

**UNITED NATIONS RESEARCH INSTITUTE FOR
SOCIAL DEVELOPMENT**

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**Economic Opportunity, Civil Society
and Political Liberty**

Ralf Dahrendorf

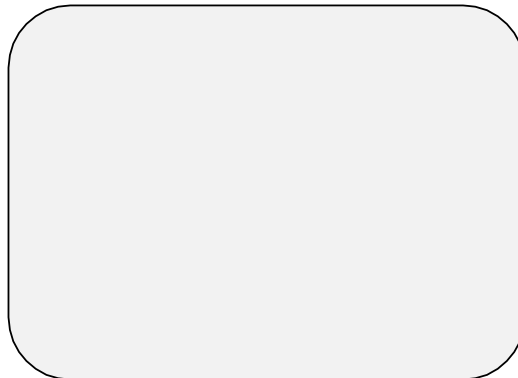
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◆ Preface

During the final days of the World Summit for Social Development (11 and 12 March 1995), UNRISD held an international conference in Copenhagen which explored the theme of **Rethinking Social Development**. Ten distinguished social scientists and writers spoke at the event: Ralf Dahrendorf, Amitai Etzioni, Johan Galtung, Anthony Giddens, Eric Hobsbawm, Fatema Mernissi, Tetsuo Najita, Emma Rothschild, Wole Soyinka and Tatyana Tolstaya.

Their presentations will be published commercially in various forms. To facilitate early discussion of issues raised at the gathering, however, UNRISD will include several of the conference lectures in its **Discussion Paper** series.

The following paper, by Ralf Dahrendorf, takes as its theme the dilemmas associated with “squaring the circle” of wealth creation, social cohesion and political freedom in the OECD countries. As the metaphor of square and circle implies, these three essential goals of development are not necessarily compatible and may even conflict with each other — particularly within the context of advancing globalization characteristic of the present day.

Globalization creates what Dahrendorf calls “perverse choices”: to become and remain competitive in international markets requires the kind of flexible use of resources which threatens social cohesion and political freedom in a number of ways. The expansion of the global market has, for example, been associated with the creation of new forms of inequality and social exclusion. “Inequality”, Dahrendorf notes, “can be a source of hope and progress in an environment which is sufficiently open to enable people to ...improve their life chances by their own efforts. The new inequality, however, is of a different kind; it would be better described as inequalization..., building paths to the top for some and digging holes for others, creating cleavages, splitting”.

The advanced industrial countries are faced not only with the prospect of long-term unemployment for 5-10 per cent of the population of working age, but also with the growth of an underclass of the truly disadvantaged, who are excluded in both economic and social terms. They are, in fact, unnecessary: “The rich can get richer without them; governments can even get re-elected without their votes; and GNP can rise and rise and rise.”

In this context, social conflict is less likely to take the form of collective efforts to improve the lot of the disadvantaged than to be manifested in “individualized conflict” which heightens personal insecurity and produces a growing sense of anomie. Such a situation threatens the very basis of a civil society, which rests upon the free association of people to pursue their interests. Civil society is made up of citizens; but the polarizing effects of global markets can bring the concept of citizenship under heavy attack.

Growing insecurity gives rise to authoritarian temptations. In the fourth section of his essay, Professor Dahrendorf explores the possibility that growing numbers of people in the OECD countries might be inclined to ensure the two goals of social cohesion and economic competitiveness through partially sacrificing the third goal of political freedom. The

authoritarian model of governance in many economically successful Asian countries is frequently commented upon with favour in Western societies threatened by economic instability and crime.

The paper concludes with six “modest proposals” for improving the likelihood that a workable balance can be maintained between wealth creation, social cohesion and political freedom in advanced industrial societies. The first of these proposals is “to change the language of public economics”, rejecting the simplistic tenets of “an economism run amok”. Others include recognizing the changing nature of work in contemporary Northern societies, delinking basic entitlements from particular jobs but ensuring that all young people have some experience in the job market; taking immediate measures to prevent the formation of “tomorrow’s underclass”; reinforcing the power of local communities; recognizing the role to be played by “stakeholders” — not just “shareholders” — in business decisions; and defining an acceptable role for government in the provision of public services.

In the last analysis, squaring the circle of economic, social and political well-being in an increasingly interconnected world is a project which cannot be limited to any single region or country: “the very values of an enlightened and civilized society demand that privilege be replaced by generalized entitlements — if not ultimately by world citizenship then by citizenship rights for all human beings in the world”. This conclusion, which was also reached by UNRISD in its report for the Social Summit (**States of Disarray: The Social Effects of Globalization**), merits a great deal of reflection. It will be systematically addressed in the future work of the Institute.

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Dharam Ghai
Director

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PART I: IN DEFENCE OF THE FIRST WORLD

At its best, the First World was not a bad place in which to live and to thrive. Did anyone ever call it the First World? Or was the numeral merely the backdrop for the unmentionable Second World of communist oppression which has now all but disappeared, and the Third (later also the Fourth) World of destitution, disease and despondency? Whatever the motive, let us not dismiss the First World too easily. At its best, it combined three social virtues:

- economies which not only offered a decent life to many but which were set to grow and to open up opportunities to those not yet prosperous;
- societies which had taken the step from status to contract, from unquestioned dependence to questioning individualism, without destroying the communities in which people lived;
- politics which combined respect for the rule of law with those chances of political participation, of dismissing as well as choosing governments, which we have come to call democracy.

One may well ask when and where such wealthy, civilized and enlightened countries existed. The temptation is considerable to hide behind acronyms and refer to what is often called the OECD world nowadays, the membership of the Organization for Economic Co-operation and Development. But let me resist the temptation and name names. The United States of America in the period from Roosevelt to Kennedy, if not to quite the same extent before and after, is one example. Tens of millions of people from all over the world dreamed of living in America, and millions went to great lengths to get there. Magnets for immigration are not the worst index of social well-being. This applies to other countries as well. The United Kingdom has long had a more even balance of migration — except for the Irish, for persecuted Jews and later for people from the poorer colonies — than the United States; but for long periods of this century it certainly belonged in the First World as here defined. So did parts of the former British Empire, the “temperate Commonwealth” as some call it in geographically correct if politically incorrect language — Australia and New Zealand, Canada and a few other bits and pieces around the world. Then there are smaller European countries to mention: Switzerland; Sweden and also the other Scandinavian states. By the 1950s, when the Organization for European Economic Co-operation (which meant, above all, reconstruction) was turned into the OECD, most of Western Europe had become a part of the “happy few”.

