107. Globalization, economics, and the modern world-and-life view

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Introduction

It is a real honour and privilege for me to take part in this International Conference on "Development in the Context of Globalization", organised on the occasion of the 40th anniversary of the Faculty of Economics in the famous *Universidad Veracruzana*. And I can assure you that it is an excellent theme for such a celebration. It is a theme which directly presupposes just how much the world has changed in the last forty years, and also raises the question of how economists and other scientists did or did not react to all of those changes.

For while the ongoing process of globalization is now fixed in the hearts and minds of many politicians and scientists, even the word *globalization* was not really known forty years ago. It is therefore intriguing to enquire about what has happened over that time; not only within the world-economy as a whole, but also within the reflections of economic science in relation to this remarkable new phenomenon.

So you will allow me therefore to make the character and features of the process of globalization into the centre-piece of my contribution. My viewpoint is from within economics as a social science. This will also form the best basis from which some specific remarks about recent economic developments in Europe and Asia in the latter part of my presentation.

1. Different scientific patterns of reaction.

The central theme of our conference, *Development in the Context of Globalization*, is of course narrowly related to the question how, and to what extent, a social science like economics develops over time in confrontation with a rapidly changing reality. The dynamic process of globalization is indeed an excellent test-case for such a question. So we will try to investigate how, and to what extent, the rise of this process was identified and evaluated in the last forty years by mainstream economics.

To give an adequate answer we first need to make a small comparison. Consider, on the one hand, the usual reaction of modern economists to the process of globalization with, on the other, the reaction which comes from other social sciences, for instance sociology, political science and social philosophy. Did all these scientists think and evaluate this process similarly or have they approached it differently?

It is already obvious that at this point we confront a surprise. An initial comparison of these reactions reveals a significant divergence between the view of economists and of most other social scientists. The reaction of other social scientists is usually broader, sharper and more colourful that can be found among most economists. One of the main reasons seems to be that as with their approaches of twenty or thirty years ago, economists approach globalization as merely a given, a factual phenomenon. Of course, globalization is now more intensively studied by economists than before, in terms of market behaviour, market (dis)equilibria, as well as in terms of recent development patterns in trade and investment. Also from the viewpoint of Welfare Economics, globalization is now increasingly studied in terms of the distribution of income and wealth. But that does not diminish the fact that for most economists globalization still belongs completely to the world of what is just there, to the world of objective facts and of empirical data which are not subject to any kind of critique. The regular reactions or reflections from the other social sciences are somewhat different. I could give many examples here, for instance by referring to the writings of Manuel Castells (Castells 1996: 97- 99), or of Alain Touraine (Touraine: 2001:28) - who also wrote about globalization in its ideological aspects: La Globalizacíon como Ideologia (Touraine 1996) - and of Pierre Bourdieu (Bourdieu 2002:1, 1998: *passim*). But let me restrict myself to one illustration. It is taken from Post-Modern Ethics, an important book by the well-known social philosopher and ethicist Zygmunt Bauman. In this book he draws our attention to the 'globalization of the economy' and its ongoing influence upon present governmental behaviour (Bauman 1993: 224). Here follows my quotation:

> Whatever has remained of economic management in state politics is (in the process of globalization) reduced to competitive offers of attractively profitable and pleasurable conditions (like) low taxes, low-cost and docile labour, good interest-rates and - last but not least - pleasant pastimes for all-expenses- paid travelling managers , (which are) hopefully seductive enough to tempt the touring capital to schedule a stop-over ... (p 232).

What is remarkable in this quotation is not only that Bauman refers to changes in government behaviour which are directly caused by the growing volatility of capital-movements around the globe. Dealing with changes in behaviour of actors caused by the economic process itself, is a wider framework of thought than we economists usually adopt. But there is more. Bauman also refers to an obviously conscious effort by political and economic actors to '*globalize*' the economy. He thus implicitly distinguishes between globalization as a factual process and globalization as a *project;* pre-supposing, as it were, a plan or an intention in the minds of several political and economic actors to lead the world to a higher degree of market-liberty and/or conformity. Regardless of whether we like such observations or not, it cannot be denied that you will look in vain for similar distinctions in the usual reflections that economists make on globalization.

