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**Symposium on globalisation**

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## **Symposium on Globalisation**

### **Introduction**

The Alumni Association of the Lancaster University Management School organised a mini symposium on globalisation, in New Delhi on January 17<sup>th</sup> 2004. The symposium was based on a collection of essays titled " Making Globalisation Good" edited by John Dunning (Oxford University Press, 2003: Paperback Edition 2004). The theme of the book- moral challenges posed by globalisation, is addressed by a constellation of academics, politicians, business leaders and religious leaders. The contributors to the volume include the Nobel Laureate Joseph Stiglitz, Dame Shirley Williams, Chief Rabbi Jonathan Sacks, Khurshid Ahmad of the Islamic Foundation and Gordon Brown. John Dunning's incisive essay on the moral imperatives of global capitalism sets the stage for the varied and extensive discussion of the main theme of the book. The New Delhi Symposium with commentaries on the book by three of India's eminent commentators and analysts of issues of globalisation provides an Indian perspective on the issues discussed in John Dunning's book. This discussion paper presents an edited version of the introductory remarks by John Dunning and comments by N.K. Singh, Professor Narasimha and Ashok Desai.

### **The Contributors**

#### **John Dunning**

Professor Dunning is Emeritus professor International Business at the University of Reading and State of New Jersey Professor of International Business at Rutgers University. Professor Dunning is currently Senior Economic Adviser to the Director of the Division on Investment, Technology and Enterprise Development at the UNCTAD. He is past President of the International Trade and Finance Association, and of the Academy Of International Business. Professor Dunning has honorary doctorates from the University of Uppasala, Sweden, the autonomous University of Madrid and the University of Antwerp. He has published numerous books and articles on international business, industrial organisation and regional economic issues.

#### **N.K.Singh**

N.K. Singh is a member of India's Planning Commission. An eminent member of India's Civil Service. N.K. Singh has held various senior positions in India's Civil Service including Revenue Secretary in the

Ministry of Finance, Additional Secretary, and Department of Economic Affairs, Principal Advisor to the Prime Minister on Economic issues. N.K. Singh was one of the architects of India's 1991 economic reforms. He has represented the Government of India at various international institutions including the WTO, the World Bank and the EU.

### **Professor Roddam Narasimha**

Professor Narasimha is the Director of the National Institute of Advanced Sciences, Bangalore. An eminent Physicist, Narasimha has held various research and teaching positions including the Directorship of National Aerospace Laboratories, and Professorial positions at the Indian Institute of Science, Jawaharlal Nehru Centre for Advanced Scientific Research. Professor Narasimha is a Fellow of the Royal Society and has published extensively on various aspects of science and social policy.

### **Ashok Desai**

One of India's reputable economists, Ashok Desai has had a varied career as an academic, policy advisor and journalist. He has taught economics at a number of Universities both in India and abroad. He was Chief Consultant and advisor to the Ministry of Finance from 1991 to 1993 and was one of the architects of India's 1991 economic reforms. He is currently Consultant Editor and commentator on economic affair for *Business World* magazine. He has published extensively on economic policy issues including energy policy and technology transfer issues. His latest book is titled *The Price of Onions*.

## **John Dunning**

I shall confine my remarks to some of the contents of my recently edited book *Making Globalisation Good*. A quick look at the title of the book suggests that it might have a twofold meaning. On the one hand, the word good may be interpreted generically as repairing or putting right something, which is in some way or, to some extent, flawed. On the other hand, it may take on a more specific, value-laden meaning, which suggests a morally uplifting and edifying process. The central theme of my monograph embraces both perspectives, but it concentrates on the second and is focussed around three basic propositions. The first is that, at this present time in history and in our current state of knowledge, market based capitalism is the best economic system we have for creating and sustaining real global wealth. While it is possible that there is another Karl Marx waiting in the wings, he or she has certainly not yet emerged centre stage.

One of the most spirited and well-reasoned defences of the benefits of globalisation I have recently come across is that by the Swedish writer Johan Norberg. In making his case, Norberg, like the Nobel prize winner Joseph Stiglitz passionately believes globalising capitalism offers the best guarantee for achieving two of the most sought after objectives of the world's people – economic freedom and increased liberty of choice. In answer to those critics who assert that there is too-much globalisation and cross border economic inter-dependence, Norberg argues for more, but better managed and more socially responsible globalisation.

This leads me on to my second proposition. It is that, even if one accepts that globalising capitalism is preferable to any alternative on offer, its workings and deliverables are sub-optimal. According to Professor Stiglitz, its institutions and organisations are just not meeting the goals and aspirations of most of the people they are intended to serve. As he puts it in his recent book "*Globalisation and its Discontents*", in its current form, contemporary capitalism and its constituent entities are the harbingers of many discontents. Most of all, this I think is well known to this audience. Globalisation is found wanting. In other words, it needs to be made good. But exactly how is this to be done?

Now most of the economic downsides of contemporary capitalism, such as the inadequacies or distortions of unfettered markets, policy failures of national governments, the mismanagement of international organisations, and the challenges of a changing and volatile human

environment are all well known to economists and policy makers. As, indeed are many of the making good remedies. However, in recent years, it has become increasingly acknowledged that, by themselves, even the most efficient markets cannot fully meet the economic and social needs of the world's people. This is particularly so in the case of provision of public goods such as environmental protection, security, and defence. Markets require to be firmly embedded in and supported by a range of extra market organisations. It is indeed civil society, governments and supra-national entities, which are the main providers of the social capital and the institutional framework so necessary for the smooth functioning of economic activity.

However to my mind, most of these problems cannot be put at the door of market failure as such. Rather they reflect the inadequacies of the incentive structures and enforcement mechanisms that must be in place if markets are to operate in an efficient and socially acceptable way.

But there is another aspect of globalising capitalism, which must be addressed if it is to be made good. That is what many others including, most recently, the Secretary General of the United Nations and the President of the World Bank, have referred to as the moral or ethical dimension. And as one of the contributors to my book, Michael Novak has sagely put it, each age of capitalism, and the present age is no exception, depends on a moral culture which nurtures the virtues and values on which its existence depends. The thesis here is that neither markets, nor the extra-market institutions of capitalism are value free. The ways in which individuals and organisations identify and perform their tasks, with respect, to what a particular society chooses to produce, how it is produced and how the resulting output of the goods and services are distributed, reflect, for good or bad their behavioural norms, and belief systems, and the incentive structures and enforcement mechanisms in force.

