

# Ethics & International Affairs

2004 VOLUME 18 NUMBER 2



**Carnegie Council**  
ON ETHICS AND  
INTERNATIONAL AFFAIRS

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# Models of International Economic Justice

*Ethan B. Kapstein\**

A host of activists, policy-makers, and scholars have been asserting that today's international economic structure and its associated outcomes are fundamentally unfair or unjust to many people, especially the poor or least advantaged, and also to many countries, particularly those in the developing world. By questioning the morality and legitimacy of the contemporary multilateral system that governs world trade and finance, these critics have generated a widespread normative debate. But what, precisely, do these critics mean when they claim that the global economy is unjust or unfair?

In this essay I present three models, or frameworks, that seek to capture some of the central normative concerns that these critics have expressed about economic globalization (at least in its present form) and the empirical information that is relevant to assessing them. Beyond offering what I hope is a helpful taxonomic contribution, my aim is to join economic and moral theory in a way that promotes a progressive research program. Assertions about economic justice can and should be matched to the extent possible with economic theories and empirical evidence—but they seldom are.<sup>1</sup> Closer attention to empirical evidence is important for theory as much as for practice. As a practical matter, empirical tools and data can help us to determine whether the global economy is becoming more or less fair over time, and to focus on those policies that are most likely to promote

desirable ends. Articulating and examining the likely consequences of different theoretical and policy approaches to economic justice also serves to highlight potential trade-offs and conflicts among them, and helps us to think more carefully about these trade-offs and what their consequences might be. Some of us, for example, might support a liberal free trade regime because we believe it promotes greater income equality among countries. But we might also reasonably assert that such a regime exacerbates economic injustices within some countries by causing dislocation and unemployment, particularly among vulnerable socioeconomic groups such as unskilled workers. Such reasoning, in turn, will help us to evaluate the approaches themselves.

In tackling problems of international economic justice, both theoretical work and policy analysis might benefit from closer collaboration between economists and political philosophers.<sup>2</sup> To date, these two groups of

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\* I would like to thank Christian Barry, Charles Beitz, Thomas Pogge, and the anonymous reviewers of *Ethics & International Affairs* for their comments on earlier drafts, and seminar participants at the American Political Science Association, Cornell University, and Sciences Po for posing difficult questions that forced clarification of the points presented here.

<sup>1</sup> A notable exception where empirical evidence looms large is Thomas W. Pogge, *World Poverty and Human Rights* (Oxford: Polity Press, 2002).

<sup>2</sup> A nice model is provided by Sanjay G. Reddy and Thomas W. Pogge, "How *Not* to Count the Poor"; available at [www.columbia.edu/~sr793/count.pdf](http://www.columbia.edu/~sr793/count.pdf).

scholars have worked largely in isolation from one another, developing their own models and analytical approaches. This has certainly enriched the literature, but some cross-fertilization could, perhaps, prove rewarding, by matching theory and data in a way that advances our knowledge of the current state of the global economy and its impact on different countries and groups within them. Public policy recommendations that are informed by such collaborative work are likely to prove better targeted and more feasible to achieve.

This essay does not pretend to provide a theory of international economic justice. Its analysis of different models of international economic justice and of some of the data that may be relevant to them will hopefully help to provide a foundation for further research. The feeling that “something is wrong” with the international economy is widespread, and bringing clarity to the normative debate over globalization is one of the major contributions that moral philosophy can make to contemporary world politics.

THE ESSAY IS DIVIDED into three sections. In the first section I present three ideal-typical approaches to the issue of international economic justice.<sup>3</sup> In the second section, I indicate the kinds of economic models and data sets that are relevant to determining whether and to what extent greater openness to global trade poses a threat to economic justice as conceived by each of these approaches. Specifically, I use these analytical tools in order to relate changes in openness to foreign trade to other social and economic outcomes, particularly changes in income inequality and poverty, which have tended to draw the attention of nearly all theorists of economic justice. In the third section, I characterize and critique the approach to economic justice that has been (implicitly) adopted by the major international institutions like the World Bank, International Monetary Fund

(IMF), and World Trade Organization (WTO). I conclude with some policy implications and suggestions for further research in the area of international economic justice.