Their characteristics were, to repeat, economic opportunity, civil society and political liberty. However, it would be testing the benevolence of the reader beyond the permissible to leave such smug statements without qualification. In fact, three major qualifications have to be added before a serious discourse becomes possible. Each of these qualifications would warrant an essay of its own.

First of all, the perfection of the First World in its heyday was flawed. All of its members excluded some from the benefits of their achievements, and even from opportunities. The history of the United States is one long sequence of battles for inclusion — from the Civil War to the Civil Rights campaigns and beyond, to today's underclass. For the most part, the battle could be fought within the institutions of the country, which is worth noting. Moreover, it was fought not just by the excluded themselves; they had allies, in the Supreme Court for example, which is also worth noting. But American society was never even nearly perfect in terms of economic opportunity, social inclusion, or political participation. To the present day (to mention just one of too many shocking facts) the American president is probably elected by no more than 15 per cent or so of those who, by law, should be entitled to vote.

The American imperfections are stark and visible, but those of the United Kingdom or Australia, Switzerland or Sweden are no less important. Economic inequality meant for many that the promise of citizenship remained unreal. The social conflicts which would presumably have dominated a world summit on social development a hundred years ago were fierce; government representatives at an 1895 summit would for the most part have recommended the suppression of the conference by force. It took decades of internal struggles — class struggles as they were correctly called at the time — to assert the basic equality of all human beings in society. It also took two modern wars because, horrible though it is to say this, there is no greater social equalizer than a modern war in which entire populations get involved. It was not an accident that the Second World War was called a “total war”.

These wars, to be sure, were not fought by the great democracies among themselves. They set civilized and not (not yet?) quite civilized countries against each other, those which had made it in terms of turning opportunities into general entitlements, and those which had not quite made it. I stress this point advisedly, and will even add a general thesis: the greatest risk to peace emanates from countries on the way from the old cycle of poverty, dependence and illiberty to the life chances here described as those of the First World. When opportunities are held out for people but are not yet there to grasp, when economic development accelerates but social and political development lags behind, a mixture of frustration and irresponsibility develops which breeds violence. Such violence can be individual and undirected, but it can also become collective and directed against apparently happier neighbours, or more successful strangers in one's midst, or both. While it is likely that economic development coupled with political democracy and a civil society generates both an internal sense of tolerance and peaceful international relations, the road which leads to such a state is full of pitfalls and temptations. **Imperial Germany and the Industrial Revolution** (to quote Thorstein Veblen's title of 1915) is only one example. Whenever a formerly traditional country embarks on this road, the rest have good reason to be apprehensive as well as hopeful.

Yet this is not said to condemn the rest to poverty: on the contrary. The **second** qualification of my initial thesis about the First World is that civil society — citizenship — is incompatible with privilege. This holds not just at home — in a given country, where privilege is by the same token a denial

of the citizenship of others — but internationally too. As long as some are poor, and moreover are condemned to remain poor because they live outside the world market altogether, prosperity everywhere remains an unjust advantage. As long as some have no rights of social and political participation, the rights of the few cannot be described as legitimate. Systematic inequality — as against comparatively incidental inequality within the same universe of opportunity — is incompatible with the civilized assumptions of the First World.

This is a moral statement, but it is not just a moral statement. Take immigration, which tells the whole story. To obstruct the free movement of people is in principle unacceptable for free countries. Yet one appreciates that Switzerland, for example, would put the quality of life of its citizens at risk if it allowed everyone who wanted to come actually to settle on equal terms. So what does the country do? It allows some in because they can make a useful contribution by, for example, enabling the locals to shirk disagreeable jobs; but it turns them into second-class citizens who cannot vote and who can be sent “home” at short notice. Most, however, are not allowed in at all; and to implement such a policy, a whole machinery of control has to be set up not only at the borders but also within the country. The humiliating experiences of asylum-seekers in many countries of the First World are an indictment of the latter’s claims to civilization, and yet there is no simple answer to the predicament.

Rather, there is only one answer, and it is not simple. It is the universalization of the benefits of the First World — what has come to be called development. Others are more qualified than I am to express a view on this vast set of issues. We now know for sure, if we did not know before, that economic and social development is as much a matter of internal effort as it is of external assistance. We also know that large countries, notably in Asia but also in Latin America, have embarked so successfully on the road of economic development that the old First World is beginning to regard them as a threat. When people speak of the Third World these days, they mean, very largely, Africa; and by Africa they do not mean Tunisia or the liberated South Africa. Thus development can, and does, happen.

However, it is not only a precarious, but also a long process. Arguably, it takes mankind through the most threatening period of its history. The so-called population explosion; the dangers of military aggression, aggravated by the wide diffusion of lethal, even nuclear, weapons; militant *intégrisme*, the French term which is preferable to “fundamentalism” because it emphasizes the non-differentiation of religion and secular concerns such as the rule of law; protectionism with regard to goods as well as to people — these and other evils are all possible, and all too often real by-products of the early phases of development, and they will be with us for generations to come. Two generations? Three generations? At any rate, it will be a long time. And yet the process is necessary, not because of any hidden hand of History — such Hegelianism is far from my Popperian way of thinking — but because the very values of an enlightened and civilized society demand that privilege be replaced by generalized entitlements, if not ultimately by world citizenship then by citizenship rights for all human beings in the world.

Add to these two qualifications a **third** one, and the seemingly bright picture with which I began looks more overcast still. Actually, the third qualification has a great deal to do with Karl Popper, or with Herakleitos long before him: *παντα ρει* — everything is in flux, nothing lasts, not even the blessings of prosperity, civil society and democracy. For good reason did I once or twice use the past tense when I referred to the achievements of the United States, the United Kingdom, and even Switzerland and Sweden. At times one has a sense that the great age is over; at any rate, it is under threat. Having set the wider scene, it is these threats to the First World on which I want to concentrate in the body of this paper, before I turn to a few modest recommendations for combating their effects, and perhaps their causes.

