

The Challenge of Global Growth

“What’s It For?”

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2010: The Global Society Scorecard

The times we live in are truly astonishing. We should not take recent achievements for granted. Imagine someone who had fallen into a deep coma 20 years ago and suddenly wakes up. The Soviet Union no longer exists; former Soviet satellite states such as Estonia, Poland and Bulgaria are members of the European Union (EU); China is a huge open market with more than 50 million outbound tourists; boat people are returning in big numbers to Vietnam to profit from the spectacular growth the Vietnamese economy is experiencing (*Photo 1*); thanks to unimaginable quantum technological leaps in mobile telephony, almost the entire planet is connected and migrant workers can send remittances home by telephone; the G-7 has morphed into the G-20, which includes countries such as Indonesia, Turkey, Brazil and South Africa – oh yes and apartheid was abolished in 1994! There is a new institution derived from the General Agreement on Tariffs and Trade (GATT), called the World Trade Organisation (WTO), which has almost (not quite, but almost) as many members as there are countries.

Of course it is far from all good news. There is the catastrophic legacy of the eight years of the George W. Bush administration with unsolvable wars in Afghanistan and Iraq. While there has been a decrease in cross-border wars, there has been a considerable rise in the number and savagery of intra-border wars. There has been the collapse of Lehman Brothers leading to the great economic recession of 2008/09. Early signs of recovery would seem to have been over-optimistic. Though the emerging economies are doing quite well, the EU and Japan remain sclerotic. At worse, the global economy will tank again; at best, it would seem on the basis of current trends there will be slow and mainly jobless recoveries. There is concern over the United States. Though the economy has performed considerably better than that of

PHOTO 1



Outside the Cholon market in Ho Chi Minh City, Vietnam, where the economy has thrived and poverty has been greatly reduced.

Japan and the EU, there is a malaise in the United States, a social depression, and an uncharacteristic pessimism; the legendary “can do” spirit – or indeed the “Yes, we can” spirit – seems to have evaporated. This national malaise is aggravated by the BP oil spill disaster. Sentiments of protectionism and isolationism become more acute.

When all is said and done, however, the balance sheet of the last 20 years, at least until the Lehman debacle of 2008, is quite overwhelmingly positive. Globalization – the greater integration of markets through cross-border flows of capital, goods, information and people – has brought great benefits to much of the world. There are risks, however, that these recent gains will be lost. The world is in a state of turbulence. A major war or wars cannot be ruled out. Wars, whether cross-border conflicts or domestic conflicts, i.e. civil wars, have been a constant of human history. Japan during the prolonged Edo era (1603-1867) provides an exception; though as soon as the country rejoined the world, it was engaged in five wars and colonial expansion in the space of less than half a century. As to the world, the great achievements of the end of the 19th and early 20th centuries were eradicated in 1914 and the attempts to reestablish global order and peace in the post-war 1920s were aborted in the 1930s. As an Argentine friend and eminent scholar – whose name I cannot disclose due to the application of the “Chatham House Rule” – commented at a meeting I attended early this year, we are not realistically living in a “post-Cold War” era, but many indices reflect what has generally been perceived as “pre-war” conditions.

In his prescient and challenging book, *“Globalization and its Discontents”* (2002), Economics Nobel Prize laureate Joe Stiglitz wrote: “Today the system of capitalism is at a crossroads, just as it was during the Great Depression.” Note must be taken that this was written fully six years before the great global economic recession. Jean-François Rischard, former World Bank vice president for Europe, published (also in 2002) a book entitled *“High Noon: Twenty Global Problems and Twenty Years to Solve Them.”* He categorizes the 20 global problems into three different but highly interrelated themes, namely 1) those that refer to our common planet (climate change, the oceans, biodiversity, etc.), 2) those that refer to our common humanity (poverty, disease, discrimination, exploitation, etc.), and 3) those that refer to our common rulebook, i.e. the letter and spirit of the rules according to which we should live as promulgated and in principle implemented through the appropriate institutions.

Thus, according to the spirit and letter of the rules of the International Labor Organization (ILO), there should be no child labor and certainly no Dickensian-style child labor exploitation. The reality is that between a quarter and a half billion children labor in pretty Dickensian conditions. According to the UN Millennium Development Goals, by 2015 all children throughout the world should benefit from at least six years of primary education. The reality today, with five years to

go, is that some 300 million children have never seen the inside of a classroom (*Photo 2*) and the chance, on the basis of current trends, of that goal being met by 2015 is roughly equivalent to that of seeing a pig fly!

