

GLOBAL INTERDEPENDENCE, PRIVATIZATION OF RISK, AND HUMAN INSECURITY

Ismail Sirageldin

Johns Hopkins University, Baltimore, Maryland, USA

Samia Serageldin

Duke University, Durham, North Carolina, USA

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Summary

The article focuses on how patterns and modes of global interdependence combined with the privatization of risk, influence economic security for workers and families. International finance plays an important role in development. However, the privatization of risk, a result of increasingly unregulated and liberalized financial markets, and floating exchange rates, tends to create large speculative activities with major negative systemic effects that hinder orderly economic growth and positive human development, especially in the developing countries. On the other hand, sustainable human development requires more than financial stability. Internally oriented sustainable reforms (IOSR) that include the development of human capabilities and equal opportunities, are essential for sustainable development, especially in the present phase of the demographic transition of the developing countries. Such reforms could provide both resilience and adaptive capacity, qualities required for societies to cope in an environment of increased interdependence, global financial mobility, and increased possibilities of financial volatility and systemic risk.

1. Introduction

Some for the Glories of This World; and some
Sigh for the Prophet's Paradise to come,
Ah, take the Cash, and let the promise go,

Nor heed the music of a distant Drum
(Rubaiyat of Omar Khayyam XIII, 1985 (1909))

The present context of global interdependence and its associated international and intranational distribution of power and knowledge, present challenges to understanding its nature and direction, especially as related to determinants of growth, governance, and poverty—issues that for many centuries have produced competing paradigms. At the beginning of the twenty-first century, the field is charged with serious attempts at reason and understanding. However, it is also charged with passion and emotions. The present phase of global interdependence is evolving both in structure, institutions, and socioeconomic and political management. The evolution, although accelerating, is not of recent origin. It is part of the more fundamental human symbolic cultural evolution. Symbolism implies universality in scientific communication. It has been the nucleus that has facilitated and accelerated the processes of interdependence, leading to the present phase of globalization. Rather than the traditional basis of military conquest, this phase is based on the global spread of technology, finance capital, and a global labor market that is increasingly integrated. This phase represents a new stage in human evolutionary processes. It is labeled the technophysio evolution, a self-generating outcome of interactions between technological and biological developments. It is biological and not genetic, rapid, culturally transmitted, and not necessarily stable or balanced. It tends to produce a technical civilization with built-in contradictions, that on the one hand, produces advances in human comfort, and on the other hand, produces negative externalities that impact human development.

It has been common practice in analyzing the consequences of the present global system, to assume that its outcomes, whether positive or negative, are independent of the evolutionary processes of human nature. This is evidently a confusion of cause and effect. It is true that technological change influences human nature and established beliefs through the spread of scientific culture based on doubt and systematic search for explanations, and in the process, impacts human institutions and behavior. These influences however are not unidirectional. For example, global markets diffuse a market culture but a sustainable global market might also depend on the presence of established moral conducts. The issue is fundamental, since as global interdependence spreads, it becomes essential to search for common moral norms, not an easy search in a global society with diverse cultures and needs. Furthermore, most policy analyses tend to be short term. They attempt to deal with present outcomes and developments within the constraints of their institutional frameworks and capacities. But institutions tend to evolve slowly—whether local or international, they seem to lack the adaptive capacity necessary to cope with the demands of a fast moving technological environment, and thus adhere to past practice and beliefs.

In this article, the focus is on how patterns and modes of global interdependence combined with the present characteristics of the global system, i.e., privatization of risk in global finance and changes in governance and government roles, influence human development. What are the prospects for human development? Are short-term setbacks inevitable? How do they influence prospects for the longer term? These are the critical questions that require answers. But what present knowledge offers in terms of answers, seems to be mainly speculative in nature. Speculation, as will be evident, seems to be a

major source of malaise in the present global system. Speculators in global finance tend to create more, larger, and mostly unpredictable risk in the financial and labor markets. Although risk is being increasingly privatized, a result of reduced regulatory capacities as liberalization has spread worldwide during the last three decades of the twentieth century, it tends to produce more serious systemic effects that are detrimental to economic growth and human development, especially for the developing and emerging economies. The issues are complex and the pathways to human development are unclear at best. The discussion that follows focuses on some key pathways: the diffusion of technology, especially innovations in information and communication, the privatization of risk and its management; and the changing socioeconomic roles of national and local governments. Finally, an attempt is made to examine the implications of these dynamics for human development (see *Globalization and Human Development: An Overview and Moral Development and Moral Education*).