Let me make two methodological caveats to what follows. First, some readers will undoubtedly question the use of world trade as a proxy variable for globalization. After all, a country could be relatively open to world trade yet not very globalized; examples might include Saudi Arabia or even China. Further, even if we narrowed our focus to economic globalization, some readers might rightfully argue that investment and capital flows are equally if not more powerful influences on social arrangements. These concerns are well founded, but there are nevertheless three advantages to focusing on the trade data: it is widely available; existing models point toward its inter- and intranational distributive effects; and liberalization of trade policy has been a core recommendation of the international financial institutions for many years now, with their leading researchers even using trade variables to distinguish “globalizers” from “nonglobalizers.” Finally, the World Trade Organization and the regime it governs have come to exemplify for many critics much of what is wrong with today’s global economy. Second, I also recognize that some readers might find the emphasis on income inequality and poverty too restrictive from an ethical standpoint. Indeed, a fuller assessment of the effects of globalization would of course also require a comprehensive examination of additional variables such as the distribution of health care, education, or other highly valued goods and services that influence human capabilities. In many respects, these variables might give us a more

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<sup>3</sup> For a useful review of approaches to international distributive justice that employs different typologies, see Charles Beitz, “International Liberalism and Distributive Justice: A Survey of Recent Thought,” *World Politics* 51, no. 1 (January 1999), pp. 269–96.

Data	Policy Goal	Theory	Level of Analysis
Changes in income distribution within countries	Flatter income distribution within countries	Communitarian	Nation-State
Changes in income distribution among countries	Income convergence among countries	Liberal Internationalist	Society of States; Multilateral Institutions
Changes in poverty rates among people	Global poverty eradication	Cosmopolitan/Priority	Individuals

**Table 1. Models of international economic justice**

adequate picture of how the disadvantaged are faring in reality than do the income data. Despite the limitations of income as an indicator of well-being, however, I will nonetheless use it here since it has the advantage of being widely available and widely used in terms of models that are available for assessing the distributive effects of economic policy change.

## INTERNATIONAL ECONOMIC JUSTICE: MODELS AND DATA

Economic or distributive justice is fundamentally concerned with the principles and rules that determine how societies allocate goods, services, and incomes, and the patterns of allocation that result from such procedures.<sup>4</sup> Among the central issues that arise in this arena are what should be distributed, who should be the recipients, and how the allocations should be accomplished.<sup>5</sup>

Since the time of Aristotle, writing on economic justice has generally focused on distributive issues within the context of polities that are assumed to be more or less self-sufficient. John Rawls, for example, famously advocated a conception of justice that holds that a society's institutional arrangements ought to be assessed in terms of the shares of "social primary goods" (for example, income and wealth, opportunities, and liberties) that they engen-

der for their least-advantaged members. His "difference principle" asserts that economic institutions are unjust insofar as the shares of income and wealth received by the least advantaged are smaller than they would be under feasible alternatives.<sup>6</sup>

Despite the fact that states have long been "globalized," at least in terms of their economic relations, the question of international economic justice has only recently been taken up in scholarly research.<sup>7</sup> To date, the assertions about international economic justice—or injustice—that are found in the literature (and, indeed, on the streets!) have taken at least three ideal-typical forms (see Table 1).

Some critics of today's global economic order are primarily concerned with the effects of greater openness on domestic social and economic arrangements. These critics endorse what I will call a communitarian model of economic justice. Questions that are relevant to communitarians include: How has greater

<sup>4</sup> Although I use the terms "economic justice" and "distributive justice" interchangeably, the term "distributive justice" has a broader meaning beyond economic resources, reflecting the distribution of, say, opportunity.

<sup>5</sup> Edmund S. Phelps, ed., *Economic Justice* (Baltimore, Md.: Penguin, 1973).

<sup>6</sup> John Rawls, *A Theory of Justice* (Cambridge: Harvard University Press, 1971).

<sup>7</sup> I thank an anonymous reviewer for highlighting this point.

openness influenced poverty and the income distribution within countries, and particularly within “my” country? Has it closed income gaps or widened them? Who are the “winners” and “losers” from globalization within domestic societies? Can the losers be fairly and effectively compensated? What are the effects of greater openness on domestic fiscal and social policies—such as the state’s capacity to maintain redistributive policies? These questions reflect a concern with the effects of global economic pressures on domestic societies, and with the capacity of the state to respond in a manner that preserves domestic distributive justice.

A second group of critics, whom I will refer to as liberal internationalists, emphasizes the consequences of today’s international economic structure for the peace, prosperity, and stability of the “society of states,” or “international community,” as a whole. Advocates of this model are particularly concerned with the effects of increasing globalization (at least in its current form) on the legitimacy and stability of the international order, and on what states can do individually and collectively in order to maintain and strengthen a peaceful and prosperous system of exchange. Questions that are relevant to liberal internationalists include: How has openness influenced income distribution among countries? Have the gains from trade benefited some economies more than others? How can trade, aid, and investment be used most effectively as vehicles for promoting economic development and income convergence among countries? Such questions reflect a concern that the current global economic structure or regime is tilted against certain countries, threatening the multilateral arrangements that have been negotiated.

