

**Ethics, Actors, and Global Economic Architecture:
A North American Perspective**

*by David Bobrowsky**

Workshop Report

**Based on the meeting at the Pocantico Conference Center
of the Rockefeller Brothers Fund
June 3-5, 1999**

*with an overview by Robin Hodess***

Overview

In light of the recent crises in the global economy, talk of reform of global economic architecture has become a dominant concern of international public policy. Many have criticized the system of rules that govern the current world economy, arguing that they prevent some peoples and countries from achieving economic growth while allowing others to prosper. Further, some have pointed out that when and where economic growth has in fact occurred, it has generally led to greater inequality. Thus both the success and, more recently, the failures of the current global economic system – and globalization more generally – have given rise to social justice concerns.

In an effort to address the issue of social justice in the world economy, the Carnegie Council on Ethics and International Affairs held a workshop on “Ethics, Actors, and Global Economic Architecture” at the Pocantico Conference Center of the Rockefeller Brothers Fund on June 3-5, 1999. The workshop brought together scholars and representatives of international organizations (IOs), national governments, the business sector, trade unions, and non-governmental organizations (NGOs). The workshop enabled participants an opportunity to examine the perceptions of and priorities for social justice from their vantage point as actors involved in globalization. While this meeting focused on the perspectives of actors in North America (the United States, Canada, and Mexico), future workshops will present views on globalization in Asia, Europe, and Latin America.

Each participant was given the following questions:

- What does the actor perceive to be the problems of social justice, in the globalization context?
- What are the actor’s goals regarding social justice/social responsibility?
- What does the actor believe are the opportunities and challenges of the current global economic architecture vis-à-vis the social good?
- How would the actor suggest changing the incentives of the present global economic architecture in order to realize its goals for social justice/social responsibility?

The aim of this series of questions was to examine the values of each actor, as these values related to both globalization and social justice/social responsibility.

Five key points emerged from the workshop: 1) there is a growing number of actors involved in the globalized economy and in the pursuit of social justice; of particular note is the rise of NGOs; 2) economic actors are increasingly interdependent, creating complexity but offering scope for new relationships between government, business, and interest groups on issues of social justice; 3) global economic actors may need to rethink the appropriate division of labor in the world economy, to ensure positive social outcomes; 4) the capacity of actors, particularly state actors, has changed, with profound consequences for the achievement of social justice goals; and 5) all actors now need to address issues of legitimacy in their global economic activities.

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1. Introduction to the Workshop

Robin Hodess of the Carnegie Council began by explaining why the Carnegie Council had focused the workshop on the themes of “Ethics, Actors, and Global Economic Architecture.” Ethics are of fundamental concern, Hodess noted, because the development of the global economy, and the attending social policies, have involved choices. Concern about choice leads to a focus on the actors making the choices that structure globalization, Hodess suggested. Contrary to the popular perception that globalization is a force beyond anyone’s control, simply driving events to which everyone must react, she proposed that actors or agents can and do shape the character of the global economy. To operate otherwise could contribute to the growing public backlash against globalization.

In addition, the world economic system, or architecture, is a reflection of the practices and interactions of global economic actors over time. Therefore, it is appropriate to examine the values of actors engaged in the globalization process. These actors, after all, have an impact on power and policy in the global economy; on the way the world economy operates; and on the way the system reflects aspirations for the social good. In short, the current global economic architecture embodies the social purpose of past choices by actors. The importance of choices and values in defining the global economy means that globalization is in part a normative phenomenon.

2. Panel on International Organizations

The first panel, chaired by Wolfgang Reinicke of the World Bank, addressed the role of international organizations as actors guiding the global economy. Steve Weber of UC Berkeley began by stipulating that the current era of globalization is the continuation of a longstanding process. He then assessed what IOs want, in terms of social justice. The current generation of IOs represents the response of decision-makers to the perceived failures of earlier eras of economic integration, he argued.

As the depth and scope of global economic integration expand, a concomitant expansion of global governance structures might be expected. In this scenario, IOs would be the natural beneficiary of political authority. Weber felt that this expectation was not likely to be fulfilled.

Rather, current trends in the global economy may prove to be largely detrimental to the prospects for IOs in promoting their social justice goals.

Weber laid out four propositions, claiming that IOs will have a diminished global economic governance role, as well as only limited ability to achieve social justice aims. First, IOs are likely to be more vulnerable than other actors. Unlike states, firms, and unions, they lack natural constituencies of people that identify with them. Indeed, as was later emphasized in the discussion, IOs also suffer from a lack of transparency and legitimacy, due to their perceived abstract mandates, technical areas of expertise, and disconnection from electoral politics.

Second, many IOs share central perceptions about problems of social justice. IOs are guided by a liberal internationalist ideology, one that has arisen out of a common intellectual and historical trajectory, but which now may now be outdated. This ideology has been characterized as ‘embedded liberalism,’ a compromise between liberalism abroad and government intervention to facilitate adjustments at home.

Third, the common worldview of IOs entails a core set of objectives that affect social justice considerations but do not constitute social justice in and of themselves. These include: promoting and sustaining liberalization by fostering growth, opening trade and capital flows, diffusing technology, and sustaining the environment.

