Chapter 2

Concepts of Globalisation: The Institutional Prerequisites for the Integration of World Markets

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Introduction

Despite the current intensive and controversial debate, globalisation is anything but a recent phenomenon. Indicators support the view that by 1913 the world markets were much closer integrated than today (Micklethait and Wooldridge, 2000, pp.3–25, Wolf, 96–107). At the present time, the development of an institutional[1] order of an integrated world market has reached a critical phase. The failure of the World Trade Organization (WTO) to come to an agreement in the Cancún round in 2003 has thwarted the institutional integration of world markets.

Established economic theories maintain that the process of globalisation gives rise to advantages for all parties. However, these approaches often do not sufficiently consider the institutional prerequisites for the achievement of such a result. With our contribution we attempt to highlight the institutional conditions for a global governance structure which helps to generate the win-win potential promised by economic theory.

Efforts to establish a global governance structure date back to the first monetary and financial market conference of the UNO in 1944 in Bretton Woods. One consequence was the foundation of organisations able to take action on a global scale (like the World Bank and the International Monetary Fund) as well as the agreement on a set of world wide institutions. This post-war order was initially erected on the building blocks of a free trade regime among nations complemented by a welfare state within the respective nations, which was intended to manage the social costs of globalisation (Kapstein, 1999, p.94). It is important to realise that first the Bretton-Woods order was created by developed nations and designed to their needs, and second the aim was stability and the avoidance of depression, not the management of globalised relationships between developed and developing countries.[2]

1 We make a distinction between 'institutions' in the sense of rules and organisations. See North (1990, p.3).

2 Milner (2005, p.836) points out that all of the Bretton Woods organisations and institutions 'were created by the victors in World War II and were intended to help them to avoid another global depression. (…) They were designed to help the developed countries create a cooperative and stable world economy in a non-globalized world'.

Both principles – free trade and welfare state – have come under heavy pressure in the meantime. The design of a new order of international and global relationships is thus essential. In the same way as national economies can gain advantages from the establishment of pertinent institutional structures, a globalised economy is in need of pertinent institutions built on adequate knowledge and intentions. Knowledge as well as intentions are prerequisites for the creation of adequate institutions: intention is directed at the solution of dilemma situations or at the willingness to cooperate, whereas knowledge is required for the design of the 'right' institutions which support or accommodate cooperative efforts. In this regard, we can identify institutional deficits on the global scale, but also on the national arena.

Who talks about a need of *fairer* globalisation supposes deficits of fairness. In our contribution we describe these as deficits of participation. The political, cultural and social integration of developing countries in the process of globalisation is therefore a central aim of any endeavour to achieve a higher degree of fairness.[3] If and to what extent this aim can be realised is influenced by a couple of different factors. One outcome of development economics is that we cannot expect to find one clear defined path leading to success. Nevertheless, any successful path of globalisation needs to be built on legitimisation. This is hard to achieve without evaluating the process of globalisation by principles of fairness. In addition, even the existence of advantages for those who already participate in the course of globalisation do not give rise to sufficient legitimacy: Win-win situations are not necessarily fair.

Rhetoric of Globalisation, Political Interests and Economic Potential

Economic Arguments in Favour of Globalisation and their Perception in the Political Debate

From the perspective of economic theory all participating nations gain from liberalised trade. Based on David Ricardo's theory of comparative cost advantages, classical market theory emphasises efficiency effects accruing from liberalised trade. By participating in the world trade, a nation can focus on the production of those goods which it can produce at the comparatively lowest costs (Samuelson and Nordhaus, 1989, pp.898–910). Therefore, trade enables a nation to concentrate on those branches of the economy where it is more efficient than others. This is enabled by buying those products on the international market with respect to which the nation has relative cost disadvantages.

