

Globalization, Democracy and the Rights of the Worker*

By

Kaushik Basu

Department of Economics
Cornell University
Ithaca
New York 14853

kb40@cornell.edu

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Human Rights as Instruments of Emancipation and Economic Development

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1. Precept and Practice

On December 10, 1948, the General Assembly of the United Nations proclaimed the Universal Declaration of Human Rights, which was a call to a certain universalist commitment to promoting some basic rights that all individuals possessed simply by virtue of being human, and irrespective of their religion, race, gender and nationality. This was the first time that such a proclamation had been made at a global level and endorsed by virtually every country in the world¹.

There is of course a long history of individual activism and philosophical pamphleteering for some basic rights for *all* human beings. Jefferson, Kant, Locke, Gandhi, the poetry of sufi saints and the writings of spiritual leaders and even many nonbelievers, such as India's first Prime Minister, Jawaharlal Nehru, and the philosophers Bertrand Russell, David Hume, and John Stuart Mill easily spring to mind. There had also been initiatives undertaken by individual countries to recognize some basic rights of individuals within their national boundaries. The UN Declaration has special significance because it was the first effort to bring the whole world under a common recognition of rights and to give this a semi-legal status². In today's rapidly globalizing world we cannot ask for anything less. The Declaration has had huge ramifications, since many global agreements and initiatives—concerning the rights of the workers, the rights of the children, the treatment of prisoners, the protection of the environment and economic

¹ One reason for such widespread acceptance is, ironically, because, unlike the U.N. Charter of 1945, the Declaration did not place any legal obligations on nations that accepted it. With time, though, some of its clauses have begun to acquire a more obligatory character.

² This harks back to the Kantian dream that “if a single universal, rational, and supreme code of international practice could be established throughout the world, then perpetual peace was possible” (Chatterjee, 2004, p.98).

objectives like the Millenium Development Goals—are outgrowths of that initial proclamation³.

Taking advantage of the fact that the readership of this volume will include researchers and students, I want to move away from these general, universal declarations, with which we all would easily agree, to some more conceptual and contentious matters, and focus on economic rights in the context of globalization.

Globalization can confer huge benefits on humankind, but it can also marginalize and impoverish large sections of the population in both poor and rich countries, unless it is complemented with intelligently designed policies meant explicitly to combat these inequities. At least in this context, the need for intelligent design must be considered above controversy.

Concern for the poor and the risk of their getting further marginalized during the process of globalization is, I believe, a matter of intrinsic moral significance (see Pogge, 2005). But even if we do not consider it to be so, we must realize that, when large segments of people get marginalized, this can cause political instability, strife and turmoil; and so it may well be in our self-interest to address these fall-outs.

In an earlier world, these problems were addressed at the level of each nation state separately, and that may have been, for most purposes, the right strategy. But in today's world, as the economies of different nations move closer to one another, it becomes difficult to solve or even begin to address one nation's problem without some policy coordination with other nations. The right policy to counter poverty or large inequality in one country may require us to know what is happening in other nations because a unilateral move can cause the flight of capital or the diversion of trade flows.

It follows from this that it may no longer be possible to address the issue of labor rights in one country without doing so in another. So if we think of some basic rights, such as a worker's right to a living wage and to certain basic freedoms, a child's right to basic education, a poor farmer's right to clean air, and even certain human rights such as the right to bodily integrity, then some global coordination of policies is crucial⁴. But this

³ See Brysk (2002) for discussion of many of these rights.

⁴ Another interesting link between globalization and rights occurs via the nature of democracy. While for small groups, democracy may be predicated on common aims and objectives, as the group becomes larger (for instance, when we go from the nation to a collectivity of nations), interests become adversarial. This

is by no means an easy problem. Various economies of the world are at vastly different levels of development, and cultures and belief systems across nations can be not just different but contradictory and even confrontational. Agreeing even in outline to a common minimal standard for such a diverse world is unlikely to be easy.

I do not choose my subject because of the academic's love of disputation and arguments—though I cannot deny finding these innately pleasurable—but because proclamations, which have universal appeal, while extremely important, are of limited reach and can even harm us if they are not backed up by close reasoning and scrutiny. The World Bank has enshrined as a virtual logo its aim: “Our dream is of a world free of poverty”. At the International Labor Organization, people wear T-shirts and badges which declare “Say No to child Labor.” Individual rights are routinely upheld in public discussions in the United States. If despite this the world is awash in poverty, 186 million children toil as laborers, and fellow human beings are humiliated and tortured not just in remote totalitarian states but in Abu Ghraib and Guantanamo Bay, evidently we are not succeeding in translating our proclamations into action.

These are huge moral lapses but they are also intellectual failures. They suggest that our charters and laws may not be right, and, even when they are, the details of how we translate them into actual actions may be faulty. I hope to persuade the reader that some of these problems are intellectually hard and need a lot of effort and analytical skill to solve them; and abstruse though such an exercise may seem, it is crucial that we do not forsake it if we are to translate our precepts into practice.

I shall in this chapter be concerned with rights that are enforced, if not fully, in large measure, and, if not immediately, in some foreseeable future. This bears on the long-standing debate on whether a right that is not enforced is even meaningful, with the legal positivist school taking the view that it is not and the natural rights school arguing that what constitutes a basic human right arises from our idea of human and remains valid whether or not it is enforced (Dworkin, 1978). This is not the occasion for me to join this debate, though my inclination would be to reject both these polar positions.

does not mean an abandonment of democracy but a structuring of it that recognizes the adversarial interests of its constituents. Equality of rights would then have to be the basic building block of such a democracy (Mansbridge, 1984).

To acknowledge something as a right surely imposes on us an obligation to uphold it or to take measures towards its implementation at least in the future. On the other hand, as Harvey (2004, p. 702) puts it eloquently, the positivist position cannot be exactly right either for then we would have to presume that it was “a linguistic mistake to assert that apartheid violated the human rights of non-white South Africans.” One way to bridge the gap between the two schools is to recognize that the mere assertion of a law or a right or a rule at times creates pressures that lead to partial enforcement, even though there may be no formal mechanism for enforcement⁵. Just as some prophecies can be self-fulfilling, some laws can be self-enforcing or at least give rise to forces that create pressures for its enforcement⁶. To declare that Blacks in South African had a right that was being violated wantonly under apartheid is to build up pressure for restoring that right.

In American restaurant bathrooms one frequently sees signs on the wall, which say “Employees must wash their hands with soap.” One may take the view that this demand is useless unless there is a mechanism for enforcing it, because otherwise this will have no effect on behavior. One way to counter this is to argue that the remark before the “because” in the previous sentence is valid but what follows is not. This is because human beings or at least some of them *are* affected by displayed instructions which sound reasonable⁷. Hence, the very fact of putting up a reasonable instruction has a self-enforcing affect on some onlookers.

2. The Fallacy of Binariness—a Preliminary Remark

It is useful to begin by introducing one specific problem that I shall be concerned with in this essay—that of labor standards. All—or, at least, most--of us will agree that workers should not be exposed to excessive health and safety hazards, children should

⁵ An extremely cogent evaluation of some of these critiques of the idea of human rights preceding their incorporation into the law and policy occurs in Sen (1999, Chapter 10). He takes the view that (p. 229) “human rights may also exceed the domain of *potential*, as opposed to *actual* legal rights.