Weber’s fourth and most significant proposition was that the ability of IOs to promote these goals will increasingly be challenged by globalization. This is the result of several factors, including: the principle of subsidiarity and the growing significance of local knowledge and expertise, which favor other (non-international) actors more adept at regulating global markets; the growth of regional institutions, whether or not complementary for IOs; the weak capacity of IOs for innovation and for promoting economic growth, rather than distributing it; and in symbolic terms, the erosion of the legitimacy that IOs have enjoyed as repositories of rational/legal authority and technical expertise.

In sum, Weber perceived a growing inability of IOs to achieve economic liberalization and a weakening of the consensus in favor of liberalism. In light of the limited capacity of IOs to escape their historical legacies, Weber’s final conjecture was that globalization does not bode well for the ability of IOs to achieve their social justice goals as defined by embedded liberalism.

The other panelists, representatives of a number international organizations, challenged Weber's prognosis. Edith Wilson of the World Bank maintained that IOs are needed for global governance. In fact, the persistence of regional and cultural differences may increase the relevance of IOs as a neutral arena for debate. Wilson argued that even though IOs have an obligation to produce the conditions necessary for social justice, most IOs were intended to promote economic development, not specifically social justice goals.

Economic development has a moral basis, however, and may be socially just in its capacity to reduce poverty and enhance standards of living. The challenge for IOs is to identify gaps in the global economic architecture and to look for synergies among IOs to create the conditions for attaining social justice. At the World Bank, Wilson concluded, this entails the inclusion of marginalized segments of society and considerations of social and governance issues as part of the drive for long term economic growth and development.

Sanjeev Gupta of the International Monetary Fund (IMF) agreed with Wilson insofar as he felt that globalization may have enlarged the role for IOs in promoting social justice in the world economy. Gupta contended that IOs have a role to play in eliminating the worst forms of injustice, rather than in pursuing some ideal conceptions of social justice. In this regard, the IMF pursues several goals: promoting sound economic policy and eliminating wasteful spending, encouraging targeted social spending and strengthening social welfare systems (i.e. through pension reform), and increasing the transparency of government decision-making. The IMF regularly cooperates with other IOs and other actors to try to achieve these social justice goals. Globalization, however, has forced the IMF to broaden its mandate of facilitating high quality growth (including equality of growth) to include formulating codes of good practice for member states in the areas of data dissemination, promoting transparency, and monitoring states' financial policies.

In terms of their social justice goals, IOs confront a dilemma: claims for social justice fall to national governments as the owners of economic and social policy. Thus, Gupta cautioned that the effectiveness of the IMF in pursuing its goals of strong fiscal and social policy for member states is limited. National governments must be willing and able to fully implement the policies they agree to at both the national and intergovernmental levels.

John Hancock of the World Trade Organization (WTO) also saw the WTO's authority and reach growing, not shrinking. The GATT's original mandate of tariff reductions has expanded into a much broader global regulation of the trade regime that encroaches on issues of domestic regulation and standards, he suggested. This blurring of domestic and international, trade and non-trade related concerns has increased with the introduction of the binding dispute-resolution mechanism at the WTO.

Hancock noted that the dispute resolution mechanism is leading to a legalization of the international economic system, which may have consequences for the establishment of systemic norms. For instance, the emerging rules-based system is putting pressure on states to conform domestic practices to international norms. The deep frictions generated as the labor and environmental dimensions of global trade come to the fore is eroding the 'firewall' that previously existed between international trade, on the one hand, and domestic environmental and labor concerns, on the other.

However, Hancock noted that the institutionalization of rules and their underlying values in the global economic architecture ought to be accompanied by the participation of actors in the rule-making process. The challenge of including new participants in the global rule-making process is made more difficult by the reactive nature of the WTO. The complexity of achieving true participation has also increased as the WTO has evolved from a 'rich man's club' to a more universal IO with member states at all levels of development.

The final panelist, Sakiko Fukuda-Parr of the United Nations Development Program (UNDP), argued that while there is consensus that good markets are extremely important for social justice, they are not sufficient. Here, she pointed to many elements outside the market: culture, ideas, technology, and institutions of governance. Indeed, in the quest for income, globalization puts pressure on non-market resources, such as the environment, government revenue, civic affairs, and private (family) affairs.

Fukuda-Parr felt that the real challenge for IOs, in the area of social justice, would be to incorporate civil society. IOs also have a role to play in anchoring the values of the UN system in the global economy and sustaining the social foundations of market economies. Moreover, the UN conferences of the 1990s were successful in establishing a comprehensive agenda for sustainable

development and social justice. The UN conferences also demonstrated that opening up to other actors – especially NGOs – as a source for ideas, may be essential to helping IOs more effectively promote their social justice goals.

In the discussion that followed, participants questioned the capacity of IOs to innovate. IOs are usually designed by states to lock-in change, rather than promote it. However, many noted that there has been institutional innovation at the IMF and World Bank to address the issues of governance and corruption.

In addition, participants observed that IOs are attempting to find ways to remain relevant to states, their main clients. One of the primary goals of IOs should be to assist states to develop the capacities to implement their programs relating to social justice, one participant believed. IOs are increasingly trying to fill the functional needs of their other constituencies, such as NGOs and business, by providing avenues of participation in IO decision-making processes and allowing more oversight of IO activities. For instance, several IOs have launched programs to enlist business support in implementing their mandates along with traditional clients like states. NGOs have been given a voice in agenda-setting in the UN system, first through the accreditation of NGOs that allows them to attend working meetings of UN bodies, and second through their participation in the UN conferences. Finally, the IMF has opened access to much of its work, and the World Bank has introduced public audits, both in order to increase transparency and its accountability to other actors.