The argument above is based on opportunity costs. It has been enhanced by the new trade theory by integrating a value dimension. Specialisation gives rise to the development of 'core competencies' which can be translated into productivity advantages when used in world trade. Because of specialisation on particular branches of industry, nations can gain from positive external effects (Krugman, 1993). German manufacturers of investment goods, e.g., could establish themselves

3 This is no one-sided process, but a complementary one with respect to the developed countries. The expressions 'developed countries' and 'developing countries' designate relative positions which leave room for development for both groups of countries.

as 'hidden champions' in global business markets (Anderson and Narus, 1998, pp.16–17), whereas India has transformed itself into the software laboratory of the global market economy.

In economics, arguments for constraining world trade are hard to find (Krugman, 1993). This is in sharp contrast with the politics and rhetoric of world trade. On the political arena the process of trade liberalisation is experiencing a deep crisis following the failure of the WTO round in Cancún (2003). Whereas the developing countries have interrupted the process, the public debate in developed nations is affected by a growing scepticism concerning trade liberalisation (Milner, 2005, p.833; Sinn, 2006, p.7). Business strategies like 'outsourcing' and 'offshoring' are considered with growing suspicion and resentment. That notwithstanding, they are appropriate strategies for exploiting the potential gains from trade. How can we explain that the economic potential of globalisation is not reflected in the public political debate in developed nations?

Barriers for Productivity Effects of World Trade

As result of the economic analysis of world trade, it can be stated: All countries would take advantages from a liberalised world trade if they participated in it. Free trade allows for a focus on core competencies and the realisation of economies of scale by means of importing all those goods that the country cannot produce at a relative cost advantage. In the world of theory, world trade enables countries to specialise and realise economies of scale in an all-embracing manner.

Nevertheless, there are several areas of conflict which mainly result from a misfit between economies and institutions. At the present time, we perceive three central interfering factors which can be traced back to the realm of institutions:

1. Developed countries, in particular members of the OECD, can more easily profit from liberalised world trade than developing countries. However, the realisation of these advantages requires a change of internal structures even within developed countries, eventually eroding whole industries and devaluing complete branches of human capital. As Sinn (2006, p.6) comments with respect to Germany: 'The industrial workers displaced by Chinese workers, Polish Workers or robots, are not released for high-order jobs but for nothing.' ['Die von den Chinesen, Polen und Robotern verdrängten Industriearbeiter werden nämlich nicht für höherwertige Stellen freigesetzt, sondern für gar nichts'.] As a consequence, significant parts of the population face the threat of social decline (Micklethwait and Wooldridge, 2000, pp.246–270; Turner, 2001).
2. Both in developing and developed countries, the debate on economic policy does scarcely refer to the win-win potentials inherent in a liberalised word trade. World trade is not envisioned in the spirit of new trade theory, but in terms of 'international competitiveness' (Krugman, 1994). This leads to a selective participation in the world trade, pursuing the domination of world markets by 'national champions', on the one hand, and simultaneous safeguarding of large parts of industry and agriculture from worldwide

competition, on the other. It is to a large extent determined by the promise of achieving national competitive advantages based on the performance of particular national industries, accompanied by the protection of other national economic branches against the exposition to global competition (Krugman, 1994). Against this background, the failure of Cancún can be understood rather as a rejection of mercantilist policies and protectionist structures ruling world trade than a rejection of economic gains from trade (Economist 2003).

3. To some extent, developing countries lack the institutional foundations enabling them to benefit from the world trade's economic potential. Insufficient legal systems and infrastructures provide a hindrance to the accumulation of capital, and they do not attract foreign capital in sufficient amount either. When investigating what is called 'dead capital,' De Soto highlighted an astonishing amount of hidden economic potential (Soto, 2000, pp.20–35). Concerning for example Lima, the capital of Peru, he estimated the value of real estate to which no property rights are assigned as equal to 74 billion US $ – the five-fold amount compared to the market capitalisation of Peru's publicly listed companies. The absence of market institutions hinders the registration of property, the organisation of its productive use and its selling on a market. As a consequence, entrepreneurs face prohibitive costs for establishing a business organisation. According to De Soto, institutional deficiencies are a substantial barrier to the development of many developing countries. Since the legal prerequisites for productive market activities are absent (Stiglitz, 2002, pp.23–52), the privatisation efforts issued or supported by the IMF and the World Bank have been often fallen short of one's expectations. In such cases the developing countries become *de facto* losers of the market integration whereas the developed countries can take advantage of it.

