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CONFERENCE NEWS

Improving Knowledge on Social Development in International Organizations II

Report of the UNRISD Seminar
29–30 May 2002, Prangins, Switzerland

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Introduction

UNRISD held its second seminar for high-level United Nations officials engaged in research on social development in Prangins, Switzerland, on 29 and 30 May 2002.[1] With this seminar series, UNRISD aims to improve the flow of information among these officials by bringing them together in an informal setting to engage in substantive discussion on the current research programmes of key UN agencies, and to consider how these efforts are contributing to an improvement in the understanding of important development issues. Over the longer term, the Institute's initiative should enhance the coherence of the position of the United Nations on social development, and reinforce the collective capacity of the UN system to influence the global economic and social agenda toward greater social justice.

Recent United Nations world conferences—such as the World Summit for Social Development (1995) and the Millennium Summit (2000)—have reintroduced concerns for social justice and equity into development debates. The theme of the UNRISD seminar this year, globalization and inequality, was thus apposite. Four experts from outside the UN system presented papers commissioned by UNRISD on this theme.[2] The first analysed changing patterns of resource distribution within the global system, the second explored the sources of neoliberal globalization, and the other two reviewed different approaches to the analysis of globalization, liberalization and inequality within and outside the United Nations system. These papers will be published by UNRISD in a forthcoming volume.

Session One
Analysing Inequality: Changing Patterns of Resource Distribution within the Global System

John Quiggin opened the first session by examining globalization from a historical perspective, and by describing the changing nature of the global trade and financial systems.[3] He argued that globalization need not inevitably follow the tenets of neoliberalism, and that technological advances in the second half of the twentieth century, which have often been seen as catalysts of globalization, have been exaggerated.

[1] A report of the first seminar—**UNRISD Conference News: Improving Knowledge on Social Development in International Organizations**, Report of the UNRISD Seminar 7–8 November 2000, Bellagio, Italy—is available at www.unrisd.org.

[2] UNRISD is grateful to the Rockefeller Foundation for funding these papers.

[3] The presentation was based on Quiggin's paper, **Analysing Inequality: Changing Patterns of Resource Distribution within the Global System**, which is available at www.unrisd.org.

Neoliberals hold that globalization is inevitable and beneficial to developed and developing countries alike, and that in order to reap its rewards the state must adopt policies in support of privatization, trade liberalization and deregulation. Quiggin compared this neoliberal account of globalization with three alternatives.

The first, which he labelled the sceptical view, not only questions the significance of globalization, but also holds that financial liberalization is self-defeating because independent monetary policy and free-flowing international capital have destabilizing effects. The second alternative, anti-globalization theory, accepts the factual propositions of neoliberals but argues that globalization is harmful. The third, referred to as the internationalist perspective, shares with neoliberal theories the view that international trade and economic integration are beneficial. However, while neoliberals favour unregulated or lightly regulated (international and domestic) markets that are disciplined by capital flows and competition, the internationalist perspective is that trade is the basis for more extensive international co-operation. Hence, while neoliberals promote only flows of goods, services and capital across borders, internationalists include the free movement of labour and co-operation between governmental bodies, trade unions and non-governmental organizations, thus replacing national sovereignty with conscious international co-operation.

In his presentation, Quiggin also questioned the hypothesis that technological advances in the late twentieth century were the impetus behind economic globalization. He pointed out that when compared to the late nineteenth and early twentieth centuries, these advances have neither accelerated markedly nor led to increased factor production during the past 50 years. He noted, for example, that instantaneous communication between financial markets was introduced in 1866 with the laying of the first transatlantic telegraph cable. Moreover, he argued, public institutions and their employees were the main drivers of information technology, while initial attempts to commercialize it had only limited success. Quiggin's arguments on technology and globalization gave rise to lively debate, as shown below.

Regarding the relationship between globalization and inequality, Quiggin cautioned that differences in measurement could yield varying results. Research based on exchange rate statistics, for example, generally concludes that inequality in the world is increasing. Yet when purchasing power parity data are used, this conclusion tends to be disputed. In closing, Quiggin acknowledged that although the best available indicators might give rise to mixed interpretation, there are certain discernable patterns. For example, increasing inequality at the extremes of global income distribution is being offset by strong income growth in some countries, such as India and China.