2. Global Interdependence: a New Global System?

“If globalization is to be taken seriously as a policy instrument, it must be conceptually well defined. Otherwise it will become a mere catchword, a burden to the government that embraces it.” (Doran 2000).

Globalization may be defined as a process of increased interdependence among countries and communities through mutual learning, a development with varied phases and historical continuity, rather than any abrupt phenomenon that emerged in the past few decades or even centuries. The modus operandi of the symbolic cultural evolution is the maximization of survival probabilities by individuals and groups, leading inevitably to increased interdependence. As mentioned earlier, it is an outgrowth of the onset of the symbolic cultural evolution, and its present technophysio phase. In the present phase, human societies continually attempt to balance the three acquired modes of human nature: scientific development, time binding for setting social priorities and planning ahead, and imaginal and creative thinking.

Viewed as a development towards increased interdependence, globalization started taking shape from the time civilizations began communicating and interacting with one another. It has been a cumulative process. This process could be safely taken back to the times of maritime explorations and adventures, the slave trade, colonization manifested in the exchange (whether voluntary or forced) of labor, technology and capital inputs, and the exchange of values and beliefs. With technological progress came the attempt to seek outlets for capitalistic overproduction, that in turn, leads to more global interdependence. Throughout history, increased interdependence has changed the economic and political fortunes of societies, nations and even continents. These changes have been the result of many factors such as hegemony in military and technological power, e.g., Great Britain in the heyday of the empire or the U. at the present time. This seems to vindicate the notion that economic development is a process of increasing returns—those who have will have more. History indicates that more does not come without a struggle, sometimes at high cost to all parties.

The presence of a massive literature on the subject of globalization is not accidental. It is a result of it being regarded, if not defined, as the sum of all the varied forces that

influence global interdependence and human development; the *Human Development Report 1999* (UNDP 1999) presents extensive discussion and documentation of these issues. There is a tendency that confuses human nature with human development, leading to the conclusion that globalization is the sum of all the negatives for which it is allegedly responsible. This also leads to desperate development paradigms and polar discourses and views.

For example, some authorities view the present phase of globalization as an extension of Western imperialism, including the imperialism of ideas and beliefs, while others put technological advances as the main driving force. As an instance, it is reasoned that Europe would have been a lot poorer had it resisted the globalization of the decimal system that emerged and became well developed in India, and used extensively by Arab mathematicians between the second and the sixth centuries. These procedures reached Europe mainly in the last quarter of the tenth century, and began having their major impact in the early years of the last millennium, playing a major part in the mathematical and scientific revolution that helped to transform Europe. Yet, others play down the role of technology and adopt a neoclassical view of international trade and international factor movements, in which diminishing returns play a leading role in the historical patterns of global interdependence and degrees of convergence.

Other authorities, concerned with observed negative systemic effects, make a well-reasoned case that an unregulated global system that relies on free market solutions does not promote positive and sustained human development. In this latter view, global society must deal with each phase of its evolution on its own grounds, in order to minimize its negative systemic effects. In other words, every age earns its own name after its own history, and after its dueling ambitions have played out; that “dueling” implies the taming of unregulated markets “to save” capitalism from its own follies—a difficult process with unpredictable outcomes since “saving” has different meanings to different powers and players in the world system.

It can be safely stated that the present phase of globalization is the child of the technological revolution that started at the beginning of the twentieth century, and that culminated in the present explosion of information technology, and the so-called brain industry. As a result, we are witnessing the dissolution of boundaries and national authorities in innumerable aspects of practical life. For example, there is a fundamental change in business behavior. The interaction of information technology (e.g., e-commerce), and the global economy, induced a need for alliances among multinational corporations to share information, ignoring borders, cultural or language differences, and geography. The only impediments are taxes and government rules. Such apparently cooperative behavior has its limitations. First, maximum returns, mainly short term, are required for survival in the global marketplace, especially given the discipline of international finance capital. Second, maximum returns implies competition in global labor markets, and in the acquisition of technological innovations, activities that are not necessarily cooperative in nature.