The third group of critics is composed of cosmopolitans, whose concern is with the effects of the prevailing international economic structure on the well-being of persons. In

discussing this model, I will focus more narrowly on “prioritarian” cosmopolitans, who are particularly concerned with the effects of the international economic order on the poor and disadvantaged. Cosmopolitans of this type hold that global economic arrangements should be reformed so that they no longer bring about or permit such significant shortfalls from minimally adequate living conditions for so many people.<sup>8</sup> Questions that follow from this perspective include: Do contemporary international economic arrangements promote or harm the life chances of those who are most vulnerable, particularly the poor in developing countries, relative to feasible alternative arrangements? How can the international economic structure be reformed to meet the basic needs of the poor and least advantaged?

Common to all three of these approaches is a concern with the articulation and effects of the multilateral rules and procedures that govern international transactions. Is the existing set of international rules fair to all? Do these rules make for a level international playing field, or are they somehow “rigged” against certain countries or groups of persons? Indeed, if there is growing convergence among the different schools of thought with respect to where our policy attention ought to be focused, it is probably on the political structure of multilateral governance, which, it is argued, privileges the interests of rich and powerful states and the business interests within them, and perhaps the elites in developing countries as well. I will return to this point in the conclusion. Finally, these three models are not meant to be mutually exclusive. Most people give some weight to the central principles of each.

In order to examine whether criticisms of

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<sup>8</sup> For some relevant statistics, see United Nations Development Programme, *Human Development Report 2004* (New York: Oxford University Press, 2004), ch. 2.

today's global economy by proponents of these three approaches are well founded, theories and data that relate changes in greater openness to trade to changes in poverty and income distribution within and among countries provide a useful starting point.<sup>9</sup>

### THE COMMUNITARIAN MODEL: GLOBALIZATION AND THE DOMESTIC SOCIAL COMPACT

The communitarian approach to international economic justice emphasizes the effects of greater openness on domestic social and economic arrangements. In this model, countries globalize in order to generate greater wealth, which is then distributed in a manner consistent with the domestic social compact. John Ruggie's "bargain of embedded liberalism"—the phrase he used to describe the postwar Bretton Woods order—offers perhaps the neatest expression of this position.<sup>10</sup> According to Ruggie, the challenge for the postwar leaders was to rebuild a global economy that would be consistent with welfare-state policies in Western Europe and North America. A dense network of domestic and international arrangements was crafted in order to ensure that global trade and investment did not undermine but rather promoted the goals of nationally based social policies, such as full employment and equal opportunity. Thus, international trade agreements included "escape clauses" to protect workers, and particular sectors such as agriculture were exempted from trade rules altogether. At the same time, the United States and other countries put into place "trade adjustment assistance" and other compensatory mechanisms to support those who were hurt by economic change. In short, greater openness was meant to be consistent with and to reinforce the domestic social compact. For a while, many had some reason to remain confident in this model. The increase in

global trade after the Second World War, for example, was accompanied by the wholesale expansion of the welfare state, at least throughout the industrial world.

It is the fear that rapid globalization is disrupting domestic distributive justice that has sparked an intensive research agenda in recent years on the relationship between such variables as greater openness on the one hand and changes in poverty and income inequality on the other.<sup>11</sup> In an important review of the literature, for example, William Cline has argued that greater openness to trade has contributed to an increase in wage inequality in the United States. While certainly not the sole determinant of rising inequality (technological change and immigration are also prominent factors), trade is responsible for perhaps 25 percent of the change in earnings. He argues that the "basic policy conclusion" stemming from his analysis "is that a commitment to open trade needs to go hand in hand with a commitment to a whole array of *domestic policies* that help ensure that society evolves in an equitable rather than an inequitable direction" (emphasis added).<sup>12</sup> As noted above, those policies, at the limit, could exempt certain sectors of the economy from globalization altogether. Because countries will often not adopt these policies, greater openness may often undermine domestic distributive justice.

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<sup>9</sup> I use the term "income distribution" as opposed to "income inequality" to suggest the concern that some theorists have with respect to the *particular* income shares of specific groups, such as the level of income of the poorest deciles. My use of the term "income distribution" would encompass, say, lump-sum payments to bring people out of poverty.

<sup>10</sup> John Ruggie, "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order," in Stephen D. Krasner, ed., *International Regimes* (Ithaca, N.Y.: Cornell University Press, 1983).

<sup>11</sup> See, e.g., William Cline, *Trade and Income Distribution* (Washington, D.C.: Institute for International Economics, 1997).

<sup>12</sup> *Ibid.*, p. 275.

