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Abstract.

The political and economic architecture holding our societies together and governing international relations since 1945 are falling apart. Growing disparities - economically, socially - are dichotomising the nation-states with the elite going more and more international and the majority relying upon traditional values primarily national values. The elite is still the elite troops of internationalism but they do not any longer bother to bring the infantry along.

Internationally the system going back to the Westphalian peace from 1648 based upon the nation-state and sovereignty is not only withering away; it is dying. Instead international interventionism enters the stage. This goes for economic intervention and it goes for political even military intervention. The present system invented in the late 1940's and working extremely well for almost 5 decades is simply not up to the task.

The world faces a double challenge. The nation-states themselves are under pressure from inequalities that in the eyes of many people are due to internationalism. Internationalism itself is under pressure because it lacks a conceptual framework corresponding to a world having few similarities to the one existing when the system was designed. There is a flagrant mismatch between the rules of the system and the real world.

The key words to understand the predicament is an urgent and imperative need for a set of values governing domestic and international policy decisions. The world badly needs an agreed set of values legitimising - serving as a banister so to speak - the increasing use of international intervention. Without such values (ethics) as the governing factor international interventions will be implemented to further the interests of the powerful nations deepening not only economic and social inequalities but also giving birth to mistrust between those having the power and those not having but dependent upon those who have. Not a very nice world to live in.

Biographical sketch.

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“Globalisation – Social Disruption Right Ahead”.

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*Analysis.*

At the end of the 18<sup>th</sup> century the world saw the technology of power destroying the social fabric of the agricultural and feudal society. The visible conflict was the Napoleonic wars but beneath the surface it was really a social conflict between a society based upon feudalism and the new industrial society.

More than one hundred years' ago a similar conflict was brewing and erupted in 1914 with WWI. The second industrial revolution introduced technology of transformation in the sense that mankind possessed the ability to transform its surroundings (e.g. electricity could turn night into day). Again the social structures were ripped apart. They could not accommodate the strive for opportunities and richness.

What seems to be the common denominator for both cases is

- growing disparities with regard to income, wealth, education and access to knowledge in an unprecedented scale
- creation of tremendous wealth outside the established groups or classes of society
- accompanied by destruction of wealth inside the established groups of society
- the emergence of new political forces shaping evolution of our societies.

Our present societies epitomise exactly such a development. It can be seen inside the nation states and it can be seen internationally between the nation states. It can with some justification be said that this is not really new, that we have seen it and known it for a long time. Yes, but what is new is the strength, the speed and the strong repercussions on our societies.

It is difficult to challenge the statement that inside nation states and between rich and poor nation states disparities are growing. All statistical evidence points to that effect.

It is equally difficult to challenge the view that tremendous wealth is being created outside the well-known circles of society. The new technology makes people rich to the tune of millions of USdollars from one day to the other. This new wealth simply dwarfs conventional economic and social wisdom. The wizards of the new global and high tech economy operates with sums of several billion USdollars compared to the US Development assistance equivalent to about 8 billion USdollars per year

The establishment is being crowded out by this onslaught of mighty economic and technological forces. The traditional rich part of society having accumulated some sense of social responsibility is losing influence because its wealth fades away. The newborn rich do not find it necessary to shoulder burdens vis-a-vis society and their country or the international community. Why should they? They owe nothing to anybody else than themselves! The 'nouveau riches' have acquired their wealth by breaking away from the existing society to which they feel no allegiance while all

those having lost jobs, income or wealth do in fact belong to the core groups of precisely that society. No reconciliation is in the cards – on the contrary. The ‘nouveau riches’ are distancing themselves from political and social responsibility conveying the impression that this is not worthwhile and that those operating in these circles are losers. It is told that Bill Gates received the loudest applause some years’ ago speaking in California when answering no to a question whether he contemplated to enter politics.

One hundred years’ ago we saw the working class coming to power. As yet we have not seen a new determining political class but we have seen the well-established coalitions inside nation states breaking up. In Britain Mrs Thatcher ripped apart the post WWII political consensus. She could work a new coalition while in power but her successors cannot. In USA Ronald Reagan was the last president presiding over some kind of political coalition. Neither Bill Clinton nor George W. Bush has been able to shape a new coalition. Traditional and workable political constellations have been blown apart without any visible lasting and workable new structure being born. The political forces are ephemeral and malleable, not foundations for a lasting social and political consensus creating stability. There is growing uneasiness that this may pave the way for a decade dominated by nationalistic, maybe even populist politicians after the policy-oriented politicians in the 1980’s and the management politicians of the 1990’s.

*Key observation.*

We are fast approaching some kind of full circle in the sense that a new social explosion lies ahead of us. On top of threats to the social fabric having surfaced at the two earlier occasions we have three new and maybe even more dangerous trends.

