
- f) The production and trade in arms should be within the control of international community.

CSD fully supports this new approach to security and stresses on the following features (Held, 2004 (b): 145-146; 2003: 202-203; Archibugi and Young, 2002: 28-32):

- a) Commitment to the rule of law and multilateral institutions needs to be sustained. The prosecution of war *per se* cannot be the ultimate solution. Terrorists and those who breach and violate

sanctity of human life should be brought before an international criminal court. This international tribunal should be institutionalized by the United Nations and could be inspired by the models of Rwanda and ex-Yugoslavia. Eventually, ad hoc tribunals ought to be handed over to a permanent body, the International Criminal Court. Such an effort does not preclude internationally sanctioned military action against terrorism; yet such action should take place within the norms of international law;

- b) Comprehensive effort should be given to generate global political legitimacy for international institutions functioning in security and peace-making related affairs. New forms of political accountability should be created;
- c) It should be acknowledged that ethics and justice related issues caused by global polarization of wealth, income and power, cannot be resolved by markets alone. Issues of poverty and terrorism are directly interrelated. Economic vulnerability and hopelessness naturally feed anger and hostility. Therefore, to be able to address the root causes of terrorism, it is mandatory that economic globalization has to be nurtured by social justice and fair distribution. In other words, global inequalities need to be narrowed to pursue a sustainable fight against global terrorism;
- d) Increasing finance regulation and thereby “hitting the money” of terrorist networks and organized crime is one of the most efficient ways to combat terrorism. Movement of funds and flows supporting terrorist activities should be tracked and regulated;
- e) Law enforcement and intelligence gathering institutions across the world should be effectively coordinated. Although terrorism is an activity fairly transnational in contemporary era, intelligence still takes place within the domain of individual nation states, used as an instrument against each other. Domestic law agencies display a similar trend as each has its own system that

hinders cooperation across borders. These need to be fundamentally changed facilitating cooperation on global level.

In order to implement these initiatives in practice, a number of crucial steps need to be taken. These will complement the above mentioned features of CSD towards challenging global insecurity in the current era.

Table 6.2 Steps to be taken to Combat Global Terrorism

1) Re-linking the security and human rights aspects of international law
2) Reforming UN Security Council procedures to improve the specification and legitimacy of credible reasons, thresholds and promises in relation to, armed intervention in the affairs of a state
3) Recognizing the necessity to dislodge and amend the now outmoded 1945 geopolitical settlement as the basis of the decision-making in the Security Council, and to extend representation to all regions on a fair and equal footing
4) Expanding the remit of the Security Council, or creating a parallel Social and Economic Security Council, to examine and, where necessary, intervene in the full gamut of human crises-physical, social, biological, environmental-which can threaten human agency.
5) Building global networks and institutions, focused on poverty and welfare, to act as counter-weights and countervailing powers to the market-driving IGOs (the WTO, IMF and World Bank)
6) Founding a World Environmental Organisation to promote the implementation of existing environmental agreements and treaties, and whose main mission would be to ensure that the development of world trading and financial systems are compatible with the sustainable use of the world's resources.
7) Adapting the principles and mechanisms of global public goods theory, as the UNDP has suggested, to help reform the wider UN system
8) Building UN peace-making, and not just peace-keeping, capacity

Source: Held, 2003

As seen in Table 6.2 above, one of the important proposals of CSD approach is to reconnect security and human rights agendas in a

coherent framework of law and transform it into a global legal framework. Convening an international convention on the latter is a viable alternative.

Second of all, and in conformity with the above mentioned initiative, legitimacy of UN should be enhanced by specifying precise conditions to justify the use of force and intervention in the affairs of a state. Therefore, internationally agreed rules and regulations on armed intervention will be formulated.

