

The Neo-Capitalist Assault

Essay Three of Part V (In Search of Social Justice)

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The Capitalist Challenge II: The True Approach to Wealth Redistribution

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From time to time TJSGA will issue essays on topics relevant to The Living Wages North and South Initiative (TLWNSI). This paper is the Seventeenth and last in the series “The Neo-Capitalist Assault” –a collection about Neoliberalism.

The final essay presents a concrete program to attain wealth redistribution at the micro-level by working with multinational corporations to gradually increase the compensation of their Third World workers. The Author opens by calling on Civil Society to get involved in the practical path towards social justice, by implementing a consorted and permanent effort to redistribute wealth in capitalistic societies.

Throughout this work I have discussed the nature of Capitalism, its great benefits as well as the enormous social and environmental destruction that it causes. The concept of justice is outside its nature and, thus, if we leave it to operate freely, it creates a great imbalance in the welfare of capitalist societies. We know that this great imbalance is its natural outcome because Capitalism is a system of competition where individuals try to generate and accumulate wealth by finding the human activities that will allow them to gain as much wealth as possible, and more wealth than everyone else. This concept fits perfectly with a great part of our natural instincts: the one that moves us to fight for our survival and to defeat the rest who are trying to do the same. Nonetheless, a great deal of our nature also

Summary

- ❑ Public and Private Global Public Goods
- ❑ Global Public Goods
- ❑ Fair Labour Endowments: The Private Global Public Good
- ❑ The Targets
- ❑ The Concept
- ❑ The Approach and the Leverage
- ❑ The Benefits
- ❑ The Players
- ❑ The Civil Society Global Alliance
- ❑ Criteria and Benchmarks
- ❑ The Global Civil Society Program
- ❑ The advocacy process with MNCs
- ❑ The advocacy process with governments, BWIs and other organizations
- ❑ The Awareness Program
- ❑ Results, Expectations and Time Span
- ❑ Truly Democratic Capitalism or Unimaginable Conflict

moves us to live in harmony with our fellow human beings, to multiply the species and to share and cooperate for the welfare of the entire community, because we gain more by working together than struggling individually. In this way, our capitalistic instincts are in a permanent state

of conflict with our humanitarian and social instincts. And yet, because no one has found a least imperfect economic system for society to progress, we need to create, within Capitalism, the ways to balance the private interests with the public interests. In the two previous essays I have covered the conceptual framework and the rationale behind the need to balance the selfish nature of Capitalism with the need to live in harmony by building a social ethos that provides equitable opportunities to all individuals to live a dignified life. In this last essay I focus on the practical path towards social justice, which is the implementation of a concerted and permanent effort, by the Global Civil Society, to redistribute wealth in capitalistic societies.

Public and Private Global Public Goods

There is nothing more direct and meaningful to achieve social justice than to redistribute wealth from its point of generation. There is no more direct path to a fair distribution of wealth than to distribute the income generated, as the result of the economic activity, rather than to provide assistance through social programs or plain charity aimed at the mitigation of misery. What needs to be done is to pay living wages in all the markets that participate in the new global market. In the First World, wages and the overall compensation of labor need to be protected, so that the labour endowments do not lose more to the so-called efficiencies designed to boost the price of the stock. This is especially valid when the greatest efficiency that MNCs find is to move an important part of their operations to the Third World, where they pay miserable wages, as we have seen. Moreover, the best way to protect wages in the First World is to gradually increase wages in the Third World with the goal of putting them eventually at par. Of course, we know that MNCs and Third World governments oppose this because they argue that if they lose their competitive advantage they would not invest in the Third World. But this does not need to be so because the only way for Capitalism to continue to grow is by expanding the size of its market in the Third World and because exploitation is not acceptable in a truly democratic global environment. If MNCs gradually pay fairer wages, the aggregate demand in the Third World would grow exponentially. This would create a much stronger and sustainable global economy and would reinforce the need for jobs in both the First

and Third Worlds. Thus, aggregate demand would grow everywhere and create a far more sustainable path. Eventually, the gap between rich countries and poor countries would be eliminated, and then we would have a much stronger global economy with much higher standards of living everywhere. Of course, in order to pay living wages in the Third World, profits would need to decrease. But this is something that is completely fair in the first place, for a good part of today's profits rightly belong to labour in the Third World. It is only the lack of democracy and justice that allows the corporations to exploit them.

Indeed, the fundamental reason is the lack of democracy. In a truly democratic world, corporations cannot reject their obligation to be socially responsible. As private entities they are free to use their wealth anyway they wish, but they cannot create or use their wealth at the expense of the common good. To do this they fall into a state of avarice, and this cannot be allowed in a true democratic ethos, regardless of our most profound capitalistic instincts. In a true democracy, our individual right to create and accumulate wealth ends with the right of all our fellow citizens to live a dignified life, and the same applies to private corporations. Therefore, corporations need to be socially responsible in the broadest term of the word. This implies that they cannot resort to do some token acts of charity by donating funds to a social program, or by providing scholarships to poor students or loans for micro-enterprises. All of these measures are of course welcome. But the first act of responsibility begins with a fair share of the surplus of the economic activity by the labour endowments because this is the direct product of the work of all, and because all people are entitled to live a dignified life. As we know, this is not the current situation in the Third World and even in many instances in the First World. If this is not changed, then the corporations will continue to commit a direct act of injustice and of social irresponsibility. In this case, it would no longer matter how much charity they give to social programs, for they are already profiting over people. Thus, the corporations' first responsibility is to pay wages that provide a dignified livelihood to all their workers. Additionally, they also need to protect the environment and invest in all the communities in

which they are active. Thus, besides protecting the environment, they can choose to invest in culture, education, urban renewal, micro-enterprise and a myriad of other programs. But their first obligation is to pay wages that provide a dignified life to their workers because this is the true measure of fairness and the only real solution to the eradication of poverty and to the construction of a sustainable global economy with a long-term vision.

The critical role of corporations in increasing the quality of life of society notwithstanding, democratic governments are obliged, as part of their responsibility to act as agents of regulation, to implement a number of actions that are designed to increase the overall welfare of society. These include specific policies to change the structures that generate poverty by creating an ethos that redistributes wealth by balancing social with capitalistic demands. These policies are concrete actions that, along with the gradual improvement in labour endowments, fulfil the mission of governments of eliminating poverty and of creating a sustainable and fair global economy. In this way, with the eradication of poverty, we would have enormous improvements in the provision of health, education and infrastructure that are critical for the permanent growth of the global capitalist system. This would increase dramatically the amount of human capital and the overall economic wealth, which would only reinforce the sustainability of a democratic global economy.

This is the ethos that Civil Society needs to focus on. I need to insist that Civil Society is the agent of change. Governments will not work to provide social justice unless Civil Society forces them to fulfil their responsibilities. Thus, Civil Society must work on two fronts to achieve social justice: one with the corporations and another with governments and their global organizations. In this way, governments support Civil Society before the private sector whilst they also provide the public goods that contribute to the construction of an equitable economic environment. Thus, we have what I call the global public goods, where the public sector actively works to build the new structures necessary to redistribute wealth and maintain a sustainable global economic environment, and the private global public goods where

corporations become socially accountable by paying fairer wages and supporting their communities.

More specifically, public goods are assets that are generated by the public sector and are for everyone to enjoy. In consequence, there can be an infinite number of public goods. This could be as simple as traffic signals or as complex as the balanced economic paradigm that is required to achieve a balancing act between private and public demands. In either case, the assets created by the actions of governments benefit everyone. If poverty is reduced in a country, this does not only benefit those who are no longer poor or are less poor, it also benefits the entire nation as a whole. If the level of education increases or crime decreases or legislation protecting the environment becomes more comprehensive, these are assets for the entire community to enjoy. Moreover, the public goods that are created at the regional or national level also benefit the entire global community. The eradication of an illness or the social stability of a nation brings benefits to the entire global community. It should be very clear that the role played by the individual organizations that emerge from the Global Civil Society is fundamental in this endeavour. These organizations can make governments provide the necessary public goods or they can directly work to provide a set of public goods to national and global communities.

There are also private global public goods, which are assets that are sourced by the private sector but that generate a public benefit. The need to put Third World wages at par with those in the First World is the most important public good, and Civil Society plays the central role in making corporations pay fair wages. To be sure, there are other public goods provided by the private sector for the general public to enjoy. A philanthropic endowment to build an art centre or a concert hall are public goods privately sourced that are enjoyed by the local, national and global communities. However, since these goods fall outside the realm of this work and are not discussed here. In this way, following I propose a non-exhaustive catalogue of practical actions that Global Civil Society needs to demand in order to achieve social justice. The first group constitutes the global public goods of the new ethos whilst the second specifically presents a program to

gradually increase wages and constitutes the fundamental private global public good. As could be expected, the achievement of these goals presumes the previous establishment of a truly participatory democratic environment, for without it the attainability of these specific goods would be greatly diminished.