Communitarian critiques rest comfortably on mainstream economic theory in important respects. Economists commonly hold that “countries shape their own destiny,” and endogenous growth theory emphasizes the role of domestic policy choices in promoting investment and creating human capital. From this standpoint, globalization offers states tremendous opportunities to increase their technological base through trade and foreign direct investment, and in turn improves their chances for sustained growth. Yet some of those opportunities might best be seized in the context of domestic measures that promote, say, “infant industries,” such as the United States or Germany did in the nineteenth century and as China is doing today. One question that communitarians pose is whether today’s “rules-based” international economic regime is making it much more difficult for states to pursue such growth promoting domestic policies, and whether the advanced industrial states are using those rules to hinder the growth prospects of developing countries. Furthermore, mainstream economic theory recognizes that globalization can undermine domestic wage structures and income levels, and thus pose an obstacle to countries that wish to ensure distributive justice domestically. The most prominent theoretical framework for analyzing the distributive effects of free trade within a country is, of course, provided by the Heckscher-Ohlin-Samuelsan (HOS) model, which elegantly explains trade patterns in terms of the relative abundance of the factors of production (land, labor, and capital) within countries. Simply stated, countries with a relative abundance of labor will produce and export labor-intensive goods, while countries that are relatively capital-abundant will export capital-intensive goods and import labor-intensive products (thus, Sweden sells machinery to China and, in return, buys textiles). While such trade will promote greater efficien-

cy in all participating economies, it will have significant effects on the incomes of each of the factors of production as well. Because of that, the present rules-based international trade regime can limit the ability of states to respond to those effects in a manner consistent with domestic distributive justice.

It is worth emphasizing that, for labor-abundant developing countries, HOS offers a promising theoretical result: with greater openness, there will be an increase in the price of those products manufactured by relatively abundant, unskilled labor, and a consequent rise in the real wage for unskilled workers. To the extent that unskilled labor in developing countries comes from the lower income deciles, openness promises an increase in these workers’ wages. Indeed, the data suggest that, across a panel of developing countries, greater openness (defined as trade as a share of GDP) is associated with higher incomes for the poor in absolute (but not relative) terms.<sup>13</sup>

The flip side of this story from the communitarian perspective is that trade can reduce the incomes of the working poor in industrial countries, who become displaced by cheap imports of manufactured goods, textiles, and other commodities. Increased immigration from poor countries can also have this effect. Indeed, it is for this reason that many communitarians are comfortable with strict limits on immigration.

In short, communitarians have expressed justified concern with the effects of greater openness to trade on the capacities of domestic societies to provide adequate economic opportunities for unskilled workers and the poor. As we have seen, greater openness does hold the promise of higher incomes for unskilled workers in developing countries. But

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<sup>13</sup> Geoffrey Bannister and Kamau Thugge, “International Trade and Poverty Alleviation,” IMF Working Paper no. 01/54 (May 2001), p. 8.



this is so only if we assume that industrial nations are open to their exports, and that domestic labor market regulations enable workers to profit from the fruit of their labor. For the poor and the unskilled in rich countries, in contrast, even the potential benefits of globalization are less obvious. For while they may benefit from lower consumer prices, they may also experience falling wages and the costs from the erosion of other labor market institutions such as unions and collective bargaining arrangements. Communitarian critics, then, have a sound basis for questioning whether the present international economic order is just according to their model.

### A LIBERAL INTERNATIONALIST MODEL: INTERNATIONAL TRADE AND THE PROMISE OF ECONOMIC CONVERGENCE

To simplify a complex tradition, liberal internationalists hold that something like a state system—nowadays popularly referred to as the “international community”—has evolved over time, with its members, the states, gradually assuming rights and obligations with respect to a set of generally-agreed-upon principles, norms, and rules. The fundamental norm that regulates the international community is respect for state sovereignty and, consequently, there is a right to noninterference in domestic affairs. These principles imply that a primary concern of justice in this model is the equality in the status of states as members in the international system, and they provide the basis not only for international negotiations and agreements but for world order more generally. According to liberal internationalists, these principles are vital, even if adherence to them is often halfhearted and inconsistent. Indeed, they have shaped the normative domain of world politics in significant ways and provide the basis for the articulation of an increasing

number of rules and ever-deeper interactions, including those associated with the global economy.<sup>14</sup>

The international trade regime, for instance, represents an agreement among states to trade with one another on the basis of most-favored-nation status, and to negotiate trade deals on the basis of reciprocity. Liberal internationalists therefore tend to conceive of economic justice in terms of mutually advantageous and noncoercive agreements reached by the “society of states.” The ethical problem that these states face is how to construct and maintain economic arrangements that contribute to public goods such as peace, prosperity, and stability that benefit every member of the international community. In an important sense, the international community has adopted, if only rhetorically, for most of the post–World War II era a variant of the liberal internationalist approach to economic justice that is concerned with equality among states, not people: a combination of free trade and foreign aid among states. Liberal internationalists do not, of course, hold that today’s economic arrangements among states actually reflect their ideal-type. As Dani Rodrik reminds us, “Global economic rules are not written by Platonic rulers . . . those who have power get more out of the system than those who do not.”<sup>15</sup> Indeed, it is understanding and criticizing the exploitative use of international power that is the central normative concern of most liberal internationalist thinkers.