Put at its crudest, the countries of the OECD world have reached a point at which the economic opportunities of their citizens lead to perverse choices. In order to remain competitive in growing world markets, they have to take measures which damage the cohesion of civil societies beyond repair. If they are unprepared to take such measures, they have to resort to restrictions on civil liberties and political participation which amount to a new authoritarianism, no less. At least, this appears to be the quandary. The overriding task of the First World in the decade ahead is to square the circle of wealth creation, social cohesion and political freedom. Squaring the circle is impossible; but one can get close to it, and probably that is all a realistic project for social well-being can hope to achieve.

Perhaps countries outside the charmed circle will find a way through this maze first, though it is hard to think of many. Mexico and other success stories in Latin America? The probability must be high that they will share the European-American malaise. The countries of the former Second World which are now post-communist? They are clearly struggling with every one of the three tasks — economic opportunity, civil society and political liberty. The tigers and dragons of Asia? China? For the time being, almost all these countries reject the problem as phrased here in that they seek rapid economic growth combined with strong social cohesion without trying unduly hard to advance the rule of law and political democracy at the same time. Thus we are back to the OECD world — including its members far and wide, such as Japan — if we accept the project.

PART II: GLOBALIZATION, ITS CONSTRAINTS AND ITS CHOICES

It would be possible to consider economy, society and polity separately; in fact this has often been done. Economic growth is uppermost on government agendas in the OECD world, and their advisers — civil servants as well as professors — help them focus on the issue to the exclusion of all others. Will deregulation do the trick? Is inflation, after all, a helpful lubricant? How do taxes have to be levied in order to stimulate rather than to impede growth? Extreme proponents of “economism” — economics as a political ideology — not only ignore but decry social factors. Was it not a prime minister who said that “there is no such thing as society” because she wanted to encourage individuals to fend for themselves? But society has enough advocates even at a time when sociologists are viewed with a suspicion sharpened by 1968 and all that. In any case, the dissolving, disintegrating quality of modern societies has been a theme for a century. Anomie, suicide, crime; the collapse of the family; the loss of religion — these were themes long before “community” became a correct word again. And so far as the polity is concerned, democracy has been in crisis as long as anyone can remember such a thing as political science. Governability was certainly an issue in the 1970s; but long before that scholars, and politicians, were wondering why people turned against democracy when unemployment hit them and the stock market collapsed.

Such allusions may help avoid the fallacy of historical uniqueness — though the opposite fallacy that history keeps on repeating itself is no less risky. There is a case for saying that in the OECD world, economic, social and political well-being are intertwined in a new and vexing manner. The reason is probably, in one word, globalization. It has become hard, and for most impossible, to hide in this world. All economies are interrelated in one competitive market-place, and everywhere the entire economy is engaged in the cruel games played on that stage. There is literally no getting away from it, and the effect of globalization is felt in all areas of social life.

The sceptic will no doubt raise his or her eyebrows: is this really so? And why should it be so? Moreover, what exactly does globalization mean? The sceptic would win, as of 1995, a good part of the argument. Globalization is, so far, by no means total. Whole economies, including that of China, are more national than global (though part of their national success is due to their global involvement). Economic regions are forming to provide common markets or free trade areas (though this may be a response to the new productive forces of globalization rather than their refutation). Within countries, important activities, like the provision of health services or of nursery and primary education if not education in general, seem removed from global competition (though it cannot be an accident, or a mere fad, that the values of a globalizing economy have entered these services). It would certainly be possible to make a case for the imperfections of globalization at

this point, though whether this would also be a case against its force is another matter.

Why should globalization have happened at all, and why now? The obvious answers are probably the best. Whether the end of the Cold War is cause or effect may be a moot question; certainly the Soviet bloc countries were economically no longer viable. One reason was that the concept of country, or nation, lost a good part of its economic meaning. This in turn was a result of the emergence of transnational entities which found it surprisingly easy to combine a degree of adjustment to local needs with the advancement of worldwide strategic planning, direction, and profit-making. Add to this the two (related) “revolutions” of information technology and financial markets, and an economic scene emerges the likes of which the world has never seen before. Not only in terms of movements of money, but also in terms of services (like booking airplane tickets), and in the end even in terms of production, conventional physical boundaries begin to lose all meaning. Politics and technology, market pressures and organizational innovations all conspire to create, in important areas of economic activity, a wholly new space which anyone — any company, any nation — ignores at their peril.

What then does such globalization mean? The most important answer is to the question not asked: what does it **not** mean? There has never been — as Michel Albert reminded us in his **Capitalism against Capitalism** — just one economic culture, even among the market economies. We have long sensed that Japan is different from America, and Germany from the United Kingdom. The differences are quite profound, even if they are badly understood. The rest of the world keeps on pressing Japan to open up its markets when one cause of their inaccessibility is people’s ingrained tastes and another, let us face it, the Japanese language. Germany and the United Kingdom speak much the same language of economic policy, yet the textbook capitalism of the United Kingdom and Germany’s textbook corporatism create very different attitudes, especially since in the first case the textbook is one of economics and, in the second, one of political science.

Such cultural differences will not disappear. To what extent they will in future be national, may be an open question. There is a certain cultural plausibility, after all, to the regions which are beginning to form, those of Europe, of the Americas, and of East and South-East Asia. (It is also apparent that certain countries do not obviously belong, such as the United Kingdom in Europe and, perhaps increasingly, Japan in Asia.) Whatever these emerging structures in a moving kaleidoscope of not-yet-crystallized world affairs will in the end be like, the basic presumption remains that reactions to globalization will differ despite the fact that the global market-place requires some of the same virtues from all. Indeed, if it were not for such differences, the question raised in this paper would lose its meaning. Squaring the circle of economic growth, civil society and political liberty is a universal task, but it would be foolhardy to assume that everybody will tackle, or even try to tackle it in these terms. For those who will, the assumption is that the goal can be approximated without losing out in the global market-place.

