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Part I: Putting Things into Perspective

Chapter 2. Globalization in Question

1. "Pro" vs. "Anti" Globalization: The New Divide

For a number of years, the question of economic globalization—i.e., the interdependence of national systems of production and exchange and the "financialization" of the world (revealed by the American subprime crisis in 2007)—has polarized public opinion. The problems stemming from economic globalization dominate the news: the outsourcing production in search of cheaper labor costs; the decreasing efficiency of national juridical and fiscal regulation; the waning of the very idea of sovereignty; the growing constraints within which politicians can act; the emergence of a small class of the immensely rich alongside the billions of poor; the rise of new financial actors—pension funds, hedge funds, and sovereign wealth funds—capable of destabilizing or seizing control of entire realms of the economy; and the emergence of China and India as new global economic actors, as their companies storm the industrial bastions of the United States and Europe. Should one be for or against globalization? Can we turn our backs on globalization, and return to national or regional systems of production and exchange that are autonomous, even autarkic? Is the large cosmopolitan corporation the new leviathan—a monster that must be slain—or a force for human progress?

It is tempting to reduce the debate over the economy of the twenty-first century to a simple alternative: being for or against globalization. Yet in my view, this would be a mistake. The growing interdependence of human society and our planet is irreversible, as is the interdependence between humanity and the biosphere. The question of how we might dramatically change our current model of production and exchange cannot be reduced to a clear-cut choice between a globalized system on the one hand, and a patch-work of purely local systems on the other.

Yet the fact remains that for the past decade, political life and public opinion have been dominated by a clash between the proponents and the opponents of neoliberal globalization. The former see globalization as spreading prosperity, and see government regulations as blocking this trend rather than assisting it. The latter see globalization as the root of all evil: political instability, poverty, organized crime, chronic financial crises, and even (why not?) terrorism.

After the fall of the Berlin Wall and the implosion of “really existing socialism,” capitalism reigned triumphant and unrivalled for several years. Its critics lacked an alternative on which they could agree. In many ways, “alter-globalization” is communism’s successor. Like communism—and often with the support of the same individuals—it considers an alternative to triumphant capitalism as both possible and necessary, and seeks to unify all the social forces that are critical of it. Alter-globalization also rejects the idea of an “end of history” (in other words, of a lack of a choice) as a lie of historic proportions.

Both side’s positions are often cartoonish. The answers they propose to the challenges that the world faces are often more imaginary than real. Yet debate does have one genuine merit, as do all democratic debates: it forces the participants to put their arguments on the table, to be clear about the criteria they use, and to present their assumptions and explanatory frameworks. Consideration of this debate is thus a useful detour.

In what follows, I will consider each side's positions, not to endorse one over the other, but in order to identify the main arguments that each side puts forth. My own position is a somewhat awkward one. On the one hand, I staunchly support alter-globalization: I believe that another global economic system is not only possible, but essential, and that we must find it as fast as we can, as we are headed straight over the cliff. Yet at the same time, I believe that the alter-globalization movement takes aim at the wrong targets—i.e., international financial institutions and transnational corporations—and that the alternatives that it proposes are overly vague. Most importantly, I believe that a list of grievances, however legitimate they may be, does not in and of itself make for a credible alternative.

Seeing clearly through this debate is harder than it may seem, except when obvious falsehoods are put forth. Consider a relatively straightforward example. Neoliberal doctrinaires like to say: "Good democratic governance is the necessary precondition for economic development and poverty's decline." This is clearly false. According to international institutions themselves, two thirds of the global decline in poverty over the past decade can be attributed to China's development—which is anything but a model of democratic governance.[1] It is usually not, however, this easy to catch the protagonists red-handed. Sorting through these debates, I see three main obstacles to intellectual clarity.

The first concerns the limitations of statistics. Both sides use arguments that rely heavily on numerical data. But the numbers themselves are often problematic. Consider the example of poverty. Does per capita income (measured in money) adequately describe the degree of poverty in a given society? This question boils down to whether there is a difference between poverty

[1] Pierre Calame, "Le contre-exemple asiatique," *La gouvernance démocratique*, Karthala, 2008.

and misery, or whether material scarcity, when experienced by the members of a cohesive society, is as bad as the feeling of exclusion, when experienced by the members of a society in which consumption is the norm. It may well be that economic globalization reduces poverty but increases misery. However, since statistical data cannot distinguish between the two, it is impossible to know.

The second obstacle stems from the fact that the world is not a laboratory, in which each factor could be isolated as a variable, so that its influence on every other factor could be irrefutably established. The world is what it is. Our data are existing societies; and out statistics often consist of data compiled by particular states. Each society's road to development depends on an array of factors, the mutual influence of which cannot be isolated as in an experiment. At best, we can make plausible hypotheses. To return to China, trying to determine how of much its swift development is the results of its culture, its political system, East Asian dynamism, or its integration into the global economy is purely speculative. At the very most, one can say that these factors blend together, constituting a unique explanatory cocktail at any particular moment. We must also note that contradictory interpretations are inevitable. The analysis of data may make it possible to eliminate false interpretations; but an existing explanatory framework is not necessarily "true" simply because it is consistent with facts.

Finally, a third obstacle arises from the fact that some concepts are imprecise and emotionally loaded. Take the example of the pretty word that is "democracy." Does it refer to a particular political regime—representative democracy—or, more substantively, to the right of people to determine their own fate—and, if so, what "people" are we talking about? Neoliberals try to bring democracy over to their side, by linking economic to political liberty. The alter-globalization movement wants to claim it for themselves, arguing that the rules of international trade dispossess "the people" (whom they claim to represent) of their right to self-determination.

Thus it is not surprising that both sides trade barbs and attack each other with simplistic arguments. Despite its acrimony, this debate is worth thinking about. Since any duel must have its champions, I have chosen René Passet, the author of *Éloge du mondialisme par un «anti» présumé* (*Praise for Globalization by a Presumed Detractor)*[2] to represent the "alter-globalization" camp, and Martin Wolf, of whom I have already spoken, to carry the neoliberal banner. Rather than presenting an exhaustive account of the debate, I will try to highlight the main points on which they disagree.

I find Martin Wolf interesing, first because he argues well, and secondly because his book is an attack against globalization's growing ranks of opponents. As a result, his defense of neoliberalism is sharper than arguments that once presented it as a self-evident consequence of natural laws.

As he reminds us in his introduction, Martin Wolf's struggle is rooted in his family history: he comes from a family of Jewish Austrian intellectuals who fled Nazism by finding refuge in London. Though he was born after the Second World War, he has, through his family's memory, a visceral relationship with the twists and turns of twentieth century history: the first era of economic globalization (1870-1914); its sudden halt with the First World War; the rise of communism and of Marxism's daunting intellectual appeal; the skill with which Marxism responded to the great frustrations stemming from the industrial revolution's unequal distribution of gains and sacrifices, on which basis totalitarian regimes were established. Marxism's intellectual appeal explains in part the blindness, and even the intellectual dishonesty, of much of

[2] René Passet, *Éloge du mondialisme par un "anti" presumé*, Fayard, 2001.

the “progressive” bourgeoisie, which refused to acknowledge that the apparent triumph of “progress” and “justice” was merely a pretext for the establishment of totalitarianism.

After the first wave of globalization ended with the First World War, it was brought to another brutal halt by the interwar crises and the 1929 crash. This brought about the rise of fascism, nationalist retrenchment, a return to power politics—all of which result inevitably in the Second World War, the extermination camps, ethnic purification, and, ultimately, a nearly successful European suicide attempt, which brought many countries down with it. It was this immense trauma that inspired Europe’s founding fathers. It explains several other postwar developments: the GATT (Global Agreement on Transportation and Trade); the desire to overcome political and economic nationalism; and the idea of trade as the solution to the belief that “never again” should a genocidal regime be allowed to rise. And just as one Europe’s founding fathers, Jean Monnet, saw European construction as a step towards establishing a global federation, so the elimination of barriers to free trade between European countries appeared as the first step towards trade liberalization on a global scale.

