

# FAILURES OF GLOBALIZATION AND ANACHRONISMS OF GOVERNING

Ion Bucur  
Faculty of Business and Administration  
University of Bucharest

## ABSTRACT

Noticing the failures of the current globalization and of the corrupted governing system has changed the debates on identifying new and more correct management and governing forms, which could favor the speeding up of economic growth and the promotion of humanistic values.

The rhythms and sizes of the current globalization call for better assurance of a correct balance between market and the state, the capitalization of their adjusting potentials and reciprocal failure compensation. Also, the lack of transparency and of democratic responsibility imposes the reformation of the international institutional system's architecture and the promotion of economic policies systems that could ensure nations' prosperity and stability of the world economy.

**Key words:** globalization, worldwide governing, market fanaticism, market failures, emergent economies, democratic deficit

The understanding of the forces that influence the worldwide economy destined must be grounded on the economic and political actual realities. Today's economy is considerably different from the one existing at the end of the previous century. The world has become more and more independent from an economic stand point, and the worldwide system is liberalizing everywhere. On a worldwide scale, the contrasts are becoming more and more obvious, which increase the economic insecurity feeling. The forces rapport is modified on an international level and the market democracy is generalized.

Globalization represents the key to a better understanding of the recent economy's history. Along with the occurrence of a genuine global economy a vast debate was initiated regarding the future of globalization and capitalism. Essentially, such debate is not a matter of anti or pro globalization, but is closely connected to researches over the economic theory and values. Globalization is potentially a carrier of huge benefits. The main issue is represented by concretizing such potential and comparing the benefits with the costs implied by globalization.

The successes arising partially from globalizations are obvious, but so are the effects generated by inappropriate management of such: crises and recessions due to world economy instability, environmental degradation consequent to growth without worldwide rules and so on.

The manifestation of reticence regarding the current globalization is also due to the unjust nature of the game's rules mostly established by the developed countries. The current globalization process determines disequilibrium between countries and within such, tending to become morally unacceptable and insupportable from a political stand point. There must be also taken into account the fact that the economy is not a null sum game, and that the emergent economies' situation contributes to establishing and securitizing the developed world. The possibility of restructuring the globalization for the benefit of all

countries is closely conditioned by multiple improvements that are specific to its functioning and which could lead to sustainable, balanced and democratic development.

Concerns regarding the reconsideration of theoretical and ideological fundamentals of the current globalizations, as well as of the mechanisms of putting such into functioning, are grounded on strong arguments. Economic globalization advanced to political globalization, and defying and failures confronted by such severely affect world's political and economical stability. An in depth critical analysis of the current globalization's status was made by the economy Nobel awarded American economist Joseph E. Stiglitz, reputed theoretician and excellent knower in this area.

In his papers, largely published on an international level, complex debates are launched on the issue of reorganizing globalization, reforming economic policies and restructuring of the international financial system, as well as on ensuing a correct equilibrium between the public and the private sector. The specific problems regarding world governing, and the way in which decisions are made on an international level benefit of increased attention.

A critical analysis of governing functioning in a world of complex interdependencies emphasizes its non-functional nature. The existent tension degree and the incapacity of the current governing of coping with defies of globalization are clear proves of the inadequate nature and of the crisis faced by the world economy governing.

The adepts of current economic governing system's reforming also invoke considerate such as legitimacy, transparency and liability in the activity of international economic and financial institutions. Under such circumstances, the profound legitimacy crisis is noticed of the institutional collective action both on the objectives setting up level and of the ways in which decisions are made and applied. One of the most severe objections against the international economic institutions' functioning refers to the promotion of the same set of economic policies. Such universality claim ignores on one hand choice as an essence of the economic science, and on the other hand, experience, options and concrete conditions of each of the world areas and countries. The features of the economic policies system as recommended by the IMF are determined by their theoretical and ideological fundamentals, as well as by pursued interests.