We arrive at the following conclusion: the present crisis of global integration is merely caused by institutional deficits and not by a failure of substantial economic integration in virtue of the ideas of comparative cost advantages and specialisation. To put it in a slightly exaggerate form: the main problem is rather 'a too limited market' than a 'too liberal market'. In this context it becomes evident that institutional aspects cannot be left out of economic analysis, as obvious deficiencies in the world market's governance structures block the generation of economic value.

Fallacies of the Win-Win Hypothesis with Regard to the World Trade

From the point of view of economics, market transactions realise economic potentials for suppliers as well as for customers. Unreserved advocates of globalisation often point out that those developing countries that have opened themselves to globalisation are significantly better off since then. However, in certain cases it may turn out that it would be a misconception to understand that as a win-win situation:

- In some cases it may appear that a country benefits from globalisation, but that the supposed win-win situation is merely superficial: While on an aggregate level the economy in question is better off, the improvement is dearly paid for with the aggravation of the situation of particular groups within that nation. The question arises how to calculate the cost for the losers of globalisation. This also constitutes a problem of legitimacy for the institutions of world trade. In the long run, they can only be established if within the populations of the participating countries most people do not feel that globalisation leaves them worse off. The process of globalisation depends on the consent of the people on whose life and actions it has an influence. Their disapproval undermines the success of globalisation and therefore the generation of economic advantages. Such disapproval looms whenever the way in which globalisation is carried out is being perceived as unjust.

- Win-win situations do not necessarily amount to an increase in justice. A comparatively modest improvement of the situation of disadvantaged countries does not mean that they receive a just share of the potentially immense benefits of globalisation (see Sen, 2004, p.18). Globalisation may make the world more just. Or it may not. As long as claims for justice are systematically left out of consideration, globalisation will face a problem of legitimacy. A case in point is the access to world markets: Small benefits for developing countries on the one hand and huge benefits for those industrial nations able to exercise control on economic relationships on the other are not perceived as a just arrangement.
- In addition, the ascription of a win-win situation often leaves out one logical step: from the fact that a country which has opened itself to globalisation is now better off than before it cannot be concluded that the improvement was caused by globalisation.[4]

Current economic approaches like the theory of comparative cost advantages or the new trade theory tempt to produce such fallacies since they systematically leave out institutional questions. However, experience shows that market theories, in their treatment of global integration, have to face aspects of legitimacy.

Taking into account the institutional perspective, we find: Under the circumstances given, the developing countries' possibilities to participate in the positive effects of globalisation through integration in the world market are limited. However, this is not a necessary consequence within a deterministic process of economic globalisation (see Poser, 2003). It is rather an effect of a specific policy of globalisation that reflects particularly the interests of the leading industrialised nations (Krugman, 1994; Stiglitz, 2002). Thus, alternative – and arguably more just – forms of globalisation are not inconceivable. Such a perspective may serve as a point of departure for a more differentiated discussion of the phenomenon of globalisation and the processes it is composed of. It can help to qualify both the euphemistic economic promises

4 Thomas Pogge raises doubts about the validity of arguments that rest on comparisons over time: 'That the winds are benefiting you in your journey is not shown by your getting closer to your destination – your progress may be slowed badly by strong headwinds' (Pogge, 2002, 15). Likewise, it has to be admitted that a country worse off than before might have been even worse off without globalisation.

of unreflected globalisation rhetoric and the often undifferentiated criticisms of globalisation.

