

States of Disarray: The Social Effects of Globalization

Executive Summary of an UNRISD report for the World Summit for Social Development

OVERVIEW

The Social Summit could not have been convened at a more opportune moment. If ever there were a time for rethinking social development, it is now. The quickening pace of change has caught much of the international community unawares. Capital, goods and people are now moving with such speed and complexity that it has become difficult to make predictions for more than a few years ahead. And political maps are being drawn and redrawn as myriad ethnic or political groups emerge to make new claims and stake out new territory.

These changes have generated enormous social tensions that development policies have failed to tackle head-on. Instead, they have assumed that, once economic fundamentals are corrected, social issues will resolve themselves of their own accord: dynamic, well-functioning markets will not just create wealth, they will also resolve problems of human welfare.

Recent events have demonstrated with awful clarity the depth of this fallacy — and its catastrophic consequences. Whether in terms of the quiet immigration of millions of people who have been pushed to the economic margins or of the shocking scenes of open warfare that are tearing whole countries apart, the world is now paying a heavy price for putting social issues in abeyance.

This is not just a question of lost time — of trying to retrieve some missed opportunities. Nor is it a question of tidying up some of the unfortunate fallout — sweeping the homeless from the streets or constructing social safety nets that can catch those who fall furthest. The problem is more fundamental: social institutions have not just been ignored, they have been considered as obstacles to progress and have been ruthlessly dismantled.

This has happened at every level. At the international level, social organisations have been overtaken by transnational corporations and international financial institutions. At a national level, many state institutions have been eroded or eliminated. And at a local level, the imperatives of market forces and globalization have been undermining communities and families.

This report documents this transformation of institutions. It shows how power has been transferred to institutions that have consistently ignored the social implications of their actions — while passing responsibility for absorbing the damage either to non-governmental agencies or to communities and families that have themselves been so weakened that they are in no position to respond.

Part I, The Global Era, looks at the scale of globalization, at how it has happened and the shape it has taken. *Part II, The Search for Identity*, shows how people have responded as individuals and as groups to these new circumstances. *Part III, Taking*

Global Responsibility, looks at the changing roles and responsibilities of institutions and at the prospects for a global social response to global problems.

PART I — THE GLOBAL ERA

Global connections

The transformations of recent years have taken different forms in different places, but there seem to have been six consistent trends that have shaped institutional change:

- The spread of liberal democracy — This has given many more people the right to express their opinions openly and freely, and has opened up new possibilities for participation. But it has also made possible new social divisions — in certain cases, contributing to ethnic or territorial conflicts. Furthermore, in some countries, it has loosened controls that impeded criminal activities.
- The dominance of marketforces — Since the mid-1970s, economic liberalism has become the predominant ideology. This has produced gains in productive efficiency but has also greatly strengthened the hand of the already powerful, including certain national and international élites, as well as creditor countries and international financial institutions, at the expense of poorer groups and countries.
- The integration of the global economy — Capital, labour and goods are now moving much more rapidly across national borders, unleashing much fiercer international competition.
- The transformation of production systems and labour markets — Industry is now based on smaller and more flexible production systems, and workers are more likely to be in the service sector, working part-time or engaged in informal sector activities greatly weakening the potential of organized labour and reducing the capacity of the state to enforce labour standards, collect taxes and fund welfare programmes.
- The speed of technological change — The computerisation of production and communications systems continues to reinvent working relations, destroying many jobs and creating others — and sustaining new power relations within and between countries.
- The media revolution and consumerism — The international media are now so persuasive and pervasive that they are eroding national cultures and traditional values; their news programmes are not merely reporting events but also helping determine their course.

These developments might seem inevitable: a predictable form of technical or cultural evolution. But in practice this evolution has been strongly influenced by the economic and political agenda of advanced industrial countries.

This agenda has been changing, however. In the middle decades of this century, most OECD countries essentially followed a "welfare nationalist" line aiming to promote full employment and provide social protection for all their citizens. But since the oil shocks of the 1970s, the recession of the 1980s and a series of fiscal crises, the

industrialised nations have been reining in their welfare states and deregulating the economy. The richer countries have transmitted these policy changes to other countries through their dominance of international trade and finance, and through their control of the Bretton Woods institutions: the International Monetary Fund (IMF) and the World Bank. Thus, while the richer countries were themselves promoting welfare nationalist principles, developing countries followed much the same line; then when the industrial countries turned to neo-liberal policies, many less developed countries were encouraged to follow suit.