IMF, the World Bank and the US Treasury have foreseen economic policies which are contrary to those used by the developed countries. The ideas of "market fanaticism" have influenced the fundamental strategy of development, as well as the crisis management and transition towards market economy as promoted ever since the 80s and sometimes referred to as "neo-liberalism" or the "Washington consensus". The principles of such strategy are grounded on a market economy theory implying perfect information, competition and perfect risk markets.

It is obvious that an economic theory's success is conditioned by the adopted hypothesis and by the degree of concordance with the existent realities. As a result of the progress registered by the economic theory in the 70s-80s, the limits of the market were emphasized and the possibility for such to function efficiently only under certain conditions.

The lack of significant economic growth and the persistence of the disequilibrium generated disillusion and the contextual degree of the "networks" provided by the international institutions the central objective of which was to reduce to a minimum the role of the state, privatization privileged position, free exchange and capital markets and deregulation.

The percepts of "consensus" are an eloquent proof that the economic policies are oriented by the free market ideology, idealizing the private sector and diabolizing the state programs and regulations (Stiglitz, 2003, p. 60). The liberalization of capital markets not only favored economic growth, but it also had a decisive contribution to creating an instable economic system. Traditionally, IMF has focused on inflation, however neglecting the necessary measures in the fields of unemployment or poverty. From its initial mandate, by which it pursues to finance the expansionist budgetary policies, a shift was made towards stimulating the credit policy towards the countries which promoted expenses contraction. As a result of the obsession regarding budgetary deficits, IMF imposed austerity budgetary and monetary policies, characterized by taxes increase, reduction of public expenses and increase of the interest rates. Qualified as "self-poverty" policies (Touffut et al, 2006, p. 192), the austerity policies had Keynesian economy acquisitions, which emphasized the contribution of state, by increasing expenses, reducing taxes and the interest rates, mitigating negative effects of recession. More recently IMF has rejected Keynesian policies in favor of pre-Keynesian prescriptions, focused on public deficits, increase of taxes and reduction of public expenses during recession. Such obviously represents the opposite of the solutions forecasted by the adepts of state's active role in preventing and mitigating the consequences of economic recession.

Rapid and profound changes characterizing the geo-political and institutional environment call for permanent adaptation of the governing systems to the new prerequisites. The configuration of the current world economic governing represents the consequence of the arrangements made after the Second World War and is dominated by a paradigm which is focused on international economic institutions and on national states suzerainty.

The weak points of contemporary economy governing are generated by numerous factors and multiple causes, manifested under the circumstances of new economic and social organization forms' occurrence, of modernized capitalism expansion and of the crisis faced by the current international economy order. The study of international institutions' governing emphasize the lack of adequate institutional structure, able to take over all functions transferred by national states, as well as the lack of adaptation of the institutions to economy's solutions.

The critics regarding the institutions for managing international common actions refer to two categories of aspects: lack of clearly defined mission which could be subject to a larger consensus; and the lack of politic capital and responsibility. The objective regarding global economic institution's democratization must be achieved under the context of reduced control placed over such by national states, given the fact that regulation national competencies are being transferred. In the conditions of globalization, the major economic governing institutions have increased their power and influence, which significantly diminishes the direct control from the states. Given the transfer of competencies towards international authorities, the demand becomes increasing for direct democratic representation.

Taking into account the numerous gaps in the current governing system and its inability of coping with globalization issues the need arises for urgent measures for strengthening the international governing community. The perspectives for reforming those international institutions which play a central role in the governing of world economy represent a major source of disputes. The specific globalization players place considerable influence over governing along with the new regulating bodies on a global level. New and important forces such as nongovernmental organizations are progressively manifesting. Along with public governing authorities new "private" authorities and associations are occurring on a global level. The occurrence of new worldwide authorities contribute both to increasing the number and complexity of the economic governing bodies, and to the setting in of new characteristics of the market regulation process. In the same time, the influence and power of "private" authorities are increasing given the occurrence of a new generation of collective players. In a wider sense, the private players contribute to designing, legitimating, implementing and controlling institutional norms that could influence the values promoted by economic globalization.