Before approaching a theoretical analysis of the role of institutions in the process of globalisation we shall briefly address the organisations and institutions that shape the current global market order.

The Development of Institutions of Global Market Integration – From Bretton Woods towards Washington and Cancún

Originally, designed in Keynesian spirit (Stiglitz, 2002), Bretton Woods can be seen as the starting point in the development of today's international economic order. With the integration of international markets as its central element, national states' policies and the newly founded international organisations like World Bank and IMF were designed in order to correct politically unwelcome market outcomes (or at least to help relieving its consequences). Later, with the Washington Consensus, which established the basic rules for the distribution of funds by IMF and World Bank, this policy was abolished. In light of the financial crisis in Latin America during the 1980s, US President Ronald Reagan and British Prime Minister Margaret Thatcher, above all, promoted the policy of liberalisation. Its centrepiece consisted in tying the granting of loans to those countries in need of support to the liberalisation of their financial markets, thus to reducing import restrictions and cutting back state deficits (Stiglitz, 2002, pp.1–22). The policy of world market integration put many developing countries in a situation of global competition they were not prepared for.

According to former chief World Bank economist Joseph Stiglitz, the problem does not lie in world market participation as such. After a series of institutional reforms, countries like Chile, for example, have been able to integrate in the world market and to participate in its economic potentials (Stiglitz, 2002, pp.18–19). However, in states that did not manage to create the necessary conditions in due time, complete industries died off and huge parts of the population fell into poverty. It is not surprising that developing countries consider the current conditions of world market integration not so much as an invitation to participate in fair competition, but rather as a game with loaded dice in that they can only lose ground. Therefore, it is necessary to create institutions that can promote world market integration in a constructive manner.

While the model of Bretton Woods aimed at multilateral market integration inwardly flanked by a social state, the model of the Washington Consensus was based on the trust in market forces and market dynamics. The 2003 WTO summit made it clear that both models failed. Nevertheless, the way back to the Keynesian order of Bretton Woods is blocked for the following reasons:

1. The alleged conflict between efficiency and justice: Bretton Woods was motivated by the thesis that efficiency and justice are two aims in conflict. Since the market gave rise to results that were economically efficient but politically unwanted, the state was prompted to use a part of the efficiency benefits to correct the market-based results by means of redistribution. As far as redistribution was meant to weaken inequalities, the relation of the aims

was understood as a trade-off between efficiency and equality (Gaertner, 1994). But this point of view has also been challenged. In further debates, doubts were raised about the assumption of a necessary conflict between the aims of efficiency and justice. Instead, it has been argued that the aims were rather complementary or interdependent (see Roth, 1999; Kubon-Gilke, 2002, Suchanek, 2002).

2. The erosion of the national states' autonomy of agency: As far as the options of national policy making are concerned, the idea underlying Bretton-Woods-based policy had to face an erosion in one of its major components, namely the inwardly directed social state policy (Sinn, 2003). On an international level, there are no means comparable to those of a social state. A worldwide tax collector is as inexistent (and it might be questioned whether it would be good to have one) as a world government. Instead, national states retrieved themselves within a new form of competition of systems that is owed to the globalisation process (Sinn, 2004). They are enforced to realise the possible benefits of globalisation by an efficient policy on the national level (Lachmann, 2006) which needs to be accompanied by the support of those in the developed countries that are left worse off by the national results of globalisation: These people need help to regain their competitiveness. In addition, international agreements sometimes put restrictions upon the options of national policy making. For its members, the European Monetary Union, for example, came along with a loss of action opportunities in policy making. After the liberalisation of capital flows, in particular for smaller states, it became more difficult to control their financial markets. National monetary policies and pertinent adjustments of exchange rates are no longer available as instruments to react on negative shocks of regional labour markets (HWWA, 2003, p.1). A case in point was the creation of an integrated European market of financial services completed in 2005 that obliged the German Government to realise the Financial Services Action Plan (FSAP).