Global Public Goods

The role of truly democratic governments in the new Global Civil Society must be as agents of regulation and as providers of most of the public goods in response to the demands of civil societies. Their sole purpose, as public servants, is to serve the public interest while providing the necessary conditions for private actors to make use of their resources and ingenuity to create wealth for themselves in a socially responsible manner. In order to create the necessary conditions to generate a fair distribution of the wealth generated from the economic activity, a number of critical issues need to receive special attention. These issues, covered ahead, are of fundamental importance in the fair distribution of wealth. The rationale behind all issues is the same. In a globalize economy, everything needs to be globalize, and not only the markets. In this way, by globalizing both the benefits and the responsibilities, a balanced ethos can be built.

- **Building Human Capital.** Democratic governments need to give special priority to the permanent building of human capital. The United Nations Development Program offers three fundamental criteria in the composition of its Human Development Index: longevity, education and income. Human capital goes beyond these elements and focuses on the skills that people need to acquire in order to increase their livelihood and the overall quality of their life. The OECD report, *Human Capital Investment: An International Comparison*, defines human capital as the knowledge, skills, competence and other attributes embodied in individuals that are relevant to economic activity. As could be expected, in the private sector human capital tends to be treated as another commodity or asset that companies build to increase their value. However, from a truly democratic perspective, the government has to invest in the development of human capital in order to enable people to have the skills that are required in the new Global Civil Society to secure

a good quality of life. As the Organization for Economic Cooperation and Development asserts, investment in human capital is at the forefront of *the OECD* agenda in pursuit of economic prosperity, fuller employment, and social cohesion. In this way, individuals, organizations and member nations acknowledge that high levels of knowledge, skills and competencies are essential to their future security and success and that investment in the development of skills must take place in a wide variety of environments.¹ In response to Civil Society, democratic governments must give top priority to the provision of knowledge-based and other skills, through social investment in education and focused-training that will secure the income and quality of life to which all citizens have a right. This is what access to equal opportunity is all about, and this is a fundamental element in the fair distribution of wealth.

- **Productive Investment in micro, small and medium businesses.** Governments need to invest in the development of small and micro businesses. This can be done through low-cost productive lending using public revenue and also providing technical assistance in the development and management of small and micro enterprises. Private lenders can also participate by providing funds at low cost in exchange for tax or other incentives. Micro, small and even medium-sized businesses can also receive tax incentives during the first years. These businesses are typically the main generators of jobs in any economy. In the Third World their biggest hurdles to success are the absolute lack of financing at a competitive cost and the lack of technical resources. Governments can make both available through the development of specific programs. This kind of social investment, along with the building of human capital, are the most productive investments that Civil Society can ever make in itself to increase opportunity and to redistribute wealth with a long-term vision.

- **Labour protection.** Governments must pass legislation that precludes employers from treating workers as replaceable commodities. Workers have the right to demand a minimum of security and stability. Employers cannot make use of practices such as the hiring of workers “on demand” without any type of social commitment. Workers cannot make a livelihood without

knowing they can depend on an income for a reasonable period of time. Thus, contractual legislation needs to be standardized in all civil societies and include all the provisions that pertain to an employer-worker relationship. These criteria must apply to both blue and white-collar workers. Employers cannot aspire to have a work force built from a pool of temporary workers. From a business perspective this is certainly not efficient. However, employers will have to bear the cost of providing reasonable job stability and a previously stipulated and reasonable compensation to workers if they need to lay them off. Workers also need to enjoy a minimum standard of benefits that provide them with health care, social security, disability compensation and other protection. Unions must be set free to enter into a free bargaining relationship with employers using the minimum labour standards provided by law as the benchmark. This type of legislation also needs to be standardized globally. In this way, employers cannot resort to move to “havens” where they can behave as they please. All of these measures to protect labour play a meaningful role in wealth redistribution. NGOs play a critical part in securing a fair labour environment, for they can use as leverage the same actions that will be used to force corporations to pay living wages globally, as it will be explained in the private public goods section.

- **Privatization and deregulation.** The privatization of State-owned enterprises generally entails converting public assets into cash that is supposed to go to the coffers of the government’s treasury. Because this action deals with part of the public wealth, the overriding principle must be to seek the greatest benefit for society at large and preferably with a long-term vision. Businesses are generally better in private hands than in public hands, but the criteria used for the privatization of State-companies should be drawn from a social angle and not from a business perspective. If the funds obtained through the privatization of a public asset will be more beneficial for Civil Society than the benefits obtained if those assets are retained in public hands, then privatization should be deemed the appropriate course to follow. Nonetheless, the potential consequences of the sale of public assets on the welfare of society may be so high that this decision cannot be left only in the hands

of the executive, legislative and even the judicial branches. It is imperative that the legislative branch approves the initiatives to privatize public assets. However, in a truly democratic society, the privatization of public assets is important enough to require the direct approval of Civil Society. This is especially critical due to the high possibility that corruption of the executive and legislative branches may influence the vote in favour of privatization. A scenario of prospective bidders offering legislators and members of the executive branch a commission in exchange for approval for privatization is absolutely real. Not only have bidders corrupted governments but the governments have also corrupted the bidders. There are thousands of documented cases worldwide where the vested interests of public servants were the overriding reason for the privatization of public assets and where the public good was the least of their concerns. Thus, the privatization of public assets and even the approval of the actual sale must be directly approved by Civil Society through referendum. Governments must be responsible for presenting a proposal to Civil Society to sell public assets, explaining the rationale behind it and the benefits to be obtained. Special attention must be given to demonstrate that, in the long-term, the sale of a public asset will increase the public wealth and redistribute wealth from the upper ranks into the great majority. In every case it must always seek the greater benefit. These proposals must be presented in great detail and be made readily available for distribution; even public hearings should be conducted in order to allow all concerned citizens to have access to the information and acquire an understanding of the issues before their vote is cast. This is a measure of true accountability in a truly participatory democracy.

The same criteria and participatory process should be applied in the deregulation of industries. As in the case of the loans and the demands for structural adjustment that come from multilateral financial institutions, privatization and deregulation have enormous weight on the welfare of society at large. Thus, the decisions taken on these issues by each nation and by Global Civil Society at large must be the result of a fully participatory process.

• **Anti-trust legislation.** Monopolies and oligopolies are generally regarded as bad for the common good. They have the power to manipulate the supply and the prices of products and services, effectively becoming market speculators instead of competitors. One of their worst effects is that they concentrate wealth further into the hands of a few. By eliminating competitors, they eliminate many direct and indirect jobs. By raising prices, they extract an unjust portion of the consumer's income that otherwise could have been used for other needs. This hurts their customers and the public at large. Their perilous effects nonetheless, many industries are now in the hands of a few players and even in the hands of duopolies, thanks to neoliberal globalization. Even worse, this process of oligopolisation has reached global dimensions, for there are many industries where the number of global players is constantly diminishing in favour of a few, generally from First World nations. For this reason, for many companies the only option to remain competitive against MNCs is to merge with other players of similar strength. Thanks to this trend, for many nations –especially Third World nations– the only way to maintain competitive national players is to allow the oligopolisation of their own industries. It can be argued that in neoliberalised markets new competition arrives from outside. But, the truth is that even when local companies are allowed to merge in order to compete with MNCs, this usually is not enough. The case of Wal-Mart and its global strategy of under pricing local players until they break, using its global mega-sourcing leverage, and then raise prices, is very illustrative. This problem has created a situation where frequently it is more detrimental to break a national monopoly than to protect it. Thus, the process of oligopolisation is strengthening. This is a case where Global Civil Society has to play a very active role through a consorted effort, because the problem already has a truly global dimension. Thus, civil societies everywhere have to demand the strengthening of anti-trust legislation. Without it, the world could see very few players in every industrial sector in a couple of decades. We can visualize the merger of Boeing with Airbus or one airline carrier per continent and a triplet of car manufacturers for instance. Therefore, Global Civil Society must play a major role in forcing governments to reduce oligopolisation globally. Monopolies or

oligopolies may be justified temporarily but never permanently. Thus, Global Civil Society must press for the strengthening of anti-trust rules, through the WTO or another institution that can be enforced globally instead of the current situation where each country has its own criteria. The reach of today's mega-companies is global and, thus, civil societies must act globally. Moreover, as in the case of privatizations, the decisions of the anti-trust agencies in favour or against proposed specific mergers must be also approved by civil societies, through the same participatory process, when the market value of the operation, the market share that it bears and other criteria are above predetermined thresholds as agreed globally.