Finally, while channels for participation have multiplied, it was noted that the challenge for IOs will be to formalize and institutionalize the access and participation of other actors in the decision-making process. This may be a difficult task in the face of often fierce opposition from states. In this regard, attention was drawn to the importance of the ILO as a model for the formal inclusion of non-state actors in the process of achieving social justice in the world economy.

3. Panel on National Governments

The second panel, chaired by Robin Hodess of the Carnegie Council, focused on the impact of national governments as agents shaping globalization. Maureen Appel Molot of Carleton University offered a North American perspective on the role of national governments and their goals and policies vis-à-vis domestic and international social justice concerns. Globalization has not led to

the retreat of the state, she argued, but it has changed states' capacities in two important ways. First, globalization has reconfigured the structural forces shaping the opportunities available to states. Second, it has altered what states see as the opportunities available to them to pursue social justice goals.

At the domestic level, social justice entails not just considerations of income distribution, but a broader range of quality of life considerations such as the availability of employment and health care. In foreign policy terms, social justice in the North American context is primarily translated into demands to link trade to labor standards. In both cases, these goals are a product of both the dominant philosophies guiding national decision-makers and the impact of globalization on the fiscal capacities of states. The latter, according to Molot, is eroding the ability of states to insulate the domestic sphere, at the same time that demands are growing for social welfare spending to socialize the adjustment costs of globalization.

Molot illustrated these trends primarily with reference to Canada, the archetypical 'embedded liberal' state. For Canada, the social security system has always been more extensive than for the U.S. or Mexico, constituting an important part of Canadian identity that distinguishes it from its neighbors to the south. However, while the Canadian definition of social justice has remained fairly constant, the state's fiscal and administrative capacities to achieve social justice via social security have diminished. This is principally due to the pressure to reverse fiscal deficits and mounting national (and provincial) debt.

The diminution of state capacities in Canada has been reenforced by an ideological shift to the right among constituents that Molot viewed as slowly undermining the government's commitment to maintaining the extensive social welfare system. The movement in Canada toward the weakening of the postwar consensus on the responsibilities of the redistributive state is evidenced by recent shifts in discourse and policy in the areas of health care, pensions, unemployment insurance, child benefits, and most recently, in the debate over income tax levels. Molot attributes these trends, at least in part, to globalization.

Molot then reviewed the situation in the U.S. and Mexico. Although Canadian social programs can be characterized as more distributive than those in the U.S., the U.S. differs from Canada more in the means of achieving social justice rather than in the goals themselves. Further,

the U.S. is guided by a less statist philosophy than Canada, with the U.S. putting greater emphasis on liberalism and individualism. Thus there is more reliance on private sector mechanisms to provide social welfare services in the U.S. than in Canada. This is most notable in the field of health care, although there is broad similarity between U.S. and Canadian social programs for pensions, unemployment insurance, and child benefits. While the U.S. may be less constrained by globalization than Canada, due to its position as economic hegemon, a divided American government and trends in U.S. domestic politics make it difficult to implement new social policy initiatives in the current atmosphere.

As the most recent North American country to liberalize, Molot suggested Mexico's social policies are underdeveloped in comparison to the U.S. and Canada. For example, Mexico has no unemployment insurance program, the lack of which has contributed to the growth of the informal sector. Mexico has primarily focused its social justice concerns at the macroeconomic level, perhaps even at the expense of the microeconomic level at which domestic adjustments are occurring and inequality is rising. This reflects the more limited fiscal and bureaucratic capacities of the Mexican state. For instance, inadequate resources have hampered the provision of universal health care, as guaranteed by a 1983 amendment to the Mexican constitution. Nevertheless, social spending for education, health care and nutrition targeted at the poorest of the poor has been increasing to reflect the priority President Zedillo has given to social justice issues.

Finally, Molot proposed that the labor side agreement to the NAFTA reflects the belief in North America that the impact of globalization need not be entirely negative for labor and social justice issues, more broadly. When the playing field is leveled, with minimum standards imposed to prevent unfair competition among relatively immobile workers, commerce and human rights may be mutually reinforcing. Under these conditions, social justice may be promoted through the enhancement of core labor standards in a rules-based trade regime.

Harold Wilson of the Federal Government of Canada agreed with Molot that globalization is partly about the real constraints to which all governments are exposed. However he placed the most significance on the policy choices that governments can, do, and should retain the capacity to make. He illustrated this point with reference to the debate in Canada in 1988 over the Free Trade Agreement with the United States. At the time, the debate was posed in terms of a choice between

accepting globalization and surrendering Canadian identity. However, Wilson stated, Canada has kept its own social model even in the context of globalization. Today, there is wide public support for globalization in Canada. The government has refocused its efforts on improving productivity, and yet the welfare state is still deeply entrenched in Canada. Wilson argued that while the supposed deep divergence between the welfare capitalism found in Canada and in the U.S. is probably exaggerated, the differences that do exist may persist over the long-term if the two governments so choose.