⁶ The concept of the expressive function of the law embodies some of this idea (Sunstein, 1996; Cooter, 1998).

⁷ At times one may need to implore twice, as used to happen on Delhi public buses in the eighties. Above some seats would be the sign “Ladies Seat” and, on occasions, above these would be another beseeching sign, “Let ladies sit on Ladies Seat”

not have to do hard labor or regular work, no worker should have to work more than a reasonable number of hours, for instance, ten hours a day, no one should be forced to work against one's wishes. But converting these slogans into action can have lots of pitfalls.

First, we must not make, what I shall call, the 'fallacy of binariness'. In a Woody Allen story, one Mr. Needleman, while discussing what kind of a funeral he would like, says, "I much prefer cremation to burial in the earth," and then, with no further provocation, goes on to add, "and both to a weekend with Mrs. Needleman."⁸

In this particular case, it is not evident why Mr. Needleman proffers the needless information about where in his scale of preferences a "weekend with Mrs. Needleman" stands in comparison to cremation and burial, but there are many situations in life, where it may be crucial to know the 'third option'. To know that child schooling is better than child labor, does not automatically amount to a case for banning child labor, if there is a real possibility of a third outcome for children, for instance, that of neither school nor work but malnutrition or starvation. And so, before imposing a ban, we must make sure that banning child labor will lead a child to schooling and not to malnutrition or starvation. This elementary fallacy can lead to errors in the specification of policy with adverse consequences for the very individuals we intend to help. In the above case this involves child labor, but this is a general point and a lot of our labor-market policies are flawed precisely because they are founded on the fallacy of binariness.

In other words, in trying to root out one evil we must not become so single-minded that we do not care if this evil is rooted out by replacing it with a bigger evil. This is not a word of empty caution but a trap that ordinary, considerate human beings face the risk of falling into. This is what leads many protestors to unwittingly become pawns in the hands of the very power lobbies that they may be protesting against. I want this thought to remain as a backdrop. We shall have occasion to return to it after we have discussed the meaning and importance of economic rights and move to an analysis of which ones ought to be upheld and which ones abandoned.

⁸ The quote is from page 3 of 'Remembering Needleman', which is part of Woody Allen's collected short stories, **Side Effects**, Random House, New York, 1975.

3. Empowerment and Economic Progress

The free market is a powerful machine for coordinating the actions of multitudes of human beings absorbed in their own limited pursuits. Given certain pre-conditions, the free market mechanism can be efficient and can promote economic growth. But, unfortunately, this powerful machine or ‘invisible hand,’ as Adam Smith had called it, is no creator of utopia and no respecter of individual needs, fairness or equity. If a person is kind and humane but physically unable to work, she will be doomed to poverty and perhaps starvation. If some individuals come into adulthood without the advantage of inheritance or human capital, they will have to live in deprivation. The fact that the 10 richest people in the world earn the same as the entire population of Tanzania—some 37 million—does not make this mechanism wince⁹.

Anyone with a modicum of sensitivity will realize that, while the market mechanism has its strengths that need to be used, it also needs controls and corrective interventions. As Harvey (2004, pp.703-4) put it so eloquently, “Markets are engines of technological innovation, ... and certain kinds of economic efficiency; but they are not very good at securing the economic and social entitlements proclaimed to be human rights in the Universal Declaration. ... I therefore came to view economic and social human rights as having a similar relationship to the market mechanism that minority rights have to majority rule.”

But intervening for the poor and giving people certain basic rights is more than an end in itself. Granting people rights—and working to ensure that they get to exercise these when the need arises—empowers people and can boost an economy’s growth and development¹⁰. For the poor, the destitute, the marginalized, the discriminated against, the downtrodden the largest handicap is a lack of self-confidence. Not only do they suffer because others treat them dismissively, but, as a series of psychological experiments and micro studies show, the biggest damage is that they lose faith in themselves. The granting

⁹ These numbers, based on World Bank data and some numbers published in Forbes magazine, were computed in Basu (2006b).

¹⁰ The UN has been promoting the idea of the “right to development”—a term that was coined by the Senegalese jurist, Keba M’Baye. At one level a right like this can be seen as too all encompassing to be of use. But, if we view this as promoting the idea of individual empowerment and freedom so that people have the *scope* for development, then this can be a valuable rallying idea (see Sengupta, 2006, for discussion).

of certain basic human rights can create a sense of empowerment and give hope to the hopeless¹¹, the long-run benefits of which can far outweigh the costs of instituting such empowerment.

Some recent aptitude tests done in India on school children by Karla Hoff and Priyanka Pande (2005), where all children were treated the same and no mention was made of anybody's caste before the tests were conducted, revealed that all caste groups performed at roughly the same level. Of course, there were individual variations in performance. But averaged out over all members of each caste, the scores turned out to be pretty close to one another. But when the same kinds of tests were given to the children after they were identified in class by the teacher calling out each child's name *and caste group*, the children from the backward castes began faltering in their aptitude tests, getting lower marks on average. The scars of hundreds of years of discrimination and denial of not just property but basic human rights seemed to suddenly get activated by the public announcement reminding them of and disclosing to everybody their disadvantaged status. There can be controversy about what the mechanisms are behind this trigger.--Perhaps the children lose faith in themselves or, maybe, as the authors hypothesize, they no longer believe that they will be judged fairly by the teachers.--Once their caste status is announced, they feel automatically disenfranchised of the right to good grades¹².

This general point receives reinforcement in some data that I collected while visiting an NGO-run teaching institute for slum children in Kolkata (formerly Calcutta). The details of the data and the tests I ran on these are reported in Basu (2006a). What comes out quite starkly is that what is most important for a child's aptitude is not the income or the wealth of the child's household but whether the parents talk to each other and whether the parents talk to the child.

¹¹ Another way of viewing this is to recognize the familiar need all human beings have for basic security, that is, to keep at bay critical pervasive threats; and then to view human rights as a way of ensuring minimal human security (Alkire, 2003).

¹² Recent tests done in South Africa by Erica Field and Patrick Nolen (2006) seem to confirm something similar. Make children take aptitude tests with no talk of race and they perform at some level. But charge the atmosphere by talking about race and then make them take similar level tests and the Black children—in this case especially the boys--begin to falter.

What is of interest to us in the context of the present paper is the suggestion that the child's *social* conditions matter significantly in how he or she performs in school; and they seem to matter more than the *economic* conditions of the child's household.

Children, whose parents converse among themselves and with the children, clearly make for more congenial living conditions for the children; and this seems to translate into human capital for the child. Another suggestion is that a person's 'citizenship status' matters. If a person feels a proper 'citizen of the household', it bolsters his or her self-confidence and this again results in intelligence and human capital. If the parents talk to you, it bolsters your status in the household and that citizenship status aids intellectual performance.