Of course it can be suggested that this difference in approach is merely an expression of the differences between the social sciences themselves. Social sciences differ not only in the structure of their disciplines but also in the methodology of their analysis. Economists are expected to study the economic aspect of globalization, and not the entire social and political phenomenon. That is no doubt true. But we should not exclude *a priori* the other influences that are at work here. Let us therefore look firstly to the basics of the rapidly changing process of globalization itself.

2. The Basics of Globalization.

The process of globalization refers, as we all know, primarily to a shift which has taken place and is still taking place in the entire world economy. It is the shift from local and national markets to regional and global markets. Or, said otherwise, globalization is about the mutual opening up of national economies to each other, which includes the growing internationalization of almost all patterns of trade and investment. Globalization not only implies important shifts in the existing patterns of trade, but also creates new flows in investment and trade. To give one example: foreign investment has made possible a four-fold increase in the number of R&D Centres in China over the last four to five year period. China now has reached third place on the global R&D list (Rodrik: 2002). And this then opens up several new avenues for future trade-creation.

No doubt an important role in this world-wide opening up of new markets is played by Trans-National Corporations (TNCs). Their number has even increased to such an extent that, according to UN statistics, nearly 70% of world trade and 95% of foreign direct investment is in their hands, while a mere five large commercial banks determine policy and development in the global financial sectors (Harrod 2001:7). Thus from the outset globalization has not only manifested a process-side, related to an increase in the volume of exports, trade and flows of capital; it has also manifested a specific actor-side, a side related to a purposive increase in economic action. And that component has become increasingly important in recent years. More producers and investors than ever before have begun to pursue business opportunities and possibilities in the so-called global market. This, in its turn, has lead to important reactions from the side of several political actors. Think here of the continuous effort to shape more regional blocks in the world, like the recent

Monetary Union in Europe and the efforts to set up a Free Trade Zone of all the Americas. Political economic integration is not only one reaction to an existing process of globalization. It is also a specific way of regional participation in the process of globalization itself.

But there are more dimensions to the actor-side of globalization that we need here to disentangle. These dimensions come especially to the fore if we look for what is really new in this phenomenon. This newness is sometimes formulated as the addition of a new layer of existence to reality. At the very least it is an addition to the common *perception* of reality. That political and economic life has an international dimension is, of course, not new. But in past times that dimension usually only came into sight as the end-point of an already existing national initiative. But now it is increasingly the 'global scene' itself which functions as the starting point of numerous actions. It stands at the very beginning of many forms of human activity. Globalization then refers primarily to those processes which, from the outset, have a worldwide character.

Globalization can therefore at best be compared with a kind of satellite, circling around the world in its own orbit, from where it influences all national economies. Of course, globalization needed certain booster-rockets to arrive in its own orbit, like ICT (information and communication technology), the GATT or the WTO and the system of Bretton Woods. But it has now reached a sufficient height to maintain its own sovereign course around the world. And we can observe that in the emergence of a multitude of so called “transnational” corporations which, as it were, try to transcend all national borders. But we see this trend also in the growing size and influence of global capital which no longer has specific ties to any mother country. Global capital circulates now in enormous quantities around the world, mainly in the form of short-run bank loans in foreign currencies and in portfolio investments of a speculative nature. If the prospects of profit-making are favourable, global capital can arrive in a country in huge quantities, but it can also leave overnight, as Mexico and Argentina observed with much pain in recent times. Global capital constantly ricochets around the whole world, driven by its quest for maximum short-term financial gain in a climate of always changing expectations. Indeed it therefore belongs to an autonomous global circuit, with venture-capital and private-equity investments as relatively new members of the same global speculative family. The Bank of International Payments in Switzerland in its mid-2006 report that the amount of 369.000 billion US dollars of derivatives were put out in mutual contracts, which together with 74.000 billion dollars of official exchange-transactions constitute an amount of money which is equal to almost ten times the size of the entire world-economy in 2006 (Schinkel and Wester 2007: 23). The global financial markets have indeed grown immensely over the past five years. This has also introduced a remarkable degree of vulnerability of almost all “real economies” to the whims of “virtual” global capital. The President of the Federal Bank of

Germany, Dr Hans Tietmeyer, highlighted however that there is in his view also a positive side: "politicians have now been brought under the control of the financial markets" (*Le Monde diplomatique* March 1996: 3).