Three major factors seem to characterize the present globalization environment: innovation in communication and information technology, the dominant role of finance capital, and the emergence of global regulatory institutions. But these characteristics

have been present in various forms for many centuries. For example, there were major technological breakthroughs in the late nineteenth century and in the 1920s, that had significant socioeconomic impact, each viewed in their own time, as the ultimate in human ingenuity. For example, the railway steam engine of the mid-nineteenth century, with its 162 horsepower and the capacity of drawing 225 tons at the rate of about 30 miles per hour, was viewed as the most perfect of machines. It was described as more comparable to the spiritual and physical combination of the human machine than any other invention, a claim overtaken by the present transistor-digital-genome technological age.

There were also regulatory institutions, some through colonial powers that had extensive global reach combined with strict enforcement power. What seems to distinguish the present phase is its speed and potentially destructive tendencies. The new “knowledge industry” forms interconnected webs which are highly dynamic. It tends to undergo bursts of evolutionary creativity and massive extinction events of established technologies, and more fundamentally, of established systems of values and social contracts and relations. The system seems indifferent to the consequences to human development. In a crisis, a decline in GDP of 10% or more, which has not been uncommon in recent experience, would be socially devastating in a country with a fairly low per capita income and no safety net. But such a devastating experience is viewed as part of learning the lessons of reform and the cost of growing-up, so to speak.

What is not immediately evident is how different from past practice, in both speed and scale, is the impact of the present phase of globalization on the distribution of gains and losses from exchange in the expanded market for knowledge and skills? There is evidence that the competitive global market combined with the privatization of risk in both the financial and labor markets have produced inequitable returns for investment in human resources. These inequities are leading to unsustainable human development, especially for those at the low end of the development ladder (the UNDP *Human Development Report 1999* gives numerous illustrations). As the following discussion illustrates, it is becoming increasingly evident that the evolving patterns of global finance and governance have significant negative systemic consequences to the prospects of human development for increasing segments of humankind. There is a need, especially as the ability and authority of local regulations are being curtailed, for the development of an international regulatory authority which deals effectively with the new parameters and realities of unregulated movements of international finance capital and its consequences.

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Biographical Sketches

Ismail Sirageldin is Professor Emeritus at the Johns Hopkins University. He has been professor of population dynamics, economics, and international health. He is also a fellow and member of the Board of Trustees of the Economic Research Forum for the Arab Countries, Iran and Turkey (ERF). Professor Sirageldin's major research and professional interests are in the interrelations between population dynamics and human resource development, environmental consequences of population change, and food policy analysis. Sirageldin has consulted to various national and international organizations and governments and served as a chairman and member of various employment, health, education, and human resource missions in the Arab region, and around the world. Professor Sirageldin has served as: Chief Advisor for the Pakistan Research and Evaluation Center; Senior Scholar, UN Cairo Demographic Center; Senior Advisor, Kuwait Institute for Scientific Research; member of the WHO International Advisory Committee on Health Statistics; the World Fertility Survey; and member of the UN/IUSSP Committee on the Evaluation of the Fertility Impact of Family Planning Programs. Professor Sirageldin has written numerous articles, chapters, books, and book reviews on economic development and population dynamics. In 1978, Sirageldin founded *Research on Human Capital and Development* and

acted as its series editor. The series produced 12 volumes including *Population and Development Transformation in the Arab World* (1996), and *Models for Economic Policy Evaluation, Theory and Practice: an International Comparison* (1997). Currently, Sirageldin is editing a book on *Population Challenges in the Middle East and North Africa: Towards the Twenty-First Century*, and editing the Theme on Sustainable Human Development for the UNESCO EOLSS.

Samia Serageldin holds an M.S. in Politics from the University of London. She teaches at Duke University at the Department of Asian and African Languages. She is the author of *The Cairo House* (Syracuse Press 2000). She is engaged in research on class, gender and religion in contemporary Egypt. Recent publications include *The Evolution of Ramadan Manifestations in Contemporary Cairo* (April 2000), *Class, Religion and Gender: Elite Women in Egypt* (March 2001).

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