

Globalization's failures: the age of discontent

There has been a breakdown of institutional norms and a consequent decline of public trust in the state



Photo: Reuters

Countries across the world, big and small, developed and developing, democratic and authoritarian, are in the throes of powerful new trends which governments, societies and institutions seem unable to cope with. Among these are the rising tide of anti-globalization sentiment, the anger over growing inequality of income and wealth both between and within countries and, most importantly, the pervasive decline of public trust in governments, institutions, media and business. This is happening precisely at a time when the world is confronted with major cross-cutting challenges such as international terrorism, ecological degradation and climate change, pervasive economic uncertainty and market volatility and structural and persistently high unemployment. These require collaborative national and global responses but competitive patterns of behaviour remain deeply entrenched.

Globalization rests on the premise that the free flow of capital, goods, people and ideas across national boundaries will create maximum utility for people of participating countries. The reality is that globalization may have maximized utility on a macro scale but there are winners and losers—and winners are an increasingly narrow and interconnected global elite while the losers are an increasingly expanding mass of people left behind. The latter see the spread of capital-intensive technologies on the one hand, and immigration on the other, as the negative fallout of globalization. This is the inspiration behind the vote for Brexit in the UK and Donald Trump's famous wall to keep the Mexicans out of the US. Even those who are better off today than they were before benchmark their current economic status against the most successful and feel frustrated. It is important to understand that it is not globalization as such which is to blame, but, rather, the failure of public policy and governance. The state has mostly abdicated its responsibility to ensure equitable distribution of the gains of globalization. It has failed to empower entrants to the labour market with the skills and capabilities required to deal with the technological and managerial challenges and opportunities that are being spawned by globalization.

And this leads to the growing anger and resentment over rising inequality in incomes and wealth. There is no doubt that overall both incomes and wealth have risen as a result of globalization and, more importantly, of technological innovation such as the digital revolution. There is less poverty in the world today than at any time in human history,

and technology carries the promise of delivering even greater economic gains in the future. But even as the bottom has moved up, the upper layer has gained even more. In relative terms, inequality has increased. According to an Oxfam report released in January, just 1% of the world's population owns more than half of its wealth. But there are important variations. While there has been a significant rise in inequality in the US and UK, Japan and the Scandinavian countries in general present a more egalitarian picture even at high levels of prosperity. The difference is accounted for by deliberate policy choices by the state. There is nothing inevitable about inequality as a consequence of globalization or technological change.

There is also a widespread public perception that rising wealth is not so much a reward for talent and excellence but more the result of sheer greed and market manipulation. When chief executive officers in the US or Europe vote vulgar compensation packages for themselves, when billions may be made through speculation in capital and financial markets, then the distress over inequality is understandable. And when the state is seen as complicit in this unscrupulous aggrandisement, public anger boils over and we have the Occupy Wall Street phenomenon.

However, the most damaging and deeply corrosive among recent trends is the sharply declining public trust in institutions and processes of governance. This is serious because it is trust that holds societies together and lies at the heart of political, social and economic interactions. At present, citizens no longer trust their governments, even those they themselves have elected. Faith in civil society organizations and media, which should be holding governments accountable, has plummeted and they have become deeply suspect in public perception. More recently, respected corporate entities such as Volkswagen AG, and several multinational corporations and asset companies, have been found guilty of unethical practices and abuse of public trust.

In China, families cannot trust baby food produced by local companies and our own Welspun textile company has blotted its record by allegedly falsifying specifications of its exports. A public relations company, Edelman, has been publishing its global Trust Barometer for the past 16 years. It finds that in recent years, but particularly since the global financial and economic crisis of 2007-08, public trust in governments, civil society organizations, media and business has hit unprecedented lows. Confidence in the state's ability and intent to uphold public interest and set high standards for other institutions has ebbed. However, it is interesting to note that in India, trust in government seems to have improved since the Narendra Modi government has taken office.

The breakdown of institutional norms and widespread lack of public trust often creates public sentiment in favour of ostensibly strong and decisive leaders; we see this tendency in several countries. But failure on the part of such leaders to meet heightened public expectations, which is usually the case, leads to an even more perilous situation. Leaders are important but credible and efficient institutions are indispensable. In India, the higher judiciary, constitutional bodies such as the Election Commission and the Comptroller and Auditor General enjoy a high degree of public trust, but they are exceptions. The exceptions must become the norm if India is to fulfil its incredible promise.

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