• **Control of international financial speculation.** The unrestricted movement of capitals around the world is one of the most devastating elements of Neoliberalism. As Chomsky explains, it constitutes a dangerous weapon against democracy and the social contract, for it can be used to undermine attempts by individual governments to introduce progressive measures. Thus, for instance, governments trying to improve their welfare system or to strengthen legislation that protects the labour endowments are likely to be punished by a flight of capital. Governments that impose foreign ownership limitations in economic sectors such as banking or broadcasting, due to national strategic reasons, are immediately punished by financial markets. The implementation of any policies that are not to the liking of the fund managers and of other speculators are threatened with the immediate flight of capital. This has made of the so-called institutional investors and other speculators a "Virtual Senate" that is able to decide social and economic policy just because they can move capital around instantaneously.² For this reason, Global Civil Society has to stop financial speculators and eliminate their harmful leverage by forcing governments to introduce an effective sort of Tobin Tax. The Tobin Tax is the concept introduced by Nobel Laureate economist James Tobin in the 1970s as an instrument that governments can use to promote productive foreign direct investment and deter speculative investment. A few countries, such as Chile and Malaysia of late, had some type of Tobin Tax enforcement. But most nations lack such controls since their governments have abandoned their

civil societies. As a consequence, Global Civil Society has to force governments to introduce financial controls for speculative investment globally. Since the threat of investors is to shift funds to friendly markets, the introduction of capital controls globally would be the only fully effective measure. In this way, there would be no incentive for capital to fly, for it would be taxed similarly everywhere. Again, the pressure of Global Civil Society is critical in the solution. To be sure, this will not be easy, but the victory of Civil Society against the Multilateral Agreement on Investment (MAI), until now, is a wonderful example of the capacity that Global Civil Society can develop to force governments to behave socially responsible. The devastating effect that the instant flight of capital has on economies and on the livelihoods of their individual citizens is so enduring and unjust that Global Civil Society has to act with urgency to establish global capital controls of speculative investment.

• **Equitable trade agreements.** The noxious ramifications of trade agreements, when they are negotiated behind Civil Society, have lasting and very pernicious consequences for the welfare of the majority of the population. Pernicious accords re-concentrate wealth instead of redistributing it. One of the major factors in the further impoverishment of the Mexican population has been the totally business-minded NAFTA. Trade agreements have been one of the primary tools in the imposition of Neoliberalism, and they have given great leeway to MNCs in the development of their strategic global business plans. For this reason, it is of utmost importance that civil societies get directly involved in the development of the trade agendas of their governments. In the case of bilateral or regional trade agreements, such as in the case of Mercosur, NAFTA or the intended Free Trade Area of the Americas (FTAA), the economic sectors of trade and the criteria that will define the goals and positions of each nation must be determined by consensus between the individual governments and their respective civil societies. Instead of allowing the governments and the representatives of foreign and domestic business interests to determine what should be traded and how it should be traded, civil societies have to get involved and work together in order to protect the common good. This must take place at the beginning of the process, in order to set socially-

responsible trading agendas. Particular attention must be given to ensure that increased trade will have a wealth redistributive effect. More jobs and better paying jobs must be a key benefit. In this way, governments will have a genuine mandate from their citizens to carry out their mission. Then, once the negotiations have concluded and an agreement had been reached, the legislative branches must approve it and then it must be presented to civil societies for a referendum. It is certainly a longer process, but it is a process that fulfils the need for the accountability of governments. As to the fast-track trading schemes that some governments like to use, these must be completely banned, whilst the direct overseeing, at the beginning and the end of the process, of the executive and legislative branches –and if necessary during the negotiations– is implemented. In the case of future global trade rounds inside the WTO, Global Civil Society must coordinate a socially-responsible global trade agenda. This should be done, following a similar process as at the regional level, in order to ensure that the trade delegation of each country participates with the shared goal, and using the same criteria, of protecting its Civil Society by redistributing wealth.

Through social activism, civil societies must acquire the necessary leverage to oversee their governments and ensure that their interests are protected in the best possible manner. Moreover, civil societies must have full power to order governments to change trade agreements that are in place and that are currently more harmful than beneficial. Periodic assessments of the trade agreements in place may be one way for a nation to decide, through participatory democracy, if the agreements should remain as is or be amended. No agreement is eternal; thus, if civil societies democratically decide that agreements need to be amended, and terminated if necessary, then these agreements must be replaced. A clear case of participatory democracy in economic matters has been the two referendums that Denmark has held in order to decide whether to join the European Monetary Union. The Danish government has proposed twice to its citizens to join the Union, but it has been rejected twice. Certainly the goal is not to obstruct trading, but to trade in a democratic and rational manner that protects societies and the environment as much as it provides an ethos for trade expansion. A

sustainable growth of the economy without harm to the environment and with a clear wealth redistributive mechanism is of crucial importance.

A very important aspect of global trade that should be closely watched and defined by consensus is the criteria of what should be tradable. This issue is a question of ethics that is increasingly under great pressure to be downgraded by greedy economic interests. Global Civil Society, by consensus, must clearly define the limits of what is tradable and what should be regarded as the public property of the new global society. This is especially the case of intellectual property rights where some vested interests want to expand them to ridiculous proportions. Civil Societies and their governments must give deep thought to the concept of "general interest" and of what "public domain" constitutes, if intellectual property rights are not to be controlled by powerful corporations and other private interests. The question of controlling the rights to the human genome, for example, and to a myriad of other knowledge-base assets, which should be of the public domain, can have dangerous consequences on our future. An excellent example is a company that recanted on its attempt to profit from public domain after French Civil Society reacted. U.S. company Celera Genomics had announced that it had decoded the 3bn characters making up the genome of each human being. This scientific breakthrough could successfully treat in the future cancer, diabetes, cardio-vascular disease and other illnesses. But, at the prospect of enormous profits, the French Axa insurance company attempted to privatize genes by patenting them, for, until it was forced to back down under the pressure of French Civil Society, it was planning to increase the monthly premiums paid by parents of handicapped children by 180%. If this is allowed, insurers could elect in the future to discriminate patients and impose higher premiums on the basis of genetic risk.³ As in all previous public goods, Civil Society must define the ethical standards of what is tradable. Protecting from trade what should be considered a global "public domain" is an important aspect of defending the common good and of making sure that the entire population shares this wealth equally.

Debt relief. As I have previously discussed, the rich countries have so far paid lip service to the demands of Civil Society for the condoning of the debt of the poorest 41 countries. The Jubilee 2000 campaign substantially raised the level of awareness through the press amongst the general public. The U.S. and other governments sat down to discuss with NGOs a plan to condone the debt of the Highly Indebted Poor Countries or HIPC's. The rich countries met in Cologne, Germany to agree on the amounts and the process of the debt relief. The U.S. Congress has approved ridiculously small amounts compared to the amount required in order to truly relieve these very poor nations and allow them to invest in education, health and other productive investment. Therefore, Civil Society needs to raise the level of denunciation, increase awareness and maintain strong pressure on the G7 nations and the Bretton Woods and other multilateral financial institutions. Moreover, the mere fact that governments have behaved rather hypocritically and the fact that the political will necessary to relieve these nations is clearly lacking, provides greater leverage to Global Civil Society to denounce the double standard of the rich countries and the avarice that really defines them. Civil Society must raise its level of advocacy and of denunciation.

Environmental responsibility. The environment is perhaps the element in the search for long-term economic sustainability that has enjoyed one of the strongest levels of social activism to protect it. Conservationist organizations have been active for many decades. As a result, governments have been forced to include the protection of the world's ecosystems as a critical aspect of their governmental agendas. There has been clear progress in the protection of the environment in the last few decades and an environmentally-conscious culture is developing in many countries, but we are still far from what is required. As could be expected, the main hurdle is the greed of companies. As occurs with all other elements, private interests are constantly threatening the environment and looking for locations where they can escape regulation and their responsibility. Governments appear to act only when they are under constant watch. Therefore, as in all the prior public goods, Global Civil Society must take the central role in overseeing that governments fulfil their

responsibility to protect the environment. This entails that governments and international organizations must have a responsible environmental public agenda and that, in conjunction with Civil Society, they establish a global regulatory framework for environmental protection. Civil societies must also ensure that governments strictly enforce the environmental framework. The destruction of natural environments may also destroy the livelihoods of traditional communities. For instance, hotel developers that destroy the natural habitat of traditional communities and turn it into a tourist mecca destroy the natural environment and the livelihood of many families and do not provide any wealth redistributive effect. Naturally, in trade agreements and in all other agreements that can have an impact on the environment, civil societies must demand that all actors behave environmentally responsibly.