Third of all, in order to combat global terrorism in the contemporary era, a major reformation process of Security Council is mandatory. The current Security Council entirely reflects the geopolitical settlement in 1945, overtly manifested with the veto power of permanent five. Within the context of shifting patterns of power, Security Council is anachronistic and outdated in current circumstances. (Held, 2004 (b): 152) In that context, a reformed Security Council - the latter based on a system of weighted votes and universal participation as well as a reliance on supermajorities instead of individual veto rights for most important decisions - could function as the major mediator in political disputes between states. It could also function as the primary actor in the fight against terrorism, principal promoter of peace and collective security, and main upholder of human and minority rights. It could be authorized to set global policy on these issues and enforce them. (Derviş, 2005: 51, 59)

Other than these, fourth of all, taking into consideration the close link between economic deprivation and terrorism, creation of a Social and Economic Security Council/Economic Security Council might be an appropriate step as mentioned before. Such a body could be authorized to build global networks and institutions focusing on global poverty and welfare.

Fifthly, in order to combat global terrorism in a sustainable manner, a state-building assistance strategy is required for the countries in which there is potential for terrorism. This state-building effort should be a comprehensive one which goes beyond the status quo allowing indigenous development of these states by filtering the benefits of globalization concurrently with their transformation towards modernity. The solution does not obviously lie in tackling global terrorism with globalized military power; rather in genuine political solutions that will address the root causes of the problem. (Hughes, 2002: 18)

Sixth of all, to tackle transnational organized crime, global governance mechanisms should be designed in a strategic manner to target criminal leader and organizations, and the profits generated due to these activities. Efforts that will be taken against transnational organized crime, money laundering and corruption should be well coordinated to create synergies both for the governments and law enforcement mechanisms. Besides, real measures of effectiveness should be developed as part of this strategy. (Williams and Baudin-O'Hayon, 2002: 142-143)

Last of all, several additional initiatives ought to be taken such as establishing peace-making and peacekeeping forces on a permanent basis; creating human rights and security threshold tests for membership in key IGOs; making security, equity and social exclusion impact reviews of all global development measures; and emphasizing the close connection between global environmental degradation and insecurity. (Held, 2004 (b): 165)

Before concluding this section, it should be once more stated that the long-term solution to the problem of global insecurity is the development of a cosmopolitan political project. Cosmopolitanism will be instrumental in terms of restoring legitimacy, reconstituting control over organized violence, rebuilding trust, and re-establishing rule of law on global scale.

Kaldor argues that the global/local divide should be transcended and all politics of exclusion should be challenged by democratic set of values for a comprehensive solution. (Kaldor, 1999: 1-11, 69-90) This will only be achieved by politics of inclusion discussed before.

6.2 GLOBAL ENVIRONMENT

Global environmental degradation is the second core challenge of contemporary political globalization, identified in this study. In that context, this section outlines the elements of CSD approach towards global environmental governance.

In order to figure out global environmental degradation in the current era, the topic needs to be defined in a broad manner. In that sense, the latter basically refers to the transformation of the ecosystem, whether acknowledged by human actors or not, which results in adverse consequences on the demographic or economic conditions of life and/or the health of human beings. (Held, McGrew, Goldblatt and Perraton, 1999: 377)

Table 6.3 Global Environmental Problems

<p>Shared problems involving the global commons Global warming Ozone depletion, etc.</p>
<p>Interlinked challenges of demographic expansion and resource consumption Desertification Questions of biodiversity Threats to the existence of certain species, etc.</p>
<p>Transboundary pollution Acid rain River pollutants Contaminated rain, etc.</p>

Source: Held, 1999

If we evaluate the concept of environmental degradation in that way, we end up with three types of challenges in the contemporary era, as shown in Table 6.3 above.

