

UNITED NATIONS RESEARCH INSTITUTE FOR SOCIAL DEVELOPMENT

DP 91

**ECONOMIC GLOBALIZATION,
INSTITUTIONAL CHANGE
AND HUMAN SECURITY**

by Dharam Ghai

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November 1997



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**United Nations Research Institute
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Palais des Nations
1211 Geneva 10
Switzerland**

Fax: +41(0) 22 917 06 50

E-mail: info@unrisd.org

www.unrisd.org

Reference Centre Telephone: +41 (0)22 917 30 20

ISSN 1012-6511

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◆ Preface

Recent years have witnessed a marked acceleration in the tempo of globalization. Its scope has also widened beyond the realm of economy to embrace the domains of social, cultural and political norms and practices. This powerful thrust has been associated with far-reaching consequences for economic well-being, social structures and political processes in countries around the world. The different parts of the world have become so interdependent in so many ways that it is no longer possible to understand their socio-economic problems, much less to do something about them, without taking into account the play of global forces. The process of globalization has been accompanied by major changes in the role and responsibilities of a wide range of institutions — families, communities, civil society institutions, business corporations, states and supranational organizations. One of the important consequences of the changes associated with globalization has been increased insecurity at the level of the individual and the family. This, in turn, not only affects individual welfare, but has broader economic, social and political impacts as well. This paper considers the sources and consequences of human insecurity and explores some of the policy and institutional alternatives for its mitigation.

The paper begins with a discussion of the concept and processes of globalization. It then looks briefly at the principal socio-economic, political and institutional consequences of accelerated globalization. These are brought together to assess their impact on human security. Some of the principal effects of increased human insecurity are outlined before considering policy and institutional reforms to ameliorate individual security. In view of the vast scope of the themes covered in the paper, it has been possible only to consider the broad picture, omitting important supporting evidence and necessary qualifications.

The paper was originally prepared for and delivered at a conference on “Social Movements in the Third World — Economy, Politics and Culture”, held at the Department of Sociology, University of Lund, in August 1993.

November 1997

Dharam Ghai
Director

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INTRODUCTION

There has been a marked acceleration in the tempo of globalization in recent years. Its scope has also widened beyond the realm of economy to embrace the domains of social, cultural and political norms and practices. This powerful thrust has been associated with far-reaching consequences for economic well-being, social structures and political processes in countries around the world. The different parts of the world have become so interdependent in so many ways that it is no longer possible to understand their socio-economic problems, much less to do something about them, without taking into account the play of global forces. The process of globalization has been accompanied by major changes in the role and responsibilities of a wide range of institutions — families, communities, civil society institutions, business corporations, states and supranational organizations. One of the important consequences of the changes associated with globalization has been increased insecurity at the level of the individual and the family. This, in turn, not only affects individual welfare, but has broader economic, social and political impacts as well. This paper seeks to analyse the sources and consequences of human insecurity and explore policy and institutional alternatives for its mitigation.

The paper begins with a discussion of the concept and processes of globalization. It then looks briefly at the principal socio-economic, political and institutional consequences of accelerated globalization. These are brought together to assess their impact on human security. Some of the principal effects of increased human insecurity are outlined before considering policy and institutional reforms to ameliorate individual security. In view of the vast scope of the themes covered in the paper, it has been possible only to consider the broad picture, omitting important supporting evidence and necessary qualifications.

CONCEPT AND PROCESSES OF GLOBALIZATION

In recent years there has been a good deal of discussion in academic circles, especially among sociologists, on the concept and defining characteristics of globalization.¹ In a fuller treatment of the subject, it would be important to review the variety of conceptualizations of and approaches to globalization put forward in the literature. For the purposes of this paper, it is sufficient to indicate briefly the sense in which this term is used here. In common parlance, globalization is often equated with growing integration of national economies. But as employed here, the concept also refers to the rapid spread, worldwide, of some dominant social, cultural and political norms and practices.

In the sphere of economics, globalization is reflected in the increasing acceptance of free markets and private enterprise as the principal mechanisms for promoting economic activities. Its growing importance is captured in such indices as trade in

¹ See, for instance, Roland Robertson, **Social Theory and Global Culture** (Sage Publications, London, 1992); Anthony G. McGrew et al., **Global Politics: Globalisation and the Nation-State** (Polity Press, Cambridge, 1992); Mike Featherstone (ed.), **Global Culture: Nationalism, Globalisation and Modernity** (Sage Publications, London, 1990); Peter Beyer, **Religion and Globalisation** (Sage Publications, London, 1994); Malcolm Waters, **Globalisation** (Routledge, London, 1995).

goods and services, private capital flows in different forms, foreign investment, technology transfers, operations of transnational enterprises, business travel and communications, and migration and remittances.² The social sphere comprises social relations and customs (family relations, social organizations, etiquettes of social behaviour) and consumption patterns and lifestyles (consumer goods and services such as consumer durables, fashion and designer articles, food and beverages). The cultural dimension includes the important domain of values, religion and identity. It also embraces such leisure pastimes as television, videos, popular music, dance, night clubs, sports and foreign travel. At the political level, globalization is reflected in the spread of pluralist systems, multi-party democracies, free elections, independent judiciaries and human rights.