What then are the inescapable conditions of globalization? What, in other words, has to be done everywhere if companies, countries or regions do not

want to condemn themselves to backwardness and destitution? To use the fashionable word, economic actors need above all flexibility. The word is intended to convey something desirable, though for many it describes the price they have to pay. Also, the word has so many connotations that it is hard to pin down to any particular meaning. Yet without considerable flexibility, companies cannot survive in the world market.

Flexibility means in the first instance the removal of rigidities. Deregulation and less government interference generally help create flexibility; many would add a lighter burden of taxation on companies and individuals. Flexibility has increasingly come to signify the loosening of the constraints of the labour market. Hiring and firing become easier; wages can move downwards as well as upwards; there is more and more part-time and limited-term employment; workers must be expected to change jobs, change employers, change locations of employment. They have to be flexible themselves. So do entrepreneurs of course; Schumpeter's idealized figure of the entrepreneur and his "creative destructiveness" is invoked. Flexibility also means the readiness of all to accept technological changes and respond to them quickly. In marketing terms, flexibility is the ability to move in wherever an opportunity offers itself, and also to move out when past opportunities close. The story is familiar enough, as is its accompanying language of structural adjustment, efficiency gains, competitiveness and seemingly unending increases in productivity.

Yet choices remain. At least they are choices in theory; in practice they are just as likely to be brought about by circumstances, traditions and irresistible pressures. Let me mention two such choices because they are relevant for the argument of this paper. One is that between a low-pay and a high-skill economy. In practice, most countries will combine both in some ways, but there are important differences of emphasis. Low-pay economies find their place on the world market by undercutting others. Their products are cheaper, though their workers are also poorer. One can sometimes hear arguments that this is the only road to success; but the evidence is that such extreme economism is simply a mistake. High skills can also create a competitive advantage. This is not just the case because by high skills, and only by high skills, the frontiers of technology are advanced, but also because despite computerization certain quality products and product qualities require a skill input. Indeed there even comes a point at which one highly skilled person is cheaper than five low-paid ones who produce the same effect. Speaking of choices, it seems to be the case that the United States moves in the direction of low pay, whereas Japan opts for high skill; the United Kingdom prefers low pay and Germany high skill.

Another choice may well be related to the first; it is even harder to describe precisely. This is the choice between low taxes and other contributions accompanied by high yields on the one hand, and high taxes and contributions coupled with low distributed yields on the other. Crucially, the difference can be investment-neutral in the sense that the funds in question are distributed differently between, say, shareholders and workers, with investment held constant. In practice, the signs are that the low-profit route makes long-term investment if anything more probable than the low-taxation route. However, modes of investment will vary; the low-profit route is likely to involve a greater role for banks and a lesser one for the stock market, and

vice versa. Other implications of the alternative would be worth pursuing, such as those for the private or public nature of welfare provisions. In any case, an important choice can be made; and again we see, in practice, the Anglo-American economies (and those which have followed their lead, or perhaps merely the textbooks based on their experience) on one side, that of low taxes and high distributed profits, and Japan and Continental Europe on the other.

Speaking of choices, one other point needs to be reiterated to which reference has been made in connection with incomplete globalization. Despite the enormous force of the global market-place, there is and always will be such a thing as privileged access to markets. Even without explicit protectionism, the Japan phenomenon exists everywhere to a greater or lesser extent. People will “buy American” in the United States, “buy German” in Germany, and even “buy British” in the United Kingdom if there are British products on the market. Regional trade arrangements are about extending these privileged markets. “Buy American” then means “buy NAFTA-American”, and “buy European” replaces national rallying calls. In ideal typical terms, such regionalism introduces inflexibility; people will probably call it predictability, or security. The point should be borne in mind.

Speaking of choices must, however, not detract from the main point at issue. The options alluded to here are minor variations on the major theme of globalization. The forces of globalization are strong everywhere. They bring with them pressure for greater flexibility, with all the implications listed earlier. By choosing one or the other variant, companies — even countries, for many of the choices invite government action — can take the edge off certain effects or give additional edge to others; but one thing they cannot do: opt out of the global market-place. Even the attempt to stay in an older socio-economic age to serve the political purposes of dictators will not work for any length of time, as the examples of Myanmar or Cuba, and probably soon the Democratic People’s Republic of Korea, show.

PART III: CIVIL SOCIETY UNDER PRESSURE

What does globalization do to civil society? This is our next question. The answer is, it threatens civil society in a variety of consequential ways. The term “civil society” is more suggestive than precise. It suggests for example that people behave towards each other in a civilized manner; the suggestion is fully intended. It also suggests that its members enjoy the status of citizens, which again is intended. However, the core meaning of the concept is quite precise. Civil society describes the associations in which we conduct our lives, and which owe their existence to our needs and initiatives rather than to the state. Some of these associations are highly deliberate and sometimes short-lived, like sports clubs or political parties. Others are founded in history and have a very long life, like churches or universities. Again others are the places in which we work and live — enterprises, local

communities. The family is an element of civil society. The criss-crossing network of such associations — their creative chaos as one might be tempted to say — makes up the reality of civil society. It is a precious reality, far from universal, itself the result of a long civilizing process; yet it is often threatened, by authoritarian rulers or by the forces of globalization.

The social effects of economic responses to the challenges of globalization have become the subject of public and scholarly attention, especially in the United States. This is no accident. North America is the home of modern civil society, where threats to its strength are most acutely felt. Suddenly, Tocqueville's world, indeed that of the **Federalist** authors, appears to crumble, **The Disuniting of America** is the new theme, accompanied by fear, violence and versions of fundamentalism. It is little consolation that America is not alone in this predicament. The following sketchy catalogue of pressures on civil society draws from European as much as American experience, and is at least in part applicable to other OECD countries as well.