First of these challenges is related to the so-called global commons. Global commons refer to the elements of global ecosystem that are used by all; yet under the sovereignty or jurisdiction of no one. The primary examples of global commons are the atmosphere and the climatic system. Obviously nobody can own the atmosphere or be excluded from its consumption. The atmosphere supplies the essential and vital resources for human life for all societies and states. However, any wrong action or misuse of it, even in a specific locality, could result in unpredictable effects throughout the world. In other words, what makes the current era unique in terms of environmental matters is that separate societies and states in different parts of the world depend considerably on each other and are interdependently bound in terms of the protection of global commons. (Held, McGrew, Goldblatt and Perraton, 1999: 378)

As stated above, air pollution constitutes one of the most severe challenges to global commons. As the 2003 *World Development Report* of the World Bank asserts, air is continuously being polluted today. Global energy use is growing at the same rate with the growth in gross domestic product. Greenhouse gas emissions will continue rising unless a concerted effort is taken to increase energy efficiency. Excess nitrogen in the past fifty years, mainly due to human sewage, fertilizers and combustion of fossil fuels, has started to overwhelm global nitrogen cycle. This results in various negative outcomes such as reduced soil fertility, excess nutrients in lakes, rivers, etc. With these current trends in effect, biologically available nitrogen will double in next 25 years. (World Bank, 2003: 2)

There are serious challenges in terms of climate change as well. As the United Kingdom Department for International Development (DFID) has mentioned, one of these is the sharp increase of carbon dioxide, the main greenhouse gas, by 30 percent over the last 250 years which had direct effects on global warming and climate change. In addition to that, DFID states that the primary challenges of climate change today are reduced annual rainfall, increased risk of flooding and/or drought, increased temperature and rainfall variability and rise in sea levels. Last of all, the knock-on effects due to climate change are reduced food security, increased risk of accidents, spread of disease and infrastructural damage. Naturally, poor people are exposed to the most at risk from all these changes as they have relatively limited capability to respond. (DFID, 2004: 1)

Second challenge of contemporary globalization to environment is related to demographic expansion and resource consumption. In simple terms, more population means more pollution and more consumption, *ceteris paribus*. (Held, McGrew, Goldblatt and Perraton, 1999: 379) As a result of rapid growth in world population in the past decades, widespread ecological degradation due to human activity has increased significantly. Among these could be cited soils losing fertility or being eroded, desertification, dwindling fisheries, overgrazed grasslands, shrinking forests, disappearing species, polluted air and water. (The Commission on Global Governance, 1995: 29)

In terms of soil degradation for instance, we see that about 2 million hectares of land worldwide (23 percent of all cropland, forest, woodland and pasture) have been degraded since 1950s. Forests are being destroyed at a very high rate. Since 1960, one fifth of all tropical forests have been cleared. Biodiversity is disappearing through a variety of extinctions. Many plants and animals have been significantly reduced. Fishery is declining. There are severe problems with the aquatic

environment and its productivity. Fresh water is getting increasingly scarce. Availability of fresh water in some regions of the world will most probably be one of the most challenging issues of the 21st century. (World Bank, 2003: 2-3)

The critical point here is that although these environmental outcomes are initially seen in geographies experiencing rapid population growth, it is obvious that these problems will spill-over to other regions as well. (Held, McGrew, Goldblatt and Perraton, 1999: 379) Therefore, the challenge reflects a considerably global characteristic as well.

Last but not least, there is the crucial problem of transboundary pollution. This refers to the transmission of pollutants from their original point to other regions of the world via air, soil, water, etc. Acid rain, river pollution and contaminated rain are prime examples of the latter. In addition to these, operation of nuclear power stations, just like in the case of Chernobyl, has the potential to create enormous amounts of transboundary environmental pollution. (Held, McGrew, Goldblatt and Perraton, 1999: 379-380)

Another interrelated and crucial source of global environmental degradation is related to the environmental outcomes of economic and industrial affairs. New global economy is increasing the range and extent of environmental degradation. For instance, rising international trade necessitates enhanced transportation which is a major source of carbon emissions and other sorts of pollution. As production gets consolidated, geographical scale of environmental risks expand in proportion. Besides, economic growth multiplies environmental damage as higher output necessitates more resources and produces more waste, etc. (Jacobs, 2001: 321)