This is the historical tradition to which Martin Wolf belongs. I appreciate his honesty. He is *not* simply a faceless lackey of international capital who thinks only in terms of profit, and who is numb to the cries of the masses when they are denied entry to prosperity’s banquet! The reason that he attacks the anti-globalization movements so vigorously, by lucidly and energetically analyzing their intellectual dishonesty and internal contradictions, is, quite simply, that he is afraid that history will repeat itself. He sees—and not entirely without reason—a resurgence of the intellectual elites who once mobilized the masses and provided ideological legitimacy to tyrannical regimes. Without losing his sense of irony, he takes this threat seriously.

The proponents of the conservative counter-revolution, who first appeared in American universities in the sixties before finding their political champions in the late seventies and eighties in Margaret Thatcher and Ronald Reagan, were crusaders who viewed economic liberalism and democracy as two sides of the same coin. With the fall of the Berlin Wall, the Soviet Union's collapse, Mao's death, and China's conversion to the market economy, they believed that they had triumphed for good. Yet now, suddenly, they see a resurgence of ideological dissent, like embers glowing in an ash heap: the neoliberals fear that their opponents will use the enormous frustrations caused by the second wave of globalization, while also taking advantage of the opportunities it has created (such as oil profits in Saudi Arabia or Venezuela or the internet), to stoke the coals of "Islamic fundamentalism," "terrorism," "populism," or "alter-globalization." And the neoliberals fear that these little coals may burst once against into a massive bonfire.

In his concluding chapter, entitled "Today's Threats, Tomorrow's Promises," Wolf writes: "the twentieth-century collapse of the international order [he is referring to the way in which the first wave of globalization was brought to a halt by the simultaneous rise of communism and national socialism] began at home with the rise of anti-liberal ideas." Parallels can be made with what David Henderson, the OECD's chief economist, calls "collectivists for a new millennium," that is, groups that have formed to protest global capitalism. In reality, these groups differ greatly from one another, and lack the intellectual coherence of the anti-liberal movement from a century ago. At that time, liberalism's opponents shared two ideas: radical socialism and race-based nationalism. Both groups proposed state control of the economy and emphasized the priority of the collective over the individual. "Both sought, and knew what they wanted to do with it, power. This is what made them so dangerous".

"The intellectual origins of today's anti-liberal movements are (…) much more diverse. They include environmentalists, development lobbies, populists, socialists, communists and anarchists. In a review a book by Mike Moore, the former head of the World Trade Organization, Rosemary Righter of the *London Times* correctly observes that the 'anti-globalization brigade is a hotchpotch of contradictions, linking Left and Right, Poujadists, protectionists and environmentalists, nationalists and anarchists, stolid religious charities, and, depressingly, veterans of the heady days of radical chic when Western activists brandished Mao Zedong's little red book while millions were being murdered in the Cultural Revolution.' These groups are united only in what they oppose. They are rooted in no cohesive social force, such as the organized working class. They largely reject party politics. They offer no alternative way of running an economy. They are split in their objectives."

After this negative portrait, Wolf nonetheless concludes: "Part of what some protestors say—notably on the hypocrisy of the advanced countries and the plight of the poor, is valid." But a political movement, he adds, cannot beat an existing system if its own hands are empty. A movement that confines itself to protest has little chance of winning".

Wolf's portrait of his opponents makes some good points. It is, however, easy enough to see the limitations in his own way of thinking, in regards to how he understands the past as well as how he sees the future.

Concerning the past: the idea that the first wave of globalization was a magnificent episode in the story of human progress is shocking. It is belied by the Belgian Congo's grim servitude; the appropriation of the world's natural resources for the sole benefit of a small number of rich countries; the sacrifices that industrialization imposed on the majority of the population; China's semi-colonial status prior to its conquest by Japan; the famine organized in India in the name of free trade; and, last but not least, the competition fueled by hunger for power that culminated in the First World War.

The shortcomings and failures of the second wave of globalization are no less great. Wolf's understanding of democracy is extremely contradictory: it is celebrated when it brings to power rulers who endorse neoliberalism, but denounced when it creates often inefficient states. On the one hand, the power of the wealthy is exalted: competition between states and transnational corporations has become a democratic ideal, because it requires governments, under the scrutiny of investors, to offer returns on their investments. But at the same time, it is clearly recognized that the growth of free trade on an international scale, far from abolishing the state's role, only reinforces it and, moreover, increases the need for a genuine system of world governance. Environmental issues have reached a dead-end. Martin Wolf allows himself to write that it is good that polluting industries go to poor countries, because they attach more importance to creating the jobs that they need so desperately than to protecting the environment, which is merely a luxury for the wealthy: "If polluting industries were then to migrate from high-standard regions or countries to low-standard regions or countries, the world would be unambiguously better off."

Finally, despite the rigor of his analysis, Wolf is completely silent on the enormous challenges associated with equitably allocating resources between the planet's various inhabitants. He also says nothing about the fact that transnational corporations contribute to this redistribution, but in a way that imposes almost all the required sacrifices on the least qualified and the most mobile segment of the population.

If it is possible, thanks to a work like Wolf's, to summarize the liberal camp's hopes and fears, it is far more difficult to describe the major tenets of the anti-globalization (or, more accurately, alter-globalization) camp, as it consists of a coalition of often contradictory outlooks that are united only by their struggle.

Yet there is a book that is comparable to Wolf's, in that it is both an analysis and a call to arms: the manifesto written by René Passet in 2001, when he was chairman of Attac's research committee. A respected economist, Passet is the author of *Éloge du mondialisme par un «anti» présumé* (*Praise for Globalization by a Presumed Detractor).* What I find both interesting and troubling about this work, written by a man who I greatly admire, whose humanist convictions are undeniable, is its exaggerated portrait he presents of his neoliberal enemies and its lack of concrete alternatives.

Passet's views on democracy are similar to Wolf's. Both practice a kind of intellectual terrorism, in that they are only will to consider a government as democratic (regardless of how its citizens actually voted) to the extent that it endorses their own worldview. Wolf celebrates democracy, while often portraying democratically-elected politicians in a negative light. And he has nothing to say about the power of the global plutocracy to influence the outcomes of political campaigns. Passet, for his part, has no trouble describing political elites as the stooges of big capital, except when they represent the "true" will of the people--which, Passet somehow knows, is opposed to globalization. Passet is prone to particularly strong insults.[3] He compares international financiers to Robur the Conqueror, a character created by Jules Verne, who had him say: "I hold control of the entire world, and there lies no force within the reach of humanity which is able to resist me, under any circumstances whatsoever. Let no one attempt to seize or stop me. It is, and will be, utterly impossible. […] Moreover, on the day when it pleases me to

[3] René Passet, *Éloge du mondialisme par un « anti» présumé, op. cit.*

have millions, or billions, I have but to reach out my hand and take them. Let both the Old and the New World realize this: They can accomplish nothing against me; I can accomplish anything against them."[4] This is quite a way to introduce the "real power that belongs to the highest fraction of financial capitalism." "The dream of these new predators is to reach out their hands and take millions, or billions." Passet lambasts the multilateral agreement on investment (MAI), which was "concocted discretely in the complicit shadows of the Château de la Muette (what a predestined name![5]), which houses the OECD." The MAI, he says, "leaves no doubts as to the negotiators' ultimate purposes." Invoking the appealing pretext that economic globalization will bring prosperity to all—which is really just the "flower with which the wolf covers himself to look like a sheep"—these would-be masters of the world have in fact but one goal: "To practice extortion on a global scale […]. Everything was planned to ensure that their dream would be achieved […], a dismantling mechanism was included along with a ratchet effect, so that we would move forward, constantly, without looking backward, along the path of liberalization […]. The contours of the world that our new masters, along with their political supporters, dream of now becomes apparent: a world subject to their extortion, in which financial capitalism has fully triumphed, a planet ensnared by the tentacles of their monetary interests, which ruthlessly dictate their laws on sovereign states, while insisting that they be compensated for the shortfalls due to expenditures on defense, the environment, and culture—anything that contributes to a nation's identity; a world in which politics is simply the tool of finance, to whose continuous enrichment it must tend; and in which money is the supreme value, which men must serve. This is the core of their globalizing project."