Economic globalization (to begin, without any particular reason, at one relevant point of the story) appears to be associated with new kinds of social exclusion. For one thing, income inequalities have grown. Some regard all inequalities as incompatible with a decent civil society; this is not my view. Inequality can be a source of hope and progress in an environment which is sufficiently open to enable people to make good and improve their life chances by their own efforts. The new inequality, however, is of a different kind; it would be better described as inequalization, the opposite of levelling, building paths to the top for some and digging holes for others, creating cleavages, splitting. The income of the top 10, or even 20 per cent is rising significantly, whereas the bottom 20, indeed 40 per cent see their earnings decline. Robert Reich and others have made this observation the starting point of their search for remedies though even the US president's labour secretary has not been able to do much to reverse the trend. The systematic divergence of the life chances of large social groups is incompatible with a civil society.

The process is aggravated by the fact that a smaller but significant set seem to have fallen through the net of citizenship altogether. The concept and the phenomenon of the underclass is much discussed. Not everybody likes the term, which is clearly misleading if one considers it in terms of class theory. The socially excluded are not a class; they are at most a category of people who have many different life stories. Though some of them manage to get out of the predicament, many are in a position in which they have lost touch with the "official" world, with the labour market, the political community, the wider society. Five per cent? Ten per cent? Figures vary, but most OECD countries now have in their midst what William Julius Wilson called "the truly disadvantaged" — would-be citizens who are non-citizens, an indictment of the rest.

Many of the truly disadvantaged are not just economically excluded; they are also excluded on other grounds, as "strangers" by virtue of race, nationality, religion, or whatever distinguishing marks are chosen to provide excuses for discrimination, xenophobia, often violence. Declining social groups, like the 40 per cent whose real incomes have been falling for 10

years or more, are the breeding ground for such sentiments. Borders, including social boundaries, are always particularly noticeable for those closest to them. A wave of “ethnic cleansing” is not confined to war zones like Bosnia and Herzegovina, but threatens to engulf us all.

What does this have to do with globalization? So far as the new inequality — the increasing divergence of those near the top and those near the bottom — is concerned, it takes us back to the low pay-high skill option. Those whose skills are needed are paid a good salary, but many who had a reasonable wage or salary in the past have now sunk to a miserable and often irregular real income. Nor is there any evident route back to the upward slope. Indeed some are — awful as it is even to put this on paper — simply not needed. The economy can grow without their contribution. Whichever way you look at them, they are a cost to the rest, not a benefit.

Milder though if anything more acutely felt versions of the experience have now hit the middle classes. The latest wave of efficiency gains has meant, especially for large companies, making office workers redundant, all the way to the once hailed echelons of middle management. Such trends document a fundamental change in the world of work. No one would argue that there is not enough work to be done, but work at decent rates of pay is increasingly hard to come by. It is a privilege, not a realistic aspiration for all. Manufacturing and many services are following agriculture into a stratosphere of productivity in which half or fewer of those employed in the past can produce twice as much output or more. What remains is a strange assortment of ill-paid personal-service jobs, numerous forms of hidden unemployment — some called “education”, others “self-employment” — and, in Europe, long-term unemployment for at least five, and probably before long 10 per cent of the population of employment age.

I have not offered here any more probing thoughts about the conditions under which civil societies thrive. However, poverty and unemployment threaten their very fabric. Civil society requires opportunities of participation which in the OECD societies (if not universally) are provided by work and a decent minimum standard of living. Once these are lost by a growing number, civil society goes with them.

Let me move on to another set of social issues associated with economic globalization. The ambivalence of flexibility has been mentioned. It may be the other side of rigidity, but it is the reverse of stability and security as well. One may fairly debate the extent to which stability and security are preconditions of civil society. Both geographical immobility and welfare state security may have gone too far in parts of Europe in the 1960s and 1970s. The American experience of the past shows that effective communities can be created despite high mobility and low welfare provision. But the economic response to globalization is intrinsically inimical to both stability and security. Uprooting people becomes a condition of efficiency and competitiveness; the “get on your bike and look for work” mentality rules. In addition, the dismantling of the welfare state is on the agenda everywhere.

Such developments may not be all bad; they are to some extent unavoidable. But the pendulum is swinging far in the opposite direction. The dual effect is

the destruction of important features of community life and a growing sense of personal insecurity for many. Inner cities tell a shocking part of the story, aggravated by the tendency to erect green field shopping centres at the expense of high streets and market squares. Limited-term contracts — like part-time work — are fine for a while, notably for the young and the able-bodied and perhaps for child-bearing women; but people, even children, do get older, and discovering at the age of 55 and sometimes earlier that you are no longer needed is enough to turn many into “grey panthers”.

Add to such phenomena the return of Social Darwinism under the pressures of globalization, and the concoction becomes even more lethal. At times one detects strange similarities, at least in Europe, between the end of the nineteenth and the end of the twentieth centuries. Then as now, people had been through a period of rampant individualism — Manchesterism then, Thatcherism now. Individuals were set against each other in fierce competition and the strongest prevailed, or rather those who prevailed were described as the strongest, whatever qualities had led them to their success. Then, as now, there was a reaction. Around 1900, it was called collectivism. Today, this is a badly discredited word. However, the new vogue has a similar objective; it is called communitarianism.

Perhaps the most serious effect of the values which go with flexibility, efficiency, productivity, with competitiveness and profitability, is the destruction of public services. The term should be disentangled: the destruction of public spaces and the decline of the service values that go with them. The prevailing carrot-and-stick philosophy has overlooked and then attacked those other motives which lead people to do things because they are right, or even because people have a sense of duty, a commitment. Introducing pseudo-economic motives and terms into public spaces robs these of their essential quality. A national health service, universal public education, basic income guarantees under whatever name become victims of an economism which is running amok. Small wonder that commuter transport, or environmental protection, or public safety suffer in the process.

This gloomy picture is not the whole story, of course. Many people are better off than ever before; they have more choices not just of dishwasher fluids and television channels but of education and leisure pursuits; they live longer; they grumble but then people would, and perhaps they should if it helps them to do something about the objectionable things they see. (Readers of Albert Hirschman will have noticed more than a trace of **Exit, Voice and Loyalty** in these comments.) Yet there can be little doubt that the economic challenges of the global market-place have not helped civil society. One analytical footnote may help put flesh on this assertion and also provide a link to the issues of political liberty to which we must turn.

