

**MORALITY AND THE GLOBAL CAPITALIST  
ECONOMIC ORDER**

**BY**

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## ABSTRACT

Morality, a means of evaluating human conducts and institutions, is central to the realisation of human welfare in the Global Capitalist Economy (GCE), understood as an aggregate of the economic interrelations among all nations of the world. Studies that addressed the inadequacies of the GCE in the pursuit of human welfare focused largely on the socio-political and economic dimensions to the problem without paying sufficient attention to its moral foundation, located in the principle of Moral Egoism (ME). This study, therefore, proffered Enlightened Self-interest (ESi) as a more viable moral foundation that would render the GCE more beneficial to all its stakeholders.

The study adopted Adam Smith's theory of impartiality and John Rawls' theory of original position, both of which affirmed that individual interest is best pursued when adequate attention is given to others' interest. Seven texts in moral philosophy, including Adam Smith's *A Theory of Moral Sentiments* (TMS), John Rawls' *A Theory of Justice* (TJ) and Moses Oke's *Self-interest as the Ground of Moral Obligation* (SGMO), and six in political economy, including Adam Smith's *The Wealth of Nations* (WN), Joseph Stiglitz's *Globalization and Its Discontents* (GD) and Milton Friedman's *Capitalism and Freedom* (CF), were purposively selected for their relevance to the moral foundation of the GCE. Conceptual analysis was employed to clarify key concepts such as ME, GCE, and human welfare. Critical examination was used to show the inadequacies of ME as the moral foundation of the GCE. Reconstruction was employed to present ESi as an effective moral principle for enhancing human welfare in the GCE.

Moral philosophy showed the defects of unbridled pursuit of self-interest and the need to regulate it by giving adequate consideration to the interest of others (TMS, TJ and SGMO). Moral Egoism is an inadequate foundational principle if the GCE would achieve its purpose of enhancing the welfare of all its stakeholders (TMS). The postulation of an invisible hand does not guarantee widespread welfare of all stakeholders in the GCE because it stresses that the pursuit of self-interest eventuates in unintended benefit for the entire society, contrary to human experience (GD). Alternatively, an adequate foundation is found in a reciprocal, other-regarding approach to self-interest (TMS and TJ). Economic practices based on ME, which affirms self-interest as the basis for morality, have not sufficiently facilitated human welfare despite the promises of the GCE (WN, GD and CF). This is obvious, for instance, in the widespread global poverty. Critical reflections revealed that by emphasising morally reciprocal actions, as against ME's narrow pursuit of self-interest, ESi would promote an all-inclusive benefit in the GCE. Enlightened Self-interest can be propagated through moral education that makes people understand that their interests can only be effectively achieved if they give adequate consideration to the interests of others (SGMO).

Moral Egoism's narrow perspective to promoting self-interests contrasts Enlightened Self-interest's mutuality of interests for all. Therefore, replacing Moral Egoism with Enlightened Self-interest can substantially promote the common good of all stakeholders in the Global Capitalist Economy.

**Keywords:** Global capitalist economy, Enlightened self-interest, Human welfare, Moral egoism, Moral obligation

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**Eegunlusi Tayo,  
May, 2015**

## **CERTIFICATION**

I certify that this research was carried out by Tayo Raymond Ezekiel EEGUNLUSI in the Department of Philosophy, University of Ibadan.

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## DEDICATION

To

The Almighty God, my Strength and Sustainer who told me,

“I will hold thine hand, and will keep thee.” (Isa. 42:6).

He saw me through this programme while it lasted.

I exalt and worship His Majesty.

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## INTRODUCTION

### Statement of the Problem

By nature, the global capitalist economy is impersonal, individualistic and competitive. This is responsible for why corporations and individual businesses which form integral parts of this economy prioritise the goals of efficiency, productivity and profit maximisation.<sup>1</sup> These goals invariably serve as means of enhancing gross national products (GNP) and gross domestic products (GDP). As such, corporations, especially transnational corporations (TNCs), play the most active roles in the global economy while nation-states and multi-lateral organisations (MLOs), such as the WB and IMF, which are key players in this economy, act as impartial adjudicators in global economic matters.<sup>2</sup> The fundamental assumption underpinning the acts of corporations, which by implication is basic to the global economy, is that the pursuit of their individual business interests would eventuate in the enhancement of the overall interest of all stakeholders by an “invisible hand” as each business group pursues its business interests without really minding the interests of other organisations. In actual fact, because it leaves room for individuals to pursue their interests to the detriment of others in the global capitalist economic order, the interests or welfare of all stakeholders of the global capitalist economy cannot be guaranteed by following this principle of ethical egoism.

Succinctly put, a basic problem with the present global capitalist economic system is that there is a contradiction between what is taken as the ultimate purpose of the activities of the corporations and what really should be the final goal of any economic system. By this, we mean the contradiction between how the global economy, based on the principle of ethical egoism, actually operates by allowing for the relentless pursuit of private interests, and the ideal purpose of the global economy, which is for the economy to enhance the overall wellbeing of all its stakeholders. This contradiction, inherent in the global economy, is the contradiction between what counts as the ideal end of the global economy and the way it actually operates. In other words, fundamentally, this contradiction reflects a discrepancy between the theory and the practice of the global economy. Essentially, the work identifies this contradiction with the hope of offering a solution that would enable the global economy to adequately take care of its socio-economic problems. For long, corporations have failed to recognise that this contradiction exists until crises and

pressures from within nations forced them to acknowledge its existence. The outcome of the realisation of this contradiction in the structure of the global economy and the significance its negative effects have on society at large have led to the idea of corporate social responsibility (CSR). In reality, CSR only demands that some minimum standard of morality be respected by players in the economic sector as they continue to pursue their individual ends.<sup>3</sup> Hence, corporations believe that giving attention to CSR would address the inadequacies of the global economy such that the economy can effectively cater for the welfare of all its stakeholders.

However, in spite of the increasing attention being paid to the ideals of CSR by many of the key players in the global capitalist economic order, economic crises, such as the one that commenced in 2008, could not be averted.<sup>4</sup> These have dire consequences for all stakeholders in the global capitalist economic system. This development calls to question the efficacy of the ideals of CSR in moderating the activities of the major players in the global economy and get them to pursue, with the requisite commitment, the primary purpose for which all social systems, the economic system inclusive, were originally instituted. This is the objective of enhancing the overall interests of all stakeholders in society. Efforts made to regulate the activities of the major players in the global economy so as to guarantee the overall best interest of all its stakeholders have not produced the intended results because of the egoistic basis of the economy. Considering this, for as long as the principle of ethical egoism remains operational in the global economic order, the pursuit of the ideals of CSR and other efforts to ensure that the global economic order enhances the overall interests of all stakeholders is not likely to succeed.

Thus, the fundamental question this study addresses is: What should be the basic ethical principle underpinning the global economic order that would adequately enhance the attainment of the overall wellbeing of all the stakeholders of the global capitalist economic order? Sequel to this, there are other secondary questions that are relevant to this research: How can we ensure that the global capitalist economy guarantees the overall wellbeing of all its stakeholders? Should ethical egoism be the basic moral principle underlying the global economic order? Should the specific corporate goals of maximising productivity, efficiency and, finally, profit be the ultimate focus of corporate entities as key participants in the global economy? These

questions are essential because the pursuit of maximum efficiency, productivity and profit as the ultimate and direct end of all activities in the global economy is found to generate grievous moral and socio-economic problems and have failed to consistently produce an overall benefit for all stakeholders given the principles of egoism underpinning them.

In addressing the above problem, this research work is divided into five chapters. Chapter One examines what the ultimate or primary purpose of all economic institutions ought to be and establishes that the basic function and final purpose of civil society and all social institutions, no matter the designation, is to maximise human welfare. In line with this, exploring various economic systems, it debates that the goal of human welfare ought to be the ultimate or real purpose of the present global economy.

Chapter Two investigates the nature and structure of the global capitalist economy and establishes that Ethical (Conditional) Egoism is its underlying ethical principle. It explores the basic features of capitalism such as individualism, competition and freedom of trade, and its expansionist tendencies. Employing various philosophical views, the chapter shows the strengths and shortcomings of the capitalist ideology.

Chapter Three discusses the successes of the global capitalist economy. It shows the significance of the structure of the global capitalist market to global economic reorganisation and integration. It examines ways through which global economic integration and reorganisation, as determined by the principles guiding global economic operations, have enhanced human wellbeing.

Chapter Four deals with the inadequacies of the capitalist economic order and linked these with its egoistic foundation. Showing how Moral Egoism manifests in the structure and activities of the players in the global capitalist economic order, it argued that the principle of ethical egoism on which the global economy rests contradicts the purpose of the general human welfare it ought to enhance and hinders the global economy from yielding total dividends for all its players.

Chapter Five proposes the principle of Enlightened Self-interest as a viable alternative to Moral Egoism which is the underpinning moral principle of the global economic

system. It employs a synthesis of Adam Smith's two conceptions of the invisible hand and John Rawls' view of justice as fairness to argue for the principle of Enlightened Self-interest as a viable moral foundation for the global economy. It debates that Enlightened Self-interest can adequately address the moral shortcomings of the global capitalist economic order and be a worthwhile substitute to the principle of Moral Egoism that currently underpins it.

### **Objectives of Study**

The ultimate goal of this study is to evolve a suitable framework for the global economy that will enhance the overall interests of all its stakeholders. With this in perspective, the study focuses on an examination of the moral foundation of the global economic order by arguing that giving attention to an adequate moral foundation is imperative for the global economic order to cater for the welfare and the interests of all. It equally debates that much of the problems of the global economy emanate from a conflict between the ultimate purpose of the global economy and the economic practices of business groups and the multilateral organisations.<sup>5</sup> Thus, the study affirms that the promotion of certain moral values and virtues in the economic arena would eventuate in the attainment of human welfare as the main purpose of the global economy. In this regard, certain moral values such as integrity, transparency, mutual respect, reciprocity, altruism and justice, and moral virtues such as respect for covenants, kindness, fairness in dealings and empathy are emphasised.<sup>6</sup> These values and virtues are expected to play complementary roles to foster human welfare. For instance, integrity, transparency and empathy among the players involved in the global economy are expected to promote just actions, mutual respect, fair dealings, reciprocity and altruism in the global economic order. For this work to achieve its main objective, the specific objectives pursued include:

- I. an evaluation of the global capitalist economy in a way that shows how the principle of ethical egoism underpins it and also lies at the foundation of the key challenges confronting the existing global economy as well as the conflict between the ideal and the actual practices of the economy;
- II. showing that the present global economic system undermines human dignity and treats humans as mere means to an end;

III. identifying a moral principle that will provide an adequate basis for the global economy and proposing it as a viable alternative to the principle of egoism.

### **Statement of Thesis**

The thesis of this study is that the principle of ethical egoism should be jettisoned in favour of the principle of Enlightened Self-interest given the obvious contradiction between the principle of ethical egoism that underlies the global capitalist economy and what counts as the ideal end of this economy. Up till now, the global economy has not benefited all its stakeholders as it ought to because of its leaning on the framework of ethical egoism, which directs its operations and promotes inadequacies in the system.<sup>7</sup> As a means of addressing the moral deficiencies in the system so as to make the global economy more profitable to all its stakeholders, this study proposes an application of the principle of Enlightened Self-interest based on a synthesis of Adam Smith's ideas on Moral (Conditional) Egoism as expressed in the *Wealth of Nations* (WN) and his views concerning the importance of moral sympathy and rationality in pursuit of self-interests as discussed in the *Theory of Moral Sentiments* (TMS), in conjunction with John Rawls' two principles in his idea of justice as fairness.<sup>8</sup> Though Smith and Rawls did not explicitly mention Enlightened Self-interest in their arguments, this work adopts their views in establishing arguments in its favour based on the consideration that a comprehensive understanding of the principle of Enlightened Self-interest will guarantee mutual benefits and fair play among the various players in the global economic order.