Jorge Pinto, the New York Consul General of the Mexican Government, shifted to a historical perspective to examine the Mexican government's attitude toward social justice. Like Wilson, he sought to highlight the extent to which current international economic integration is the result of past government choices. He observed that both poverty and economic integration with the U.S. existed prior to the arrival of the NAFTA. What the NAFTA did was lay out clear and formalized rules to guide the process of integration, replacing the distorted rules that existed beforehand.

Pinto discerned that closer North American economic integration is related to the opening up and decentralization of power in the Mexican political system, with implications for social justice in Mexico. Additionally, there has been a move toward the privatization of services previously supplied by the state, such as education, health, and infrastructure. With the state no longer the monopoly or dominant supplier of social services, he noted, NGOs have increasingly been filling in the emerging gaps. Looking toward the future, Pinto viewed Mexico's exploding population growth as the greatest challenge confronting Mexico in terms of its capacity to provide social welfare.

Robert O'Quinn of the U.S. Senate Banking Committee Majority Staff tried to define the proper role of states in seeking social justice. He proposed a free market view of social justice as a system that maximizes individual liberty under the rule of law, enabling individuals to better fulfill their desires through the economic system. The role of government, O'Quinn stated, should be limited to establishing the rule of law, to providing a sound currency, education and a social safety net for its citizens, and to compensating for externalities and market failure. O'Quinn suggested poverty should take precedence over inequality. Consequently, economic growth rather than redistribution should be a higher priority for governments in pursuit of social justice. According to O'Quinn, there is still wide latitude for government action in this realm.

However, globalization does constrain governments, but it constrains them from bad policy-making, in O'Quinn's opinion. In fact, he perceived much of the benefit of globalization as emanating from the competition it engenders over the domestic rules and norms governing the market. As capital flows to the countries with the best regulated markets, it may lead to a race to the top in terms of the policies that best promote economic growth and social justice.

Finally, Marshall Adair of the U.S. State Department offered a broader definition of social justice than O'Quinn. Adair included security, basic economic needs, and political freedom, all of which he viewed as contributing to equality of opportunity. Today, Adair asserted, there is a consensus that government must address the social welfare needs of its people, but the degree of its responsibility is contested. Adair agreed with O'Quinn that globalized markets constrain and discipline governments that deviate too far from neoliberal policy prescriptions. Adair suggested that a policy shift may be underway in the U.S., as the guarantee of welfare outcomes comes to an end and a new emphasis emerges on creating the conditions in which individuals have the capacities to adjust and respond to globalization.

Similarly at the international level, Adair noted that U.S. goals for social justice have primarily been expressed in concerns over improving the structure and efficiency of the global economic architecture to allow states to compete more effectively. Thus the U.S. has promoted efforts to remove trade barriers, to tackle corruption and increase transparency, to accommodate the interests of both business and labor in trade negotiations, and to promote flexible safety social nets. These efforts to achieve high quality growth, however, have been hindered by two main factors, according to Adair. In the developing countries, corruption and crony capitalism are the main obstacles. In the developed democracies, the major stumbling block is the current confusion in public opinion over priorities: should domestic standards for labor, the environment, and health and safety issues take precedence over the promotion of trade or should they be harmonized to reduce barriers for trade?

Most participants recognized that globalization constrains states. Discussion focused on the question of state capacities to take advantage of the opportunities offered by globalization. One aspect of this debate was the ability of states to use tax systems as instruments in the pursuit of social justice aims. Globalization is often said to reduce this ability: capital is mobile and social welfare may be seen as unaffordable in hyper-competitive global markets. The composition of tax systems may

be altered as the burden falls more heavily on labor. However, globalization may also enable states and other economic actors to cooperate in detecting tax evasion. IOs are able to help states develop the administrative capacity and technical expertise to collect taxes. In spite of the pressures of globalization for harmonization, states retain the ability to choose different tax systems. Whether those differences are utilized for social justice, or utilized effectively (depending on the quality and composition of social welfare spending), are issues of choice and not necessarily capacity.

Participants acknowledged the tremendous variation among states in their capacities to tackle the challenges posed by globalization. States with small or open economies (where trade is a large percentage of total economic activity) that lack the capacity to implement economic reforms may be particularly vulnerable to the effects of globalization. Many developing states have adopted neoliberal ideology and the free market model for their economic system, but have failed to adopt the necessary regulations and rule of law that competitive markets require. And in many instances where states nominally have the right policies in place, corruption is a severe impediment to equitable growth. Meanwhile, the changing capacity of states to act within a globalized economy has created a widespread public perception in developed countries that the domestic social compact has eroded. Further, some believe that the social safety nets that underpin economic openness are not being replaced with other social welfare institutions. Finally, states vary in their responses to the new reality posed by the activities of NGOs, especially with regard to agenda-setting. Increasingly, states are grappling with the challenge of how to accommodate NGO participation, not whether NGOs will be allowed to participate in the first place.

Another topic of discussion revolved around the conjecture that globalization should really be treated as a proxy for Americanization. The question was posed as to whether the current era of globalization represents a new phase and form of American hegemony. This argument was an oversimplification, according to many participants. Moreover, in the North American context, NAFTA was not forced upon Mexico by the United States. Rather, the impetus came from Mexico after it had concluded free trade agreements with other Latin American countries. Participants also pointed out that the exchange of cultural influences ran in both directions. The diffusion of cultural influences from Latin America to the U.S., for instance, has been dramatic in recent years. One

argument emerged that the greatest danger to the global economic system does not emanate from U.S. hegemony, but rather from the threat of U.S. withdrawal and isolation from the global economy.

