

The Challenges of Economic Globalisation: Business, Competition and Society*

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Abstract

The opening of markets, deregulation, and privatisation create a constantly expanding economic and financial environment. These developments contribute to an economy's globalisation, leaving the field open to enterprising and innovative players: companies and financial intermediaries.

What is new about the globalisation phenomenon is that it partly escapes from nation-state control and legislation. The pace of technical-economic change speeds up under the influence of global competition.

The world has entered into a race where speed is imposed by business dynamism and competitive games. This rhythm is often faster than that of political, civil and institutional society.

Keywords: Economic Globalisation; Market Economy Dynamics; Market and Creativity; The Citizen Enterprise; Global Markets

1. Market and Creativity

Since the Neolithic era, the economic environment has always been based around the exchange of goods. Indeed, as soon as technological progress allows men to create resources which exceed basic survival needs, the surplus generates a specialization in resources and paves the way for goods exchange. The latter becomes one of most powerful forces driving economic development, and markets are born. These markets put the economy under constant strain and lay the groundwork for long-term movement with considerable social consequences. A Venice historian once dryly remarked, 'The Venetians are currency exchangers, but it takes genius to transform salt and dried fish into spices and silks and the latter into Titian or Palladio'¹.

The market was long regarded as one of the factors in civilization; indeed, it originally replaced violence, robbery or theft with relations based on dialogue, reason, interest and the recognition of differences.

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The driving force of entrepreneurship, innovation and technical creativity has also been present throughout human history. Indeed, the market creates emulation by setting economic players in competition against one another, thus creating a genuine race for material progress. The Prometheus myth, for example, clearly refers to this creativity and entrepreneurship. The spirit of enterprise, market and competition are, thus, the origins of economic development and technical creativity. They are, therefore, elements to consider in our analyses and policies in order to preserve their positive aspects.

Does globalisation significantly change this situation? Are the Promethean entrepreneur and competitive dynamics still factors in progress which must be left as much freedom as possible in a global framework in order to maximize human wellbeing?

This article aims to show the dynamics and ambiguities of a system which, by becoming global, gradually escapes those regulations and national institutions that seek to channel it into serving the *common good*. Does a market economy, given its strength and international dynamism, tend to work for its own benefit, without taking sufficiently into account the social, cultural or political consequences of a system driven by financial and commercial criteria? One of the risks is that market and competition mechanisms are made ends in themselves, thus forgetting that these are solely means placed at the service of the entire society's development. Are we perhaps falling into a blind logic which is in danger of losing sight of its goals?

2. Globalisation of the Economy and Private Powers

2.1 Market Economy Dynamics

The opening of markets, deregulation, and privatisation create a constantly expanding economic and financial environment. Information technologies progress constantly, providing us with flexible globalised communication networks. These provide human societies with a much more sensitive 'nervous system', facilitating increasingly faster reactions and more frequent interaction.

These developments are well known nowadays and contribute to an economy's globalisation, leaving the field open to enterprising and innovative players: companies and financial intermediaries. The globalisation trend accelerates under their vigorous stimuli, penetrating broader and more numerous areas of activity. The businesses involved (industry, services and finance) and those who control them (investment funds) are nowadays the most dynamic players in globalisation. Companies are the most suitable for this development and have rapidly developed an effective and well-performing international *know-how*.

In actual fact, enterprises are among the few organizations which have been able to overcome simultaneously all the hurdles that globalisation poses:

- the size threshold: many of these companies are 'multinational' and transcend nation-state boundaries;
- the timeframe threshold: enterprises follow long-term strategies and use measures that are not comparable to those of the political, administrative or educational world;

- the complexity threshold: enterprises become capable of effectively managing differences, multiple rationality, risks and resource development. In this way, enterprises are able to change and adapt quickly;
- the information and communications threshold: this allows enterprises to keep in direct contact with the world and to act quickly and effectively.

Because of their competitive dynamism and entrepreneurial spirit, firms have adapted more rapidly to globalisation than most of the political, social and educational institutions. Performing companies, in fact, seek to introduce themselves and remain within a process that creates worldwide competitiveness. The company enhances its performance and competitiveness when it manages to introduce itself into a cumulative development process in which it is at the same time both the engine (the subject) and the outcome (the object). Such process goes beyond the company itself because it includes the commercial, technological, political, etc. environment, which exercises a decisive influence on the company's potential. However, in turn, the process is highly driven by the enterprise itself, which plays a key and often innovative role by modifying the equilibrium and constantly re-launching the competitive challenges through its strategic initiatives.