The turning point was the debt crisis of the 1980s. This made debtor countries subject to the "conditionalities" of the international financial institutions. The IMF and the World Bank now insisted that these countries "adjust" their economies. This meant not just generating an export surplus to pay their debts, but also fundamentally restructuring their economies along neo-liberal lines: deregulating economic activity, privatizing public enterprises and cutting back on state expenditure.

Painful adjustment

In their structural adjustment programmes, the IMF and the World Bank seemed to have the picture of an ideal country: its economy would be largely self-regulating through open competition, and its public sector would do little more than provide the minimum services necessary for the conduct of private business and the protection of society's weakest members. This picture corresponded to no known place on earth, yet the international agencies attempted (with varying degrees of success) to impose this stylized model on dozens of countries.

In almost all cases, adjustment required deflationary policies and cutbacks in welfare services, which resulted in hardship for the poor. Advocates of adjustment assumed that these setbacks would be temporary — that short-term social costs could be offset against long-term economic gain. What they did not take into account was that social damage could itself frustrate economic objectives. The most obvious effect of this was social unrest: many adjusting countries found themselves with "IMF riots", usually as a result of rising food or transport prices. But they also found that their economies and institutions generally did not respond as the market theorists thought they should.

One reason was that the reforms were based on faulty assumptions about the nature of public and private institutions. Adjustment programmes assumed the existence of institutions sufficiently robust to administer these programmes and cushion their impact. However, the flexibility and capacity of private sector institutions were often overestimated, and the process of adjustment so debilitated many state institutions that they were incapable of making the necessary contribution to ensuring the functioning of adjustment measures.

People were also adopting "multiple coping strategies" that did not always fit the predictions of the adjustment model. Government officials, for example, faced with a cut in real salary tried to bolster their income by moonlighting as academics or entrepreneurs. Factory workers on low incomes set up their own informal workshops or started to grow more of their own food. Thus attempts to correct the terms of trade

between urban and rural households, say, or between the formal and informal sectors could be frustrated when extended households increasingly straddled all these sectors.

Even more serious for the long-term future of Africa, in particular, has been the fact that the process of modernization has in some respects been reversed. This is true not just of the economy, as people have moved from the formal to informal sectors, but also of many other aspects of life: faced with poverty, unemployment and lowered expectations, many people have been seeking solace in traditional alternatives — from soothsayers to religious sects. The societies of indebted Third World countries have also become more highly polarized: a few people have been able to take advantage of new market opportunities, but the mass of the poor are worse off — disparities that have made it difficult to create a well-integrated society on which to base future human development.

By the end of the 1980s, confronted with the failure of many adjustment programmes and a barrage of criticism, the IMF and the World Bank started to take more account of institutional and social issues. Although they have created more "social safety nets" to protect some groups affected by adjustment, these have yet to offer much support.

PART II — THE SEARCH FOR IDENTITY

Millions on the move

The global extension of market forces has been deeply disruptive for many people and communities — and has forced many more to migrate in search of a better life. The majority of migrants are in the developing countries, moving from the rural areas to the cities: by the end of this century about half the world's people will live in cities. Added to these are millions of refugees who have been driven across national frontiers by famine, drought, war or environmental degradation: at the end of 1993 there were over 16 million refugees, most of whom had taken up temporary residence in neighbouring developing countries.

The industrial countries are, however, more worried about those international migrants who travel further afield, hoping to live temporarily or permanently in the richer countries. In 1993, some 100 million people were living outside their country of citizenship. International migration is of course nothing new, but it seems to be taking on a new shape and character. Even in rural areas, people nowadays can see a stream of images suggesting that life would be so much better in an industrialised country — and with much cheaper international travel many are tempted to see for themselves. On top of this, resurgent ethnic tensions in a number of countries are destabilizing minority groups that feel they have little choice but to contemplate life elsewhere.

International migration has a profound impact on both sending and receiving countries. The chief benefit for the sending countries is the money that migrants send home — international remittances now amount to around \$70 billion per year. Indeed, many communities with a tradition of emigration now rely on remittances from family members overseas for the bulk of their income. There are also costs, however: the sending countries are losing some of their most vigorous and educated people.