### **Methodology**

For data collection, this work relies on original books by different authors, journal articles and periodicals which are in both hard and soft copies. It also makes use of secondary materials such as book reviews, text books, commentaries, internet sources, encyclopaedia articles, annotated materials and archival materials. In analysing these materials, the method of qualitative research is employed. Under this, a combination of conceptual analysis, historical analysis, critical examination, moral evaluation and reconstruction is employed.<sup>9</sup> We adopt conceptual analysis to clarify some important concepts and terms, such as Moral Egoism, Global Capitalist Economy and human welfare, that are necessary to our discourse on the ethical issues relating to the global

capitalist economy. In achieving the set objectives of the study, we take a critical approach to examine the issues as well as examine the validity and tenability of the ideas and assumptions that global economic practitioners hold in high esteem which give impetus to the crisis of the global economic order.<sup>10</sup>

Historical analysis is employed to explore the economic, social and moral backgrounds to the issues raised so as to articulate and establish the argument that there is need for an alternative moral foundation for the global economy. Moral evaluation facilitates the identification and assessment of the major ethical problems inherent in the global capitalist order, such as the multilateral organisations' lack of transparency in dealings among nations and TNCs' activities directed towards profit maximisation at the expense of the nations of the world without making provisions for how to improve these nations or help secure their interests. Moral evaluation is also employed to identify the kind of transformation the global economic order should go through to accord with our ordinary conception of morality. Maintaining an adversarial approach, the qualitative method of reconstruction repudiates ethical egoism as the moral basis of the global economy because it allows for a one-sided pursuit of interests in this economy rather than what is in the interest of all. It is also employed to establish the principle of Enlightened Self-interest as a more plausible moral foundation for enhancing human welfare in the global economy.

### **Theoretical Framework**

The framework this work adopts is a combination of Adam Smith's theory of impartiality and John Rawls' theory of original position both which claim that the pursuit of individual interests becomes more meaningful when others' interests are given proper attention. In lieu of this, we argue that both thinkers' ideas of impartiality and original position imply Enlightened Self-interest. Based on the idea of the impartial observer, Smith argues for the importance of moral moderation of human activities in ways that promote just, fair and other-regarding actions while Rawls' original position equally depicts men's impartial and other-regarding considerations in pursuit of future mutual welfare. In these regards, acting in consonance with rational understanding in pursuit of private interests is expected to lead to an overall common good through allowing persons involved in decision making processes to take care of their interests in manners capable of guaranteeing

the interests of others with whom they relate. We maintain that this situation of Enlightened Self-interests should be considered as essentially significant in running the global economic dealings.

### **Justification of the Study**

The current global economy has not actually benefited all the nations and inhabitants of the world, despite that it helped corporations to maximise profits through competitive market and assisted nations to gain some economic advantages through economic treaties and aids. This is because the efforts to run the global economy based on the idea of ethical egoism make corporations pursue their business interests aggressively while leaving the nations to bear the negative consequences and impacts of their activities. To combat the challenges facing nation-states and secure their economic interests, nations have entered into treaties and received foreign aids from donor agencies. These have not solved the problems of these nations, most especially the developing ones. Considering situations as these, the motivation for this study is the need to know the causes of the obvious defects in the global economy and the necessity for an adequate framework that can render it more efficient in the pursuit of its ultimate purpose which is to cater for human welfare.

Prior to this study, most works done to address the inadequacies of the global economy focused on its epistemic, scientific, cultural, social and political dimensions.<sup>11</sup> Emanating from these initiatives are several economic alternatives and strategies for economic remedy, such as corporate social responsibility and corporate governance which have been offered as solutions to the problems of the global economy. However, as much as different disciplines made efforts towards addressing the anomalies in the global economy, one major problem is that their approaches fail to give attention to the moral dimension of these anomalies, which consequently limits their effectiveness. In certain cases, writers who mention the necessity of ethics in addressing global economic problems often only sparingly allude to its importance in tackling these problems.<sup>12</sup> Yet, a moral consideration is very essential to make the global economy more meaningful and beneficial to the generality of its stakeholders. As a study in philosophy, this work addresses the moral inadequacies of the global economy by proffering the principle of Enlightened Self-interest as a viable moral alternative to Moral Egoism that currently underlies it. By adopting Enlightened Self-



interest, the study shows that a practical adoption of the principle of Enlightened Self-interest among the stakeholders of the global economy would render the economy more beneficial for its stakeholders.

### **Contribution to Knowledge**

This work is significant for the following reasons:

One, it argues that Moral Egoism is an inadequate moral foundation for the global economy and that the principle of Enlightened Self-interest should replace it as a more adequate moral foundation for this economy. In affirming this standpoint, the work argues that operating the global economy based on Moral Egoism cannot guarantee the overall best interest of all stakeholders of the global economy. Consequently, it proposes Enlightened Self-interest through a synthesis of Adam Smith's two distinct ideas of invisible hand in the *Wealth of Nations* (WN) and *Theory of Moral Sentiments* (TMS) in tandem with the application of Rawls's duty of assistance and difference principle as types of moral obligation.

Two, it debates that the moral contradiction between moral egoism, as the underlying principle of the global economy, and what ought to count as the ideal global economy derives from the inability of the stakeholders of the global economy to properly reconcile Smith's two ideas of invisible hand, in WN and TMS, and proposed a moral solution to the problems originating from this contradiction. The global economy has long been based on Adam Smith's idea of invisible hand in the WN which holds that a pursuit of self-interests will unintentionally end in the common good of society. This contradicts human experience as people usually pursue their interests and personal gains without really minding the overall interest of society at large and this is also as far as the drive for economic profit is concerned in the world. This situation conflicts with Smith's benign account of the idea of the invisible hands in TMS, which allows for the operations of an impartial observer who judges human actions by carefully giving utmost consideration to the promotion of the interest of others. Through this empathetic observer, which Smith called "reason, principle, conscience, the inhabitant of the breast, the man within, the great judge and arbiter of our conduct,"<sup>13</sup> humans learn how to give considerations to the interests of other humans in pursuit of their interests while avoiding unjust actions so as to work towards promoting their long

term interests. This work holds that the global economy will be more beneficial to all its stakeholders in the event of the resolution of the tension between Smith's two ideas of invisible hands which will take care of the failure of Moral Egoism to achieve the basic and ideal purpose of the global economy which is human welfare.

Third, it asserts that the purpose of human welfare is the ultimate purpose the global economy ought to fulfil as against the common business position and orientation that the ultimate goal of the global economy is profit-making. In this respect, it further shows the flaws of the fundamental assumption of the global economic players that an invisible hand yields overall benefit for society as people undergo business activities. It finds this position inadequate, as a basis on which to run the global economy.

Four, by the ethical framework it offers, which is the postulation of Enlightened Self-interest as a moral ground that would enhance the prospects of the global capitalist economy in realising its ideal purpose of improving human welfare in a general sense, it contributes to the philosophical discourse on the global economic order.

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- <sup>10</sup> One of such assumptions is that “there is no morality in business” and that it is morally wrong for business managers to use the resources of business stakeholders to embark on charitable projects in the name of corporate social responsibility. This position is often justified with Smith’s egoistic assumption that the pursuit of self-interests yields unintended consequences for the overall advantage of society. By this, economic practitioners and theorists prioritise and pursue their interests in

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manners that eliminate possibilities of other-regarding programmes. See DeGeorge, R.T. 2006. *Business ethics*. New Jersey: Pearson Prentice Hall. 1-28, 154-157; Friedman, M. 1962. *Capitalism and freedom*. Chicago: University of Chicago Press. 133-136. Also, compare Callahan, J. Ed. 1988. *Ethical issues in professional life*. New York: Oxford University Press. 7-15 with DeGeorge, R. T. 2006. 1-28, 154-157. See von Hayek, F.A. 1976. *Law, legislation and liberty. 2: the mirage of social justice*. Chicago: University of Chicago Press. 71.

<sup>11</sup> Doyle, E. 2005. *The economic system*. Sussex, England: John Wiley and Sons Ltd. 153.

<sup>12</sup> Hsieh, N. 2004. The obligations of transnational corporations: Rawlsian justice and the duty of assistance. *Business Ethics Quarterly* 14. 4: 643-644; Rwabizambaga, A. 2007. Negotiating corporate social responsibility policies and practices in developing countries: an examination of the experiences from the Nigerian oil sector. *Business and Society Review* 112. 3: 416-418.

<sup>13</sup> Smith, A. 2005. 120.

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# CHAPTER ONE

## THE PURPOSE OF THE ECONOMIC SYSTEM

### 1.0 Introduction

This chapter examines what the primary purpose of all economic institutions should be and argues that the basic function and final purpose of civil society and all social institutions, be it economic, political, cultural or scientific, is the maximisation of human welfare. In attempting to define what the ultimate goal of an economic system is, it begins by briefly defining the ultimate goal of all social institutions. Subsequently, it attempts to define what an economic system is, examine the different forms of economic systems in the world, identify the type of economic system currently dominating the global economy and focus on the question of whether the prevailing economic system in today's world has achieved its ultimate purpose. As part of the efforts to determine what should count as an ideal global economic system, it equally examines the disposition of the current global economic institutions to the idea of human welfare while assessing their abilities to guarantee this welfare in the light of the inherent problems and conflicts that are direct results of their activities.

### 1.1 What are Social Institutions?

Conceptually clarified, social institutions consist of the organisational arrangements and social structures involving certain groups or units sharing common identities within human societies. They exist and function by the adoption or consent of more than one individual within the human society.<sup>1</sup> To adopt a somehow loose definition, a social institution would mean an organisation that derives from social interaction and interrelationships among men within society, and which plays certain vital social roles in it. It is any social group organised to promote social relations and make life meaningful among people in a society. Beginning from the smallest institutions, such as the marriage and the family institutions, all other institutions such as the religious, government, economic and educational institutions are aimed at ordering human society and catering for human welfare.<sup>2</sup> They are formed based on common ideals, purposes, interests and ideas. Social institutions are vital organs of society without which its existence will be jeopardised.

Over the ages, a host of philosophers, such as Plato, Aristotle, Bentham, Mill, Feuerbach, Hobbes, Locke, Rousseau and Rawls, have at different times described

social institutions variously and considered or alluded to them or their formation as being essential for the stability and welfare of society in the final analysis. As deducible from Ludwig Feurbach's view, society exists for the sake of the welfare of its members and it is through it that individuals come to full self-realisation and fulfilment.<sup>3</sup> As such, in dealing with socio-political issues in society, human welfare should always be given adequate consideration. Centuries before Feuerbach, in articulating his idea of justice or moral goodness in a state, Plato described social institutions as important subdivisions of a state, the harmony of which creates justice in the state. In this description, he perceives the state as an organic structure divided into three arms or social institutions, namely the traders or producers, the auxiliaries or soldiers and the guardians or counsellors.<sup>4</sup> By Plato's categorisation, the traders are the state's producers or workers. They are the employers and employees of labour who create and manage the state's wealth. The auxiliaries are the soldiers and law enforcement officers of the state. They protect its territorial integrity and ensure law and order in it. The guardians, also known as the philosopher-kings, are the chief decision makers in state affairs. They are the intellectually well-trained rulers of the state who see to its day to day running.<sup>5</sup> These guardians are responsible for coordinating the other two classes as they govern the state. None of the groups is expected to usurp the roles of the others. According to Plato:

...I suppose that when someone, who is by nature a craftsman or some other kind of money-maker, is puffed up by wealth, or by some other such thing, and attempts to enter the class of soldiers, or one of the unworthy soldiers tries to enter that of the judges and guardians, and all these exchange their tools and honors or when the same person tries to do all these things at once, then I think you 'll agree that these exchanges and this sort of meddling bring the city to ruin...Meddling and exchange between these three classes, then, is the greatest harm that can happen to the city and would rightly be called the worst thing someone could do to it...And wouldn't you say that the worst thing that someone could do to his city is injustice?...Then, that exchange and meddling is injustice. Or, to put in other way around: For the money-making, auxiliary, and the guardian classes each to do do its own work (sic) in the city, is the opposite. That's justice...and makes the city just.<sup>6</sup>

Succinctly put, for there to be actions regarded as morally good and just in a state, each of these various groups forming the social institutions within the state, which is a

bigger social institution, must fulfill its roles without interfering with the roles of the others. Thus, for the proper coordination of society every member of society is expected to belong to any of the three classes in Plato's categorisation. This implies that participation in these groups is required so that the problems of society can be collectively tackled through the social institutions to which individuals belong. Affirming that a collective study of the nature of virtue is more meaningful than doing so in relation to the conduct of individuals, Plato claimed that social life derives from human inadequacy and not being self-sufficient which necessitate mutuality and cooperation in the meeting of human needs. Consequently, the collective meeting of needs and protection of collective gains necessitate the formation of social institutions. As such, Plato's idea focused on how social institutions are to be established to "promote ethical development and happy lives for individuals."<sup>7</sup> Like Plato, Aristotle views the state as an organic institution evolving from the aggregation of several other institutions existing for the mutual interest of members of society and for the purpose of "the good life" or human welfare.<sup>8</sup> The human community is to provide enabling conditions to live the good life for the people. This good life may include all sorts of intellectual endeavours, political pursuits and social activities in people's interest.<sup>9</sup> Aristotle thinks that for there to be harmony in the state so that the good life may be realised, the people must acknowledge that they possess divergent roles and act to perform these roles accordingly. The significance of this position is that the state or society will successfully operate by the collectiveness of the social institutions in it.