Such a process creates competitiveness and, for larger-sized businesses, the process consists of:

- *long-term prospects* and opportunities sufficiently significant to permit taking development and growth risks. These prospects may be favoured by the opening of markets, a rapidly growing demand, new technologies, some public projects, etc.
- the company's creation of a strategic capacity sufficient to act on an international scale:
 - more extensive and daring manoeuvres and, therefore, optimisation of the forecasting methods and action processes. Such manoeuvres are often directed by a shared vision or a common project;
 - key resource development for the project: human resources (skills, management, internationalisation, etc.), organization, technological knowledge, relations, networks, funding;
 - international extension of operational functions, both through internal resources or through alliances and partnerships. The creation of a wider distribution network is often very important in this regard;
 - strengthening of innovative capacity through better integration of research and development (R&D) in business strategies, and through a growing mastery of complex organizations;
 - capacity to respond swiftly to environmental challenges and opportunities;
- conquest of *competitive advantages on an international scale*, as a result of this increased capacity:
 - superiority in terms of product, price or customer services;
 - opportunity to capitalize on differences between countries and to benefit from their comparative advantages;
 - size that brings to the company economies of scale and a cost advantages which may be decisive for many activities;
 - the effect of experience resulting from the combined advantages of learning, size and innovation;

- synergy between the activities and resources in order to optimise intangible investments such as research, marketing, organization, management, etc.;
- *sufficient profitability* to cover development and internationalisation costs, as well as the risks incurred from more hazardous manoeuvres. It is obvious that the profitability of current operations (a solid base) is constantly monitored and maintained at the level required by the market and competition. This constant reassessment and discussion must be a permanent means of intervention, rather than the response to a crisis. Profitability, in turn, permits a company to identify the opportunities offered by the environment and to increase prospects in the longer term. The virtuous circle is, thus, closed and the process becomes a dynamic creator of competitiveness.

These market dynamics have largely contributed to the creation of wealth. If seen solely from an economic point of view, *world production* is currently fifty times more important than in 1820 for a population that is only six times more numerous. It will be seen later, however, that the distribution of this prosperity is becoming more unequal. World trade expansion has played a key role in this growth. In the last fifty years, world trade has grown three times faster than the gross domestic product. In industrialized countries, average customs duty declined from 40% to 5%. In the nineties, world exports were ten times more important than in the fifties.

Transborder mergers and acquisitions have never ceased to grow, often allowing an increase in corporate market power and strategic capacity: it is an issue of key resources such as management, technology, networks, information, alliances, etc.

The *increased power of financial capitalism* must be added to these developments: free movement of capital, in fact, makes more resources available for corporate projects. This facilitates international investment but also short-term speculation that can create instability, or even generate crises. Large pension funds clearly influence financial decisions, thus generalizing the shareholder value criterion.

Technological progress increases the growth potential of those companies which manage it or benefit from it. Companies make it a competitive weapon: their investments in research and development largely exceed those made by governments. Competition is, in fact, based increasingly on a technological struggle aimed not at reducing the competitors' margins, but at supplanting their products with new products. It is what Schumpeter called 'creative destruction'.

2.2 Political Vacuum Increase

What is new about the globalisation phenomenon is that it partly escapes from nation-state control and legislation. The world economic area is occupied by businesses and financial intermediaries, without the new rules of the enlarged economic game being completely established. In a similar situation, private players use their own decision criteria: economic, market and financial. These are important for their strategic effectiveness but do not cover the whole Common Asset area. Doing so, the private powers impose on the world, often without even a

political debate, the new pace of change, the directions of economic and technical progress and their overspill into non-commercial domains.

The above-described economic performance has created an ideology which tends to confuse the market economy, modernity and democracy. Today, therefore, the laissez-faire doctrine is re-energizing: market forces - the invisible hand – will allocate resources in the most effective manner. There should be as little intervention as possible in the interplay of those forces, and limited to the promotion of competition.

Globalisation escapes increasingly from the nation-states: these become ‘too small for big problems and too large for the small ones’ (R. Aron). All this leads to a kind of impotence in conducting social development strategies. Major economic decisions often have an impact beyond the borders of a country, causing consequences which then become difficult, if not impossible, to manage.

Everything happens as if globalisation is imposing itself on the States, without even leaving the freedom to choose the type of market economy best-suited to one’s own country. Consequently, the Anglo-Saxon model (more financial and less social) gains more ground every day over a more human model (market social economy or Rhine model).