To sum up, as a result of all these factors, global environmental degradation is posing a great variety of risks to the contemporary world. However, the real challenge is that these challenges are new and fairly unprecedented. Previously, environmental matters used to be confined to local areas. Therefore societies had the opportunity to escape consequences of environmental degradation easily by moving on to unspoilt places. As a result of that, environmental outcomes were not much felt in neighboring areas. However, this situation has entirely changed in the contemporary era. Today, there is a radical shift in physical and environmental conditions as transmission of environmental problems are very rapid and intense. The extensity of current environmental risks today is unique as they do not only arise from new technologies such as nuclear power, production of synthetic chemicals and genetic engineering; but also from continuing expansion of previous problems such as fossil fuel combustion, etc. In that context, environmental risks being faced by humanity today are much more global and pervasive, affecting the daily lives of people all over the world which might have irreversible outcomes in the future. (Jacobs, 2001: 325, 326; Greene, 2004: 452; Held and McGrew, 2002 (b): 4-5)

The comparative analysis of key types and sources of environmental degradation between the modern (approximately 1760-1945) and contemporary (approximately 1945 on) era overtly demonstrates the distinctive and unique characteristics of the latter. As Held, McGrew, Goldblatt and Perraton argue, no historic parallel exists with the contemporary levels of global environmental degradation. (Held, McGrew, Goldblatt and Perraton, 1999: 391)

**Table 6.4 Comparison of Modern and Contemporary Eras
in terms of Environmental Degradation**

	Modern (Approx. 1760-1945)	Contemporary (Approx. 1945 on)
Key Types of Environmental Degradation	Demographic and early ecological transformation of Oceania	Global warming, ozone depletion
		Marine pollution
	Some global extinctions of species	Deforestation, desertification, soil exhaustion
	Some contribution to cumulative impact of global warming	Overspill and collective resource problems
	Local resource exhaustion	Acid deposition
	Agricultural transformation of the rural environment-forest loss, especially in some European colonies, etc.	Nuclear risks
	Urban air, soil and water pollution	Global biodiversity decline
		Hazardous wastes
Key Forces of Environmental Degradation	European ecological expansion and colonial economic practice	Western growth and consumption Socialist industrialization
	Capitalist industrialization Urbanization and concentration of industry	Industrialization of the South and demographic explosion
		New risks from nuclear, biological and chemical technologies.

Source: Held, McGrew, Goldblatt and Perraton, 1999

These unique and distinctive characteristics of contemporary environmental degradation could be summarized in terms of their extensity, intensity, velocity, impact propensity, institutionalization and stratification.

These are illustrated in Table 6.5 below.

Table 6.5 Contemporary Environmental Globalization

Extensity	Environmental degradation of the global commons crosses key thresholds-global warming and ozone depletion
	Sheer levels of global population and per capita consumption place collective pressure on land, resources and ecosystems with overspill risks
	Transboundary pollution-marine, riverine and airborne-acquires clear regional dimensions in industrialized areas: Europe and North America earlier in the century, increasingly now in Latin America and the Pacific Rim
	International trade in hazardous products and waste develops within the West, from Western Europe to Eastern Europe and from the North to the South
	International trade in and diffusion of nuclear technology and risks spread to all continents
Intensity	Global risks and threats increasingly relative to local and national threats
Velocity	International trade and technology transfer speeds spread of threats and risks
	Sheer voracity of modern economies and fragility of ecosystems speed the process of environmental degradation
Impact propensity	Global and regional impacts and threats begin to outstrip local impacts, especially where domestic pollution has been diminished by political action, industrial change
Institutionalization	Growth of international environmental law, treaties and regimes
	Establishment of environmental agencies within the UN and other international organizations
	Growth of international environmental alliances between NGOs
Stratification	Intense localized pollution in cities and manufacturing regions but with enormous variations between rich and poor societies
	Greater disparities globally in level of consumption and shifting relative contributions to global environmental problems