1) The elite versus the majority of the population.

The nation state used to be a strong player in shaping national and international politics albeit it is losing influence and power - and fast. Where it has been losing ‘fastest and mostest’ is in its own domestic political and social cohesion. In short: The elite goes more and more international while the majority of the population is being left in its slipstream to fight for themselves as best they can.

The elite takes its clue from the global and international development. It buys international, it gets its information from international channels, it sends its children to internationally recognized universities, it communicates with the elite in other nation states and not with the population inside the nation states. The common identity linking elite and population is fast disappearing.

The elite is supposed to lead the way and show that globalisation is to the advantage of the nation state as a whole but instead it reserves all the advantages for itself and leaves the rest of the population to wonder about the advantages if any for them.

2) Long live Retrenchment!

This happens exactly at the time when business leaders applauded by politicians and most of the elite has come to the conclusion that the best manager is the man who

retrenches the largest part of the workforce in the enterprise he is supposed to lead. For an economist of the old school it is indeed strange to read business pages in the leading papers and journals. Column after column is filled with news of retrenchment and laying-off in this or that enterprise. That may or may not be necessary to survive in an increasingly more competitive world but the tone is that this is mighty good.

Formerly economic science was about welfare and good living conditions for the majority of people. The objective of all economic activities was or should be consumption – what else. A whole string of the fathers of economic theory wrestled with the problem of how to increase welfare and consumption for the population as a whole. Not so, anymore. Now focus is upon creating wealth regardless of its distribution. The beacons of business are those who create more wealth for an enterprise or themselves by reducing wealth for a large number of persons being retrenched. You do not need to be detective to spot this. Just read the papers and see on one page retrenchment and on another page how the managers in charge rewards themselves with stock options and/or other means of enrichment.

3) The minorities begin to see their chance.

This political, economical and social challenge to stability is being aggravated by a cultural revolution breaking with almost 200 years of uninterrupted evolution: The revolt of the minorities inside nation states. Potentially this may be the most dangerous threat to the political and economic architecture built since the industrial revolution. The nation state was created to promote the industrial society. Minorities were enrolled against their wishes but they benefited like the majorities from the industrial development which could not take place without the political, social and technical infrastructure. This kept the Scots inside Britain, the Bretons inside France, the Catalans inside Spain, the people in Lombardy inside Italy, the Ukrainians inside Russia etc – the list is endless.

They were willing to surrender some albeit not all their cultural identity on the altar of economic progress. And so they did.

But now the industrial society is not any longer necessary. Indeed in many cases it has become an obstacle to economic progress, so they revolt. We see it most clearly in Europe where the industrial revolution started.

The minorities are not any longer ready to surrender part or all of their identity to belong to a nation state which for decades even centuries exercised cultural imperialism as it is no longer capable of furthering economic growth.

History may pronounce the verdict that the European Union was most successful in picking up this trend and provide the people of Western Europe with exactly the right mix of economic internationalisation and cultural decentralisation. The prospect of joining this model explains why Central- and Eastern Europe did not erupt into clashes between majorities and minorities as most observers thought would happen after the collapse of the Soviet and Russian empire in 1990.

The plain fact is that the minorities do not any longer feel attached to the nation state. In many cases the nation state is regarded as an enemy. Instead they look to the

international community as the midwife to deliver them. And in many cases the international community delivers.

*Why is globalisation in the frontline.*

Quite simply because a rising share of economic transactions and dissemination of knowledge and information take place at international level. In the industrial society most people could live a whole an active life without much connection to international economic transactions. Not so today. People are employed by supranational companies, they are being promoted or retrenched by companies with headquarters in other nation states, they get much of their information and entertainment from international channels. The sheer size of the global economy and its impact on the nation states guarantee that most people feel the consequence of the global economy.

But the majority of people do not associate capital movements, trade and transfer of technology with the global economy. For them it is either abstract or they take it for national activities.

For them the global economy and internationalism is represented by the institutions trying to rein in the activities of the supranational companies and constitute some kind of political framework; the EU, the WTO and the IMF just to mention a few. The majority of the people aim their criticism indeed angers at these institutions. This is what they understand and what they read about.

Most people still prefer the national political decision making process even if it has become more or less void of substance because the parameters it tries to control has gone international. They believe that internationalism is brought to them by the institutions instead of realising that the institutions represent their only chance of getting influence in the same way as they have in the national political system.

This is why it is so difficult to move the political institutions on to the same level – international – as the substance (trade, capital movements, transfer of technology) it tries to control. One of the paradoxes of our time.