It would be naive to argue that globalization in any of these spheres has proceeded in a smooth and uniform manner, or that it is anywhere near completion. On the contrary, it has proceeded by fits and starts, generated contradictory effects and can claim only partial achievements. In the economic domain, the financial markets come closest to achieving global integration. Despite impressive progress in removing trade impediments in the post-war period, world commerce continues to be subject to a range of tariff and non-tariff barriers. The largest contribution to trade liberalization in recent years has come from developing and the former centrally planned countries. Outside the framework of regional free trade areas, the trend in most industrialized countries over the past fifteen years has been towards imposition of various barriers to free trade, especially in their trade with developing countries. The conclusion of the Uruguay Round may reverse this trend and speed up trade in hitherto highly regulated markets such as textiles, leather products and certain agricultural commodities.

Another major exception to liberalization is provided by global labour markets.³ The growing volume of migration flows is often cited as another aspect of increasing globalization. It is, however, doubtful whether this popular perception is supported by empirical evidence. In the 1950s and 1960s, the booming economies of Western Europe fuelled large-scale immigration from the North African region, their former colonies, and countries such as Turkey and Yugoslavia. In the 1970s and early 1980s, the oil boom provided employment opportunities in the Middle East for millions from North Africa and Asia. Rapid economic growth in South Korea, Japan, Taiwan and Malaysia has, in recent years, attracted a growing number of migrants from poorer Asian countries. The general trend in the past decade in most parts of the world has, however, been towards increasing restrictions on immigration from poorer regions. To the extent that migration of unskilled workers takes place, it is mostly of an illegal and clandestine nature. The few countries still retaining significant immigration quotas, such as the United States, Canada and Australia, give preference to relatives of nationals or to highly qualified or affluent applicants.

The pattern of global economic integration also displays some sharp inequalities. Whether measured in terms of trade, capital flows, foreign investment, technology

² John H. Dunning, **The Globalisation of Business** (Routledge, London, 1993); Keith Griffin and Azizur Rahman Khan, **Globalization and the Developing World: An Essay on the International Dimensions of Development in the Post-Cold War Era** (UNRISD, Geneva, 1992).

³ P. Stalker, **The World of Strangers: A Survey of International Migration** (International Labour Office, Geneva, 1994); Nigel Harris, **The New Untouchables: Immigration and the New World Worker** (I.B. Taurus, London, 1995).

transfers or activities of transnational enterprises, most transactions take place among developed countries. Linkages with developing countries have expanded significantly in recent years, but there is a marked concentration of direction: a handful of countries account for the majority of flows. The fact that this group includes some large Asian and Latin American countries means that in terms of population, the pattern of flows is distinctly less uneven. Nevertheless, most of the poorest and least developed countries are largely bypassed by the intensified circuits of trade, capital and investment.

Globalization in the social and cultural spheres has also been marked by discontinuities and contradictions. The consumption patterns and life styles of the middle classes in rich countries have penetrated only a thin layer of the affluent minorities in poor countries.⁴ In most manifestations of cultural and social life — dress, food, music and dance, social relations, personal beliefs and values — the vast majority of populations in the non-Western world continue to adhere to inherited traditions. Even where Western forms have taken root, they have often been adapted to the indigenous style. In the domain of politics also, the ideals of liberal democracy have not been uniformly embraced. In some cases where this appears to be the case, the underlying reality may be quite different. Furthermore, the conceptions and content of democracy and human rights show wide variation, even among countries generally accepted as falling in the camp of liberal democracy.

The processes of globalization have been driven by a number of forces. Worldwide expansion of capitalism and technological progress are at the core of the dynamics of globalization. These forces have been in operation for centuries but have increased in scale and intensity in recent decades. The new spurt in the expansion of capitalism has found expression in the shift towards greater reliance on markets and private enterprise in all parts of the world. Almost everywhere there has been a reduction in state intervention in the economy, privatization of public enterprises, deregulation of the economy and liberalization of foreign trade and capital flows. The collapse of communism in Europe is only the most dramatic manifestation of this global phenomenon. Economic reform in China and other communist countries in Asia and elsewhere is further striking evidence of the global reach of free markets and private enterprise.