In line with their utilitarian idea, the view that the morality of human acts are determined by the utility or usefulness of their results or that what is morally right is what is in the interest of the majority, Bentham and Mill think that social institutions exist to maximise, ultimately, the happiness or good of the majority in society.<sup>10</sup>

According to the social contract theories of Hobbes, Rousseau and Locke, social institutions are derived from the mutual and autonomous will of individuals to avert moral problems and insecurity in the state of nature.<sup>11</sup> Though not based on any historical fact, these theories unite in the view that, developing from human cooperation towards realising human welfare, social institutions are agencies which ought to promote human wellbeing. For John Rawls, social institutions are agencies through which justice is to be entrenched and ensured so as to guarantee human



welfare, especially the welfare of the disadvantaged groups in society. This is why he said, “Justice is the first virtue of social institutions, as truth is of systems of thought.”<sup>12</sup> For him, “social institutions distribute fundamental rights and duties and determine the division of advantages from social cooperation”<sup>13</sup> in a state. They define the nature of these rights and duties while equally facilitating the realisation of people’s potentials, prospects and life endeavours so that they can cope well with life challenges.<sup>14</sup> Generally, as deducible from above, in societies, there are systems of social institutions of which the economic system is one. In this regard, we have such other systems as political systems, family systems and educational systems. We, hence, turn to an account of the economic system since this is our main focus for this work.

## **1.2 What is an Economic System?**

An economic system is the totality of the arrangements and patterns of an economy. It is the totality of the structure of an economy that makes it functional. It includes arrangements of production, buying, selling, delivery and consumption of goods and services. It also includes the aggregate of the different organisations, institutions and agencies involved in the economy. In certain cases, it may incorporate the various institutions of particular states or regions that constitute the working structure of particular societies.<sup>15</sup> By this, the interdependence and roles of these various institutions in enhancing this economy is taken into cognisance. In this regard, certain vital information and economic considerations are shared by the different organisations. This is the sense in which things like intellectual property rights, corporate social responsibility and corporate governance come to the fore.<sup>16</sup> By this, an economic system follows or incorporates a set of principles adopted in the organisations or community to ensure that the economy runs well. An economic system derives from human activities, which may be conscious or unconscious. In different localities, there are different economic systems. There are also occasions where there are economic systems within an economic system.

## **1.3 Different Forms of Economic Systems**

Several economic systems have existed in the world. The earliest is perhaps the barter system.<sup>17</sup> It was a prevalent system in the primitive societies that operated before the use of money. It involved one-on-one exchange of goods between individuals. Under this, individuals sought others who had what they needed and



exchanged what they had with what the others had. Certain problems within this system led to its being jettisoned.<sup>18</sup> First was the problem of lack of advantage of double coincidence of wants. This deficiency generally made it difficult for people to get those having the goods with commensurate values to what they had to offer.<sup>19</sup> As such, intense search for those interested in goods being offered for exchange used to lead to waste of resources, time and human efforts. Second, since not all goods were of the same value, arriving at a uniform unit of exchange/standard of measuring the value of goods was uneasy owing to the difficulty of determining the proportional ratio of goods exchange.<sup>20</sup> Third, many people suffered losses as far as goods that were difficult to share were concerned. For instance, a man having a pig for exchange would have found it difficult to divide it in exchange for the life pigeon that another person was ready to offer considering the wide disparity of value.<sup>21</sup> Four, perishable goods usually lost their values after a period whenever they could not easily be preserved. Fifth, it was difficult to obtain guarantee of future payments for goods capable of losing their values over some period of time, which made lending and borrowing difficult.<sup>22</sup> Six, governments had difficulty collecting taxes from their people. This was because certain goods common to the people could not be used as guarantee for taxes due to their possibility of loss of values. Seven, wealth transfer was uneasy because of problems of distance and transportation that hindered delivery of goods and services.<sup>23</sup> Eight, poor information acquisition and dissemination equally made exchange difficult. Nine, large and costly goods were sometimes produced. In cases where they were difficult to carry or purchase for use, the talents, time and resources committed to their production amounted to sheer waste. These and other shortcomings made the barter system to give way to the money economy where money – in its various forms - has become one of the major media of market exchange.<sup>24</sup> As discussed by E. K Hunt,

Money...was a special commodity that was generally used as a *numeraire*, in terms of which exchange values were generally stated, and that also functioned as a universal exchange equivalent. As a universal exchange equivalent, it functioned as a medium of exchange; that is, it was used in nearly every purchase or sale. It was the universal use of money as an exchange equivalent that differentiated a money-exchange economy from a barter-exchange economy. Money was also a means of holding wealth when hoards of wealth were desired in the form of pure exchange value rather than in the form of use values.<sup>25</sup>

Since money is one of the denominators of value in the economy, it has a substantial impact on other types of economy in the world since the end of the barter system.

Apart from the barter system, there is seigniorialism.<sup>26</sup> It was a hierarchical land tenure system or a system of rural farming that incorporates the economy, politics and social relations between the seigniors or lords and their peasants in Europe in the middle ages. Through this, lord-servant relationships existed between these lords and the labourers that cultivated their farm lands and brought farm produce to them. The peasants, under the seignioriate system, appeared to be free but were actually subject to the daily activities of creating the wealth of their lords. Before long, the seignioriate system developed into feudalism.<sup>27</sup> As a fiefdom or land tenure system of the high middle ages, feudalism equally organised the economy around relationships that allowed the lords to engage their peasants and vassals in wealth creation, through engaging the serfs and slaves under them in production.<sup>28</sup> The vassals and the peasants were dependent land owners who had the authority of the lords to operate on their farms and produce wealth for them. Under the feudal arrangement, the vassals had contracts with their lords and served them for the purpose of economic productivity. Violation of this contract meant forfeiture of the benefits a vassal was to derive from his lord. This system soon became dysfunctional because of repeated agitations for economic freedom by people, industrial developments and the development of the market system of the medieval period. However, since Elizabeth Brown's publication of "The Tyranny of a Construct," the definition of feudalism has been contested.<sup>29</sup>

Economic systems similar to feudalism existed in other parts of the world. There were traditional economic systems which derived from family or intra-community and inter-community interrelationships. As such, they depended on family or communal activities, and views of life to make economic choices.<sup>30</sup> This is the class to which small scale economies that depend on agrarian farming belong. Under these systems, different trade patterns were adopted. In some cases, kings and nobles traded using their subjects. These subjects may be free men or bought slaves or those on whom tributes were imposed as a result of their having lost wars. Thus, they, acted as agents to cater for the trade interests of these kings and nobles by allowing these subjects to deal directly with the people they wished to trade with.<sup>31</sup> At other times, the nobles

dealt directly or used their family members in trades. In certain cases, apart from the nobles, individuals with trade interests devised means of achieving meaningful exchanges with other traders to create wealth. On some occasions, this was found to involve borrowing other regions' trading patterns. For instance, the prevalence of the trans-Saharan trade was due to the exchange between peoples in different parts of West Africa which had much to do with the trade between the Arabs and the peoples in Northern African. This trade lasted for centuries with about four trade routes existing through which important items like cowries, salt, kolanuts, and so on, were traded.<sup>32</sup>

Another economic system is mercantilism.<sup>33</sup> This was a system that prevailed between the Fifteenth and Nineteenth centuries in Europe. It was an earliest form of capitalism emphasising strong governmental control of the economy. This protectionist aspect of mercantilism was based on the belief that the best way to strengthen the national economy was to maintain firm control so as to keep importation minimal and promote exportation of goods and services. The main intention behind mercantilism was the protection of the state's interest rather than the promotion of the self-interests of private individuals, even though the mercantilist system depended on market systems and ownership of private properties for its activities.<sup>34</sup> Under this economic system, states traded and stored wealth in forms of silver and gold while allowing the foreign countries dealing with them to pay import duties in gold and silver. This enabled them to keep gold and silver in order to take care of the shortage of these commodities which were scarce at the period. Through imposing tariffs to promote exportation over importation, states were able to maintain balance of trade and produce quality goods and services. In some cases, heavy duties were placed on raw materials to discourage their exportation and keep them within the states. In all these, the principle governing mercantilism was not to store away gold, silver and raw materials but to create national wealth through production of high quality goods and services and creating viable balance of trade to ensure sustained national economic growth. Through mercantilism, Europe's imperial tentacles were spread all over the world and the economies of the colonies were used to service European economy.<sup>35</sup> As time went on, mercantilism declined and was set aside because of factors such as the colonial territories' agitation for freedom and the autonomy of the European industries created through the mercantilist system. This autonomy made these industries depend less on the mercantilist system.

Capitalism has many parts, some of which interweave to create economic capitalism.<sup>36</sup> Socially, it is a system based on the idea of the rights of individual persons. From this perspective, individuals are construed as possessing self-worth, capable of being self-determined without anyone acting to constrain their freedom. As such, persons can organise businesses and be involved in business transactions without others hindering their pursuits unless such pursuits infringe on their own rights to self-determination.<sup>37</sup> Capitalism is a *laissez faire* system when considered politically. In this regard, the French word “*laissez faire*” literally means “liberty” or “allow to do.”<sup>38</sup> This has the implication that an individual should be given some level of freedom and autonomy in society. The application of this freedom under an economic system is what accounts for the denotation “free market.” Capitalism is the most dominant economic system in the world. It allows for private ownership of properties and free market enterprise.<sup>39</sup> The most popular doctrine on which capitalism is based is Adam Smith’s idea of the invisible hand. In his *Wealth of Nations*, Smith discussed that an invisible hand would regulate the economy as people engage in trade exchanges.<sup>40</sup> By this, as people trade goods and services, the invisible hand will regulate the economy to make the entire community benefit. Under Smith’s theory, the roles of governments in regulating the economy are unnecessary. The government is not expected to interfere with the economic system but to leave individuals to trade freely so that the economy will regulate itself for the overall benefit of society. Smith’s view forms the bedrock of classical capitalism.<sup>41</sup>

Considering Smith’s ideas, under capitalism, the means of production of wealth such as labour, land and capital are not owned by the government but private persons. They also determine the prices of goods and services. These persons may be individual or corporate persons.<sup>42</sup> These persons are in control of the means of wealth generation. The only involvement expected of the government is the provision of laws strengthening these persons’ trade rights and market operations. In capitalism, this freedom to operate without governmental restrictions creates a free market economic system described as the free market economy. It is also called the “*laissez faire*” economic system.<sup>43</sup> The views of Smith show the classical doctrine of capitalism. There have been advances in classical capitalism which are, first, liberal capitalism and, now, neoliberalism, both of which possess liberal tendencies emanating from mixing them with American liberalism and Thatcherism. While liberal capitalism

emphasises economic freedom based on free-market operations and the overall benefit of this for the entire society, neoliberalism stresses the significance of economic development and the importance of sustaining social justice by limiting governmental involvement in economic activities.

Neoliberalism is a midway between classical capitalism and socialism. It supports economic principles such as trade liberalisation, deregulation, privatisation and austerity measures. By these, free trade, private sector investments, production and cut in government expenditure are endorsed as means of ensuring the sustenance and advancement of an economy. Efforts to combat the great depression of the 1930 generated philosophical discussions on neoliberalism, in an attempt to seek a midpoint between classical capitalism and socialism.<sup>44</sup> Prior to this period, the great depression was said to have been occasioned by the ideas of classical capitalism upon which the economy of the period was based. In later years, the application of neoliberalism, as an economic term, focused on a market economic system subject to the control of a powerful state. In the 1960s, neoliberalism was revived based on the principles of classical capitalism and reached prominence in the Thatcher and Reagan administrations.

