



Contribution of the Economy to Emerging Global Governance*

Erich Hoedl

Vice-President, European Academy for Sciences and Arts;
Member, Board of Trustees, World Academy of Art & Science

Abstract

Accelerating globalization leads through its rapidly increasing interconnectivities to a highly interdependent global whole with different functional subsystems, which are currently divorced from each other. The economy is separated from the society and within the economy financial, man-made, natural and human capital are divorced from each other, which leads to crises. Preserving economic wealth needs a reintegration of all capitals. Global governance in the future has to concentrate on the beneficial impact of global cooperation. Historical experiences show that pure competition is in contradiction with globalization. As nation-states have lost their influence, global governance has to enhance cooperation between all capitals. In face of the global limits of natural capital and the abundance of financial capital, man-made capital has to be increased, which in turn requires higher human capital. The future evolution of global governance needs a democratization of the economy and an enlargement of the present voting democracy to a politico-economic democracy. Implementing a global constitution based on human rights and human dignity will question the presently dominating Bretton Woods Agreement fundamentally.

1. The Emerging Global Entity and Global Democratic Governance

Lately, most considerations on global governance have started concentrating on the interaction between countries. The world economy is a highly interdependent whole of different functional subsystems. A fundamental characteristic of subsystems is, they largely act as self-referential units, are divorced from each other and thereby produce crises. The main divorces are the separation between the society and the economy and within the economy, there is the mutual separation of the financial, man-made, natural and human capital. Through global limits, the world economy has become a very uneven entity, but nations' strong interconnectivities endogenously enforce increasing global cooperation, which needs to be a main point of reference for the development of global governance.

During colonial times, rather isolated and partly nationalistic countries competed politically and economically for global influence. Now, at the time of accelerating globalization, strong negative feedbacks turn countries to competition, which reduces negative spillovers and increases common productivity. To a certain extent, competition between countries will

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remain, but the emergence of a global entity reduces the role of nation-states, possibility of economy dominating the society and abolishes fragmentary global governance. Solving universal global problems beyond nation-states has been tackled in the case of natural capital (COP21), but much less is being done for the financial and real productive capital, which should be given priority now.

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A Global Constitution, based on human rights and a voting democracy, is crucial for the development of global governance. However, without an economic underpinning, it is prone to political and economic dynamics. National constitutions contain a great variety of human rights and formal democratic procedures, but their real implementation is far behind. Therefore, a Global Constitution for the emerging global entity has to refer to the endogenously enforced global cooperation and its opposite tendencies to further the divorce between the financial, man-made, natural and human capital. Such a primarily economic perspective of democratic governance has to be enriched through social and cultural dimensions and the equal distribution of societal power.

2. Globalisation and the Evolution of Global Economic Wealth

Historical experience shows that wealth creation through internationalization and globalization depends on the degree of cooperative behavior and the relationship between the financial and real productive capital. Nation-oriented strategies for global influence lead to the destruction of economic wealth, partly resulting from wars. Globalization in 1910 was about the same level as in 1970 and the 30 years of World War I and II destroyed about a third of all capital equipment and enormous human resources. The competition-oriented international policies with real and financial capital investments had created a form of global entity, but the lack of cooperation resulted in a huge destruction of economic wealth.

After World War II, industrial countries adopted the cooperation-oriented Bretton Woods Agreement for re-establishing their productive capacities through the IMF, WB and WTO, which enhanced economic growth through mutually increasing investments within the industrial world with a minor redistribution of global economic wealth to economically less performing countries. International cooperation between the industrial countries (OECD) and the developing countries led again to a very unequal global entity dominated by the First World.

Since the 1970s, enlarged global cooperation resulted from over-accumulation of capital in industrial countries and induced more direct investments of multinational firms in emerging countries with very limited “trickle-down” effects. Increasing imports of natural resources from developing countries and mercantilist strategies induced a large expansion of world

trade without developing the enormous natural and human resources in the Third World. Increasing global trade was primarily based on real investments and increasing economic growth, and this was accompanied by reducing gaps in the still uneven global entity.