Charles Beitz has presented the deepest philosophical critique of our present international economic order from a liberal interna-

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<sup>14</sup> For a skeptical view regarding the spread of international law, see Eric A. Posner, “Do States Have a Moral Obligation to Obey International Law?” *Stanford Law Review* 55, issue 5 (May 2003), pp. 1901–19.

<sup>15</sup> Dani Rodrik, “Feasible Globalizations,” NBER Working Paper no. W9129 (August 2002), p. 24.



tionalist perspective.<sup>16</sup> Like other liberal internationalists, Beitz represents the international system as a society of states whose representatives are tasked to establish a set of just principles that are to serve as the basis for the political and economic arrangements that are to govern their interactions. By applying certain aspects of Rawls's conception of domestic justice to world politics, and to the international economy more specifically, however, he arrives at some fairly radical results.

Drawing on Rawls's characterization of the "original position," Beitz has us imagine a group of representatives from rich and poor countries who are bargaining over the terms of their interactions. Since they are negotiating from behind a "veil of ignorance," unaware of their particular resource endowments, Beitz assumes that each negotiator would be risk averse and thus fearful about their particular condition. He posits that "not knowing the resource endowments of their own societies . . . they would agree on a resource redistribution principle. . . ."<sup>17</sup> The resource redistribution principle is Beitz's rough analogue to the Rawlsian difference principle, preserving the background justice of the international economic order.

A state's initial economic condition qua resource endowment will significantly shape its future development. And since states have no prior moral claim to the resources located on their territory, patterns of inequality and poverty that result from an international system that fails to incorporate a resource redistribution principle will be unjust.

It may be argued, however, that a resource redistribution mechanism is not necessary for preserving the justice of the international economy because free trade provides an alternative mechanism for overcoming initial resource inequalities. This claim is based on the thesis of economic convergence. Most countries are abundant in certain factors of production rela-

tive to other countries. China, for example, is relatively abundant in labor compared to the United States, but the United States is relatively abundant in capital or land as compared to China. The theory of economic convergence has been a staple of the international trade and development literatures for most of the post-war era. Because international trade makes it possible for developing countries to import technologies that would allow them to have a higher rate of growth than developed countries, they are expected eventually to "catch up" and reach the income level of richer countries. Liberal internationalists, it might therefore be argued, should support a free trade regime because openness leads toward long-run income convergence with regions that are initially wealthier. Indeed, from this perspective, free trade may be viewed as the solution to international economic justice, for the very reason that it promises long-run convergence and the provision of important global public goods.

Unfortunately, as Jeffrey Sachs and Andrew Warner report, the evidence to date has dashed any theoretical expectations that conditional convergence would take place. They write that "in recent decades there has been no overall tendency for the poorer countries to catch up, or converge, with the richer countries."<sup>18</sup> According to them, at least part of the blame rests with rich industrial states that have failed to open their markets in a way that would promote the development and growth of the poorest countries.

Might it be argued that developing countries as a group have failed to converge with their industrial counterparts, but that those among

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<sup>16</sup> See Charles Beitz, *Political Theory and International Relations* (Princeton: Princeton University Press, 1979).

<sup>17</sup> *Ibid.*, p. 142.

<sup>18</sup> Jeffrey D. Sachs and Andrew Warner, "Economic Reform and the Process of Global Integration," *Brookings Papers on Economic Activity* 1 (1995), p. 3.

them with open economies have done better than those with closed? What is the relationship between openness and growth? While these questions remain hotly contested among economists, the evidence that is now available only weakly supports the contention that openness leads to sustained growth.<sup>19</sup> Indeed, the failure of developing countries to converge more rapidly with industrial ones remains among the chief puzzles now being addressed by development economists. For these reasons, liberal internationalists are justified in remaining skeptical that the international economic order is just according to their model.

### A COSMOPOLITAN MODEL: BRINGING JUSTICE TO THE GLOBAL POOR

For cosmopolitan theorists, international economic justice must be assessed in terms of its effects on individual persons. Prioritarian cosmopolitans hold that we must give special consideration to the interests of persons who are very badly off. The question that prioritarian cosmopolitans pose of modern globalization concerns the effects of the rules structuring the world economy on the poor and least advantaged. Thomas Pogge, for example, has recently argued that “the affluent countries and their citizens . . . impose a global economic order under which millions avoidably die each year from poverty-related causes.”<sup>20</sup> This global order and its associated rules influence poverty levels within nations as well as the domestic income distribution—for example, by rewarding domestic elites in developing countries who help multinational firms to gain market access.

