

# Economic Justice and the Creation of a New International Economic Order

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## INTRODUCTION

The Cold War is over. But there is no great sense of happiness. There has not been a celebration like the ones held in 1918 and 1945. The International Commission on Peace and Food has reported:

The end of the Cold War was expected to usher in an age of peace, but actually violence is on the rise in both developing and developed countries because of the widening gap between human expectations and achievements. This growing gap between expectations and achievements is at the root of contemporary turbulence worldwide.[1]

The Commission's report was tabled at the 1995 UN World Summit on Social Development. This has been a UN activity to look at ways in which the world can be rebuilt now that the Cold War is over. As the International Commission noted:

If humankind could mobilize and apply the same efficiency to the war on poverty and unemployment that it exhibited in preparing for and waging military wars against each other, very soon there would be no more poverty or unemployment to fight.[2]

Another document tabled at the 1995 UN Social Summit was the Bahá'í report *The Prosperity of Humankind*. This, too, aided the UN's discussion's

The purpose of this presentation is to give some of the background to the debate over economic justice. It tries to set some of the contemporary discussion in an historical context. The presentation covers five matters. It begins by casting some light on the expression "New Right", which is heard so much in economic discussions.

Second, there is an overview of economic philosophy over the past 2,000 years, with particular emphasis on the role of the Church in Western Europe. When Christians now speak on economic matters, secular economists accuse them of meddling in an area about which they know nothing. But, in fact, for over a thousand years, Christians set the pace for economic thinking.

Third, the world is now in a new era because of the global economy, with transnational corporations as the main driving force. This presents fresh challenges,

The fourth matter is the failure of the present UN to deal with the problems of the globalized economy.

The presentation ends with some ideas for action by non-governmental organizations and individuals and how they might work for economic justice.

## **FAR RIGHT, OLD RIGHT AND NEW RIGHT**

Labels in politics are usually more a method of abuse than an aid to comprehension. The "New Right" is no exception.

"Left" and "Right" are the usual ways of identifying political parties and individuals. The terms "left" and "right" go back to French politics in the 18th century, when the conservative supporters of the king sat on his right and those wanting change sat on his left.

The diagram below suggest a more useful paradigm.[3] *[Note: I do not know what the original diagram looked like; if you have a copy of this book and can scan this page, please [contact us](#). -J.W.]*

DATE CONTROL FREEDOM  
AD300 Church  
1 eg Leviticus 19: 11-17  
1 Acts 4: 32-37  
1600 Matthew 25: 31-40  
1776 Adam Smith  
1848 Karl Marx  
1891 Rerum Novarum  
1917 USSR  
1933 Hitler  
1936 J M Keynes  
1979 M Thatcher  
Far Right Old Right New Right

Instead of a left-right spectrum, the diagram runs along a spectrum from control to freedom.

The Far Right is authoritarian, be it of a Stalinist communist style or a Hitler-type "national socialist" one. The USSR collapsed partly because of the rigidity of its system, which meant a lack of individual initiative and a dislike of innovation (which would have disrupted the tight, neat organizational plans).

The Far Right hardly exists in the Australian or British political mainstream today. It is manifested in fringe neo-Nazi groups, which are white supremacist, anti-Jewish, anti-Asian, and anti-UN[4]. Neo-Nazi groups are growing in numbers and have an ability to disrupt life. But they are not as influential as they were in the 1930s. Ironically, the new process of globalization feeds these groups since they are opposed to foreigners and foreign investment. They will not disappear because they will linger around to criticize the increasing globalization of national economies.

The Old Right is the mainstream of conservative politics. It seeks to conserve traditional community-based values. The reference to *Rerum Novarum* is the papal encyclical, by which Pope Leo XIII intended the document to be a major intervention in defence of the poor and exploited. During the 19th century, working class Christians were supporting the emerging communist and socialist parties. The Pope's intention was to remind Christians that the church had always sided with the poor and he called for a remedy to the social problems arising out of the exploitation of the working class under capitalist development. Thus, the individual is a member of the community and has rights and responsibilities towards that community. More generally, the Old Right is in favour of government intervention in economic and social problems (such as restricting the power of business companies, creating the welfare state, banning or restricting alcohol, drugs and pornography).

The New Right (also called "economic rationalism") is a classical liberal movement. It began in the 18th century as a reaction against the control of the government by the king, church and landed gentry, and the way that such control stifled personal enterprise in the emerging Industrial Revolution. People like Adam Smith were the revolutionaries of their day - Adam Smith's *The Wealth of Nations* was coincidentally published in the year of the US Declaration of Independence: 1776. The New Right wants the least possible amount of government - including involvement in economic activities. They want individuals to have as much power as possible to run their own lives.

Mrs Thatcher (British prime minister from 1979 to 1990) tried to reduce the government's intervention in the economy by such measures as selling off nationalized industries ("privatization"). New Right theorists had sympathy for her policies but believed that she should have gone further (such as abolishing the current State school system and providing parents with vouchers to be spent at any school of their choosing).

The mass media's use of "New Right" is unhelpful in that it is too glib and so conveys the wrong impressions. The "New Right" in a sense could easily be referred to as the "New Left". Indeed, the slogan of the 1960s - "Power to the People!" - arose from left-wing university student rebellions. For example, according to the New Right, governments should have little role to play in drug use. The market should set the price of drugs. According to the New Right, then, if people wish to ruin their lives with drugs, that is their right. Individuals should be masters of their own destiny.

Thus, New Right thinking is very different from the Old Right. Old Right thinking is based on the individual having rights and responsibilities vis-a-vis the community, with a reliance upon some form of government to maintain order and discipline. Such a system ran for over a thousand years in western Europe.

## **THE CHURCH AND ECONOMIC ACTIVITIES**

The diagram shows that the church dominated economic activities for over a thousand years. When it comes to economics, the church was in there first and has been there longest.

The diagram uses the approximate year of 300 as the onset of the period of church influence. In 313 Emperor Constantine was converted to Christianity. Christianity was transformed from being a primitive church - a marginal sect - to becoming the centre of power. In about 320, the Emperor decreed that Christianity had become the official religion of the Roman Empire. Clergy acquired a senior status within the empire. The church, as an arm of the State, became very wealthy.

This transformation of the church had to be reconciled with the church's understanding of its faith. The church confronted dilemmas - as Christians still do - of how to handle their private wealth. Jesus did not endorse the accumulation of wealth. For example, in Matthew 19:21 Jesus gives advice to the rich young man: "If you wish to be perfect, go, sell your possessions, and give your money to the poor, and you will have treasure in heaven; then come follow me". The young man went away very sad because he had many possessions. There is no evidence that the rich young man was gaining or spending his money in inappropriate ways. It is simply that the wealth was getting in the way of his full spiritual development. Wherever your treasure is, there will be your heart also.