3. The execution of national interests and playing off of national power: Those who argue that globalisation is not simply the consequence of 'universal structural constraints' or 'blind economic forces' (Sklair, 2001, p.5) usually stress the role of the actors of globalisation. Economic theory maintains that market transactions are carried out by equals. The assumption that both partners benefit from transactions which they freely agreed on (Kanbur, 2002) does not take into account the multiple characteristics of a transaction and the problems potentially emerging from those. The fact that a transaction is carried out voluntarily does not amount to anything more than that its expected utility exceeds its expected costs. In particular, it does not even mean that the transaction partners could not have been better off.

   Problems resulting from differences in the opportunity to apply power to relationships are scarcely taken into account (De Geer, 2002; Kanbur, 2002, Rothschild, 2002). However, on the international level we are faced with actors who, apart from the different preconditions in institutions and human capital, dispose of very different opportunities to make use of power: Such actors are the nation states themselves, but also international organisations such

> as the Bretton-Woods organisations IMF and World Bank as well as NGOs, Epistemic Communities, companies and private households. The fact that actors have power is not negative as such since it does not say anything about how they use it. Power opens up possibilities of action; it can yield positive consequences if, e.g., it is used in order to provide global public goods. But it can also be used to take advantage of differences between two parties that formally share the same rights; in this case, power outlines the leeway for the enforceability of particularistic interests. Since the early 1990s, it is mainly the USA as a hegemonial state who plays a negative role in pursuing a foreign policy primarily determined by the short-term interests of domestic 'pressure groups' (Sautter, 1999, p.46).

To sum up: the idea embodied by Bretton Woods, namely that multilateral relationships[5] provide the basis for future development of the nation states, has suffered increasing erosion over the last years and decades. Multilateral organisations such as the WTO,[6] in which every member state has one vote, have lost in importance compared to associations like the Free Trade Area of the Americas (FTAA).[7] However, clubs cannot adequately replace the WTO with its rules binding upon all parties. From the viewpoint of economic theory, the question arises how we can develop a model of market integration that avoids the efficiency problem of the Bretton-Woods model and the legitimacy problem of the Washington Consensus as well.

Globalisation as a Consequence of Action

The process of globalisation is not a deterministic process, but one that is influenced by actors and institutions. Several levels of action are relevant for this process: the rules of the game, which are negotiated or issued by international organisations (with states or groups of states behind them), determine the highest level of global governance. Lower levels of action, like bilateral relationships between states, or relationships between states and organisations, are influenced by the highest level, too. An agreement on rules of the game requires cooperation which, independently of the respective level of action, will not have its starting point in harmonious interests. Most actors in the process of globalisation act with more or less diverse interests as well as on different opportunities of action which have an impact on the tasks or roles open to them in the process of globalisation (see Alger, 2003; Backer, 2003).

5 This is not tantamount to each state in a multilateral organisation having the same number of votes: in IMF and World Bank, the rights of participation in decisions depend on the share of capital contributed to the respective organisations.

6 The WTO is not among the original Bretton-Woods organisations; it emerged from the GATT agreement in 1994.

7 According to a DIE ZEIT chapter, the WTO listed 159 free trade areas in 2003 while another 70 are being currently negotiated, *Cf.* P. Pinzler and T. Fischermann: DIE ZEIT, 4.9.2003, 30.

Global governance is path and goal of the process of globalisation at the same time: its final goal is the construction and establishment of a global institutional order or framework of actions that promote cooperation on all levels of action. Intended consequences of the globalisation process like equitable participation of all states or humans, respectively, have been interpreted as 'global public goods'[8] (Kaul, Grunberg and Stern, 1999). The creation of these goods requires pertinent institutional presuppositions and global cooperative action (Sautter, 1999). The creation of an apt institutional structure can thus be interpreted as an 'intermediate global public good' (Kaul, Grunberg and Stern, 1999, p.13), the main goal of which is promoting the creation of global public goods.