A powerful political coalition is being forged these years constituted by

- political leaders from a number of semi-developed nation states questioning the conventional wisdom that globalisation is good for their countries
- political leaders from developed countries adopting a nationalistic not to say populist policy
- activists such as the Attac movement rejecting globalisation
- pressure groups such as Greenpeace trying to curb the progress of economic globalisation
- a large part of the population in developing nations putting the question about globalisation on the political agenda 'where is the beef for us?'
- a rising share of the population inside developed nations seeing globalisation as a threat to their welfare and not as a challenge or an opportunity.

The dichotomy between the elite and the majority of the population, the retrenchment produced by supranational companies and the voice of the minorities boost this political coalition while those who want and is capable of delivering a strong defence of the benefits accruing to our societies from globalisation constitute a silent group – having chosen to be silent!

The elite does not really bother to take a stand and defend globalisation. Why should it? It is doing quite nicely anyway and probably the threat toward globalisation does not need to be taken seriously! Anyway it is too burdensome to communicate with the population.

The supranational companies use the freedom of localisation to shift production from country to country thus aggravating the criticism. They demand more and more liberal rules and use them to wriggle free from efforts to control their activities and/or constitute a framework like the one we have on national level.

The minorities emphasize their cultural identity instead of economic progress as they used to during the industrial age. In many cases we clearly see a willingness to prefer identity (culture, religion, ethics) instead of higher production, productivity or competitiveness.

This last point may be a very dangerous one. In many parts of the world the political leaders confront dissatisfied groups of minorities saying that if they do not accept enrolment in the programmes offered by society to prepare for the international competition they may not be able to maintain a rising living standard. Until recently the reaction was acceptance - grudgingly maybe but acceptance – but now we see and hear the following answer ‘that may be so but we are willing to pay that price’.

This reaction or answer put the proponents of globalisation on the spot. If the minorities are ready to accept a lower living standard to safeguard what they regard as their own cultural identity there is no argument left in favour of globalisation. But there is a consequence. And that consequence is a breaking up of many societies between the elite accompanied by a part of the population taking part in the globalisation and another part of the population rejecting globalisation because it in their eyes represents a threat toward their cultural identity.

For those convinced that globalisation is the best model the challenge is to combine the benefit of economic internationalisation with the right to maintain and even develop cultural identity regardless of whether we speak of majorities or minorities inside the nation states. If we do not master that problem nation states will gradually break up propelled by nationalism and thus not only herald the end of internationalism but announce economic, cultural, ethnic and religious confrontations probably of a very ugly nature. What we have seen in the Balkans for the last decade will not be the final chapter of political misconduct 100 years’ ago but a new pattern of international and national behaviour.

#### *Policy prescriptions.*

It would indeed be a great help if political leaders perceived this threat as the greatest challenge to the world instead of being captivated by strategic thinking belonging to

the cold war based upon military instruments and enemies versus allies. The challenge today is to shape a system to facilitate global cooperation – to think and act like internationalists – and not to find out who is the next enemy 20 years' ahead and how are we going to prevent that potential enemy from growing stronger.

The political and economic infrastructure governing the Western World (domestically and internationally) since 1945 was shaped by the exigencies posed by the Cold War. The Cold War itself ended in 1990. The infrastructure belonging to the era of the Cold War died in the beginning of 2003. We can go one step further. The main characteristic of the international system as it now emerges is the end of the sovereignty of the nation-state telling us that the Westphalian system introduced in 1648 guarding the nation-state and making it the corner-stone of the international system is out, dead, gone and for ever.

Such a turn around in strategy away from conflict to define problems and solutions in common would pave the way for the following policies:

- the world badly needs a set of common values. This is not what some calls monoculture or a misguided attempt to harmonise culture and behaviour but simply an idea of what is good and what is bad. Without such a set of common values it will not be possible to reconcile the elite and the majority nor will it be possible to avoid a clash between those who give priority to their cultural identity and those who favour economic progress. It served the world tremendously well after WWII that there actually was such a set of common values pointing to an increase in economic and social welfare as priority number one with few if any dissidents. The main problem right now is that this let us call it common understanding is slipping away.
- Nationally a common set of values keeps the nation together and if mutually agreed upon and applied successfully produces a solid even robust nation state. A common mindset presents an almost insurmountable obstacle to fragmentation, disintegration and disorganisation. By upbringing and tradition, people react according to some kind of common denominator defined by the underlying set of values. Are we prepared to introduce a set of values on the international level to safeguard the identity of people irrespective of ethnicity and/or religion neglecting nationality as criterion for rights and obligations?
- Is the world prepared to rein in the use of power and subject it to agreed rules and norms and can the powerful nations be counted upon to respect these rules in the interest of internationalism? Power in itself does not legitimise intervention. Only by maintaining the moral high ground can international use of power be warranted. And even more difficult: Are we mentally capable of reining in the use of power by the powerful while at the same time confronting even imposing upon violent minorities rules of behaviour as a quid pro quo? The majorities must recognise the cultural identity of minorities. Minorities must exercise their distinctive character in conformity with and not against the grain of the community in which they live.
- This is where tolerance comes into the picture. Tolerance is not to open the floodgates for everybody to behave as they like. Tolerance constitutes the right to