Transnational corporations have played a central role in this process through internationalization of production, transfer of technology, managerial and technical skills, foreign investment, marketing, international staff recruitment, promotion of trade and advertising.⁵ The rapidity of technological change, especially in transport, communications and information processing, has been a decisive element in the acceleration of globalization. The increasing competitiveness of a growing number of countries, through market friendly policies, infrastructural investment, development of technical skills and entrepreneurial abilities, has further boosted globalization through rapid economic growth and expansion of trade and other economic links with the outside world. Likewise, the rapid expansion of media — the press, radio, television and videos — has made a powerful contribution to globalization in the political, social and cultural domains. Enormous growth in

⁴ Richard J. Barnet and John Cavanagh, **Global Dreams: Imperial Corporations and the New World Order** (Simon and Schuster, New York, 1994).

⁵ Dunning, *op. cit.*; United Nations, **World Investment Report 1992: Transnational Corporations and Engines of Growth** (New York, 1992).

communications, travel and tourism has been critical in advancing globalization along all fronts.

ECONOMIC CONSEQUENCES

The processes of globalization have been associated with wide-ranging socio-economic consequences. In many cases, these have been aggravated by the fact that the current phase of accelerated globalization — since the 1970s — coincided with a period of low growth in most industrialized countries and of stagnation and decline in many Latin American, African, Middle Eastern, and some Asian, countries. These years have also witnessed a systemic change in the former centrally planned countries in Europe. At the same time, as mentioned above, globalization has been associated with a number of other changes, such as technological progress, liberalization and deregulation. It is quite impossible to separate out the economic impacts of globalization, however defined, from those of the preceding factors. There is the further difficulty arising from the time period over which the analysis is carried out. The immediate and short-term impacts may turn out to be very different from those of the medium and long term. Despite these qualifications, it is important to stress that the processes of globalization tend to produce certain socio-economic effects.

Concentrating first on the economic impacts, among the key issues are the effects of globalization on efficiency, growth and distribution. It is clear that globalization has promoted efficiency gains in a number of ways. Static gains accrue whenever market distortions are reduced or eliminated. Globalization has been associated with wide-ranging reductions in barriers to the movement of goods, services and factors of production. The greater competition brought about by globalization has also produced dynamic efficiency gains through improvements in management and technology. Likewise, the replacement of state enterprises by private corporations has in many cases resulted in efficiency gains. The value of efficiency gains is clearly greater when they occur in periods of full utilization of resources than when they merely add to unemployment and excess capacity. Unfortunately, the coincidence of globalization with economic crisis and stagnation has meant that in most countries the efficiency gains due to improved resource allocation appear to have accentuated the problems of poverty, unemployment and inequality. It may be argued that these reforms have laid the basis for more rapid and efficient growth in the medium to long term, but this remains to be seen.

With regard to growth, there may again be conflict between short- and medium-run considerations. The short-run impact of globalization has undoubtedly been of a contractionary nature. Increased competition nationally and internationally has resulted in relentless pressures to reduce costs and enhance productivity, *inter alia*, through reductions in employment and wages. Furthermore, this has contributed to increased uncertainty about job prospects. The effect has been to reduce aggregate consumer demand. Governments have also been constrained to restrain or reduce public expenditures to decrease budget deficits and control inflation. Increased integration of factor and product markets has effectively undermined the ability of most countries to pursue expansionist policies to stimulate demand and promote employment. At the same time, there is no effective machinery at the international

level to co-ordinate the macro-policies of individual countries.⁶ Markets themselves have had powerful contractionary effects. Any initiative to lower interest rates or increase public expenditure or bank lending leads to market “overreaction” in terms of capital flows, exchange and interest rate changes, creditworthiness, etc. In effect, markets hold a veto on the macro-economic policies of governments, with countries having thus become prisoners of global markets.

The longer term effects are more uncertain. It can be argued that increased efficiency, greater competition and the creation of a hospitable environment for business activities are likely to spur investment, enterprise and technological progress, thereby contributing to faster growth on a more sustainable basis. There is little doubt that individual countries, or groups of countries, may be able to forge ahead rapidly, as has been the case with many in Asia. But whether, in the absence of effective mechanisms for co-ordinating policy at the world level, the new environment and global market forces can counteract the contractionary influences noted above and provide a stimulus for sustained expansion of the world economy remains to be seen.

The issue of distribution relates to benefits and losses from globalization. More specifically, it concerns the important question of who gains and loses from the changes associated with globalization. The distribution of income is affected, among other things, by changes in the level of economic activity, public taxation and expenditure, trade and resource flows, and factor and product prices. It is therefore extremely difficult to estimate the direction, let alone the extent, of changes in income distribution attributable to globalization. All that can be attempted here is identification of the main tendencies associated with globalization that impact on income distribution.

In the short run, most of the changes associated with globalization are likely to deepen income inequalities.⁷ The greater role of market forces in the labour and capital markets can be expected, in most countries, to raise interest rates and lower wages, especially those of unskilled workers. This is so because governmental regulation of these markets was designed to control interest rates and ensure minimum wages. The effect is likely to be reinforced by changes in taxes and public expenditure, such as moves towards indirect taxes, lower marginal rates of individual and corporate taxes, and reduction of subsidies, social security and welfare expenditure. The deflationary effects on economic activities may put further pressure on employment and wages, which may be reinforced by labour-saving technological progress.