The prime benefit for the receiving countries is precisely the reverse. They get a ready-made workforce prepared to take on tasks that local people cannot do, or refuse to do — often the dirty, dangerous and difficult work. For decades, many countries were happy to accept immigrants on these terms — often assuming they were guest workers who would eventually return home. But economic recession since the 1970s has changed the picture: the receiving countries are much more selective about whom they will accept. Even so, they have not been able to keep out all unwanted immigrants — the United States is thought to have around 2.6 million illegal immigrants and Europe around 3 million. Nowadays, some of the largest flows are from Latin America to the United States, and from North and West Africa and Eastern Europe into Western Europe.

People are always likely to travel if there is work for them to do. Governments will not be able to control this migration completely, though they can try to mitigate its worst effects — ensuring that migration is as humane and productive a process as possible. But in the longer term, they can also try to change the circumstances that force or encourage people to move. Migrant-receiving countries could, for example, modify their economies so that they do not maintain old industries that require immigrant labour to sustain them. They might also reduce barriers to imports from developing countries so that workers could stay in their home countries allowing the goods to travel rather than the people.

Criminal tendencies

The same social dislocation that encourages migration is also likely to increase crime. Countries of Eastern Europe and the former Soviet Union seem to be suffering the steepest rises in crime rates, but most other countries have also seen significant increases in recent decades. Only Japan seems to have enjoyed a clear reduction in recorded crime during the post-war era.

Globalization is also making crime much more transnational. Criminals are among the first to take advantage of any relaxation of national border controls and advances in transportation and communications. Drug trafficking and money laundering are two of the most widespread criminal activities — over \$100 billion worth of drug money has been laundered annually in Europe and North America over the past decade.

But crime statistics always need to be interpreted with caution. Even the advanced industrial countries have inadequate statistical evaluations of crime, and many developing countries have no reliable crime data at all. And the figures that do exist may say more about the criminal justice system than about the real number of offences: police records only reflect reported crime, which is usually the tip of the iceberg, and even crime surveys may underestimate crimes such as household violence or rape, which victims are often reluctant to mention. The vagueness or unreliability of statistics means that public perceptions of crime are built on shaky foundations, and people's fear of crime may bear little relation to the real risks they face.

A more fundamental difficulty in interpreting crime figures is that they are determined by each society's value judgements about what is considered a crime, and which crimes are believed to be more important. Thus massive corporate fraud or state violence or torture may go undetected and unpunished because those in power do not see these as a priority, while the crimes that most worry the middle classes - typically street crimes and burglary — receive a lot of police attention.

Although these are typically the crimes of the poor, it should not be assumed that the main driving force behind crime is poverty. People who commit crimes are also likely to be responding to a foreclosure of opportunity: in particular, young, single, unemployed males may see crime as a way of acquiring some kind of prestige and purpose in their lives.

Most politicians respond to rising crime rates by resolving to "get tough on crime". But such crackdowns have generally created more prisoners without significantly reducing levels of crime. Crime policy must be part of a broader framework that addresses the social and economic context from which crime emerges. Crime will always occur at some level, but it can often be best controlled through co-operation between communities and the police — not only to help reduce the likelihood of crime, but also to reintegrate offenders into the community. And in the long term, if people have a job, a meaningful family relationship and are part of a stable community, they are less likely to see crime as an attractive option.

Dealing with drugs

A remarkably high proportion of modern-day criminal activity is associated with narcotic drugs. In the United States, the number of inmates in prisons virtually trebled between 1980 and 1993 to 950,000 — and half the increase was linked to drug offences.

The illegal drug business is now a huge transnational industry — worth around \$500 billion per year. The main source countries, for either producing or trafficking, are Afghanistan, Bolivia, Colombia, Iran, Myanmar, Pakistan, Peru and Thailand. All industrial countries are major consumers, although on a per capita basis the heaviest users are the United States and Canada.

The producing countries can see substantial financial benefits from the drug business. The poorest farmers in Peru or Afghanistan, for example, can obtain a ready and reliable income from drugs when there are few alternative crops. And at the national level, drugs make a substantial contribution to the economy — Bolivia's coca-cocaine industry is thought to be worth as much as 20 per cent of GNP. But there are also heavy social costs, both for local communities and for national institutions, as traffickers infiltrate bureaucracies, bribe decision makers and create a kind of "systemic violence".