4. Panel on Business

The third panel, chaired by Thomas Donaldson of the University of Pennsylvania, examined the role of business actors in the global economy. Virginia Haufler of the Carnegie Endowment for International Peace discussed how recent changes in international politics have made it obsolete to consider a state-only approach to issues of international economic justice. Business interests, she pointed out, are currently perceived as the driving force within globalization, and therefore as the actor making a distinct mark – and one not always concerned with equity – on issues of social and economic justice worldwide.

Haufler then offered a typology of different levels of corporate engagement vis-à-vis social justice. In the minimalist approach, business is obliged to earn profits for its shareholders, while following the law. Proponents of this view are opposed to government intervention in the self-adjusting market beyond limited efforts to correct market failures and externalities. A broader view, which Haufler labeled a business ethics perspective, involves the recognition by managers that building a reputation for trust can facilitate exchange and improve economic efficiency. Within the corporation, business ethics typically refers to how management treats employees. In relations outside the firm, business ethics refers to the upholding of contracts, anti-corruption policies, and the ability to provide high quality goods and services. As businesses cross borders and their overseas operations proliferate, managers increasingly must deal with the international aspects of ethical issues. For instance, managers are faced with conflicts over standards between their home and host states, and between standards used by suppliers and those used by the firm itself. In this approach, business managers find it in their (enlightened) self-interest to behave as good corporate citizens, at home and abroad.

Most companies fall into the business ethics category. Nevertheless, Haufler asserted that the pressures of globalization and changing societal expectations are propelling companies toward a more proactive and more comprehensive approach to social issues. She labeled this perspective one of corporate social responsibility. Corporate social responsibility pushes companies to seek to solve

market externalities themselves. From this perspective, a corporation is not merely an economic institution with fiduciary obligations to its owners. Rather it is also a social institution with social obligations to serve the interests of stakeholders as well as shareholders. Moreover, Haufler suggested that such socially-responsible behavior may enhance the bottom line profitability of firms. It is even possible that the business community will learn to redefine the pursuit of profit to account for the 'triple bottom line' of economic, social, and environmental costs and benefits.

Giving business a more prominent role in promoting social justice raises several new issues. For instance, how can business be held accountable? How can this new responsibility be legitimized? Even if business assumes greater responsibility for social justice in the world economy, Haufler felt that business self-regulation would still be insufficient without government regulation to overcome collective action problems and to enforce minimum international standards.

Peter Russell of Chase Manhattan Bank offered a vision of business' social justice role that fell in the business ethics category. While suggesting that business people themselves share the same social justice goals as the rest of society, Russell understood the role of business to be determined by shareholder concerns and the dictates of market competition. In fact, he stated that business wants government, and not business, to ensure justice by regulating the market and implementing the rules that structure the global economy. Social justice concerns are perceived by the business sector as primarily outside the purview of business and within the purview of government – where they properly should be, he argued. Nevertheless, according to Russell, concern for social justice was reflected in many of the bank's policies, public communications, community philanthropy, and employee relations. Russell also viewed the consideration of and consultation with stakeholder groups as an increasingly common part of routine business decision-making processes at his company.

The presentation by Thomas DeLuca of Toys "R" Us illustrated the dynamics pushing companies toward corporate social responsibility. The company became conscious of the growing consumer awareness and public interest in the unjust conditions of overseas workers making products for consumption in the home market. Recognizing the significant harm that bad media publicity could cause its reputation, Toys "R" Us initially adopted a code of conduct specifying its social justice responsibilities. This effort led Toys "R" Us to participate in a more comprehensive international voluntary code-building and monitoring effort called SA-8000. These standards for social

accountability, established by a New York-based NGO, the Council on Economic Priorities, rely on independent certified third-party monitors to enforce compliance with the code.

DeLuca stated that the point of the code, however, is not simply to punish its suppliers with termination of contracts for violations of the code, which is unlikely to help either workers or countries reap the benefits of trade and growth. Rather, the usefulness of the code is as a lever to effect change among the company's suppliers, as a means of gradually improving social justice conditions. DeLuca stressed the inherent difficulty of monitoring the thousands of suppliers and sub-contractors to Toys "R" Us from all over the world. Such monitoring would require hundreds of audits daily just to keep pace. In spite of limitations, DeLuca highlighted the fact that compliance with its social accountability code now figures prominently alongside cost, quality, and shipping in his firm's calculations of costs and benefits.

The final set of comments from the business perspective on social justice was delivered by Thomas Marx of General Motors (GM). Marx described for GM a mix of a business ethics and corporate social responsibility in the approach to social justice. While the primary goal of business (and GM) is still to earn an adequate return for shareholders and to meet the demands of the marketplace, Marx acknowledged that the bottom line needs to be balanced with the concerns of stakeholders. As GM's manufacturing facilities have spread across the globe, the company's interests in, opportunities for, and abilities to address social justice concerns have multiplied.