Finally, actors and their knowledge about possible problem solutions are responsible for creating the necessary institutions of global governance. Dilemma structures are to be overcome in cases where the framework of actions has to be developed, since it does not exist or only in a limited manner. In general, there is a trade-off between the institutional structure and the moral presuppositions of actors: in this regard, their 'identity matters.' Possible consequences are conflicts which arise from both interest and identity.[9]

Even if all parties involved act for the best with respect to institutional design, mistakes and error, which put a burden on the tediously constructed coalitions of those willing to cooperate, are to be expected. Thus, all pathways towards greater justice in globalisation are accompanied by knowledge acquisition and learning processes. The essential knowledge refers to the recognition of social reality (and therewith to reasons and causes of states and developments) as well as to the opportunities to change it. In this context, the social sciences, including economics, are in charge.

As Kanbur (2002) remarks, developmental economics has its roots in neoclassical economics. The neoclassical mainstream, notwithstanding its advantages and merits, provides only in limited degree starting points for the conception of an institutional framework of action and its subsequent enforcement.[10] Institutional economics is the source of the idea that states (like individuals) have to learn governing their relationships, i.e., to learn behaving in a cooperative manner. In particular, the dynamic strand of the institutional economics approach analyses knowledge acquisition and learning processes in order to examine the impact of mental models (and the actions based upon them) on institutional change (Mantzavinos, North and Shariq, 2004).

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8 The concept of public good does not imply any evaluation in the sense of 'good' and 'bad.' Thus, a public good might turn out to be a bad. Only in cases where there is or can be assumed a common understanding or consensus regarding the negative evaluation of a thing, we speak explicitly about a bad.

9 Identity is a possible attribute of individuals and organisations as well. Besides interest and identity, Engel (2002) points to emotions as possible sources of conflicts. Emotion, however, is an attribute that can not be assigned to organisations without reservations.

10 According to Kanbur (2003), developmental economics needs an interdisciplinary enhancement in order to analyse interrelations between ideas, beliefs and actions, on the one hand, and voluntaristic, informed action (including gender aspects and the role of institutions), on the other hand.

Knowledge and Learning

Basically, actors are assumed to be willing and able to participate in learning processes. Changes in activities and behaviour of several international organisations demonstrate that this vision cannot be fundamentally wrong. Although the Bretton-Woods organisations IMF and World Bank appeared as ‘arrogant power’ (Peter, 1994, p.316) [‘arrogante Macht’] and as being unwilling to accept criticism until well into the 1970s, the World Bank has since then proven to be ‘more communicative’ and ‘more inclined to take criticism’ (see Peter, 1994, p.316) [‘kritikfähiger und kommunikativer’]. At least on a theoretical level, the position has been approved that there is a need for enhancing the participation of those parts of population which are affected by projects and politics (Peter, 1994, p.317), or that money transfers without any accompanying local development efforts are effective only to a limited degree (World Bank, 1998).

The prospects of success of any endeavour directed at the creation of institutional, political and economic presuppositions for the developing countries in order to improve their ‘fitness,’ their acceptability as cooperation partners of industrial countries, or their participation in the world market in general, are also affected by the self-commitment of developing countries regarding their compliance with agreements or necessary adjustment processes related to those. Adjustment processes cannot be ruled by decree but are in need of evolutionary, time-consuming processes. Formal institutions cannot simply be ‘imported’ and implemented without taking into account the extant system of informal institutions.[11] Informal institutions like conventions, customs, or norms, have an impact on child labour, security standards, or the payment of bribes; they also restrict or restrain the realisation of a company’s self-commitment.[12]

Not only developing countries, but also industrial states need to relearn or to get rid of Samaritan-like behaviour, the consequences of which keep the receiver of alms in a position of continuing immaturity. Instead, developing countries have to be accepted as partners equipped with the same rights and obligations (nevertheless, one can imagine that there might be deviations from the principle of reciprocity which may have their reason in the opportunities of actions being available to the parties in a transaction). As illustrated by Sautter (1999), developmental cooperation instead of developmental aid requires the realisation of self-interest as well as of self-commitment by both developed[13] and developing countries.