To give people a sense of status in society, community and the household, which in turn entails having some minimal rights, unleashes energies and initiatives that, at first blush seems unexpected. In addition to the kinds of experimental research mentioned above, we now have interesting studies of how empowering women can make them come into their own in household decisions. There are studies in India that show, that if a household's total income remains the same but the woman's income increases, the woman begins to exercise greater say in household matters¹³.

There are studies from Bangladesh, which show that women, who join community groups, such as Grameen Bank borrower's group begin to exercise greater say in their households even when the outside interaction does not lead to any new earnings for the household.

India has recently enacted a very controversial law, which gives people the right to a certain amount of work. It is a very limited right. In each household, the law guarantees that at least one person will have the right to 100 days of work. If they do not find it in the market, the state government has the responsibility to provide work and if it fails to do so, individuals have the right to take the government to court. As of now the law applies only to some select districts in rural areas but the intention is to extend it to all rural areas eventually. The activists and the (very few, I must add) economists who campaigned for this policy argued that its aim is not only to mitigate poverty but give the poor a sense of right and entitlement. If the rich can call up the local government if the

¹³ See Basu (2006) for discussion of some of the results discussed in this and the next two paragraphs.

road outside their home is not well-maintained, surely the poor should be able to call up the government if what they need most, namely jobs, are not available.

There has been a lot of debate about the fiscal consequences of this law and the labor market distortions that it can create; and indeed these are not matters to be ignored¹⁴. But as an instrument for giving people a sense of basic economic rights and entitlement this cannot be faulted. And, as the studies mentioned above show, the effect of such a law could go well beyond the immediate benefits of the money earned through such jobs to bolstered self-confidence and superior performance that comes from the awareness that one has rights in society the way the rich and the powerful have always had.

The connection between rights and economic performance and progress seems to be clear and present. But I want to enter more controversial terrain by discussing what exactly does the granting of a right mean in the context of an economy; and, when there are several possible meanings of granting a right, which ones should we adopt where. I will also discuss which of the many possible kinds of rights ought to be respected, and which ones help and which ones hurt the carrier of the right. My aim here is not to give full answers by actually classifying rights into different categories but to lay out some general principles and essential taxonomies that can be used in crafting laws and designing policies.

4. Tradeable rights

One question that we need to confront is the philosophically intricate one of whether, when we grant a person a right, we should also grant the person the right to waive that right (or trade that right away). In our laws and proclamations and even academic writing this is not always made clear and a lack of clarity on this can lead to great inefficiencies and inequities.

¹⁴ The right to work has a long history. Arguably, it was in the French constitution of 1793 where this was recognized for the first time as a basic human right. But this is one area where there can be serious contention between the legal positivists and the natural rights school, since some would argue that permanent full employment is impossible for any nation—even if it consists of only Japanese. Hence, some would argue that this right can be no more than a pointer to a certain direction and sets a responsibility on the part of the government to keep unemployment as low as technically possible (see Harvey, 2002, for discussion).

I should clarify that I am not talking here about the distinction between alienable and inalienable rights, following Jefferson's famous words about 'the unalienable rights of man'—in particular, the right to "life, liberty and the pursuit of happiness." These were drawn, in turn, from John Locke's idea of the right of human beings to "life, liberty and estate (meaning property)." The term 'inalienable' typically refers to the fact that no one can take the right away from the person endowed with such a right. But whether the person endowed with the right cannot *himself or herself* waive the right or sell the right or gift the right to someone else is not automatically clear. Indeed, since Locke clearly did not think of one's "estate" as something that is immoral to sell, such as many would consider one's life or limb, plainly Locke was not thinking of our basic rights as untradeable or unwaivable. In fact, my hunch is that Locke was making a category mistake by clubbing together rights, which he himself (on cogitation) would consider to be rights in different senses.

Note first of all that when most of us talk of a person having a certain right to a certain property, for instance, the person's car, we mean that no one can take it away from him by force. But, on the other hand, he certainly can waive that right or trade it. He can give it away to his niece, if he wishes; he can exchange it for money or other goods.

Economists tend to go further and carry this notion of rights to not just goods and services but many other things. Typically, when an economist says that some person i has the right to something, call it R , she presumes that the person can sell that right. This is indeed the presumption behind Ronald Coase's famous law. Suppose we agree that John has the right to a smoke-free atmosphere. Jill comes into his room and strikes a deal with him. She will pay him a dollar and he will not object to her smoking a cigarette. Would this be considered a violation of his right? I think most economists and many people will consider the answer to be no.

Now consider the case where a rich landlord tells a very poor serf, whom he dislikes intensely, that he will give the serf's family \$100 if he will kill himself. Suppose the serf agrees and the 'trade' is carried out. Has the serf's right to life been violated?

Many would consider the answer to be yes¹⁵. As for what economists would say, I prefer not to speculate.

This shows that when we say that a person has a right to R, there is some ambiguity about what this means, for in some cases we mean he has ‘full right’ to R, including the right to waive the right, whereas in other cases at least some people believe that this means even he himself cannot waive that right. I shall call the former kind of right “a tradeable right,” and the latter an “untradeable right”.

It is possible to categorize these further and also my classification bears resemblance to others that have been suggested in the literature (for instance, Lyons, 1979; Feinberg, 1980)¹⁶. As Feinberg (1980, pp. 156-8) points out, right-holders are not always obliged to exercise their rights; in fact, the ability to occasionally forego one’s rights often makes for a nicer society. But note that when I speak about a tradeable right I mean it in a stronger sense than the holder having the meta-right to occasionally forego or sell the right. Certainly he or she can do that, but I mean that, in addition, he or she can waive it off for forever. In other words, there is a distinction between waiving exercising a right and waiving the right. Consider the right not to have to work more than 10 hours a day. There is a difference between not exercising that right on a particular day (maybe for an overtime fee) and telling the employer that one is giving up that right forever (“If you give me this job I will henceforth work as many hours as you wish, foregoing in advance the right to object.”). By a tradeable right I mean having both these rights—that of not *exercising* a right and that of waiving the right itself.

The ambiguity about whether a particular right is tradeable or not crops up in many areas and we need to confront it frontally. From the way some basic principles are stated in economics it seems to be implicitly assumed that all rights, the exercise of which has no negative fall-out on others who are not voluntarily party to the deal, should be tradeable rights. This follows from the Pareto principle or, relatedly, from the principle of free contract, which says that, if two adults voluntarily agree to an exchange or trade or a

¹⁵ It is possible to argue that making an offer like this is to immediately diminish the status of a person. Hence, it is not a simple, take it or leave it offer. Once an offer like this has been made there is no returning to the world before the offer was made.

¹⁶ One advantage of classification is that it permits the use of a larger bundle of rights. While we may not agree to confer the status of rights to several needs if there was only one kind of right, we may be able to accommodate a wider range of human needs as rights, if we can separate these out by the use of different epithets.

contract, which has no negative fall-outs on uninvolved third parties, then government has no business stopping such a deal. Indeed, the foundation of modern market economies is predicated on contracts and exchanges of this kind being possible. The possibility of such transactions is often taken as an index of economic freedom. A typical economist would argue that governments which intervene in such transactions and ban them harm enterprise and progress. And so he or she would oppose all such government interventions.