GM tries to improve the quality of life through both example and deed, Marx argued. For instance, the company's policies establish U.S. standards for environmental and health and safety issues at all its overseas facilities. GM invests in local infrastructure and that its presence abroad tends to increase individual mobility and economic efficiency, according to Marx. Moreover, GM seeks to enhance the rule of law through business practices that promote non-discrimination, anti-corruption, and the global Sullivan Principles for human rights. Businesses such as GM, he argued, are ultimately limited in their pursuit of social justice because they lack the societal legitimacy to challenge governments on sensitive issues such as human rights. However, Marx conceded that there was room for improvement at GM, especially in monitoring suppliers and coping with conflicts between local and U.S. norms, which may require developing better management systems to identify and keep track of social justice issues.

Two main themes emerged in the discussion. The first dealt with whether business actors were prepared for the social demands increasingly being placed on them. It was observed that multinational corporations (MNCs) are still inadequately equipped to deal with many of these challenges. In particular, MNCs often lack the organizational capacity to deal with NGOs. The task of responding to NGOs often falls awkwardly between a corporation's human resources department, public affairs departments, and the audit committees of the board of directors. Most firms have not developed dedicated global sourcing, global reputation-management departments, or strategic committees dedicated to mapping the firm's future conduct in social issues.

In addition to these organizational challenges, corporate social responsibility makes fiscal demands on MNCs. Workshop participants debated whether there existed compelling evidence that there are net costs or benefits of socially responsible behavior. However, it became apparent that an equally pressing question is whether consumers are willing to pay for the potential costs of socially-responsible business. Consumers in rich countries are much more likely to be willing to pay for corporate social responsibility than consumers in developing countries, it was pointed out. However, even in post-industrial societies, there was general skepticism that consumers would be willing to pay significant premiums on goods and services in order to fund the creation of public goods by corporations.

Another main point of contention was whether voluntary codes for business conduct are sufficient in and of themselves or whether they must be complemented with effective government regulation. Participants questioned whether the corporate social responsibility model is applicable to companies which are relatively immune to consumer pressures and less susceptible to brand image damage, due to the nature of their business. Corporate social responsibility may also be more likely in industries that are concentrated; a small number of large firms are more likely to cooperate to achieve self-regulation, due to the reduced problem of free riders. The social justice gains in concentrated industries, however, are likely to be outweighed, from the perspective of consumers, by the negative economic consequences of anti-competitive business practices. The reality of business today is that small and medium size businesses can compete in global markets. Therefore, collective action problems are likely to remain acute, undermining the impact of voluntary codes.

On the other hand, the proliferation of voluntary codes of conduct is beginning to create a collective action dilemma itself: which among the many codes should a company or supplier adopt to be considered socially responsible? Indeed, how can consumers have confidence that a code is adequate? What, for instance, does it mean when a company's code pledges freedom of association for its workers, but production takes place in a country where this right is denied? These difficulties with business self-regulation suggested to some participants that binding international standards for business conduct and government enforcement would be required for codes to have an effect.

At the same time, the discussion exposed some of the drawbacks of binding regulatory frameworks. Although business actors routinely consult with stakeholders and take account of their points of view, many managers chafe at the notion of mandatory participation by stakeholders. Mandatory stakeholder participation would eliminate the flexibility businesses need to tailor their strategies for addressing social justice concerns while remaining economically competitive. The suggestion was also made that some businesses have adopted voluntary codes of conduct precisely because governments regulations have lagged and binding code-building efforts have faltered at the international level. Finally, regulatory frameworks are often resisted by developing countries as a form of cultural imperialism and protectionism, designed to serve the interests of rich countries.

5. Panel on Trade Unions and Non-Governmental Organizations

The fourth panel, chaired by Mark Zacher of the University of British Columbia, examined trade unions' and NGOs' perceptions of and strategies for social justice in the world economy. Lance Compa, of Human Rights Watch and Cornell University, sketched the sometimes complementary, sometimes conflictual roles of these two sets of actors. Unions, according to Compa, perceive the main threat to social justice in the unchecked power of corporations. Corporate power is eroding the strength of organized labor, and leading to a race to the bottom in worker exploitation, income inequality, and standards of living. From this perspective, strong unions are the most effective institution to counterbalance corporate power and remedy the downward spiral for workers.

While unions are concerned with the distribution of economic power in society, Compa characterized NGOs as primarily emphasizing questions of morality. NGOs generally perceive changes in business practice and government policy, not increased union power, as the best approach

for achieving social justice. Both unions and NGOs increasingly seek to incorporate each other's views into their efforts and programs, but Compa stated that an inherent tension remains. In the negotiations over a Free Trade Agreement of the Americas (FTAA), for instance, this dilemma has materialized in the choice between a 'labor forum' or a 'civil society forum' as the counterweight to the 'business forum.' NGOs often contest the privileging and leadership claims of unions in favor of a less hierarchical approach to coalitional work.

Compa observed that unions and NGOs often differ over the means they propose to achieve the same broad social justice goals. Unions reject the notion of an inherently positive impact from free trade and globalization. Thus unions call for a 'social clause' in international trade agreements to prevent unfair trade based on competitive advantages in labor costs gained by violations of workers' rights. NGOs, on the other hand, generally seek to harness public opinion, especially consumer opinion, often through the news and other media, to effect change and punish what they see as bad corporate behavior.

This divergence in strategies is also evident in the push for corporate codes of conduct. Unions tend to be wary of the usefulness of these initiatives, seeing them as weak substitutes for strong laws and effective enforcement of social clauses – or even worse, as mechanisms to bypass bargaining with workers and their organized representatives. NGOs, on the other hand, are generally more encouraged by the adoption of codes of conduct by corporations, and see a legitimate role for self-regulation by business. In Compa's opinion, these tensions over tactics should not obscure the fact that there is much that NGOs and unions can and do find to work in common cause toward their shared goals for social justice.