It must be emphasized that cosmopolitans take seriously in a way that others do not the problem of state failure and also unjust states. While recognizing that states could serve the

cosmopolitan end of a social arrangement in which each individual is treated equally or fairly, they also accept that many governments around the world lack the will or capability to provide for the basic needs of their citizens, especially those who, due to income, gender, race, religion, or other factors, are most vulnerable. Cosmopolitans simply reject the notion that the bad luck of certain persons to find themselves locked up in states that deny basic human rights is reason enough for those of us who are fortunate to turn our backs on their plight. As a consequence, “cosmopolitans . . . have argued that efforts to secure justice should focus on the reform of social arrangements beyond the nation state.”<sup>21</sup>

What kinds of models and data are helpful in assessing the effects of global arrangements on the poor and least advantaged? Disentangling international and domestic effects is a difficult exercise. However, two ways of doing so were suggested in the earlier sections of this article: the HOS framework that examines the distributive effects of free trade, and the convergence models that posit a relationship between openness and growth (with the underlying assumption being that growth benefits the poor). A third and more direct approach would be to follow Pogge’s lead and examine the effects of a given set of international rules on the poor in developing coun-

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<sup>19</sup> It should be emphasized that most economists believe strongly in a positive relationship between openness and sustained growth, even if modeling and testing that relationship has proved difficult. For a critique of methodology, see Francisco Rodriguez and Dani Rodrik, “Trade Policy and Economic Growth: A Skeptic’s Guide to Cross-National Evidence,” NBER Working Paper no. 7081 (1999); available at [www.nber.org/papers/w7081.pdf](http://www.nber.org/papers/w7081.pdf).

<sup>20</sup> Thomas W. Pogge, “Moral Universalism and Global Economic Justice,” *Politics, Philosophy and Economics* 1 (February 2002), p. 43.

<sup>21</sup> Christian Barry, “Global Justice: Aims, Arrangements, and Responsibilities,” in Toni Erskine, ed., *Can Institutions Have Duties?* (London: Palgrave, 2003), p. 226.

tries, who by any plausible measure would qualify as the world's least-advantaged persons. One might start this assessment with focusing more narrowly on the rural poor, who are often among the very poorest in developing countries. Thus, we might ask with greater precision: What are the effects of global trade rules on the incomes of the rural poor?

To begin our assessment of multilateral trade rules from this perspective we might wish to examine the actual structure of international tariff and nontariff measures and see if we can detect some pattern with respect to their incidence. Recent studies of the international trade regime, for example, find that the "tariffs used by industrial nations bear more heavily on products of export interest to developing countries than on imports from other industrial nations."<sup>22</sup> Further, tariff protection on labor-intensive products in which developing countries have an advantage remains high—for example, "applied tariffs on textiles and clothing are three times the average in manufacturing." Overall, products subject to high tariffs in the industrial world represent more than 11 percent of developing country exports to those markets. In addition, according to a recent report prepared by the IMF and World Bank, "agricultural subsidies in industrial countries undermine developing countries' agricultural sectors and exports by depressing world prices and pre-empting markets."<sup>23</sup> Thus, it is unskilled labor and the rural poor in developing countries that face relatively high tariff barriers, which limit the incomes they can expect to receive from world trade.

Let us look more specifically at the case of tariff escalation against developing countries, where tariffs increase with value added. The average, post-Uruguay Round tariff on industrial raw materials is negligible, less than 1 percent. But tariffs on finished industrial products jump to 6.2 percent. With respect to natural resource-based products, the tariff on raw

materials is 2 percent, jumping to 5.9 percent for finished products.<sup>24</sup> As the IMF and World Bank conclude, tariff escalation is frequently aimed at "products in which many developing countries have comparative advantage"<sup>25</sup> (See Table 2).

**Table 2. Tariff escalation in industrial country imports from developing countries**

Products	Post-Uruguay Round Tariff Rates
<i>Industrial</i>	
Raw materials	0.8
Semi-finished manufactures	2.8
Finished	6.2
<i>Tropical Industrial</i>	
Raw materials	0.0
Semi-finished manufactures	3.4
Finished	2.4
<i>Natural Resource-Based</i>	
Raw materials	2.0
Semi-finished manufactures	2.0
Finished	5.9

Source: The Staffs of the IMF and World Bank, "Market Access for Developing Countries' Exports," (April 27, 2001), p. 23; original data in Richard Blackhurst, Alice Enders, and Joseph Francois, "The Uruguay Round and Market Access: Opportunities and Challenges for Developing Countries," in Will Martin and Alan Winters, eds., *The Uruguay Round and the Developing Countries* (New York: Cambridge University Press, 1996).

<sup>22</sup> Dan Clark, "Are Poorer Developing Countries the Targets of U.S. Protectionist Actions?" *Economic Development and Cultural Change* 47 (October 1998), p. 193.

<sup>23</sup> The Staffs of the IMF and World Bank, "Market Access for Developing Countries' Exports" (April 27, 2001), p. 5; available at [www.imf.org/external/np/madc/eng/042701.pdf](http://www.imf.org/external/np/madc/eng/042701.pdf).

<sup>24</sup> *Ibid.*, p. 23.