It is not difficult to cite examples of the institutional dysfunction of some aspects of contemporary capitalism. They include the all too familiar presence and practices of such dis-virtues as lack of respect for human dignity, intolerance of cultural differences, dishonesty and untruthfulness, bribery and corruption, excessive greed and self-interest, corporate malfeasance and disruptive social behaviour. They are exercised in one way or another, and to a greater or lesser extent, by all the stakeholders in the capitalist process. These include individual workers, consumers, investors, corporations, non-government organisations, government and so on.

But you might ask how does global capitalism fit into the picture? Here I come to the book's third proposition. Up to now, you may have noticed I prefer to use the expression "globalising capitalism" that is because I believe that there is no such a thing as global capitalism. What we have in today's world is a medley – a mosaic – of different brands or models of capitalism. The Japanese model for example, is very different from the Canadian model. The German variant is very different from the Nigerian variant, and the interpretation of the Chinese of socially acceptable capitalism is different from that the Indians. At the same time, each model or variant has many common characteristics. Michael Novak calls these family resemblances. The unique feature about globalisation is that each of these resemblances are interconnected, and to some extent harmonised, by such cross-border drivers such as trade, investment, technology and new communication advances.

What distinguishes these resemblances? There are two things. Firstly, the beliefs, attitudes and behavioural norms of stakeholders, which are embedded in the institutional framework of different societies. Secondly, the respective roles played by these stakeholders. While these mirror the values and moral obligations just described, they also reflect the quality and character of the resources and capabilities owned and accessed by these entities. These too vary between countries according, for example, to their economic development and their degree of openness to foreign trade and investment.

I strongly believe that it is these cross border institutional and cultural differences that pose both one of the greatest challenges, and also offer one of the most exciting opportunities for Making Globalisation Good. I also believe that international business educators and researchers, not to mention the business community and governments need to give more attention to these differences in future. Now in some cases, these differences, to which I have referred, may not matter. Indeed, the richness of many kinds of cultural attributes is to be applauded. It would surely be a dull world if we as individuals, or nations, thought or acted or had the same tastes in all respects as each other? Yet in other ways, which involve a very different or contrasting perspective, commonality of moral and ethical values may matter a great deal. Is this why, I wonder, why there is growing support for the view expressed by the President of the Czech Republic amongst others, that a global economy needs a global ethic? Is this what Kofi Annan's Global Compact is all about?

What might be the basis for a new paradigm of moral ecology? What could or should be its source or guiding light? One age old answer to this question is the behavioural teachings of the major religions of the world. As the UK author and journalist Will Hutton has recently observed, in spite of the secularisation of western society, there is a surge of interest by ordinary men and women in things spiritual. Religion for good or bad, and whether we like it or not, is implicitly, if not explicitly, at the heart of much international political debate. You may ask is there really sufficient common ground amongst the major belief systems? I believe there is while a common ground may not be found in theology and or dogma, there is a much greater consensus of how men and women should behave to promote their own and society's long-term interests. This is what the four religious related contributions in my volume written respectively by Christian, Jewish, Muslim and Buddhist scholars suggest. Later in this discussion I will be particularly interested to learn about the Hindu view.

Permit me now just to briefly pinpoint some of the more important findings "Making Globalisation Good", and what I believe to be the multi-faceted actions which are required, if we are to move forward in improving the social responsibility of global capitalism. Let me offer just one or two bullet points, some of which I have already hinted upon:

Firstly, morality – the moral culture of society and its constituents - does matter in determining both the content and evolution of global capitalism and the extent to which it can be made to be more efficient, more inclusive, more socially responsible and more sustainable over time.

Second, globalisation itself poses new challenges and opportunities to national economic and social systems, because it interconnects as never before different human environments, traditions and behavioural attributes. To what extent and in what way might these be harmonised or reconciled? The evidence suggests that in most societies, the re-alignment of institutions and value systems demanded by the sweeping and globally oriented technological and economic changes now occurring is lagging, and is often seriously lagging, behind such changes. More specifically, the welcome march towards the economic transformation of many societies has not generally been accompanied by a recognition of its impact on the human environment, and on the rules, norms and enforcement mechanisms necessary to ensure that globalisation is made good or at least made better than it is at present. Hence the widespread discontent of those who are, or are

perceived to be, dis-enfranchised from the benefits of globalisation. Incidentally, there is nothing new in the lagging of moral and ethical considerations behind economic change. Indeed, it took most of the second half of the 19<sup>th</sup> century for the UK to properly address the downside of the industrial revolution.

Third, each of the authors dealing with the four belief systems in my book strongly endorsed a basket of similar core, or what may be called 'first order' behavioural codes, should be the foundation for any commonly agreed moral compass underpinning global capitalism. At the same time, there was a great deal of scepticism, most of which I share myself, about the desirability, let alone the practicability, of a dominant 'one size fits all' global moral ecology. Certainly institutional, and more particularly moral, fundamentalism is unlikely to be acceptable by most of the world's people any more than market fundamentalism.

So the question arises, assuming globalising capitalism does require a reconfiguration of the moral architecture underpinning its stakeholders' ideologies and behavioural patterns, how is this best to be achieved? What is likely to be its shape and who should be responsible for promoting it? Now all the contributors in Making Globalisation Good emphasise that, in moving forward and trying to tackle these questions each of the participants in global capitalism – vision firms, governments, NGOs, super-national entities, and ordinary people like you and myself - has a critical role to play. This is because as the chief Rabbi of the UK and the Commonwealth, Jonathan Sacks, put it, morality consists of a constellation of rules, virtues and practices, so any attempts to influence it must be a multi-disciplinary, multi dimensional and interdisciplinary one. Basically he and several contributors argued for a two-pronged approach to moral reform.