I have spoken of the underclass, of grey panthers, and of people giving voice to their concerns. Why is there no massive movement to defend civil society? Where is the twentieth century equivalent of the labour movement of the late nineteenth century? It does not, and it will not, exist. For reasons which antedate the challenges of globalization, individualization has not just transformed civil society, but social conflicts too. Many people may suffer the same fate, but there is no unified and unifying explanation of their suffering, no enemy which can be fought and forced to give way. More

importantly, and worse still, the truly disadvantaged and those who fear to slide into their condition do not represent a new productive force, nor even a force to be reckoned with at present. The rich can get richer without them; governments can even get re-elected without their votes; and GNP can rise and rise and rise.

Individualized conflict is by no means easier to handle — to regulate — than organized class or other struggles; on the contrary. It means that people have no sense of belonging, no sense of commitment, and therefore no reason to observe the law of the values behind it. If there are no jobs, why not smoke pot, go to rave parties, steal cars to go on joy rides, mug old women, beat up rival gangs and, if need be, kill. The term “law and order” covers a multitude of sins, and it is not always easy to give it a factual basis. But it would seem hard to dispute the observation that social disintegration has become associated with a degree of active disorder. Young men, increasingly young women too, and many who are not so young see no reason to abide by allegedly prevailing rules which for them are the rules of others. They opt out of a society which has pushed them to the margin already. They become a threat. Those who can afford it, pay for their protection. No profession is growing faster than private security services (though it is ill-paid and therefore full of temptations). Those who cannot afford protection become victims. A sense that something has gone badly wrong is spreading, a sense of anomie (Durkheimians might say) or lawless and deep insecurity.

PART IV: TEMPTATIONS OF AUTHORITARIANISM

The condition of global competitiveness coupled with social disintegration is not favourable to the constitution of liberty. Freedom and confidence go well together — confidence in oneself, in the opportunities offered by one’s environment, and in the ability of the community in which one lives to guarantee certain basic rules, the rule of law. When such confidence begins to crumble, freedom soon turns into a more primordial condition, the war of all against all. Who thrives in a state of anarchy? The warlord, the impostor, the speculator, the jester if he is lucky enough to find a protector — but not the citizen, for he no longer exists. Everyone else becomes a victim. People do not like the prospect, especially if they had once been citizens. They begin to doubt the wisdom of the fathers of their constitutions if liberty leads to anomie. They look for a way out, for authority.

Again, it is important to turn dramatic and metaphorical language into precise analysis. One obvious aspect of globalization is that the OECD countries are no longer alone in the world. Competitiveness no longer means that Europe and North America have to keep up with Japan, their fellow-OECD member. There are new players, which are not yet and perhaps never will be OECD members, notably in Asia. The Chinese diaspora began the change towards increasing the number of serious world players, though Hong Kong and Taiwan Province of China, and other countries with a Chinese business class, were joined by the Republic of Korea and Thailand.

Then China itself followed suit. From little more than 5 per cent of world exports even in 1980, the Asian tigers and dragons plus China moved up to nearly 15 per cent by 1994; since the mid 1980s the GNP of these countries has been growing at almost three times the rate of the OECD countries.

More importantly, the new Asian economies, or at least their political spokesmen, show no sign of emulating European ways. **The Asia That Can Say No** is the title of a book by the Malaysian prime minister, Dr. Mahathir Mohammed, which sets out a “policy to combat Europe and America”. (The title is actually adapted from the earlier Japanese best-seller by Shintaro Ishihara, **The Japan That Can Say No**.) Dr. Mahathir’s thesis is simple; it has often been propounded by Senior Minister Lee Kwan Yew of Singapore and other spokesmen of Singapore’s government. It is that Asia can compete with anyone in world markets without abandoning its values. No bricked-up inner cities, no underclass, no drugs and no crime for Asia! Social cohesion — some say Confucianism — will remain the moral basis of life, and will not interfere with economic growth. Indeed, such values may contribute to growth.

And how are the dreaded Western values supposed to be kept out? By strong government, is the answer. Authoritarianism is not totalitarianism. Authoritarian rulers will not brook active opposition, but they leave people alone as long as they do not attack the powers that be. Law-abiding citizens who assiduously attend to their own affairs and otherwise live inoffensive private lives need not fear the wrath of their leaders. The permanent and total mobilization of all by the state which characterizes totalitarian régimes will not happen. Among other things, it would be incompatible with a successful modern economy. But those who criticize government for its unaccountable power, those who use their freedom of speech to expose nepotism, those who dare put up alternative candidates at elections, are in trouble. The limits of civic freedom are tightly drawn.

Is this, then, the alternative with which modern societies are faced: economic growth and political freedom without social cohesion — or economic growth and social cohesion without political freedom? Is there, after all, an alternative to the Western model, equally viable, and more attractive to some, though unacceptable to others? More and more people in the OECD world think so. Many businessmen like the Asian model, and conservative politicians from Margaret Thatcher to Silvio Berlusconi follow suit. Asian values have become the new temptation, and political authoritarianism with them. Abandon the American model, suggests the new wave, and look to Asia for a new model of how economic progress can be combined with social stability and conservative values.

The story is not as new as it sounds. Under different names it has accompanied modern economic development for over a century. After all, was not Imperial Germany a case of the combination of the industrial revolution with an authoritarian régime? And did not Germany grow out of this fallacy? For countries which embrace modern economic ways before their societies have become civil and their polities democratic, the temptation of authoritarianism is great indeed. (The same is actually true for countries which attempt the economic and political transition from the tyranny of a leader or a party to the open society at the same time.) In the

early stages, the creation of a market economy invariably requires sacrifices from the people subjected to it. It requires what is called deferred gratification, or in economic terms savings — that is, investment before consumption. People will have to work hard for low wages and tolerate miserable working and living conditions before their countries manage to turn the corner and join the developed world. Such sacrifices are rarely if ever made voluntarily. Even Max Weber's thesis of the usefulness of Calvinism — an early analogue to today's Confucianism — for capitalist progress begs the question of whether it was religious beliefs or authoritarian governments which made people forgo the fruits of their labour. It is hard to think of an example where ascetic values were not reinforced by strong secular powers.

