

Reconciling the Irreconcilable: The Global Economy and the Environment

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ABSTRACT. This paper focusses on the relationship among structural adjustment policies and practices, the business activities of transnational corporations and what Robert Reich has called "the coming irrelevance of corporate nationality". The argument presented is that the force of these combined factors makes environmental sustainability impossible.

For the past decade, we have been listening to a number of inconsistent and irreconcilable recommendations for solving the serious economic and environmental problems in both domestic and international economies. Our current language with respect to the significant sea changes we have witnessed in the global economy over the past decade is filled with, to use that most appropriate euphemism of the 1980s, disinformation.

This discussion will focus on how the relationship among structural adjustment policies and practices, the business activities of transnational corporations and what Robert Reich has called "the coming irrelevance of corporate nationality" makes environmental sustainability impossible. To begin, a brief discussion of the global economy and its relation to the diminishing significance of national boundaries will set the context.

The global economy and the erosion of statehood

In their 1989 book, *For the Common Good*, Daly and Cobb argued that if Adam Smith were alive today, he would probably not be preaching free trade. Their argument is based on what they believe to have been a necessary commitment of the 18th century capitalist to a sense of community and to an identification with his own nationhood. On this point, Smith is perhaps most universally known. He states, "By preferring the support of domestic to that of foreign industry, he (i.e. the capitalist) intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention" (Smith, 1776, p. 423). Daly and Cobb argue that the cornerstone of the free trade argument, capital immobility, that factored so strongly into Smith's belief that the capitalist was committed to investing in his or her own domestic economy has been eroded by

A world of cosmopolitan money managers and transnational corporations which, in addition to having limited liability and immortality conferred on them by national governments, have now transcended those very governments and no longer see the national community as their residence. They may speak grandly of the 'world community' as their residence, but in fact, since no world community exists, they have escaped from community into the gap between communities where individualism has a free reign (Daly and Cobb, p. 215).

These capitalists, as Daly and Cobb rightly note, have no disinclination to move their capital abroad for the slightest favourable preferential rate of

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return. The concern which Daly and Cobb articulate here is frequently posed as a question or series of questions. For example, “with the globalization of the economy are we living in a world system in which national economies are merely vestigial remnants of modernity or the earlier industrial period?”, or, “are nations as political and social regulatory systems necessary agents for global economic negotiation and cooperation?” And what we’ve had as answers to these questions is essentially political positioning in two oppositional camps. As MacEwan and Tabb (1989) summarize this debate,

The extreme globalist position often carries the implication that no change is possible except on the international level, and since there is no political mechanism for such change — aside from that of formal relations among governments — oppositional political activity is easily seen as useless. On the other extreme, those who view the national economic system as a viable unit are led to formulate programs that ignore the importance of economic forces which transcend national boundaries. Such an outlook can lead to both unrealistic programs which fail because of capital’s international flexibility and implicit alliances with reactionary nationalist groups to advocate, for example, increased ‘competitiveness’ (p. 24).

Now while I will later argue that both of these alternatives are inadequate, I’d like first to spend some time discussing how we’ve gotten into our current economic crisis and that means a brief sojourn into the world of structural adjustment, the world we have essentially been living in for much of the past decade.

Structural adjustment

I am going to address structural adjustment only as a consequence of the debt crisis and the stagnation and economic insecurity of the 1980s. Those familiar with the literature on the current economic crisis know that a complete picture starts with the Bretton Woods conference of 1944 which set guidelines for what was to become the International Monetary Fund and the International Bank for Reconstruction and Development (the World Bank as it is now known). Bretton Woods also guaranteed the dominance of the United States in the world economy. As Jamie Swift notes, “the U.S. dollar, linked to gold, would be the world’s most important reserve cur-

rency and the United States effectively became banker to the Western world, with the right to print and spend the principal currency” (p. 82). What ensued in the next forty plus years is too complex to examine here. It is sufficient to note that during that time, Japan and Germany rebuilt, the United States faced with a growing trade deficit and budget deficits abandoned the gold standard, and an unprecedented exchange of world currency as commodities ensued. This was followed by extensive loans to third world countries. And with those loans went conditionality, that conditionality being structural adjustment.