Let me try to summarize. Globalization can indeed be seen as one of the most dominant structural changes of our time, and most surely it is more than just a process of a gradual increase in export-and import intensity. It has also become the huge playing field for a whole range of new dynamic actors in the big arena of global markets and global capital, with global finance as its core. Globalization is thus full of the human will to transform and to *modernize* existing societies and cultures, not only technically and institutionally, but also economically and financially. The roots of globalization are therefore not just and only factual, but also mental and ideological. Globalization is not a neutral process, but it is intrinsically modern in the original Western sense of that word.

3. Economy and Modernity

In defending this thesis I should first try to explain what I mean here with words like 'modern' and 'modernisation' in their original Western sense and meaning. Usually we use words like these only as catchwords. But they have a far deeper content, as comes to the fore in a short reflection upon the historical and cultural origins of Modernity itself.

It is namely important to know , that the idea of modernity was not born in a kind of artificial laboratory. It originated in the heart of Western Culture in a time of deep insecurity, namely in the sixteenth and seventeenth century (S. Toulmin 1990: 14). For most people in Western society that was not only a time of great political, military, social and religious unrest, with constantly changing loyalties confronting ordinary citizens. It was also a time in which a fundamental doubt grew in the human heart about the reliability of what we experience via our own senses. For what can be accepted as certain, what can be held as secure, if scientists like Copernicus and Galileo have proved that it is simply not true that the sun moves around the earth, even though you continue to see that movement day after day with your own eyes? So a deep desire arose in Western civilization, we might call it a basic hunger, to reestablish a new realm of undoubted human security. And the philosopher René Descartes (1596-1650) laid the basis for this new type of security which was to be centred upon the individual human *ratio* (the *more geometrico*): *"I think, therefore I am."* Only a few years afterwards, Thomas Hobbes (1588-1679) founded the new security in the achievements of the natural sciences, which demonstrated so clearly the constant truth of mechanical, natural laws which rule the universe. And so arose what we now call "Modernity", the modern world-and life view! **Modernity** is thus not in any way an empty word, and neither is a word like **modernisation**. The modern world-and life view developed as an answer to one of the deepest existential human problems, namely the problem of insecurity. And it solved that problem by reinstalling human security in two ways. It did so firstly in the domain of logic, and in the certainty of mathematical and mechanical laws. But later on, and that is for us the most decisive point, *it also sought to overcome social, political and economic insecurity and to a large extent succeeded in doing so.* And it did this by a rational and systematic effort to reorganize and restructure the entire structure of human society. This meant that firstly, and above all, the introduction of, and adherence to, rational *mechanisms.* And so we see the market-mechanism and later also the democratic mechanism, which were seen and valued as rational expressions of the full liberty of the autonomous individual will. And this concept of modernity became increasingly also the context in which western man thought and acted; this was the true path of historical progress (Goudzwaard 1979: 80-87).

Why am I telling you all this? Is it not to wander too far away from our main topic, the process of globalization and the effects of this upon the different parts of our world? No, I do not think so. There are at least two reasons which make this view of modernity significant for our basic theme, globalization and the way in which globalization is perceived and analysed by most economists.

In the first place, globalization can indeed be seen as a thoroughly modern phenomenon, and it also involves, by definition, the persistent effort to *modernize* the world: and this effort is not only very dynamic, but it is also thoroughly rational and even individualistic, according to the laws that hold for properly working mechanisms. Globalization is thus far away from any kind of neutral, purely factual, value-free process. It is indeed implicitly also a kind of project, mainly inspired by the desire to extend a message of growing wealth and welfare for the whole world. And it is in this way now also picked up and elaborated in countries outside Europe or the United States, like Mexico, China and India.

But there is also a second reason to refer to this historical background, which relates to the fully modern character of mainstream economic *theory.* Just as globalization can be seen as a thoroughly modern phenomenon, so also mainstream economics finds its roots and identity as a modern enterprise. Consider its deep attachment to *individual* values and preferences, for the optimal working of societal and economic *mechanisms.* This of course explains to a considerable extent why modern economists reject, almost by instinct, any kind of critical evaluation of the current globalization project. Far more than any other social science, the science of economics was and is deeply rooted in Western modernity. Its thoroughly modern character explains to a considerable extent, why modern economics in its analysis of the process of globalization is usually so flat and also lacks sufficient depth.