On a close examination, there is no significant difference between liberal capitalism and neoliberalism. Even though a more practical approach was adopted in describing neoliberalism, the basic tenets of classical liberalism underpin these two advanced versions of classical capitalism. Besides, the goal of achieving economic freedom for human benefits is central to both liberal capitalism and neoliberalism. As such, it is worth pointing out that even if they differ on the specifics of achieving this goal, they do not significantly differ on the means of achieving it which is why we, hence, treat both as liberal capitalism. By a brief description, liberalism is the idea that all humans have rights to be self-determined.<sup>45</sup> They can determine the manner of life they wish to lead without any restriction from anybody. At the same time, they lack the right to interfere with anybody's freedom to choose the type of life he wishes to lead. The decline of classical capitalism in the twentieth century ushered in the socialist-communist economic system, which is a planned economic system.

A command/planned economy is a centrally controlled one in which governments made all economic decisions. Under every planned economy, central decisions are

made by the government. As a planned economic system, the socialist-communist economic system is a social, political and economic system in which the wealth of society and the means of wealth production are jointly and publicly owned by members of a society.<sup>46</sup> The purpose of this joint ownership is to ensure a system that promotes equality and is beneficial to all. The idea of socialism has been in existence for centuries and it is utopian in orientation. However, they became more prominent with the writings of Karl Marx and Friedrich Engels, especially Karl Marx. In considering Marx's views, three concepts are involved: Marxism, Socialism and Communism. The philosophy underlying Marxism, as a scientific theory, is based on the general presupposition that the world is a process that makes only empirical knowledge feasible. To establish this and other propositions, Marx formulated scientific statements that maintain that human beings' perception or consciousness of the world fluctuates and changes with the states of their "material existence."<sup>47</sup> This view also dominated Engels writings. The duo argued that the economic system under capitalism was increasingly dominated by the members of the bourgeoisie class, who constituted the privileged class for whom the proletariats (the workers) work.

The bourgeoisies dominated the economy and amassed wealth through exploiting the proletariats they grossly underpay. To improve their welfare and standards of living, the proletariats are expected to form a united group against the bourgeoisies. Socialism, at this stage, is a clamour to whittle down the strength of the bourgeoisie class. Under this, class distinction has not been totally eliminated.<sup>48</sup> Then, socialism becomes a transient stage in society in which the industrial systems and societal properties jointly belong to the state with some of the features that caused class distinctions between the proletariats and the bourgeoisie still intact. However, at its final stage, socialism develops into communism, which is aimed at a revolutionary and total overthrow of the bourgeoisies by the proletariat to ensure a classless society that guarantees the freedom and welfare of all.<sup>49</sup> This revolution is expected to create the dictatorship of the proletariat, a stage in which the proletariats preside over society until it eventually dissolves into a classless one. This final stage is the stage in which communism prevails. This classless society is to ensure a collective ownership of property where wealth belongs to the state and is shared by all according to each person's needs with contribution to the common wealth according to each person's strength.<sup>50</sup> Thus, it can easily be seen that the philosophy underpinning socialism-

communism, in its final analysis, is egalitarianism, which maintains equality of persons and their freedom to enjoy equal benefits as far as economic and socio-political rights and privileges are concerned.<sup>51</sup>

Under communism, class distinctions and the necessity of organised governments are eliminated.<sup>52</sup> As their basic ends or purposes, socialism emphasises the importance of contributing to distribution by works while communism stresses distribution according to people's needs.<sup>53</sup> The distinction between the two is that socialism tolerates realisation of its ends through propagation of free democratic ideals while communism pursues its ends through clamouring for ideals that eliminate all forms of class distinctions in a state.<sup>54</sup> In the Twentieth Century, the Soviet Union combined these two ideas to evolve the economic system operated in the union. In other words, the application of Marx's views in the defunct Soviet Union pitched the system in stiff competition against capitalism. As a matter of fact, Soviet Communist/Socialist economy became a reference point for the application of Marx's ideas and was in constant competition against the capitalism economic system. Another term used to depict this economic system is collectivism.<sup>55</sup>

Nations that do not wish to align with any specific economic system on the basis of consideration for their economic security practiced the mixed economic system.<sup>56</sup> This is a combination of the free market economy and government ownership of businesses and means of production. The prevalent type of mixed economic system was the combination of capitalist and socialist economic systems. This economic inclination is responsible for the non-alignment policies of the cold-war era involving soviet socialism and market capitalism. However, with the defunct of Soviet socialist economy, many nations aligned with the capitalist economic system.

#### **1.4 Human Welfare: The Primary Goal of Each Economic System**

Looking at the different economic systems examined above, it is easy to deduce that the ultimate end of every economic system is to cater for human welfare.<sup>57</sup> The goal of the barter system was fairness in exchange. By exchange under this system, each individual involved in exchange had the satisfaction of getting what was just and commensurate, or at least, self-satisfying, for the goods given in exchange for other goods. By the practices involved in the barter system, the entire society was able to keep trust, meet one another's needs, and protect one another's welfare. Individual



and community interests are responsible for organising the various economic systems. Also, similar to the goal of the barter system, consideration for fair exchange value occasioned the introduction of money into the marketing system, which is consequently useful in every economic transaction. The money economy has been of tremendous benefit to mankind and helped a great deal to care for their welfare as they pay for goods and services ranging from basic to secondary needs. With money as an instrument of exchange, or its equivalent in modern approaches to organising the money market in various banking operations, human welfare has been largely taken care of.

Since the primary end of all economic systems is human welfare, what then is human welfare? This question has different answers. In the *Nicomachean Ethics*, Aristotle explained human welfare in terms of *eudaimonia*, which is happiness or the good for man.<sup>58</sup> He called it “that which makes life run smoothly well” or “good fortune”.<sup>59</sup> In other words, it talks about what makes life flourish or good to live. In discussing this, Aristotle considered the nature of happiness as that which emanates from human innateness to be self-sufficient. Some thinkers think that the translation of Aristotle’s *eudaimonia* as happiness is inappropriate on the consideration that the essence of human happiness is for life to go well with people. Aristotle thinks that the sense in which *eudaimonia* talks about life going well is not in terms of momentary or periodic enjoyment or satisfaction of life but enjoying life as long as one lives.<sup>60</sup>

The term “human welfare” has been applied to different issues, ranging from simple to complex ones. In terms of the everyday usage of the word, people talk about human welfare from the perspective of things as trivial as daily needs to tense issues as marginalisation of individuals or groups.<sup>61</sup> The problem with the definition of human welfare, on many occasions, has a lot to do with the different perspectives on the idea of welfare. It has social, moral, political and economic dimensions and considerations. Socially, human welfare hinges on the idea that human daily interaction and interrelations should yield mutuality of interests or promote the common good of the persons involved in such interactions. At this level, the interrelationships may be vertical or horizontal in nature. In the vertical sense, subordinates benefit from their superiors and vice versa while horizontally people who relate as colleagues, associates, mutually interested persons, and so on, seek one another’s interests and



benefits accordingly. The horizontal sense is the sense in which the contractarian theorists describe the social dimension of human welfare.<sup>62</sup> The social consideration of human welfare helps to explain the moral dimension of human welfare. Social interaction makes men consider the rightness or wrongness of their actions. As people relate, they consider the possibilities of refraining from harming one another or performing actions that are injurious to one another's interests. On moral ground, some writers think of man as a higher animal that must be protected.<sup>63</sup> The fact of human ontological and moral worth makes the human person to be considered a higher animal. This makes writers do everything possible to accord recognition to human moral worth. The consideration that humans have worth and that their rights and dignity must be respected is at the heart of the idea of moral rights.<sup>64</sup>

Politically, human welfare relates to the governmental systems, structures and arrangements within certain political spheres that allow humans to gain the dividends of good governance and good interrelationships with other men in the community. The economic dimension to human welfare relates to how all stakeholders of an economy can benefit from the dividends of an economic system such that ugly phenomena such as poverty and inequalities are reduced drastically while everyone creates wealth and enjoys raised standard of living. The anomalies in economic pursuits that antagonise the realisation of human welfare provoke the questions concerning how to ensure that the economy operates by moral principles. Discussing the economy in relation to human welfare and how this economy can be just or moral involves the question of distribution of resources. Certain vital questions are then necessary to ask: how should economic goods be distributed? Which institutions should distribute them? Why are some people rich and have enough economic goods while some do not have enough? Is there anything called property rights? If there are, what do they consist? How should properties be possessed? Is it by labour, transfer through inheritance or other means? What counts for just situations in cases of economic distribution of goods?

One of the underlying features of economic systems is acquisition of properties. Since ownership of properties improves human welfare, from time immemorial, people have always made efforts to own properties. Locke was one of the early philosophers to discuss the means of acquisition of private properties. This is the focus of his 'labour

theory of value'. In arguing for this, he posited that by adding one's labour to a natural good, one becomes its owner and can lay claims to it as one's own.<sup>65</sup> By natural goods he means goods bestowed by nature to which no one has previously laid any claim. In justifying this claim, Locke maintains that whoever acquires property in this way should not be hindered by another person. His labour has put a "distinction" between his property and the goods that belong to everybody. By his labour, he has improved what nature bestows and is therefore having rights to it. The thoughts of rights, however, should not make him go and add his labour to what another has already improved through adding his own labour. In this wise, Locke argues for the role of respecting the rights of others over the natural goods to which they have bestowed their labour. Locke's labour theory of value is what Marx later formed into an economic theory. Based on it, Marx also acknowledged that rights and labour have been the primary means of property acquisition known in history.<sup>66</sup> As such, he postulated that a system of free and private enterprise that is not subject to governmental control should be promoted to ensure that all humans receive just returns for all their labour within any organisation.

However, Locke's view has been criticised by Nozick as inadequate.<sup>67</sup> He noted that several reasons have been given that favour private acquisition of property, namely, that social production will be improved, the future will be protected, alternative sources of employment will be produced, the future protection of properties are guaranteed, and so on. Nozick never thought these were strong enough because they did not satisfy the utilitarian criteria of justifying private property.<sup>68</sup> Hegel has earlier discussed a view similar to this by arguing that labour does not justify private property rights.<sup>69</sup> Rather, private property, for Hegel, is justified only by allowing each man to objectify his will and be self-determined.

The discourse on property acquisition and redistribution is central in Rawls' theory of social justice, which strives towards achieving human welfare. Rawls built on the various views expressed by philosophers and used them as a springboard to establish his famous theory of welfare liberalism.<sup>70</sup> According to him, society ought to give preference to the worst off. Nozick, however, argued against redistribution on the ground that an arrangement that requires those who have properties to transfer them to the worst off may make the diligent to give their properties to the lazy.<sup>71</sup> Given the

fact that the rights of individuals to their properties ought to be respected, any social arrangement that requires the properties that hard working people have acquired by their efforts to be redistributed violates their rights. Indeed, from Locke to the present time, the questions philosophers have attempted to answer have always resurfaced. These include: how should we distribute or transfer wealth? Who should do the distribution? How much should we leave to governments? Should we embrace free market or patterned economy or both? A closer examination of these questions leads us back to their source: Adam Smith's theory of free or open market economy.<sup>72</sup>

In what accounts for the thrust of his view, Adam Smith, asserts that the market runs by a system of natural liberty which will culminate in the public good or welfare.<sup>73</sup> For him, members of the public should be allowed to pursue their business interests so far they do not act in manners contradictory to laws of justice, and governmental control over monopolies, duties and tariffs should be restricted. Government, according to Smith, has three main roles: to guard the state from external aggression, to ensure non-dominance of a member by another and to found social institutions that are void of economic manipulations by individuals.<sup>74</sup> It is this position exposed by Smith that constitutes the foundation of the liberal theory of the economy. Different writers after Ricardo, who is believed to be the most important writer on the subject of free market economy after Smith, have either expanded or refuted the theory known as classical capitalism.<sup>75</sup> For instance, in the 1960s, Smith's view was defended by Milton Friedman who argued and justified Smith's views in relation to modern economic structures, in favour of corporate organisations.<sup>76</sup> The belief among many people who seek redress for the anomalies in operating Smiths views, such as abuse of opportunities, undue exploitation and promotion of personal business interests at the expense of the common good of society, has been that corporate organisations should have social welfare packages, called corporate social responsibility, for the people in their communities of operation. This idea is directed at achieving welfare for such people.