The first of these is the top down approach. This suggests that any reconstruction of moral ecology should be exercised by stakeholders at a higher level of governance imposing their beliefs and value systems, on or influencing the attitudes and behaviour of, stakeholders at lower levels governance. Such incentive structures range from the imposition of formal rules and regulations or policy initiatives of governments to less formal modes, e.g. codes, covenants and moral suasion. I believe, and this is open for discussion, that this kind of top down approach is likely to most useful to national governments as means of counteracting unacceptable moral or immoral behaviour and the practice of negative virtues. One obvious example, is of controlling the kind of behaviour demonstrated by the recent corporate



scandals in the US and Europe. But a more bottom up approach is likely to be preferred by faith communities, schools, neighbourhoods and individual families as they seek to influence the attitudes, values and expectations of their constituents.

In *Making Globalisation Good* we identify a set of supra-national top down initiatives. One is the Global Compact, the brain child of the Secretary General of the UN which is intended to get the private sector, and particularly large international corporations, to work together with the UN in partnership with representatives of international labour and the NGOs in an effort I quote 'to identify, disseminate and promote good corporate behaviour based on universal ethical principles'. In other words, it favours the promotion and practice of a global ethic. Over its first three years of operation it has had the backing of more than a thousand large corporations, fifty governments and many leading civil society organisations. The second initiative is more an item for discussion. It is a suggestion, made by myself in the book, to set up an organisational entity, consisting mainly but not exclusively of representatives of the main religions and belief systems, to periodically discuss and encourage research into the ethical implications of globalising capitalism, and to take a step forward in trying to design a global moral architecture, which, at the same time, respects the integrity and accommodates richness of diverse cultures.

I will mention briefly components of the second bottom up approach. It is based upon the premise that any lasting action, any sustainable action to making globalisation good should not and cannot really be, satisfactorily imposed from above. It has to have the acceptance of all participants; it must be fully embraced; it must be voluntary; it must be spontaneous; and those practicing it must own it. The motives and enforcement characteristics of this approach are different from the top down approach as are its instruments of persuasion and enforcement. Let me give you a very quick illustration of what I mean. Consider the influence that we, as individuals, may have on influencing the behaviour of those organisations further up the chain of decision taking. We have votes as individual stakeholders in the political process. Acting collectively, we determine our choice of government. As citizens, we can affect the content and influence of civil society. As consumers, we make our choices in the market place. As investors, we participate in stock markets, and have a voice in shareholders meetings. As workers we can influence our terms of employment and working conditions. We can also be very active, if we choose to, in various non-government organisations.

However, at the end of the day any real progress in upgrading the moral ecology underpinning capitalism will only occur if there is a sufficient will of its constituents and individuals to do so. Is there such a will? Are we really concerned? Are we sufficiently concerned? Are there enough of us that are concerned to make a difference? Certainly in the Western world, the capitalist system, warts and all, has served us pretty well for most of history. Yes, there are deficiencies in its ethical foundations and in the motives and the behaviour of its stakeholders. These appear from time to time and they teach us a lesson. But do we need a pro-active set of generalised actions, and is a consensus about the optimal set of actions ever likely to occur? Can't we deal with, muddle our way through, if you like, with problems as and when they arise?

In his contribution to my book, Professor Jack Behrman lists five pre-requisites, which he believes must exist before any upgrading of the ethical mantra of global capitalism can occur. These are; first a wide spread concern and dissatisfaction with the present situation, second an acknowledgement that there is a crisis in the institutional and moral ecology underpinning capitalism, third a vision and understanding of how the various constituents of global capitalism, be made more economically efficient and socially responsible, fourth a recognition and understanding of the resources and capabilities needed to achieve this goal, and fifth a genuine desire and commitment to take the necessary actions. I might add a sixth vision how do you motivate people and institutions and organisations to behave appropriately?

If these are the items, which suggest how the moral ecology might be strengthened, what might trigger the will for change. Another author in my book – Robert Davies - has pinpointed five such triggers. The first is the push of regulatory compliance, an incentive system, a top down enforcement mechanism e.g. with respect to accounting standards, corporate governance and so on. The second are the market signals sent out by the stakeholders in the wealth creating process. It wasn't so long ago that consumers were engaged in boycotting anything that we imported from South Africa because of Apartheid. That was a market signal sent out by consumers. Then there is the recent ousting of Michael Green, as joint chairperson of ITV plc, the British based company. This is another case in point, where shareholders got together to take direct action which they thought was correct. So market signals can be sent out by the various stakeholders to upgrade the ethical foundations of capitalism.

The third trigger Davies labels reputation? All of us, he suggests, like to protect our reputations and status. That's a self-regulating mechanism and it shouldn't be underestimated. The fourth is a reconfiguration of society's ethics, for example, with respect to corporate social responsibility, bribery and corruption and so on. The last trigger is the impact of a shock and crisis. The dire events September 11<sup>th</sup> 2001 are an example and I'm sure each of us can think of other similar shocks which might affect our attitudes towards capitalism.

So in the early 2000s each of these triggers are partly in action. It's a start and there is much that I think needs to be done. We are in the early stages of a very long journey. As yet there is no globally accepted moral ecology, or even a general recognition that there is need for such an ecology in a globally connected world. If we were all isolated from each other there wouldn't be a need for such an ecology. But we are not isolated; we are increasingly bound together. We are interconnected through trade, investment, tourism and the Internet and so on; and we have to have basic rules by which we engage in such activities to our mutual benefits.

Finally, let me thank you again for your presence here today, and your patience in listening to me and I look forward to listening to the comments of our distinguished panellists.

### **Mr Singh**

I shall comment on the general issue of how we see globalisation shaping itself up, from the Indian perspective. What we think are the consequences? What we think are the opportunities and what do we consider to be the kind of risks of the economic strategy we are pursuing?