Given the scarcity of European or world government, people lose their political reference points, and begin to feel that their lifestyles, social protection systems and cultural identity are being threatened.

3. Rhythms, Orientation and Objectives

The *pace of technical-economic change* speeds up under the influence of global competition; the world has entered into a race where speed is imposed by business dynamism and competitive games.

This rhythm is often faster than that of political, civil and institutional society. Our administrative, educational and social systems are adapting with increasing difficulty. This disconnection creates an increasing danger of inequality, exclusion, unemployment and social breakdown. Thus, we begin to run the risk of seeing the system crush people.

If the logic of economic and technical innovation is that of creative destruction, then we can ask ourselves whether, for certain categories of people, the destructive effects outweigh the beneficial effects created. In other words, is the human cost of such a fast change excessive?

The *direction of technological progress* is increasingly driven by private players and the ‘invisible hand’. Companies concentrate on themselves an ever-greater share of knowledge resources thanks to their enormous effort in research and development. It is the companies which decide the type of research that they will undertake, as well as the types of products and services that they will sell. They do so, of course, on the basis of market indications and one could think that this is the best way to direct resources. This is true only in part: the invisible hand only serves the solvent market’s needs. As previously seen, the invisible hand’s criteria are exclusively commercial and financial. Take, for example, pharmaceutical research: because of the solvent market’s need, the research does not give priority to the discovery of medicines to treat the poorest countries’ diseases (*orphan drugs*); it

invests, instead, more money on studies into obesity and impotence in rich countries.

We might likewise consider the development of digital revolution technologies.

So far, the information society has been created almost exclusively starting from market or audience needs. It can be pointed out that the greatest technological progress represented by television, far from responding to educational needs, precipitates us inside a consumer culture, of remote control zapping and short time spans, strongly influenced by the United States.

It is true that the Internet will enable citizens to gain increased consumer choice. They will be able to handle the interactivity using criteria other than those of the commercial chains. This shows once again how technological progress is neutral and how one can make the best or the worst of its use.

The invasion of the *non-commercial by private powers* poses an even more serious political problem. We can refer, in particular, to the recent developments of the multi-media groups and their influence on culture and education. It is already known how these occupy the areas of enjoyment and entertainment, and can make them slide gradually towards what they believe to be education (edutainment). The question also arises about cinema. Despite the Internet, there is a real danger of a thinning of cultural differences precisely because of the influence and the relative power of dominant cultures.

Another disturbing example is offered by private powers' ownership of genetic science. The fact that some sequences of the human genome can be patented and therefore cease to be a collective good, is a real political issue. We can add the fact that the Patents Institute, in England, has just agreed to patent not only the human cloning process, developed by Dolly's inventor, but also of the human embryos cloned through that method². This means that a human being in gestation could become the property of an individual or a company. This decision was taken without any political or ethical debate.

4. Growth in Inequality

While multiplying wealth, the market and the invisible hand are unable to assure its proper allocation.

The mechanisms for redistribution of wealth designed by States at a global level are practically non-existent and inequality continues to grow. In rich countries, there is also the drama of unemployment and exclusion. Some argue that a more liberal economy could remedy the problem. Others, I included, believe that the real problem lies in a pace of change that is too fast for our societies to be able to adapt to without too much suffering. One of the greatest challenges which we face is that of reconciling market economy dynamism with social justice.

It is important to go into depth in this analysis and to be more precise about exactly what we are discussing. For example, a slow improvement in the lowest income bracket may well coincide with a rapid increase in inequality.

If one combines two coefficients (inequalities within each country and inequalities between countries), one obtains the measure of global inequalities and realises that it is increasing³. On the other hand, if one takes into consideration other social indicators, in addition to income, one notices an improvement in

developing countries (with wide variations depending on the country). This is the case for life expectancy, child mortality and education⁴.

Another issue is to know whether there is a relationship between globalisation and increasing inequality. The costs of adaptation resulting from a country opening up to the international world are wholly borne by the poorest, irrespective of the time span involved in the adjustment. Therefore, international competition is likely to increase dualities in societies by replacing the institutional setting (regulated and structured) with exclusively contractual and, therefore, much more fragile relations.

The evolution, slow but real, shown by some social indicators, may suggest that some progress is possible. A society's biggest challenge is to implement, at a global level, policies and tools to guarantee development that lasts over time.