Structural adjustment as the salvation from national and international economic insecurity was a natural by-product of the Reagan-Thatcher-Mulroney era posited as it is on an idealized 19th century *laissez-faire*. It comes from, as Foster (1989) notes, a “renewed faith in the rationalizing effect of market forces in the face of economic stagnation” (p. 281)

Structural adjustment involves, in fact, a number of complementary actions, all mutually targeted to producing on a global scale, a so-called level playing field. These actions include privatization, deregulation and liberalization of national economies. Much of this is familiar to Canadians for this is precisely what the Canadian government has been pursuing in concert with the Canadian-American Free Trade agreement and with the North American Free Trade Agreement. The impact of structural adjustment it is assumed will remove the supposed artificial obstacles and allow for the rational correction of the current crisis by removing the obstructions to natural market forces. Part of adjusting to create a level playing field, however, means, to quote Rosenberg (1986) “a weakened, restructured labour force with lowered expectations” (as quoted in Foster, p. 281). Thus, part of the restructuring for global competitiveness has meant deregulating or decertifying unions in the United Kingdom, New Zealand and elsewhere in the developed world. In the developing world, it has meant devalued domestic currencies, high unemployment, increased poverty and starvation, inflation of the cost of living and, as a strategy for global competitiveness, the establishment of free trade zones within a number of these countries.

Furthermore, within the developing nations all of these factors have led to disproportionately increased poverty among women. This appears some-

what paradoxical given that much of this increase in poverty happened during the second half of the United Nations Decade for Women. However, since women are the poorest and most politically and economically vulnerable members of the global community (the UN 1980 data argued that women do 2/3rds of the world's labour, earn 1/10th of the world's income and own 1/100th of the world's property), they also represent the largest so-called surplus labour force. Hence we have the incongruity that while both nationally and internationally, more equity legislation was introduced into charters and constitutions and international agreements than ever before in recorded history, at the same time, the transnational corporations of advanced economies were utilizing the world's poor women as an avenue out of the stagnation of their own domestic economies by moving some of their operations to free trade zones. As Beneria (1989) states,

The existence of a large pool of female labour at a world scale is being used to deal with the pressures of international competition, profitability crises, and economic restructuring that characterize the current reorganization of production. The availability of cheap female labour has also been an instrumental factor in the export-led policies of their world countries shifting from previous import-substitution strategies (p. 250).

The United Nations World Survey on Women (1989) concludes that "[t]he bottom line shows that, . . . economic progress for women has virtually stopped, social progress has slowed, social well-being in many cases has deteriorated and, because of the importance of women's social and economic role, the aspirations for them in current development strategies will not be met" (p. xiv).

Environmental sustainability

Having briefly outlined the parameters of structural adjustment, we can now ask: "What does it mean for environmental sustainability?" Well, if it is not already evident, any attempt to repay debts and remain competitive in such a global market under such conditions is almost impossible for a third world country and increasingly difficult for developed nations like Canada. To look first at the seemingly more favourable conditions in Canada,

consider that environmental protection in developed nations like our own is only a relatively recent phenomenon. Snider (1993) argues that even within the boundaries of a nation state where a conflict arises between business interests and environmental protection, business wins. Thus, she states that both in Canada and the United States "environmental protection varies from poor to nonexistent, basically . . . because of the power of business." (p. 194) When we add to this the power of transnational corporations which take on supernumerary roles, traversing the globe and engaging in negotiations that change the quality of life and laws in various domestic economies, we begin to realize the resistance which any attempt to protect the environment meets. To again quote Snider with respect to the situation in Canada,

As with occupational health and protection laws, provinces and countries fear they will be at a competitive disadvantage if they strengthen environmental regulations unilaterally. Industries have always tried to minimize the costs of operation by moving to the cheapest locations they can find. Free trade between Canada and the United States has often resulted in industries from Canada and northern U.S. states relocating to the less regulated south . . . With an extension of the free trade agreement to Mexico, many can be expected to join the already extensive migration . . . , taking advantage of cheap labour and lax environmental regulations there. (p. 194)

In developing countries, the situation is exacerbated by the very nature of their so-called competitive edge as outlined by Snider (i.e., cheap labour, lax environmental regulations). The result of a heavy debt load, structural adjustment, and a radical change in the basis of domestic economies in third world nations guarantees that such nations cannot put the environment before economic survival. As Swift (1991) summarizes the problem,

It is simply not possible to push the idea of sustainable development while insisting also on debt repayment, favourable access to minerals and agricultural resources for transnational corporations, and cuts in the public sector and lower levels of social spending by Third World governments. Such an economic model is bound to focus not on environmental safeguards but on achieving a better trade and payments balance — the kind of policy package known as 'structural adjustment'. The notion that the same ideologies of industrial growth that

created the environmental crisis can bring about 'sustainable growth' is, in the end, not only puzzling but also dangerous. (p. 215–216)