These specific areas of the public matter constitute the public goods that need the greatest attention and the most coordination between individual civil societies in order to stop the neo-capitalist assault, and, along with the revamping of the labour endowments, redistribute wealth. To be sure, governments will oppose this vision and will try to dismiss it by regarding it as an inappropriate and cumbersome process. But, however cumbersome, the corruption of governments and their betrayal of their citizenry have created the need for civil societies to become active and get directly involved to ensure that governments carry out a due process in their obedience of the public mandate. Indeed, the governments of today completely lack the moral height to oppose their direct overseeing by the citizenry. It is, to a certain extent, up to each individual Civil Society to decide how closely to watch its public servants. But today it is imperative that the Global Civil Society becomes very active in the public matter and mobilizes to oversee governments and even to generate itself global public goods. It is the complete corruption of governments that demands the attention of civil societies and even of the need for some level of parallel government. For this reason, the need for a due participatory process must be an endeavour to be sought globally, not just at this time of deep democratic decay, but as a permanent element in all future democracies.

Fair Labour Endowments: The Private Global Public Good

The fair distribution of the income generated by the economic activity between the owners of capital and labour is essential for a fair distribution of wealth. The weight that this issue has in the pursuit of social justice overshadows all other measures. Throughout this work I have described how capital has generally kept the great majority of the income generated by the economy whilst most workers have received the bare minimum to survive. It has been only through the increase of democratic institutions that the most developed societies have been able to secure what is called living wages. In the First World, the gains in social justice have enabled the formation of large middle classes that have attained a high quality of life.

Nonetheless, despite their gains, the ability of many people to maintain their living standards has been eroding in the last decades. Today, in the First World, and especially in the most neoliberalised societies, maintaining the same living standard has required that each household, as a whole, spends more hours working to keep the same living standard. To buy a house or a car a person with the same level of education has to work substantially more hours than three or four decades ago in order to be able to afford these things. This has meant that in most instances both heads-of-household have to work. This decreases the quality of life, for it is the children that receive substantially less attention, since there no longer is a parent at home dedicated to raising their children on a full-time basis. This is true both for white and blue-collar workers. Thus, in essence, the overall quality of life is diminishing since families spend less quality time together. Moreover, job insecurity is increasing whilst benefits are decreasing; everything is done in the name of efficiency and competitiveness in order to generate the highest possible value for the shareholders. And, even then, First World workers are losing their jobs to Third World workers who are forced to accept miserable wages.

In the Third World, the achievement of a compensation that is at a par with that prevalent in the First World remains a distant dream. Despite all the arguments that have been made in favour of social justice by thousands of social

thinkers, the domestic entrepreneurial class remains firmly opposed to the payment of living wages, for they are not in the business of social justice but in the business of enrichment through traditional forms of exploitation that often border with quasi-slavery. It is well known that one of their main trades of business is to position the labour force as a cheap commodity to be used by multinational corporations. As partners, they are profiting over people's livelihoods. And the meagre levels of democratic life that have been achieved are firmly entrenched in the concept of top-down democracy. Thus, using all sorts of pretexts, they declare themselves unable to provide living wages and regard bottom-up democracy as a direct attack on the immoral privileges that they have enjoyed for centuries. Their level of cynicism and hypocrisy is nauseating. The generally corrupt industrial class that cannot thrive outside cronyism completely lacks the political will and will continue to oppose anything that diminishes what they regard as their class privileges. They do not care for, and deeply resent, social justice.

The Targets

Given this reality, the only solution to the revamping of the social vindications that have been achieved in the First World and to the achievement of similar standards for the labour endowments in the Third World, so that this term eventually loses its meaning, will have to be forced by Civil Society. Because the major argument of the plutocratic elites of the Third World against paying fairer wages is that they need to maintain their comparative advantage in labour costs in order to attract foreign direct investment, Civil Society will have to start its struggle with the MNCs. By making, for the MNCs, the practice of hiring cheap labour a far more expensive strategy than paying substantially fairer wages, Civil Society will gradually achieve the payment of fairer wages in the Third World by both foreign and domestic businesses. Once MNCs and their Third World suppliers are forced to increase their wages, domestic companies will be also forced to increase their wages in order to remain competitive in the labour market. Even assuming that domestic companies traditionally pay lower wages than MNCs, if the benchmark for labour endowments is gradually raised with MNCs, domestic companies will also have to follow suit in order to maintain the same cost

relationship with MNCs in the market. The payment of fair wages globally is the single private public good that will completely change the structure of global Capitalism and will make it a sustainable economic system for generations to come. Increasing the standards of living globally will tremendously increase the value of the market from an economic perspective; but, more importantly, it will increase the level of democracy and of social justice. To be sure, this is not a dream; it is a realistic goal if Civil Societies across First and Third World nations work co-ordinately to force the change.

The Concept

Global Civil Society has to develop a clear concept and a consorted strategy to approach multinational corporations with a demand to increase the labour endowments. How to pursue the payment of living wages globally, in light of the existing hurdles, is critical for a successful strategic approach of the MNCs. For this reason, the approach should be one that avoids direct confrontation and proposes to MNCs self-regulation through a structured program. There should be pressure, incentives for cooperating and disincentives for refusing. It is critical that this program be executed under a harmonized effort with NGOs, specific sectors of host and home governments, unions and other labour organizations, BWIs, specific U.N. agencies and, of course, consumers at home and abroad across the First and Third World. If self-regulation is not observed, government regulation will be advocated, albeit with a clear awareness that governments will only move if they are forced to by the increased leverage obtained by the depth and coverage of the movement.

The strategic concept should be one of unrelenting advocacy activity, aimed at MNCs in support of a fairer compensation in their Third World operations, using their domestic compensation arrangement as the point of reference. The main argument for wealth redistribution, as succinctly advanced in the first essay of this part, is that the gap in compensation between many developing countries and the First World is so dramatic that there is enough room for MNCs to pay substantially higher salaries and still obtain extremely attractive savings in labour costs. Corporations paying \$18-\$20/hour in the U.S. or \$30/hour in Germany and \$1/hour in their

Third World's plants can pay many times fold and still have a lower cost than in their domestic operations. Civil Society should be ready to emphasize that inflation should not be triggered because the whole idea is that corporations transfer to labour the part of the revenue that rightfully corresponds to workers in the first place. Thus, prices must not be raised. Profit margins must be reduced in order to pay living wages.

The tools of pressure will be a positive public relations campaign or a negative one if MNCs refuse. Each corporation approached will be previously researched and identified as falling under the conditions of the classic scenario. This scenario contains the following features:

- Corporations have operations in both First and Third World nations.
- The operations performed by workers in both First and Third World plants are similar or equivalent in the level of technical skills required to perform the task.
- The market value –wholesale or retail– of the product generated by these workers is similar or equivalent worldwide.
- The difference in the standards of living of First and Third World workers is clearly different. Purchasing power parities (PPP) as well as the overall condition of their households should be the main criteria –for instance, using PPP prices, the difference is at least of 20% in the purchasing power. In the case of the household, the standard of living of a First World worker provides a home, (rented or purchased) with all the services that provide a basic standard of comfort whilst a Third World worker, working for the same company, doing the exact same job with the same level of quality and efficiency, lives in a shanty town in a cardboard house with no sewage, water, gas, regular electricity or phone service.

This scenario is clearly indicative that the huge differential in labour costs is added to the profit margins, with the MNCs keeping the part that should have provided Third World workers a much closer standard of living to that enjoyed by the same workers in the First World. In essence, corporations are subsidizing their profit margins and First World wages through their operations in the Third World.

The Approach and the Leverage

The approach can emulate that followed by environmental organizations, which is generally not confrontational. The call will be to accept the proposed program: “To become socially responsible everywhere they have operations, the same way that they are becoming environmentally responsible.”

Although the approach should have a very constructive spirit, Civil Society needs to clearly state what it is prepared to use as leverage if corporations ignore its request. Without leverage, corporations will simply ignore civil societies. This is why they need to force change through the use of their leverage. Corporations are most sensitive to the reaction of their markets. Thus, consumer backlash is the strongest and most effective leverage that civil societies can wield. There is a growing list of examples of companies hurt by consumer backlash when they have refused to be environmentally or socially conscious, such as has already occurred in the case of Nike, Disney, Mattel, Calvin Klein, Gap and others. Thus, negative publicity constitutes a very effective weapon. The financial losses that corporations can suffer due to consumer backlash can easily become greater than the idea of gradually raising wages in their worldwide operations. Consumer backlash has been especially effective because NGOs have focused on the corporations' most important markets located in the First World. As The Economist reports, a coalition of NGOs, student groups and UNITE, the textile workers union, sued a number of clothing importers, including Calvin Klein and Gap, over working conditions in the U.S. commonwealth of Saipan in the Pacific. The end result was that the clothing companies were enduring extended litigation and public campaigns against their brands. Thus, 17 companies decided to settle while others are still in the fight.⁴ This is a good result but it didn't address the issue of wages, it focused on the physical working conditions of the so-called sweatshops. In this proposal, civil societies must centre their efforts on wages –given the overwhelming weight that this factor has on the achievement of social justice– and its negative publicity must be flexed globally to increase its effectiveness. In the case of multinationals that manufacture industrial products and that their operations are strictly business-to-business units,

there is always a way to influence them through the position adopted by their end-users, once they become aware of the multinational's socially-conscious track record. Thus, in business-to-business situations, business clients can be asked to stop buying from a "non-committed" MNC or they will be regarded as supportive of the MNC's practice of exploitation and will then also suffer from negative publicity.