However, according to Friedman, it is not the duty of corporations to try to serve the public good with corporate funds because doing so will diminish the profits that are due to shareholders, which will be immoral and unjust.<sup>77</sup> Besides, corporate managers are not in any position to determine how to utilise corporate funds since they are mere

custodians of such funds. As such, for them to use corporate funds for public good will be morally wrong since it would violate stockholders' right to utilise their resources as they deem appropriate. This would also amount to a breach of contract and inappropriate spending of their hard-earned money.<sup>78</sup> Friedman argued that it is the government's duty to be socially responsible to the public. Thus, he thought it is just for the government to cater for the welfare of the public and unjust for corporations to divert shareholder's funds to cater for public interests.

The above position provoked wide reactions among writers, a notable one of which is Melvin Anshen's rejoinder to Friedman. As against Friedman's idea that corporations lack moral duties to serve the public with corporate funds because doing so amounts to a violation of stakeholders' interests, hence, perpetrating morally unjust actions,<sup>79</sup> Anshen argued that it is part of the demands of corporate organisations to be socially responsible because they owe the duty of doing charity projects that would enhance human interests and reduce the tensions that are capable of disrupting human peaceful coexistence.<sup>80</sup> Obviously, at present, these discussions have transcended national domains because of globalisation which allows corporations to operate at transnational levels as if within states.

### **1.5 The Prevailing Economic System in the World**

As the prevailing economic system in the world today, liberal capitalism emanated from classical capitalism. It is called liberal capitalism because it allows global free market economic structures which eliminate governmental intervention in the economy while promoting market competition, private ownership of properties and development of private business interests. In recent times, these structures are based on certain policies and strategies called "the Washington Consensus"<sup>81</sup> because the two multilateral organisations that formulated and promoted them - the International Monetary Fund (IMF) and the World Bank (WB) – are based in Washington D.C.<sup>82</sup> Under the Washington Consensus, these sister organisations require nations to adopt the conditions of structural adjustment strategies before they can obtain loans. The conditions spell out specific instructions to be followed by the nations to allow their economies to be subject to the control of these organisations. Specified strategies focus on trade liberalisation, economic privatisation and economic deregulation which are the economic principles by which the current global economy operates. One way

or the other, these function by reducing governmental involvement in the economy, which may be by limiting direct involvement through production of goods and services by public institutions or by governments' reducing tariffs on imported goods and taxes for business investors.<sup>83</sup> At a later time, the Bretton Woods institutions had the World Trade Organisation (WTO) added to them. WTO is to serve as the economic police of the world. Its roles include ensuring that trade laws and rules are followed, having oversight of global trading activities and contracts involving nations, and ending international trade feuds.<sup>84</sup>

The global economy, based on the principle of liberal capitalism, is an ever expanding one. This expansion is due to the activities of trading individuals and corporations in the economy. The corporations are the most versatile economic agents of the world today, as it is easy for them to trade across borders.<sup>85</sup> In this regard, corporations that have cross-border transactions wield great influence and control national economies at a rate that is alarming. Indeed, the structure of the liberal capitalist economy allows for what seems paradoxical: it fosters people's participation while at the same time hindering it.<sup>86</sup> For instance, on the one hand, whoever possesses the clout to participate in the global economy can do so, provided he has adequate finances and strategies. However, on the other hand, considerations for business gains in the modern economic era promotes the use of machines, which take over people's jobs, and emphasises efficiency and productivity above human importance.

Historically, liberal capitalist economy further developed as a reaction of elites to the post Second World War socio-economic policies that promoted the interests of the working class. It was also enhanced at that time by the emergence of an affluent American and European wealthy class that wielded tremendous influences on their governments.<sup>87</sup> Neoliberal ideas were also propagated after the Second World War to promote marketing strategies and trading activities. These include the advocacy for non-governmental control of the economy and unrestrained cross-border commercial activities. The idea behind this is that economic interest from all will be realised if nations are allowed to trade without borders.<sup>88</sup>

## 1.6 The Basic Goal of the Present Global Economic System

We can glean from the arguments on how the market and business entities should operate, presented by Adam Smith, that the basic goal of the capitalist economy is to enhance human welfare. Unfortunately, global economic practitioners seem to act in ways that undermine human welfare in global economy by claiming that there is no morality in business.<sup>89</sup> They view the primary goal of the present capitalist global economy as a mere pursuit and realisation of business profit or fostering and sustaining economic self-interests. By this, these practitioners, through wage labour, accumulated capital and market exchange, devote their efforts to profit-making. In actual fact, to argue that the idea of profit-making is the main intention of the global economy deviates from Adam Smith's classical capitalist orientation that underpins this economy. According to Smith, self-interest is important in the pursuit of an economy. However, its pursuit through trading activities ought to serve as a means of taking care of the overall interests of society.<sup>90</sup> In this pursuit of self-interests, a mutually beneficial kind of self-interest is expected. This is the kind in which Immanuel Kant, for instance, expects a mutually beneficial situation to exist between, say the meat buyer who approaches the butcher to buy his meat. The buyer gains protein and other pleasures derivable from eating meat while the butcher gains money. Both consensually use each other to achieve their ends in mutually beneficial ways.<sup>91</sup> In extending this kind of view, Smith would expect this and similar reciprocal actions to yield unintended results for the inhabitants of the world as means of guaranteeing human corporate welfare. Ludwig Von Mises discussed the importance of human welfare as the goal of the global economy. According to him:

The fruits of all technological and industrial innovations make for an improvement in the satisfaction of the wants of the great masses. All big industries that produce consumers goods work directly for their benefit; all industries that produce machines and half-finished products work for them indirectly. The great industrial developments of the last decades, like those of the eighteenth century that are designed by the not altogether happily chosen phrase "the industrial revolution," have resulted, above all, in a better satisfaction of the needs of the masses. The development of the clothing industry, the mechanization of shoe production, and the improvements in the processing and distribution of foodstuffs have, by their very nature, benefited the widest public.<sup>92</sup>

Looking at the above case, one would realise that human welfare is the actual end liberal capitalism is to fulfil. This is also the basic global of founding the different global economic institutions.

### **1.7 Global Economic Institutions and Human Welfare**

The founding of the United Nations (UN)<sup>93</sup> led to a wide impetuous in achieving the present status of the global economy and the creation of the global economic institutions. Obviously, the UN is the world's biggest institution aimed at promoting global peace, unity and cooperation. By its operations, it is to ensure that the world does not experience another world war and to help manage the different aspects of the global economy in ways that will forestall economic crisis and aid the development of nations. This involves giving due attention to human welfare. In an articulate speech delivered in December 1996, Kofi Annan said,

We know more than ever that the sustainable economic development is not a mere project and statistics. It is above all a matter of people, real people with basic needs: food, clothing, shelter and medical care. Let us ensure that the resources and facilities of the United Nations system are effectively channeled towards those who need them most, those whom globalization has left behind. Let us ensure that the voice of the United Nations in economic matters is held by those member states with greatest capacity to give.<sup>94</sup>

This shows the line the institution is expected to tow in consonance with its set objectives and how the institutions through which it operates are arranged. Following from this, its activities, especially as they affect the economic integration of the world, depict that the global economy is created to cater for human welfare. Historically, before the forming of the UN, the Bretton Woods institutions (WB and IMF) and the General Agreements on Tariffs and Trade (GATT) which later changed to WTO, the world suffered a fatal global depression. The consequences of this economic crisis for nations were worsened by the Second World War. The value of gold, which was the measure of money, declined and nations had to decide on new economic initiatives to sustain their already dwindling economies.<sup>95</sup> When the UN was eventually formed, nations converged to form special agencies through which it will effectively function and ensure economic benefits for all nations. As deducible from these events, the fact



that the present global economy developed in response to threats of the possibilities of global economic failure shows that it is aimed at fostering human welfare.

Apart from the above, the intention of catering for human welfare led to the activities of the UN's special institutions, such as the World Health Organisation (WHO), the United Nations Educational, Scientific and Cultural Organisation (UNESCO), the International Labour Organisation (ILO), and the Food and Agriculture Organisation (FAO). These are institutions different from the IMF, WB and WTO and are coordinated by the UN General Assembly through the UN Economic and Social Council (ECOSOC). The UN General Assembly comprises of representatives of all member nations. Briefly described, WHO funds and attends to the health needs of UN members.<sup>96</sup> UNESCO fosters international cooperation among member nations as far as cultural, scientific, communication and educational issues are concerned.<sup>97</sup> ILO coordinates labour and ensures that workers in nations enjoy the fruits of their labour by having good standards of living. It also takes care of labour abuses such as using children for forced labour.<sup>98</sup> FAO is committed to exterminating global hunger and food shortage.<sup>99</sup> All these agencies, at one time or the other, make decisions that have economic implications for the nations in the global economic order. Their choices affect the trends of the events that promote or decline the status of the global economy. However, none of them has direct impacts on the global economic order as the IMF and WB.

The IMF and WB, as a way of ensuring human welfare in the world, are expected to facilitate international economic cooperation among nations. One principal way by which the IMF does this is for it to deal with cases involving "international payments." By this, nations that subscribe to this institution are motivated to give attention to regulated patterns of exchange rates and practice exchange in ways that are unrestrictive. Also, as stated in its article of establishment, WB fosters human welfare by "reconstruction and development of territories of members by facilitating the investment of capital for productive purposes [and] to promote private foreign investment by means of guarantees or participation in loans [and] to supplement private investment by providing, on suitable conditions, finance for productive purposes out of its own capital."<sup>100</sup> Given these, it is clear that the present global economic system allows the IMF and WB to act as funding or borrowing agencies to



nations for the purpose of taking care of their welfare, especially as concerning their economic wellbeing. To this effect, in the past, the activities of these institutions have prompted programmes such as the structural adjustment programmes and other economic restructuring plans, which are believed to be capable of helping nations to deal with unfavorable economic structures and creating ties that can shore up national incomes and ensure profitable investments.

Besides the above institutions, the transnational corporations (TNCs) are also formed for the purpose of economic welfare. As claimed by many of them, they exist to serve the people and render benefits to them.<sup>101</sup> The TNCs, which now account for a larger percentage of trade, investments and capital in the global economy, promise economic welfare in a number of ways. First is the mobility of labour across nations which promotes the interests of the labourers and opens up economic opportunities for them to make gains in the different nations they go. Second is the creation of chances for national trade expansion and commercialisation of goods and services. Third is the easy attraction of foreign investors by nations so as to enhance their economic growth and sustenance.<sup>102</sup> An aftermath of this may be that good bilateral relations exist among nations as the TNCs trade. Also, it can give opportunities to nations to graduate or advance their economies from mere production to processing of raw materials to finished goods, most especially as expatriates assist the national citizens to better understand the essentials of production and how to be successful in the handling of domestic economic problems that may arise from industrial production. However, given the above and the fact that human welfare is the ultimate aim of liberal capitalism and consequently the primary goal of establishing the world's economic organisations, a relevant question to ask is: has the global capitalist economy actually achieved its ultimate aim of enhancing human welfare? If yes, to what extent has it achieved this basic purpose?

### **1.8 Has the Global Economic System Really Achieved its Basic Purpose?**

The questions raised in the paragraph above are common questions in the global economic order about the extent to which the global economy, based on liberal capitalism, has actually achieved its basic goal. The contention concerning whether or not the global economy has achieved its basic purpose is a contention over the viability of liberal capitalism and its being able to guarantee the overall welfare of the

various stakeholders in the global economic order. This contention is due to the wide gap between the actualisation of the ultimate goal of liberal capitalism and the theoretical framework guiding it. Up till now, the practices of the global economy deviate from its promises. According to Rajesh Makwana,

There is a huge discrepancy between the measurable result of economic globalization and its proposed benefits. Neoliberal policies have unarguably generated massive wealth for some people but, most crucially, they have been unable to benefit those living in extreme poverty who are most in need of financial aid. Excluding China, annual economic growth in developing countries between 1960 and 1980 was 32%. This dropped dramatically between 1980 and 2000 to mere 0.7%. This second period is when neo-liberalism was most prevalent in global economic policy. (Interestingly, China was not following the neoliberal model during these periods, and its economic growth per capital grew to over 8% between 1980 and 2000).<sup>103</sup>

It is easy to glean from the above that the point of contention is the distribution of global economic goods. The distribution of economic resources in the world has not been even because of the different activities of the different players in the global economic order. Following from the above, the present global economy falls short of an ideal economy. As such, this outcome equally falls short of the outcome expected of the ideals and promises set by the practitioners of the global economy.