Discussion

In response to Quiggin's critique of technological determinism, the first session closed with a long discussion on the impact of technological change on globalization and inequality. Even if factor productivity has not been accelerating faster than in previous times, some participants contended that structural changes have taken place. Sakiko Fukuda-Parr held that by virtually removing transaction costs, advances in information technology have altered the opportunities open to peripheral and developing countries, and that this does have a distributional impact in their favour. At the same time, however, the digital divide excludes technological have-nots, with the resulting inequalities striking poor countries and poor sections of society. Even in industrialized countries, technological advances can be linked to widening wage gaps between skilled and unskilled workers.

In commenting on Quiggin's point that technological progress represents an interaction between technological knowledge and the capacity of economic and social institutions to use that knowledge, Martin Hopenhayn held that this has had a particularly negative effect on international inequality. Quiggin disputed whether the nature of the link between technology and increasing inequality in the last 20 years of globalization is any different from that of previous times. Yet the nature of technology—mainly involving information, which is a public good—has altered the policy agenda to focus more strongly on intellectual property regimes, such as the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

It is clear that technology does matter—but advances in technology do not tie the process of globalization inevitably to the neoliberal agenda. If anything, the public-good nature of the information embodied in technological advances would appear to support more internationalist, co-operative forms of development, and allow for a more progressive economic and social agenda.

Session Two
The Sources of Neoliberal Globalization

In his presentation, Jan Aart Scholte examined the sources of globalization, defining it as a spatial transformation.[4] In so doing, he held that it would be a mistake to downplay what is new about globalization. Advances in modes of communication and transportation have transformed social space toward supraterritoriality, allowing social relations that have transworld simultaneity and instantaneity. In terms of governance, supraterritoriality has rendered old structures of sovereign statehood, based on geographic delimitations, unviable. This, in turn, has far-reaching implications for citizenship and democracy.

This supraterritorial quality is what makes contemporary globalization different. However, like Quiggin, Scholte held that there is nothing inherently or inevitably neoliberal in this transformation—nor is neoliberalism a precondition for it. The neoliberal tenets of privatization, liberalization and deregulation are components of but one policy paradigm for this transformation. Nevertheless, Scholte asserted, contemporary globalization has been dominated by a neoliberal agenda—and it is necessary to examine *why* this has been the case.

Scholte offered an account of multifaceted causation—including the interrelated realms of *governance*, *production*, *knowledge* and *community*—that encompasses institutional arrangements and underlying social structures, such as capitalism and rationalism.

The first source of neoliberal globalization set forth by Scholte is the emergence of decentred governance—the dispersal of governance across multiple institutional sites. This has promoted neoliberal globalization in four ways. First, deregulation has correlated with a fall of statist economics, in both socialist and welfarist guises. Second, suprastate mechanisms have become key channels for the furtherance of neoliberal policies. Those states that have most strongly promoted neoliberal agendas—such as the United Kingdom and the United States—have also exercised disproportionate power in multilateral arenas. And perhaps more importantly, the relative insulation of suprastate institutions from democratic processes has further facilitated the advance of neoliberal policies. Third, decentred governance has opened up space for a host of private regulatory bodies that are closely aligned with business interests and influences. Not surprisingly, these regimes have tended to promote market-facilitating rather than market-constraining regulation. Finally, decentred forms of governance have promoted neoliberalism by complicating the politics of opposing it. Paradoxically, then, the dispersal of governance across multiple institutional sites has facilitated the dominance of a single policy framework.

The second, production-based, source of neoliberal globalization, according to Scholte, stems from the pursuit by investors and enterprises of higher returns and greater profit margins. These powerful capitalist interests have gained from, and exerted pressure for, privatization, liberalization and deregulation in global spaces in order to escape the profit-constraining statist social contract.