In some ways it is a bit ironic that on the streets of Bombay, yesterday and today, thousands of people are demonstrating against globalisation, whilst we in this room are beginning to conjure up ideas on how to make that process socially more acceptable and morally more convincing. Indeed, to add to all this only last week, one of the author's and contributors to Professor Dunning's book, Professor Stiglitz was in town and spoke at some length on what he perceives to be the corrective steps which are necessary to make globalisation more acceptable. Clearly one of the things which emanates from Professor Dunning's remarkable presentation is the broad proposition that by and large capitalism as a mode of development, as a mode of

planning economic strategy has served the world well. And that countries that have adopted capitalism as a basis for economic strategy have achieved much higher rates of growth than countries which have adopted variants of this model. None the less, as Professor Dunning argued in the first part of his presentation, the built in market infirmities and the built in infirmities of the capitalist process requires correction at every stage, and people need to be sensitised to the kind of corrections which are necessary to maximise the benefits from this process of adopting capitalism as a mode of economic strategy and minimising its risks. We in this country, for the bulk of the 53 years of our post independence period, adopted what has been described as a model of planned economic development based on 5-year plans. And from around the mid 60's we began to fully embrace a more socialistic model of development. We began to undertake all this in terms of control, on who is to produce, what is to be produced, circumscribing consumer choice, with the state offering the consumer choice, with the State circumscribing locations of production, and the state became the principal agent and the tool for bringing about economic development. The results of that period are well known, we achieved rates of growth in the region of 3.5-3.8% with population growing at around 2.3%, there was no credible policy of population stabilisation, and we scarcely achieved a 1-1.2% growth in per capita income. When we course corrected somewhat tentatively at the beginning of the 1980's and more fundamentally at the beginning of 1991, we made a major correction to the way we were going to devise our economic strategy and that correction really implied embracing the principles Professor Dunning described. This included increased market de-regulation, legalisation, offering increased competition and enlarging the degree of choice to consumers not only in various sectors of planning but a change in the strategy of the government as a whole. I think in the mid 90's we achieved rates of growth that are closer to 6.5% and currently we are experiencing much higher rates of growth in the region of 7.3-7.5%.

As we have gone along with the process of liberalisation what are the kinds of problems that we have encountered? How has India's effort of trying to integrate itself more closely with not only the ongoing forces of globalisation in the world, but also its efforts to become an active global player in the inevitability of a globalisation process fared? What are the kind of problems which have been encountered? And what are the kind of solutions that we need to concentrate on if we are to derive any lessons from the global experience.

I would say that as we have begun to totally dismantle our trade regime, as we have begun to free up prospects of getting global foreign investment into India, as we have begun to free up the area of services in terms of much freer movement of goods and services, as we have begun to attract public and private partnerships in freeing up the process of India's infra-structure planning in order to achieve a sustained high rate of economic growth, there are five critical problems which have been encountered. These are problems not essentially connected with globalisation but in some way to be perceived by all to be the consequences of what a more integrated world means for India.

The first problem is the problem of symmetry of action. People who are players in this process have acted asymmetrically. India must free up access to its large markets. We have already dismantled quantitative restrictions, brought down tariffs significantly, and this enjoins a certain behavioural pattern on our part, which must be matched by symmetrical pattern of the other major players. Indeed one of the dimensions of moral ecology, which Professor Dunning argued for so convincingly, is symmetrical behavioural patterns between the major dominant players in the area of trade. Take for instance the huge consequence of people in this country realising that on the one hand some of the major mature economies have taught us the fundamental principles of enunciated by Adam Smith long ago, namely, that gains of trade, comparative factor advantages, are good for you, good for the rest of the world and good for really improving the overall health of the global economy. But as countries such as India begin to move in that direction, as they try to optimise important factor endowments which they have, the factor endowments of a large population, which is skilled, we are being hammered with protectionist influences which are beginning to creep up in many mature societies.

I need not elaborate for instance the kind of attitudes which build up in this country when we are told that areas such as business outsourcing has generated a massive controversy in Europe, has generated a massive controversy in America and that this undercuts the very root of how to exploit comparative factor advantages and how to achieve global efficiency. Or for instance the argument that India must free up its own agriculture but the rest of the world must continue to have a highly protected agricultural regime, or that while India must free up itself in other areas of services, the world must still have enormous amount of restrictions in terms of movement – of national personnel, skilled personnel which would really add to global wealth. So as the world globalises, how do we ensure the symmetry of rules and the

symmetry of the kinds of rules which are fair, equal and can be acted upon by all partners who are actors in this important global process. I believe that of the challenges of globalisation we face, symmetry of behaviour would be one important ingredient.

The second important challenge we face is symmetry and fairness of rules; rules that must be devised and must begin to apply to all players equally. For instance, we have been taught in elementary economics that we must pursue policies that are market driven, but then look at the situation today, the USA is currently running a huge current account deficit. The rest of the world is financing this huge current account deficit and the USA is currently running a huge budget deficit. This is financed by investments in the USA from other countries. The rest of the world is therefore becoming a creditor to the world's largest and most mature economies. And yet financial institutions which have been created to look into these sorts of developments like the International Monetary Fund, except for a warning which was issued 15 days ago, have really not said a word on this peculiar pattern of growth which has emerged. The conclusions would be whilst the world is trying to seek a more appropriate and equal reordering of its financial architecture, the rules of the game are being written in a manner where there is a lack of equality in the rules themselves, and an unequal application of the rules that have been framed.

So I think the first requirement is for symmetry of behaviour, the second is for symmetry of rules and the application of rules, the third is symmetry in the manner in which enforcement agencies begin to apply the rules. Will they apply those rules uniformly across the world to make the process of globalisation appear fair and appropriate in the eyes of people who are really actors and players in the globalisation process?