For the first time in humanity's history, technical, organizational and financial competence have been sufficiently mastered, accumulated and developed in order to help all human beings arise from a simple state of subsistence. In fact, there is now some room for manoeuvre. It is sufficient to enumerate the development goals for 2015 proposed by the UN to concretise this challenge:

- halve the one billion people that lack access to drinking water or live on less than one dollar a day;
- provide a complete elementary education to all children worldwide;
- halt and reverse the increase in the most dangerous diseases like AIDS, malaria and tuberculosis.

5. Potential Developments

5.1 Objectives of Economic and Technical Activity

What kind of society do we wish to build? One of globalisation's great challenges is to sketch a sufficiently articulate response to this question in order to inspire world politicians and policies and direct them toward the Common Good and its underlying values.

The purpose of the enterprise is directly called into question by the following question: what is the purpose of economic and technical progress in which the enterprise is the main agent?

We have seen that the Greek myths have made Prometheus a civilizing hero. The same applies to other characters that embody the purpose of causing progress or development: Vulcan, the tools, weapon and jewellery manufacturer, Ulysses and Jason, the great traders who set up commercial bases on the shores of the Mediterranean and the Black Sea; Hercules and his great works, and even Icarus, the hero of poorly-calculated risk and failed progress. However, despite the fact that they are still all gods and heroes, each of these great mythical figures carries with him a curse: Prometheus is damned, Icarus dies, Jason sees his family destroyed, Nesso's garment burns and poisons Hercules, Vulcan lives limping in a cave ... Why all this?

An important issue goes to the heart of these myths: what sense to give to economic and technical progress? These myths show very clearly the fundamental ambiguity of the race for a progress lacking objectives and left at the mercy of

itself. Prometheus is chained because he makes material progress an end in itself, and believes that he had found it when he shouts proudly: 'I have healed mortals from the terror of death'. What an illusion!

Today we all know that technical progress and competitive dynamism are neutral and that they can improve or damage man, depending on the use that is made of them. We also know that the market economy and competition encourage the creation of wealth. It is not a question of challenging the effectiveness of these mechanisms, but rather to highlight their ambiguities and limitations, especially when it comes to managing problems which become global.

The enterprise and the market economy will find full legitimacy in this global world, only if they agree to reflect on and discuss the following issues: economic and technical progress for what purpose? For whom? How? These are undoubtedly great political and moral issues, and there is no doubt that the concept of the citizen enterprise can find a meaning within this framework.

5.2 Globalisation and the Role of the Nation State

What can be done to cope with an advancing globalisation which is almost exclusively economic and financial? Are we all condemned to suffer the laws of a new empire, that of the market and investment funds? Or can we conceive instead a political, social and cultural change which re-establishes equilibriums and ensures that the economy basically serves the common interest?

In other words, will we be able to maintain the current dynamism and creativity of globalisation's leading figures, while avoiding the negative aspects of that evolution and dealing with the issues that globalisation cannot handle? There are nowadays urgent problems, such as pollution or poverty, requiring a global approach.

The planet's Common Good must be expressed in a democratic debate and political, and not just economic, manner. For the first time in history, thanks to globalisation, to technical progress and businesses' and citizens' action capabilities, we can seriously tackle the problems of a human society that will have nine billion people in 2050.

The Common Good now includes a common fight against poverty, disease, lack of education and environmental degradation.

An important aspect of the 'new architecture' is that of a redistribution of roles.

In this sense, there are challenges that require a global approach, such as poverty, health, the environment. How can we articulate the overall policies and their implementation at a local level? What we need to invent are methods of consultation, cooperation and democratic participation at various decision-making and action levels. It is here that the fundamental political challenge of globalisation lies. The world's Common Good requires new forms of government practice.

□ *Is globalisation perhaps leading us to such a level of interdependence that power balance policies will be gradually replaced by collective rulemaking on a worldwide scale... Will the future of international relations consist perhaps in the management of interdependence through a set of networks?*⁵

An expert in geopolitical evolution explains these new forms of government practice as follows⁶:

□ The idea of government as an organization exclusively responsible for public affairs within a State appears increasingly inadequate. This is because the increase in, and increasingly complex, interdependence largely empties the word 'management' of its usual significance. But this is also because of increasing appropriation of the public good by civil society, a phenomenon that tends - certainly slowly - to expand across the globe, despite some pockets of resistance ... The notion of government practice, as well as the regulation of complex networks of any kind (the matter is still open where the Internet is concerned, refers in a necessarily vague way to all regulatory mechanisms in place in human systems (for example businesses and other organizations, individual states, allied states ...). These are not structured around a central decision, but allow the intervention of coordination mechanisms organized to serve a specific purpose and with variable geometry both over time and in space. With regard to the principle of organization, government practice opposes the idea of hierarchy, while remaining associated with the idea of subsidiarity.