<sup>25</sup> *Ibid.*

It should be noted that one “source” of this unfairness in the international trade rules is structural. Trade policy is typically shaped by the mercantilist preferences of vote-maximizing political leaders, who seek the maximum amount of openness abroad in return for the minimum amount of openness at home so that both export-oriented and import-sensitive domestic sectors are satisfied. In practice trade opening tends to be negotiated on the basis of reciprocity, whereby the European Union opens itself to \$1 billion of American exports if the United States agrees to do the same. Given the reciprocal nature of bargaining in the WTO, it is difficult for small, developing countries to have much voice in the proceedings, since neither the United States nor the European Union has much interest in accessing their markets. As a consequence, they have nothing to bargain in exchange for greater access to the American or European agricultural markets. These structural problems in the rules and procedures associated with the trade regime generate economic patterns that are widely held to be unjust to poor countries and especially poor persons residing within them.

The prioritarian cosmopolitan view of international economic justice poses a profound set of both theoretical and policy challenges. While not denying the roles and responsibilities of national elites in extracting rents from their societies and oppressing the poor, this position forces us to ask whether the international arrangements we have shaped actually help or hinder the life chances of the world’s most vulnerable citizens.<sup>26</sup> As we have seen, there is good reason to believe that the current structure of the international trade regime, to provide just one prominent example, is tilted in important respects against the interests of the rural poor. A more detailed empirical examination would undoubtedly uncover other examples that show that inter-

national trade and financial agreements often favor certain groups over others. In these important senses, cosmopolitans should hold that the global economy is unjust according to their model.

## FROM THEORY TO POLICY: ECONOMIC JUSTICE AND THE INTERNATIONAL SYSTEM

The purpose of this section is to characterize and assess some of the ways in which the major international financial institutions, the World Bank and International Monetary Fund, conceive of the problem of economic justice at the present time. This does not mean, of course, that either the Bank or Fund seek to defend their policies and programs explicitly on the basis of any particular theory of justice; instead, the point of this exercise is to explore the implicit theories of economic justice that seem to play some role in shaping their behavior, while recognizing that concepts of social or economic justice are not mentioned as explicit goals on the agendas of international trade and financial institutions (although, as a result of NGOs’ campaigns for economic justice, “justice” has been frequently invoked in policy discourse during the Doha Development Round of the World Trade Organization).

The World Bank and IMF seem to be adopting what might be called a “quasi-prioritarian” approach to international economic justice, prioritizing the eradication of global poverty as a direct policy objective.<sup>27</sup> As the World Bank puts it, “Poverty reduction is the most urgent

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<sup>26</sup> Indeed, such views often emphasize the ways in which the present global economic order helps national elites to further entrench their advantages. See Pogge, “Moral Universalism and Global Economic Justice.”

<sup>27</sup> I call it quasi because, in practice, the Bank still has distributive criteria that are regional; it does not focus solely on the poor, wherever they are found.

task facing humanity today.”<sup>28</sup> More laconically, the IMF has reported that “the September 1999 Annual Meetings [of the World Bank and IMF] resulted in a clear mandate for the IMF to integrate the objectives of poverty reduction and growth more fully into its operations . . . and to base these operations on national poverty reduction strategies.”<sup>29</sup> In short, the IMF is now expected by its member states to be “more pro-poor.”<sup>30</sup>

The underlying argument is that rich polities have a duty to assist the least-advantaged countries so that they may help their least-advantaged persons. What should we make of such an approach to international economic justice? The first question concerns the agents of the alleged injustice according to this view. It seems, at first glance, that there are two. First, there are national systems of welfare, which have failed to make adequate transfers to the poor or provide sufficient opportunities (educational and otherwise) to them. Second, there is the society of states, which has failed to meet its collective responsibility by failing to provide transfers that are adequate for meeting the basic needs of the poor. It is important to appreciate the institutional significance of this “new” approach to multilateral assistance. When poor countries come to the IMF for aid, they are now required to present “poverty reduction” strategies as a condition for fresh loans. Programs supported under the Poverty Reduction and Growth Facility (PRGF)—the IMF’s low-interest lending facility for low-income countries—seek to increase the amount of public spending than would normally be the case under typical IMF conditionality clauses, so long as such higher spending results in an increase in expenditures that are deemed to be “pro-poor.” Working with the World Bank and bilateral donors, the IMF’s hope is that the increased public spending called for by the PRGF will be supported by foreign assistance, although the Fund now

accepts “higher spending . . . when a shortfall in assistance materializes.”<sup>31</sup>

The particular expenditures that are deemed pro-poor include those in education and health care. According to the Fund, “Countries with PRGF-supported programs are allocating more to education and health care, as a percent of GDP, as a share of total government spending, and in per capita terms.”<sup>32</sup> It should be emphasized, however, that the Fund admits that its capacity to monitor whether these additional expenditures are really pro-poor must be improved, and this requires more sophisticated “poverty and social impact analysis.” Additional spending for education, for example, could be diverted to privileged bureaucrats rather than to poor children.