The fourth critical area relates to transitional consequences. As countries integrate themselves more and more, societies which have achieved much higher levels of growth, and per capita incomes are better equipped to undertake and absorb one of the features of what Professor Dunning described; the feature of shock, an exogenous shock to societies which have pursued a different pattern and model of growth. During the period of transition, if there are inevitable consequences for employment, if there are serious consequences for large agricultural economies, if there are serious consequences for small and medium firms, as large and multinational firms begin to seek economies of scale which would be good for the economy but has

serious transitional social consequences, what sort of a social safety net do we have? Not as a world but as a concept which has evolved so far to protect societies which are particularly vulnerable during the process of transition, as countries and nations become more and more integrated. Perhaps the social safety net and transitional arrangements which would be adequate for more mature societies may be hopelessly inadequate for countries which are lower down in the typology of development. Do we not need perhaps special and differentiated arrangements in which the more vulnerable receive the benefits of whatever framework is arranged in a manner which is more appropriate than for countries that are better placed to face the consequences of a much faster globalisation. Unless we address the issue of these transitional consequences we believe that the kind of global response that we have will continue to be as differentiated and continue to lack consensus, as we see in the kind of protests that are there. Globalisation as you rightly pointed out Professor Dunning in your introductory remarks has ceased to become a descriptive word of world societies and world economies becoming increasingly integrated. It has indeed acquired a pejorative value to imply that is a kind of evil which in some ways the world must duck. But we all recognise that globalisation is a descriptive word which merely describes the world's economies and financial markets and systems becoming more and more integrated for enabling the world as a whole to derive the benefits and gains from trade and to optimise the benefits which a more integrated global world can give us. And yet, some of these four or five issues, which I have pointed out, remain un-addressed. And the moral ecology which we talk about must be an ecology which is embracing enough perhaps to cover these four or five issues which we have encountered in India. These are vitally important issues and I think the word "globalisation" will continue to provoke strong and divisive responses.

I will finally end by asking myself the question, and by addressing in some form or the other, of one issue that was raised. It is not merely of enforcement but who will enforce? With whom does the power of enforcement rest? Does it rest with the people who achieve a global awakening to the pressures of society, achieve a higher level of moral awareness, and detect some cohesiveness in the various forms of religious values we have talked about? Or is it the case that this will all take time? If these take time, what happens in the meantime? We are all hurtling in this process at great speed because individual institutions have their own global agendas which they are all pursuing at great speed. WTO has its own calendar of activities which it is pursuing. It has consequences which we all know and talk about. I do

not wish to go into the reasons for these developments or reasons for their failure. The World Bank has an agenda of its own; a broad agenda, a noble agenda namely to achieve much higher rates of growth for countries that have not yet been able to achieve high growth rates. Who is to implement it? What kind of a framework is necessary? What kind of resources are necessary? What kind of a coalition among the various stakeholders and partners in the development process is necessary to achieve that objective? How is the concept of a global compact, a laudable one talked about by Kofi Annan to be implemented? Does the world therefore require, and Professor Dunning made a provocative suggestion at the end, of perhaps bringing together all different forms of religion in some sort of a global coalition. But if that is the agenda which eludes us have we now reached the stage where we require a more omnibus, broad based institution which puts together the varying dimensions, action programmes and varying orchestrations of institutions to be able to meet some of the challenges which you pointed out by Professor Dunning, and some of the challenges which are contained in this book and clearly deserve our attention. Today's seminar has made an important contribution in highlighting that economic development cannot be divorced from the more broader issue of morality, the kind of religious values which are the foundations of societies, and we have to take a more holistic view when we talk about economic development and when we talk about globalisation because it encompasses the deeper roots of societies. The issues raised in the book identify the kind of choices and options that societies have. I thought that I would just mention the four or five issues that I believe are of great relevance to a country of 1.1 billion people which has embraced globalisation and is now encountering the multiple challenges of having to deal with issues of poverty, social development and achieve a rate of growth which would be acceptable.



### **Professor Narasimha**

I must begin by thanking Lancaster University for giving me the privilege of participating in a discussion on this important book, *Making Globalisation Good*, that Professor John Dunning has edited. The book is important because the issues that the 15 essays in it consider, in particular the moral challenges of global capitalism and the need to make it 'responsible', are central to our times.

I have been asked to speak at this meeting from the point of view of an Indian scientist. I shall however take the liberty of making a few comments not only as a scientist but also as one who is part of a multi-disciplinary institution at Bangalore.

We can begin by asking what is meant by globalisation. Professor Dunning offers a definition that emphasises a global connectivity of individuals and institutions, and he looks upon the Internet as the quintessential vehicle of interpersonal and inter-institutional communication in today's world. Prof Novak proceeds about the task by describing what globalisation is *not*. It would seem to me that man has always reached whatever was accessible to the transportation and communication technologies that he possessed at the time; indeed this has always defined the 'known' world for him. There have of course been relatively isolated civilizations in the smaller or environmentally more hostile continents, but one can argue that in much of Eurasia civilizations have been in contact with each other for thousands of years; after all our ancestors in India traded with Mesopotamian countries more than four thousand years ago. In more recent times the advent of the East India Companies and the industrial revolution of the 18th and 19th centuries brought Europe forcefully into the Indian subcontinent. What is special about the globalization of today, however, is that its reach covers the whole planet, and its speed in communication is beginning to scale by that of light. Already around the turn of the 19th to the 20th century a message could go round the world in 8 minutes; today it does so in a minute fraction of a second.

Scientists very often proudly proclaim that the scientific enterprise is global, and has been so for quite some time. Indian scientists of today, for example, might often have been educated abroad, and frequently publish in 'international' journals. Increasing numbers have strong contacts with their peers elsewhere in the world. These exchanges are now more vigorous than ever, and indeed are leading to what has some times been called a 'republic of knowledge'.

However things are not always what they seem, and the knowledge enterprise in the world today is highly concentrated and resides in a small number of countries. Sir David King, Scientific Adviser to the UK Government, pointed out in a recent issue of *Nature* this year that 84.5% of the top one percent of the most-cited scientific publications in the world come from only 8 countries; an incredible 97.5% come from only 17 countries in the world. (As an Indian scientist I am of course disappointed that India does not figure in that list of the top 17). Not only is the generation of new knowledge taking place in a very small number of countries across the world; but the world is in practice sharply divided into those *who are capable* of effectively accessing and making sense of that knowledge and those who are not, even though in principle much of the knowledge that appears on the internet or in scientific journals is public and open. For there are still parts of the world where those journals are too expensive, where the internet is not within easy reach, and where the exposure to the requisite modern skills and knowledge is far too weak to exploit even what is open.

So, even in public science, there is in effect a knowledge divide. But there are other problems as well. Generating new knowledge is in fact a rather expensive business, which is compounded by the fact that, compared to the richer countries of the world, the poorer ones tend to spend a smaller fraction of their already-low GNP on science and technology. For example India spends about 1%, in contrast to OECD countries which spend more like 2.5%.