[4] Jules Verne, *Robur the Conqueror*, in vol. 14 of *Works of Jules Verne*, ed. Charles F. Horne (New York and London: Vincent Parke and Company, 1911), 200-201.
[5] Translator's note: "*Muette*" means the "dumb one"—someone who can or does not speak.

The section headings are in a similar tone: "Devastating Globalization" (page 49); "The Age of Vampires" (page 56); and "The Shredding of Society's Fabric" (page 64). "This is what neoliberal globalization ultimately is: a vast plot to seize control of the world, for the benefit individuals and institutions who want to make nations and governments the tools of their greed. Globalization is predatory […]. It is hard not to compare it to an octopus: first, because of its tentacles, and secondly because this is the term often used to describe the mafia, which dissolves boundaries of the formal economy.[6] Under globalization's various theoretical or ideological covers (about which the major participants could care less) lies a cynical power play, in which—under the pretense of respectability—almost any means are considered legitimate."

But aren't there some proponents of globalization who have an ethical conscience? No. They are only appearances: "in this way as in every other, they know how (with the help of a few pen-pushers) to cover their tracks and to play with meanings. It is in the name of the human community that we refuse their globalization and that we affirm our own." Fortunately for everyone, these authentic globalizers are trying to build a "human earth": one that will confine the economy to its proper boundaries, while imposing social and environmental norms.

Passet's polemical description of the "little gray men of Davos" is fair enough. So are Wolf's attacks on intellectuals who still long for a romantic kind of communism, as they roam the countryside preaching the problematic gospel of economic localism and regional autarky, despite the strong similarity between these ideas and the Khmer Rouge's. But Passet's militant fervor also leads him (and his readers) to view these "little gray man" as the perpetrators of world conspiracy, in which rootless, rapacious capitalists—wolves in sheep's clothing (to use his own words)—whose appetites are insatiable despite their massive wealth, steal the well-meaning slogans of their opponents, change their meaning, and use such dignified words as

[6] *"Pieuvre"* or octopus is a word commonly used in French to refer to the underworld or mafia-like organizations.

"globalization," "freedom," "responsibility," and "democracy" to deceive common folk and to pull the wool over their eyes.

His description of the OECD's efforts to establish a multilateral agreement on investment (MAI) as a means to abolish state sovereignty (and thus democracy), thus enslaving states to big capital's interests, goes way too far in personalizing a complex process. It is far too easy to slip from the little gray men of Davos to the "gnomes" of Zurich. It is tempting, in short, to believe that an international plot is underway to enslave world to submit to the will of a few.

As for solutions: Passet states his general intentions, but makes little effort to propose concrete alternatives. A world order based on shifting alliances between states sharing similar interests brings back, at least in Europe, some rather bad memories. The critique of international finance and of institutional investment funds discretely overlooks the fact that many of them are pension funds. As for an economy that serves humankind (rather than the other way around), who would not agree? But given how long we have been talking about it, the time has come to think clearly about what this means concretely. We could not agree more about building a world community. Yet this cannot be limited to romantic "social forums." It requires genuine world governance, including an international juridical order. But this, in turn, will conflict with state sovereignty—the very principle that transnational corporations are accused of having violated.

Moreover, both Wolf and Passet are depressing. Wolf is disheartened at the "sight of the affluent young of the west wishing to protect the poor of the world from the [globalization] processes that delivered their own remarkable prosperity," as well as by "the return of all the old anti-capitalist clichés … as if the collapse of Soviet communism had never happened." (p. 320—the final paragraph of his book).

As for Passet, his conclusion portrays the same youth in somewhat different terms: “The peaceful crowd of Porto Allegro, despite all the suffering that it represents, did not hope for the worst. And it is to prevent it from doing so that we must try to change minds while there is still time […] Compared to the little gray man, isolated in the halls of power [the introduction speaks of “the little gray men, the cloistered ones of Davos, protected from the very crowd that represents the advance of globalization”], how lovely was the great, generous swell of men and women taking a standing against the servitude of the masses!”

After such flights of lyricism, reality, with all its complexity and contradictions, will appear rather dreary.

2. Globalization or Internationalization ?

I will not be consider the theory that claims to prove, based on the evidence of comparative advantages, that free trade is always good for growth. Instead, I would like to consider some most important characteristics of the international economy over the past fifty years.

The first major characteristic is the technological revolution, particularly as it has affected information (notably computer technology and the Internet) and transportation. Space has become thinner. Information, goods, and people move around quickly and cheaply. In the production process, immaterial capital (software, data processing, etc.) is surpassing material capital (i.e., buildings and machinery) and labor power. The production of so-called primary goods (crops and raw materials) and secondary (i.e., manufactured) goods represents an ever dwindling share of total value added. The tertiary sector is increasingly dominating the economy, as public and private services take on an increasingly important role. But some of these services, because they are directed at specific groups, are essentially territorial, and are aimed either at the population as a whole (as with education, health, and aid for senior citizens) or at those who can afford them. Others, however, require no direct contact with the service's beneficiaries.

These technological changes have contributed to economic globalization. Everyone has heard of computing services in Bangalore and marketing services run from Asia or Africa. When transporting a good from China to Chambéry, the leg between China and Le Havre represents one third of the cost, the leg between Le Havre and Lyon another third, and the leg between Lyon and Chambéry still another third. This example makes it clear why labor cost differentials between China and Europe are so economically decisive.

The European Union offers excellent example of how countries that are economically behind can "catch-up" with others. Spain, Portugal, and Ireland—to name only a few—benefited greatly from admission. It allowed them to catch up with the original members. The elimination of economic barriers, which was a deliberate political decision to help poorer countries catch up, enabled these countries to derive maximum benefits from the economic potential of these new technologies.

But in keeping with Schumpeter's idea of "creative destruction," these technological developments led to the rapid obsolescence of certain professions and production sectors. This set off large-scale industrial and sociological change, which rewarded mobility and penalized immobility. Economic globalization was not the cause of these transformations, but it did accelerate them up. In particular, economic globalization made it more difficult to implement, at the national level, policies that might have mitigated some of the harsher consequences of these changes, and perhaps slowed down the pace at which they were occurring.

The second characteristic is political. In this instance, the cases of China and India are exemplary. Both made, at specific moments in their history, conscious political choices to unleash domestic change by opening themselves up, albeit in a controlled way, to foreign trade. The Chinese never tire of comparing the Qing dynasty's policies to Mao's. They love explaining how much the "closed door" policy cost them in terms of ideas, knowledge, technology, and foreign capital. This opening-up has come at a price for China's communist leadership: the brutal old state industries have collapsed, and the peasant world has suffered. But can one say that China's growth is an automatic result of economic globalization? Clearly not. India, after Nehru and Indira Gandhi, opened up in its own way, at a pace that was slower than China's. This was because India did less dependent on foreign companies established on its soil for technology transfers and access to international markets. India's transformation may, however, be more reliable in the long run.

The third significant fact is the massive use that our production and exchange system makes of fossil fuels and (to a lesser extent) mineral raw materials. Yet fossil fuels and raw materials are distributed very unevenly across the globe. The Middle East is the world's oil well while Russia holds a significant share of natural gas deposits. This reality shapes the conditions under which globalization occurs, since each nation must sell goods that ensure it can supply itself with its own share of fuels and raw materials. Securing these resources, however, does not necessarily lead to economic globalization. The other possible routes are direct political control of the needed resources and bilateral bartering agreements. At present, many countries rely on all three approaches. For example, in Africa, various economic powers—Europe, the United States, and China, and soon India as well—are falling over themselves to establish direct political control and to secure bilateral agreements. On the other hand, Hugo Chavez has attempted to use

Venezuela's oil wealth to extend political control over several smaller Latin American countries. In any case, energy and raw materials is closely intertwined with economic globalization, as only a few countries are able to be self-sufficient.