As in the early Christian communities, the church in the Middle Ages saw the Christian not merely as an individual but as part of a community - with rights and duties vis-a-vis that community. As such, the individual was not only to avoid exploiting others but was also expected to help the destitute.

To conclude, the church was not only setting down broad principles and detailed laws, but it was also an important economic actor in its own right. Archaeologist Richard Hodges has written that "From an early date the church was almost as economically motivated as the secular hierarchy"[5]. The constant raids by Vikings on major British monasteries showed the immense wealth that had been collected by them by the ninth century. The church acquired its wealth from weekly collections and from its own enterprises (such as glass-making, tool-making for farmers and jewellery). It even occasionally issued its own coins.

But emperors and kings did not always enjoy a happy relationship with the church. Local rulers resented church leaders having links outside their region back to Rome. There were also demarcation disputes as to what were "religious" and what were "secular" matters and who may decide on what.

The notion of a national government emerged between a sandwich of forces. At the lower level, local regions were gradually being centralized under kings. At the higher level, kings were shrugging off the influence of Rome as a ruler. As J L Brierly in his standard book on international law explained:

But just as the state was gradually consolidating its power against the fissiparous tendencies of feudalism within, so it was more and more resisting the division of authority imposed upon it by the church from without; and this latter process culminated in the Reformation, which in one of its most important aspects was a rebellion of the states against the church. It declared the determination of the civil authority to be supreme in its own territory; and it resulted in the decisive defeat of the last rival to the emerging unified national state. Over about half of western Europe the rebellion was completely and evidently successful; and even in those countries which rejected Protestantism as a religion, the church was so shaken that as a political force it could no longer compete with the state. The Peace of Westphalia, which brought to an end in 1648 the great Thirty Years War of religion, marked the acceptance of the new political order in Europe.[6]

## **THE RISE OF MARKET ECONOMICS**

### Mercantilism

Old habits die hard. National governments may have shrugged off much of the church's influence but they liked the church's power.

Monarchs formed alliances with the growing merchant class. The merchants supplied the monarchs with financial support. From the monarchs, the merchants benefitted from an end to feudal wars, and there was consolidation of the state to provide law and order. The monarch also provided special trading privileges (via royal charters) and the monarchs used their defence forces to defend the economic activities of the merchants.

The theory of mercantilism was that the wealth of the nation depended on its possession of precious metals and so the government had to maximize domestic trade, the foreign trade surplus, foster national commercial interests, a merchant marine fleet, and obtain colonies. Mercantilism initiated the Europeanization of the globe.

However, mercantilism was also very restrictive. It relied on a close relationship between monarchs and merchants - and merchants were often impatient with the speed at which monarchs were willing to change policy.

The creation of "limited corporations" contributed to the erosion of mercantilism. People had been getting together for centuries to work jointly on projects. But the partnership lasted for only as long as those

particular people lived or for how long it took to bring the project to fruition. The profit (if any) was split and the organization disappeared.

The "limited corporation" gave a corporation an unlimited life. The liabilities of the members of the corporation were limited only to the amount of money contributed by the partners (notably through shares). The shares could be handed on to a person's descendants or they could be sold (stock exchanges began in the 18th century). The corporation itself outlived the death of its original founders. It was recognized in law as having its own personality and standing, and it was able to undertake a wide range of economic activities.

In due course, the merchants challenged the power of monarchs and then sought to reduce their control. This gave rise to the system of representative democracy followed today in such countries as Australia, the UK and US. People (originally only property-owning white men) elected representatives to the parliament, and the parliament gradually took over the power of the monarch.

New ideas of political freedom and economic individualism needed a new prophet. This was the role of Adam Smith.

### Adam Smith

Adam Smith's book *The Wealth of Nations*<sup>[7]</sup> has been in print for over two centuries. Few other secular non-fiction books can claim such a record.

Adam Smith wrote in reaction to the era of government control over the UK economy. Medieval society had a complex system of rules defining the rights and duties of individuals in their overall social existence and particularly in the economic sphere. The mercantile system made the business of industry and trade one for regulation by the State either directly or through the delegated authority of guilds and privileged companies. This system was breaking down when Smith wrote. New forms of production based on inventions were demonstrating the incompatibility of old economic relations with the new productive powers. The steam engine, the power loom and spinning jenny required a freer and more flexible social and economic (and eventually political) framework for their success.

Smith was an opponent of mercantilism. He was an advocate of the policy of *laissez faire*, both nationally and internationally. His advocacy of the free market (to give the greatest scope to the division of labour), of competition (which would always assert itself provided monopolistic positions were not supported by the State), and of unimpeded international commerce all gained support. The UK government greatly reduced its involvement in economic activities.

Smith also criticized mercantilism's policy of exporting as much as a country could and importing as little as possible. He was an advocate of free trade and did not support ideas of national self-sufficiency. He argued that countries should specialize in what they were best at doing. International free trade would not only benefit consumers but also reduce the risk of war since trade would bring countries together.

A contemporary example of Smith's idea about the international division of labour is that Australia should specialize in such activities as mining, tourism and farming, while Japan (which has no minerals and little agricultural area) should specialize in (say) car manufacturing and computers. Additionally, trade between the two countries has reduced the hostility between them and the memories of World War II have declined.

To conclude, with the acceptance by governments of Adam Smith's ideas and the reliance on the market, a new era emerged. Governments - unlike the thinking of the thousand years of church influence - now accepted that they had little role in economic activities.

## **THE KEYNESIAN REVOLUTION**

The Great Depression of the 1930s was worse than its predecessors of the 1840 and 1890s. The essence of the Keynesian Revolution was to draw governments far more back into economic activities. This was a return to the mercantilism that Adam Smith disliked.

John Maynard Keynes (1883-1946) transformed economics. His main book[8] challenged the thinking of economists such as Adam Smith. The latter saw full employment of those who want to work as an automatic fact of life. If a trader brought cabbages to market, he was bound to sell the whole batch - provided he was prepared to lower his price sufficiently. And what was true of cabbages was also true of labour. All workers who wanted jobs, would find them - so long as wages were flexible. It was only when unions or governments tried to keep wages artificially high that employers could not afford to employ everyone looking for work. Governments should confine themselves to good housekeeping - balancing their budgets - and leave the economy alone to run smoothly along its own path.

"Supply creates its own demand". This was the claim of Jean Baptiste Say (a 19th century French economist and popularizer of Adam Smith). Say's Law said that there could be no long-term unemployment because workers would spend their wages on purchasing goods being made by other workers. Indeed, the only limit was the amount of resources and number of employable people-workers available. If people were unemployed it was because they were lazy, or "frictionally unemployed" (between jobs - such as a movie star) or "seasonally unemployed" (like ice cream sellers in winter). The Great Depression disproved Say's Law. The Great Depression of the 1930s could not, then, be explained according to the conventional approach.