Because of these gross asymmetries there is genuine fear that much of this effectively inaccessible knowledge can be put to use in furthering the large scale commercial, strategic and geo-political objectives – some times all together – of the rich and the powerful. These fears are further exacerbated by a variety of denial regimes that are in force, particularly (but not exclusively) in technology. The recent experience of many Indian scientists is that visas to the US, for example, are becoming slowly harder to get, even for those who are not working in what can be considered strategically sensitive areas. And (whatever the reason) the number of Indian students going to the US for higher education has declined in recent years.

Unlike science, technology does not claim to be international. Individual companies as well as countries erect substantial barriers to prevent unintended dissemination of technological knowledge, in particular to countries whose interests seem to clash with their own. There are now a variety of technology denial regimes, and because of

the increasing number, reach and power of dual-use technologies, security considerations quite often prevent the sale of products even for purely civilian applications. For example I recall how it has always been difficult for India to import high performance computers for weather prediction. So one of the major paradoxes of the times is that while in one sense modern technology has made globalisation so much easier, and ideas now circulate very rapidly across the globe, concerns about commercial and national security remain as serious as ever and reinforce barriers to free flow of information, goods and people. National boundaries do not matter for electromagnetic radiation or atmospheric circulation, but they still do for most other things.

There is the related problem of intellectual property rights. On the one hand, as the commercial or military value of knowledge, and the expense of generating it, go up, the severity of intellectual property protection regimes does so also. On the other hand the poorer countries are often not in a position to protect adequately their own traditional knowledge systems, some of which clearly have still a great deal to contribute to global commerce. Indian agencies have had to fight legal battles to prevent the appropriation by US firms of exclusive intellectual property rights in that ancient medicinal root turmeric ('grandmother's disinfectant') for example, or in ensuring that the appellation of Basmati rice is not exploited by big multinationals in unfair ways. These fights have made a large impact on the public perception of IPR in this country.

But of course the *notion* of intellectual property is not at all new. Indian society has successfully practised various forms of controlling access to knowledge of many different kinds for millennia! Caste and family have traditionally been as fussy about their knowledge assets as about their gene pools – as about how and whom their members marry! Nevertheless, the large-scale *monetization* of knowledge is a socio-commercial practice that is relatively new to Indian science and technology. A hundred years ago Jagadish Chandra Bose did not patent his pioneering inventions in microwave technology, and fifty years ago Shanti Swarup Bhatnagar refused to protect what was legitimately his own intellectual property in chemical technology.

There is another kind of question as well, which has been particularly severe in fields like agriculture and biotechnology. For example the genetically engineered seeds sought to be introduced by big western multinationals have often been seen as among the generally undesirable effects of global capitalism. Whether such reactions are justified or not from a scientific point of view – and that still remains

rather controversial – there is the added fear that the deep pockets of multinational companies enable them to win markets by dumping: they can afford to lose money in country A if they make enough of it in country B. In spite of all the agreements through WTO and other agencies these concerns have not abated. The technologically deprived parts of the world (to use Jeffrey Sachs's phrase) are understandably fearful about the new dependences they are being asked to accept, with long-term effects they do not understand and so cannot foresee.

In a general way the present concern with globalization is a consequence of what may be called a two time-scale problem. The time-scale over which technology changes is now very short – the processing power of computer chips doubles every 18 months, according to Moore's famous law; but the time scale over which human beings can adapt to changes remains of the order of a generation. So a certain kind of temporal dislocation, even disruption, has become common. As people grow older they often feel more and more like visitors, or guests, from an earlier age. Globalization tends to impose the disruptive effects of technology indiscriminately on the willing as on the unwilling. And the many who may not have gained from its benefits (at least not enough), or are hurt by it, are protesting.

At the same time it is being increasingly realized in India that we have also gained a great deal from globalization. In spite of the visa restrictions I mentioned earlier a large number of Indians work abroad, and have often done much better there than they would have at home. Substantial Indian communities can now be seen in Silicon Valley for example, and in many laboratories, academic campuses and industries across the US and UK. Coming from Bangalore, I have no doubt that its recent prosperity has had a great deal to do with globalisation, in particular because of the commercial attractiveness of developing software here for use elsewhere in the world. Indians can work or sleep while Americans sleep or work, and communication at the speed of light can make the whole globe a single work place, especially for a weight-less commodity like information. So the Indian software industry thrives on export; the wealth created from the domestic market is a small fraction of the total. Some of these businesses have grown so big that they can be said to benefit from globalisation in the opposite direction; many software (and also pharmaceutical) companies in India, for example, are now buying up firms in the US and Europe and setting up a presence of their own abroad. There are also Indian entrepreneurs who have been successful in virtually taking over substantial parts of a whole sector of industry

in foreign lands (e.g. steel in UK). And there are ever louder cries in the west about jobs 'stolen' by Indians because of outsourcing – in the service and knowledge industries in particular, and to a much lesser extent in manufacturing. Indians will of course prefer to think of the phenomenon as jobs *recovered* from those lost here during the times that the industrial revolution helped Europe colonize much of the rest of the world.

The average Indian scientist, I believe, is aware of both gains and losses from globalization. He lives in two worlds – one of rapidly advancing science, where he likes to see himself as a potential or actual citizen of a new and powerful republic, from which he benefits and to which he hopes to contribute. But he also sees signs around him of compatriots who cannot always take a similarly sanguine view. The central question is whether globalization benefits only the richer countries or the whole globe; only the already better off or the disadvantaged as well. Indian S&T is right now situated on a cusp from where it can experience the benefits but also feel the pressures of globalization.