Source: Held, McGrew, Goldblatt and Perraton, 1999

In order to be able to respond to these environmental challenges posed by globalization, several important global initiatives have been taken in previous decades. Among these could be cited the emergence of various networks specialized on the issue, new environmental movements and

new international institutions, conventions and regimes. Adoption of Agenda 21, establishment of the Commission on Sustainable Development (CSD), Rio Declaration on Environment and Development, Statement of Forest Principles, Climate Change and the Biodiversity Conventions, Kyoto Protocol and various other initiatives within the framework of United Nations Conference on Environment and Development (UNCED) and United Nations Environment Programme (UNEP) could be cited as some major developments. Nevertheless, outcomes of these initiatives have been far from satisfactory. As Pench argued, “the rules of the game” in environmental matters are currently in “embryonic form”. (Pench, 1999: 17)

Therefore, it is obligatory for CSD to formulate a comprehensive reform proposal and action plan to challenge global environmental degradation. In that context, as Elliott has very appropriately stated, a political practice and ethic taking cue from contemporary cosmopolitan project could provide a sound framework towards global environmental governance. Individual states appear increasingly vulnerable and dysfunctional in the face of environmental challenges whose feasible solutions go beyond national territories. In that context, a cosmopolitan project with reciprocal rights and duties offers three components for an equitable and just form of global environmental governance: An ethical statement morality bringing obligation across borders; a practice of compensatory and assistive burden-sharing; and a politics of consent realized in global democratisation and the cosmopolitan political sphere. (Elliott, 2002: 3, 9, 12)

In that context, a starting point for CSD approach could be the “environmental modernization” project proposed by Jacobs. This project has five interrelated key features. (Jacobs, 2001: 328).

First of all, the trend needs to be promoted towards higher environmental productivity and the new-knowledge based economy should be adapted towards environmental ends. Secondly, although it is acknowledged that consumption has a very important role in modern life, it ought to be encouraged towards environmentally benign forms. Third of all, a central place should be given to the perception of risk and scientific uncertainty and risk management needs to be made a key policy field. Fourthly, the trend towards environmental inequality and exclusion should be countered. Last of all, it should be accepted that science and technology have a central role in coping with environmental problems and these problems are soluble.

To be able to realize these key features of environmental modernization, governments ought to develop comprehensive and long-term policies. In that direction, the first step should be to secure “eco-efficiency“ of industrial production. In order to accomplish that, greater funding should be spared to environmental technologies and industries that are environmental-friendly. Besides, environmental performance of firms should be promoted and an active role by the government needs to be taken in developing sectoral environmental modernization strategies with key industries. In addition, environmental productivity needs to be backed by regulatory regimes deterring inefficiency via instruments such as environmental taxation. (Jacobs, 2001: 323, 329-333)

Besides production, environmental modernization requires a change in the consumption side as well. Patterns of consumption should be re-designed in favour of consuming environmental-friendly products. Obviously, the greatest burden here will be rather on the supply side which should be pressured to produce more environmentally efficient goods and services. Disposal and recycling of previously supplied consumer goods, cost saving insulation services, water efficiency

measures, cutting travel demand by home shopping and delivery will be prominent initiatives in that respect. (Jacobs, 2001: 336)

Therefore, consistent steps are required to set international regulatory frameworks on global environmental affairs. In such a way, partnership between public and private institutions could be enhanced that will generate a useful synergy between international financing and private investment. A new generation of more effective instruments are needed to provide adequate incentives to bring environmental sustainability. In that direction, one of the pioneering and promising instruments could be the creation of genuine domestic and regional markets for environmental services, inspired by the clean development mechanism of the Kyoto Protocol. (UN, 2002: 107)

In addition to that, local authorities need to be empowered in terms of solving environmental problems due to the fact that environmental management functions are fairly territorial-specific. Environmental challenges such as water resources management, ecological land use, urban management and solid waste disposal necessitate decentralization in environmental policies and instruments and balanced distribution of public expenditure and private investment at local levels. This will contribute to social consensus building as well as promote environmental sustainability efforts. (UN, 2002: 108)

Accomplishment of all these initiatives could be realized within a comprehensive sustainable development approach, fully acknowledging the crucial links between population, consumption, technology, development and environment. Environment and development discourse has been fairly diverse during 1960s and 1970s as it was not structured around a single concept. (Selin and Björn-Ola, 2005: 43). A functional sustainable development approach could reverse that and enable broader support in environmental affairs.