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11 See Werhane (2000, p.357f.) for examples. Risse (2003) mentions four prima-facie reasons against the transfer of institutions within the framework of developmental aid. These reasons, however, do not militate against a transfer of knowledge directed at the design of institutions.

12 Winstanley *et al.* (2002) report an example of child labour within a supply chain which demonstrates that there is role for activities of NGO’s and other civil society organisations as well as a necessity of self-commitment by those companies part of the supply chain. The paper also shows how big the influence of culture, practices, and conventions actually is.

13 Sautter (1999, p.46) points out a need for additional self-commitment by the developed countries in the fields of foreign policy, structural policy, monetary policy, and fiscal policy.

As exemplified above by reference to the World Bank, detailed examples provide support for Risse's (2003) stipulation that organisations have the ability to learn. Nevertheless, with regard to learning processes, visible progress cannot be made out in every aspect: today, the three big players – governments, NGO's and companies – often base their actions on the idea of mutual demarcation from each other or apply a dominant position against each other (see Homann, 2007, p.9). A sizable number of international companies are endowed with a greater potential of resources than many developing countries (Zsolnai, 2002).[14] From this potential, opportunities of action result for companies to which their stakeholders may refer, or which may work as a basis for them to assert claims against a company. Organisations are thus assigned an elucidating role (Homann, 2007); they are addressed as 'moral actors' (Steinmann and Scherer, 1998), or challenged to base their conceptualisation of 'corporate identity' on organisational values (Morsing and Pruzan, 2002), or to make a socially responsible use of their opportunities for action in order to support the integration of those many humans who are socially, economically and politically excluded from the global economy (Geer, 2002; Homann, 2007).

Global social responsibility is not only a demand directed at international companies (as well as on the other actors mentioned above), but also at the citizens of the global civic society. This is the case if, for example, losers of globalisation emerge within a developed country – even if that country in general profits from globalisation. Changes in the competition of systems call for adapting the social security systems of nation states (Sinn, 2004). Finally, the acceptance of losses of consumer rent (see Lachmann, 2006) accruing from competition – not from abuse of power – as being legitimate is an important presupposition for the generation of an improved starting position for subsequent competition processes. The debate over global justice should refer not only to the changes in the opportunities for action of nation states, but should also emphasise the prospective achievement of global public goods. The shift of emphasis from restrictions to prospects might support the view that globalisation is not only a source of welfare losses but also of welfare gains. It might thus also foster its legitimisation.

'Team Production' of Cooperation

Non-governmental actors like international organisations, NGOs and their stakeholders take part in the acquisition of information, the supervision and realisation of agreements. Sautter (1999) emphasises that contracts between states, like those between individuals or organisations, have to be interpreted as relational contracts (Williamson, 1985). Uncertainty and a lack of opportunity to sanction defections increase the need for *ex ante* information and the execution of supervision throughout the transaction. Knowledge has its basis in the actor's mental models; information, however, is looked for in connection with problem solutions. Information can trigger change processes of actor's knowledge bases; in so far they are a source of both the creation of knowledge and its destruction – and thereby also of learning (Haase, 2004).