Scholte held that the third, knowledge-based, source of neoliberal globalization is contingent on domination by the rationalist construction of knowledge that prevails in the neoliberal paradigm. This has led to a division between economics and the other social sciences, which has given the former supremacy and facilitated neoliberal knowledge creation. Scholte took this argument further, suggesting that certain elements in the logic of neoliberalism favour increased inequality. These include privatization of productive assets, removal of constraints on capitalist behaviour, and other forms of deregulation that dismantle redistributive mechanisms. Hence the logic of neoliberalism itself works against greater equality. Likewise, a neoliberal perspective of society denies the role of social hierarchy, because it does not recognize social structures.

The fourth source of neoliberal globalization identified by Scholte is the emergence of a global managerial class—a signifier of transborder solidarity among business managers, knowledge producers and regulators. Although no such thing as perfect harmony reigns in this community, networks linking members of this global elite have generated powerful consensus on neoliberal policies. To date, those who have lost as a result of neoliberal globalization have lacked the resources and the political imagination to form opposition blocs that could influence change. Labour movements, for example, have so far failed to form effective regional and global trade union associations.

[4] The presentation was based on Scholte's paper, **The Sources of Neoliberal Globalization**, which is available at www.unrisd.org.

Scholte claimed that the interconnections between these four sources in a single historical-sociological dynamic have been crucial to the generation and entrenchment of neoliberal policies. The multilayered and diffuse world governance structure is currently aligned with the neoliberal agenda. The dominant forces of contemporary capitalism strongly favour market-centred globalization. And modern rationalist economics goes virtually unchallenged by decision makers, who are tightly woven into the global managerial class. Yet there is nothing inevitable about this situation or the processes that give rise to it. Policy makers with the will to do so can decide when and how to redirect policies away from neoliberalism.

In concluding his presentation, Scholte assessed the strength of neoliberalism. Some countries with a neoliberal bent—such as Australia, New Zealand and the United Kingdom—have recently implemented decidedly non-neoliberal policies, including renationalization and increased taxation. In his opinion, these were signs that neoliberalism had passed its "naïve" peak. Yet a strong perception persists that globalization is an economically driven process that should proceed on the primary principles of private property and uninhibited market forces. In this context, policies promoted by the "post-Washington Consensus" maintain a neoliberal approach to globalization, pursuing privatization, liberalization and deregulation—although with some attention to institutional contexts and social consequences. According to Scholte, major change is possible. Whether, in what ways, and to what extent globalization evolves will depend on critical public choices and the political balance of power in the international community.

Discussion

Responding to the sociological definition of globalization, Peter Utting pointed out that the transformation of social space toward transworld simultaneity and instantaneity should have implications for the ability to act at a distance. However, this feature of globalization has emerged along with decentred forms of governance. Hence, while the forces opposing neoliberalism have broader reach, these forms of governance have made oppositional politics more complicated. Moreover, the power relations among different civil society actors are manifestly unequal, with the corporate lobby disposing of overwhelming resources to pursue its agenda. Therefore, together with the other three sources of neoliberalism, decentred forms of governance contribute to a feeling of powerlessness and inevitability that hinder opposition not only practically, but also psychologically.

Large numbers of people are affected negatively because many of the assumptions underlying neoliberal policy prescriptions go unanalysed. Indeed, according to Albert Berry, the knowledge bias embodied in the neoliberal paradigm has nurtured the perception that neoliberal globalization is positively correlated with economic growth. While proponents of neoliberalism tend to agree that growth can lead to increased inequality in the short term, they often assume that this will be more than offset as its benefits trickle down. However, Berry noted, the link between neoliberal globalization and economic growth finds dubious support in empirical evidence. Contesting this link could therefore provide a stronger counterpoint to neoliberalism than simply criticizing it because it increases inequality. Thandika Mkandawire added that this basis for criticism could be dangerous, however, because it might imply acceptance of the prominence of economic growth (the means) over the social aims of human security, social equity and democracy.