The Benefits

As part of the approach, the program proposed would bring benefits to all parties involved. The central argument is that by allowing a fair compensation of the factor endowments, globally, wealth redistribution is generated and social justice is fulfilled to a meaningful degree. This in turn provides a sustainable path for economic growth. The size of the global market increases dramatically as the purchasing power of millions allows them to acquire the means necessary to enjoy a decent quality of life. This constitutes the gradual creation of a broad middle-class market in the Third World. The gap between rich and poor countries and the rich and the poor in the Third World would dramatically diminish. To be sure, the concept of Third World would lose its meaning. This provides a much stronger market for companies to go after. The economies of scale would be much greater and efficiencies and profits would increase consistently reaching new plateaus. With the creation of a middle-class based market in the Third World, the demand for production in First World nations would grow at a sustainable pace. Many more jobs will be created and, thus, the closing of the gap between developed and developing nations will strengthen the leverage of labour in the former and the value of its endowments and of security in employment. The specific benefits to be obtained by the individual players are:

Multinationals and Stockholders:

- Short-term: a positive endorsement of their actions before their target markets of consumers and business clients.
- Long-term: a stronger and greater global market with many more consumers, a global middle class.
- A much stronger consumer market, guaranteeing sustained growth for the corporations with much stronger stock price to earnings ratios and dividend returns on

investment. Clearly, for corporations reacting positively to the demands of Civil Society is as much a question of business ethics as it is a question of market savvy and long-term vision.

Governments:

- Home countries: Due to wealth redistribution, the global economy is working. Free trade and investment take a sustainable growth. As individual economies take off with a sustainable path, global debt decreases and is put under control. The political capital of the governments that supported this initiative increases dramatically as participatory democracy consolidates.
- Host countries: Their social responsibilities are increasingly being fulfilled, reducing the gap between rich and poor, and their middle-class is taking the central focus. The economy takes off at a sustainable pace, and, as tax revenue increases and inflation and domestic interest rates decrease, domestic and foreign debts are reduced substantially. This is because, as developing economies take off at a sustainable pace, inflation and interest rates paid by banking systems to their investors decrease. This increases central bank reserves and enables indebted nations to stop borrowing further and paying off foreign and public debts as agreed or ahead of schedule. Tangible results in social justice empower governments to democratically remain in government. Their political capital increases dramatically as participatory democracy consolidates.

Workers:

- A fairer compensation in the short-term.
- A gradual process of equalization in total compensation, relative to standards of living between home and host workers over a reasonable number of years.

Consumers:

- A much stronger and more stable global economy with its inherent benefits.
- An awareness of the companies that were socially responsible and of those refusing to cooperate, so that consumers can exercise their right of choice and vote their conscious in their consumer preferences.

Civil Society:

- The achievement of a much more democratic and fairer society at large. A commendable degree of social justice is achieved in the entire global capitalist system.
- The consolidation of its role as the agent of change and as the direct overseer of its government in the permanent pursuit of the welfare of all ranks of society.

The Players

There are three groups of actors with a role in the fate of workers, once Global Civil Society fully embarks on this crusade.

In favour of social justice:

- Unions and other labour organizations: They have a vested interest in the improvement of the welfare of their workers. In the case of U.S. unions, they have been working to improve the lot of Mexican and Asian workers in order to protect their own employment base.
- UN Agencies. Agencies such as UNCTAD, the UNDP and the ILO work in support of fairer working conditions in the world. They have the most direct responsibility of all international organizations for the social elements of economic development.
- NGOs. NGOs working for social justice that have the improvement of the quality of life of Third World workers as their central goal.
- Civil Society in general. Other NGOs and the citizens of both the host and the home countries that are sensitive to social justice. These may also include the direct consumers of the multinationals' products that put their social conscience before their consumer preferences. An excellent example is the case of the students in many U.S. university campuses. In many well-known U.S. centres of higher learning, students have taken action to boycott and even sue corporations that manufacture the emblematic clothing and other student gear and merchandise for university stores. According to Robert Borosage, founder and co-director of the Campaign for America's Future, a Washington D.C.-based NGO that works against the big money corporate agenda, students in over 175 campuses are calling global corporations to account for their exploitation of workers abroad. Borosage explains that students are mounting demonstrations, hunger strikes, seizing administration buildings, confronting uni-

versity trustees and administrators, and getting arrested by the dozens in non-violent protests. The response has been so great that the staff of the coordinating group of the student movement, the "United Students Against Sweatshops", can't keep up with the e-mail from students seeking to get involved both in the U.S and abroad.⁵ The discontented students have a very compelling moral argument. They argue that they must not support companies that profit from exploiting workers in the Third World. The collegiate retail-apparel industry, worth \$2.5 billion, represents only 1% of the entire U.S. apparel market but the youth market has strategic importance for apparel companies. The students demand a code of conduct that includes protection for the rights of women and workers, the payment of living wages and a ban by global companies of suppliers from countries where workers have no right or real freedom to organize. Students are also demanding the disclosure of all manufacturing sites used by the corporations and the acceptance of close monitoring by human rights groups that work in coordination with the students' movement. To do the monitoring, the students' movement has organized the Workers Rights Consortium, which is funded with 1% of the sales of the university stores. To force the university administrations to cooperate, they have organized protests and even have gone on hunger strikes. By early 2000, the consortium had achieved substantial success, with 45 universities joining the consortium including six Big Ten universities, the entire University of California system and other well-known schools such as Brown, Columbia and Georgetown. It provides a wonderful feeling to see a student movement, at the heart of Neoliberalism, aroused by its perception of great injustice and to see that its moral commitment is actually succeeding in stopping the neo-capitalist assault. This shows how different sectors of Civil Society, when they have a social conscience and a high moral ground, can mobilize to stop the aggressions of Neoliberalism. Moreover, the student initiative against sweatshops has increased the awareness of students about the perils of neoliberal globalization and has triggered their mobilization to join NGOs and other groups of Civil Society that are working on many issues of social concern that are being generated by Neoliberalism. As a student

activist expressed: Structural adjustment programs press host governments to allure foreign direct investment by denying workers fundamental and internationally recognized rights. Indeed, Borosage argues that these activists are not Neanderthal protectionists, nor bored kids, for this student movement is internationalist and passionate and may well represent the end of the conservative era that we have endured for the last quarter-century.⁶

Against, indifferent or soft on social justice:

- MNCs. Their objectives go in direct opposition to the interests of workers.
- Bretton Woods Institutions, WTO, regional development banks, regional trade agreements, OECD, etc. For the last twenty years The IMF, the World Bank and regional development banks have been working to establish the global economy. They are at the forefront of the process of globalization, dismantling protectionism and any restrictions that may preclude MNCs and investors from becoming active in a market. The WTO's primary role on free trade is to benefit MNCs. Regional trade agreements typically avoid the protection of social vindications.
- Home and Host Governments. The work abroad of the executive branch of home governments on behalf of their corporations is normally an important part of their foreign policy. They see as their main responsibility to guard the welfare of their corporations. Thus, their interests are generally in conflict with those of the workers of the host countries. In the case of host governments, incipient democratic structures, rampant corruption and crony capitalism prevail over their social responsibilities. Their shameless connivance with the centres of economic power, in which they act as protectors of the interests of the local oligarchy and the MNCs, in exchange for their support to secure political power, completely forsakes their most basic responsibilities.
- Congress in host and home countries. Although this may vary, congresses of developing nations have a direct responsibility on the welfare of their citizens. In the case of home congresses such as the U.S. Congress, protecting U.S. jobs by supporting the improvement of labour endowments in developing nations should be in their best interest, albeit this will vary

depending on which party is in control. Since support for social justice at home and abroad greatly varies and tends to be soft, it must be systematically influenced.

Direct consumers

- Consumers in both home and host countries. They may or may not be sensitive to social justice, but social pressure moves them to support these causes. They represent the biggest threat to MNCs and the most compelling reason to cooperate. There is growing evidence that MNCs will react positively to avoid negative public relations with customers. Indeed, companies are realizing that not being sincere in their pledges to be socially responsible will add hypocrisy to the list of charges, especially because consumers tend to believe more in the campaigners than in the MNCs. Furthermore, the best corporate responsibility programs launched by MNCs will not stop their denunciation because they keep paying miserable wages in the Third World.⁷ As the level of awareness about the inhuman treatment and conscious exploitation of Third World workers increases, as a result of closely targeted publicity, consumers will become more socially conscious and will feel much more compelled to switch their preferences to companies that are beginning to show genuine social responsibility and that are endorsed by Civil Society. The efforts of Civil Society to inform consumers about the behaviour of the corporations that produce the products they consume will dramatically alter consumer preferences in favour of socially responsible manufacturers.