Increased competition nationally and internationally is likely to work in the same direction for most countries. An increase in the speed and volume of resource flows, expansion of trade and internationalization of production can be expected to have considerable effects on income distribution. Countries that are successful in attracting foreign funds, investment and technology, and in enhancing expansion of output and exports, are likely to experience rising employment and wages, and

⁶ Jonathan Michie and John Grieve Smith (eds.), **Managing the Global Economy** (Oxford University Press, Oxford, 1995).

⁷ Griffin and Khan, op. cit; Dharam Ghai, **Structural Adjustment, Global Integration and Social Democracy**, Discussion Paper No. 37, UNRISD, Geneva, 1992); Al Berry and Frances Stewart, **Changes in World Income Distribution** (North-South Institute, Ottawa, mimeo).

possibly reduction in inequality. At the other extreme, less competitive and more unstable countries may suffer from outflows of capital, investment, skills and entrepreneurship. They are likely to get caught in a downward spiral of production, employment and wages, exacerbating both poverty and inequalities⁸.

The overall impact of these changes is likely to be negative on the working class in most countries. In the industrialized countries, employment and wages are under pressure from three sources: increased competition internally and from abroad, technological progress and internationalization of production. The fate of the working class in the industrialized countries would be even worse if there were no restrictions on labour migration. Likewise, owners of many small and medium sized enterprises may suffer from increased national and international competition. The major beneficiaries from globalization are likely to be large corporations, owners of mobile capital, and professional, technical and managerial personnel.⁹

In the medium to long term, so many dynamic factors come into play that it becomes exceedingly difficult to assess the impact of globalization on income distribution. A central question is the effect of globalization on the rate of growth of the world economy and on its constituent parts. The pattern of growth also assumes critical importance in determining the distribution of benefits and costs. Much will depend on the extent to which various markets — goods, services, capital and labour — become truly integrated at the global level. The economic policies pursued at the national level will obviously be critical in determining the distributional implications of globalization.

SOCIAL AND CULTURAL IMPACT

The social and cultural impact of globalization has also been widespread. It is manifested most clearly in the worldwide presence of certain patterns of consumption and lifestyles. These include cars, television, videos, fashions and designer clothing, popular music, films, television and video shows, dance, alcohol, beverages and fast foods, just to mention a few of the more prominent symbols of world culture. The social and cultural impact is especially noticeable on two sections of the population — affluent minorities and youth. While many consumption goods and services are available only to affluent minorities in developing and former communist countries, others — such as television programmes, videos and fast food — reach much larger proportions of the population in these countries.

Several consequences have flowed from such social and cultural globalization.¹⁰ Most obviously, there has been a trend towards social and cultural homogenization at the expense of richness and diversity. Even if the global spread of some consumer goods and services and of leisure activities does not destroy the local and national equivalents, it greatly weakens them. Related to this is the influence of dominant social and cultural practices on indigenous social relations, behaviour and values. These can affect relations between parents and children, men and

⁸ Samir Amin (ed.), *Mondialisation et accumulation* (L'Harmattan, Paris, 1993).

⁹ Ghai, op. cit; and Dharam Ghai (ed.), *The IMF and the South: The Social Impact of Crisis and Adjustment* (UNRISD, Geneva and Zed Books, London, 1991).

¹⁰ UNRISD, *States of Disarray: The Social Effects of Globalization* (UNRISD, Geneva, 1995).

women, and among members of extended families and different social groups. They are also likely to affect the attitude of the population towards figures of authority, whether governments, school administrations or religious establishments. It is inevitable that such modification or disruption of traditional relations, values and modes of behaviour should generate tensions in various parts of the society. A much-publicized aspect of this problem concerns the local impact of foreign films, videos and television programmes. The dominance of violence, crime, sex and drugs in many of these programmes is alleged to have generated or intensified these problems worldwide, including in the industrialized countries.

Cultural and social globalization has aroused widespread opposition and resistance. This has occurred both in industrialized and developing countries and has taken many forms. States have tried in various ways to restrict the exposure of their people to imported products and programmes in an attempt both to minimize their alleged negative effects, as well as to preserve and promote national culture, social practices and values. Their actions have been prompted or supported by other important bodies, such as political parties, cultural associations and religious organizations. The implacable opposition of fundamentalist and xenophobic movements is only an extreme example of widespread concern surrounding foreign influences on local societies and culture.¹¹

Another important consequence of globalization is that it creates or strengthens groups throughout the world that are linked by common interests or lifestyles. Affluent minorities in poor countries can thus relate to middle classes in the industrialized world. A common culture binds together youth from different parts of the world. These cultural and social links strengthen those already created by the web of international commerce, production, finance and investment. All these provide points of common interest going beyond state borders, thus further loosening national ties.

