

Remarks of Jim Baker, Council of Global Unions, to the Global Compact Local Networks Forum

(Bonn, 21 October 2008)

This panel is entitled, “Current Threats **to** Globalisation”. At first, I mis-read it as, “Current Threats **from** Globalisation”. I suppose that is a nuance.

The American poet and humorist Ogden Nash wrote, “Bankers are like anybody else, except richer”. If Nash were still with us, he could update it to “Failed bankers are like anybody else, except richer”.

The orgy of financial market de-regulation of the last 30 years has not produced “free market” risk for private persons entrusted with decisions with enormous public impact. Instead, it has guaranteed the wealth of the few regardless of performance while shifting the risk to the public. And, this process has produced and left as part of its legacy a quantum leap of inequality and injustice.

In the 1980’s, the US savings and loan industry collapsed and the taxpayers paid the price. That was also the decade of leveraged buy-outs; destructive, predatory behaviour that crashed with the RJR Nabisco take-over. In the 1990’s, it was the Asian financial crisis that led to a call for a new financial architecture, followed by a fairly rapid return to “business as usual”.

Although details will differ, the current financial crisis has generated calls for financial market regulation, including global rules, from conservatives, liberals and social democrats. Is it mean-spirited and unfair to point out it was the stifling consensus of these very political groupings that was responsible for this colossal policy failure? Maybe, this time they will get it right.

The “financial economy” and the “real economy” are still treated separately. And, it is true that there is a delay in the transmission of financial woes to the real economy, particularly in those countries like China and India who have not been “good students” and have not sufficiently “reformed” their banks and their currency rules. They will have to wait to get hit by the second wave, when the impact is felt in their export markets.

The threat “from” globalisation is that flaws and weaknesses in the financial markets are transmitted almost instantly in much of the world. That requires learning some lessons from the past and the present. The leveraged buyouts of the 80’s were both a driver of the deterioration of the soundness of financial markets and a symptom of it. One would think that the excesses of private equity firms and other arrangements to get around existing, if

inadequate regulation, would have rung a few alarm bells when this phenomenon came back in force just a few years later, with the same leveraging and de-leveraging dangers.

During these decades, national de-regulation, even though pushed at the international level, did not bring with it global rules to fill the gap. Financial markets may behave like sheep, but they are the infrastructure of the larger economy in the same sense that transport is the infrastructure for trade in goods. Is it possible that financial instability and chaos was so recently considered a largely private affair?

If we look back at the last 30 years with today's eyes, we can also observe a cultural delusion that, fortunately, was largely limited to leaders and "opinion makers". Something as unromantic and mechanical as a particular way to organise the distribution of goods and services in the economy, the market, generated real or feigned passion. If you think about it, getting all misty-eyed about the market is kind of like falling in love with your washing machine.

How does the financial crisis, added to the food crisis and the energy crisis, also fuelled with speculation and greed, affect corporate social responsibility? And, how does it affect the Global Compact?

The financial crisis exposes the limits of self-proclaimed corporate responsibility. After all, who could be more staid and responsible than bankers? The crisis is already having devastating effects on jobs and growth. However, there is one part of it that may be good and healthy. It will have, long-term, one positive effect if it produces some healthy scepticism and if it forces us to consider what we want and expect from private enterprises. Do we really expect individual companies to be the global "delivery system" for our values? It would seem to make sense to expect them to respect the rights of people, but with a little help just in case they might "slip".

We learned at a Global Unions' meeting earlier this month about a major company that is also a big supporter of the Global Compact. In its management training, it repeatedly pledges support for the principles of the Global Compact while, at the same time and in the same presentation, showing managers how to organise the work of the company in such a way that workers are deprived of the benefits and coverage of collective agreements. That is a lot more than a "slip".

The Global Compact can see itself as the preeminent corporate social responsibility programme, competing against and/or working with other elements of the same industry. If it does so, it will not just lose credibility. It will be laughed off of the world stage.

If, however, the Compact sees itself as a flexible, imaginative way to bring companies together collectively so as to engage in real and constructive dialogue with other actors in the global community, it can make an historic contribution, particularly at this special time.

This is exactly when a new consensus needs to be created that is not only about global rules, but also about building, with others, better rule of law and governance and more and stronger democracy at all levels.

You have a session later on the “soft” role of government in encouraging good corporate behaviour. Let me ask you to consider one example of an important, but limited role of government that combines a rights framework with flexibility for private parties, collective bargaining. It is not a new concept. At the international level, it was incorporated in ILO convention 98 in 1949. Governments are to promote collective bargaining. However, the outcome of that process is to be determined by the parties to it, without State interference, through good faith and compromise.

That basic concept of distinct, but complementary roles is part of what needs to emerge at the global as well as national and regional levels – binding rights frameworks that facilitate the engagement of private parties to produce the best results. Producing real and workable progress in that direction will require real dialogue and, it is only if it can generate and be an instrument of such dialogue that the Global Compact can fulfil its mission. If it does so, it can be a force for a better, fairer and more democratic future rather than running the risk of being the last gasp of a discredited past.