The Global Civil Society Alliance

As illustrated in the chart, NGOs working for social justice that specialize in multinationals and that have the improvement of the quality of life of Third World workers as their central goal, will initiate a systematic advocacy effort with corporations. This must be performed in alliance with other NGOs and other Civil Society groups, in pursuit of the common cause of social justice through fairer compensations of MNCs' workers in developing countries. Concurrently, the specialized NGOs will approach, also in alliance with other NGOs and labour organizations, specific sectors of home and host governments, the BWIs, WTO, OECD, regional development

banks and other international economic organizations; the broader the alliance, the greater the success and the faster that tangible results will be generated. To be in sync with the ideal of social justice and the leadership of global organized civil society, I will refer to this mission as the Global Civil Society Program on Corporate Social Accountability and its umbrella, the Global Civil Society Alliance.

Also illustrated in the previous chart is the pressure that governments home to multinationals exert on host governments and international financial and trade organizations. Home governments influence host governments directly and indirectly so that they create the ideal conditions that MNCs, from the perspective of their very private interests, need to thrive. In this way, home governments put considerable pressure on host governments to comply with their demands, especially in Third World nations with incipient democracies, through the element of conditionality used by the BWIs. As we know, this is most threatening to the HICs [highly-indebted countries], since financing or refinancing of public debt is systematically conditioned to the host countries' economic neoliberalisation.

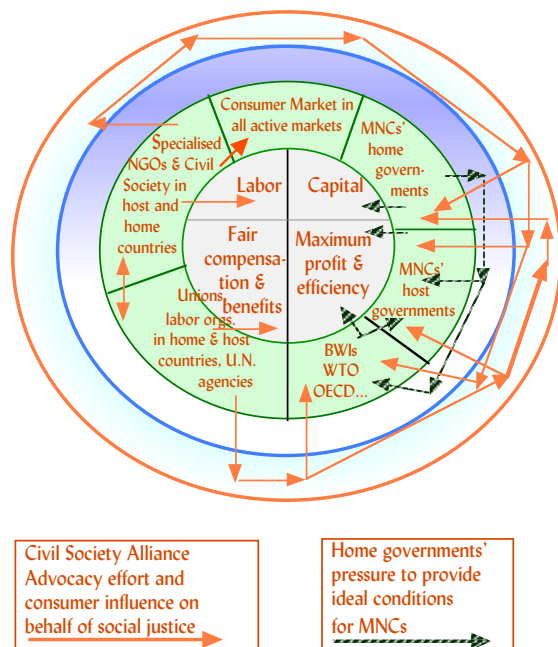
The other NGOs that the Global Civil Society Alliance should work with are located both in First World countries, where most MNCs are based, and in the host countries where these are operating. Simultaneously, in both home and host markets, the Alliance would launch a communications program of awareness aimed at consumers and other end users of the MNCs' products and services. The awareness campaign will inform the consumer of which specific multinationals are cooperating and which have specifically refused to stop exploiting workers in the developing world.

Criteria and Benchmarks

Before the program can be launched with the MNCs, the Alliance needs to research which corporations meet the criteria that defines a respect for social justice at the corporate level. To do that, the Alliance needs to first define the criteria and the indicators of these criteria that will be used to pass judgment on the MNCs that are investigated.

The benchmark to pass judgment on a corporation should be the basic compensation package that MNCs offer to their domestic workers [the home country], exclusive of any legal binding for additional benefits that MNCs have to comply with in cooperation with their home governments. That is, if a home government offers social benefits that are part of its welfare system, this should not be included in the Alliance, for it would complicate the process and provide arguments to the MNCs to refuse to gradually improve wages. Although social benefits provided by the state certainly increase the quality of life and the degree of social justice in a society, these fall outside the realm of the efforts of civil societies within the private sector. To try to equalize welfare states requires a rather complex analysis of the public finances, the degree of development and the economic structure of each nation; and should be carried out through other efforts aimed at the public sector that are organized by the Global Civil Society.

Chart 17.1 Strategic Interaction of Players



The criteria to define an unfair situation is that which presents a scenario of open injustice and exploitation, in terms of overall compensation of the workers by the employer, among the blue and white-collar workers of the MNCs in host

countries. It is imperative that this is also fully applied to the workers of the factories that are subcontracted to assemble or manufacture finished products for an MNC, which will be sold to the end user under one of the brands of the MNC. I propose the following criteria to assess the situation of fair or unfair compensation with a specific MNC:

- Definition of an MNC. An MNC is any corporation with direct operations in countries outside of its home country, or that regularly subcontracts part or all of its production, with factories or assembly plants located outside its home country. The latter case must also include retail companies that only operate in their home country but that sell products purchased internationally. Such is the case of garment and department stores that place orders with local companies in developing countries, which are not owned by other MNCs, and that systematically exploit their workers.
- Per hour salary. This is the most important indicator to pass judgment on an MNC. The direct comparison between the salary paid to a home worker and that paid to a host worker for a similar or equivalent job is the criterion of judgment. Products manufactured in a host operation and sold everywhere at a similar price with diametrically different workers' salaries are the clearest and most important evidence of unfair compensation and exploitation. This evidence alone bears the heaviest weight on the welfare of a worker. Even if all other indicators are in line with their home operation, a 20% wage differential is sufficient to classify an MNC's compensation practice in host countries as unfair.
- Daily number of working hours. The MNCs' compliance with the number of working hours defined as a full-time schedule in line with host country's legislation. If, for some reason, there is no local legislation or the local legislation excessively violates the standards internationally accepted by the ILO, the MNCs home country legislation will then be used as the standard.
- Overtime compensation policy. The MNCs compliance with host country legislation, paying the legal overtime rate for hours worked beyond the legal regular weekly schedule.

- Legal benefits. The MNCs' compliance with host country legal workers' social security benefits.
- Fringe benefits. The MNCs' compliance with its own corporate employees and workers' benefits, offering the same fringe benefits for equivalent functions in all its operations.
- Physical conditions of work place. The MNCs' compliance with host country's legislation for the workers' physical protection and a healthy and hazard-free environment at the place of work. If there is no local legislation or the local legislation excessively violates the standards internationally accepted, the MNCs' home country legislation will be used as the standard.
- Gender discrimination. The MNCs' compliance with equal treatment in compensation to workers of both genders, especially when salary tabulators for specific positions exist.
- Illegal child hiring and compensation. The MNCs' compliance with host country's legislation concerning child employment. If, for some reason there is no local legislation or the local legislation excessively violates the standards internationally accepted by the ILO, the MNCs' home country legislation will be used as the standard.

The Global Civil Society Program

1. Strategic elements. There are four elements that integrate the actual program of the Global Civil Society Alliance:

a. Information gathering/industry research. In order to develop the initial target list of MNCs, the Alliance needs to conduct secondary research to identify clear cases of outright abuse falling into the criteria previously defined. The information would be gathered relying primarily on NGOs and labour organizations both in home and host countries of MNCs. Once an MNC that fits the profile of social injustice in one host country is identified, it is highly probable that the same situation would be occurring in all other host countries where it is active. Thus, before the Alliance approaches an MNC, it must build a scenario as complete as possible in all of the host countries where the MNC is active. The other sources of information will be the home and host country data available to the public relative to wages, benefits and labour legislation as well as the own MNCs' annual reports.

b. Direct targets list. A list comprised of specific MNCs that have met the criteria of social injustice. The Alliance should start by concentrating on the most extreme cases identified and that are most visible to the public. MNCs that manufacture durable and non-durable consumer goods—such as the automotive, garment and home electronics industries—are the most exposed to this strategy, since all the instruments of pressure can be used in their full strength. The ideal profile for targeting meets the following characteristics:

- Directly owns manufacturing operations in several host countries.
- Production in host countries supplies demand in several markets in addition to the host countries' market.
- The gap in compensation between home and host operations meets the criteria of social injustice, as previously described in the criteria indicators, and is much more than 20%.
- Its products are durable or non-durable consumer goods as well as intangible services such as telemarketing services.
- Each of its products, in all of its active markets, sells at a similar or equivalent retail price.
- There is a high level of brand awareness and corporate awareness among its consumer market and the general public.
- The MNCs' annual report shows a healthy financial situation.
- The MNC pays huge salaries and bonuses to their top executives and managers.

c. Global Civil Society Alliance advocacy effort.

The advocacy effort, in alliance with specialized and non-specialized NGOs, will be divided into two avenues:

- The Direct Targets Corporate Program, with the NGOs directly involved in the corporate sector and that form part of the Alliance.
- The Indirect Targets Program, with NGOs involved in advocacy activity with host and home governments, BWIs, RDBs, WTO, OECD and others. The NGOs that join the Alliance in this program need not be specifically advocating for social justice among MNCs, but they need to be involved in advocacy activity with the above institutions.