As the United Nations World Commission on Environment and Development (Brundtland Commission) stated in 1987, sustainable development is the type of development which meets the needs of present generation without compromising the ability of future generations to do that for their own needs. What is meant by needs here is basically the concern to eradicate poverty and meet basic human needs. Therefore sustainable development aims at designing and implementing strategies to promote socio-economic development while avoiding environmental degradation. The link between environmental sustainability and development is extremely important in the case of poorer countries as poor people over-exploit land and forests to survive; yet as a result of that, they undermine the resource base they depend upon. These countries need assistance to get out of poverty to ease this pressure on the habitat. They need to have the access to energy-saving technologies in order to use fewer technologies. (The Commission on Global Governance, 1995: 29-30; Greene, 2004: 457)

As illustrated in Table 6.6 below, objectives of sustainable development are numerous. The term “sustainable” refers to “equitable and balanced” in the sense that interests of different groups need to be balanced in economic, social and environmental areas. Thus, in essence, sustainable development is related to the multidimensional wellbeing of humanity in the long-run. (Soubbotina, 2004: 9-11)

Table 6.6 Objectives of Sustainable Development

Economic Objectives
Growth
Efficiency
Stability
Social Objectives
Full employment

Table 6.6 cont'd

Equity
Security
Education
Health
Participation
Cultural identity
Environmental Objectives
Healthy environment for humans
Rational use of renewable natural resources
Conservation of non-renewable natural resources

Source: Soubbotina, 2004

To sum up, as mentioned in the *World Development Report 1999/2000*, environmental sustainability is closely related to the intra-generational equity aspect of sustainable development, the latter meaning to ensure that future generations will have the same capacity to develop just like in the case of present generation. (Pearce and Warford, and Watson and others in World Bank, 2000: 28) Therefore, a broad and comprehensive sustainable development strategy is in line with the basic principles of CSD agenda. The challenge of environmental sustainability in the contemporary world is more severe than anticipated and thus needs to be immediately addressed by the global community.

CONCLUSION

This study has basically argued that the cosmopolitan social democracy (CSD) approach forms an alternative perspective of global governance in tackling the four basic challenges of contemporary globalization identified in this study. As expressed many times throughout this dissertation, two of these are in the economic sphere (challenges in global trade and financial governance; and challenges of global inequality and poverty) and the other two in the political sphere (challenges of global insecurity and challenges in global environment).

By suggesting comprehensive proposals in dealing with these challenges, CSD strives for incorporating a social and humane dimension to the ongoing globalization process. In that way, it aims at transforming globalization into a force for good in the benefit of all. It tries to carry that out by formulating an alternative perspective, which has been discussed throughout this study.

The concept of social-liberal synthesis (SLS), discussed in the third chapter of this study, which could be simply defined as the re-appraisal and re-formulation of social democratic thinking in accordance with the circumstances of the contemporary era, has today a considerable sense of legitimacy at the national level. However, a similar state of legitimacy is absent at the global level.

This is the fundamental reason that impedes world community to address the above mentioned challenges of globalization in a systematic way. In that context, CSD is simply the attempt to extend modern social democratic model and thereby democratic legitimacy to the global domain. Attaining and ensuring this global legitimacy is obligatory due to

the simple reason that viable solutions of these challenges require global cooperation and effort beyond national boundaries.

That is why the so-called “double democratization” process constitutes the primary rationale and motive of the CSD approach. The latter means that democracy needs to be ensured not only at the national level but also at the global level. In other words, it is required that the core values of democracy, such as the rule of law, social justice, social solidarity, democratic politics, political equality and economic efficiency should be extended and subsequently secured at the global level. This is considered as the *sine qua non* for attaining a more humane and just world order.