In response to Mkandawire's remark, Charles Gore suggested that an ethical dimension should be included when constructing alternatives to the knowledge source of neoliberalism. This is not to say that there is not a strong ethical dimension to neoliberal thinking; by focusing on negative liberty, the paradigm celebrates freedom as its greatest good, and consequently views policies for equality as unjust because they infringe on people's freedom. Attempts to counter the knowledge source of neoliberalism could therefore usefully be based on the concept of freedom. As with the critique of the positive relationship between neoliberalism and economic growth, this would imply attacking the neoliberal worldview at its core. For example, Amartya Sen's valuable contribution on positive *and* negative freedoms could be extended to define an economic system geared toward capability expansion.

Consideration of the fourth source of neoliberal globalization—the global managerial class—led many participants to emphasize the importance of the role of the state. They cited the United States not only as a strong proponent of neoliberal policies, but also as hegemonic in the sense that it simultaneously pushes for neoliberal globalization *and* maintains anti-liberal policies when this suits its self-interest. This not only contradicts neoliberal predictions of the demise of state

power; it also undermines the effectiveness of other governance institutions. It illustrates a global hierarchical system in which state power is clearly contextual (the developed world has much less leverage on China, for example, than it has on most African countries). While state power remains an important issue, above and beyond the power of the global managerial elite, the scope for national-level action is limited by the degree to which politicians are members of this elite class. Therefore, although state support is a key reason why globalization has taken a neoliberal form, the important role of global managerial elites must not be overlooked. At the same time, seminar participants stressed the necessity of clarifying the responsibility of national governments, as this would facilitate holding them accountable for the policies they adopt in relation to globalization and inequality.

Session Three
Globalization, Liberalization and Inequality: A Critical Review of Recent UN and Other Analyses, Part I

In his analysis of the debate on globalization and inequality in the international system, Roy Culpeper focused on *intranational* inequality. He asserted that inequality within countries is more easily modifiable through policy interventions than is inequality between countries. Furthermore, it is more likely to pose challenges to social cohesion and to be a source of political friction.[5]

Culpeper maintained that there has been a shift toward greater intranational inequality as neoliberal economic policies have become the norm around the world. In industrialized countries, this increasing inequality contradicts Kuznets's prediction,[6] while in developing countries it contradicts later theories such as those of Heckscher-Ohlin and Stolper-Samuelson,[7] as well as neoliberal predictions. Yet even if there is a general trend toward greater intranational inequality, Culpeper argued, globalization is not necessarily the culprit. Domestic factors could be the principal causes.

If liberalization policy does indeed increase inequality, those concerned with poverty are faced with several challenges. Culpeper contrasted two ways of reducing poverty: one through economic growth, and the other through redistribution. If the poor benefit only slightly from growth, an unattainably high growth rate might be needed to reduce poverty via the first approach. He therefore suggested that redistributive measures emerge not only as the most efficient approach, but also as necessary to ease poverty. For those who maintain that any interference in market-determined incomes undermines incentives and therefore growth itself, this raises serious issues.

To what extent are national redistributional policies feasible in the context of liberalization and globalization? Culpeper suggested a number of policy prescriptions that, although not beyond contention, could be formulated in such a way as to minimize opposition and achieve favourable outcomes—decreasing inequality while supporting economic growth.

- First, build assets for the poor through education, redistribution (which might be highly contested) and access to credit. This would both improve growth and reduce poverty.
- Second, if income inequality is on the rise and is bad for economic growth, then implement redistributive policies, such as taxes and subsidies, biased toward the poor. In order to obtain support from the international financial institutions (IFIs) for such policies, ensure that the latter do not discourage growth or damage sound macroeconomic fundamentals.
- Third, if, as the World Bank argues, inequality is growing due to structural factors within countries, then replace policies that discriminate against the poor with neutral or favourable ones. In this case, give particular attention to agricultural and rural development policies.
- Fourth, since there is wide agreement that financial volatility and economic crises are particularly harsh on the poor, strive to inhibit volatility by adopting a cautious approach to financial liberalization.

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[5] The presentation was based on Culpeper's paper, **Approaches to Globalization and Inequality within the International System**, which is available at www.unrisd.org.

[6] Simon Kuznets predicted that inequality would first rise and then fall as an economy became increasingly industrialized.