A fundamental aspect of social and cultural globalization is that vast multitudes of people in poor countries — but increasingly in the rich countries as well — are left outside these circuits of consumption and leisure activities. The sense of frustration engendered by deprivation is fuelled by relentless exposure, through the media, to the temptations and seductions of “the good life” enjoyed by the fortunate few. It is hardly surprising that this sometimes leads to get-rich-quick activities, which are typically associated with illegal acts such as crime, trade in arms, prostitution, pornography, and production and sale of drugs.

POLITICAL AND INSTITUTIONAL ASPECTS

As noted above, the pace of globalization has been quickened by the shift in policies towards free markets and private enterprise. The spread of globalization, in turn, has reinforced the trend in favour of market liberalization and privatization. This shift in economic policy and ideology has been accompanied by significant changes in power relations among social groups and in the effectiveness of

¹¹ Jeff Haynes, **Religion, Fundamentalism and Ethnicity: A Global Perspective** (Discussion Paper No. 65, UNRISD, Geneva, May 1995); Yusuf Bangura, **The Search for Identity: Ethnicity, Religion and Political Violence** (Occasional Paper No. 6, UNRISD, Geneva, December 1994).

established institutions.¹² Enhanced national and international competition, greater mobility of capital, and increased reliance of governments on global capital markets have greatly increased the power of business and financial groups, especially those linked to international transactions of various types. The relative power of organized labour has been weakened by economic restructuring, more precarious forms of employment and high levels of unemployment.

These changes are also reflected at the level of institutions. Mass organizations, such as trade unions, co-operatives and peasant associations, have seen an erosion of their power and effectiveness. Political parties incorporating the interests of organized workers and the working poor have either become marginalized or have adapted their electoral platforms and policies to the dominant neo-liberal ideologies.¹³ At the same time, business and employers' organizations have greatly increased their power and influence, not least through their ownership of the mass media. Everywhere the power and reach of the state have been diminished. Especially in the domain of economic policy, the ability of states to regulate the economy through monetary, fiscal, trade and exchange rate policies has been restricted in varying degrees. The liberalization of markets and the growing integration of the world economy are mainly responsible for this situation. Additional contributory factors are regional economic and political groupings and international commercial and financial agreements. The degree of freedom enjoyed by a country to pursue an independent policy is obviously related to its economic size and integration in the world economy. But other factors, such as its reliance on foreign governments, commercial banks and international financial agencies for servicing its debts or covering its budgetary and foreign payment deficits, often impinge severely on its economic sovereignty. This has been the case of many developing and transition economies.

The net result of these changes in power relations, ideological discourse and institutional effectiveness has been to tilt the balance greatly against public expenditure on social programmes. The touchstone of public policy has become its impact on efficiency and competitiveness. Any redistributive policies and programmes for social expenditure are routinely denounced for their adverse effects on incentives and for undermining individual initiative and responsibility. The reduced effectiveness of "popular" institutions and progressive parties has further weakened the countervailing power against neo-liberal policies. The state, with its reduced autonomy, mounting debts and growing reliance on capital markets, has often little choice but to follow the dictates of the dominant domestic and foreign interests.

ACCELERATED GLOBALIZATION AND HUMAN INSECURITY

One of the main consequences of accelerated globalization and the changes associated with it has been an intensification of human insecurity.¹⁴ This appears to

¹² UNRISD, *States of Disarray*, op. cit.; Marshall Wolfe, *Social Integration: Institutions and Actors* (Occasional Paper No. 4, UNRISD, Geneva, November 1994).

¹³ Jean-Marie Guéhenno, *La fin de la démocratie* (Flammarion, Paris, 1993).

¹⁴ Ralf Dahrendorf, "Economic opportunity, civil society and political liberty" in Cynthia Hewitt de Alcántara (ed.), *Social Futures, Global Visions* (UNRISD, Geneva and Blackwell, Oxford, 1996).

have occurred across a wide spectrum of countries with varied socio-economic systems and levels of development. The sources of this insecurity can be traced to changes in the domains of economy, society, politics and culture.¹⁵ Any dynamic system generates human insecurity — but when changes occur with startling rapidity, the cumulative impact can be quite frightening. And when the institutions and mechanisms in place to cushion insecurity begin to crumble under the impact of the same forces, the effect is intensified.