The stalled WTO round of trade talks, officially called the Doha Development Agenda (DDA) and launched in 2001, was meant to “level the playing field” which had hitherto been heavily tilted against developing countries generally and against agricultural goods-exporting developing countries in particular. In fact the DDA was effectively killed, in letter, but especially in spirit, when at the WTO Cancún ministerial meeting in 2003 the United States refused categorically even to countenance the reduction, let alone elimination, of its huge domestic subsidies to a small number of highly pampered American cotton producers at the devastating expense of the tens of millions of cotton producers in Africa. Leaving aside the very hot and lively debate about development aid, whether it is good or bad in terms of its effects, the fact remains that at the G-8 meeting in Gleneagles, Scotland, in 2005, there was a huge hullabaloo – with Bono, Bob Geldof, and others – about lavishing money on Africa; five years later, none of the G-8 countries have met their Gleneagles contributions, with Italy having hardly started.

In the eight years following the publication of the Stiglitz and Rischard books, the situation has deteriorated, not ameliorated.

“Something Rotten” in the State of the World

Paraphrasing from the statement of Marcellus in Shakespeare’s “*Hamlet*” (“there’s something rotten in the state of Denmark”), there would indeed seem to be something quite rotten in the state of the world. Whereas following the collapse of the Soviet Union the number of democracies in the world increased exponentially, most have been bitter disappointments. The poor quality and lack of integrity of politicians in both established and new democracies are bringing about the erosion, possibly the collapse, of the legitimacy of democracy. If national governance is not working and is seen at best with scepticism from its citizens, but more often with contempt, how can one expect that global governance will function?

I believe that when the history of this era comes to be written, it will be labelled by historians as “the Age of Cynicism.” It is not just that politics and businesses are unethical, but that it is assumed and expected that this will be the case. There is blatant injustice. But arguably worse is the fact that the injustice and cynicism are legitimized by the current *zeitgeist*. The reality today is that while the differences *between* countries (with some basket-case exceptions) have diminished, differences *within* countries have dramatically increased, whether in so-called rich or so-called poor countries.

In the United States, life expectancy in inner cities is below that of the

PHOTO 2



A Masai child shepherd in Tanzania. Hundreds of millions of children are made to work, mostly in agriculture, in defiance of the ILO and the MDGs.

average LDC (least developed country). In Britain, there are an estimated four million children who live in relative poverty. In Japan, thousands of high school children were unable this year to attend their graduation day ceremony – a very important occasion in Japanese society – because their parents are too poor and indebted to pay the school fees.

Just as such social ills afflict the established rich countries, among so-called new emerging economies the situation is also disturbing. Maoist China was clearly awful and no one would want to return there. However, Deng Xiaoping’s injunction “it is glorious to get rich” has been taken to excessive extremes. While since the launch in 1979 of the reform program, Chinese growth has been vertiginous, the Chinese Gini coefficient (which measures inequality of income distribution) has increased from 0.30 in 1980 to 0.55 at present. This blatant inequality is causing immense resentment, illustrated by the suicides at Foxconn, the riots and

strikes at the Honda factory in China and the rising despair of even the Chinese middle classes, that real estate speculation has driven prices so high that they will never be able to afford decent housing.

In India, whereas on the one hand IT companies are at the forefront of technological innovation in the 21st century – and roughly 35% of Silicon Valley entrepreneurs are said to be from India – on the other extreme the country has the dubious distinction of having more illiterate women than the rest of the world put together (*Photo 3*). And though India counts some of the greatest contemporary thought leaders on economic and social issues, the blatantly discriminatory caste system remains stubbornly in place. The obsessive drive to GDP growth unleashed under the administration of former BJP (Bharatiya Janata Party) Prime Minister Atal Bihari Vajpayee from 1998 to 2004 totally neglected social consequences: so much for “shining India.” The Indian narrative could be illustrated by the fact that while by the middle of the last decade it became virtually impossible for the upwardly mobile to buy a flat for less than 1 million euros, for the downtrodden 70% of the population live in slums. With the massive migration of poor people from the rural areas to the cities and the population of India expected to increase by 135 million this decade, the situation is unlikely to improve.

The story is pretty much the same everywhere. Though the heinous regime of apartheid was abolished in 1994, South Africa remains one of the world’s most unequal societies, even if the rich and indeed the super-rich now include blacks. The swanky glittering skyscrapers and luxury hotels in Dubai hide an appalling social environment of exploited immigrant workers. In his very disturbing but in many ways quite remarkable book, “*A Crime So Monstrous: Face to Face with Modern-Day Slavery*,” E. Benjamin Skinner reveals that the total number of slaves today is greater than at any time in history.