But let us put that possibility aside and suppose that the PRGF is used efficiently and effectively. The underlying assumption of the quasi-prioritarian approach then must be that national welfare systems have failed only because they face a budget constraint that is inadequate to provide for the needs of their citizens.<sup>33</sup> Because government funds are inadequate, those with sufficient personal means are

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<sup>28</sup> World Bank, *World Development Report* (New York: Oxford University Press, 1996).

<sup>29</sup> International Monetary Fund, *World Economic Outlook* (Washington, D.C.: IMF, 2002), p. 3.

<sup>30</sup> *Ibid.*, p. 4. While it is not possible to provide an intellectual history of this “shift” toward a more “pro-poor” policy stance within the multilateral institutions (as against, say, a narrower emphasis on economic growth alone), civil society organizations appear to have played a seminal role. The Catholic Church and a highly energized group of civil society organizations made it impossible for international financial organizations to ignore the problem of developing world debt during the Jubilee 2000 campaign. And organizations such as Oxfam have intensified long-standing demands that the trade regime be reformed in a way that is more favorable to the poor.

<sup>31</sup> *Ibid.*, p. 7.

<sup>32</sup> *Ibid.*, p. 8.

<sup>33</sup> John Rawls, *The Law of Peoples* (Cambridge: Harvard University Press, 1999).

able to privatize certain services, such as health care and education, while those in the lowest income brackets receive little if any public benefit. Given the suffering thus produced as a result of inadequate government funding of the kinds of services that are now widely viewed as “rights,” the society of states therefore has the duty to provide the additional funds needed to alleviate the human suffering entailed by the lack of domestic budget capacity.

Of the three models outlined in the previous section, cosmopolitans who hold the prioritarian view would likely have the greatest sympathy with the pro-poor approach being taken by the multilateral institutions at the present time.<sup>34</sup> Communitarian theorists would likely question the desirability and feasibility of allowing international financial institutions to play such an influential role in shaping the domestic order of different societies. Liberal internationalists, too, might be uncomfortable with the degree of intervention in domestic affairs implied by the pro-poor approach of the World Bank and IMF, with its endless reporting requirements and demands for particular budgetary allocations. Liberal internationalists tend to view economic justice in terms of relations among states, and while foreign aid might well play a critical role in international economic justice, the use of that aid should generally be left to the government in question.

But the quasi-prioritarian position of the Bank and Fund does raise the intriguing possibility that cosmopolitan theories are having greater influence than was true earlier in the postwar period, when “duties of assistance” were clearly to other states—especially those that were deemed important to the Cold War struggle—as opposed to particular groups within them. Perhaps this shift is due to the spread of liberal democratic values, with their emphasis on the individual’s worth. Pursuing the normative sources of this new development

framework would provide a useful exercise in analyzing how the international community builds, in practice, its approach to economic justice. At the same time, careful assessments of the lending programs of the World Bank and IMF are required in order to learn if they really are “pro-poor,” as advertised, or whether this is simply rhetoric.

## CONCLUSION

One of the major issues that must be faced in developing a sound conception of international economic justice is the conflicts and trade-offs among the various ideal-typical approaches that I have described in this essay. Imagine, for example, a world in which globalization makes it more difficult (for example, because of capital flight) for states to craft the kinds of compensatory policies that William Cline and others have argued are necessary if free trade is to be considered equitable or legitimate by domestic societies. In that case, governments may seek to maintain the social compact at home through policies—such as protectionism—that have adverse effects abroad. These conflicts and trade-offs between domestic and international economic justice cannot be easily resolved.

But despite the presence of such tensions in the global economy, we have also seen that scholars of international economic justice share a common concern regarding the effects of the current rules that govern world trade, finance, and investment. A promising starting point for a progressive research agenda, therefore, might be found in an analysis of the current normative structure

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<sup>34</sup> This is not to say that they would endorse these policies, but that the stated aim of these policies is consonant with their approach.

of the leading international financial and economic institutions. And in recent years, that has become the focus of increasing attention from economists and political philosophers alike. If we are to promote a progressive research agenda, surely more analysis is needed of the multilateral institutions that play such a large role in shaping international economic transactions and, increasingly, domestic economic policies as well—the World Trade Organization, International Monetary Fund, and World Bank,

to name the most prominent. How should these organizations be assessed from the perspective of international economic justice? Is the system of weighted voting, as found within the International Monetary Fund, consistent with justice? Can and should the structure of multilateral trade negotiations, which are based on the principle of reciprocity, be reformed in order to give more voice to developing countries? These questions indicate an intellectual and practical challenge of great urgency.