14 See the synopsis in Zsolnai (2002, p.239), Box 12.3: *Countries v Companies*).

The execution of every transaction requires the establishment of a more or less extensive transactional design which can be interpreted as an expression of the institutional and organisational governance of the respective relationship. Transaction costs result from the concrete transaction arrangement as well as from the institutional framework in which the transaction takes place. If the institutional framework is insufficient or hardly existent, then actors themselves can invest in the creation of pertinent institutions. This activity can be interpreted as an investment in the development of markets. The disposition to take over these costs is not guaranteed, however. Actors who invest in the development of new markets have to carry the burden of both specific information costs and transaction costs which accrue from this endeavour. Consequently, they should have an interest in reducing these costs. Therefore, those actors making the investment can hold an interest in activities of other kinds of actors who are not investors, but a kind of information transmitters such as, for example, NGO's or individual representatives of the civil society.

According to Mantzavinos, North and Shariq (2004), communication among actors is an important source for the creation of common *interpretations of reality* in thereby well-defined social realities. Socialisation, communication and learning processes provide the commonly worked out 'social borderlines' for possible institutions. Communication across borderlines might support the creation and enforcement of institutions which provide a framework of action broader than before. Actors participating in transactions can only indirectly support or improve the communication processes among the immediately involved actors; they can transfer information about transaction partners and their performance to the respective other immediate actors or can communicate goals, means and consequences of transactions to actors located more 'outside' of the transaction under discussion (as for example to members of the civic society). The idea of a global civil society clings to social movements, NGOs and networks of citizens across national borderlines as well. In that context, Peter (1994, p.325) ascribes to NGOs the possible role of a 'normative-discursive watchdog' ['normative-diskursives Wächteramt'] or of the 'conscience on behalf of the civil society' ['Gewissen im Auftrag der Zivilgesellschaft'].

From the perspective of a 'team production' of cooperation which includes not only the immediate involved parties but also the political stakeholders, De Geer (2002, p.67) characterises the difference between internationalisation and globalisation:[15]

> In contrast to internationalization, globalization indicates a structural change that reduces the role of national states. From above, national states are challenged by transnational organizations and business corporations, as well as by globally organized NGOs, often build as networks and able to allocate their actions anywhere. From below, national structures are challenged by a new individualism that recognizes the individual as the bearer of rights, which are not dependent on his/her belonging to specific nations, ethnic groups, religious beliefs or gender.

15 De Geer presents a list of characteristics of developmental phases.

Conclusions

The global order is underdeveloped but not necessarily inequitable (Risse, 2003). Inequity is less grounded in the existent than in the missing institutions as well as in the manner the parties make use of them: the most powerful national actors often refuse to follow multinational rules of the game. Organisations are not sufficiently involved in the creation of frameworks of organisational action at the present time. If frameworks are missing, the achievement of cooperative solutions requires an interplay of very different types of actors which have to engage in the exchange of information and learning processes. Finally, recognition, self-commitment and control are the main markers having an impact on the character and legitimisation of the process of globalisation.

That globalisation is accused of being inequitable results at least in part from our insufficient knowledge about the sources of the welfare of nations. Free trade is not an adequate target of criticism; it is furthermore the exclusion of many nations from it which is a consequence of the pursuit of particularistic interests and protectionist policies. But even in cases where economies do have access to the world market or participate in free trade, respectively, positive as well as negative consequences of this situation do not occur automatically: they are dependent on institutional prerequisites, on the one hand, and they result from efficient or inefficient policies, on the other.

The actors within the process of globalisation dispose of different opportunities of action based on different realms of responsibility which can be assigned to them. Against this background we can specify both scope and tasks of business ethics with respect to globalisation: i) business ethics should engage in interdisciplinary cooperation with economics in order to work out the theoretical knowledge necessary to the solution of problems of cooperation; ii) business ethics should support the social sciences in their endeavour to interpret, select and implement theoretical recognitions; iii) business ethics should help develop the presuppositions necessary for the communication (and thus for the flow of information and exchange of knowledge) between different actors or types of actors; iv) business ethics should provide support with respect to the formulation, realisation and monitoring of self-commitment of actors; v) finally, as empirical ethics, business ethics should help work out recognitions of local institutions – formal as well as informal ones.

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