The perversity of food-aid distribution over the past decade to countries where predictably famine follows deforestation and desertification and developed nation degooders attempt to teach starving people in the third world modern farming methods to previously agrarian peoples who destroyed their environment cash-cropping for markets in the developed world, is sufficiently mind-boggling as to make us search for alternative, more coherent explanations to the problem. Essentially, we have here three cycles of activity. The first is the externally imposed requirement within a third world country to move from traditionally agrarian subsistence farming to large-scale cash crop farming. This results in a cycle of famine. And this, in turn, results in foreign food-aid and the attempt by non-profit organizations from industrialized countries to bring modern agricultural farming methods to the famine-stricken area along with the food-aid as a means of eliminating starvation. The latter cycle is initially done in relative ignorance by well-intentioned individuals who are unaware that the cycle of famine was predictable engineered by previous development strategies. Rather, it assumed that there is an inability among poor nations do deal with what are believed to be natural disasters like famine in Ethiopia or flooding in Bangladesh. However, as Berlan (1989) notes these disasters are not caused by whims of nature. Nor are they caused by the ignorance of peoples who merely need instruction in ecological conservation. Rather, "Third World countries are caught up in a desperate and vicious process of destroying their natural resources simply to service debt and allow short-term survival" (p. 222). And they are doing so because they have lost control of their domestic economy and of national self-governance. The environmental damage seems reminiscent and evocative. It brings to mind images of the pollution and environmental degradation which was endemic to the Industrial Revolution. The difference here is that the negotiations and damages incurred by development have been transnational in nature and have seemingly gone beyond the capacity of nation-states to effectively control. This is not just a difference in

scale but a difference in kind. As Berlan summarizes the problem,

Transnational companies are involved in all manner of hazardous ventures in Third World countries. They are building nuclear power plants, constructing massive dam projects, undertaking large mining and mineral-processing ventures, and investing in manufacturing that uses dangerous chemicals and produces hazardous wastes. In most Third World countries health and safety regulations inside plants are either non-existent or weak. Environmental standards to govern industry are just starting to be taken seriously. Most Third World governments are so desperate to attract investment that companies are in a good position to reduce their costs by saving on expensive pollution controls and health and safety equipment for workers. (pp. 221–222)

Such radical shifts in power from national economies to transnational corporations and supranational monetary funds has led some intellectuals to embrace a new political cynicism and existential ennui captured by the general heading, post-modernism. David Harvey summarizes this state as a loss of faith in progress, science and technology and a total agnosticism with respect to any political or collective solutions. At least psychologically, if not epistemologically, this is similar to the political inertia noted at the beginning of this paper, the position of the extreme globalist which "carries the implication that no change is possible except on the international level, and since there is no political mechanism for such change — aside from that of formal relations among governments — oppositional political activity is easily seen as useless" (p. x).

The remnant state?

This brings us to the final questions; "Do we have both conceptually and factually or descriptively an erosion of nationhood or statehood?" And, if so, "What does this mean for such global problems as environmental sustainability?"

Robert Reich (1991) argues that it is no longer meaningful to speak of nations in terms of national economies because the emerging global economy has rendered those economies irrelevant. He states,

As almost every factor of production—money, technology,

factories, and equipment—moves effortlessly across borders, the very idea of an American economy is becoming meaningless, as are the notions of an American corporation, American capital, American products, and American technology. A similar transformation is affecting every other nation, some faster and more profoundly than others (p. 8).

This perspective is echoed in the discussion of national governance in the UN World Investment Report (1991). The report notes,

One of the trends highlighted in the present volume is the growing regionalization of the world economy. National economies are becoming increasingly linked in regional groupings, whether through initiatives at the political level, as in the case of the integration of the European Community, or through activities at the private-sector level . . . As described in this report, regionalization is one of the important factors behind the recent growth of foreign direct investment and its growing role in the world economies (p. 40).

For those concerned with Canada's involvement in free trade agreements and the protection of Canada's natural resources in those agreements, the question of Canadian sovereignty is central. As Bienefeld (1991) notes with respect to financial deregulation, "the political content of financial regulation is usually entirely neglected when the multilateral agencies stress the importance of international regulation while advocating national deregulation even though this 'means giving up a large degree of autonomy in domestic . . . policy' (p. 50). To this, Easter (1992) adds "In Canada, our true sovereignty as a nation is being lost as we replace political debate and decision-making for community goals, with the absolute rule of the market . . . Almost all . . . [good policies] . . . are now being lost or rendered useless under the 'competitiveness' and 'open borders'" (p. 93).