Keynes saw things very differently. For him, the number of workers employed depended on the ability of companies to sell the goods they produced. The key factor was the level of spending. In other words, Say got the order wrong: demand will create its own supply. Expenditure creates its own income.

Cut wages and government expenditure (as his contemporaries advocated) and still more people would be put out of work as goods remained unsold through a lack of purchasing power. Keynes claimed that full employment, far from being the norm, was an extremely unlikely result of unregulated capitalism. There was no guarantee that total spending would add up to just the amount needed to buy all that could be produced with full employment. If it were insufficient, producers would find that they had unsold stocks and would lay off workers who, in turn, would have less to spend on other goods. Unemployment could only be avoided if the government stepped in to make good any shortfall in spending. It could try to increase private spending by measures like tax cuts or lower interest rates. Or it could put more money into circulation by public works programmes (even though this would mean that the government ran a budget deficit.)

Keynes argued, then, the economy was not self-regulating. This was a different perception of the economy from that of Smith and Say. Left to itself, as the 1930s showed, the economy could not be guaranteed to flourish.

Before Keynes, the study of economics was largely "micro-economics", which examined the role of individuals as economic decision-makers. Keynes invented a new branch of economics: macro-

economics. This focussed on such large matters as the gross national product (GNP), national income, government expenditures, and the volume of unemployment.

A major criticism of Keynesian thinking was that the deficits would lead to inflation and so debase the currency. Keynes argued that such public works programmes would "multiply" employment. The "multiplier principle" meant that the spending done by governments would give those who receive it the opportunity to spend in their turn, whereupon the recipients of this second round of funds would themselves spend - and so on in decreasing proportions. Thus government spending could have a stimulating effect many times larger than the original sum. With a resurgent economy, the government could then increase taxation, operate with budget surpluses and so take out of circulation the money earlier put into circulation.

## **THE REVOLUTION SLOWS DOWN**

The Keynesian Revolution worked. That seemed to be the good news of the immediate post-1945 decades, when western governments put Keynes's ideas into operation. The period from 1945 to the late 1960s saw the virtual elimination of large-scale unemployment in the western economies. Governments accepted responsibility for achieving full employment and used their budgetary weapons to top up demand to the necessary level. The fears of another Great Depression evaporated. The world's greatest consumer binge took place. Never before had so many people had so much wealth to buy so many goods.

But high unemployment rates returned to the western world in the mid-1970s. The 1973 Middle East war and the Arab decision to increase the price of oil, contributed to the recession.

The new way of western economic life, which was born in 1945, died queuing for petrol at a service station in October 1973

The Keynesian Revolution had apparently run out of steam. A new phrase was coined to describe the economic malaise: "stagflation" - a combination of stagnation and inflation.

In the 1950s and 1960s, many countries were willing to go into debt because they accepted the Keynesian argument that the debt would be financed automatically by economic growth. But this argument assumed that interest rates would remain lower than economic growth rates. In the 1970s, continuous deficit financing meant increases in the demand for savings to the extent that interest rates were pushed above growth rates.

Additionally, the nature of unemployment itself changed. While Keynesian theory provided the basis for a policy of removing unemployment, it did not explain why unemployment should be present in the first place. For Keynes, the challenge was to resolve the problem of both workers and machines being unemployed. He saw that the missing element needed to get them back into production was spending. But today's unemployment is increasingly workers only. Increased spending, even if it stimulates more investment, does not necessarily create more jobs. On the contrary, computerized technology means that production can be expanded with far fewer workers. Pumping more purchasing power into the economy no longer works.

Technology does not necessarily kill employment: it also re-arranges some employment opportunities. Workers are needed to look after the new technology (such as the computer industry technicians and the computer shopping outlets). Also, since there is more output for less work, increased productivity could mean that workers have more time for leisure (such as greater holiday time) and so create new service industry jobs. Also, the manufacturing jobs lost in developed countries are transferred to developing

countries. All these variables make it difficult for a national government to keep track of when devising national employment strategies.

The problem of simultaneous inflation and unemployment could not be easily explained or resolved by the application of Keynesian theory. The theory said that unemployment arises when there is a deficiency of demand for goods and services relative to the productive capacity of the economy. Inflation arises when there is an excess of demand for goods and services relative to productive capacity. How can both unemployment and inflation occur at the same time? And, if they do, what policies are appropriate. Should there be the stimulation of demand by tax cuts, increases in expenditure and so on - which could lead to inflation? Or should there be the contraction of demand by tax rises, cuts in government expenditure and so on - and so risk increased unemployment? The problem has not been adequately resolved by Keynesians.

Additionally, the welfare state was established because the market had failed in some matters. Thus, government in this century increasingly stepped in to counter-act the market failures. But government also contributed to the market's problem by centralized wage-fixing, protective regulations, and inadequate education for students. Thus, on occasions the government was not so much part of the solution as part of the problem.

The Keynesian Revolution required national governments to take far greater responsibility for national economies. Since economic affairs are so interwoven with social ones, national governments found themselves taking on greater responsibility for national social policies.

Government itself became the nation's biggest industry. At least a third of a nation's economic output was absorbed by government to run this new industry. Too much was being expected of government.

But the mass media would not admit this. The mass media imply that national politicians are very much in control of the economy. This is illustrated by the excessive attention given to national elections. In fact, as the national economy becomes more globalized, so the room for manoeuvre declines. But politicians in all parties seem reluctant to let the voters know this - and are happy for the mass media to continue to mislead the public.

## **THE NEW RIGHT**

The New Right - "economic rationalism" - waited in the wings for Keynesian theory to run into problems. The swing from Keynesian to New Right/ economic rationalism began in the late 1970s and was evident by the early 1980s in the policies of the western governments. As if to emphasize the irrelevance of party labels, New Right policies were introduced by conservative governments in the US and UK, and by Labor governments in Australia and New Zealand.

New Right/ economic rationalism gained that prominence because, as Australian political scientist Robert Manne has pointed out, there was a policy vacuum: "The oil shocks, stagflation and the return to unemployment of the 1970s created a genuine crisis within the old social welfarist-Keynesian consensus which had dominated post-war politics"[9].

New Right thinking has been manifested in terms of monetarism, privatization and deregulation in western countries. In the USSR, Gorbachev introduced "perestroika" (restructuring), which was also based on New Right thinking.

But if Keynesian thinking has been discredited, New Right thinking has not proved a clear success either. Indeed, unemployment levels are now higher than they were a decade ago.

## **THE GLOBAL ECONOMY**

Keynes died too early. At the end of his life he was working on a new international economic order to facilitate international trade. It is not possible to speculate on what Keynes would have made of the world of the 1990s, where international trade is increasing faster than national economic growth. For the world is moving into a new global era. Governments are no longer the masters of their destiny.