On a general note, as codified in the different agreements establishing the MLOs and the TNCs, what counts as an ideal which the global economy ought to cater for is human welfare that is the overall welfare of the stakeholders of the global economy. In order to realise its ultimate objectives, the current global economy ought to focus on improving nations' Gross Domestic Products (GDP) and Gross National Products (GNP) as well as ensure that nations explore all production and trades avenues that can enhance their economic growth and sustenance.<sup>104</sup> Also, it ought to guarantee the overall welfare of citizens of all nations without domination by any nation, ensuring that the wealth of nations benefits every citizen without making anyone worst off. At the same time, it should be able to help nations generate durable wealth so as to be capable of meeting the needs of their nationals. As such, it ought to be structured such that its organisations have facilities for predicting future problems and being capable

of creating the incentives for cushioning the negative effects of its operations on the nations of the world and their citizens. Though also expected to promote competition, it is also required to create the fora for nationals and their nations to be exposed to business opportunities that can enhance national growth and help the welfare of citizens. This may incorporate creating avenues of wealth creation for nations and their nationals. However, the present global economy deviates from these ideals and has left a wide gap between the wealth of nations and citizenship benefits as the advantaged nations and certain corporations strive for more gains at the expense of the others.<sup>105</sup>

Unfortunately, the global economy has failed to achieve its aims because of its present liberal capitalist structure which largely depends on an application of Adam Smith's economic view, which is egoistic in nature, by global economic practitioners. Smith argued that an economy will be regulated by an invisible hand as each individual involved in it pursues his business interests. Succinctly put, Smith affirms that each economic player is to mind his interest and not really the interest of the other players. This position is egoistic. In its many versions, egoism focuses on giving considerations to individual pursuit of interests. The variant of egoism propagated by Smith clamours for pursuit of economic interests through capital investments and personal business efforts.<sup>106</sup> This method agitates for state's noninterference and allows individuals to accumulate resources, or wealth, based on their self-interests. By this, distribution depends on personal abilities and the strength of capital investments to yield economic returns. As such, whoever is unable to cope with the competitions arising either fizzles out or does not accumulate as much resources as others. In these regards, the resulting distribution becomes unequal. However, some of the major economic players of the world have sometimes adopted an extreme version of the games theory, another distributive principle, in running this egoistic principle.

Briefly outlined, in its various versions, the games theory is a rational choice theory in which individuals motivate themselves, through self-interests, to possess economic resources. This theory which offshoots from Hobbes,<sup>107</sup> is what later thinkers as Bernard Mandeville<sup>108</sup> and Smith developed in political philosophy. Mandeville, a precursor of Smith, believes that cooperation, based on self interest, promotes acquisition of social goods. Like Smith later did, he argued for the state's

nonintervention in economic pursuits to allow for free pursuit of economic objectives by individuals in ways that will enhance economic development. Based on mathematical approach to distribution of social goods, the games theory has three aspects, which we shall consequently refer to as: the total-conflict situation, the win-win situation and the motley-intentions situation.

In the total conflict situation of the game theory, an individual or group may use all resources to accumulate wealth while others become permanently disadvantaged by being unable to compete successfully. It is considered just by some people because it allows a person to win at all cost without any consideration for the other's results. However, this is not a common-interest type of relationship that can lead to fair property acquisition. The win-win situation permits mutual-benefits to parties playing in a game. It is a common-interest view of the game theory. In considering the economy and resource distribution, both individuals playing the game of economic distribution do everything possible to allow for fairness. As such, both pay attention to the other's success and welfare.<sup>109</sup> The motley-intentions aspect is a mixture of the above two types. In this case, one side to the competition for resource accumulation may be successful while the other is not doing well. Or, both may be doing well at the same time. This is based on the choices and actions of the persons involved in competition in these groups. Sad to say, rather than apply the win-win case of the games theory to regulate the egoistic approach propagated in Smith's work so as to create a mutually beneficial global economic system, the total conflict and the negative motley-intentioned aspect of the game theory have been allowed to run in tandem with this egoistic perspective to promote disparity in the wealth of nations, which consequently, make some better off and others worse off. This has limited the extent to which the global economy has achieved its basic goal.<sup>110</sup>

As some disadvantaged nations and their citizens complain about the turn of events in the global economic order due to failed expectations, more rounds of socio-economic agreements have resulted that aimed at economic development through elimination of trade barriers, industrial production and poverty alleviation.<sup>111</sup> However, in certain cases, these do not seem to help matters because persistent agitations for economic benefits and resource distribution have, at different times, led to withdrawals by the representative of nations from economic rounds of agreements so as not to make

further bad choices for their countries. Also, there are violent conflicts in different parts of the world that are products of people's agitations against the policies and activities of the MNOs, TNCs and some powerful nation-states who are perceived to be perpetrating injustice and immorality in the global economic order.<sup>112</sup> In many cases, these reactions have led to bitter enmities, feuds and loss of lives and properties. These conflicts are deemed unavoidable by the protesters due to their perception of injustice in the ways the present global economy runs.

## **1.9 Conclusion**

In drawing our summary, this chapter examined what counts as the ultimate end of the global economic system and showed that the main purpose of establishing all economic institutions is to enhance human welfare. To arrive at this, we discussed what an economic system is and highlighted the different economic systems in the world. After this, we examined the end of an economic system and discussed what the ideal end of the present global economic system is, in relation to the various economic organisations in the world. We hinted that the global economy has not actually realised its basic goal because it failed the ideals and promises it set, all which aim at promoting human welfare. Since our ultimate aim in this work is to provide a moral alternative to egoism that presently serves as the moral foundation of the global economy, it becomes pertinent for us to examine the real nature of the global capitalist economy and how ethical egoism serves as its underlying principle. This is the business of the next chapter.

## Endnotes

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- <sup>1</sup> Arnon, in attempting to define what institutions are said, “The term ‘weak’ institutions refers to the absence of useful formal and informal rules, to rules which have evolved to be sub-optimal, or to useful rules that are poorly enforced...It is costly to measure the attributes of a good or service in economic exchange, but also to define and measure the rights that are transferred, and to protect these rights by policing and enforcing agreements.” This shows the relevance of consent in issues involving institutions. See Building institutions in post-conflict African economies. *UNU-WIDER*. Discussion Paper 2002/124: 6. See also Este, D. C. 2004. The black church as a social welfare institution: Union United Church and the development of Montreal's black community, 1907-1940. *Journal of Black Studies* 35: 3-21
- <sup>2</sup> Este, D.C. 2004. 4-20.
- <sup>3</sup> Feuerbach, L. 2008. *The essence of Christianity*. Trans. *George Eliot*. Walnut, Mt. San Antonio College: MSAC Philosophy Group. 121; Ludwig Feuerbach. Retrieved April 17, 2010, from <http://www.webcitation.org/5kwrLoE83>.
- <sup>4</sup> Although Plato did not expressly refer to these as social institutions, they are actually social institutions.
- <sup>5</sup> See also Murray, A.R.M. 2010 (1953). *Introduction to political philosophy*. UK: Routledge. 27.
- <sup>6</sup> Plato. 1997. Republic. *Plato: Complete works*. Ed. J. M. Cooper. Indianapolis/Cambridge: Hackett Publishing Company.
- <sup>7</sup> Balot, R. 2006. *Greek political thought*. USA: Blackwell Publishing Ltd. 208.
- <sup>8</sup> Aristotle. 1995. *Politics*. Trans. Trevor J. Sanders. Oxford: Clarendon Press. 3.
- <sup>9</sup> Aristotle. 1995. 3.
- <sup>10</sup> Mill, J.S. 2003. Bentham. *Utilitarianism and on liberty: including Mill's 'essay on Bentham' and selections from the writings of Jeremy Bentham and John Austin*. Ed. Mary Warnock. 54.
- <sup>11</sup> Locke, J. 1986. *The second treatise of civil government*. Ed. Robert Stewart. *Readings in social and political philosophy*. Oxford: Oxford University Press. 11-17; Locke, J. 1924. An essay concerning the true and original extent and end of civil government. *Book II of treatise of government*. London: Guernsey Press. 117-168; Rousseau, J. J. 1762. *The Social contract or principles of political right*. Trans. G. D. H. Cole. Bk I. Public Domain. 10-17; Hobbes. 2002. *Leviathan*. 208.
- <sup>12</sup> Rawls, J. 1972. *A Theory of justice*. Oxford: Oxford University, Press.3.
- <sup>13</sup> Rawls, J.A. 1972. 7.
- <sup>14</sup> Rawls, J.A. 1972. .
- <sup>15</sup> Doyle, E. 2005. *The Economic system*. Sussex, England: John Wiley and Sons Ltd. 1-32.
- <sup>16</sup> Doyle, E. 2005. 153.

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- <sup>17</sup> Gouge, W.M. 1968. (1833). *A short history of papermoney and banking in the United States to which is prefixed an inquiry into the principles of the system*. New York: Augustus M Kelley Publishers.7-17.
- <sup>18</sup> The ideas in this paragraph spread across many economics materials of which only a few are cited here. In describing things, there were times we used original expressions of the writers so as to avoid loss of meanings while also reflecting the consensus of these writers concerning the ideas.
- <sup>19</sup> Mpiganjira, M. and Portia, O. 2011. Impediments to barter trading: analysis of practitioners and non practitioners perceptions. *African Journal of Marketing Management* 3. 1: 6-13.
- <sup>20</sup> Farooq, U. 2013. Barter system: definition and advantages of barter system. Retrieved October, 16, 2015, from [www.studylecturenotes.com/macroeconomics/what-is-the-barter-system-definition-and-advantages-of-barter-system](http://www.studylecturenotes.com/macroeconomics/what-is-the-barter-system-definition-and-advantages-of-barter-system).
- <sup>21</sup> Gouge, W.M. 1968. 9-13.
- <sup>22</sup> Gouge, W.M. 1968. 20.
- <sup>23</sup> Farooq, U. 2013. Barter system. definition and advantages of barter system. Retrieved October 16, 2015, from [www.studylecturenotes.com/macroeconomics/what-is-the-barter-system-definition-and-advantages-of-barter-system](http://www.studylecturenotes.com/macroeconomics/what-is-the-barter-system-definition-and-advantages-of-barter-system).
- <sup>24</sup> Gouge, W.M. 1968.18-20; Glasner, D. 1998. An evolutionary theory of the state monopoly over money. *Money and the nation state: the financial revolution, government and the world monetary system*. Eds. Kevin Dowd and Richard H. Timberlake, Jr. USA: Transaction Publishers. 22-40.
- <sup>25</sup> Hunt, E.K and Lautzenheiser, M. 2011. *History of economic thought: a critical perspective*. 3<sup>rd</sup> ed. Armonk and London: M.E. Sharpe. 160-161.
- <sup>26</sup> Anderson, P. 1974. *Passages from antiquity to feudalism*. 140-170.
- <sup>27</sup> Anderson, P. 1974. 147-200; Okey, R. 2004. (1982, 1986). Eastern Europe 1740–1985: *Feudalism to communism*. Bristol: Western Printing Services Ltd. 13-34; Durand, A. and Leveau, P. 2004. Farming in Mediterranean France and rural settlement in the late Roman and early medieval periods: the contribution from archaeology and environmental sciences in the last twenty years (1980–2000). *The making of feudal agricultures?* Ed. Miquel Barceló and François Sigaut. Netherlands: European Science Foundation. 177- 200.
- <sup>28</sup> Bonnassie, P. 1991. *From slavery to feudalism in South Western Europe*. Cambridge: Cambridge University Press. 1-47; Love, J.R. 1991. *Antiquity and capitalism: Max Weber and the sociological foundations of Roman civilization*. London and New York: Routledge. 8-40; Barceló, M. 2004. The missing water-mill: a question of technological diffusion in the high middle ages. *The making of feudal agricultures?* Eds. Miquel Barceló and François Sigaut. Netherlands: European Science Foundation. 255-300.