In order to successfully mobilize Global Civil Society, an NGO global networking program needs to be developed. In order to establish a

global alliance, networking meetings with NGOs in First and Third World countries need to be held to present the Alliance's program –The Global Civil Society Alliance on Corporate Social Accountability– and organize a common advocacy strategy. The Global Social Forum of Porto Alegre, Brazil could possibly be used or all parties involved can choose another event and location. A key objective with NGOs located in countries home to MNCs and that specialize in the corporate sector is to adopt the exact same role and follow the same strategy of advocacy incorporating the Alliance's program as part of their regular activities.

d. Public relations campaigns. The Alliance should launch public awareness campaigns aimed at the general public, with emphasis on the MNCs' target end-user markets. The campaign's objective should be to make an endorsement of the MNCs that are cooperating and have signed into the program and to denounce those MNCs that refuse to be socially responsible by compensating equally all of the workers. This will be executed, again, in cooperation with other NGOs, both in home and host countries, using a variety of vehicles.

II. Implementation and Operation. The implementation and operation of the strategy consists of the management of the program to commit the private sector to social justice. It is composed of three phases:

1. Information gathering
2. The advocacy process
3. Awareness program

Information Gathering. A series of information vehicles are used to monitor the initial status and the progress on corporate responsibility:

- Corporate industrial relations research. The first step is to perform secondary source research to define the state of corporate industrial relations for specific MNCs, gathering all the necessary data available to generate the Social Accountability Benchmark Report.
- The Social Accountability Benchmark Report. This report is a multinational corporation specific report. The Alliance needs to generate individual reports for each MNC that is preliminarily identified as falling into the criteria of social injustice. They should be called benchmark

reports because the Alliance uses the MNCs' industrial relations situation in their home countries as the benchmarks to pass initial judgment on their situation in host countries. These reports should also be used as the benchmarks to measure future improvements.

- The MNCs' target list. An executive summary benchmark report should present the list of MNCs targeted for advocacy based on the report's findings. This report should be generated periodically, quarterly or biannually for example, and follow-up reports should be prepared subsequently. A consolidated benchmark report, with its hit list, is the starting point for the advocacy process.

The advocacy process with MNCs

- The Social Accountability Audits. The whole purpose of the program is to call on corporations to become socially responsible in all the markets where they have a presence. The initial approach should be aimed at key officials at the targeted MNCs. From inception, NGOs must expose the situation perceived and request a meeting to discuss the issues, present the program and listen to any arguments against the evidence gathered by the Alliance.

The practical objective of the advocacy efforts is to make the MNCs agree to become socially responsible by conducting social accountability audits. An independent auditor must do this in the form of an inspection. Far from wishful thinking, this is not a new instrument. In the last two years there has been growing evidence of MNCs agreeing to perform, at their cost, social accountability audits by hiring independent auditing firms such as PricewaterhouseCoopers (PWC) and Ernst & Young. In 1998, PWC performed 1,500 audits alone in Guangdong province in China as reported by *The Economist*.⁸ These audits address fair wages, among other things, but this is not their main emphasis, and criteria to define fair wages are not yet standardized. While these audits study wage structures, they tend to use local compensation and minimum wages as a point of reference. They also make sure that wages are increased to the former dollar value when the host country experiences a significant devaluation. In contrast, the goal of the Alliance must be to close the huge gap in wages between home and host countries using the home countries' wages as the point of

reference, as previously noted. Since the gap is enormous, the Alliance should envision a continuous process of negotiation in order to gradually reach that goal over the years.

- The Follow-up Reports on Social Accountability. Follow-up individual reports should be issued, not before three months from the time of the initial approach, to compel MNCs to improve compensation conditions in all of their host countries' operations. These reports should incorporate both substantiating evidence of cooperation and/or of refusal of the corporations to become socially responsible. The benchmark report must always be the point of reference.

The advocacy process with governments, BWIs and other organizations

- Advocacy of home and host governments. The Global Civil Society Alliance also needs to approach the executive and legislative branches of both home and host countries. In close coordination with domestic NGOs, the Alliance must press its case with governments. In the case of home governments, the Alliance needs to advocate the protection of domestic jobs by demanding that legislators, as well as the executive branch, put pressure on MNCs to protect domestic jobs by asking them to pay fairer compensations abroad when moving operations to Third World countries. This is especially the case of the U.S. where many jobs are moved to labour havens where they pay miserable wages. Concurrently, the Alliance needs to put pressure on host governments and demand from them that they start protecting the work force and that they start demanding from MNCs to gradually raise their wages. This joint effort must be unrelenting and heavily publicized in order to create broad awareness about the global campaign and about the attitude of home and host governments. In the same way that MNCs would get positive endorsements or negative campaigns, depending on their disposition to cooperate, home and host government must receive the same treatment and enjoy a positive endorsement or suffer social backlash for the lack of cooperation. The Alliance must issue periodic reports on the progress achieved with home and host governments. In a similar fashion to that where human rights organizations denounce violating countries, the Alliance must issue the reports and hold press conferences and issue press releases that denounce this type of violations. Labour

exploitation constitutes a clear violation of human rights. Thus, governments must promote the achievement of social justice in their societies or be denounced as human rights violators.

- Advocacy of BWIs and other organizations. The main goal with the BWIs, regional development banks, the WTO, the OECD and other organizations must be to incorporate the goals of the Alliance program into their programs. In the case of lending institutions, the demand must be to include the gradual equalization of wages across the global capitalist system as one of their elements of conditionality for lending. Debtor governments requesting additional loans or refinancing of their existing debt must comply with a clause that specifically addresses the need for wealth redistribution by showing evidence of specific efforts put in place to reach this endeavour. Furthermore, the Alliance must advocate with the units involved in poverty reduction of all development banks to include the MNCs' responsibility in wealth redistribution as part of their program. Naturally, the promotion of living wages at the WTO must become part of its charter if it ever aspires to complete trade negotiations successfully. This, of course, is anathema to the WTO, but Global Civil Society must mobilize to establish a dialogue and press for reforms by wielding its power of denunciation.

The Awareness Program

The Awareness Program is the last phase in the implementation of the plan and is critical for the success of the Alliance. It is designed to make all parties involved aware of the situation, that is: individual consumers, the private sector, stockholders, home and host governments, BWIs and other financial and international trade organizations, UN agencies, NGOs, labour organizations and the Global Civil Society at large. Following is a description of the executive report and the vehicles of communication that the Alliance should envision using to promote it:

The social accountability report 2001, 2002, 2003... one for each year relative to the response obtained from each MNC approached. This report should be prepared in the form of an executive summary and report on the following issues:

- The cooperation obtained from MNCs approached for each year, "gold-listing"

responsible MNCs and blacklisting those socially irresponsible.

- The cooperation obtained from both the executive and legislative branches of host and home governments approached.
- The cooperation obtained from BWIs and other international organizations approached.

This report must be sent to all NGOs in the network and other civic organizations, labour organizations, UN agencies, host and home governments, BWIs and regional development banks and the corporations in the report. Furthermore, it is of critical importance that this report be distributed to a list of specific print and electronic media strategically selected. A specific but non-exhaustive list of the vehicles of communication that the Alliance should use is:

- **The Award.** MNCs complying with the previously-agreed standards will be awarded with a Social Accountability Certificate of Compliance, and, as long as they maintain the standards, MNCs will get one for each subsequent year. A special fund-raising dinner should be hosted by the Global Civil Society Alliance to award the MNCs that have cooperated with its program.
- **A special media relations program.** An effort to secure specific media exposure with public and private electronic media should be implemented. The promotion of the development of a documentary on the issue of wealth redistribution through MNCs' cooperation would generate immense awareness.
- **Corporate Social Accountability Newsletter.** This could be a quarterly progress report on the degree of cooperation obtained, prepared in a more casual and journalistic fashion than the actual social accountability reports, aimed at all players involved, specific print and electronic media and to all individuals in the databases of the Alliance's NGOs. It should be distributed in hard copy and through the internet.
- **The Civic Consumer Newsletter.** A quarterly newsletter aimed at individual NGOs' donors and at consumer protection organizations. Its aim is to create awareness, calling for consumer boycotting of irresponsible MNCs and support for those cooperating. This boycotting call would represent the strongest action in the

entire program. It should be distributed in hard copy and through the internet.

- **Press Releases.** To report on specific events and announcements generated by the advocacy program. This should be primarily aimed at electronic and print media and selected entities, depending on the issue.
- **Conferences and other events.** As the effort develops and grows, the Alliance should organize conferences and other events in conjunction with other civic organizations in order to increase the momentum in awareness, coordination and cooperation.