But for the most part, the combination did not last. Capitalism itself changed, to be sure, from saving to spending and on to borrowing. As it progressed, however, society and politics also changed. Increasingly (so the West would like to believe) people demand a share of the wealth they produce; they also want to be masters of their own lives. They want to travel and watch television and choose their own neighbours. They want to have a say in their affairs, a vote, the right to form associations, the possibility to tell a government to go away. Civil society and political liberty follow economic development if they do not precede it. But do they?

The test of history rarely yields unambiguous results for such large theories. Still, this particular one is being tested every day in Asia, and particularly in Japan. There are signs that Japan will go down the Western route, *mutatis mutandis*, which is one reason why Asian leaders criticize it almost as much as the United States. But theories can be wrong; once again there is no inexorable march of History. It is possible that a new Asian — essentially Chinese — balance will be found which combines world competitiveness in economic terms with a social cohesion that is traditional rather than civil, and with authoritarian political régimes. It is also possible that the example will affect European leaders and voters, and that a growing number will wish to go down a similar route at the risk of abandoning some of the cherished rights and liberties of the European and North American tradition. The temptations of such authoritarianism are considerable. They are likely to arise in many policy areas. To mention but a few: integrating the young into society is no longer easy. Where families fail, schools cannot succeed. Labour markets are not exactly waiting for newcomers. Many young people begin to drift and to embrace unsocial behaviour. People want to see them disciplined. Some kind of national service is only a beginning. Someone should be able to tell them what to do, people may say, and to punish them if they do not obey.

Punishment is also the main demand of those who speak incessantly about law and order. The caning of an American youth (who had vandalized cars) in Singapore has led to official protests but much private gloating in the West. The cane, it is said in pubs around Europe, should be brought back in any case. The police should be given greater powers. Life in prisons should be really hard. The death penalty needs to be reintroduced.

The welfare state needs to be reformed, which cannot be done without hardship. But such hardship, people think, should hit first the scroungers

who live on other people's money without contributing themselves. If people do not want to work, they must be made to do so, or not get anything. Parents who do not look after their children must, if necessary, be forced to do so.

All too often liberty has become licence. The behaviour of people in public is, people think, disgusting. Unkempt men drinking beer in public places, half-undressed girls cavorting about, no one paying respect to the elderly or the infirm — not surprising perhaps in view of the media and the tabloids, but it needs to be stopped.

Then the invasion of foreigners. This simply cannot go on. In state schools local children have become a minority, and teachers offer prayers in several religions. Somehow this mess has to be sorted out again, and England returned to the English, Germany to the Germans, France to the French ...

It would be only too easy to go on. Nor are these the most extreme demands for change. One could probably quote a respectable academic author to give reasons for every one of them. They all add up to the demand for a régime which is less tolerant, one which enforces values at the risk of violating civil rights as we have come to know them, and one which cannot simply be removed by an electoral misfortune. It would be an agreeable side-effect, in the view of those cited here without naming names, that such a government could guarantee economic competitiveness without having to listen to disgruntled trade unions, or to special-interest groups from Greenpeace to animal rights campaigners, or local environmentalists, or indeed to political parties, which are unpopular whatever their persuasion may be.

It is not easy to assess the strength of authoritarian sentiments of this kind in the OECD world. Not everything said by a businessman or a taxi driver in a moment of exasperation amounts to demands for a régime change. There are signs that some of the solutions hinted at will be promoted by perfectly law-abiding democratic forces. Some suspect that law and order will dominate the political agenda to such an extent that perpetrators are bound to face harsher treatment (whatever that means precisely). It would not be surprising to see the death penalty reintroduced in countries which abolished it for good reasons. Certainly, the time of adjustment to global competitiveness with its economic cost for many, social disintegration with the attendant discomforts and pains, and lack of confidence in traditional political parties and leaders, tests the ability of democracies to promote change without violence and without violation of the rule of law. One wonders who the first OECD leader is going to be who gets up and says: "Give me 10 years, and I promise the trains will run on time again!"

PART V: SOME MODEST PROPOSALS

While we wonder about risks, we must not forget to think about solutions. The point of this argument is now clear. We want prosperity for all, and that means acceptance of the needs of competitiveness in global markets. We want civil societies which hold together and provide the basis of an active

and civilized life for all citizens. We want the rule of law and political institutions which allow change as well as critical discourse and the exploration of new horizons. The three desires are not automatically compatible. The challenges of globalization require responses which threaten civil society. The onset of anomie gives rise to the return of authoritarian temptations. These are made more compelling for some by their perception of the Asian model. So what can be done to preserve a civilized balance of wealth creation, social cohesion and political freedom?

One feature of the Popperian approach to problems is that it shuns comprehensive solutions. Whoever claims to have the answer to every question answers none. Total solutions will aggravate rather than improve matters. This means, however, that viable answers are bound to look woefully inadequate in terms of the dimension of the problem. The six suggestions which I propose to discuss briefly, in order to give some substance to the analysis, all fall into this category. They are a beginning, no more.

First, we have to change the language of public economics. It is actually remarkable how unquestioningly we have all adopted, in public discourse, the concept of “economism”, while the leading economists themselves have moved away from it. For governments, to say nothing of international organizations, GNP growth is still the fetish. Sometimes nowadays they are surprised if growth remains “jobless” or even “voteless”: even with growth at three per cent, few new jobs are created and the opinion polls continue to show the government in a dim light. Something is missing; some call it the “feel-good factor”. Yet welfare has long been a concept used by economists. The inventors of GNP accounting, great men like Samuelson or Arrow, speak of the limitations of this yardstick as much as its uses. In a recent book, Partha Dasgupta contrasts destitution (his main subject) with “well-being”, even “social well-being”. He, as well as Amartya Sen before him and Meghnad Desai after him, tried to introduce measures for aspects of well-being not included when we speak of gross national product, measures of human rights for example, or of democracy. Clearly, wealth — sustained wealth — is more than per capita GNP. Whether we want to spend much time and energy to produce one complex measure of wealth, or well-being, may be an open question. The answer is probably no. But governments and international organizations should be encouraged to add certain other information every time they produce GNP figures, information about trends in inequality, about measurable opportunities for people, and about human rights and liberties. A proper wealth audit should take the place of a single simple and often misleading figure.