4. A Normative Economic Approach.

But this audacious hypothesis needs, no doubt, at least a critical test. Let me suggest one. If modern economic science and globalization are indeed very similar in their attachment to classic modernity, then we should also expect that the opposite is true. Namely that a broader view of economic science than the present modernistic variety can in principle also lead to a deepened economic analysis and appreciation of the process of globalization. We will try to develop this thesis, also in relation to the challenge to come to a better analytical understanding of present economic and financial patterns in contemporary Europe and in the emerging countries of Asia.

But before I try to do so I have to reveal something about my own life and world view so that you can be aware of my perhaps not-so-modern presuppositions. As an academician I have been during my life deeply influenced by the Christian, mainly organic, tradition of social and economic thought which, for instance, implies that I am accustomed to start always from some kind of normative view of economic life. That view is partially rooted in reformational philosophy (Dooyeweerd 1979: 189-206), but even more in the supposed presence and real validity of the norm of *oikonomia*, the norm and rule of good and careful behaviour in relation to all human economic actions. That norm is, in my view, not only a part of our own cultural heritage. It found also its expression in for instance the Greek language of the New Testament. Thus economic life is, in this view, never a question of 'just and only' objective factual processes. It is also always an expression of the deeds and actions of economically responsible or irresponsible human actors. This view also implies that good economy is never restricted to questions of dealing with *objects of use*. The economic mandate implies also the need for the preservation of human and natural resources as *objects of care*. Economy is thus, to my mind, not only a question of dealing efficiently with what is or should be produced, but asks as well for the preservation of human health and the recognition of the inherent economic value of human labour and human social networks. All these entities have to be seen and valued as objects of economic care (Goudzwaard and de Lange: 1995, 42-64).

And all this relates as well to the process of economic globalization. Globalization is by definition related to the behaviour of actors, who can act responsibly but also act sometimes wastefully or un-economically. Also the issue of economic accountability of actors in or during the process of globalization therefore belongs to the field of economic study. Globalization is secondly also related to the need of good balance between the categories of economic use and of economic care. Globalization, seen as a process, can indeed imply that economic values or assets of care are preserved, promoted and even sustained. But it can also harm those values and assets .

From that double kind of perception I wish to start, also now in speaking briefly about recent economic developments in Europe and Asia under the rigours of globalization.

5. Economic Developments in Asia.

The recent economic achievements of India and of China have already drawn a lot of attention. They are indeed very remarkable. In India economic growth climbed from 1.5% in 1980 to an average of 5 or 6% in recent years. But from 1970 China's growth began to accelerate with an average of no less than 8% per head of population (Rodrik 2002: 2). This achievement is even more impressive if we look to the change in the average life expectancy in China. In 1960 it was a mere 36, but by 1999 it had already reached an average of 70 years (Rodrik 2002: 1).

If we take these statistics into account from the viewpoint of modern welfare-economics there is no doubt at all that these changes indicate a substantial growth of wealth and welfare, even a strongly Pareto-optimal allocation since not only the winners but also any "losers" are well compensated. Also there is no doubt that China and India now increasingly take part in the globalization process. So the conclusion seems obvious, that we just see here the full grown economic benefits of a continuous globalization process.

In my view, however, this conclusion comes too hastily, and I have three arguments to make a plea for a more nuanced type of economic analysis.

First, we have to notice a substantial loss of so called natural capital, due to irresponsible human, and mainly political, behaviour. Thirty percent of the land in China is now eroded, and no less than five Chinese megacities are now among the 10 most polluted cities in the entire world (Green 2005:1). Secondly, there is the element of a rapidly growing social and economic inequality. Few statistical data are available about the distribution of income in China, but all sources indicate a remarkable rise in the rate of income inequality, especially in recent years. Many small farmers have lost their land, and millions have moved from the countryside to the rapidly growing cities. In China this however implies that you lose your so-called *hukou,* which is the permit to dwell in a specific village, a permit which combines some kind of social security, free education and health care. Those migrants from the countryside usually lose all those facilities and usually also end in the slums. And for this they do not receive any kind of compensation.