But consider now one example of the application of the principle of free contract. In the United States, workers have a right not to be sexually harassed in the workplace. Now suppose that a firm puts up a sign outside its personnel office saying that, “We offer great salaries, excellent health plans, plenty of vacations but we reserve the right to sexually harass our workers. If you agree to these conditions, you are welcome to join our firm.” In other words, the firm is offering the workers money and benefits in exchange for having them waive their right not to be sexually harassed. Equally, this can be thought of as a trade. A person can trade her right not to be sexually harassed for money and other benefits. By the principle of free contract it appears that such transactions should be allowed.

However, most of us feel uncomfortable with this conclusion. But it is not good enough to disallow such waivers purely for reasons of discomfort. We must find it in reason and reasonable ethics. One route is the use of deontic rules. “One must not be allowed to trade one’s bodily integrity, irrespective of its consequences.” “It is wrong for children to work no matter what the consequences of non-work happens to be.” These are deontic rules, because they make no reference to the consequences of such rules, such as the effect on the welfares of the citizens involved. I believe such principles should be used minimally. I want to found my arguments for deciding on whether a particular right should be treated tradeable or not on the welfare consequences of such a decision and make room for deontic rules only when that does not yield a clear answer. There is more to this than personal predilection. When we craft rules for distant societies—for individuals with whom we have little or no interaction—it is natural to underplay the importance of welfare consequences. Distance may or may not lend enchantment but it always blurs awareness. Hence, when deciding for distant societies, we have a bias

towards the use of deontological principles often in quite an ad hoc fashion. What I am arguing is that we must resist this penchant.

Before discussing the case of what stand we should take on sexual harassment, consider another problem. Workers in most nations have the right not to expose themselves to large health and safety hazards. But suppose a mining firm refuses to put in expensive safety equipment in their mines and offers instead to pay an extra salary to workers willing to go down those shafts. Suppose this is a very poor region and some workers are therefore willing to accept the deal. Has their right to safety been violated? Should such contracts be allowed?

I do not think that the answer to each of these and other similar *sounding* questions will be the same. I have elsewhere taken the view that the right not to be sexually harassed should be a non-tradeable right. No one should be given the option of waiving it in order to get more of other benefits. The reason is not embedded in the person, who waives it. I believe an individual should have such a right if that was all there was to it. But if such rights are granted in general and firms are allowed to freely buy up the rights of workers not to be harassed, it can be shown that any worker who insists on signing a no-harassment contract will get a low wage. In other words, in a legal regime that allows ‘contractual’ harassment (like the firm above that makes the terms abundantly clear), those with the strongest aversion to harassment will get punished by the market, because they will get a lower wage than they would in an economy where contractual harassment is declared illegal. And I would maintain that no one should have to pay a penalty for having a preference not to be harassed. As is discussed in the next section, I call certain preferences ‘inviolable’ and argue that the preference not to be harassed ought to be considered an inviolable preference.

Indeed, in the US you cannot trade your right not to be sexually harassed, a priori. This is even clearer in the case of what is called a “yellow dog contract”, whereby an employee relinquishes the right to join a trade union during the term of his or her employment. By the Norris-La Guardia Act or the Anti-Injunction Bill, 1932, yellow dog contracts are explicitly illegal in the U.S. In other words, a person’s right to join a trade union is not a tradeable right.

The decision about which rights should be considered tradeable and which not is often hard. Consider the problem of safety-in-the-mines in a developing country. Typically poor people will be willing to take undue health risks in order to earn a subsistence income. Our first response may be that no one should be so poor that he has to take such risks. But the counter response to that is: But if they *are* that poor, then surely we do not have the right to take away their right to survive by saying that they should not take undue health risks? That would amount to committing the fallacy of binariness.

The government, we could argue, should get rid of this kind of poverty. But that still leaves the question: What if government fails to do so? Should we not in that case give people the option to fend off extreme poverty by, if need be, taking up risky jobs? But that in turn implies that there may not be an obvious case for banning hazardous work in poor nations. If government succeeds in obliterating extreme poverty, then people will choose not to take up such hazardous work, so the law will be of no consequence. And if government fails to obliterate extreme poverty, then it is not clear that such a law, which may cause starvation and chronic hunger, is a good idea.

It is, however, possible that a ban on hazardous work will lead employers to installing new technology to make the mines safer. But there is also the risk that they will close down their operations and contribute to greater unemployment and poverty in the region. In the field of human and labor rights, much of what starts out looking obvious has the propensity to spring surprising complexities.

5. Maintainable and Inviolable Preferences

In general I take the view, in keeping with the analysis of Coase, that rights should be specified as clearly as possible for as many goods and actions as possible. I would then go further and say that we should typically give greater rights to the disadvantaged and the dispossessed, so as to give them a sense of empowerment and enhance their sense of citizenship. The ambiguity is not about these principles but about which rights should be treated as tradeable and which not. I sketched some arguments for some specific examples above. For developing a transparent and *generalizable* criterion

we need to have some prior normative rules for ranking preferences the same way that we rank actions—castigating some as bad and praising some as good. We do not typically morally rank preferences but it is arguable that we can and should¹⁷. If a person says that she does not like people of a certain race, or that she prefers not to be friends with anybody who is overweight, most of us would consider these to be unacceptable preferences. We may not do anything about this, but we still consider such preferences wrong. Let me now call all preferences that we do not consider morally wrong ‘maintainable preferences.’ Here are some preferences that I would consider maintainable and I expect so would most other people.

“I prefer apples to oranges.”

“I prefer not to work four days a week.”

“I’d rather be unemployed than face sexual harassment at work.”

“I consider it my right to be able to join a trade union and I prefer not to join a company that denies this to me.”

Clearly we cannot have *moral* objections to this. You may not wish to marry the person who plans to work three-days a week or, for that matter, the one who does not share your passion for oranges; but surely you will not morally castigate these people for having these preferences.

However, among maintainable preferences we need to separate out two kinds of such preferences, and the rules for government intervention depend on this categorization. To understand this, observe that some preferences may be dysfunctional in the sense that they could hurt their carriers. A person with the second preference above will clearly be poorer for working so little. So she has to pay a price for her preference. Now we, outside observers, may decide to take a stand on this ‘price for preference.’ We may consider certain preferences to be so understandable that no one should have to pay a price for having that preference. Many would consider the last two and especially the third preference listed above to be of this kind. Not only is the strong aversion to harassment a maintainable preference¹⁸ but most of us would argue that no one should have to pay a price for having this preference. And many would feel similarly about a

¹⁷ These ideas were suggested and developed in outline in Basu (2000, 2003).

¹⁸ That is—just to remind the reader--we do not morally disapprove of this preference the way we disapprove of someone’s racism preference. This is a rather obvious point.

worker's right to associate with other workers. Let us call a maintainable preference, which has this property, an 'inviolable preference'.

Notice that this is typically not the case with the second or the first preference. It would be perfectly reasonable to tell the person with the second preference: "Yours is a maintainable preference—I have no moral objections to it; but you do understand that you will be poorer by virtue of having this preference. You surely cannot expect society to compensate you for your high leisure preference."