Governments are having to share power with transnational corporations, international organizations (such as the United Nations and the European Community) and non-governmental organizations which mobilize "people power" (such as the social welfare, consumer, foreign aid, and environment movements).

Transnational corporations have eroded the notion of a national economy; there is now only a global one.

Keynes's basic idea that there should be some government intervention in the economy during a recession by putting money into circulation to stimulate economic activity, does not work in a globalized national economy. An injection of money into (say) the Australian economy does not necessarily stay in Australia. About half of what is called "international trade" is actually trade conducted within different components of the same corporations. An attempt to stimulate a national economy by traditional Keynesian methods will not necessarily work. A tax cut for Australians will not necessarily be spent in Australia but could be spent on (say) Japanese, South Korean or American goods and services.

Kenichi Ohmae, a Japanese business consultant, has coined a new term: the Inter-Linked Economy (ILE) of the Triad (US, Europe and Japan), joined by the Asian "tigers" (such as Taiwan, Hong Kong and Singapore):

The emergence of the ILE has created much confusion, particularly for those who are used to dealing with economic policies based on conventional macro-economic statistics that compare one nation against another. Their theories don't work any more. While the Keynesian economist would expect to see jobs increase as an economy picks up, the ILE economy sometimes disappoints them. Jobs might be created abroad instead. If the government tightens the money supply, loans may gush in from abroad and make the nation's monetary policy nearly meaningless. If the central bank tries to raise the interest rate, cheaper funds flow in from elsewhere in the ILE. For all practical purposes, the ILE has made obsolete the traditional instruments of central bankers - interest rate and money supply.[10]

"Buy Australian" campaigns are therefore doomed to be unsuccessful as a way of changing expenditure patterns. Given the involvement of foreign corporations in so many aspects of Australian economic life, it is often difficult to buy specifically "Australian" products. Even the labelling may be unhelpful since "Australian made" can also include goods assembled in Australia from foreign components (for example, many "Australian" fruit juices are made from fruit juice extracted overseas and packaged in Australia).

Additionally, such campaigns are undermined by communications corporations. The impact of global television includes - for better or worse - the development of a global consumer culture. This is currently based on such items as Coca Cola, Big Macs and Madonna. Big Macs are the global fastfood and Coke supplies the global soft drink.

Australian consumers want these foreign items. They are not interested in domestic equivalents. This means that each nation, such as Australia, has to export goods and services in order to finance the imports wanted by its consumers.

The reason why I have sympathy for "Buy Australian" campaigns comes from their value as an educational tool in conscious-raising. They encourage people to learn more about the extent of foreign involvement in the Australian economy. People need to learn far more about transnational corporations.

## **THE EROSION OF NATIONAL SOVEREIGNTY**

Transnational corporations represent a new challenge to the three main modern schools of economic thinking examined in the previous chapter: mercantilism, Adam Smith's market system and JM Keynes's call for government intervention in the economy.

The corporations challenge the mercantilist approach because it was based on nationalism and the need to build up the national economy (with no care about the economies of other countries). Thus, corporations were expected to be loyal to the national government - that was why they were getting the privileged economic treatment. But the transnational corporation is "de-nationalized": it has no specific national loyalty.

The late Armand Hammer, a US businessperson who ran a "minor" oil company (Occidental) competing against the oil "majors" (the Seven Sisters), recalled how the Seven Sisters (two of which are supposed to be governed by British citizens), were eager to exploit the British government's ignorance of the North Sea oil industry:

Denis Healy, Chancellor of the Exchequer in Harold Wilson's Labour Government, put it well when he said that the discovery of oil in the North Sea was "Britain's first major stroke of luck in the twentieth century".

The problem for Britain - and, secondarily for me and Occidental - was that the British were ill-prepared to make the most of their gigantic good luck. In the far-flung dominions and dependencies of the British Empire, the Foreign Office had been dealing with oil companies and the management of concessions for fifty years. All that experience counted for nothing, however, when the prospect of oil in domestic waters first arose in the early sixties. The British government treated the potential bonanza as carelessly and complacently as any untutored sheikh and, in those early days, practically threw it away into the hands of the Seven Sisters.

It was not until 1971, seven years after the first round of North Sea concessions was granted, that the British parliament finally awoke to the full extent of its self-inflicted impoverishment at the hands of the majors.[11]

The British employees in the nominally two British Seven Sisters (Shell and British Petroleum) evidently did not feel obliged to advise their government on how to do better in negotiating with the Seven Sisters. Indeed, it would have been unethical for them to have done so, since they would have been using information acquired as a result of being part of the Seven Sisters.

The Keynesian system is also being eroded because national governments no longer have full national control over their economies. An example of this problem is the inability of governments to generate full employment. Ran Ide, a Canadian businessperson speaking at the 1993 Club of Rome Conference, reported on the impact of global labour competition. He was concerned about the transfer of jobs from

developed to developing countries, where labour costs are low and environmental protection legislation is weak:

...more than 30 companies, including Motorola, IBM, Texas Instruments, Hewlett Packard and Citicorp, have set up software programming offices on a 1000 metre plateau in Bangalore 320km west of Madras where, as one executive commented, the Indian employees "...do some of the best work in the world". And more than 40 companies, including AT&T and Thompson, have established factories in Indonesia in industrial parks provided by the government. Given the present stress on a market-driven economy, together with low cost communications technology, there is every reason to believe that these will not be isolated phenomena.[12]

Many of the jobs lost in developed countries will never return. The global economy is picking up speed from the recession but the traditional jobs (especially in manufacturing) have gone permanently to low-cost developing countries.

Transnational corporations are encouraging the intertwining of national economies. They themselves move across national boundaries and so forge links between countries. This intertwining then limits the scope of government action. *The Sydney Morning Herald's* Pilita Clark wrote about the US-Japan trade dispute in early 1994[13]. The US had been running a large trade deficit against Japan for many years and complained that Japan was using unfair trading practices. In 1992, the Bush Administration, under pressure from some US companies, retaliated by putting a high tariff on Japanese-made screens for laptop computers. The decision did not just hit Japan. It also hurt US companies such as IBM and Compaq, which relied on Japanese parts, forcing some of them to shift their laptop production abroad (and so reducing employment in the US).

## **GLOBAL CONSUMERS**

Consumerism is the leading edge of the globalized economy. Thanks to the free flow of information, consumers are better informed (or at least think they are).