[7] Eli Heckscher and Bertil Ohlin, and Wolfgang Stolper and Paul Samuelson, theorized that specialization in trade would lead to higher wages for unskilled workers and lower returns to capital in developing countries, and lower wages for unskilled workers and higher returns to capital in developed countries, with all ultimately converging to a common level and resulting in falling inequality in developing countries and rising inequality in developed ones.

- Fifth, adopt active labour market policies: invest in workers' skills; aid the unemployed in finding jobs; improve legislation on and respect for labour rights; make informal work more productive and remunerative; and protect incomes, not jobs. More contentious but equally important, promote collective bargaining and minimum-wage legislation.
- Sixth, if technology is the key driver of growth and inequality, expand human skills beyond basic education to include secondary and tertiary education as well as job training. (The provision of sufficient funds for this seems unlikely, however.)

Culpeper noted that the fiscal capacity of the state is crucial to the implementation of redistributive policies at the national level. One important concern in this respect is the level of taxation, as countries compete against each other by lowering corporate tax levels in their efforts to attract foreign direct investment. It also relates to redistributive measures, which may be seen as disincentives to growth if they lead to lower rates of investment. One way around this, suggested by the World Bank, is to use market-based redistributive measures (for land, for example), and such approaches warrant further research. How much can be achieved through market-based land redistribution? What are the benefits and the costs?

Discussion

Participants' questioning of the relative importance of intranational inequality over international inequality led to a discussion of which matters more. Given the supraterritoriality of globalization, people are not limited to comparing themselves with fellow citizens. With poor people around the world aspiring to the affluent lifestyles observed in North America and Western Europe, not all agreed that the most important inequality is that found within countries. Scholte agreed that one reason for a focus on intranational inequality is that there are more concrete instruments for addressing it through national policies; addressing international inequality through global policies is fraught with difficulty. Yet he would not entirely surrender his position on world inequality, as strong arguments exist for increasing redistributive mechanisms on the regional and global levels. Indeed, Yusuf Bangura emphasized that downplaying international inequality could create problems for addressing inequality in the least developed countries, which require resource redistribution if poverty is to be tackled. Culpeper agreed that the problems of these countries cannot be solved by internal redistribution, but held that what they need most to get out of poverty is growth. This, in turn, would reduce international inequality.

Some participants also suggested that increasing polarization could hinder mobilization in support of Culpeper's policy suggestions for at least two reasons. First, Akil Akil held that the shrinking of the middle class in some countries (in Western Asia, for example) is reflected in a weakening of its political power and ability to exert pressure for such measures. Second, Johan Schölvinck suggested that if inequality is increasing at the extremes—with the poorest getting poorer and the richest richer—then the impact on the middle class is limited, giving this important political constituency little reason to mobilize against a trend by which it is not much affected.

Discussing the causes of growing inequality, Hopenhayn highlighted the necessity of distinguishing between structural factors on one hand, and political and institutional determinants on the other. Among the structural factors, he referred to inequality of assets, such as education and land, as well as historical legacies such as slavery. He cited the asymmetrical political influence and bargaining power of large corporations as an example of an institutional determinant, recalling Scholte's account of the fourth source of neoliberal globalization.

Rolph van der Hoeven suggested that a distinction should also be made between "old inequalities" and "new inequalities". While old ones include structural, asset-based inequalities, new ones relate to the consequences of globalization and liberalization. If a country starts with a relatively egalitarian socioeconomic structure, liberalization has a much more favourable outcome. The Asian Tigers provide an example of how land reform allowed the agricultural sector itself to be a source of growth and not simply a source of "unlimited" labour at subsistence wages. There is a policy conclusion to be drawn from this: deal with inequality in the initial situation. Redistributional policies should be implemented to correct "old inequalities" before proceeding with liberalization.