In other words, while the second person's love of leisure and the third person's strong aversion to workplace harassment are both maintainable preferences, only the latter is an inviolable preference.

Of course, being a normative matter, there is no hard and fast rule about where we should draw the line between these categories. It is also possible to see that what we consider inviolable may change through time and even across space. But in most of our minds, at this point of time we can create the categories of inviolable and non-inviolable preferences.

Now we are ready to create an argument for why it may be correct to ban yellow dog contracts and to disallow contractual sexual harassment in the workplace. Suppose we consider the fourth preference above to be inviolable and consider the case of yellow dog contracts. Assume firms are permitted to demand that potential employees relinquish the right to join trade unions. This will give rise to two kinds of firms (for the same kind of work)—some paying a lower wage and making no such demands and others paying a better wage but requiring individuals to give up their right to join unions¹⁹.

Now workers with strong preference for joining unions—the type four preference in the above list—will be joining the former firms. In other words they will have to be reconciled to a lower income *by virtue of their preference*. But the inviolability of the preference for joining unions means that this should not happen. The way to ensure this is to have a law like the Norris-La Guardia Act that bans yellow dog contracts.

This is the crux of the argument about why certain rights may have to be made non-tradeable. Allowing the trading of these rights inflicts a cost on some people who

¹⁹ A standard market arbitrage argument leads to this conclusion. But in reality one often finds that those workers with the least rights and working in the most hazardous conditions are also the poorest. Hence, the theories of "equalizing wage differentials" may deserve further empirical and theoretical investigation.

have a strong preference for holding onto these rights. And if this preference is inviolable, then government is required to protect people from having to pay a price for having the preference. One way of doing this is disallowing anybody from trading or waiving this right.

It is worth noting that the overall moral system being used here is neither pure welfarism nor deontological ethics. It is a ‘miscible moral system’, which uses welfarism, and in particular, Paretianism, first to weed out certain options, and then permits the use of non-welfarist considerations, for instance, dignity, autonomy and agency, to further eliminate options.

We may be able to carry this argument over to other matters: sexual harassment in the workplace, hazardous work, and so on. Yes, individual freedom would at first sight seem to require that having given a person a right—such as the right not to be harassed at work—we should give the person the additional right to trade this right. Given individual rationality, this can only benefit the individual. But the exercising of this latter right, that is, the right to waive the basic right, could mean that others who attach a greater value to the basic right will now have to pay a price for that. If this is unacceptable, then the state needs to step in.

But this is not the end of the matter. There may be other reasons for letting people trade their basic rights that arises with extra vehemence in the context of developing countries.

6. Trade-offs and a Comment on the Third World

There was a time, when each country’s rights problem was considered of prime interest to the government and civil society of that nation. With globalization that has changed. A combination of factors—greater information about what is happening in distant lands²⁰, interest, even if vicarious, in the lives of the peoples of those lands, the fact that through channels of trade and capital flows the crushing of rights in another nation may actually change the wages and prices of goods in your locality, and the

²⁰ This does not refer only to television images and journalistic reporting. There are now excellent statistical studies that collate and rank human rights violations in different countries. See, for instance, Cingranelli and Richards (1999) and for up-to-date downloadable data <http://ciri.binghamton.edu/>.

realization that if another nation punctures a hole in the ozone layer, it could be as bad news to you as to the other nation, we have come to take an interest in human (especially economic and labor) rights in other countries. And nowadays, through international organizations and global activist movements it is actually possible to give some effectiveness to one's displeasure or approval of what is happening in other lands²¹.

One cannot however deny that the scope for influence runs disproportionately from rich countries to poor countries²². And with this arises huge responsibilities about how we dispense with the interventions. There is no doubt that some of the worst violations of basic, everyday rights occur in the Third World but there is a complication that also occurs with special vigor in poor countries that makes this a difficult and sensitive problem that demands care in handling (Basu, 2005). The classic example is child labor. This is a dreadful institution and all reasonable people seek its demise as quickly as possible. Without going into the details of this vast subject²³, I want to conduct a discussion that bears on the concepts developed above.

Economists have argued at length about whether a legislative ban on child labor is desirable. The laissez-faire argument—at the risk of over-simplification--goes as follows. Suppose parents are altruistic about their children²⁴; so that when they take decisions about their children it is *as if* they are deciding for themselves. Then it follows, by the principle of free contract that for parents to send their children to work is not a matter on which the state should come in.

But this argument can be countered using the tools of analysis developed above. It is arguable that a parent's desire not to let her children work is not just a maintainable

²¹ As Brysk (2002, p.5) observes, “[The] literature on human rights has moved beyond the conventional wisdom that situated human rights violations and remediation predominantly within the state, to suggest ways in which globalization creates new opportunities to challenge the state ‘from above and below’.” See Fung, O’Rourke and Sabel (2001) on the difficulties of thinking about common standards for our contemporary world of such wide disparities.

²² For a discussion of the modes and technology of cross-country ‘human rights’ influence and the legitimacy of global action that have national or local influences, see Rosenau (2002), Pogge (2005), Basu (2005), Buchanan and Keohane (2006). It has been argued that when we think of the world as a whole, the equivalent of the state is the ‘global order’ (Risse, 2005). Responsibility for the *world’s* poor therefore rests with the global order in somewhat the same way that the responsibility for a nation’s poor lies with the government.

²³ There is a large literature on the subject, covering empirical studies, economic theory, law and history. For the recent survey and analysis see Edmonds and Pavnick (2005) and Bhaskar and Gupta (2006).

²⁴ There is now mounting evidence on this. I find this somewhat embarrassing, since it is a testimony to the power of economics, that we seek statistical confirmation about the fact that parents love their children.

preference but an inviolable one. No parent should have to pay a price for having such a preference. Now consider what seems quite realistic—to wit, that different parents will have different degrees of aversion to letting their children work. If, under these circumstances, child labor is treated as legal, then it can be shown that parents who have a strong aversion to sending their children to work will be penalized for their preference. To see this in the simplest possible case, suppose some parents are so extreme in their preferences that they will never send their children to work. If child labor is made legal, lots of children will begin to work (recall that we are considering a poor country). This increase in labor supply will certainly cause wages to fall. This may not matter to household that send their children to work, since even though per hour wage may be lower now there will be more hands at work. But households with the strong aversion will be worse off for sure since they will not send their children to work even when adult wages fall and children are legally allowed to work. Hence, making child labor legal amounts to extracting a price from those with strong preference against child labor. But the inviolability of this preference means that this should not happen. And so child labor must be declared unlawful.

Unfortunately, the argument cannot stop here. To see this, consider a person's preference not to suffer food deprivation. Surely we will agree this is an inviolable preference. Now, in a poor country, where lots of people live on the threshold of hunger, it is easy to see that we can have situations where to ban child labor is to violate this inviolable preference. On the other hand, not to ban child labor is to violate another kind of inviolable preference, as we saw above.