The examples of oil and gas are revealing. One of the most important events of the past decades has been the decline of the "majors" who once controlled these resources. Oil and gas-producing countries are fully aware of the value of the "rent" they can charge for use of their resources. They intend to this income for themselves (or for their leaders), even if from time to time they sign operating contracts with companies that can provide advanced technology, capital, and outflow networks. The emergence of sovereign wealth fund in oil and gas producing countries has become, like petrodollars once were, a basic structure of the global economy.

The fourth significant characteristic concerns demography. The populations of the first regions to develop economically, including Europe, Japan, and to a lesser extent the United States, are aging rapidly. At the same time, they are becoming more middle class. One of their greatest concerns is how to pay for the elderly. Governments and pension funds are trying to find a solution. In theory, this can be done in one of two ways: by keeping production at home, or by exporting production while continuing to control it. The Philippines are particularly interesting in this respect. They have retirement homes for elderly Japanese, but at the same time send nurses overseas. Foreign immigration is considered dangerous and socially destabilizing, so it is artificially reduced by quota systems. Hence globalization's peculiar characteristics: it makes forbidden to forbid the free movement of goods and services; yet at the same, it makes it forbidden to allow the free movement of peoples. The savings of the rich, aging countries must thus be tied to the labor of the youthful, poor countries. The safest way to do so is by investing in companies based in developed countries, which encourages them to internationalize their production. This solution is less risky than investing directly in companies in third-party countries, which are more vulnerable to nationalization and more difficult to control.

We have then four powerful factors that have contributed to the internationalization of the economy. All of them favor the development of transnational corporations. To prosper, they need free trade zones that dispense with restrictive international laws. Because they are the only actors who truly operate on an international scale, they are able to dictate their terms to sovereign states. Consider the way that state visits have essentially become contract-signing rituals. Heads of states are often little more than the couriers for the CEOs who travel with them to make sure that relations between governments preserve “a favorable business climate.”

Transnational corporations also force states to compete with one another, thanks to the growing importance of immaterial capital and the increasing mobility made possible by cheap transportation costs. For this reasons, globalization is often associated, from the standpoint of social policy, with a “race to the bottom.” As we shall see, reality is in fact slightly more complex. That said, the existence of competition is irrefutable.

What remains then of the alleged link—be it positive or negative—between economic globalization and growth? To be honest, not much. I see no tangible connection between the speed or degree to which countries open themselves up to the world economy and economic growth. There are far too many factors that determine exactly what kind of opportunities internationalization can bring for there to be a one-to-one connection between them. But there are still a number of issues relating to economic globalization that are worth understanding: the concentration of wealth in the hands of a few; growing inequalities between countries; rising inequalities within particular countries; the respective proportions of labor and capital in the composition of value added; and changes in the state's ability to intervene in the economy. It is to these five questions that I will now turn.

3. Who Benefits from Globalization?

Does Globalization Concentrate Wealth in the Hands of the Few?

The individual concentration of wealth is certainly globalization's most salient feature, even if its practical consequences are somewhat limited (notably in terms of power). Martin Wolf cites a relevant article by Igancio Ramonet from *Le Monde Diplomatique*—though he does so, needless to say, in order to attack it. I would like to refer to it as well, primarily because it mentions statistics that are frequently evoked in anti-globalization discourse. "The dramatic advance of globalization and neoliberalism," Ramonet writes, "has been accompanied by an *explosive growth in inequality* and a return to mass poverty and unemployment. The very opposite of everything which the modern state and modern citizens is supposed to stand for. The net result is a *massive growth in inequality*. The United States, which is the richest country in the world, has more than 60 million poor. The world's foremost trading power, the European Union, has over 50 million. In the United States, 1 percent of the population owns 39 percent of the country's wealth. Taking the planet as a whole, the combined wealth of the 358 richest people (all of them dollar billionaires) is greater than the total income of 45 per cent of the world's poorest inhabitants, that is, 2.6b people." (quoted in Wolf, p. 138). Wolf mocks Ramonet's comparison of assets (of the rich) with income (of the poor). But his sarcasm is ill-placed: even if one divided the assets of these 358 richest people by 20 in order to gauge the income generated by these assets, the gap remains colossal.

What would have been the results of similar comparisons two hundred years ago? One hundred years ago? Fifty years ago? Even twenty years ago? Honestly, I don’t know. Can this unbelievable gap be blamed on economic globalization? I still don’t know. Is economic globalization significant in explaining inequality between societies and within particular societies? This is not clear, either. In his book on inequality, for instance, Thomas Piketty, for instance, dwells little on data of this kind, though he does demonstrate that the share of income derived from assets increases significantly for the 20% of households with the largest incomes. He notes that in France, 10% of households own 50% of all assets, but he also observes (on page 8) that “revenues from occupations are at least six or seven times greater than the capital revenues of households, and this is general characteristic of income distribution in all Western countries.” What is certain is that there exists a core group of extremely rich people. Beyond a factor of several thousand times that of the poorest incomes, each additional zero (i.e., from 10 to 100) may have significant consequences for the distribution of power, but probably relatively little for differences in life-style.

The most decisive factor in the short term is undoubtedly the growing divide between the economic elites who truly “inhabit” the international economy, who are mobile, live among themselves, and share the same values and prejudices, and the rest of the population. The effect of stock options, for instance, has been to convert upper management to the values of the shareholder, distancing them from the concerns of other employees. The former middle class, which in its vastness helped to stabilize mass society, is now split between an economic, administrative, and political elite and the executors of an information economy. In Europe, for instance, the children of EU bureaucrats have significant advantages if they pursue the same careers as their parents. The toxic consequences of such a divide cannot be sufficiently emphasized.

Does Globalization Increase Inequalities Between Nations?

Forty years ago, if one heeded the *tiers-mondistes* (Third World advocates), the verdict was in: international trade could only develop to the detriment of poor countries. Liberals defended the opposite thesis, but considered it equally self-evident: international trade would, over time, allow poor countries to catch up. As always, the truth lay somewhere in the middle. Each side obviously cites statistics to support its views, but conclusions depend on the period and the countries considered. Moreover, in order to draw an unambiguous conclusion we would need to rely on statistics that actually reflect social reality—i.e., which can distinguish objective poverty from the kind of subjective poverty that results from beaming images of prosperity into the most remote village or shantytown. But we don’t dispose of such statistics. On this point, I follow the well-informed and nuanced conclusions of Jean Gadrey.[7]

The most noteworthy phenomenon, over the long term, is that between 1820 and 1950 inequality between countries grew considerably: the West had its industrial take-off, and left other countries behind. This can be seen on the first curve on the chart below, which shows changes in the Gini index for three variables: inequality between countries; inequality within countries; and total inequality.

Inequalities between groups of countries greatly increased between 1820 and 1950. The first wave of globalization, between 1870 and 1910, does not indicate an acceleration of the trend

[7] Jean Gadrey, *Alternatives économiques* 256, March 2007.