Who talks of government practice, implies, of course, debate and the exchange of points of view. It is in these debates that the major economic players are beginning to take part, thus beginning to listen to views that differ to their own. Government practice also implies a degree of joint action.

Can we not try to add to competitive mechanisms (which are effective in solving needs) cooperative actions that put all the skills and strategic capacities of enterprises at the service of the world's major problems (water, health, pollution, etc.)? Solidarity is a value that must be progressively extended to the world's needs. One of the key political tasks is to create governance practices (institutions or networks) that can bind and connect the commitments of global interests to local policies, leaving the world as open as possible.

5.3 The Citizen Enterprise

The challenge of globalisation cannot be solved by nation states alone. The latter need help from other players, such as businesses, NGOs and universities. It is not by chance that the UN - the place for universal debate par excellence - has invited to its Millennium summit representatives from the most disparate political, economic, social, cultural and scientific areas.

Enterprises' evolution in their attitude towards some forms of socially-responsible behaviour is here present in all his power and impact. If we look at its recent evolution, it can be argued that the citizen enterprise is beginning to develop new attitudes.

Urban corporations listen to society and not only to markets, paying more attention to weak intermittences, to whistle blowers, non-governmental organizations, and to cries of alarm or distress.

An enterprise's participation in social debate is increasing to the extent that this affects its specific function, which is to ensure economic and technical progress. Whenever this type of progress reflects on society, the citizen enterprise begins to take an active role in discussions⁷.

Urban corporations gradually expand their goals, looking for valid answers to the big political and social issues linked to its role of economic and technical progress.

It agrees to participate in certain cooperative activities that do not result from the market or the invisible hand. The citizen enterprise might successfully bring its know-how, corporate spirit, ability to act on a large scale, doing everything under conditions acceptable to all parties at stake.

Several large companies have already embarked on this path, especially in the areas of education, the setting up of new businesses, pollution, etc.

Doing so, companies play not only the role of entrepreneurs and *managers*. Acting this way, firms enter a logic of general and not commercial domain, thus accepting enlarged social responsibility (Statesmanship) in the search for the Common Good.

All this will increase enterprises' legitimacy. The Common Good is, ultimately, the purpose of every organisation and person with certain positions of responsibility.

In this context, the UN Secretary-General has launched a new initiative: the Global Pact. This is a programme that aims to create a partnership between the UN, multinational companies, ILO and Amnesty International, with the aim of reinforcing cooperation in areas such as labour regulation, the environment or human rights. It is a question of addressing some global issues through dialogue and cooperation, accepting certain values, principles and an initial form of *auditing*. This initiative is already strongly challenged by those who oppose economic globalisation, but the intention of Kofi Annan is to use corporate know-how to combat poverty and inequality.

If private sector decisions take the general interest increasingly into consideration, can one also contemplate the idea that there is already progress in the search for the Common Good? The terms of the debate do not change much, regardless of whether companies do so for their own interest, rather than out of fear of reaction or even for other altruistic reasons. We must avoid preconceived and Manichean interpretations and demonizing the players involved. In many circumstances, business leaders have shown themselves prepared to participate in the dialogue and consultation processes. They have often shown themselves able to evolve and adapt. Now the challenge must be taken up by both citizens and governments, which are called to invent means of democratic government practices on a world scale.

Notes

¹ F. Tristan, Venise, Ed. du Champ Vallon, diffusion Presses Universitaires de France, Paris, 1984.

² It appears that the institute has backed down from its decision following the great controversy it had created.

³ World Bank, 1999 Annual Report.

⁴ For example, between 1970 and 1997, life expectancy increased from 55 to 65 years, infant mortality declined from 107 per 1,000 to 58.9, education reduced the illiteracy rate from 45% in 1980 to 30% in 1995.

⁵ Ph. de Schoutheete, Exposé fait au Colloque Yalta 2000, Europe in the 21st Century, May 8, 2000.

⁶ Th. de Montbrial, Le Monde au tournant du siècle, Ramsès 2000, Paris, Dunod, 2000, pp. 16-17.9

⁷ See specifically the work of the European Round Table of Industrialists and that of European Business Network for Social Cohesion.