Results, Expectations and Time Span

It gives me a magnificent feeling to imagine the elimination of the exploitation of Third World workers and the emergence of a dynamic and powerful Global Civil Society where most people have access to the opportunities to live a dignified life. The tremendous excitement that this idea may produce nevertheless, achieving wealth redistribution in the developing world and placing it at par with standards in the developed world, is a mission that will take at least one generation if multinationals and home and host governments are forced to cooperate. However, the global alliance of civic organizations directly participating in the program should expect to obtain results from year one. Achieving wealth redistribution is a process of gradual improvements. The gap in salaries is so enormously wide that, even if a convinced philanthropist suddenly chairs an MNC, we cannot expect the closing of the salary gap in an MNC to be achieved with just one salary review. It would take an increase of several hundred percent to achieve an egalitarian compensation in one movement, and that is just absolutely impossible, because the MNC would be risking to suffer a decisive backlash from the stock market and the business community. This mission is certainly a controversial and complex one, and it entails a process of education and conscience development among all parties involved. Even the workers directly benefiting from this crusade may misunderstand the rationale behind it and the complex set of variables that affect wealth redistribution. Nonetheless, committed citizens of the emerging Global Civil Society should expect, from year one, to establish a few “beach-heads” with multinationals and obtain some actual improvements in the welfare of their

workers. At the beginning, most gains would likely be a token of goodwill and, for a few, a convinced and rationalized decision. But, after the first three or four years, the Alliance should expect to gain momentum and to be on the path of creating a critical mass. It would be too speculative to set specific annual goals, short-term and mid-term, in advance. But, at the end of the first year of work, the Alliance should be in a better position to set goals for the subsequent years. Notwithstanding these initial expectations, conscious individuals should always remember that, despite the fact that unjust wealth distribution is a problem as old as humankind, setting expectations to solve this problem within one or two generations is an ambitious but realistic goal. Indeed, despite the decay of democracy, the information revolution provides Civil Society with the means to restore it and lift it to the level of participatory democracy. This, in turn, will provide the leverage to stop the neo-capitalist assault and force governments and private interests to become socially responsible.

Truly Democratic Capitalism or Unimaginable Conflict

Capitalism is the best social system that civilization has found to achieve economic progress. But its nature will always generate imbalances and allow the concentration of wealth in a few at the expense of the many. This is not because some are better equipped than others to compete, but because a few enjoy access to the tools necessary to compete advantageously whilst many are born and die in complete misery. In this way, what some call free competition is a license to take advantage of the dispossessed, for the extremes in wealth would never be possible without the extremes in misery that exist today. This is the end result of the systematic abusive action of those who enjoy economic and political power against billions of people in the world. To be sure, the multinational corporations and the institutional investors are the epitome of the abusive behaviour of private groups of individuals that wield their power before the unjustly less endowed, for they are effectively profiting over the misery of people. Thus, the so-called survival of the fittest constitutes an effective violation of the most basic right of every individual: the right to be truly free to forge a dignified life through the use of his physical and intellectual capacities. In today's world, despite all the rhetoric, this is not possible

for the majority of the population because they have been barred from their freedom by a system specifically designed to oppress them.

This was supposed to be resolved by democracy. Indeed, the world upholds democracy as the most important element for the achievement of a harmonious and equitable ethos in today's societies. The first responsibility of democratic governments obliges them to work exclusively for the common good. They are supposed to act as agents responsible for establishing a balance between public and private interests. They must perform a balancing act at all times between the individual good and the common good, and I must insist that, to achieve this, they need to exert a very visible hand. But Neoliberalism has become the biggest threat to the aspiration of humankind to establish a truly democratic ethos. Its economic power has corrupted to the core the democratic institutions of both developed and developing nations. They have perversely co-opted democracy so that governments work for them and abandon their main responsibility. This constitutes precisely what I have called the neo-capitalist assault. By using the overwhelming power that money has in capitalist societies, neo-Capitalism has taken every step to alienate people, block human solidarity and, through its most powerful instruments, dismantle every structure designed to protect society from the avarice of powerful private interests. They have corrupted the concept of democracy and imposed a self-serving top-down democracy. They have even manipulated the principles of Classical Liberalism, where philosophers such as Adam Smith and Stuart Mill envisioned a society of individuals free to seek their benefit but without the existence of merchant monopolies and with governments that would work to look for the welfare of all ranks of society. Thus, neo-Capitalism is a perverse system of oppression that hypocritically manipulates the concept of democracy so that the global plutocracies can continue to profit at the expense of people. Its pervasiveness has effectively stopped the little progress achieved, after World War II, in social justice and has actually reversed the trend, for today we are experiencing a widening gap between the haves and the have-nots. As I have shown, this trend is most evident in the nations that have imposed more deeply a neoliberal structure. In this way, the Darwinian nature of the survival of the fittest

of Neoliberalism is creating a global class of the selected few and a huge mass of dispossessed that are only included as labour commodities or that have already been sent to complete oblivion.

As a consequence, the only possible opportunity that people have to achieve social justice is to take destiny into their own hands and stop the neo-capitalist assault by breaking the current system of oppression. Happily, the benefits of the information age and the remnants of democracy that we have offer the leverage that people need to take charge in a peaceful and democratic manner. What we need to do in order to counter the neo-capitalist assault is to establish a truly democratic ethos where participatory democracy allows people to take control of the public matter and closely oversee the actions of governments so that these fulfil their most basic responsibility. Concurrently, we need to take direct action in order to stop the very system that impoverishes people so that we can establish a sustainable and successful global economy. The first step is to establish a permanent counterbalance. In the same way that the centres of powers are globalizing their interest, civil societies need to form a Global Civil Society. George Soros proposes open societies and a Global Open Society Alliance. I found this vision to be shared by millions. This is our leverage. With a Global Civil Society, which is open and, thus, free, we can aspire to globalize the benefits as well as the costs unlike the current ethos where the benefits are privatized while the costs are socialized. This former is the true measure of social justice.

To achieve social justice globally, we need to make the labour factor of production earn a fair share of the income that is generated from the economic activity. The labour endowments need to be revamped, and the demands of the shareholders must be tamed. They cannot demand bigger returns at the expense of people. Thus, we need to centre our effort on the payment of fair wages. In this way, on the most practical application of this vision, the Global Civil Society Alliance is the culmination of the efforts to achieve social justice relative to the role of MNCs on the welfare of the inhabitants of developing and developed nations. I believe that, along with the work of civil societies with multilateral financial institutions, great strides in pursuit of social justice will be accomplished by committing

MNCs to become responsible for the welfare of their employees, by compensating them in a fairly manner. The exploitation of workers is a human rights violation and it should not be tolerated because it negatively affects the quality of life of all human beings. It also affects the environment, in a very pervasive manner, by causing the proliferation of enormous shantytowns that surround the cities of the Third World and pollute in many ways. The commitment to this objective by all conscious civilians, albeit it will take many years to accomplish, will bring long lasting results in the eradication of poverty. Thus, the key mission of Global Civil Society should be to force MNCs and governments and their institutions to commit to be socially responsible. In this way, as the wages of Third World workers directly or indirectly working for MNCs gradually increase, the wages of workers working for Third World companies will also gradually increase. Eventually, after a generation or so, most workers in the Third World will be earning a living wage. This will, in turn, protect the workers of the First World from losing their jobs because the Third World will no longer be exploitable.

I believe that the fair compensation of workers, so that they can earn a living wage and enjoy a dignified life, is the only true solution to social injustice. All other measures aimed at mitigating poverty are important as long as they complement wage compensations during the transition from miserable wages to living wages. Otherwise, they constitute an endorsement of the established order and a very hypocritical attitude from supposedly democratic governments. For giving people the part of the economic activity that belongs to them, in the first place, is the only measure of social justice. The accumulation of wealth cannot occur at the expense of the many. The economic centres of power will have to accept that the world needs to establish a Capitalism that allows everyone to benefit. We need win-win global Capitalism, north and south and in between. Otherwise, if they insist on maintaining the presently-established order, they will doom the world to an increased state of conflict of unimaginable negative consequences that, at the very least, will cripple the global economy and reduce the welfare of all members of the capitalist system for many decades to come. Thus, unless we prefer to resort to conflict, we urgently need to create truly democratic Capitalism.

Lastly, although the mobilization of Global Civil Society will surely encounter strong opposition, I believe that perseverance in the systematic advocacy of the payment of living wages globally will, overtime, close the gap in compensation between home and host countries' workers. This should fall perfectly within the realm of our expectations, for we should embark on this endeavour with the clear vision that we are working on behalf of the future generations of the Global Civil Society. This is indeed a difficult and enormous mission to be taken by all the citizens of the world who are socially conscious and feel in solidarity with the dispossessed, and it will certainly take many people and many years to accomplish. Therefore, all of the energy that we put into this endeavour should be seen as our contribution for a much brighter future for the coming generations. We won't see the end result, but we will feel very good about what we are starting for tomorrow.

a Alvaro J. de Regil is Executive Director of The Jus Semper Global Alliance

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8 *ibid*