The process began in the US. As the Washington-based Worldwatch Institute reported:

Particularly in the United States, shopping seems to have become a primary cultural activity. Americans spend six hours a week doing various types of shopping, and they go to shopping centres on average once a week - more often than they go to church or synagogue. Some 93 per cent of American teenage girls surveyed in 1987 deemed shopping their favourite pastime.[14]

On that last point, British management consultant Francis Kinsman has found a similar pattern among British teenagers:

According to a poll undertaken by advertizing agency McCann Erickson in November 1987, British teenagers place greater value on cash than either love or friendship... They have short-term goals and most of them are practical and materialistic. They feel that money is the doorway to modern life and that work is a means of providing status rather than fulfilment. They are determined to become adults as quickly as possible. The fear of unemployment has shaped their lives with an orthodoxy and conformity that seems unreal to their elders who recall their own teenage years as exploratory and rebellious.[15]

The global consumer culture contains such everyday items as soft drinks (notably Coca-Cola and Pepsi), McDonalds (there is a new store opening somewhere around the world every 15 hours), television programmes (such as *Dallas* and *Dynasty*), movies (such as *Jurassic Park*), and pop music.

Another aspect is the creation of the global middle class. This class often has more in common with members of the middle class in other countries than they do with the working class/ peasants within their own country. For example, a US-based corporation will be more concerned with selling to the emerging middle class in India or other parts of Asia, than it is to the people who cannot afford to buy its products in New York. The class therefore crosses national boundaries and has a largely a-historical approach to life. They are interested in present pleasures - not past events.

Another example comes from the Australian religious writer John Reid, who was depressed when he journeyed to the Japanese city of Hiroshima for the 48th anniversary of the atomic bombing. "In Hiroshima it is distressing to see groups of Japanese teenagers, garbed in fad American gear, gyrating mindlessly to multi-decibel American-sourced music in the forecourt of the Peace Memorial Museum". On his way through Hawaii he noticed that "relics of the Pearl Harbour attack are more tourist traps than memorials. Junk souvenirs are sold to tourists, most of whom are Japanese on their short whirl-wind overseas holidays. The greatest irony is to see whole gaggles of young Japanese in escorted groups, all wearing baseball caps or T-shirts, often emblazoned with Arizona Memorial insignia"[16]

An Australian irony is that there were only two places on the Australian mainland to sustain World War II Japanese attacks: Darwin (the more serious of the two in terms of physical damage) and Sydney Harbour (which generated far more fear among the Australian population). Potts Point, the Sydney Harbourside location where Japan did the most damage, is ironically, the place with the greatest Japanese tourist presence

## **REFORMING THE INTERNATIONAL ECONOMIC ORDER**

The present international economic order was created at the end of World War II and it was done in the context of forming the UN. This was the Bretton Woods system (named after the site in New Hampshire, USA where the crucial meeting took place). The system was based on international financial institutions within the UN and used the US dollar as the basic international currency.

The system worked well for about two decades. But it has been in increasing disarray the past three decades. The UN's attempts to create a new international economic order have failed. The irony here is that while the UN itself has failed, a different sort of global financial revolution has taken place - based on transnational corporations and the creation of a global economy.

## **THE GOLD STANDARD**

The previous international economic order was run from London. The British acquired an empire in an indirect way: the flag followed trade. 17th and 18th century traders went in search of markets and did deals with local rulers. Later on in the 19th century, British influence was solidified by direct British rule. The British "tribe" dwelling around the globe provided what was then the world's best financial network.

International trade was based on the gold standard. All currencies were linked back to gold. If a nation imported more than it exported, then money left the nation. This reduced the money supply within the nation, which depressed the prices of goods and labour. This in turn meant that the nation's exports were cheaper and so were more attractive for foreign buyers. Thus, the economy picked up, which then meant in due course a fresh problem because imports were running ahead of exports. And so on.

The gold standard was abandoned in the Great Depression of the 1930s. All nations devalued their currencies to lower their export prices and so attract foreign customers.

British supremacy was further eroded by the financial impact from involvement in the two World Wars. The US in World War II had a military objective (that of defeating the Axis Powers) and an economic one (that of replacing the UK as the centre of the world's economy).

The US had developed quickly in the late 19th/ early 20th century behind a wall of tariffs and other protective measures. By 1939, the US produced about a third of the world's manufactures, which was more than twice the production of Nazi Germany and almost 10 times that of Japan.

By the late 1930s, US companies were interested in foreign markets. But many of these were behind the wall of British "imperial preferences". The British Empire was based on sterling (the world's main currency) and priority for British investment and colonial exports were all within the Empire. Thus, the US had to remove that system of British imperial preferences. The UK was vulnerable to US pressure because it was reliant on US aid to fight the Axis Powers.

Meanwhile, the war went on longer than the US expected - in World War I, the war had ended a year after the US intervened. The US became worried that the war's long-term financial implication would be a post-war world consisting of bankrupt nations heavily in debt to the US. That would put the US in the prime financial position but it held out little hope for continued US expansion if there were no foreign markets able to buy US goods. There was also the risk that bankrupt nations would be unstable and so there could be fresh threats from nazi or communist movements and governments.

Thus, the international economy had to be rebuilt. This would be done best with the US at the financial centre - in 1945 the US commanded 40 per cent of the world's economy - with the US dollar (rather than the UK pound) as the basic currency, and with nations committed to free trade (thereby ending the system of imperial preferences). The US had got itself out of the Depression by the "New Deal", which resulted in the government becoming far more involved in the US economy than ever before, and the war further encouraged that involvement. There was now to be an international "New Deal", which would help the global economy to recover and it would prove to the USSR and any of its potential supporters that capitalism - rather than communism - was the better economic system.

## **THE BRETTON WOODS SYSTEM**

John Maynard Keynes was recruited in 1940 from Cambridge to the Treasury to work both on how the UK was to avoid being bankrupted by World War II and to recommend the creation of a post-war economic order. During the war he produced a detailed scheme for an international "Clearing Union" with "Bancor" as its unit of exchange; with big initial credits; with unlimited liability in the sense that like any banking concern it could build up its assets without a ceiling as it went along; with substantial obligations upon creditor as well as upon debtor countries; with a leadership role for the US and UK; and with the right of any country to devalue its currency by up to 5 per cent a year without prior permission. This proposal led to the eventual establishment of the International Monetary Fund and the World Bank. But the UN's financial agencies are far less than Keynes envisaged:

The Americans, with moderate but not complete foresight, saw themselves as the perpetual creditor nation. They did not therefore want heavy obligations on creditor countries; nor did they want unlimited liability; or easy devaluation; nor a special joint leadership role for Britain. "Bancor" was no more popular, although at one stage they had a unit of their own called "Unitas". But essentially they thought that the dollar, linked to gold, could perform the pivotal role.[17]

The World Bank and International Monetary Fund (IMF) were established as part of the Bretton Woods system. The World Bank provided, via grants from developed nations, a system of long-term loans to help

economic development. The World Bank's lending policy was conservative: it liked infrastructure projects (such as roads and dams) rather than investing in people (such as education and health). The biggest World Bank loan in the late 1940s was to Australia to help finance the Snowy River scheme.