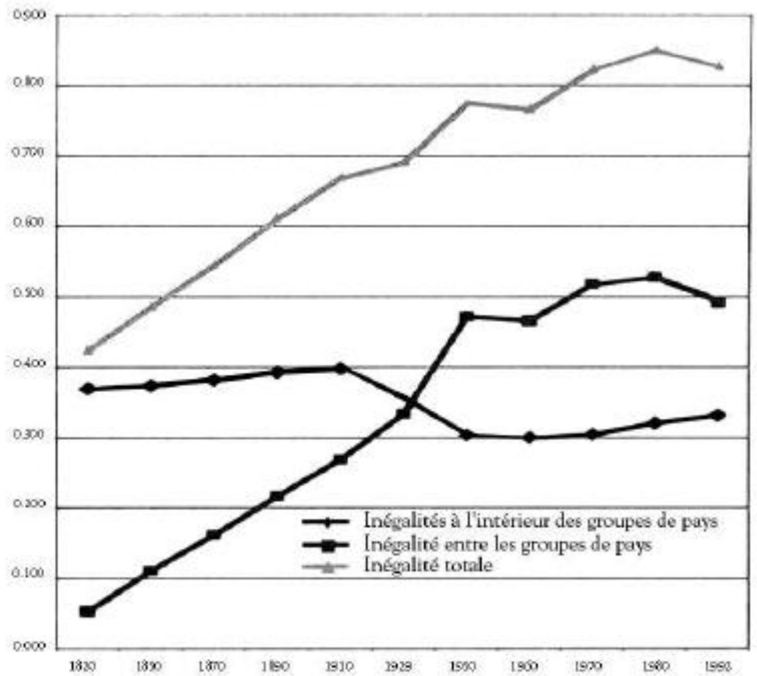
towards increasing inequality. On the contrary, it was between 1929 and 1950—a period marked by national retrenchment—that inequalities between groups of countries grew the most. Growth in inequality was much slower between 1950 and 1980, and it would appear even that inequality began to subside around 1980—i.e., the very moment at which the second wave of economic globalization was picking up speed. This is easily explained: precisely at this moment, China and India, which together represent 40% of humanity, began to take off.

The Historical Evolution of Inequality between and within Countries[8]

[8] The Gini index is an aggregate index that makes it possible to describe the distribution of incomes in a given society. The Gini coefficient is 0 when all incomes are distributed equally and 1 when they are distributed completely unequally. The Gini coefficient is calculated on the basis of the following formula:

$$G = \frac{2}{n^2 \bar{y}} \sum_{i=1} i \, (y_i - \bar{y})$$

In which:
n=Total population
y=Average income
yi=The income of the umpteenth household.
Source : "Income Distribution and Poverty: Invited paper submitted by the Task Force on Statistics for Rural Development and Agriculture Household. Joint UNECE/EUROSTAT/FAO/OECD Meeting on Food and Agricultural Statistics in Europe (Rome, 29 June-1 July 2005). Available on the UNECE website at: http://www.unece.org/stats/documents/ces/ac.61/2005/3.e.pdf.



Source : F. Bourguignon and Ch. Morrisson, “Inequality among World Citizens, 1820-1992,” *American Economic Review* 92:4 (September 2002): 727-44.

Does Globalization Exacerbate Inequality within Countries?

Between 1978 and 2001, GDP per capita in the United States, Western Europe, and Japan grew generally at the same pace, increasing at an annual rate of 1.7% for the first two and at 1.8% for the latter. But during the same period, China grew at a rate of 4.27% annually and India at 2.29%. Alone, they account for 40% of humanity. At the opposite end of the spectrum, Latin America, at 1.28%, and particularly Africa, at 1.6%, were left behind. Thus economic globalization, insofar as it is the primary cause of these developments, has at the very least had divergent effects.

Let us now turn how inequality has evolved inside the same group of countries. It grew slowly from 1820 to 1910, declined between 1910 and 1950, picked up slowly after 1950 and seems to have accelerated slightly in the most recent period.

When one considers inequality on a global scale, inequality between countries is what stands out. It contributed to an overall growth in inequality until 1980, and subsequently declined.

We can fine-tune this analysis by focusing on OECD countries. I will rely on the work of Thomas Piketty. When one defines income inequality (within the OECD) as the relationship between the income level above which the richest 10% lives and the income level below which the poorest 10% lives, the first thing one notices (drawing on OECD statistics) is considerable country-to-country variation.

Consider the following chart from Piketty's book:

Income Inequality in the OECD Measured by a P90/P10 Ratio

Sweden	2.7	United Kingdom	3.8
Belgium	2.8	Italy	4.0
Norway	2.9	Canada	4.0
Germany	3.0	United States	5.9
France	3.5		

Reading Key: in Sweden, to belong to the richest 10%, one must earn 2.7 more than the poorest 10%.

Note: The P90/P10 ratio refers to disposable income adjusted for household size.

Years: 1984 (Germany, France), 1985 (Australia), 1986 (United States, Italy, Norway, United Kingdom), 1987 (Canada, Sweden), 1988 (Belgium).

Source : LIS, Atkinson, Rainwater and Smeeding, 1995, p. 40.

It is not surprising to find at the two extreme ends Sweden, with a ratio of 2.7, and the United States, with a ratio of 5.9. This ratio cannot be explained in terms of the extent to which each economy is open to the global market, as the Swedish economy, like the European economy overall, is considerably more open than the American economy.

Even more striking is the close proximity between France, with a ratio of 3.5%, and the United Kingdom, with a ratio of 3.8%. France, after fifteen years of socialism, and the UK, after a decade Thatcherism, are more or less in the same situation. This suggests how great the disparity between political discourse and reality can be.

What about recent changes in income inequality? On this point, too, Piketty has gathered very thought-provoking data. Particularly interesting is how the United States, France, the United Kingdom, and Sweden compare between 1970 and 1990. In the United State, inequality went from 3.2 in 1970 to 4.5 in 1990. In France, it declined from 3.7 to 3.2. In the United Kingdom, it grew from 2.5 to 3.3. In Sweden it remained stable at 2.1

Between 1820 and 1970, the Kuznets curve was followed quite closely. Development first produces increasing inequalities, as traditionally agricultural societies industrialize and urbanize. But then these disparities stabilized and subsided significantly. China, clearly, remains at the initial phase.

In an article published by the *American Economic Review*,[9] Piketty and Emmanuel Saez analyze changes in high incomes (the richest 10% of the population) and the highest incomes (the richest 1%) in the United States, Europe, and Japan over the course of the twentieth century.

A first observation is that it was the highest incomes that underwent the most dramatic change. Fluctuations in high incomes over time can essentially be imputed to changes in the very highest of incomes. The overall share of highest incomes shrank during the interwar years and the Second World War because capital income contracted so dramatically. Yet the share of capital in overall income has not risen significantly since this period. The authors advance two related hypotheses: major crises (i.e., war and 1929) affect capital holders disproportionately; and progressive taxes on incomes and inheritances help reduce income disparities. However, by the end of the seventies, the share of national wealth accruing to the highest incomes began to rise rapidly in the Anglo-Saxon countries, as a result of the emergence of a very top tier of professional incomes. This trend did not appear in France or Japan. So can it really be attributed to economic globalization? Must it not rather be attributed to a new wave of industrialization, tied to the growth of service-related work and the rise of information and communication technology? The question remains open.

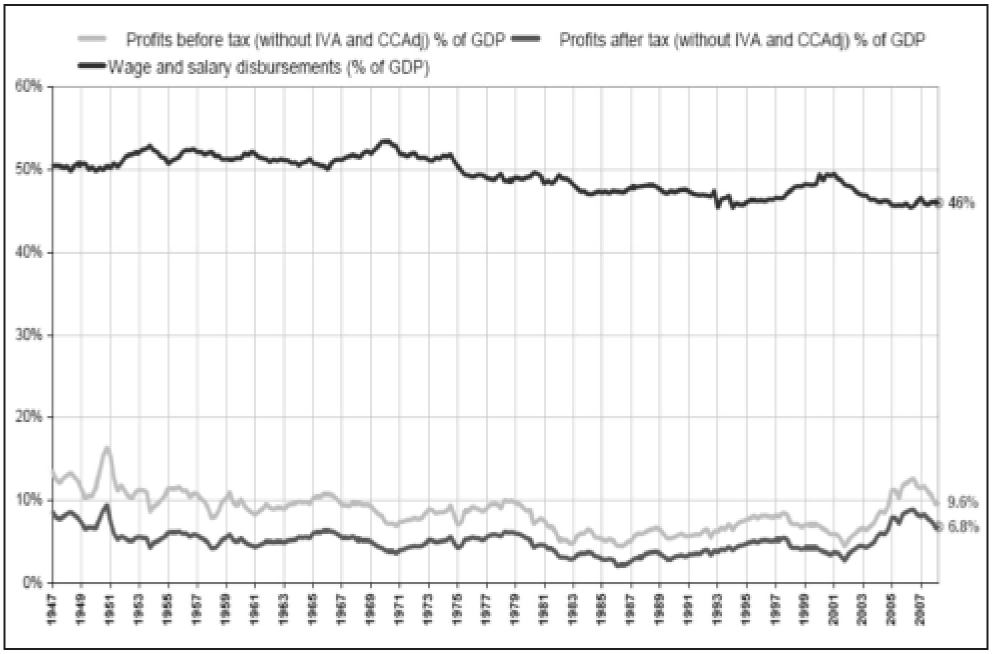
Does Globalization Steal from Workers and Give to Shareholders?