Alicia Sepúlveda of the Mexican Telephone Workers' Union perhaps best illustrated the underlying issues that both NGOs and unions face, by focusing her remarks on the impact of globalization on labor in terms of human development costs. She stressed the importance of a growing consumer middle class, but also the need to consider the quality of life along with the quality of jobs. Sepúlveda stated that Mexico has not seen the promises of free trade materialize: the poor quality of many jobs has only been obscured by low official unemployment figures. Instead, Mexico has seen its workers suffer, losing earning power and decent jobs. Moreover, Mexico's workers have experienced the breakdown of the system of social bargaining. The crash of the peso in 1994 upset

the traditional balance of power in society and left workers without many of the instruments they had previously used to influence the government. Even with growth, Sepúlveda discerned rising inequality in Mexican society and growing anxiety that the U.S. model is making inroads in Mexico and leading to a race to the bottom for workers.

Thea Lee of the AFL-CIO highlighted the differences between unions and NGOs with reference to the democratic nature and clear mandate that most unions possess. This disciplined focus stands in contrast to the undemocratic, irreverent, and incoherent nature of NGOs, which Lee paradoxically saw as their strength. Unions, because of their democratic structure, can offer a clear message that the rank and file voices through its leadership. Organized labor's voice is legitimated by this path of accountability to union members and to international trade federations.

According to Lee, unions conceive of social justice in the world economy primarily in terms of their own inclusion in the global economic architecture. The capacity to mobilize the grassroots, to lobby, and to provide electoral support gives unions significant political leverage to press for other actors to take their views into account. However, at times this capacity is insufficient, as was the case with the NAFTA, which did not adequately fulfill labor's desire for minimum workers' rights standards in trade agreements. In the future, Lee concluded, unions will continue to oppose free trade agreements that do not introduce good rules that level the playing field for workers.

Medea Benjamin of Global Exchange, a non-profit dedicated to challenging corporate abuse of human rights, agreed with Lee that NGOs could use their relative incoherence and irreverence as a source of strength. At the same time, she also believed these qualities were a weakness. For example, she suggested that it helps critics of corporations when there is a CEO who can play the part of the bad guy. However, when there are only "nice people" playing roles in what they can claim is a "bad system," it can be difficult for NGOs to make their case to the public.

As an activist, Benjamin noted that she wants to be proud of American corporations that produce abroad, to know that they are helping to create good jobs that pull workers and societies out of poverty. Unfortunately, Benjamin perceived the exact opposite to be occurring in many industries, such as apparel and shoes. These two industries have become the natural targets for NGO campaigns against the dominance of corporate rule that Benjamin regards as enshrined in the current global economic architecture. The real problem, both in the U.S. and in many countries, is often not the lack

of good labor laws, but the lack of adequate enforcement. For this reason, many NGOs initially promoted corporate self-regulation as a mechanism to enforce labor standards. However, due to the growing perception that codes alone are insufficient to ensure enforcement in countries where unions are weak or absent, there is an increasingly strong affinity among NGOs for organized labor unions. In situations where unions have lost power, Benjamin felt that NGOs are well-placed to promote workers' rights and play a role in helping unions (re)build their influence.

Finally, Frank Vogl of Transparency International (TI), an NGO established to battle corruption, presented a nuanced view of the role of NGOs in pursuing social justice. He stated that NGOs are driven to act by their principled beliefs about notions of right and wrong. Whereas business lacks a leadership mandate on these issues, civil society can and should act as catalysts for change. In fact, Vogl asserted that NGOs today possess a tremendous new source of power due to their widespread popular support. Even the media increasingly accept the legitimacy of NGOs, according NGOs a privileged (though perhaps unwarranted) position as authoritative and trusted experts in many areas of both social justice and business activity. To be effective, NGOs need to aim to get their programs implemented at the national level, tailored to the specific context found in each country. Transparency International, for instance, sees its role as initiating the process of building and sustaining national chapters which can provide homegrown solutions to the common problem of corruption. One of the great challenges for the future, Vogl concluded, is for NGOs and other actors to cooperate to address common problems of social justice.

The rise of NGOs and proliferation of voices from civil society may be a positive development in itself for social justice, workshop participants pointed out. In particular, it may offset the dominance of rich-countries in IO agenda-setting, advancing the prospects for social justice in developing countries. For example, this has been the case with Jubilee 2000, the campaign for debt forgiveness that NGOs have pushed onto the international agenda with the help of religious organizations.

Nevertheless, workshop participants expressed concern that despite the increasingly significant role of NGOs in setting the agenda for social justice, NGOs might lack a certain legitimacy. Not only do NGOs lack accountability due to the absence of a mandate and/or public support, NGOs sometimes suffer from a lack of transparency in their decision-making and funding,

as well. The suggestion was made that NGOs should be accorded legitimacy based on their effectiveness in securing their goals. Because NGOs increasingly need to be part of networks to achieve their social justice goals, their recognition and legitimacy may stem in part from their partnerships with other actors, notably business and unions.