The basic features of CSD approach should be evaluated on that basis. In other words, these features are formulated and benefited in such a way to offer alternative proposals to tackle the challenges of globalization and accomplish the above-mentioned goal of global democratization. On that basis, the CSD approach certifies the view that the two spheres of economics and politics constitute a non-separable continuum in human and societal life, and therefore the alternative perspective of globalization that is being suggested here needs to simultaneously take into consideration both of these domains.

In that context, it might be useful to briefly touch upon these economic and political features to perceive and discern in what ways they could be profited in this project. To begin with the economic aspects, we see that one of the core features of CSD is the distinction it makes between market economy and capitalism. Market economy refers here to the transparent mechanisms enabling the adjustment of the dynamics of supply and demand within a competitive environment. Whereas capitalism symbolizes a complex and complicated order, in which there is no regulation, control or transparency. Obviously, CSD favours a competitive functioning market economy and deeply criticizes capitalism in the above-mentioned sense.

Second core economic feature of CSD is the partnership of public and private spheres within the context of New Keynesianism. This feature briefly asserts that the role of state should retain in economic affairs; yet its intervention should be limited to ensure to make markets work more efficiently. Rather than a huge bureaucratic state, a smaller, yet more effective state is desired. The latter naturally necessitates a high level of partnership between the public and private domains.

Thirdly comes the emphasis on macroeconomic stability. CSD attaches great importance to this issue. This is basically due to the fact that macroeconomic stability constitutes the major precondition for long-term sustainable growth and socio-economic development.

Final economic element of CSD approach is its economic pragmatism. Economic pragmatism enables CSD to survive in the highly complex and fluid circumstances of the current era. Besides, economic pragmatism is an important factor in terms of economic performance.

As I have mentioned, in addition to the economic elements, CSD has core political features as well. First of all, CSD ascribes a new role to the nation state. CSD fully acknowledges that contemporary globalization is radically altering the traditional role of the nation state. The nation state is still a primary and influential unit in the international system; yet is experiencing a transition process of reconfiguration in terms of its power, jurisdiction, authority, and legitimacy. Current circumstances do require a smaller yet more effective, regulatory and a facilitator state which is vital for confining negative outcomes of the market mechanism and thereby functioning substantially in providing the goals of social development and justice.

The second political feature of CSD is its emphasis on the politics of inclusion and it primarily benefits from the scholarship of critical theory (CT) in that respect. CSD makes a comprehensive critique of the existing

fabrics of society which exclude certain groups from economic and political participation. CSD argues that by virtue of being human, all individuals have the right of inclusion in economic and social life at global level.

Another political element of CSD is the ethical dimension it brings to global governance, which is materialized in the concept of global neighbourhood. CSD approach claims that full adherence and respect to various global rights and responsibilities, and the formation of global ethics are vital steps to add a social dimension to contemporary globalization.

Last of all, the concept of global civil society occupies a central place in the CSD thinking. Today, global civil society is getting involved in a variety of crucial global activities and contributes to increase the level of accountability, transparency and legitimacy in global governance. Therefore CSD approach fully supports the role undertaken by global civil society at current global affairs and favours its further development.

In sum, benefiting from all these features, CSD serves as a comprehensive tool to cope with the above-identified economic and political challenges of globalization. Here it is worthwhile to briefly appraise how it tries to achieve that goal by dwelling on each individual challenge respectively.

To begin with global trade governance, first of all, CSD tries to diagnose the deficiencies in current global trade architecture. Here, the special emphasis is on World Trade Organization (WTO). On that basis, various reform proposals are put forward to transform global trade governance into a more developmental character, which is more sensitive to the demands of developing countries. Similarly, the focus on global financial governance is on International Monetary Fund (IMF) and CSD proposals aim at solving governance, representation and legitimacy problems of this institution as well as conditionality and ownership problems of its programs.

As for the problems of global inequality and poverty, CSD develops an alternative approach to development involving significant elements to cope with not only this issue but also the deficiencies in global trade and financial governance. This alternative approach is composed of multiple interrelated features which could be enumerated as the construction of the developmental state; acknowledging the role of institutions in terms of development; clarifying the means-ends confusion; improving investment climate; emphasis on specificity, gradualism, capital controls and the vital connection between democracy and higher-quality growth; transition from Washington to Post-Washington Consensus; and fight against global poverty and hunger.