Recent developments in the field of international institutional system can contribute to the identification of new forms of a more just globalization, able to allow for the economic growth to speed up and for poverty to be reduced. The central reason for globalization failure is the way in which decisions are made on an international level. During the past decades an original system has developed for promoting international public policies, qualified as "global governing without a world government".

Most of the core world decisions are made in international economic institutions the main mission of which is to ensure world economy stability. As a result of recent developments, the idea has been increasingly admitted that a defective global governing system exists (Stiglitz, 2006, p. 29). The lack of transparency and legitimacy, as essential features of a democratic governing, represent a preemptory proof that fundamental ruled regarding the functioning of democratic public institutions are breached, as well as the mechanisms characterizing the current world economy governing. One of the main issues arising from less democratic and transparent institutions is the possibility of remedying the market's failures worldwide. The emergency of promoting reforms aiming to ensure more equitable globalization and governing is due to the complex political and economic mutations in the national and world environments.

The generalization of governing and public policy concepts over those of government and public economy means that the state's intervention is grounded on the articulation of numerous public and private players, although the state plays an important role. This symbiosis of the players in the governing process involves the mix of their functioning laws. Ensuring proper governing in the public sector involves associating public and private partners in the public goods production, which creates a new vision over governing, grounded on the culture characteristic to each national public production system. The de-centralization strategies play an essential role in respect with the governing and are not promoted as individual aim.

The reforms in the public sector and in the public management must be made upon the context whereas a new public institutional design is configured, allowing for the public and private mechanisms to be compatible in the very middle of public production. Some international organizations have supported the idea of "less government, more governing" for the very purpose of avoiding public intervention and of allowing for markets liberalization and for occurrence of foreseen outcomes. The theme of governing, ambiguous and differently perceived concept, according to national cultures, seems to underline the pertinence of such approach.

Grounded on the national and world realities in the field of governing, possible evolutions can be forecasted both from an institutional stand point, and in respect with the concrete manifestation forms. Hence, the idea has imposed that new governing institutions and control and regulation bodies should be established, as well as self-proclaimed governing forms (Attali, 2006, pp. 292-294). The occurrence of governing forms providing specialized assistance will be accomplished if governing itself will become a particularly profitable economic sector.

The idea of reforming the international economic institutions' architecture is grounded on the need of coping with the economic globalization defies, having generated a chaotic world governing system. Given the present context, it becomes more and more difficult to reach a just equilibrium between various national and world governing mechanisms, especially between market and the state. The contestation of the intellectual fundamentals of laissez-fair is more and more vehement. The increased fragility of the equilibrium between the market and the state has imposed the need for a new rapport between the local, national and world order.

The market-state dichotomy represents an abusive simplification, whilst a more realist vision is imposed over the state's role, the avoidance oppositions between different ideologies', market party-pries and the state. (Touffut, 2006, p. 128). The national state which represented the center of the political and economic power for over a century and a half is now at the confluence of world economy forces and political exigencies of power's evolution, although it does not represent the only means for public intervention. The idea is increasingly shaping that globalization enhances the need for powerful collective action. The argument according to which the state is ineffective by default is rather ideologically than scientifically grounded. Without specific state interventions and regulations, the markets cannot lead to

equilibrium and economic efficacy. The state and the market must cooperate, must complete each other, as the only way of ensuring reciprocal failures compensation. Activities exist in which the state can achieve better performances than the private sector. The conspiring against the public side must be replaced by concerns for revalorizing the two sectors and for making them to cooperate. Moreover, a new public-private mixture constitutes a real challenge for economic globalization.