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- <sup>29</sup> Brown had debated that the term “feudalism” emerged as a construct after the middle ages with the reality it captures not corresponding to events in any real medieval society. As such, as a construct, its many descriptions hinder a good assessment of facts relating to operations and interactions in medieval societies and the laws governing their activities. Maintaining this line of thought, Brown is of the view that the term is not useful and should be jettisoned. Many writers have since abstained from using the construct or used it mildly. See Brown, E.A.R. 1974. The Tyranny of a construct: feudalism and historians of medieval Europe. *The American Historical Review*. 79: 1063-1088
- <sup>30</sup> Wallace, I. 1990. *The global economic system*. London and New York: Routledge. 234-236; Library of Congress. 2008. *Federal research division, country profile: Nigeria*. 1-5.
- <sup>31</sup> Mamdani, M. 1999. Historicizing power and responses to power: indirect rule and its reform. *Social Research* 66. 3: 854
- <sup>32</sup> Northern Nigeria: background to conflict. *Crisis group. Africa Report 168*, 20 December 2010.
- <sup>33</sup> Wallerstein, I. 2011. The modern world-system II: *mercantilism and the consolidation of the European world-economy 1600-1750*. London: University of California Press. 37-241; Wallace, I. 69, 99.
- <sup>34</sup> Hunt, E.K and Lautzenheiser, M. 2011. 16-20.
- <sup>35</sup> Rotimi, K. and Ogen, O. 2008. Jaja and Nana in the Niger Delta region of Nigeria: proto-nationalists or emergent capitalists. *The Journal of Pan African Studies* 2. 7: 48-56.
- <sup>36</sup> Weber, M. 1950. (1948). *Protestant ethic and the spirit of capitalism*. London: George Allen and Unwin Ltd. 47-59.
- <sup>37</sup> Locke, J. 1924. 117-168.
- <sup>38</sup> Microsoft Encarta Dictionary gave the French etymology of the word as “allow to do.” This it described as: 1. The “principle that the economy works best if private industry is not regulated and markets are free.” 2. A “refusal to interfere in other people's affairs, or the practice of letting people do as they wish.” Even though we do not take this as an absolute definition, this lexicographical understanding provides a perspective that we can take as a point of departure for a good clarification of the idea and other relevant ideas.
- <sup>39</sup> Love, J. R. 2005. 82-112.
- <sup>40</sup> Smith, A. 2008. Wealth of nations. *The world's greatest books 14: philosophy and economics*. Eds. Arthur Mee and John Alexander Hammerton. Project Gutenberg Library Archive Foundation. 359-362
- <sup>41</sup> Smith, A. 1999. *An inquiry into the nature and causes of wealth of nations. Political thought*. Eds. Michael and Jonathan Wolff. London: Oxford University Press. 215.



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- <sup>42</sup> Schumpeter, J.A. 1994. (1976). *Capitalism, socialism and democracy*. UK: George Allen & Unwin Ltd. 64.
- <sup>43</sup> Schumpeter, J.A. 1994. 82-103.
- <sup>44</sup> Rappoport, P. and White, E.N. 1993. Was there a bubble in the 1929 stock market? *The Journal of Economic History* 53. 3: 549-574; See also Great depression. *The world book*. 2006. 338-343.
- <sup>45</sup> Schumpeter, J.A. 1994. 64-103.
- <sup>46</sup> Schumpeter, J.A. 1994. 106.
- <sup>47</sup> Marx, K. 2009. (1959). *Economic and philosophic manuscripts of 1884*. Trans. Martin Milligan. Moscow: Progress Publishers. 1-17; Murray, A.R.M. 1953. *Introduction to political philosophy*. UK: Routledge. 203.
- <sup>48</sup> Marx, K. and Engels, F. 1998. *Communist manifesto*. London: Elecbook. 15-24; Murray, A.R.M. 2010. 128-131.
- <sup>49</sup> Marx, K. and Engels, F. 1998. 28.
- <sup>50</sup> Marx, K. 1970. Critique of the Gotha programme. Section II, 1875. 13-30. Retrieved August 23, 2000, from <http://www.marxists.org/archive/marx/works/1870/gotha/ch01.htm>.
- <sup>51</sup> Marshall, G. 1996. Was communism good for social justice?: a comparative analysis of the two Germanies. *The British Journal of Sociology* 47. 3: 398-400, 416.
- <sup>52</sup> Brus, W and Laski, K. 1989. *From Marx to the market: socialism in search of an economic system*. Oxford: Clarendon Press. 3-5; Wetherly, W. 2005. *Marxism and the state: an analytical approach*. New York: Palgrave. 9.
- <sup>53</sup> This is the why the basic philosophical dictum on which they are based are: "From each according to his ability, to each according to his needs" (communism) and "From each according to his ability, to each according to his contribution" (socialism).
- <sup>54</sup> Murray, A.R.M. 2010. 137-139.
- <sup>55</sup> Ikeda, S. 1997. *Dynamics of the mixed economy: toward a theory of interventionism*. London: Routledge. 32-37; Viola, L. 1996. *Peasant rebels under Stalin: collectivization and the culture of peasant resistance*. Oxford: Oxford University Press. 210-220; Chamberlin, W. H. 1937. *Collectivism: A false utopia*. New York: Macmillan Company. 66-115.
- <sup>56</sup> Ikeda, S. 1997. 35-66.

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- <sup>57</sup> Wallace, I. 1990. 102.
- <sup>58</sup> Aristotle. 1986. Nichomachean ethics. *Introduction to philosophy: classical and contemporary readings*. Eds. John Perry and Michael Bratman. New York and Oxford University Press. 618-623; Plato. 1986. The republic. *Introduction to philosophy: classical and contemporary readings*. Eds. John Perry and Michael Bratman. New York and Oxford University Press. 697-704.
- <sup>59</sup> Aristotle. 2004. *Nichomachean ethics*. 15, 140.
- <sup>60</sup> Aristotle. 2004. 618.
- <sup>61</sup> Tripp, M.A. 2001. Non-formal institutions, informal economies, and the politics of inclusion. UNU-WIDER Discussion Paper No. 2001/108. 6.
- <sup>62</sup> Murray, A.R.M. 2010. 61-91.
- <sup>63</sup> Naess, A. 1980. Environmental ethics and Spinoza's ethics: comments on Genevieve Lloyd's article. *Inquiry* 23. 313-325.
- <sup>64</sup> Harris, E.E. 1968. Respect for persons. *Ethics and Society*. London: Macmillan. 112-114.
- <sup>65</sup> Locke, J. 1924. 117-168.
- <sup>66</sup> Marx, K. 1999. The true foundation of private property. Eds. Michael Rosen and Jonathan Wolff. London: Oxford University Press. 206.
- <sup>67</sup> Robert Nozick. 1974. *Anarchy, state and utopia*. New York: Basic Books. 174-178.
- <sup>68</sup> Robert Nozick. 1974. 173-179.
- <sup>69</sup> Hegel, G.W.F. 2001. *Philosophy of right*. Trans. S.W Dyde. Canada: Batoche Books. 55-76; Rosen, M and Jonathan, W. Eds. 1999. *Political thought*. London: Oxford University Press. 194-195; Hegel, G. W. F. 1999. *Political writings*. Eds. Laurence Dickey and H. B. Nisbet. Trans. H. B. Nisbet. United kingdom: Cambridge University Press. 244-245
- <sup>70</sup> Rawls, J. 1972. 75-82
- <sup>71</sup> Nozick, R. 1974. 156-164.
- <sup>72</sup> Kim, K. 2009. Adam Smith's theory of economic history and economic development. *European. Journal of. History of Economic Thought* 16. 1: 41.
- <sup>73</sup> Smith, A. 2008. 359-362
- <sup>74</sup> Smith, A. 1999. 215

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- <sup>75</sup>Hunt, E.K and Lautzenheiser, M. 2011. 80-110; Marx, K. and Engels, F. 1998. 8-55.
- <sup>76</sup> Friedman, M. 1962. *Capitalism and freedom*. Chicago: University of Chicago Press. 133-136
- <sup>77</sup> Friedman, M. 1962. 133-136
- <sup>78</sup> Friedman, M. 1962.
- <sup>79</sup> Friedman, M. 1962.
- <sup>80</sup> Anshen, M. 1988. Changing the social contract: the role of business. *Ethical issues in professional life*. Ed. Joan Callahan. New York: Oxford University Press. 351
- <sup>81</sup>Held, D. 2004. *Global covenant: the social democratic alternative to Washington Consensus*. Cambridge: Polity Press. 107-165.
- <sup>82</sup> Serra, N., Spiegel, S., and Stiglitz, J.E. 2008. Introduction: from the Washington Consensus towards a new global governance. *The Washington Consensus reconsidered: towards a new global governance*. Eds. Narcis Serra and Joseph E. Stiglitz. Oxford: Oxford University Press.3.
- <sup>83</sup> Held, D. 1995. *Democracy and the global order*. California: Stanford University Press. 107-114.
- <sup>84</sup> Held, D. 2004.163.
- <sup>85</sup> Rex, J. 1998. Transnational migrant communities and the modern nation-state. *Globalization and Europe: theoretical and empirical investigation*. Ed. Roland Axtmann. London: Pinters. 83.
- <sup>86</sup> Goulet, D. 1983. Obstacles to world development. *Journal of International Affairs* 33. 1: 610-612.
- <sup>87</sup> Steger, B. Manfred and Roy, K. Ravi. 2010. *Neoliberalism: a very short introduction*. Oxford: Oxford University Press. 26; Gorbachev, M. 2006. *The roads we travelled, the challenges we faced*. Moscow: Izdatelstvo VES MIR (IVM). 66-73; Hoover, K.R. 1987. The rise of conservative capitalism: ideological tensions within the Reagan and Thatcher governments. *Comparative Studies in Society and History* 29. 2.
- <sup>88</sup> Steger, B. Manfred and Roy, K. Ravi. 2010. 6.
- <sup>89</sup> Callahan and DeGeorge hold opposing views with respect to this. See Joan Callahan, J. Ed. 1998. *Ethical issues in professional life*. New York: Oxford University Press. 715 and DeGeorge, R.T. 2006. *Business ethics*. New Jersey: Pearson Prentice Hall. 128, 154, 157, 518.

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- <sup>90</sup> Smith, A. 1998. *An inquiry into the nature and causes of the wealth of nations*. UK: The Electric Book Company Ltd. 18-19.
- <sup>91</sup> According to Onora O’Neill, what counts is not what is against people being used as means to achieving ends but that there should be consent in their being used to achieve ends. O’Neill, O. 1986. Kantian approaches to some famine problems. *Introduction to philosophy: classical and contemporary readings*. Eds. John Perry and Michael Bratman. UK: Oxford University Press. 599.
- <sup>92</sup> Misses, L. V. 1985. *Liberalism in the classical tradition*. Trans. Ralph Raico. New York: The Foundation for Economic Foundation. 10-11.
- <sup>93</sup> Articles on UN Charter. Retrieved April 4, 2010, from <http://www.un.org/en/documents/charter/>.
- <sup>94</sup> The audio version of this speech Kofi Annan delivered in December 1996 shortly before he became the United Nations Secretary General was captured by Peter Howard in Encarta Encyclopedia. See Howard, P. 2009. United Nations. *Microsoft encarta encyclopedia* (DVD).
- <sup>95</sup> de Bernis, G. Globalization history and problems. Retrieved July 4, 2010, from [www.ismea.org/asialist/Bernis.html](http://www.ismea.org/asialist/Bernis.html).
- <sup>96</sup> Stiglitz, J.E. Et. al. 2010. *The Stiglitz report: reforming the international monetary and financial systems in the wake of the global crisis*. New York: The New Press. 124-125.
- <sup>97</sup> Stiglitz, J.E. Et. al. 2010. 124-125.
- <sup>98</sup> Stiglitz, J.E. Et. al. 2010.
- <sup>99</sup> Stiglitz, J.E. Et. al. 2010.
- <sup>100</sup> Article 1. Article of agreement. IBRD’s website for the 1989 amendments to this first agreement. Retrieved April, 10, 2010, from <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/0,,contentMDK:20049563~pagePK:43912~menuPK:58863~piPK:36602,00.html#I1>. See also International bank for reconstruction and development or World Bank. *Microsoft encarta encyclopedia*. 2009 (DVD)..
- <sup>101</sup> Statements like, “All about you!” “We care!” “Simply the best,” “Your best connection,” “Life begins here,” and so on, show claims of the corporations to be ready to render services geared towards human welfare. See Excellent corporate slogans and mottos analyzed. Retrieved April 12, 2014, from <http://www.planetofsuccess.com/blog/excellent-corporate-slogans-and-mottos-analyzed>.
- <sup>102</sup> Held, D. and McGrew, A. Eds. 2000. *The global transformations reader*. UK: Polity. 380.