This is why Prof Dunning's ideas about fashioning the right 'moral ecology', as he calls it, are so relevant. Perhaps I should say a few words here about what the Hindu (I prefer to characterise it as Indic) view point would be on some of these issues, as they have not been explicitly reflected in his book. It is necessary to begin with the traditional Indic view that our lives are determined by four values, called *dharma*, *artha*, *kama* and *moksha*. *Moksha* is liberation – ideally achieved during one's own life (*jeevanmukti*). *Artha* is wealth, and perhaps it is necessary to point out that this is easily but conditionally accepted in Indic systems as one of the important values of human society (we will return to the condition in a moment). *Kama*, often translated as desire, is perhaps more accurately interpreted as passion – passion of any kind, from carnal to intellectual; once again easily but conditionally accepted. *Dharma* is often translated as virtue, but its etymology clearly shows that it stands for the force that sustains, upholds or supports society as a whole. It is virtue in support of society; or, better still, it defines virtue as what supports society. It probably comes closest to the concept of moral ecology advocated in Dunning's book. *Artha* and *kama* are acceptable values *as long as they are consistent with dharma*. Indeed, Krishna says in the *Bhagavad-Gita*, 'I am *kama* that is not in conflict with *dharma*'. Mahatma Gandhi had no problem with capitalists provided they saw their wealth as held in trust for the public.

There is an ancient Indian aphorism, summarised in the phrase *vasudhaiva kutumbakam*, 'the whole world is family'. This may sound romantic, or even naive, when one looks at the tragically violent side of human history. But that famous Sanskrit phrase has a preceding qualification that is often not quoted: *udara-caritanam tu*, 'for the liberal-minded, of course'. At any rate, there are happy families and unhappy ones, harmonious families and quarrelsome ones. But the concept of family recognizes the right to relation, counters the notion of otherness, declares a common interest and is optimistic about setting quarrels – all, of course, among members of the family (which could be the whole world). 'Family' starts out as a fundamental unit of social organization, but is probably the one institution that Indians instinctively regard as a feasible compromise between the demands of individuality and of society, and as a goal or model for the organization of their own civilization, and perhaps for the whole world. It is not necessarily paradise, but it is workable, manageable, vital, and essential! In other words Indians see that goal as being *realistic*.

A UK minister declared some years ago that chicken tikka was the national dish of Britain. Indian novels, music and movies have spread across the globe, even as they encourage 'fusion' at home (with a peculiar cultural confidence that their own distinct identity will remain not only intact but even prominent in that seductive fusion). Can the same thing happen in science and technology too? Japanese and South Korean automobiles are seen today on the roads of virtually every part of the world; and some Tata cars are being sold in Britain. Will this kind of globalization emerge in the knowledge enterprise as well? I think most Indian scientists believe it could, although they are not quite certain it will.

So perhaps one can say that Indic thinking is not opposed to globalisation as such – but it would be to globalisation that does not serve *dharma*, that does not see the world as family. Perhaps that is what Prof Dunning is suggesting too.

## **Ashok Desai**

I am very grateful to Lancaster University Management School for inviting me to speak today; it is a particularly unexpected pleasure for me that I am speaking in honour of Professor Dunning, because I have had an infrequent but very close association with him.

I

I first read Professor Dunning when I was an undergraduate, it was his first book, *American Investment in British Manufacturing*, and I expected an examination question so I read it very carefully. After I left Cambridge, I thought I would not be coming across Professor Dunning. But then I went to teach in Fiji in 1973 and Professor Dunning was appointed my external assessor; he judged the quality of our teaching and helped improve the quality of our teaching. He was extremely helpful.

The Pacific islanders are great drinkers; they are also big people so when they get drunk, they break bones! I wanted to prove that I had civilised my students and they wouldn't do any such thing. So when Professor Dunning came for his assessment I used to throw a party to my students. It went all right in the first year. In the 2<sup>nd</sup> year, the barman I had appointed was a member of the university football team, and unknown to me he invited the whole team to have a drink. The beer started to disappear very fast, and they soon started to get very rowdy. I didn't want Professor Dunning to notice. So I went up to the barman and said, "You let them in, and they are not supposed to be here, so it's up to you to throw them out." He was only a small chap and I don't know how he did it, he just beat them up and threw them out!

Thanks to Professor Dunning, I was so successful that when I went there, there were about 40 students in Economics and within 3 years there were about 1000 students. With four lecturers I just couldn't cope; so I left the university.

In the 1980's I worked on technology transfer and foreign investment, I used to read Professor Dunning then and was familiar with his eclectic theory of international investment and investment development path.

II

My life took an unexpected turn when I was taken into the Finance Ministry in 1991. That was the time when I first confronted the question which Professor Dunning and the other authors have taken up

in this book: what is good and bad policy, what is right and wrong policy? Manmohan Singh, the finance minister, often used to tell me that I had great ideas for policy but that I never recommended anything to him that would benefit the poor. I wouldn't have been worried by this very much but for the fact that all policy making is a compromise; successful policy always requires "buying off" opposition and when you are buying off opposition from companies or from lobbies you start wondering what they had done right and the poor had done wrong that we are not buying off the poor as well.

To the questions that are raised in this book, I found a brief answer. Once I was browsing in a bookshop on Bungalow Road near to Delhi University, and I came across a copy of Abu'l Fazl's *History of the Reign of Akbar*. There you find data on wages of the workers who were employed in his court – for instance, his syces and mahouts – and also the prices of common products and commodities. I compared the real wages of workers in Akbar's court with the real wages of an average Indian worker in 1961, and found that the average real wage in 1961 was about 45% lower than that of a court worker, which is not surprising because the workers in the court would have been some of the best paid workers of their time. But what was interesting was that there were only two products in whose terms the real wage had gone up enormously in the 20<sup>th</sup> century. One was sugar; the other was clothing. Clearly, both these are so much cheaper because of the industrial revolution and the consequent rise in productivity, and of what we now call globalisation. So from that time, I had no doubt about the desirability of globalisation and of the spread of markets. But even more important than what happened to the standards of living was what happened to labour. There is much less manual labour today than there was in the 16<sup>th</sup> century; manual labour has decreased enormously even in my lifetime. I can remember many goods being transported in hand trolleys when I was a child; that has completely disappeared. There were so many handcarts and bullock carts. There was so much manual labour in Indian fields. Today, if you go round Delhi, you will hardly see any hard manual labour.

This, I think, is the biggest change arising from industrialisation, globalisation and the development of markets. Physical labour has declined; and with it, the hierarchical relationship between workers and non-workers, between workers and rentiers has also been weakened. Before the industrial revolution, there was a strict hierarchical distinction between people who worked with their hands and people who didn't. It was so much more comfortable not to have to work, that everyone wanted to join the rentier class so. They



became soldiers – which was why there were large armies and perpetual warfare.