But these recent developments lead of course directly to the question about the overall impact of this development upon China. Are the gains or the losses more significant? That question becomes even more important if we choose to take a broadened concept of welfare economics, in which also the possible losses of human, social and natural capital are taken into account. What is economically more significant: the substantial rise in the average income per head in China or this entire list of – perhaps temporary - losses and problems? Also here we have to be careful in our judgments. Consider this: China made its biggest jump in the growth of income per head not in the last two decades, but between 1952 and 1978. For that period economic growth multiplied by a factor of 5 (Mishra 2006: 10). But that was a period in which China had not yet opened its economy. It did not open its markets before 1990. So we cannot say that this growth was initiated by the process of globalization. China's growth was firstly, and mainly, a home-market development. Also the so- called "iron rice bowl" for all Chinese citizens was surely not an invention of globalization. It was installed as social safety net for the entire Chinese population in 1978, a significant period before Chinese markets opened to the world (Mishra 2006:10).

Of course I am not suggesting here that the more recent economic growth in China did not receive an important impulse from the worldwide process of opening national markets, which we call globalization. That impulse has been, and still is, significant. But is it not remarkable, that precisely in the years since 1990 most data indicate a sharp rise of the income inequality in China? Some authors even speak of a smashed iron rice bowl (Mishra 2006:2). And it is also these last years that an enormous growth of erosion and pollution took place in China.

Here I wish to remind you, as we saw before, that globalization is mainly a process of rapid modernization of a mechanistic nature without an initial care for people and for the environment. The present path of economic development in China is - just like the previous path of Maoism - a process which is accompanied by huge social costs. It has moreover scarcely any link with the existing Chinese traditional culture and way of life.

6. Economic Developments in Europe.

But let us now turn briefly to recent developments in Western Europe. The European common market began back in 1959, long before the term globalization came into use. Its institutional structure was therefore surely not shaped by the desire to participate in a future process of globalized economic growth. It was primarily shaped by the deep desire to prevent future wars on the European continent which, according to most political leaders, could possibly be achieved by a continued process of regional, social and economic integration. Regionalization, not globalization was the wish and desire.

This desire also implied, next to a common market freed from trade barriers, the introduction of a whole range of human social and economic rights, which were meant to create sufficient protection for each European citizen. It is sometimes called the Rhineland-model of economic integration, different from the so-called Casino-model which is associated with the type of Capitalism which is mainly propagated by the United States (Michel Albert :1991). There is a therefore still a lot of fiscal, legal but also environmental legislation in the European union, combined with a lot, perhaps even an overdose, of agricultural protection.

More interesting for our conference here is how all this relates, or perhaps does not relate, to the rapid process of globalization that has taken off in recent years. Europe is no doubt still one of the most important actors on the global economic scene, though lagging behind the US, and possibly soon to be passed by China. But does that imply, that Western Europe during this process of ongoing globalization is still fully determined to preserve its own regional pattern of development, oriented to also social and ecological values?

The facts point in the direction of a negative answer. The degree of social protection of European citizens via their so called national welfare-states is now clearly diminishing. Ecological rules and standards have weakened substantially in the last two decades. It is even the case that among the member-states of the European Union a kind of harsh competition has grown, a competition in terms of the best possibilities to attract foreign capital. And all of this is directly related to the fear about lagging behind in competitive power and technological strength in the world-economy. This is a fear which is greatly enhanced by the growing importance of the global financial markets and the criteria of performance which they use. This then leads us to the obvious conclusion that the process of globalization in its present style and format is even able to disorient and reorient an already fifty-year old economic regional covenant of states like the European Union. It would seem that the plans on the table for further regional Latin American economic cooperation and integration can easily be undermined by those growing tendencies.