think and act differently than other people but within a mutually agreed framework. Tolerance defined in this way force us to know precisely where we stand ourselves. Other opinions must be measured against our own opinion. We must know what we think and why we think in the way we do – what is our mindset and why do we have it and why do we think it is the right one for us? Thinking in this way opens the door for realizing that what is best for us may not necessarily be best for others. And that gives birth to the crucial observation that the heart of tolerance is that we care for other people’s destiny even if we do not agree with them.

- doubts are cast over international actions even where a lot of good will is present. The International Monetary Fund is heavily criticised for its action to help e.g. Indonesia even if the objectives of the IMF unquestionable were laudable. The NATO action in Kosovo arose suspicion and misgivings in other parts of the world despite the fact that NATO governments felt that they were moving in to avoid a genocide. In these and other cases international action becomes more and more difficult even suspicious because it takes place without the implicit backing of a common set of values removing any doubt about the purpose of intervention and what those performing it actually has in mind.
- International intervention inside the nation-state becomes gradually the rule rather than the exception. But if or when it takes place outside an agreed set of values the fear arises - warranted or unwarranted - that the yardstick is sheer power exercised by those having the power instead of a common set of values opening the door for the weak nation-states to have their say in shaping and operating the international system
- our political systems and our economic models are gradually moving toward value based and value controlled systems. This is a complete break with the past where both systems were mainly guided and tested by economic considerations. It is not any longer decisive for elections whether the economy is doing more or less well. Thinking back the slogan from Bill Clinton’s campaign in 1992 ‘it is about the economy, stupid’ seems to have been wrong. It was the idea of government and its relations to people that helped Clinton to win the White House. It was the threat to the American homeland and the focus upon American values that helped George W. Bush to win the mid-term election in 2002 despite a depressing economic outlook. In the same vein it can be said that consumers are more and more being guided by values when choosing what to buy. Enterprises are being pushed with or against their will to produce not only economic accounts but environmental accounts, social accounts and now also value based accounts – what do they stand for and what have they achieved in pushing their values
- most people can identify themselves with the national political system even if it does not work properly to their mind (as they would like it). But they cannot identify themselves with the international system. It is not theirs. It is not transparent, it does not embody accountability and it loses legitimacy because it blurs the picture about who is actually responsible for which decisions. People feel that in the national system they can reward and punish politicians according to the scoreboard but not so in the international system

- this is why political actions outside the normal pattern takes place on the international scene. NGO's and other fora for pressure groups plus the large supranational companies have more or less given up to pursue their objectives by patterns known from the domestic political game. They do not find such patterns on the international scene. They then fall back on non-parliamentarian actions which the national parliamentarians take as an affront. This produces a stalemate between the outworn national system which has not been able to transfer its main instruments to the international arena and the players on this arena which demand channels to the political decision making and would be more than happy to find such channels but unfortunately time after time come to the conclusion that they do not exist
- the world needs such channels to accommodate the international players which sometime but not always are the same as the players on the national arena. It is no use any longer to pretend that companies like Microsoft, pressure groups like Greenpeace, minorities inside nation states do not influence the political and economic development – they do. The system must incorporate them in the decision making or it will undermine itself
- various international organisations be it UN, EU, NAFTA must be better geared to draw the distinction between what they can usefully do and what they should definitely not do. A big conference to draw up a catalogue would be the certain road to disaster but the politicians master minding these organisations should do it in the way that they leave to lower levels in the political decision making process what they can and only deals with what demands international action and accordingly can be justified in a dialogue with the population
- the plain fact is the majority of people is not against globalisation or internationalisation or whatever it is called as long as they understand and see the advantages by decisions in common instead of individual decisions by each nation state. Where they refuse to take part is where the advantages are doubtful or even absent so that the whole exercise resembles an academic endeavour serving nobody except a handful of politicians and civil servants
- international actions justified to achieve objectives which is supported by a large majority of the population usually find broad support provided that the politicians explain to the population what they are doing, how they are doing it and why they are doing it. Unfortunately, this is rarely being done because most politicians inside international political decision making perceive the process as fulfilled when they leave the meeting room. Indeed this is where it starts because now they have to go back to their constituencies to rally the necessary support

What is in doubt, severe doubt, is whether this is the case for the present international system.

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