Enhanced economic insecurity is at the centre of the rising spiral of human insecurity. The key contributory factors are intensified competition, internationalization of production, changes in methods of production, surges of financial speculation and the rapidity of technological innovations. These dynamic forces have generated unprecedented pressures on livelihood security, which are expressed in different ways for different groups in different countries. In most countries, a central element in economic insecurity is an intensification of the unemployment problem. This characteristic is common to many OECD countries, the former centrally planned countries in Europe, and most countries in Africa, the Middle East and Latin America.¹⁶ Even those with jobs have experienced a deterioration in their conditions of employment, reflected in a decline in employment security, an increase in casual and part-time work, greater work pressure from employers, and the necessity for constant adjustment to rapidly changing circumstances. Increasingly, these pressures are felt not just by unskilled workers but also by personnel in higher grades, such as technical, professional and managerial cadres. Nor are the owners of enterprises spared the anxiety and uncertainty generated by intensified competition and innovation. These forces have also contributed to pressure on wages in low-skilled jobs. In many countries, these have declined, stayed constant or risen more slowly than the earnings of persons with higher skills, thereby widening income inequalities.

These sources of economic insecurity have been reinforced by changes in state policies in the field of income redistribution and social security. Influenced by new ideologies and buffeted by the factors noted above, most states have been cutting down on subsidies on items of mass consumption, increasing charges for social services and reducing the level and range of benefits under social security and welfare programmes. Thus unemployment benefits, health coverage and old-age pensions are being adversely affected for most citizens.¹⁷ Family and community structures are also undergoing important changes under the influence of globalization and the changes associated with it, and are thus less effective in cushioning the impact of adverse economic changes. Some existing and new institutions, such as religious bodies and citizens' organizations, are trying to fill in the void, but their efforts have had limited impacts at best.

Sources of insecurity are also located in other domains of human activity. In the sphere of politics, the close bonds between political parties and their supporters

¹⁵ United Nations Development Programme, **Human Development Report 1994** (Oxford University Press, New York, 1994); Barry Buzan, **People, States and Fear** (Harvester Wheatsheaf, Hemel Hempstead, 1991).

¹⁶ International Labour Office, **World Employment 1995** (ILO, Geneva, 1995); A.R. Khan, **Overcoming Unemployment** (ILO, Geneva, 1994); World Bank, **Workers in an Integrating World** (Oxford University Press, New York, 1995).

¹⁷ Gøsta Esping-Andersen, **Welfare States in Transition: National Adaptations in Global Economies** (UNRISD, Geneva and Sage Publications, London, 1996); Jessica Vivian (ed.), **Adjustment and Social Sector Restructuring** (UNRISD and Frank Cass, London, 1995).

have loosened in recent years. Workers, the unemployed and other categories of low-income groups lack confidence in the traditional parties to defend their interests. It is not surprising that there is a growing disenchantment and lack of interest in the political process. In the social domain, the weakening of community and family structures exacerbates a sense of personal insecurity. Changes in the established patterns of relations between generations, sexes and peer groups add a potent new source of anxiety for many.¹⁸ In the sphere of culture, the clash between traditional values and those propagated by the media and the consumer society contributes to conflicts and uncertainty.

The intensified individual and social insecurity resulting from these multiple sources has been associated with a range of adverse effects. Its immediate effect at the individual and family levels is an increase in mental stress and strain. This is manifested in different forms of psychological and physical ailments including depression, alienation, suicide, high blood pressure, strokes and heart attacks.¹⁹ The human, social and economic costs of such consequences of insecurity are staggering — but are almost never taken into account by decision makers.

When confronted with the malaise induced by insecurity, people tend to turn for support to institutions such as the state, work organizations, communities and families. However, as argued above, the ability of such institutions to offer material and psychological support has declined significantly. The void so created is filled increasingly by ethnic and religious bodies. At moments of deep anxiety for their people, such organizations supply material needs, cultural identity and secure values. Unfortunately, in many circumstances these organizations espouse extremist visions characterized by intolerance, exclusion, hatred and violence. Material deprivation and cultural crisis provide a fertile ground for the operation of ethnic and religious entrepreneurs with their own power and ideological agenda. All too often, these initiatives end up in religious and ethnic violence and wars of secession, with their inevitable accompaniment of mass killings, physical destruction and forced displacement of people as external and internal refugees.

People turn in many directions in their search for security of livelihood. The processes of globalization create new and enlarged opportunities, not all of which are legal and benign. Nor are all the beneficiaries indigent and helpless. Growing numbers of people turn to illegal and clandestine ways to earn vast fortunes or to augment their meagre means. This expanding complex of activities ranges in space from the transnational to the village level and in number from teams of thousands to operations of individuals. The armaments and illegal drugs trades run into scores of billions of dollars and involve a complicated chain of industrialists/growers, merchants, banks, retailers and consumers.²⁰ Robberies and thefts also come in many shapes and sizes. Commerce in sex and pornography has taken new and perverse forms. Entrepreneurs have even found ways to profit from moving people around illegally and dealing in human parts!

¹⁸ Anthony Giddens, "Affluence, poverty and the idea of a post-scarcity society", in Cynthia Hewitt de Alcántara (ed.), **Social Futures, Global Visions** (UNRISD, Geneva and Blackwell, Oxford, 1996).