In addition to the economic sphere, CSD model introduces in depth proposals to cope with political challenges of contemporary globalization. For instance, in terms of dealing with global insecurity, CSD begins its analysis by asserting that the concept of international security which has been traditionally defined as the survival and protection of state from outer attack is being more and more inapplicable in the current era. Globalization is facilitating a new set of security problems and the concept of national security is becoming more and more a multilateral affair. Therefore, CSD model evaluates unilateralism in security related affairs not a viable and credible option any more, and offers an alternative approach which is based on the democratic settlement of security problems. In this approach, resolution of political conflicts could be settled via “open transnational citizen/societal (rather than state or market) centred political process legitimized by fairness, adherence to human rights, the rule of law, and representative community participation”. (Falk and Strauss, 2003: 203-204)

Global environmental degradation constitutes the second core challenge of contemporary political globalization undertaken in this study. CSD visualizes this topic in a broad manner including the problems of global

commons; interlinked challenges of demographic expansion and resource consumption; and transboundary pollution. Due to the reason that no historic parallel exists with the contemporary levels of global environmental degradation, CSD develops an immediate action plan based on a cosmopolitan project with reciprocal rights and duties in this issue. CSD tries to implement this goal through an environmental modernization project based on a comprehensive sustainable development approach, fully acknowledging the crucial links between population, consumption, technology, development and environment.

Obviously, challenges of contemporary globalization are not limited to these above-identified four points. More than tens, even hundreds challenges of globalization could be determined and identified. Furthermore, the domain and scope of globalization cannot be restricted solely to the economic and political spheres. Equally, we could analyze many other dimensions of globalization, such as social, cultural, religious, etc.

Nevertheless, these two spheres of economics and politics and the four challenges attached to them examined in this study indicate truly essential and critical problems for each member of global community to struggle. In other words, as Pauly stated, it is the time to grasp the nettle put in our hands. (Pauly, 2001: 1) Globalization could be transformed into a force for good and this could only be achieved by reforming its current inadequate governance. As governance is above all an end result of human decisions, it is the duty of us all to strive for the latter.

As seen from the discussion above, CSD approach presents a comprehensive action plan in that direction. Its cosmopolitan outlook and principles provide CSD with the vital and principal assets to proceed in ensuring the grand goal of ensuring global democratization. Cosmopolitanism guarantees the universal application of core human

values and thus facilitates a multilayered/multilevel governance and authority structure.

The latter is accompanied by a transition from executive to cosmopolitan multilateralism, which refers to the initiative to form an overarching network of democratic forums covering all layers of global governance, namely the supra-state, national, transnational and sub-state layers. This denotes a polyarchic and pluralist structure which depends on the convening of various agents to conduct global policies. Therefore, cosmopolitan multilateralism does not refer to a hierarchical, monolithic global governance model; on the contrary, it stands for mutual cooperation and coordination among various actors functioning in the process. Obviously, in such a framework, the principles of democratic deliberation, stakeholder representation, transparency, effectiveness, accountability, inter-group coordination, bargaining, impartiality, democratic legitimacy etc. could be materialized and enjoyed freely and in a widespread form.

On that basis, cosmopolitanism and cosmopolitan multilateralism paves the way to think, reason and conceptualize from the viewpoint of others. Such an understanding overthrows the traditional distinctions between the domestic/international, territorial/non-territorial, insider/outsider, etc. and thereby facilitates a type of inclusive authentic dialogue. That denotes the emergence of the so-called cosmopolitan citizenship, which is not based on the membership of a territorially specified community; but on the basic cosmopolitan principles that are enjoyed by all.

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PUBLICATIONS

- 1) **“Turkey and the EU Budget: Prospects and Issues”**, with Dervis K., Gros D., Oztrak F. and Isik Y., EU-Turkey Working Papers No. 6, Centre for European Policy Studies, Brussels, Belgium, 2004
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