Mkandawire added a note of caution, pointing out that although an initial equitable distribution of income

would have a positive effect on growth, countries with less favourable initial conditions must pursue policies to reduce inequality *during* the process of growth. Yet such policies—including redefining property rights, and increasing public expenditure or taxation—are all seen as bad for growth. This perception means developing countries must have everything right from the beginning. If they have the wrong initial conditions, most of the instruments that they could use are seen as impeding growth and a new order. While the World Bank has acknowledged the growth benefits of an equal distribution of assets, it insists that this applies to the *initial* distribution; policies that aim to redistribute land or other material assets are seen to hinder growth, and unless they are implemented through market-based mechanisms the Bank has opposed them. Moreover, land reform has been seen as too politically contentious to be likely to succeed. The **World Development Report 2000/2001** warned that large-scale asset redistribution could lead to political upheaval and violent conflict, which in turn would undermine growth. For these reasons, the IFIs have resisted policies of asset distribution, focusing instead on human capital enhancement. Hence the pro-poor growth agenda of the post-Washington Consensus has seen the pursuit of investment in health and education, rather than land reform.

General Discussion and Comments

Day one drew to a close with a general discussion facilitated by Ali Kazancigil. Seminar participants revisited a number of issues, including the sources of neoliberal globalization, the relative importance of global and national focuses, a global taxation system, and democracy and economic pluralism.

Participants first considered the democratic deficit of global governance. Van der Hoeven raised the need for improving the political accountability of the IFIs, arguing that civil society action could play an important part in this respect. Culpeper suggested that although civil society pressure on the IFIs could be important, the latter should be seen as part of the global managerial elite referred to in Scholte's presentation. This wider context of power relations must thus be taken into account in any strategies that aim to enhance the political accountability of the IFIs.

Kazancigil claimed that global governance could be improved if global-level social forces were to adopt the types of tactics that citizens use to influence national governments. But improvement would ultimately depend on how "global citizens" claim the right to democracy in the international context. While civil society engagement has been instrumental in correcting some of the democratic deficits of the global economy, Scholte warned that civil society could also reproduce existing social hierarchies.

Discussion then moved on to a global taxation system, with Mkandawire pointing out that such taxation should coincide with democratic accountability. It would be democratically problematic, for example, if a non-elected body, such as the United Nations, had access to automatic revenue. In this case, for example, one solution could be an elected citizens' assembly, parallel to the UN General Assembly. Scholte added that existing global economic governance structures are hugely undemocratic. For example, the G-7 leaders, whose decisions have enormous impact on not only the citizens of their own countries but on people's lives around the globe, have no legitimate right to such influence.

Finally, the plurality of economic strategy was discussed. Mkandawire cited the work of Dani Rodrik, which suggests that *investment* rather than liberalization is fundamental to growth. Kazancigil reminded participants that in the 1970s the United Nations had focused on "indigenous development", built on the efforts of a country's inhabitants. An increase in investment through domestic savings reduces vulnerability to external economic shock. Hence, growth through indigenous investment can lead to long-term sustainable poverty reduction. Kazancigil referred to Malaysia's policy of capital control during the Asian crisis as a case for pluralistic approaches to economic policy.

Session Four
Globalization, Liberalization and Inequality: A Critical Review of Recent UN and Other Analyses, Part II

In opening session four, Albert Berry emphasized that the lack of understanding of the effects of neoliberal globalization on income inequality and poverty in the world is a result of the dearth of adequate quantitative

data.[8] Berry argued that the most serious weakness lies in the analysis of causation linking neoliberal globalization to inequality and poverty, because this leads directly to indefensible policy recommendations.

Berry maintained that it is equally important to consider other determinants of poverty and inequality. Poverty depends not only on the distribution of resources, but also on the size of the economy and it is therefore important to comprehend how growth is achieved. Furthermore, the factors that perpetuate intrafamily inequality, as well as the determinants of returns to capital and rural incomes, also need to be understood.

In reviewing the literature, Berry found that although there are many divergent views, there is consensus on several issues. For example, the level of inequality in many developing countries is extremely high and is considered a social problem; world inequality is higher than that of the most inegalitarian country; inequality can act as an obstacle to growth rather than, as previously assumed, a necessary condition for it; and during the last two decades inequality has increased. With reference to the last issue, Berry pointed out that a striking feature of intranational inequality is that the wealth of the richest 1 to 5 per cent has grown dramatically.