¹⁹ Johan Galtung, "On the social costs of modernisation: Social disintegration, atomie/anomie and social development", in Cynthia Hewitt de Alcántara (ed.), **Social Futures, Global Visions** (UNRISD, Geneva and Blackwell, Oxford, 1996).

²⁰ LaMond Tullis, **Unintended Consequences: Illegal Drugs and Drug Policies in Nine Countries** (UNRISD, Geneva and Lynne Rienner, Boulder, 1995).

ENHANCING ECONOMIC SECURITY

Human insecurity is the product of diverse and complex factors. In one form or another, it has always formed part of the human condition, and can never be eliminated altogether. Nor is it clear that total security would be a desirable state of living. Nevertheless, human beings have sought through the ages to reduce insecurity to tolerable levels. Although insecurities in different domains are interrelated and feed on each other, the primary focus of this paper is on economic insecurity. It is undeniable that economic insecurity has worsened in most parts of the world in recent years compared with the early post-war decades. As argued above, this insecurity derives from high levels of unemployment, precarious job conditions, deepening poverty and diminishing state support.

Economic security cannot be enhanced simply by reverting to the conditions and policies of earlier years. The forces of globalization cannot be rolled back. Technology alone has forever changed the world we live in. Nor does it make sense to reverse the reliance on free markets and private enterprise as the primary mechanisms for promoting economic progress. The great challenge for analysts, reformers and leaders alike is to devise policies and institutions to ensure greater security in the new situation created by accelerated globalization and technological advance. It must be admitted that this is a daunting task — and little progress has been made so far in this respect, either at the level of thought or action. This section can do no more than sketch the broad directions for policy and institutional reform for enhanced human security. Even so, more questions are raised than answers provided.

The problems of human security differ in industrialized, transition and developing countries, and so must the policies to deal with them. A case in point concerns the prescription of higher growth rates to combat unemployment and poverty. Most developed countries were able to achieve near full employment in the first three decades of the post-war period, in large part due to historically unprecedented rates of economic growth. It is unrealistic to assume that this experience can be repeated in the future. It is more probable that the growth rates of the past two decades, more in line with historical experience, will prevail in the future. In any case, both environmental considerations and the nature of technological progress raise serious doubts about whether higher growth is the best route to handling unemployment problems in rich countries. Reforms in labour markets, and in educational and training systems, could help in enhancing employment possibilities. But significant progress towards full employment would call for more imaginative policy and institutional reforms in such areas as technological progress; new combinations of work, learning and leisure; work sharing; and novel arrangements for financing socially and economically useful work.

For most developing and transition countries, rapid economic growth is indispensable for employment generation and poverty reduction. In the past, the growth rate in poor countries was closely tied to economic conditions in the industrialized countries. Increased integration of the world economy might be expected to intensify this dependent relationship. But for many countries this link appears to have been attenuated, if not severed. They have succeeded in attaining high growth rates even in years of stagnation or low growth in the rich countries. This is especially true of the Asian region. If similar trends appear in other

developing regions, this could create the possibility of poor countries being able to attain high growth rates independent of economic performance in the rich countries. Ironically, the world may be moving in the direction where growth in the industrialized countries comes to depend increasingly on expansion in the erstwhile developing countries!

How can this apparent paradox be explained? The increasing integration and competitiveness of some developing countries mean that they are able to achieve high growth rates by increasing their market share in the rich countries, even in periods of stagnation or low growth. For this to be possible, it is clearly important that developing countries be in a position to supply competitively a range of consumer or capital goods that find substantial markets in the industrialized countries. It is also crucial that the movement towards trade liberalization signalled by conclusion of the Uruguay Round be sustained and strengthened. Other developing countries can profit from the new centres of dynamism by forging closer economic and political links with them. Thus globalization may contribute to the long-cherished ideal of increased trade and economic co-operation among developing countries.

Rapid growth alone is not sufficient to make a significant dent in unemployment and poverty. To ensure broad diffusion of the benefits of economic expansion, the pattern of growth must be labour intensive. This, in turn, calls for appropriate macro-economic, trade, technology, asset distribution and human investment policies. Several countries in South-East Asia and elsewhere have succeeded in combining high rates of economic growth with rapid labour absorption. There are also many instances of countries where rapid growth provided only limited relief from unemployment and destitution. This was due primarily to a highly unequal pattern of asset distribution, especially land, and emphasis on capital-intensive technology.