The main consuming countries suffer from the same kinds of social corrosion. Many people resort to drugs out of desperation, but then get dragged into a net of crime to

feed their addiction. Institutions in industrialized countries have also been undermined by violence and corruption.

Despite the scale of the problem, and repeated declarations of war on drugs, attempts at suppressing the drug trade have been singularly unsuccessful. Producing countries have been urged to step up military activity in drug producing areas. This can make matters worse — enhancing the power of the military (which may already be infiltrated by traffickers) and potentially heightening violence and human rights abuses. Governments and international agencies have also tried to promote alternative forms of development, though these kinds of efforts are usually undermined by the relative profitability of drug crops.

Consuming countries have also attempted to reduce the demand for drugs. Some have tried tougher law enforcement or workplace drug testing, but these kinds of initiatives tend to succeed more with the better-off consumers who feel they have something to lose; those hard-core drug users who are members of the underclass are not much deterred by a prison sentence or the prospect of losing what is usually a low-grade job. More positive community-based programmes include anti-drug education and treatment for addicts. But the most radical options are decriminalisation or legalization — which have been proposed on the grounds that much of the damage from the drug trade comes from the crime associated with it. This could also make drugs more widely available, though the evidence from the few places that have experimented with liberalization of drug laws suggests that decriminalization will not necessarily increase drug abuse.

There can be no single solution to the drug problem — though the more promising options seem to be those that directly address the causes of drug production, the economics of the drug trade and the harm associated with drug abuse.

Identity crisis

People who use drugs are often responding to some emptiness or stress from which they seek temporary oblivion. But there are many other directions in which people may turn to meet such needs. In societies that have been dislocated by economic modernisation, or by rapid social or political change, people often reach for some set of anchoring values based on religion, perhaps, or race or ethnic identity.

A strong identification with a particular group can offer solace and support, but it also raises the prospect of inter-group confrontation. Claims of ethnic identity in particular have led to outbreaks of violence in recent years. Indeed, the levels of carnage might suggest that the world is now heading for some dark and ultimately intractable form of struggle based on primordial differences between human groups.

If ethnic identity really were a predetermined and destructive legacy, there would be little hope for global peace — now or ever. Fortunately it is not. Though it may be difficult to see at present, ethnic identity is neither absolute nor immutable nor inherently destructive.

Why does the world suddenly seem stricken by ethnic conflict? Modernization and alienation are hardly new processes — even if they have accelerated in recent years. One obvious factor is the collapse of communism. In Eastern Europe and the former Soviet Union, as well as in a number of developing countries, this overarching ideology had served to inhibit potential conflicts between different ethnic groups. But developing countries have also been fragmenting for other reasons. Years of economic crisis have undermined the capacity of many states to provide for their citizens; people have had to turn elsewhere, and sometimes they have turned on each other.

One should not assume, however, that ethnic or other forms of identity are necessarily divisive. They can also promote national cohesion: indeed, when people feel free to express their own culture and beliefs, they are more likely to develop a civic identity and a sense that they share common goals with the rest of society. Problems often arise when particular groups are discriminated against: when ethnic identities also align with patterns of repression or inequality. Therefore, dealing with what appear to be ethnic disputes usually means addressing underlying questions of economic and political marginalization, and finding acceptable ways to redistribute resources.

Common ways of achieving this are through removal of negative discrimination, proportionality in the distribution of government jobs or other economic benefits, or through positive discrimination in favour of disadvantaged groups. But if ethnic groups are to co-exist peacefully with each other, they also need to know that their views are fairly represented in national decision-making, usually through systems of power sharing.

No one policy on its own can address the problems of social order, political stability and participation in ethnically diverse societies — the methods chosen have to reflect the historical experience and social structures of each society.

Rebuilding war-torn societies

Many ethnic disputes have developed into particularly bitter wars. In 1993, there were 52 major conflicts in 42 countries — the most severe problems being in Eastern Europe, Central Asia and Africa. These conflicts are generally complex. Rather than being fought between contending armies, they usually involve large groups of

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