Nevertheless, this partial agreement on trends and conditions does not explain *how* the processes of globalization and liberalization affect inequality—and on this question disagreement is still very much the norm. Berry noted that intranational inequality has increased in the developing world during the current period of rapid economic integration, implying a first causal link between globalization and inequality. He suggested three possible explanations for this. First, the nature of economic reforms, including freer trade and capital flows, has been excessively liberal and caused inequality to grow. He characterized this as a new source of inequality as opposed to a traditional, structural, asset-based one such as land concentration, urban bias, abundance of natural resources or educational inequality. Second, the pace of technological change has accelerated, making this period excessively prone to inequality. Third, economic recession, which in some cases has accompanied the process of globalization or market reform, has had a negative impact on distribution.

According to Berry, it is possible to argue that neoliberal globalization has not contributed to inequality to as great an extent as might have been expected. Those subscribing to this view thus hold that globalization might have had a mitigating effect on inequality between countries; indeed, some poor countries that pursued policies to exploit the process achieved impressive rates of economic growth, while those that chose not to do so gained the least. International inequality has appeared stable, because the gains of some large countries that benefited the most (China and India, for example) have outweighed the losses of poor countries in Latin America and sub-Saharan Africa. Proponents of this view also argue that globalization has differentially affected inequality within countries, with those who have lost out typically being the excluded non-participants.

Berry closed his presentation with a review of the impacts of neoliberal globalization on income distribution in Latin America; in his view, much of the best research on these issues has related specifically to that region, and indeed a study carried out by the Economic Commission for Latin America and the Caribbean (ECLAC)[9] appears to provide the most rigorous such analysis for any region or for developing countries as a group. In the last 10 to 15 years there has been a wave of structural reforms in Latin America as an increasing number of countries have moved from closed, state-dominated economies to more open, market-oriented ones. Complementary policies have accorded a new priority to macroeconomic stability (especially lower inflation) and to increasing expenditure in the social area. Policy makers expected from these reforms faster growth, more job creation and greater equality. The ECLAC study includes econometric analysis of the causal links between reform variables and outcome variables, as well as between reform variables and key intervening variables. The study concludes that reform produced favourable but insufficient growth effects in several areas, and that additional specific policy attention is required to solve problems of unemployment and inequality. The major weaknesses of the study include data problems relating to both inequality and reform indices, as well as insensitivity to the selective use of tariffs and other protectionist measures. Moreover,

[8] The presentation was based on Berry's paper, **Methodological and Data Challenges to Identifying the Impacts of Globalization and Liberalization on Inequality**, which is available at www.unrisd.org.

[9] Barbara Stallings and Wilson Peres, **Growth, Employment and Equity: The Impact of the Economic Reforms in Latin America and the Caribbean**, ECLAC, Santiago, Chile, and Brookings Institution, Washington, DC, 2000.

because capital income was often underreported, the impacts of reform may have been more negative than the study concludes.

Discussion

There was strong consensus among participants on the need to appreciate relative poverty. Because of the sociological dynamics of social status and recognition, people's aspirations have more to do with relative than with absolute income. Anti-poverty measures must therefore take these motives into consideration. Indeed, according to Scholte, inequality among social categories is what the politics of inequality is largely about. Inequality between ethnic and religious groups, for example, or between men and women, catalyses political action, and therefore disaggregated data based on such distinctions are crucial for good statistical analysis. Huck-ju Kwon added that the quality of income data in many countries requires improvement, specifically with respect to the self-employed, whose income has been systematically underreported.

Because rising inequality has accompanied growth over the last couple of decades, there should be little confidence that current patterns of growth will reduce poverty as successfully as previous patterns did. Furthermore, it is debatable whether neoliberal globalization has, on average, made a positive or a negative contribution to growth. The coincidence of neoliberal globalization with widespread increases in intranational inequality has raised the hypothesis that the former is the cause of, or at least contributes significantly to, the latter. Hopenhayn suggested that case studies on the former Soviet Union or Argentina could provide useful tests of this hypothesis. Mkandawire re-emphasized the strong timing coincidence, asking whether other factors might have caused this. Although Berry admitted that the timing coincidence seems too strong to disregard, he suggested that other contributing factors might include the transition following the break-up of the Soviet bloc, the international debt crisis of the 1980s, the information technology "revolution", and the traumatic incursion of HIV/AIDS.