[9] Thomas Piketty and Emmanuel Saez, “The Evolution of Top Incomes: A Historical and International Perspective” *The American Economic Review* 96:2 (2006): 200–205.

If the answer to this question were “yes,” the reason would be that, over time, the share of corporate value added going to capital increased while the share going to labor declined. The share of value added allocated to capital is the operating surplus. It includes taxes on profits, the amortization of investments, reinvested profits, and dividends paid to shareholders. By compiling various sources, Thomas Piketty again provides us with valuable information about the comparative evolution of this distribution in the United States, France, and the United Kingdom between 1920 and 1995. It confirms the remarkable stability of this distribution over time: “The share of salaries never falls lower than 60% and never rises higher than 71%, with value added generally around 66-68%, and it is impossible to discern even the slightest systematic tendency of the share of salaries to increase or decrease over time (Piketty, pp. 40-41). An even more striking fact is that when one compares the period between 1980 and 1995, the share of capital decreases from 33.9 to 33.5% in the United States, increases slightly in the United Kingdom from 29.2% to 31.5%, and leaps in France from 28.3% to 39.7%. Piketty asks us to take these numbers with a grain of salt, as the methods of calculating them can vary; but even so, the ranking between countries is very interesting.

The problem can also be approached by analyzing salaries and profits after taxes as a share of the gross national product. Consider the following chart, which shows their evolution between 1947 and 2007.

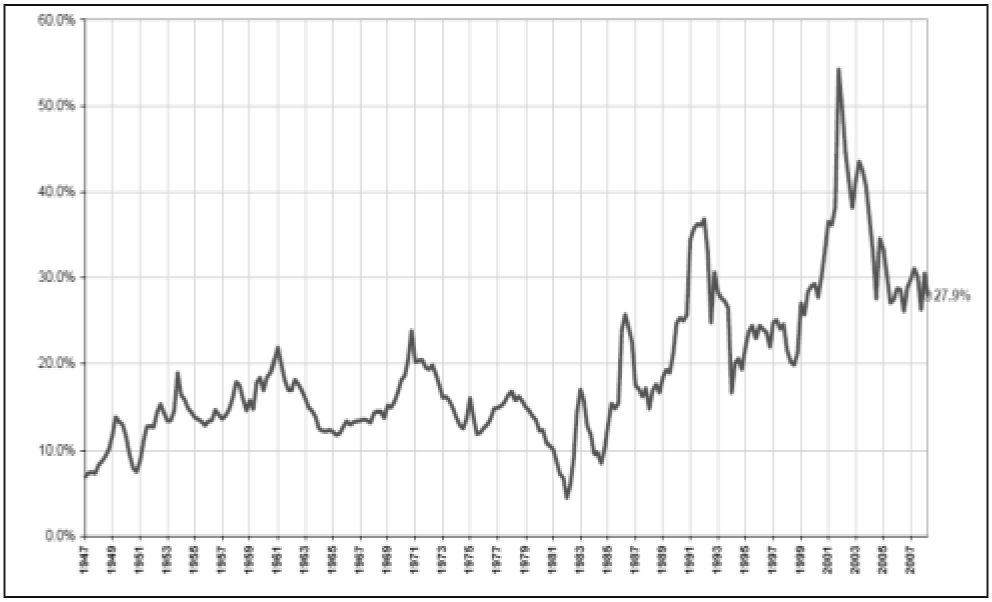
The United States: Salaries and Corporate Profits



One sees a slow erosion of the share of salaries, but it does not contribute to an underlying increase in the share of profits after taxes. On the other hand, a recent (2001-2006) and sudden increase in profits is discernable

Some of the most striking data concern the evolution, in the United States, of the profits of financial institutions as a share of all corporate profits. These changes can be seen below:

The United States: Financial Profits



From 1947 to 1987, this share fluctuated considerably, gravitating towards an average of 15%. But as of 1987, it began to grow, ultimately reaching around 30%. This illustrates in concrete terms what the "financialization" of the world means.

Does Globalization Undermine the Ability of the State to Act?

One of the principal theses advanced by economic globalization's opponents (Passet included) is that it renders states powerless, forcing them to compete with one another as well as with stateless capital. Moreover, states are punished if they practice redistributive policies. They are thus under pressure to align themselves on the lowest common denominator, transforming themselves into "minimal" states. I was briefly persuaded by this argument, which on the surface seems pretty obvious. It seems consistent with way that corporations in recent years have forced the lowering of economic and social standards by threatening to outsource their operations to cheaper labor markets. But what exactly do the numbers say? Martin Wolf offers us a helpful compilation of data available for thirteen developed countries. From 1913 to 1996, public expenditures (including government spending and social transfers) as a share of GNP rose from an average of 13.1% to 45%, as the following chart shows:

Total Public Expenditures as a Percentage of Gross National Product

Country	1913	1937	1960	1980	1996
Australia	16.7	14.8	21.2	34.1	35.9
Austria	17.0	20.6	35.7	48.1	51.6
Canada	NA	25.0	28.6	38.8	44.7
France	17.0	29.0	34.6	46.1	55
Germany	14.8	34.1	32.4	47.9	49.1
Italy	17.1	31.1	30.1	42.1	52.7
Ireland	NA	25.5	28.0	48.9	42.0
Japan	8.3	25.4	17.5	32.0	35.9
Norway	9.3	11.8	29.9	43.8	49.2
Sweden	10.4	16.5	31.0	60.1	64.2
Switzerland	14.0	24.1	17.2	32.8	39.4
United Kingdom	12.7	30.0	32.2	43.0	43.0
United States	7.5	19.7	27.0	31.4	32.4
Arithmetic average	13.1	23.8	28.0	41.9	45.0

Source: Vito Tanzi and Ludger Schuknecht, *Public Spending in the 20th Century: A Global Perspective*, Cambridge, Cambridge University Press, 2000.

Growth accelerated during the golden age of the welfare state: it climbed from an average of 28% to 42% over twenty years (1960-1980). What is even more striking is that after 1980, the GNP share of expenditures continued to grow, though at a much slower pace, rising from 42% to an average of 45%. More remarkable still are the extraordinary disparities between the thirteen countries. Take the case of France and the United States. The rate of public expenditures has always been significantly higher in France than in the United States. At the beginning of the period, in 1913, France was already at 17%, compared to 7.5% for the United States. Until 1960, the two countries evolved almost in tandem. By 1960, the French rate of expenditures had doubled, reaching 34.6%, while the American rate had almost quadrupled, rising from 7.5% to 27%. Consequently, by the end of the period, the gap between the two was slightly less than 7%, where at the outset it had been 10%. Only around 1960 did the French and American models begin to diverge sharply. Whereas the American expenditure rate rose from 27% to 32.4% (roughly by 5 points), the French expenditure rate mushroomed from 34.6% to 55%.

A first observation to be made about these statistics is that in no country did the expenditure rate decrease. The “downward pressure” thesis does not hold water. I can’t say if we should predict such pressure in the future; but the fact remains that so far, it has not happened.