Today it is very different. Today as well we have rentiers (I mean most of us, at least I don't do too much work). But we no longer employ armies to subjugate and control workers. We have remnants of those armies today; I call them managers. A manager is one who does nothing himself; he gets others to do it. So the rentier class has expanded enormously and has been joined by all sorts of new groups for example, managers, students, pensioners, and government servants. It has grown so much that the advanced societies are facing a crisis: the number of pensioners might come to exceed the number of workers, and these societies are worried about how they are going to feed the rentiers.

### III

That is not how the ideologies of markets and globalisation had foreseen it. If you read Adam Smith or David Hume they also had a vision of free markets; that vision wasn't very different from what actually happened. Michael Novak summarises some of the ideas of Hume and Smith in his *Hemisphere of Liberty*. These were the things they expected the rise of capitalism would achieve:

It would break the habits of servile dependency. At that time, hierarchy was very strong. You can actually see their dream realised: today, class relationships are much less unequal than they were in their times.

Capitalism would awaken the poor from isolation and indolence by connecting them with the whole wide world of commerce and information. I don't know whether the poor are indolent now, but they are certainly not isolated and are far more exposed to influences from outside their environment.

Capitalism would diminish war by turning human attention away from war and towards commerce and industry. This has clearly not proved correct. Wars are just as frequent as they were in the 16<sup>th</sup> century but quite possibly they are more limited in their consequences.

Capitalism would bring people of each country and the whole world into closer and more frequent and complex interaction and would stimulate us to learn of new goods and new methods through international exchange. This has been the most important

consequence of globalisation, we do actually meet far more people and meet more people who are remote from us.

It would mix the classes together and break down class barriers, stimulate upward mobility, encourage liberty and civil discourse and promote impulse to form voluntary associations of many sorts. And this again we can see happening. In my own lifetime, the dress of people in this country has become much more similar. Fifty years ago you could clearly see from a person's dress whether he was a poor man or a middle class man, whether he was a worker or non-worker. Today it is getting to be much more difficult. You would have to listen to his accent to know his background, but there again the spread of television is dissolving accents.

It would mightily augment human capital by inciting the emulation of new specialities, skills and techniques. This too is very true today; we have many more skills in the world. People in general learn and embody far more skills than they used to a couple of hundred years ago.

It would teach the necessity of civility since under the pressure of competition; in free markets dominated by civil discourse and free choice, sellers would learn the necessity of patient explanation, civil manners, a willingness to be of service and long-term reliability. It would soften manners and instruct more and more of its participants to develop the high moral art of sympathy. I don't really know whether our shopkeepers are any more polite than they were 200 years ago or how much better our manners are than those in the 18<sup>th</sup> century; but I don't think most of us would have much to complain about on this count.

It would instruct citizens in the art of being farsighted, objective and future-oriented so as we try to shape the world and the future in a way that is helpful to as large a public as possible. If you want evidence of this, I only have to cite your presence at this seminar. We are here to discuss, and be farsighted, objective and future-oriented. And finally, capitalism would defeat envy. This is the one issue on which I have doubt. Hume certainly thought we would be less envious if we became richer; I not sure how true this is.

#### IV

What neither Hume nor Smith anticipated was the explosion of communication, of the press, radio, television, internet, records, CDs, MP-3. The result has been an enormous increase in the output of

religion. Religion has served different purposes in the past. I would suggest that basically there are three types of religion. First of all there is comforting religion which reconciles human beings to an incomprehensible reality. We can't imagine today how uncertain and risky life was, say, 5000 years ago. Mankind was very much in a minority, and there were very many more, wilder and bigger animals. There were natural accidents to which humans were subject. Their life was much shorter. The average longevity 3000 years ago was 30 years; people expected to be dead by the time they reached 35. Infant mortality was very high, so you never knew whether any of your children would survive. You never knew how long you were going to be married. So it was an extremely uncertain world, a world in which people felt overwhelmed by the outside reality. And religion was, I would suggest, invented first of all to cope with this uncertainty. Religion created three elements to comfort people; myth, ritual and philosophy. If you want to look for myth then you just need to read the texts of Judaism, Zoroastrianism and also Hinduism. Ritual was the mainstay of priestly religions such as Judaism, Islam and Christianity. Philosophy you find in Hinduism, Hellenism and Buddhism. Second, there was what I would call mobilising religion, which prepared human beings to defend themselves or to attack as the case may be. The two major mobilising religions were Christianity and Islam. Finally there was organising religion, which helped people to live together with one another. Both Islam and Christianity had a core of organisation theory; but Hinduism had the most elaborate conception of a society. Today, we still have this ancient religious heritage; but that is not all. We have got modern variants of each of these. For example:

If you wanted to be comforted today, you would not necessarily go to a church or temple, you might listen to music, watch television or you may see movies; these are all parts of our modern comforting religion. If you wanted ritual, you would, if you were in Europe or China, go to the opera or theatre. I can't imagine a more elaborate ritual. If you wanted philosophy today, you would read science, cosmology, astronomy, etc. We have many more kinds of philosophy today.

If you wanted to mobilise, you would create a new religion like Nazism or communism.

And finally if you wanted to organise, you would create religions like management or inspirational literature like gossip magazines and soaps.

So I would suggest that in his search for a religion for the modern world, Professor Dunning should look around himself; he would find that people have already created religions for themselves to deal with the modern world. Perhaps the first thing we need to do is to make an empirical study of how people deal with reality – what conceptions and aids they use – and then quite possibly we can devise a global religion from elements that are already here.

The last thing that I would say is that this religion which we may create, innovate or devise is likely to be an organising religion, and one of the first organising religions was Hinduism. Today we don't take much pride in the class system, or the stages of life. But in fact Hinduism was one of the first religions that was devised for a society. What a society needs is that everyone should accept constraints on their behaviour towards others and that these constraints should not be externally imposed or based on a policing system; they should be internalised, which is what an organising religion is all about. I wouldn't say that Hinduism was a great religion; I am sure that we can devise better ones. But the next religion is more likely to be like Hinduism than any other religion.