All that is being said is that, when a person's right comes into conflict with another person's love of opulence, we may easily agree on the primacy of the rights, but we do not have this luxury when one person's right of one kind comes into conflict with another person's right of that or another kind (Osmani, 2005). And in developing countries we keep coming up against this all the time because everything occurs in the shadow of malnutrition and hunger. If avoiding hunger is a right or aversion to it an inviolable preference, then in the exercise of all other rights or the upholding of all other inviolable preferences we have to be reconciled that upholding all these fundamental

values may not be possible. We are then forced to contend with trade-offs no matter how painful²⁵.

This is the reason why in developing countries we cannot sit back taking the moral high ground and simply banning what *seems* wrong. We cannot just ban certain abhorrent practices and be unmindful of the fact that that may lead to other kinds of deprivations and sufferings, as the fallacy of binariness warns us. This is not so only for child labor. Consider the controversial move made by some countries asking workers to give up their right to collective bargaining in order to work in an export-processing zone (EPZ). Many countries with unruly labor find that without such a clause they cannot run EPZs. Now, whereas for moderately prosperous countries, we can argue that such exceptions for EPZs cannot be allowed for the same reason that yellow dog contracts are wrong, the decision is more troublesome for a poor country, like some in sub-Saharan Africa or Bangladesh. When the difference between being able to work in an EPZ is equivalent to the difference between being able to feed one's children properly and not, or the difference between being and not being able to send one's children to school, it is not clear that one can take away an individual's right to waive the right to collective bargaining (see Kabeer, 2004). The right to collective bargaining, in such situations, may have to be treated as a tradeable right because, while the preference for collective bargaining may be an inviolable preference, we are here faced with a situation where one inviolable preference is pitted against another.

If we want to have a code of crafting policy—where can child labor be banned outright, where should we allow workers to take on the health hazards they are willing to expose themselves to, and so on—we will need to decide on trade-offs between rights and the inviolability of preferences. We would have to decide that while x and y are both rights, one may be lexicographically prior to the other, or that one may be violated up to a certain extent for the sake of the other and so on.

This is a large exercise and will have to be done gradually, maybe effecting changes as and when we encounter conflicts and are forced to choose, and then using

²⁵ There is a small but growing literature on the algebra of how multiple and conflicting normative criteria can be combined to create a single order or partial order (see, for instance, Tadenuma, 2006; Yoshihara, 2006). The general exercise of building rights-consciousness into a welfarist setting, that is, in contexts where people are interested not just in the outcomes but also processes and in particular the respect of individual rights has also been formally attempted; see, for instance, Pattanaik and Suzumura (1996).

these choices to enshrine general rules. But this discussion should alert us to the fact that to call something a right does not mean that it will have to be upheld in all contexts. For one, this may simply not be possible, as Gibbard (1974), Farrell (1976), Suzumura (1978) and Subramanian (2006) had shown in the context of individual liberty, building on the work of Sen (1970). Moreover, we may decide to recognize certain rights in the sense of attaching moral worth to them and *trying* to uphold them, but being prepared to trade them for other moral imperatives.

It must be stressed however that to argue that something should not be enshrined in a code of law (for example, not banning child labor) does not mean going over to the laissez-faire extreme of recommending that we do nothing. There are numerous actions governments and international organizations can take that are non-legislative. Financial support to eradicate certain phenomena such as poverty and illiteracy; subsidies to encourage certain desirable practices; advertising and campaigning to change people's preferences and opinion are all interventions that are non-legislative. When fundamental rights are mutually in conflict this may be the only way out.

7. Conclusion

The world is an unfair place. There are the innately disadvantaged; there are those who come into adulthood with no inheritance of wealth, education or heritage. It takes immense harshness or a convoluted belief in previous lives and sins to be able to sit back and not try to make some amends for these imperfections. This chapter took the view that the market mechanism can confer great benefits but it needs to be tempered by a specification of minimal human and economic rights and the design of policy interventions that try to offset some of the extreme disadvantages that some people face.

The specification of basic human rights and the development of institutions for upholding these basic rights can go a long way to offset some of the natural inequities of the world left laissez-faire. But the subject of rights is not one of mere campaign and activism. To do so without thought is to risk playing into the hands of powerful lobbies and groups with vested interests that are ever present in the wings. We need to think

through which rights should be upheld and which not, and, among the ones we choose to uphold, which rights ought to be treated as tradeable and which ones not.

The aim of this chapter was not to make actual suggestions. Indeed, on a variety of matters I myself am full of doubts and hesitations. If, after reading this essay, a reader finds herself in a greater dilemma about child labor and hazardous work, or in a quandary about worker rights in export-processing zones, then that would confirm that her earlier complacency was not well-founded and that in turn would mean that the paper has served a purpose. The aim of this paper was to draw out the complexities of this topic, and to suggest some new instruments of analysis and shed new perspectives on old practical problems. Once analysts and policymakers understand these complexities, they may feel less confident about their decisions, but others will have greater reason for confidence in them.

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The Retreat of Global Democracy

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Kaushik Basu

One concomitant of globalization and technological progress, that has either gone unnoticed or been hushed up by those who did notice it, is that it has a natural corrosive effect on global democracy. As a consequence of this phenomenon, even if individual countries become democratic, the aggregate of global democracy may well be on the wane. The purpose of this essay is to advance and defend this hypothesis, comment on its consequences (global instability) and suggest antidotes (restructuring international organizations such as the WTO, IMF and the World Bank).

Democracy entails many things—the existence of a variety of political and legislative institutions, avenues for citizens to participate in the formation of economic policies that affect their lives and, in the ultimate analysis, a certain mind-set. Yet at the core of it and in its simplest form, democracy requires that (1) people should have the right to choose those who rule them and (2) the principle that the vote of each person should count as much as another persons. Even this simple principle runs into paradoxes and puzzles, as Lewis Carroll, in his original incarnation as C. L. Dogson, well knew. But the simplicity of these requirements has the advantage that we can easily check whether a society satisfies them.

Next, note that globalization, almost by definition, means that nations and people can exert a greater influence on other nations and the lives of citizens in other nations. Moreover, what is not true by definition but is a fact is that this power of one nation to influence another is by no means symmetric. The US, for instance, can cut off the trade lines of Cuba. It can do so not only by curtailing its own trade with Cuba but by threatening punitive action against those who trade with or invest in Cuba. This is not just a hypothetical possibility but the Helms-Burton Act in the US is testimony to how this can actually happen. Cuba, on the other hand, can do little to hurt the American economy

or polity. Likewise, China can do things to Taiwan, which Taiwan can in no way reciprocate.

As the world shrinks and powerful governments develop a variety of instruments and ways to influence the lives of citizens in other nations, it is no longer enough for people to be able to choose the leaders of their own nations. Since democracy requires the ability to choose the leaders who have influence over your life, in a globalizing world, such as today's, citizens, especially those of poor, weak nations, need to be able to vote in the elections of the rich and powerful nations. Since such transnational voting does not happen (and even its hypothetical suggestion sounds absurd to us), globalization is bound to cause a diminution of global democracy. This is the 'basic proposition' of the present essay.

GLOBALIZATION AND INTERFERENCE

The big and the powerful have always considered it natural to encroach on the sovereignty of others. This is best exemplified by the story, no doubt apocryphal, that used to do the rounds in India, of the Indian diplomat in Moscow, showing a map of South Asia to Stalin. "India is a very big country," Stalin observed, and then pointing to Sri Lanka, "What is the name of this little Indian island?" "This is not an Indian island, sir," the diplomat responded, "it is a sovereign nation". "Why?", legend has it, Stalin had asked.