The IMF was concerned about short-term liquidity problems in government expenditure and national income. The US dollar was linked to gold: US\$35 equalled the price of one ounce of gold. This was the cost between the US Reserve and foreign central bankers (such as Australia's Federal Reserve). There was little point in collecting US dollars to buy gold since central banks could do nothing with it; gold earned no interest. US dollars, by contrast, could be used to buy goods and services overseas. The 1950s were a golden period when the international economic order flourished.

## **THE DECLINE OF THE BRETTON WOODS SYSTEM**

### The Cost of the Vietnam War

An important component of the Bretton Woods system was the value of the US dollar vis-a-vis gold. The US dollar then formed the basis of the exchange of other currencies. This system required the US Government not to have budget deficits since it was necessary to avoid a surplus of US dollars unbacked by gold. That was not a problem for the Truman and Eisenhower Administrations (1945-1961) and the latter even ran up a few budget surpluses.

President Kennedy (1961-3) followed that policy. But he also contributed to its eventual erosion by increased involvement in what was then a small war in Vietnam. He stepped up the number of US "advisers" in Vietnam. His successor (Lyndon Johnson 1963-69) expanded the US presence considerably from 1965 onwards. The US had paid for its involvement in the two World Wars by saving schemes and increased taxes. The Vietnam war was too unpopular for such schemes and so the US printed extra dollars.

By the late 1960s, Western European Governments (led by France) were worried about the proliferation of US dollars. France tried to buy gold at US\$35 per ounce but of course there was not enough gold in the US Reserve. The US had eroded the Bretton Woods system and the system broke down in August 1971.

The current situation is that the price of gold is "floating" vis-a-vis the US dollar, and every other currency is also "floating". This means that currencies vary in price against each other every second per day - and this variety makes foreign trading, borrowing and investing a risky undertaking. Transnational corporations speculate on currency fluctuations. The stability of 1945 has vanished.

### 1973 Oil Crisis

The post-war economic boom was partly fuelled by cheap Middle East oil. The price actually went down in the 1960s. The Arab-oil producing nations were restless at the low price and so they formed the Organization of Petroleum Exporting Countries (OPEC).

The October 1973 Arab-Israeli war wrecked any power the corporations had over OPEC. The Arab nations used their oil - or, rather, the threat of not selling it - as a weapon to reduce support for Israel. The price of oil quadrupled in seven months.

The era of cheap oil is over. There is still a great deal of oil in the world. But the cost of getting it out of the ground is becoming more expensive since it is at less accessible depths or in less accessible locations.

## **A NEW INTERNATIONAL ECONOMIC ORDER**

The General Assembly, which contains all of the UN member-nations, adopts non-binding resolutions after extensive debates. It is a unique place for seeing how nations feel on all the world's major issues. Its regular sessions run from September to December each year.

The General Assembly can also meet in special sessions between January and August. This is a rare procedure since a special session is difficult to organize at short notice. However, the break down of the Bretton Woods system in 1971 and the volatility of "petrodollars" gushing through the international economy meant that developed nations were anxious to see some global economic reforms. Ironically, the Third World had been saying this for over a decade but it had received little support from Western nations. It was OPEC treating the West as badly as the West had treated the Third World, that suddenly sparked Western interest in economic reform.

In April/May 1974, the General Assembly met in a special session to discuss the creation of a new international economic order. This was only the sixth special session in 29 years and it was the first on economic development. It was a session with conflicting objectives. The developed Western nations wanted to find a replacement for the Bretton Woods system.

But the Third World wanted a much deeper change which would address the damage done by their colonial exploitation in the old economic order. This began around AD1500, when Europeans commenced sailing to all parts of the globe. They went in search of gold, silver, spices and other commodities. The exploitation of Africa was also done to create a triangular trade: European manufactured goods were used to buy African slaves from Arab slave traders, the slaves were shipped across the Atlantic - over 11 million people - and they worked on sugar, cotton and tobacco plantations, with the produce being shipped to Europe. Land in the Americas was also taken over by people wishing to escape religious persecution in Europe. Australia was taken over as a dumping ground for British convicts.

There were then, various motives for colonization. The overall effect was that thriving original cultures were destroyed and European citizens and values were imposed.

Most of the European empires were wound up by the 1960s. But now there is economic neo-colonialism: the economies of most Third World nations are still influenced by the terms of trade laid down in colonial times. Most Third World nations still export raw materials and have to import manufactured goods from the developed world.

The Third World wanted a new international economic order based on the following principles: improved terms of trade for commodity exports, national control over natural resources, increased foreign aid (the UN set the target of 0.7 per cent GNP), access to markets in developed countries for manufactured goods from the Third World, and the transfer of some science and technology to the Third World (97 per cent of the world's scientific and technological personnel are in the developed Western and former communist countries).

Two decades later, the quest for a new international economic order has remained a failure. In February 1991, the UN reviewed the activities over the previous decade:

The 1980s was characterized as a decade of unsatisfactory progress and performance. Adverse and unforeseen developments in the world economy - recession, shrinking resource flows, declining commodity prices, rising interest rates, trade barriers, excessive debt, to name but a few - undermined

economies and shrank overall growth in the developing countries to about 3 per cent annually, and per capita growth to 1 per cent, compared to averages of 5.5 per cent and 3 per cent, respectively, over the 1960s and 1970s. The gap between rich and poor countries widened further. Lamentably, UN projections indicate that the 1990s will be much like the last decade.[18]

Indeed, the phrase "New International Economic Order" no longer even appears in UN documents.

## **THE ROLE OF TRANSNATIONAL CORPORATIONS**

The UN failed to create its own new international economic order - but transnational corporations have managed to create their own.

Most of the UN's debate about the international economy is conducted as though corporations do not exist. But corporations are a major force in that economy.

First, they have helped to create one global economy. The USSR and China have tried to stand outside the global economy but they have succumbed to it. If you can't beat them, join them.

Money, for example, moves freely through the global economy. Until recently, money moved slowly because of strict national banking regulations. The regulations were weakened in the 1980s. Meanwhile, the collapse of the Bretton Woods system has meant that money is itself a source of money in that corporations speculate on the changing value of currencies. Up to US\$600 billion can move through foreign exchange dealings in a day (that is the equivalent of about twice the size of Australia's annual Gross National Product). The dealers can force up or down the value of currencies.

For example, in late July 1993, the speculators moved in the French franc and began selling it. The central bankers (especially those of France and Germany) moved in on to protect the franc by buying it with foreign currencies[19]. The franc was still devalued and the French and German central bankers spent US\$69 billion in their futile effort (the money went into the hands of the speculators - one of whom made US\$1.5 billion in less than a week).

Second, transnational corporations operate across national boundaries. They can play governments off against each other; if one government tries to get tough with a corporation it will try to find a more congenial environment in another nation.