7. Some Lessons for Present Economists.

But what are the lessons which we economists can derive from these experiences in Asia and Europe? Does our analysis and evaluation of globalization need some kind of reorientation? It is to that question which I devote the remaining part of my contribution, but not without a preliminary remark to prevent possible misunderstandings. What I have in mind is not the question of whether economists should try to come to some kind of a final judgment about the pros or cons of the present process of globalization. Such normative qualifications do not belong to the task of economists. Our scientific domain is purely and simply the search for truth. The lessons which I wish to derive from recent developments in the field of globalization are therefore meant as academic lessons which could bring us nearer to the truth ***in our analysis of this remarkable economic and social phenomenon***.

I see in this context three lessons, and mention them here in brief: The first lesson is that in our analysis of economic processes we should never ignore the reality of potential losses measured in terms of responsible economic care for human beings and the natural environment (A). The second lesson is that the leading role of money and the financial markets in the present process of globalization is critical and needs deepened economic analysis (B). The third and last lesson is that the economic study of globalization should also always involve a study of the behaviour of prominent actors, which includes the question of a possible simultaneous presence of enrichment and of impoverishment (C).

A. We have already noted that in China and in Western Europe social costs and comparable ecological losses have come to the fore alongside the material progress which is measured by a rising income per head of population. These sacrifices are at least partially rooted in the modern pattern of globalization itself, because it is an utterly dynamic pattern and therefore easily ignores economic values which do not have a price. An excellent illustration of this can be found in the changes which the World Bank had to adopt in its basic calculation-schemes in relation to its struggle against world-wide poverty. In 1999, the World Bank and the International Monetary Fund in actual fact adopted a new set of “poverty reduction strategies” (PRSP’s), mainly based on the idea of “country-owned” poverty-reduction schemes (Levinsohn 2003: 119,121), instead of the set of previous top-down "structural adjustment facilities” (SAF), which since 1986 required all applicant low-income countries to submit to the IMF a three-year program “to correct macro-economic and structural problems that have impeded balance-of payments adjustment and economic growth” (Buira 2003: 87). The remarkable background of this change was among other things that the practice of simply imposing mainly export-oriented policies on poor countries had already substantially failed. Especially in Africa the 80's and the 90's were characterised by a -mainly prescribed - substantial cut in government expenditure, which led to a number of societal disasters: several hospitals had to be closed, schools had to increase their school-fees, and as a result often stood empty. Also at the same time the degree of erosion and desertification grew significantly. The price of all this became so high that indeed a turn had to be made. The World Bank began another internal calculation scheme, in which the public expenditures for health, natural preservation and of education were no longer categorised as governmental consumption but seen as a form of ‘investment’. The important World Bank report Where is the Wealth of Nations? (2006) summarizes the changes. Next to physically produced capital also ‘natural capital’ and 'intangible capital' (which includes ‘human capital', together with the 'social capital' of the quality of formal and informal institutions) are now separately distinguished (World Bank 2006: xiii-xvii). At first sight this is only a change of words. But that impression is false. For this change in terminology implies that in principle all public expenditures which are destined in poor countries to uphold human health, to promote education and to preserve the environment are seen now by the World Bank as of the same economic value and significance as was originally only attached to investments in so called 'physical capital'. These expenditures have now, as it were, left the soft domain of public consumption which you can cut endlessly, and entered the domain of investments in human capital, social capital and natural capital. Of course we have to wait for further results. But the change itself has to be applauded: nature, education and health are now recognized as objects of economic care. But we should not forget that much pain was needed, especially in Africa, before the World Bank was willing to admit that it had been led by an economic perception of growth that was simply too narrow, and to some extent even could become economically destructive. And let us not forget how much unnecessary pain is still caused now in the process of globalization by those many economic actors, which still travel the same paths of implementing too narrow investment and development-schemes.