Fortunately, in today's world, to have influence in the affairs of another nation, it is no longer necessary to occupy the other nation's land or even to go to war with it. Moreover, even when there is war, unlike those of yesteryears, these are less battles of territory than, than acts of reprisal or punitive action to make nations conform to certain kinds of behavior. And, given the march of technology, the stronger nations are able to take this action with very little direct confrontation and loss of lives. A simple piece of statistics captures this changing nature of war. If we take the ratio of the number of dead civilians to the size of military casualty in armed conflicts, we find that this has risen almost relentlessly, from less than 1 in the first decade of the twentieth century to more

than 5 in the 1990s. At least in part this reflects how powerful nations can take action against others with minimal military casualty in their own ranks.

More important is the fact that military action, even of this arm's length kind, is now often unnecessary. Thanks to globalization there is a variety of instruments that nations can use to influence outcomes elsewhere. Foremost among these is money. Thanks to the ease of instantaneous electronic links and the improving system of global guarantees, capital has flown across national boundaries like never before. It is true that in the heydays of imperialism capital did go from one nation to another but this, almost invariably, took the form of money moving between the territories of the imperialist nation and its colonies. In other words, the presence of the army in (or direct control over) another territory was a prerequisite before money went there. That is no longer the case. With a gentle tap on a mouse one can today move funds to lands with which one may have no tangible contact. And capital has flown to distant lands at unbelievable rates. In 1969 the World Bank, for instance, lent 1.8 billion dollars. By 1999 this had grown to 32.5 billion dollars. Private- sector capital flow has grown even faster, and by 1999 World Bank lending had become a miniscule 2% of the total private-sector lending to developing nations.

A rapid withdrawal of such capital can have devastating effects on the debtor nations, as we saw in 1997 when the Asian super-performing economies succumbed to financial crisis.

Like capital, international trade (after a slow-down in the years between the two World Wars) has risen steadily. These global linkages have fuelled unprecedented growth rates of national incomes (during the 1990s China grew at around 8% per annum and India 6.5%) but they have also created new vulnerabilities. Governments and international organizations can now use the threat of disrupting these flows (or the lure of releasing greater flows of money or goods) to enforce conformity to certain kinds of behavior. And such threats have been used. International organizations have given money while insisting that the developing countries fulfil certain conditions, many of which have had nothing to do with ensuring repayment. These conditionalities have, at times, even been contradictory, such as requiring the debtor nation to practice democracy and for it to privatize certain key sectors, unmindful of the fact that this was often against the

collective wishes of the people. Some of these conditions have been blatantly in the interest of the donor nation. In 1998, during the Asian crisis, the rescue package put together with money from several industrialized nations, most prominently Japan and the US, had clauses that required Korea to lift bans on imports of certain Japanese products (which Japan had for long been trying to sell to Korea) and to open up its banking sector to foreign banks (an item that had long been on America's bilateral agenda with Korea). These were such surprising clauses that even a cautious magazine, such as the Economist, commented on their obviously donor-motivated *raison d'etre*. Some of these demands may well be good for the borrower, but that is not the issue here. From the point of view of assessing global democracy what is relevant is that people of the weaker nation have very little say in the imposition of these policies.

It is once again these same features of globalization that have made it possible for some nations to use sanctions to bring other nations into compliance. Even terrorist groups have tried to harness the use of modern technology to wield influence in distant terrain. In addition, nations have sought to leverage the sanctions by threatening action not just against the nation that it seeks to punish but against other nations that do not join in the punishment. The classic example of this is the Helms-Burton Act in the US, which seeks to take punitive action against companies and governments that trade and invest in Cuba. Clearly this will have a profound effect on the lives of the Cubans (and some on the nations, such as Italy and Canada that do business with Cuba). Yet they have little say in the matter, since they have no say in the choice of the US president. There is enough evidence to believe that Clinton was a reluctant signatory to this contentious act, which has been challenged by some European nations and Canada. But he realized that signing this would shore up the conservative side of his image and, at the same time, Cubans and Canadians having no say in his being President of the United States meant that he had no substantial voter constituency that would have responded negatively to his signing this act.

Given that the benefits of democracy are ample, as modern research has shown, this erosion of global democracy must have negative fall-outs. Indeed, it is arguable, that the rise in global unrest and instabilities are a manifestation of this retreat of democracy. And the inchoate demands of the protestors in the streets of Seattle and Washington

earlier this year may be founded in an intuitive but ill-articulated perception of this erosion of democracy. This can explain why these protests have attracted a disproportionate number of anarchists

DOLLARIZATION AND DEMOCRACY

The lack of global democracy is also holding back some important changes that are needed for a more efficient functioning of the world economy. One consequence of the freer flow of capital from one country to another that has received less than adequate attention is that it has led to an intertwining of different markets. Thus a fall in the Thai housing market can cause a collapse of the Thai baht in a way that could not have happened before. Likewise a fall in the Indian rupee can today cause a meltdown of the Indian stock market in a way that was inconceivable even ten years ago.

The reason for this is the large presence of overseas investors in any nation. Suppose you are a New Yorker who wants to buy shares, perhaps through some foreign institutional investor or some mutual fund, in the Mumbai stock market. For that your dollars will first have to be converted to rupees and then used to buy the shares. Your aim, like that of virtually all overseas investors is not to hold rupees but to make some money and, eventually, convert back to dollars (basically, any globally accepted currency) to spend on clothes, housing and so on in the United States. Now suppose the Indian exchange rate begins to fall. As a foreign investor you will have good reason to sell the Indian stocks and take your money out of India, because, even if the stock prices remain unchanged, your earnings in dollars will be smaller, if you leave your money in India with the rupee falling. So while a fall in the exchange rate with no decline in stock prices gives the Indian investor no reason, *ceteris paribus*, to take money out of the stock market, the foreign investors will have good reason to get out of India. But if there are a sufficient number of foreign investors and they all begin to sell their stocks, the stock prices will begin to decline, and *then* there will be reason enough for Indian investors to sell the stocks as well. And so now the stock market will be brought down as well.

Likewise, if the Thai housing market begins to collapse and this hurts the profitability of Thai companies, this may cause the stock prices to fall. If Thailand had no

foreign investors, that would be the end of the matter. But if there are foreign investors, they will, after selling their stocks, change their bahts for dollars since they had gone into Thailand originally for the Thai stock market. Hence, now the exchange rate will start collapsing.

These linkages between domestic markets in a developing country and the exchange rate are new and have played a larger role in the rapid spread of the 1997 East Asian crisis from one country to another and from one market to another than has been recognized by economists. But governments and citizens have been aware of this at the level of intuitive perception, and this has given rise to demands for currency unions and dollarization. Indeed there are gains to be had from groups of countries coming under single currencies and, ultimately, converging to a one-currency world, something that Stanley Jevons had recommended, prematurely, in 1878.