Third, corporations are driven by the need to make profits. They have no intrinsic altruistic need to help poor people - they are interested in people who have money to spend. They were not interested in the UN's ideas for helping the Third World - unless there is money in it for the corporations. They were not consulted about the ideas in the 1970s for creating a new international economic order and have expressed no interest in the idea.

Fourth, corporations create a global consumer culture. They can pick up a marketing idea (such as hamburgers or soft drink) and quickly create a global appetite for it. Third World nations which ought to be spending money on education, bridges and irrigation systems are having their funds siphoned off by the urban middle class on consumer goods.

The world has undergone during the past half century the largest financial revolution in the earth's history. The revolution has been characterized by four developments.

First, the Bretton Woods system devised half a century ago has collapsed and governments have not been able to negotiate a replacement. Instead, they have become accustomed to trying to cope with the failure of that system (such as fluctuating currency rates) rather than agree on a fresh system.

Second, transnational corporations have become a major economic force. Their presence helps explain the failure of creating a new international economic order: governments will make little progress on a new order without involving corporations in the negotiations, and governments are unwilling to do this since it would represent an acknowledgment of the power of the corporations.

Third, the post-war boom has gone and the world has little of a permanent nature to show for it. The resources went in a consumer frenzy rather than creating an infrastructure that would be of use to later generations.

Finally, another aspect of the wasted nature of economics has been the continuing debt crisis in the Third World. 40,000 children die each day through a lack of clean water and sanitation facilities. Some of the money that could be used for such work is going to foreign banks to repay the debts. The children are paying the price for the wasted money.

## **DOING WELL BY DOING GOOD**

To conclude, it is important that consumers recognize that they have a direct role in working for a better international economic order.

It is possible to do well by doing good: to use a person's wealth in the interests of social justice.

Some aspects of personal consumption (especially tobacco, alcohol and gambling) have long attracted criticism by Christians and others wishing to lead a more wholesome life. Given the present governmental campaigns in many nations to encourage citizens not to drink or smoke, this prophetic work is now being vindicated.

However, far less attention has been given to the positive use of money - using money in such a way as to change commercial practices.

There are seven ways in which this can be done: boycotts, "girlcotts", buying goods made under just working conditions, investment guidelines, not investing in corporations which you disapprove of, socially responsible investment, and going where the banks will not.

### Boycotts

Boycotts are well known. Some people already boycott alcohol, tobacco and gambling.

The most famous consumer boycott is that conducted against the makers of infant-formula powdered milk[20]. The argument over infant-formula in the Third World rests on three points. Use of it detracts from breast milk, which provides initial near-perfect nutrition, protects against disease, and is virtually costless. Lactating mothers are less likely to conceive than mothers who are not breast-feeding.

Additionally, because powdered milk is often mixed with unclean water and served in unclean bottles, its use can lead to malnutrition, disease and even death. To be safe, water must be boiled for 20 minutes; fuel

for the fire is not cheap. Since many of the parents are illiterate, they also cannot read the instructions on the packets as to the right proportions of water and powder to use.

Finally, powdered milk, which is often supplied free in hospital, has to be paid for when mother and child return home and so it represents a financial burden for the family - especially when the alternative is virtually costless.

There are some circumstances where infant-formula is justified. Consequently the critics have not campaigned against it in principle, but about the aggressive marketing techniques of the companies - for example, offering inducements to hospital employees to recommend infant formula.

In the early 1970s, the British NGO War on Want was curious about the irony that more foreign aid than ever was going into Africa and yet babies were still dying. Then it hit upon the idea that infant formula TNCs were contributing to this problem.[21] War on Want urged the TNCs to be more responsible in their promotions. TNCs ignored the call.

In the late-1970s NGOs began to call for boycotts of other products made by the infant-formula companies, such as Nestles, which makes Nescafe coffee.

In the US, the boycott was co-ordinated by the Infant Formula Action Coalition (INFACT). Two major supporters were the National Council of Churches and the NCC-sponsored Interfaith Centre on Corporate Responsibility (ICCR). Other churches took up the campaign, such as the United Church of Canada and the Anglican Church of Canada.

The World Health Organization responded to the campaign by drawing up a voluntary set of marketing guidelines. The International Code states, among other things, that there should not be free samples, promotion of products in health facilities or gifts to health workers.

An International Baby Food Action Network (IBFAN) was established to stop the unethical promotion of bottle-feeding. It has also been encouraging governments to adopt binding legislation to assist the observance of the voluntary code.

The infant-formula campaign has become the classic case study of the effectiveness of consumer boycotts. It has greatly influenced international organizations, changed the practices of transnational corporations, and has been a good medium by which to inform people in developed nations about economic and social development.

Although the campaign has still not achieved all that was hoped for it, it showed that the boycott technique could be effective. It was an example of "thinking globally and acting locally" since it gave the individual or family a specific task to do which would contribute to a better world.

People get to vote for politicians only every few years. But they "vote" for some products on an almost daily basis. Every time people buy a product, they cast a "vote" in favour of that product and yet they seldom think of the ethical consequences of casting that "vote". The campaign called upon people to think about the social responsibility of their consumer patterns.

In June 1986, the US-based INFACT turned its attention to opposing nuclear weapons. It has focussed on General Electric, the US's second largest manufacturer of nuclear weapons. GE was chosen because of its vulnerability to a consumer boycott: over 30 per cent of its sales come from ordinary consumer items such as washing machines, dryers, home video machines and light-bulbs.

GE grosses over US\$60 billion annually. Its nuclear weapons work, while lucrative, constitutes only about 10 per cent of those overall sales.

The campaign encouraged people to question their behaviour: if you oppose nuclear weapons, why support the corporations which build them? People may have felt uncomfortable about joining in peace rallies, but buying a "nuclear free" washing machine - rather than a GE one - created no discomfort.

GE is a leader in the global market for high technology medical scanners and diagnostic imaging equipment. Medical NGOs, such as the International Physicians for the Prevention of Nuclear War, recommended to their members that they not buy GE medical equipment - and to buy "non-nuclear" medical equipment instead.

In November 1992, after the INFACCT campaign had been in progress for almost seven years, GE announced that it was getting out of the nuclear weapons industry.

In 1993, the INFACCT Newsletter announced its third campaign for corporate accountability:

For 15 years, INFACCT has been effectively working to stop life-threatening abuses of transnational corporations. Beginning with the Infant Formula Campaign in 1977 and moving on to the Nuclear Weapon-makers Campaign in 1984, INFACCT has shown that giant corporations *can* be held accountable for their life-threatening abuses!

On May 1 1993, INFACCT began its third major campaign for corporate accountability: taking on the deadly tobacco industry in order to stop the marketing of tobacco to children and young people around the world.