In the era of financialisation, the emergence of the global entity is governed by the financial markets, which create artificial economic wealth and recurrent financial crises, and destroy real global economic wealth. What was formerly executed through real sector “cleaning crises” and regionally limited military conflicts is now systematically executed through the global, or rather uniform, financial system, which is divorced from real production and the employment of human resources. As nation-states have lost political and economic influence, the future orientation of global governance should be on the societal subsystems of financial, man-made, natural and human capital.

3. Preserving Global Wealth through Re-integration of Capital

Industrialism has produced enormous economic resources and made them available to the global society. The currently divorced financial, man-made, natural and human capital have to be integrated. A balanced integration of all capital can prevent destruction of the inherited economic wealth. In face of the limits of natural capital and the abundance of financial capital, man-made capital can be increased, which needs higher human capital investments. Preserving existing global economic wealth needs a vigorous augmentation of human capital and an extension of political global governance to a politico-economic global governance.

A turn from prevailing capital-centered to human-centered global governance will increase the responsibilities of capital owners and give priority to human rights to which property rights have to adapt. Properties have to be organised according to human-centered values, which imply a cooperation between firms’ management and workers instead of the actually detrimental cooperation between management and the financial markets. Real production and wealth creation should be rooted in cultural values and serve the demands of the society as a whole.

Developing human capital can be accelerated through human-centered education, but it also rests on a human-centered productive system of wealth creation. Alleviating the oppressive effects of prevailing socio-economic and technological cages in production will strongly increase human creativity and productivity. The development of global democratic governance has to cope with extensive reallocations of material and immaterial capitals. The main challenge is their human-centered allocation and ultimately the development of humans as holistic personalities.

Global economic governance needs a shift from competition to cooperation of nations and continents without neglecting the rich diversity of their natural and human resources. Accordingly, the re-integration of capital will result in regionally different combinations of capital. Instead of rather uniform globalization strategies of International Economic Institutions (G7/20 etc.), each country and region have to develop their domestic resources and global governance should embrace global and regional diversity, which is a strength

for the emerging global society. Uniform strategies for further globalization tend to create unipolar hegemonies instead of a decentralized global governance structure.

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4. Democratic Governance for the Emerging Global Entity

Future evolution toward global governance needs a democratization of the economy and an enlargement of the present political voting democracy to a politico-economic democracy. Although a Global Constitution based on human rights and a voting democracy should be the reference for global governance, it remains empty without an economic underpinning through the large population. The evolution of the global society into an entity with natural limits endogenously enforces the politico-economic participation of the large population, which has to manage the globe.

In the past, global development was mainly driven by the economy and its detrimental effects are the main causes for the present fragmentary and biased global governance. The implementation of a “new global social contract” will be the next step and an evolutionary advance over the capital-centered Bretton Woods Agreement. Future global governance has to observe the increasing interconnectivities in favour of a cooperative orientation. A main contribution of business and the economy to future global governance is its endogenously enforced turn to cooperation. The increasing consciousness of overall interdependencies and negative spill-overs of uncoordinated economic globalization processes may facilitate the politico-economic global governance model we envision.

The development of a politico-economic global governance model becomes easier through the enormously increasing information about manifold global dynamics. The global entity has become a rather transparent whole, thanks to easy transportation, conferences and the Internet and its related instruments, like social media and cryptocurrencies. Presently, the globalized information system is biased due to private and public interests, which prevent any self-regulation and need public regulation. The increasing bottom-up initiatives and the rapidly expanding scene of NGOs will partly correct biased information, but without support through a global politico-economic governance model, they do not have much influence because of existing global power structures.

Global socio-economic power is very unevenly distributed between industrial and developing countries. It results from the uneven distribution of material and immaterial

properties, its organization and handling values. Historical experiences demonstrate that more equality is a multi-dimensional long-term process to which a global democratic governance can contribute through selected politico-economic transition strategies through changes in the financial, man-made, natural and human capital. From an economic perspective, there should be a far-reaching shift from the outdated Bretton Woods Agreement to creating a “new global social contract” which, if given the highest priority, will effectively contribute to the development of a more democratic global governance model.

Author contact information

Email: erich.hoedl@aon.at