Session Five
Research and Policy Implications: Where Do We Go From Here?

During the closing session, chaired by John Langmore, participants discussed possible themes for the group to take up in the future. Referring to Berry's presentation, Gore suggested that the United Nations should work on improving statistical data.[10] Stefanie Grant called for research on the impact of neoliberal globalization on human rights and poverty. All participants recognized the necessity of extending the measurement of inequality beyond income disparity, to dimensions such as education and health. The World Institute for Development Economics Research, of United Nations University, is conducting important work on income disparity, while the areas of education and health are seen to fall within the expertise of UNRISD.

Langmore recalled that the discussion at the group's first meeting (7–8 November 2000, Bellagio, Italy) had led to the identification of five topics of particular interest to the UN system, of which (i) approaches to globalization and equity in the international system and (ii) analysing inequality: changing patterns of resource distribution, were covered at the current meeting, leaving (iii) the politics of economic globalization, (iv) prescriptive studies on reducing inequality in the international system and (v) national development agendas in the context of globalization. Langmore recommended that the 2003 meeting focus on empirical cases and prescriptive measures in these last three areas, as well as on how to move beyond the post-Washington Consensus.

Gore proposed research on global governance, in particular United Nations agencies versus neoliberal globalization. There is consensus in the UN system on the norms of equity, human rights and social inclusion, but he suggested that this consensus tends to weaken when it comes to policy prescriptions. Fukuda-Parr stressed the need for research on the normative values and policy prescriptions of the United Nations. She believed that an exposition of policy differences between the United Nations and the IFIs would be an important contribution to development debates.

What global action, beyond that of the post-Washington Consensus, must be taken to prevent further national and global polarization? In formulating this topic for the 2003 meeting, Mkandawire argued for the necessity of case studies examining the feasibility

[10] While participants agreed on the usefulness of an issues paper on data deficiency in the UN system, and particularly one that would identify the data required for policy making, this was not considered an appropriate topic for the group's 2003 meeting.

of diverse policy instruments suited to national contexts, rather than one universally applicable market solution. Answering these questions would provide policy prescriptions in response to the declining living standard of the poor in many developing countries.

Finally, Eddy Lee pointed out the need to examine national responses to globalization. While this year's meeting included some policy prescriptions for national settings, they were based on theoretical arguments. For the 2003 meeting it was agreed that empirical studies should focus on successful cases, with the goal of identifying their underlying logic. Good practices should be linked to policy prescriptions, agreed Nick Drager. Such country-level studies, highlighting the diversity of national responses to globalization, would serve to illustrate current forms of economic pluralism and alternatives to standardized prescriptions.

Agenda

Wednesday, 29 May 2002

Opening Statement – *Thandika Mkandawire*

SESSION ONE
Analysing Inequality: Changing Patterns of Resource Distribution within the Global System
Chairperson *Eddy Lee*
Speaker *John Quiggin*

SESSION TWO
The Sources of Neoliberal Globalization
Chairperson *Eddy Lee*
Speaker *Jan Aart Scholte*

SESSION THREE
Globalization, Liberalization and Inequality: A Critical Review of Recent UN and Other Analyses, Part I
Chairperson *Sakiko Fukuda-Parr*
Speaker *Roy Culpeper*

General Discussion and Comments
Facilitator *Ali Kazancigil*

Thursday, 30 May 2002

SESSION FOUR
Globalization, Liberalization and Inequality: A Critical Review of Recent UN and Other Analyses, Part II
Chairperson *Johan Schölvinck*
Speaker *Albert Berry*

SESSION FIVE
Research and Policy Implications: Where Do We Go From Here?
Chairperson *John Langmore*

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