Tobacco TNCs, including giants Philip Morris, RJR Nabisco (formerly RJ Reynolds), British American Tobacco (BAT) and American Brands are truly "merchants of death". Tobacco and weapons are the only products that kill or injure when used as intended. Cigarette smoking kills between 2.5 and 3 million people each year, and the death toll can only climb as the tobacco industry's aggressive marketing spreads throughout the world.[22]

### Girlcotts

Girlcotts complement boycotts. As in the GE example, a girlcoting consumer deliberately bought a product or service (in this case, a washing machine) from a corporation that was not also making nuclear weapons).

The Baltimore-based Nuclear Free America peace group has drawn up a list of six major corporations involved in the long-distance telephone business. Three are also involved in making nuclear weapons. It has recommended three be boycotted and the other three girlcotted.

### Buying Just Goods

A variation of the boycotts and girlcotts projects is to buy goods that are made by workers who are not being exploited. Some alternative trading operations have been created to import goods from Third World companies which are not exploiting the workers, such as Trade Winds Tea and the Community Aid Abroad/ Oxfam shops.

## Investment Guidelines

The fourth approach is to draw up investment guidelines. For example, in November 1972 the American Baptist Home Mission Society and the Woman's American Baptist Home Mission Society adopted guidelines governing the use of their money. There was to be no investment in major defence contractors, or corporations which injure the environment, discriminate against women or minorities, or are involved in repressive regimes like South Africa under apartheid.

The implementation of a set of guidelines may require the sale of investments ("divestment"). In late 1989, for example, the Evangelical Lutheran Church of America became the first mainline US Protestant denomination to establish a schedule for total divestment of its pension funds from corporations investing in South Africa.

The most famous case of "divestment" is the withdrawal of funds from South Africa. In 1971, the (US Anglican) Episcopal Church made business history when it called (as a share-holder) for "its" General Motors company to withdraw from South Africa. This began the long process of both informing Americans about the evils of apartheid and using investment as a lever on the minority white government. The US-based Stanley Foundation (a pioneering NGO researching into the importance of NGOs - "societal groups" - in global politics), has noted the impact of this type of work:

The anti-apartheid movement is often cited as a compelling example of the growing impact of societal groups and the increased role of state and local actors in influencing US foreign policy. The movement engaged thousands of Americans in concrete efforts to put pressure on the South African apartheid regime and to reverse the Reagan administration's policy of "constructive engagement". Even for Americans who did build a shanty on a university quadrangle to urge divestment or stage a protest in front of a South African consulate, the movement contributed to a broad-based US fascination with South Africa. Most Americans may not know much about Africa, but the events and activities which surrounded and emanated from the anti-apartheid movement have forged a special connection between US and South African societies.[23]

Bishop Peter Storey, of the South African Methodist Church, toured Australia in June 1994, thanking Australians for their participation in the divestment campaigns and the sporting boycotts of South Africa. He said that all this effort had contributed to the "South African miracle": the transition of power from the apartheid regime to the democracy headed by President Mandela.

## Buying Shares

The fifth approach is to buy shares in corporations of which the person is critical. For evil to succeed, it is enough that good people do nothing. A great deal can be achieved by working for change inside the corporation.

Buying shares in a corporation enables the shareholder (who is thereby one of the "owners") to raise at annual general meetings issues of concern about corporation policies. They can, for example, have resolutions adopted instructing the management not to invest in (say) certain nations or products, or to produce a report on what the corporation's impact is on (say) the Third World.

## Socially Responsible Investment Funds

The sixth approach is the investment in socially responsible funds. Social investment funds began in the US in the late 1960s with people wanting to make sure that they did not invest in the military-industrial

complex. Because of the Vietnam war, the complex was booming and some people were troubled that they may be opposing the war publicly and yet benefiting from it financially.

Two decades on, this form of investment is firmly established - and doing well for its clients. US investment funds are now worth over \$US100 billion. It is incorrect to think that profits can only come from investments in companies whose produce may trouble Christians and others with similar ethical principles.

Individuals no longer have to be torn between investments in the planet's future and their own. Their principal can be reconciled to their principles.

### Going Where the Banks Will Not

The final approach is for churches and other NGOs to go where the banks will not. These projects may occur where the amount required to be borrowed is so small that the banks lack the financial incentive to provide the money - the cost of the paperwork would exceed the eventual return. These people lose out not because they have unprofitable proposals but ones which are too small. Groups concerned with Third World development can be helpful here.

Alternatively, the proposals may be large but appear to be unprofitable. The standard example of success is from one of the worst of Chicago's slum areas: the South Shore Bank. This is the US's first neighbourhood bank. In 1973 the bank, equipped with money from outside the area (including to date several millions in church deposits), started providing loans to local borrowers to renew the neighbourhood, such as for housing, energy conservation and training programmes. 18 years later, the bank, according to *Time*, was booming, with assets of US\$230 million:

Working on the south side of Chicago, the bank really cannot afford to consider loan defaults as part of the cost of doing business the way bigger institutions, so it devotes extra time and care to each customer. Whether the budding entrepreneur is a man or a woman, South Side provides training to ensure that its loan recipients have a clear business plan and a good chance of success.[24]

This implication of this type of banking is that it is good for depositors. Depositors in the 1990s are paying for the banking excesses of the 1980s, when irresponsible loans were made to people who cannot - or will not - repay the money. Ordinary depositors are paying for the scandals of the 1980s. But at Chicago's South Side, there is no scope for such irresponsibility in loans - and therefore it is a safe place to make deposits. South Side is setting an example in integrity for banking TNCs.

### Putting Your Money Where Your Beliefs Are

To conclude, the pioneering work (done mainly by US churches) provides much stimulation for thought.

First, money has traditionally been a tool of exchange. It is now possible to make money a tool for positive economic and social change.

Second, many people in developed nations are contributing to pension funds. These quiet giants own the bulk of the shares on stock exchanges. Consequently, these people are capitalists (whether they like the label or not) and ought to pay attention to how their money is being used.

Third, the 1980s were the decade of the "greed is good" mentality, when you had to do unto others before they had a chance to do it unto you. We will be paying the price for that mentality for years to come. It is essential that churches become more involved in the debate over business ethics.

Fourth, the socially responsible use of money is an opportunity to introduce a new competitive factor into the marketplace. It is a way of encouraging corporations to compete to have the best record for, among other things, production for a peacetime economy, for good pollution control, for fair employment practices, and for providing a safe workplace for their workers.

"We are not boycotting to put anyone out of business", said Martin Luther King during the US civil rights campaign, "we are boycotting to put justice into business".[25]

There is a very long way to go before TNCs get a reputation for justice. But NGOs can play a role in helping TNCs recognize the importance of justice in their daily work. NGOs are also important in helping to focus public attention on the significance of TNCs in economic development - something that the government and mass media often overlook.

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