Second, the nature of work is changing. The straight course of a career for life will be the exception rather than the model. Over a lifetime, people will have been in and out of work, employed full-time or part-time, in training and retraining. In some ways the experience of women will become the general norm, to the chagrin of many young men. Such changes have many implications, for example with regard to the link between social entitlements and employment; entitlements must not be tied to particular jobs. However, this whole transformation can work only if everyone has, at an early stage, gained some experience of the labour market. The new world of work makes it imperative that proper provision be made for young people to pass through

a phase of vocational training which is closely related to real jobs and ends up in a period of regular employment. Education does not solve all problems; people understandably ask where it is leading them. But education linked to employment at the critical age — 16 to 19, or so — provides a basis of experience and of motivation which can sustain people through a lifetime of changes. Conversely, if the early opportunity to encounter the uses of education and the constraints of the labour market is missed, much if not all is lost. Thus we should look at best practice in this area and try to apply it more generally.

Third, the truly disadvantaged — the underclass — present an almost unmanageable problem. Clearly, just offering opportunities to those who have fallen through the net is not enough. People will not take such chances without much more inducement. It is unpopular to speak of motivation as an obstacle to the return of some of the truly disadvantaged to the labour market and the wider society; yet it is a fact that many have become indolent and accustomed to a life at the margin. Everything that can be done to include the excluded must be done. Yet the more critical task is another one. In the words of the British parliamentarian and reformer Frank Field, it is to cut the supply routes to tomorrow's underclass. We may not be able to do enough for those already excluded, but we must do enough to prevent another generation from having the same dismal experience. In part, vocational training for all may do the trick. Possibly some form of generalized social service would aid the integration of all into the values of a changing society. Community building through housing and the creation of public spaces might help. The issue evidently needs further exploration. But turning public attention from the remedial to the prospective, from helping today's underclass to preventing the emergence of tomorrow's, would itself help. Advocating international conferences is always a bit of a cop-out; but some agency or other would surely find it attractive to try and bring together expertise and imaginative thought on this subject.

Fourth, globalization means centralization. It individualizes and centralizes at the same time. Intermediate agencies and instances — indeed civil society — are to some extent obstacles of straight globalization. There is a sense in which competitiveness in world markets helps destroy communities. But this does not have to be the case. It is possible to counteract the simultaneous pressures towards individualization and centralization by a new emphasis on local power. The word “local” is deliberately chosen. Nations within nations — like Wales, or Quebec, or Catalonia — do not have the same effect. They may contribute to a general sense of belonging, but as a principle of social and political organization they divide and produce unhelpful rigidities. (The so-called Europe of Regions is, from this point of view, at best an irrelevance and at worst a mistake.) Local communities, on the other hand, can provide a practical basis for vocational training, for small and medium-sized businesses, for personal involvement and participation, for strengthening the public domain — in short, for civil society — without detracting from economic imperatives. Some countries like Switzerland, and some parts of Germany have much experience in this regard; France and Britain, on the other hand, have suffered from ignoring the potential of local power. As always, there is no general blueprint for sustaining local communities, but some form of political identity, from revenue-raising powers to elected mayors, undoubtedly helps.

Fifth, local power is but one factor in the wider concept of stakeholder economy. Some economists, notably in the United States, do not like the concept; They think that shareholders are the only stakeholders and that the actions of shareholders keep businesses on the straight and narrow. Leaving vast cultural differences — as well as the fact that most shareholders nowadays are institutions — aside, the point about stakeholders is that (contrary to shareholders) they cannot put their interest in companies up for sale. The workforce, the local community, but also banks and even suppliers and buyers are, as it were, stuck with the companies to which they are committed. This can be regarded as an undesirable rigidity only in an inhuman world in which it does not matter whether firms are bought or sold, taken over, merged, extended, reduced, or closed as long as the shareholders get a maximum yield for their investment. In truth it does matter. What is more, competitiveness is not increased by lack of commitment, especially if companies choose to go down the high-skill rather than the low-pay route. Reliability and predictability have their own value in business relations across the globe. Recognition and involvement of stakeholders is the practical answer. This can be brought about in many ways, from works councils for employees to the involvement of banks in investment decisions, from business participation in school boards to the activity of local chambers of commerce. Moreover, organized stakeholder relations are only a part of the story; it is attitudes that matter, an awareness of connections, and a commitment to concerns which, in the end, serve most people best.

Sixth, little has been said in this paper about the role of governments. Acceptance of the fact that in the global market-place the actors are transnational companies, and a preference for the creative chaos of civil society, seem to leave governments out. Yet they clearly are not out of the picture. Nor are they simply the guardians of the rules of the game, as some liberal theorists want it. At the very least, governments set the tone for the economy and for society more generally.

Beyond that, governments have a special responsibility for the public domain. Public services require by definition government involvement in funding and administration. Much depends on how such involvement is expressed, both in terms of the value placed on service as a human activity and in terms of the organization of public services. It is quite possible that some OECD countries have gone further in using the public service model than they can afford, or even than is good for the quality of service. It is also possible that in reacting to the experience, some have introduced so-called business values into the public sphere to a point at which both the intended service and the general readiness for commitment suffer. A new balance needs to be found. Health care is quite likely to provide the main example, given its importance for individuals, its cost, and its location on the borderline of global constraints and local or even national opportunities.

This list leaves out many matters which need consideration. Above all, it leaves undecided the critical question of the institutional — one might almost say, the geopolitical — response to the challenges of globalization. Regional blocs of some sort may well be where the world is headed. The cultural debate underlying the project which forms the core of this paper underlines the possible significance of such blocks — Asian values,

European values and all that. It is, however, a key part of European — or perhaps OECD — values never to lose sight of the truly international (that is to say the universal) nature of the project for the next decade. We are talking about prosperity for all, civil society everywhere, and political freedom wherever people live. This means that in the end we are not concerned with privileged regions but with one world and its appropriate institutions.