The old forms of market-state dualism are under process of disappearing. Today, a certain conscience has developed over the market's limits, and the validity of the old general assertions over the efficacy of the market is severely contested. The economic doctrine of "market fanaticism", according to which markets spontaneously lead to equilibrium, is profoundly damaged (Stiglitz, 2006, p. 13). Alan Greenspan, one of the eminent champions of the market economy evoked certain turbulences regarding the "irrational exuberance" of the markets and the necessary conditions for ensuring their efficacy. The potential evolution of the markets depends both on the modifications in their content, nature and manifestation forms, as well as on the perspectives of public interventions. Tendencies are somehow contradictory. A regulated and global market will be achieved under the condition of states' "deconstruction" (Attali, 2006, p. 241) and of the progressive reduction of state's role. The victory of the market over democracy will create a new situation: a market without the state, although the need is recognized of regulation in order to ensure proper functioning of the market. In the same times, the markets will find new profitability sources in activities which are currently performed by public services (education, health care, environment, suzerainty). The role played by the state and the possibility for such to be harmonized with the market is modified in time, is different from one country to another and provides specific features to the economic governing mechanisms and forms. Capitalism has generated a variety of practices during the post-war period (Greenspan, 2007, pp. 267-294).

Realities and experience have demonstrated that no unique capitalism form exists, nor a single "good" way of administering the economy. Other possible efficient market economy forms also exist (Stiglitz, 2006, p. 16). The American model, deemed as the most dynamic and productive, is different from that of the Nordic countries, from the Japanese model or from the European social model. The American system is characterized by certain particular merits; however it is not the only one possible. Different models can be valid for different countries. The differences between the USA and continental Europe in respect with supporting competitive markets are obvious. The existence of profound cultural diversity makes it possible for a country to use its own capitalism version. The degree of risk acceptance represents a major characteristic contributing to the use of specific practices.

A recent survey shows that 71% of the Americans view the free market system as the most adequate one. Only 36% of the French think the same. Also, three quarters of the young French aspire to a governmental job, whilst a very small number of Americans have the same preference. The economic freedom index established for 161 countries in 2007 considers USA as the most "free" of the large economies. The idea of model universality and of potential convergence to a unique model has

generated controversies. For multiple reasons it is considered that at the beginning of the 21<sup>st</sup> century the diversity will persist of national capitalisms, and the tendency of lining up to the American model will exclude all existent directions, given the fact that the said model itself faces numerous evolutions. Under such circumstances, it becomes more and more possible for performance economic and social systems to exist open to globalization and to the new technologies and different for the features of the dominant model.

Practicing own capitalism versions does not exclude the occurrence of problems of general nature, affecting the basis of the system. Such danger is first of all due to excesses. Some of these challenges are the fact that the large enterprises reveal insolent profits, very comfortable wages for managers and distribute record dividends to shareholders. All these under the circumstances of lent or stagnating economic growth, increased relocations and ever growing unemployment rate. The increased vulnerability of the capitalist system is due to the domination of a short term financial vision in respect with “wealth creation”. However, the low term profitability obsession perverts the system and contains the grains of its very end, as it involves scarifying the future. This is about capitalism without a project, unable to avoid a new crisis (Artus, Virard, 2007, pp. 6-9). In order to avoid such faith, it is necessary to achieve profound reform of economic management and to impose new governing rules.

## **Conclusions**

Increased debates on globalization are justified by the need of evaluating its current stage and removing some myths and dogma around such controversial phenomenon. History demonstrates that globalization is not an unavoidable process and that it is of reversible nature, even though it is based on strong economic and political forces.

Such measure is grounded on the increased sense of distrust generated by inappropriate management of globalization, calling for sustained researches for mitigating market failures worldwide and identifying the solutions for a better functioning of globalization and governing. The difficulty is also amplified by the fact that economic theory and historic experience do not comprise enough clues regarding the reorganization and reforming of globalization.

In an era in which free market de-regulation and ideology have dominated the public arena, ensuring economic prosperity implies a realist vision over the state’s role and its harmonization with the market forces, promoting economic policies systems able to provide stability and to contribute to the creation of new stronger economies and societies, in which humanistic values could prevail.

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