In this darkness, there are some lights. The one country that has

PHOTO 3



A very high number of villages in rural India do not have access to potable water. Traditionally girls have the chore of fetching the water, often quite far away. This keeps them out of school and in good part accounts for the very high level of female illiteracy.

PHOTO 4



NGOs are making a difference. One of the most successful in all respects is BRAC (Bangladesh Rural Advancement Committee), which engages in scientific and management activities to empower poor farmers in Bangladesh and, increasingly, worldwide.

PHOTO 5



Rajeev Shorey, president of NIIT University, at the Neemrana Fort. The new university in Neemrana, Rajasthan, teaches engineering, science and management, but also includes a special place where students can watch, enjoy and meditate over the setting sun.

seen a significant decrease in inequality and a general improvement in most social indicators is Brazil. Brazil had the dubious distinction of being the country in the world with the highest inequality. While it remains highly unequal, the Gini coefficient has dropped from 0.61 in 1990 to 0.52 today – thus equivalent to that of China. Though Brazil can hardly be described as a poster child of social equity, it does nevertheless prove that with proper governance and leadership, as the country has enjoyed under the presidency of Luiz Inácio Lula da Silva since 2003, a difference can be made.

Another positive trend and one that has played an important role in the improvements in Brazil has been the rise of civil society. Though there are grounds for some criticism – for example, that many NGOs tend to be focused on single issues and thus missing a more holistic appreciation of the problems they are purporting to solve – on balance they provide a quite positive dynamic. Equally so is the case that more and more persons who would have many career choices to make choose to put social good above private gain (Photo 4).

Thus, though the last couple of decades have been in many ways remarkable, one must nevertheless acknowledge that society is more unequal, the environment is more in peril, the rulebook is increasingly honored far more in the breach than in the observance, and most of all the ship of global state is conspicuously lacking an ethical compass.

What's It for?

In March this year I was holding a session on globalization with some 70 students at the new NIIT University in Neemrana, Rajasthan (Photo 5). It was a highly interactive and lively session. As I was leaving for lunch with the president of the university, Rajeev Shorey, a small group of students came up to me, one of whom asked if he could ask me a question. The question was: “But what’s it for?”

This is the very profound question we should be continuously asking ourselves. What’s it for?

Looking at the world the way it has been going and even if we do manage to recover growth, one is tempted to remember the words of the title of a very successful 1960s Broadway hit: “Stop the world I want to get off.” Do we really want to live in a society where “wealth” is assessed exclusively by material criteria, where the pursuit of *lucre* is the defining social goal, where inequality becomes increasingly blatant, where injustice rages, where the planet is wantonly plundered, and where ethics is no more than the plastic plastered on some corpora-

tion’s “social responsibility” report?

The late great Japanese economist Shigeto Tsuru long ago argued that GDP is a pure exercise in addition that allows for no subtraction. He gave the example of the Inland Sea. Here was one of the most pristinely beautiful sites of the planet. When in the course of Japan’s “economic miracle” it was ravaged by the setting up of petrochemical plants, the economic “gain” was registered positively in the GDP figures. However, there was no registration of the terrible loss, not only, as Tsuru stressed, to current generations, but especially to future generations of Japanese who would never be able to enjoy what their forebears had enjoyed for centuries. Tsuru argued in favor of what he called a “social depletion” index that would balance the addition in GDP with a possible subtraction on the basis of environmental and social evaluations.

This does not mean that growth should be abandoned. The world must grow. But as it does so, the question “what is it for?” should be at the forefront of all minds and especially among those who have a leadership position.

In his eponymous report, Nicholas Stern strongly emphasizes the responsibilities we have to the coming generations and the yet unborn. In his very moving latest book – and almost certainly last, as he is terminally ill – *Ill Fares the Land*, Tony Judt pleads for a fundamental reevaluation of the drivers and governance of growth.

Global growth must be inclusive. Success should be measured in the decrease of inequality and in the generous provision of public goods. Though the UNDP Human Development Index (HDI) does aim to go beyond simply material calculations, it is far too tame and far too unknown. There is a need for a much broader measure of social development in which countries not only are listed in terms of their economic achievements, but blacklisted for their social and environmental failures. And above all, measurements should be made in respect to the impact on future generations.

Global growth should be guided by the words of an African proverb: “We do not inherit the earth from our parents; we borrow it from our children.” So when the young student from Neemrana asks you “What’s it for?” you should be able to reply “It’s for you and for your children and their children.” If that answer cannot be given, then global growth is not justified.

J.S.

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