B. Already in the introduction we noticed that globalization in practise is often accompanied by financial crises , like the Asian crisis of the 1990s, the earlier monetary crisis in Mexico and the more recent Argentinian crisis. But this of course leads directly to the question as to which role societies and also governments are willing to ascribe to money in general and to financial speculative capital in particular. Money, seen from the viewpoint of the norm of oikonomia, of good stewardship, is no doubt of great use in facilitating human economic interactions. But money as I see I is not an original part of God's good creation. Money is by nature a human utensil or artifact in the service of what we correctly call the real economy: the production, consumption and exchange of real commodities and services. But in modernity there is no place for any concept of serviceability, which does not account for it in money terms. And thus there is no reason in modern globalization to fear a full implementation of financial markets as steering and ruling mechanisms, even if they command increasingly the entire real economy. In the present pattern of globalization financial markets indeed have expanded to a degree of economic domination. On their command, companies have increasingly to obey the claims of short-term maximum shareholder-profitability, even if that implies mergers and buy-outs with important losses of employment. I do not hesitate to say that this is not only morally doubtful, but also a basically un-economic development. For if the real economy has no priority in economic development then a great deal of economic harm can be expected. Just listen to the words of one of the biggest speculators of the last decade, George Soros, who some years ago made the following remarkable observation (Soros 1998: xiv): "Financial markets are inherently unstable. The global capitalist system is based on the belief that financial markets, left to their own devices, tend towards equilibrium. (But) this belief is false. Instead of acting like a pendulum, financial markets have recently more acted like a wrecking ball, knocking over one economy after another". Indeed, that unbelievable, but also unnecessary, harm has already become an undeniable part of the recent history of globalization.

C. I now come to the third and final lesson, and that is related to the behaviour of economic actors and the economic consequences of their deeds. We saw for instance that in China a lot of small farmers are now losing their land because of direct expropriation by the state, and I also referred to the role of speculative capital in causing the instability of entire economies. Terms like enrichment and impoverishment come then easily to the fore. But usually most modern economists indicate immediately that these words should never be used in their discipline. Words like these express subjective ethical value-judgments, and those judgments have no place in any positive science. That is indeed quite an understandable position from the life and worldview of modernity. In questions of explanation there is only one task, and that is to look for the possible causes which are of an objective and therefore empirically verifiable or 'measurable' nature. As a consequence we have all been trained as 'modern economists' to always and only ask the 'what?' question if we are seeking causes of economic events .We never to ask the question "who?" could have caused it. But is that scientifically responsible? In the process of globalization we observe, as we have seen, a pluriformity of economic actors. Transnational companies, governments, international institutions, labour unions and venture capitalists - together they all shape the process of Globalization from a diversity of roles. Their actions do often have positive effects on human wealth and wellbeing, but sometimes these actions are also wasteful. Can we exclude the study of the economic consequences of deliberate human actions from a social science like economics so easily? The famous Dutch reformed philosopher Herman Dooyeweerd pointed out already, more than fifty years ago, the blatant error in this alleged scientific attitude. His view was that a science like economics needs its own type of causality, which is different from the –mechanistic - rules of causality which are, for instance, present in the science of physics (Dooyeweerd 1953: II 182, III 159). Economists therefore should in his view never avoid the "Who?" question if they are looking for economic causes. This is not to make any kind of moral judgment, but it is simply to be able to explain what really happened.

But is an economic approach that focuses upon the "Who?" question still possible? I do think so, and my best witness here is Noble Prize winner Amartya Sen. One of his main early publications was <u>Poverty and Famines</u> (Sen: 1981). In this remarkable book he presents a comparative analysis of the causes of three so-called "natural disasters"- the great Ethiopian famine of 1972, the famine and great drought that afflicted the African Sahel region in 1968 till 73, and the 1974 famine in Bangladesh. In his analysis, Sen comes to some unavoidable conclusions in terms of a "who?" type of causality. For he proves that the main cause of the Ethiopian famine was the reduction of the food supply by landowners, while in the Sahel the hunger was caused by a too rapid introduction of cash crops. In the study of hunger in Bangladesh, Sen even points his finger to the partiality of many local authorities and the rapid alienation of the land of small landowners. Sen studied deeply the category of so called "economic entitlements", and the way in which they can be harmed or eliminated by adverse economic behaviour. This is, in my view, a lesson for all of us. A comprehensive economic explanation which we, as economists are seeking to provide, should never ignore the role of human differentiated responsibilities. Something very similar was stated recently by Adolfo Garcia de la Sienra (Garcia de la Sienra 2001: 88) where he writes about “a new agenda for economic theory”. He says: "In opposition to current economics, I would like to point toward an economic theory in which human behaviour is not understood as blind and mechanical, but as obeying moral standards, (in accordance) with God’s norms for creation”

I agree wholeheartedly, and could not have put it better myself.

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