The first line of defence is thus pursuit of economic policies that are successful in generating a rate and pattern of growth that reduce poverty and unemployment to manageable proportions. To the extent that this is achieved, the need for programmes of social support will decrease. In recent years, a number of countries have come close to meeting these objectives. Among the industrialized countries, these include Japan, Switzerland and Austria and among the developing countries, Hong Kong, Taiwan Province of China, Singapore and South Korea. They have been joined recently by other countries such as Chile, Malaysia and Mauritius. If, however, economic policies continue to generate substantial unemployment and poverty, it will become necessary to put in place programmes of social support to prevent or mitigate secondary social problems that can be extremely expensive in terms of human suffering and financial outlays. In recent years, the Scandinavian countries, the Netherlands, Germany and France have pursued comprehensive policies of social support for the poor, the unemployed and other vulnerable groups. In the developing countries, examples of social support programmes with wide coverage are provided by a diverse range of countries including the Middle Eastern oil producers, Costa Rica, Chile, Cuba, Sri Lanka and China.²¹

As indicated above, social security and welfare programmes are under strain almost everywhere. In the poor countries, stabilization and structural adjustment policies

²¹ E. Ahmad et al. (eds.), **Social Security in Developing Countries** (Clarendon Press, Oxford, 1991).

seek to cut social spending. In the former centrally planned economies, the previous systems of comprehensive social security have been scrapped and replaced by selective programmes of varying degrees of effectiveness. In the industrialized countries, the range and level of benefits are being trimmed. Many factors have contributed to this outcome. These include high levels of debt, balance of payments difficulties, budget deficits, resistance to tax increases and demographic changes. The problems of the welfare state are also due in no small measure to increased international competition, reduced state autonomy to pursue independent fiscal and monetary policies, and discipline of the market — all associated with accelerated globalization.

Provision of social support for the poor, the unemployed and other vulnerable groups raises important issues of public policy in the era of market liberalization. One of the issues relates to the identification of core needs for which public authorities need to assume responsibility. How do these vary with social and economic structures and the level of economic development? There is also the important question of the relationship between the methods of financing social support programmes and their effects on incentives to save, invest and work. It would seem desirable that, wherever possible, social support programmes should encourage socially and economically productive work and facilitate the acquisition of skills and capabilities that enhance the recipients' potential contribution to the economy and the society.

A major question concerns the institutional and agency responsibility in the domain of social and economic policies. It is clear that, in the light of market liberalization and globalization over the past two decades, there is a need to rethink the roles and responsibilities of institutions at all levels. There are two aspects to this issue. The first relates to the division between public, private and voluntary agencies; the second concerns the level at which they operate: local, national, regional and international. It can be argued that in the post-war years, there was a tendency for the state to assume too many powers and responsibilities. This has often resulted in inefficient performance and stifling of initiatives by other agencies, public and private. It is thus likely that an optimal solution would call for a better balance in the division of responsibility among different agencies. Some of the functions and tasks performed by the state may advantageously be taken over by non-governmental organizations and lower tier public authorities. This would be a movement in the direction of decentralization and participation. The other trend is likely to favour the assumption of responsibility by institutions at regional and global levels. This is inherent in the logic of globalization. With steadily increasing interdependence in many social, economic and political activities, the effective level for their regulation has increased beyond national borders.

The issue of accountability applies to institutions of all forms and at all levels. Thus as responsibility for different functions is redivided among institutions, the issue of their public accountability becomes critical. The concept of accountability is closely linked with those of democracy and participation. An important aspect of the issue, therefore, concerns the mechanisms and procedures for ensuring public accountability of institutions, private and public, at different levels.

In any global social policy, priority needs to be accorded to meeting the basic human needs of the world's population. This includes food, shelter, clothing, literacy, primary education and health care. In the allocation of global and national resources, priority should be given to meeting these needs. What are the

appropriate institutional arrangements for bringing this about? There is clearly a need to strengthen local government and community institutions, which should be the first lines of defence. They have the additional advantage of possessing detailed knowledge of local social and economic conditions, and of offering the benefits to the population of participation and institutional accountability. There is also the need to reform and strengthen central governments. For the foreseeable future, the primary responsibility for meeting the essential needs of the people will continue to devolve on the state. In countries that have reached a certain stage of development or have the necessary resources, appropriate policies and institutional reforms can adequately meet most basic needs. But the problem arises in situations where governments are weak or incompetent, where resources are scarce, and where the level of development is low. In such situations, international agencies and NGOs have a critical role to play in meeting the essential needs of the people.

CONCLUSION

This paper has been concerned with the economic, social and institutional consequences of accelerated globalization over the past two decades. It has focused particularly on heightened human insecurity resulting from the processes of globalization. Apart from being a source of much human suffering and hardship, intensification of economic insecurity is associated with social problems, ethnic conflicts and political instability. The systems of social support for disadvantaged groups built up in the post-war period are under severe strain and are increasingly ineffective in coping with these problems. Policy and institutional reforms to provide a modicum of social and economic security must reflect the reality of open markets, fierce competition and rapid technological change. In the long run, the globalization of the economy must be matched by a globalization of social policy.