Yet NGOs must guard against having their principles coopted by other actors. Business actors, for example, may seek to use their association and cooperation with NGOs as a means to whitewash exploitative business practices. Similarly, the aim of unions may be to ‘get more’ for workers and not necessarily to improve economic efficiency or to advance human rights claims. Participants were wary of simply assuming common goals for unions and NGOs.

6. Summary of Workshop Themes

Five broad themes emerged during the workshop. First, there is a greater number of actors addressing economic inequality and global social justice concerns. Second, the interdependence of actors is a significant factor in determining outcomes in and responses to the world economy. Third, new consideration needs to be given to the appropriate division of labor in the global economy in terms of enhancing social justice. Fourth, globalization changes, but does not inexorably limit, the capacity of state (and other) actors to pursue social justice. Rather, globalization creates new opportunities and constraints for global economic actors. Fifth and finally, issues of legitimacy affect the ability of all actors to achieve their mandates for social justice in the world economy.

In issues of social justice, the relevant group of actors has widened beyond states to include a broad range of global economic actors. States may still be the primary actors in world politics, but international organizations, business, NGOs, and unions increasingly have an impact on issues of global social and economic justice. In addition, these myriad actors are capable of acting in a direct fashion, not simply mediated through state structures. One of the recurring issues during the workshop was the significant rise and even greater potential of NGOs, in terms of affecting social justice. NGOs have emerged in the world economy as a new force for change, filling a niche as a catalyst for social action in the international system, challenging corporate behavior, and creating awareness of social and economic inequalities.

Second, there has been a growing interdependence of global economic actors. Indeed, interaction with other actors has become an increasingly significant and necessary component of an actor's capacity to achieve its own goals regarding social justice. With increasing economic integration, state and non-state actors are in contact more frequently, in more forms, than ever before. Just as states previously had to adjust to the reality of interdependence, today globalization may require state and non-state actors to coordinate and collaborate in order to successfully achieve their economic and social goals.

For example businesses today tend to focus on their core competencies and outsource non-essential activities, often creating a “virtual corporation.” Business actors form alliances with other businesses to spread the cost of acquiring knowledge and the risk of capital intensive activities. Corporations participate in government-industry research consortia, partner with NGOs in stewardship councils to define responsible business practices, and court the media with public relations to enhance their reputations. It is difficult to understand the role of business actors today without tackling their cooperative and competitive relationships with other actors and the chief task of the virtual corporation in coordinating all these activities in a value-adding process. Likewise, other actors such as IOs and NGOs participate in networks pursuing global public policy, including policies affecting social and economic justice.

Third, the discussion or establishment of an effective division of labor among actors in the pursuit of social justice must take into consideration the mandates of the actors involved. This applies both between and within the four actor groups discussed at the workshop. There was general agreement that business actors should be aware of problems of inequality, should address labor rights and environmental issues, and should be concerned with human rights, but that the primary role for business remained the creation of wealth, jobs, and profits. An IO such as the UN, however, had a specific mandate to foster a just and peaceful world. Meshing business interests with the UN's mandate would not necessarily be a panacea, and may ultimately be detrimental to the cause of social justice. Likewise, competition between NGOs and unions over monitoring business codes of conduct and defending workers' rights may sabotage both groups' efforts.

The fourth theme concerned the capacity of actors to achieve social justice in the context of globalization. The economic architecture that supports globalization is usually seen as constraining one set of actors – states – by reducing their fiscal and administrative capacities to work toward their social and economic goals. For some participants, this restraint was positive in the sense that markets constrain governments from deviating from neoliberal orthodoxy and pursuing unsound economic policy; sometimes these constraints are imposed through structural adjustment programs that further reduce the scope for policy choice available to states. Others noted the downside of this change in state capacity, pointing to the irrationality of markets and repeated crises in the world economic system.

In terms of capacity, globalization creates opportunities for states that were previously not available, thereby increasing their room to maneuver. One primary example is state access to new and less costly sources of capital. Globalization may have entailed a reorientation of state strategies, from internal adjustment toward greater reliance on external adjustment mechanisms. In addition, states are not necessarily losing power as much as they are sharing it or delegating it to other actors. For instance, deregulation and privatization have led to the withdrawal of the state from the management of economies and toward a greater scope for self-regulation by private industry. Foreign aid and official development assistance to developing states have been supplanted by foreign investment flows and NGO development activities. Even in this changed environment, there is still a role for state regulation and multilateral coordination to establish and enforce the rules of the game. Moreover, states, like the other actors considered in the workshop, do have choices in the way they respond to the pressures of globalization and the demands for social justice.

A final point significantly debated in the workshop concerned the extent to which the legitimacy of actors affects their ability to achieve social justice. In general, each actor is perceived as legitimate to the extent that it is representative of its constituencies and allows participation in a transparent decision-making process. IOs, for example, face the challenge of remaining relevant to their primary constituency of states; but they are also increasingly making efforts to provide avenues of participation, oversight, and support to other actors such as NGOs and business. NGOs face similar challenges. Unlike unions and states, who often have clear constituencies and systems of representation, NGOs may have to look to outside partnerships and networks for greater

effectiveness and legitimacy. As economic integration increases their interaction, actors may become more sensitive to democratic deficits where they exist, and find it in their interests to open up and formalize the role of other actor and interest groups. Thus globalization may give actors the impetus to address the lack of transparency and legitimacy in the present global economic architecture. This push for openness may ultimately benefit the claims for greater attention to social justice in the world economy.