The second and obvious conclusion is that we are dealing with here are national choices about social models. These choices are not related to the decision to open up one’s economy to the outside world. The European economy is more open than the American, and yet its expenditure rates are much higher than those of the United States. If one chooses to speak of an

"Anglo-Saxon model," one must be careful to nuance one's claims, as expenditure rates in the United Kingdom in 1996 were 43%, compared to 49% in Germany and 55% in France. It is difficult to maintain that these high expenditure rates seriously penalize the European economy: throughout the period, it always had trade surpluses, while the United States was constantly in a trade deficit. The explanation is simple: expenditures do not simply mean taxes for companies; they are not manacles on their feet; they also contribute to creating an overall framework and the social and cultural capital that a modern economy needs.

4. Toward a New Global Distribution of Wealth

There was a time in the not too distant past when thinkers who supported the Third World argued, by applying Marx's pauperization thesis on a global scale, that rich countries would inevitably exploit the poor ones. Rich countries would get richer and poor countries would become poorer. Our data suggests that since 1980, the opposite has happened. The poorer countries are catching up. But can they do so without making their populations suffer? And which sectors of the population will suffer more than others? We often carefully sidestep these questions. Before the referendum on the European constitutional treaty in the spring of 2005, two symbols were greatly debated: the Polish plumber and the Chinese textile worker. Both were symbols of globalization: the first represented the inability of French workers to compete with service-sector workers from the EU's new members, and the second signified their inability to compete with Chinese manufacturers.

This debate proves that the citizens of developed countries are not yet fully conscious of the fact that the arrival of new competitors who offer cheaper labor and the threat of a "race to the bottom" in terms of social protection (at least as far as unskilled labor goes) is really just one facet of a larger problem: the need to share the limited resources of the biosphere equitably with all the peoples of the planet.

Imagine breaking down the world into about twenty regions. To ensure equity between them, an extraordinary effort of redistribution, benefiting the historically less developed regions, would be needed. "Equity" means that each region should have access to a comparable level of well-being (though this does not have to mean equal per capita GNP).

This redistribution involves knowledge, know-how, and access to natural resources. Intuitively, we know that we one day will have to share. In practice, however, we put off making out concrete plans for doing so—as if we could simply sit back and watch others develop, without worrying about how it affects us.

Is there a model that proves that genuine redistribution can really help undeveloped economies to catch up? The take-off of Asia's "little dragons," particularly Japan, at the end of the postwar boom, frightened the French. Through the early eighties, talk of a Japanese invasion was common. Remember the stir caused by the lifting of customs duties on Japanese video machines in Poitiers in 1982! The most significant contemporary examples are the entry of ten new members in the European Union and the emergence of China and India. In these cases, redistribution is occurring on a grand scale, involving not merely millions, but billions of people.

Let us first consider the European example. Until now, European integration has, entirely to its credit, been a vast European-wide leveling process. It helped the new arrivals of the 1970s (particularly Spain, Portugal, and Greece) catch up in remarkable ways, both economically and institutionally. Part of what made this process so successful was the opportunity of producing goods in these new countries that would reach a European market. This required the new members to mobilize their institutional, technical, and commercial abilities; but it also involved a transfer of certain industries (in agriculture, the service sector, and manufacturing) from the original members to the newer ones. In doing so, the new members had to make the most of their comparative advantages, notably cheaper labor costs. Because Europe's economy was growing and it had a strong position on the global market, the catching-up process was relatively painless.

The arrival in 2004 of ten new EU members occurred in more difficult circumstances: Europe's overall growth was not as strong, while Poland, Hungary, the Czech Republic, and the Baltic states were caught between the hammer of high Western European productivity and the anvil of China's industrial push. Their "invasion" potential, which is seriously mitigated by their small populations and weak demographic trends, is similar to that of the Germanic peoples of the fourth and fifth centuries, who were themselves being pushed west by Central Asian invaders. The integration and "catching-up" of these new members is thus likely to be less smooth than that of previous entrants.

When one considers the massive global redistribution now underway, it becomes clear that it is pure fantasy to believe that other regions of the world can catch up with us without affecting our way of life. Such a dream might be conceivable if the planet had infinite resources; but it doesn't. It is thus hypocritical to support development in the name of equity while at the same time denouncing the negative consequences for rich countries.

What are some concrete ways to help these regions catch up? Three approaches are possible.

First, companies from the EU's earlier members could set up production units in the new members as well as other world regions. This approach involves direct European foreign investment. To make the costs easier to stomach, these investments could be justified on the grounds that they promote foreign consumption rather than reimportation, that they encourage their beneficiaries to buy goods from us, and that they allow our own economies to specialize in high-end goods. This may all be true; but the fact remains, such investments must be profitable, and this necessarily implies imports, which means the outsourcing of European companies to cheaper labor markets.

A second approach involves setting up non-European companies in the new EU members and other world regions. They would compete with European companies on the international as well as the European market. On the surface, this would not require outsourcing. But in practice, the sectors in which such companies were created would suffer, forcing them to close plants and lay off workers.

A third approach involves helping the new EU members and other world regions, through public technical aid programs, to create, relying solely on local actors, the conditions required to achieve the goals of the two other approaches. These conditions include technical know-how and the mobilization of capital and commercial networks. Yet while this approach looks good on paper, it overlooks the fact that both technical and organizational know-how cannot be acquired as completely and as quickly as it could be through the direct intervention of companies who already have it and who have a business interest in sharing it. It is also a little hypocritical: we already know how difficult debates about development aid can be, and how laborious it is to persuade developed countries to devote 0.7% of their GNP to development aid. These difficulties prove that we are only prepared to offer the leftovers of our own comfort, and only on the condition that our well-being is preserved. We do not seriously entertain the possibility of sharing our wealth with the rest of the world.

In all three of the scenarios mentioned above, given the time that the learning process requires and the absence of the historical preconditions for an efficient economy (with the notable exception of education), whether in the new European countries or in regions beyond Europe, only salary differences, i.e., differences in standards of living, will spur new economic activities in Europe and the world and contribute to a global redistribution of wealth.

But redistribution requires sacrifice, and equitable sacrifice. Yet the sacrifices required by a redistribution of wealth and resources are not distributed equitably. They are concentrated on the most vulnerable segments of the population.

To be more precise: we can distinguish between economic activities that are tied to the production of generic goods and services and those that are tied to a specific territory. In a country like France, where the tertiary sector is dominant, most regions depend on redistribution. Primary income often comes from outside the region—in the form of retirement pensions, Social Security payouts, indemnities, or civil service checks. When it is spent, this income then pays for a vast commercial and service sector.

But it is the first kind of economic activity, which produces generic goods and services, that is most directly affected by global redistribution. Within this category, the least skilled occupations are hit the hardest. Some people reject the idea of distribution by making the argument (which contains a kernel of truth) once used against Malthus: work and wealth are not like cakes, finite goods that one can cut up into pieces, but unquantifiable goods that are limited only by human ingenuity. I agree. That said, at least a few quantifiable goods do exist: notably, the biosphere and the capacity of ecosystems to regenerate. Today, the biosphere plays the role that the earth and its agricultural capacities once played in Malthus' thinking, at a time when the contributions that technological progress could make to their productivity were not clear. The only way to get out of this dilemma is to uncouple the development of activities aimed at increasing human well-being from the consumption of natural resources. In the second part of this book, we will explore how this could be done.

Let us now turn to developing countries that are trying to catch up. If you have been to Shanghai and witnessed its dynamism, its symbols of modernity, its fantastic ability to organize and mobilize knowledge, you probably felt butterflies in your stomach as you wondered what kind of “comparative advantages” we shall still have in the near future.