But there is something to remain cognizant of when we look at the literature on the loss of national economic autonomy and sovereignty and that is that it is nations that are the key agents in negotiating deregulation, privatization and free trade deals. In the worst literature on the globalization of the economy it is as if Adam Smith's invisible hand had been replaced by the invisible man for all we hear

about are global economic forces that require structural adjustments.

Nation states which, in liberal democracies, we view as protectors of basic rights, both positive and negative, and basic civil liberties are, in fact, involved in global negotiations which may erode the very principles on which they are based. And this not only effects rights meant to ensure the quality of life, including the right to live in a clean and sustainable environment, within given nations but also diminishes the possibility for the growth of democracy and democratic rights on a global scale. As Foster points out, "as each state makes its economy leaner and meaner to enlarge its own internally generated profits and export the crisis to others, the stress on the world economy intensifies, and international cooperation — always a dim possibility — becomes more remote" (p. 294). Interestingly, as regional deprivation within developed economies more and more mirror the economies in developing nations, we witness what we previously only saw in countries, like India, where prior to Bhopal, the prime minister of the country was willing to put jobs at any cost before anything else; safety, environment, quality of work life, etc. As we add the nations of the former Soviet Union to this mix, we observe with seeming fatalism the bottom-rung position which both environmental protection and quality of life issues take in the turmoil of establishing political and economic security.

Not only, however, do forward-looking principles of rights and benefits get undermined as nation after nation positions for a competitive advantage that results in levelling to the lowest common denominator, but global negotiation coupled with financial deregulation and the development of information technology has resulted in unbridled corruption and crime. As chief financial officer of the Bank of Montreal noted,

I can hide money in the twinkling of an eye from all of the bloodhounds that could be put on the case, and I would be so far ahead of them that there would never be a hope of unravelling the trail . . . Technology today means that that sort of thing can be done through electronic means. (quoted in Naylor, 1987, p. 12)

In a related argument, Thomas (1989) claims that "the contradictory development of bureaucracy in

the face of ideological assaults on the state . . . includes a burgeoning growth of corruption, which has reached such staggering proportions that some social scientists see it as an 'independent productive factor' (p. 337).

With respect to the environment, this level of corruption coupled with desperation has been evidenced in the third world as nations vie for position to accept toxic waste from developed countries in contravention to international law.

So, does all of this mean that indeed the notion of statehood has shifted, diminished or been eroded? I would say unequivocally not. What has been eroded here is not statehood but democracy and the ability for citizens within democratic states to exercise democratic rights. Democracy has been undermined or subverted and people have been disempowered, but states have not. And this is not only true with respect to developed countries which have some type of democratic governance but it also bodes ominously for the establishment of new fledgling democracies. Not only is Canada less democratic to the extent that deregulation, privatization and economic liberalization has been accomplished, but to the extent that nations are willing to use such factors as economic bargaining chips, so is the possibility for democracy in other nations. With deregulation, privatization and economic liberalization, environmental sustainability becomes one more barrier to competitiveness, as do social programs and other quality of life indicators.

Assuming as I do that democracy is a good thing, what should be done about this? At the beginning of this paper, I pointed out what I thought were false alternatives, on the one hand extreme globalism that accepts the world defeat of nationhood and, on the other, naive nationalism which we encounter frequently in Canada these days as Canadians try to claw back Canada's social democracy from its recent demise. So, what's my solution? Well, it is not a new idea. Essentially all nations need to negotiate internationally from a position where they can set their own national priorities with respect to the social, political and economic needs of their citizens. This is something that increasingly has been given up even in nations like Canada where there is still the possibility of exercising collective political will. All nations have to negotiate from a position of national self-sufficiency. Transnational corporations have a

political and undemocratic message that citizens in all nations have to be more competitive and that that is to be accomplished by dismantling national institutions, social programs and environmental protections. The fact that competitiveness without the protection of our natural resources, our infrastructure and social programs amounts to mass suicide is rarely considered. And what I am going to conclude with here may sound reminiscent of the cultural imperialism of a former era but it behooves those of us with the privilege to still resist global degradation and the erosion of basic rights and freedoms to do so and not allow our nations to bargain away the world. As Keynes noted in 1933,

The divorce between ownership and the real responsibility of management is serious within a country when, as a result of joint-stock enterprise, ownership is broken up between innumerable individuals who buy their interest today and sell it tomorrow and lack altogether both knowledge and responsibility towards what they monetarily own. But when this same principle is applied internationally, it is, in times of stress, intolerable — I am irresponsible towards what I own and those who operate what I own are irresponsible towards me (p. 193).

And the solution to the problem of divorce here is reconciliation rather than resignation and resistance to the false and alarming rhetoric of global greed that has benumbed our better sensibilities.

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