The main advantage of dollarization for a developing country is that it will delink the various domestic markets. The housing market suffering losses will be less likely to disrupt international trade, for instance. To dollarize, somewhat surprisingly, is the equivalent of compartmentalizing the bellows of a hovercraft, so that one puncture does not bring down the whole craft.

The main disadvantage of dollarization is the loss of autonomy. By coming under the control of the US Federal Reserve Board, Argentina loses control over its own monetary, and to a certain extent, even fiscal policy. Even if Argentina goes for dollarization, on the ground that under its present system of Currency Board (which locks the peso unalterably to the dollar) it is already virtually dollarized, most other nations will consider the cost of coming under another's central bank control too big a loss of autonomy to contemplate. The only way the advantages of common currencies will be feasible is if we can think of central banks, which are answerable to all the nations that use the common currency. The European central bank does have this feature of multi-country democracy and that is the reason why the euro is expected to be a net gain for all the nations that share it.

Unfortunately, global democracy is so under-developed that currency unions for countries that need them most, namely the developing nations, remain a far cry. Not only can we not think of a global democratic government (an idea that Bertrand Russell had

campaigned for) with a global central bank, the main international financial institutions that we have, such as the IMF and the World Bank, remain largely answerable to the industrialized nations. Even when such organizations work for the poor countries, it is the *industrialized nations'* perception of the poor nations' well-being that is catered to.

DEMOCRATIC GLOBAL INSTITUTIONS

What can be done about the erosion of global democracy? Since in the social sciences political correctness demands optimism, it may sound strange to respond with a “not very much”. But that is true at least in the next one or two decades. Utopian schemes such as a global government or a global bank that is answerable to all nations in the world are a distant dream. The process of globalization will course on, and inter-country democracy will continue to get bruised. It will be some time before this can bring us to discussing global governance and banking. In the mean time what is open to us are small measures, namely that of strengthening the democratic structure of global institutions, such as the World Bank, the IMF and the WTO. These are small measures, but extremely important, for these can contribute to global stability and moreover, even as an end in itself these are morally desirable. The lesson therefore is, ironically, quite different from what the protestors in Seattle and Washington, and also some arch conservative groups in industrialized nations, want, to wit, the dismantling of these organizations. On the contrary, we need to restructure these organizations and recognize that they have an especially important role to play today. The process can of course be hijacked so that these institutions become batons in the hands of the powerful nations. On the other hand, it is naïve to believe that removing these institutions will defang the powerful. We need these mitigating institutions but those committed to global democracy will have to be ever vigilant. There is enough evidence that powerful politicians in powerful nations like to think of international institutions as valuable only to the extent that they can use them to their own advantage.

On January 20, last year, Senator Jesse Helms, arguably the most important congressional voice in the US told the council members of the UN: “If the United Nations respects the rights of the American people, *and serves them as an effective tool of*

diplomacy, it will earn and deserve their respect and support. But a United Nations that seeks to impose its presumed authority on the American people, without their consent begs for confrontation and—I want to be candid with you—eventual US withdrawal.” (My italics—but also my hunch that Helms would want it this way). Helms had gone on to express distaste for “supranational institutions”, including the international criminal court which was created last year. What is most damaging about this kind of remark is that any organization that meets with Jesse Helms’ approval, immediately becomes suspect from the point of view of the world as a whole. The last thing that a credible international organization will now want is Jesse Helms’ blessing.

What we need to work on is to give nations, rich and poor, equal say, at least in international organizations that are supposed to play a mediating role in world economics or international relations. This horizontal equity is violated in most organizations through at least one of two routes. First, there is the open channel, which gives a larger share of votes to the nations contributing more to these organizations. This is certainly true of the IMF and the World Bank. The second route is through the lack of transparency of decision-making. One can see the importance of this for democracy by looking at policy-making within a country. If the process of decision-making is visible to all, it becomes difficult for any group or lobby to hijack the agenda. Big business and the military which are usually close to government are able to push through their interests much more in Pakistan than in India and the reason is simply that government is more open to scrutiny in India. The same holds true for international organizations. Big and powerful nations, by virtue of contributing senior personnel and money to these organizations have much greater access to them. So if decisions occur behind opaque walls they are much more able to divert the agenda to suit their own interests. Take the case of the WTO. While it does follow the important principle of one-country one-vote, it is widely perceived as a preserve of powerful and rich nations. This is because of what some analysts call the “green room” effect, that is, what goes on behind the scenes. It is the green room where the agenda gets set on what is to appear on the table for all member nations to discuss and vote on, and a lot of the end results get determined at that stage. If the WTO is to become a more democratic institution, it must not allow its green room to be hijacked by a few.

This problem is nowhere more obvious than in the drafting of international labor standards. These are ostensibly being designed in the interests of the workers of developing countries. But, ironically, the biggest opposition to such standards has come from the poor countries; and not just from their governments but also from the trade unions and grass-root workers. The apprehension in the Third World is justified. The form that these standards are tending to take—and the increasing talk of using trade sanctions to impose these standards—is close to what protectionist lobbies in industrial nations seek. This is not surprising given the greater access that the lobbies of rich countries have in the corridors of power in international organizations.

Most sound surprised by this criticism of global institutions. The fact that *the questioning* of the practice of richer nations (who contribute more funds) exercising more voting power in these organizations sounds outrageous, simply shows how far away we still are from *global* democracy. It does not at all seem outrageous that Bill Gates does not have multiple votes in the US elections on the ground that he contributes more to government coffers. In fact, the suggestion that he could have more votes sounds outrageous. This is because democracy within a nation is a much more settled an idea. But it is time to give serious thought to how we can give more equal voting power to different nations, irrespective of their wealth. Money itself gives a lot of advantage; one of the basic tenets of democracy is that we should not compound this advantage by giving the rich extra voting power.

In the same Security Council address mentioned above, Jesse Helms complained that, while the U.N. “lives and breathes on the hard-earned money of the American taxpayers”, U.N. officials had the audacity to declare “that countries like Fiji and Bangladesh are carrying America’s burden in peacekeeping.” Plainly, he was piqued not because some individual U.N. official had said what may not be accurate, but because it was minor nations like “Fiji” and “Bangladesh” that were was being given such importance. Clearly, the idea of each country having equal say is as yet unacceptable even as an idea.

But, fortunately, opinions change. Multi-nationals nowadays talk in terms of environmental responsibility and the importance of respecting labor standards, even when that implies having to take a cut in profits. This seems to violate age-old beliefs and also

the textbook description of multinational corporations. When the one-person one-vote idea first came about, the rich feudal landlords must have been shocked and cried foul at this blatant injustice and the chaos in the process of decision-making that this would cause. But no longer does this democratic principle *within a nation* seem strange.

Now, with the call for restructuring international organizations ringing out from the streets of Seattle and Washington and also congressional committees, such as the recent one headed by Allan Meltzer, this is a good time for us to think through some of these issues not just from the point of view of economic efficiency and greater cost effectiveness but from the point of view of representation of the poor. For the sake of global stability, economic efficiency and also morality in international relations we must try to impart a greater democratic structure to our international organizations. This may not be in the individual interest of every state, especially the big and the powerful, but is certainly in the interest of us, collectively.