Contrary to what some in Europe pretend to believe, the benefits of China’s new prosperity are not restricted to a handful of billionaires, unscrupulous financial and industrial adventurers, and clever exploiters of abundant cheap labor. The book *State of the World 2004: Special Focus: The Consumer Society* gives us an excellent picture of the gradual expansion of production in developing countries: “Private consumption expenditures […] topped $20 trillion in 2000, up from 4.8 trillion in 1960 (in 1995 dollars). Some of this fourfold increase occurred because of population growth […], but much of it is due to advancing prosperity in many parts of the globe […]. The 12 percent of the world living in North America and Western Europe account for 60 percent of global private consumer spending, while the one third living in South Asia and sub-Saharan Africa account for only 3.2 percent […]. Although most consumer spending occurs in the wealthier regions of the world, the number of consumers is spread a bit more evenly between industrial and developing regions […]. [We see the emergence of a] global ‘consumer class.’ These people have incomes over $7000 of purchasing power parity […], which is roughly the level of the official poverty line in Western Europe. The global consumer class itself ranges widely in levels of wealth, but members are typically users of televisions, telephones, and the Internet, along with the culture and ideas that these products transmit. This global consumer class totals some 1.7 billion people—more than a quarter of the world."[10] In the chart accompanying this text, we see that East Asia and the Pacific represent 32.9% of the world's population and 21.4% of private consumption expenditures. This trend towards global enrichment is affecting the entire world, with the notable exception of sub-Saharan Africa, which represents 11% of the world's population but only 1.2% of private consumption expenditures.

One only has to visit China to see how well the Kuznets curve applies to its current development stage. When in 2004 I participated in an online forum organized by the Chinese newspaper *The People's Daily,* I was asked the following question: "Do the poor in Europe also hate the rich?" In other words, given the glaring disparity between the rich and the poor, the ability of the Chinese to offer prosperity to their entire population has become a life-or-death question. This is true throughout the world. An African friend of mine once told me: "If things continue like this, in Nairobi, in a few years, the poor half of the population will be paid to protect the property of the wealthy half." Whoever has observed the seen the ghettos of the rich in southern metropolises will understand immediately what my friend was talking about. The problem is that, unlike what happened in the countries that underwent the first industrial revolution in the nineteenth century, the eruption of consumption in developing societies is occurring violently and in the open. The World Watch Institute notes: "In 2002, 1.12 billion households, about three quarters of the world's people, owned at least one television set. Watching TV has become a leading form of leisure." This means that the consumption habits of an enormous number of consumers is placed before the eyes of everyone else.

But our economy, as it is currently conceived, celebrates possessions and privileges material goods that avidly consume non-renewable resources. The car is the most glaring

[10] Gary Gardner, Erik Assadourian, and Radhika Sarin, "The State of Consumption Today," in *State of the World 2004: A Worldwatch Institute Report on Progress Toward a Sustainable Society* (New York: W. W. Norton, 2004), 5-6.

example. Every time I go to Africa, I am always amazed by the importance that the tiny middle class attaches to cars. And it is interesting that in India in 2007, Tata began marketing a cheap car that was within the means of the emerging consumer class. In China, car sales are exploding—and could, in the long run, make the country itself explode. These consumption patterns are unviable and non-generalizable. The need to "rethink the meaning of well-being" is a question that can no longer simply be the concern of affluent "bourgeois bohemians" who, having grown weary of material goods, can now afford to tend to their souls. It is a question that calls into question our understanding modernity, with its emphasis on material production, measured in terms of trade, thus parting ways with times tradition of earlier civilizations, in which the purpose of human life was considered to social and spiritual rather than material. It is the rules of the game of production and trade themselves that must be called into question. "Can I have five more minutes, Mr. Executioner?"—this is all that we seem capable of saying when confronted with this challenge. Give us another decade or two to nurse the illusion that it is alright to continue to buy four-wheel drives, vacation in the Caribbean, and indulge other ordinary follies, because we will continue to produce wonderful technology and to manage financial capital that generates income, from which the "others" will be excluded. Nonsense!

One of the most recent versions of this utopia is the European Union's "Lisbon Strategy." It can be summed up as follows: "The EU will be the number one knowledge-based economy." One only has to visit China's major universities and to see the unimaginable investments that Chinese families pour into education to realize that the European strategy is condemned to failure.

The United States is under the sway of the same illusion. In 2005,[11] 30% of all corporate profits were made by the financial sector, which implies both that most of world savings continued to be managed by American banks and that the financial sector was inventing ever more sophisticated products, the real value added of which remains to be established, in order to justify high management and transaction costs. What happened next is well known: the reckless gambling on subprime mortgages, the mitigation of the risks tied to these financial products, a general climate of irresponsibility, and, ultimately, the collapse of the entire system.[12]

While President Sarkozy, in November 2007, was selling Airbus technology to the Chinese—i.e., selling the "family jewels" to reduce the trade deficit—the United States, despite the rise of the dollar, continued to live on borrowed cash through the "export credit" that is the Chinese trade surplus. And it was Chinese sovereign wealth funds that came to the rescue of American banks threatened by the subprime crisis.

Does anyone seriously believe that the Western way of life can be financed in a sustainable way by patent royalties? At the very least, such intellectual property would need to be capable of being privatized, and privatization of this kind would have to be considered legitimate—both of which are very doubtful indeed.

[11] Bureau of Economic Analysis, United States Department of Commerce.

[12] Note from December 2008: In this case, the financial crisis led to an economic crisis, which will soon lead to a social crisis. The lax monetary policy pursued by former Federal Reserve chairman Alan Greenspan managed to postpone the crisis for several years. This made the fall even harder.

Notes du traducteur, chapitre 2 :

* “Alter-globalization”: Le mot n’est pas couramment utilisé en anglais ; toutefois, il est tellement essential au texte que je ne voyais pas d’alternatif (bien que le mot n’est pas fréquemment employé, son sens demeure assez clair).

* J’ai trouvé les citations originales de Martin Wolf et du *State of the World 2004: Special Focus: The Consumer Society.*

* J’ai aussi retrouvé une traduction anglaise du roman de Jules Verne pour les citations de ce dernier, que j’ai indiqué avec une note en bas de page.

* Il y a un beaucoup de problèmes liés à la citation de Rosemary Righter :

a/ J’ai regardé en ligne et dans des bases de données, et je n’ai pu trouvé l’article original. Le texte de Wolf cite moins que ce que PC inclut (dans Wolf, la citation se termine à « Cultural Revolution. » Par contre, j’ai trouvé en ligne un discours de Martin Wolf où il cite Righter plus longuement—c’est ce texte (que je présume être original) que j’ai utilisé : http://www.imf.org/external/np/tr/2004/tr040922a.htm.

b/ Le problème, c’est qu’il n’est pas clair, dans ce discours, quand c’est Wolf qui cite Righter et quand c’est Wolf qui parle en son propre nom. Le problème concerne le texte de PC lui-même, car dès fois il se réfère à ce texte comme si c’était Wolf, et non Righter, qui parle.

c/ La dernière partie de la citation fournie par PC diverge de la citation telle qu’on la trouve dans le discours ci-mentionné.

d/ Toute suite avant la citation de Righer, Wolf dit quelque chose qui ressemble fortement à ce que PC dit quelques lignes auparavant : MW: « The intellectual origins of today's anti-liberal movement are far more diverse. » PC: « Les origines intellectuelles du mouvement antilibéral actuel sont beaucoup plus diverses. » PC aurait-il par mégarde « emprunté » une phrase (et une idée) à Wolf ? Puisque tout cela concerne des citations anglaises pour la traduction anglaise d'un texte, je crois que l'on a intérêt à vérifier tout ça.

* Je n'ai pas trouvé la citation originale dans Wolf que j'ai traduit ainsi : "It is good that polluting industries go to poor countries, because they attach more importance to creating the jobs that they need so desperately than to protecting the environment, which is merely a luxury for the wealthy." Est-ce que PC aurait la page?

* Quand PC parle de « valeur ajoutée », je n'étais pas sur s'il fallait le traduire par « added value » or « value added », car en anglais il y a apparemment une différence. Faudrait voire avec un spécialiste. J'ai opté pour « value added », car je crois que c'est le terme employé dans la comptabilité nationale, et c'est ce à quoi PC se réfère. « Added value » concerne (encore une fois, d'après ce que j'ai pu comprendre) la composition des actions.