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<sup>103</sup> Makwana, Rajesh. 2006. Neoliberalism and economic globalization. Retrieved November 23, 2006, from <http://www.stwr.org/globalization/neoliberalism-and-economic-globalization.html>.

<sup>104</sup> In a nutshell, GDP is the sum total of all internal and external annual incomes accruing to a nation on its investments, without adding the exports while GNP is the sum total of all incomes from internal and external trade investments. The only difference between the two is that the exports are not added to the income for GDP while it is added to GNP.

<sup>105</sup> This reflects in the failures of these well-to-do nations to honour agreements between them and the less-developed nations while making demands for more negotiation just to favour their causes, as seen in the Cancun and Doha agreements that result in feud between them and the dissatisfied nations.

<sup>106</sup> Smith, A. 1999. 215

<sup>107</sup> Hobbes, T. 2002. *Leviathan*. Retrieved April 17, 2010, from [www.gutenberg.org](http://www.gutenberg.org); Machiavelli, N. 2006. *The prince*. Retrieved April 17, 2010, from [www.gutenberg.org](http://www.gutenberg.org).

<sup>108</sup> Mandeville's book, *The fable of the bees: or, private vices, publick benefits*, contains a poem and his prose explanation of it. This work, in which he outlined his economic theory, predates Smith's view by seven decades. Some writers even debate that Mandeville is the one Smith actually referenced in his work. See Mandeville, B. *The grumbling hive: or, knaves turn'd honest work*. Retrieved April 17, 2010, from [http://www.xs4all.nl/~maartens/philosophy/mandeville/fable\\_of\\_bees.html](http://www.xs4all.nl/~maartens/philosophy/mandeville/fable_of_bees.html). See also Bick, A. 2008. Bernard Mandeville and the 'economy' of the Dutch. 87-106.

<sup>109</sup> Smith, A. 1999. 362-363.

<sup>110</sup> Globalization: The Hopes and Fears. *Awake!* May 22, 2002. 3.

<sup>111</sup> Stiglitz, J.E. Et. al. 2010. 47-49.

<sup>112</sup> Globalization: The Hopes and Fears. 3.

## **CHAPTER TWO**

### **THE GLOBAL CAPITALIST ECONOMIC ORDER AND THE PRINCIPLE OF EGOISM**

#### **2.0 Introduction**

This chapter is essentially devoted to investigating the nature of the global economy and establish that ethical egoism is its underlying ethical principle. Based on the understanding that the global economy is capitalist in orientation, we shall look at such underlining features of capitalism as individualism, competition and freedom of trade, and its expansionist tendencies. We shall also examine the principle of ethical egoism before an attempt is made to show that it underlies the overall structure of the global economy and virtually all the operational principles of modern capitalism such as the principles of deregulation and privatisation. We will adopt Karl Marx's ideas on economic interpretation of history and the economic philosophies of writers such as Henry George and J.S. Mill to examine the current global economy. By this, we shall show the strengths and shortcomings of the capitalist ideology that reigns supreme within the global economy in contemporary times.

#### **2.1 The Global Economy**

The global economy is essentially individualistic, impersonal and competitive in nature. It is essentially capitalist in orientation. This allows individual persons as well as individual businesses corporations to maximise their profits, efficiency and productivity. At the same time, key players in this economy expect business interactions to be devoid of any form of personal considerations and be based solely on competition. Given these grounds, each competing protagonist in the ensuing game of business strives to derive maximum benefits from every investment he/she makes.<sup>1</sup> With this happening, what then becomes paramount to each player is not just the thought of keeping business alive but also that of making enough profit for business expansion and sustenance of business control, even if the competition engages cutthroat approaches.<sup>2</sup> These considerations dominate business interests. Having this mindset, popular slogans in business circles are towards the gesture that the sole responsibility of business is profit-making. Undoubtedly, this orientation is fraught with certain common deficiencies that may eventually make successful business pursuits and economic goals difficult. It does not just harm the interests of business

competitors but, on the long run, jeopardises the interests and welfare of the global community at large.<sup>3</sup>

At present, the global economy allows the more advantaged competitors to operate in ways that are almost leading to the extinction of the less-advantaged ones. Consequently, as these privileged economic protagonists manoeuvre, gain upper hands and control the global economy, this situation results in a market monopoly and creates business organisations that are profit-oriented and also less concerned about the welfare of general stakeholders in the global economy. This situation attests to the fact that the way the global economy is structured portends deleterious consequences for human gainful existence and overall welfare of the global order.<sup>4</sup>

In running the current global economy, there are several players that affect the outcome of events in the economy. These players are controlled by specific aims, economic ideologies, their expected resources or the actual resources at their disposal, their written or unwritten rules for controlling institutional machineries, and differing thoughts on issues involved in creating profitable socio-economic institutions. These traits are never found wanting as far as the forces that direct the global economic order are concerned. According to John H. Dunning, the players and stakeholders in the global economy are numerous.

These are firms, consumers, labour interests, governments, civil society and supranational entities each of which play their role in global markets. Each has the power or influence to affect what is produced, in what ways it is produced, and who benefits from the goods (and bads!) created. Each of these stakeholders-from whatever part of the globe from which they may be located-may or may not act as a welfare enhancing force, i.e., help to upgrade the contents and quality of global capitalism, or the reverse.<sup>5</sup>

Though the players in the global economy are many, three principal players presently dominate the economy, namely, the MNOs, corporate groups and the nation-states. The different activities of these groups actually determine the nature and structure of the global economy. By implication, people who are decision makers within each of these groups determine what the outcome of their decisions on the global economy and the global community would be. Of the three categories of players in the global economy, the corporate groups are presently the most active and versatile in terms of



trade activities while the MLOs tend to remain the strongest in terms of monitoring the implementation of policies across national boundaries.<sup>6</sup> As such, decisions made by the conglomerates and the MLOs have direct or indirect consequences on nation-states. As may be observed, the present global economy is so complex that, as corporations pursue their business interests, nation-states and Multi Lateral Organisations (MLOs), such as the WB and IMF, only play the roles of unbiased umpires.<sup>7</sup> Thus, in the current global economic arrangements, nation-states seem to be the weakest of the three groups. This is more because core activities involved in the global economy and the actual production that affects the trend of events therein are determined by the corporations. The activities of these groups usually affect the nation-states and people generally and also determine the extent of their economic growth or decline. Unfortunately, actual benefits of the global economy sometimes elude some nation-states and their citizens because of the activities of the two principal protagonists – the MLOs and the corporations. – despite the fact that the global economy offers some promises which give hope to its stakeholders and encourage them to play along even at difficult times.<sup>8</sup> Thus, while the global economy is expected to enhance Gross National Products (GNP) and Gross Domestic Products (GDP) of national economies, it does not always do so.

What is known today as the global economy is a product of the process of economic globalisation which is still on-going. A basic thrust of this process is to facilitate the integration of the diverse national economies into a systematic whole. This drive for global economic integration thrives through liberal capitalist market operations. This is why Kolodko affirmed that the global economy “means global capitalism and, therefore, it can only be based on the market.”<sup>9</sup> The core principles upon which liberal capitalism operates include competition, deregulation, privatisation, free market/free trade and liberalisation. In a nutshell, liberalisation is the process of reforming the market to make it less-stringent and more amenable.<sup>10</sup> By trade liberalisation it is easy to trade with little constraints and be malleable so as to achieve good results. Deregulation is the procedure of freeing industries and corporations from governmental control.<sup>11</sup> The essence of which is to promote free trade or put the *laissez faire* economic principle to work and ensure minimal control of corporations by governments. Privatisation is the process of selling, either in part or fully, all government owned businesses or companies to private individuals or corporations.<sup>12</sup>



These principles are usually part of the structural adjustment strategies/policies of the global multilateral organisations designed to regulate national economies.

The structural adjustment strategy (SAS) results from the conditions given to borrower nations by the International Monetary Fund and the World Bank for debts owed.<sup>13</sup> The SAS is aimed at facilitating open market policies that will ensure free trade, market liberalisation and market deregulation. Indebted nations are expected to comply with the imposition of the conditions. The SAS plays true to the nature of the Conditional Egoism that underpins the operation of liberal capitalism in that it requires a reduction of governmental roles in the economy.<sup>14</sup> It also agitates for limiting taxes on commodities and operations and promotes giving more encouragements to individual ownership of properties as government renders limited services to people. As discussed by Jane Kabubo-Mariara and Tabitha Kiriti,

The basic objectives of structural adjustment programmes were to restore developing countries to macroeconomic stability and to revive economic growth through increased resource mobilization and more efficient use of resources. Efficiency gains would be achieved through greater reliance on market forces and the private sector and by reducing the role of the government. This meant getting prices right by eliminating market distortions and increasing competition in the domestic economy. The latter was to be achieved through deregulation, phasing out public sector monopoly control in markets for foreign exchange, credit, and agricultural commodities, and privatisation.<sup>15</sup>

The impacts of these principles of capitalism on the global economy are enormous. By their operations, global trade assumed a new dimension. Through trade liberalisation, countries that were initially dependent on only raw materials and lack the right strategies for trade expansion have learnt new initiatives from others that are advanced.<sup>16</sup> Many private corporations have been able to benefit from the deregulation of the economy. This has facilitated high impact and resourceful leadership in these organisations as a result of bilateral economic relations and exchanges between their organisations and counterpart organisations in other nations. The result of this is that as they develop new strategies for trade expansion and expand their trade borders, there is a positive spiralling effect on the national economy that shows considerable increase in the Gross Domestic Product.<sup>17</sup>

Privatisation has opened the private business corporations to opportunities that helps them drive change in the economy which the government in most nations find difficult to facilitate. Through privatisation, nations that used to depend more on state owned corporations and production have opened their economies to private investors. As these happen across nations in the world, corporations began to operate trans-border policies that transform local companies to transnational corporations (TNCs). The SAS, in relations to the above, has helped in determining the direction of the economy and helped to strengthen some of the weak economies.

Based on the workings of the principles of liberal capitalism, the current global economy has assumed a dynamic and complex dimension. Its huge expansionist tendencies, which depict an almost uncontrollable spate, was foretold in many writings. For instance, Karl Marx described the expansionist tendencies of liberal capitalism in the following words:

The need of a constantly expanding market for its products chases the bourgeoisie over the entire surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere. The bourgeoisie has, through its exploitation of the world market, given a cosmopolitan character to production and consumption in every country. To the great chagrin of reactionaries, it has drawn from under the feet of industry the national ground on which it stood. All old-established national industries have been destroyed or are daily being destroyed. They are dislodged by new industries, whose introduction becomes a life and death question for all civilized nations, by industries that no longer work up indigenous raw material, but raw material drawn from the remotest zones; industries whose products are consumed, not only at home, but in every quarter of the globe.<sup>18</sup>

Marx, in addition to the above, argued that the drive for expansion led to a “universal inter-dependence of nations.”<sup>19</sup> This interdependence affects both creation of material wealth and “intellectual production.” As such, national redundancy and ignorance started to fizzle out as people become more aware of events and read from a common literature that has a global character. As much as this happens, a monster personality – the bourgeoisie - emerges as the owner of the means of production, gains control and draws all men to participate and embrace its method of production. Within a short period, the new economic system has dominated every sphere of the world’s

economy. Peculiar to it is that workers who are not owners of the means of production are reduced to pawns.

Owing to the extensive use of machinery, and to the division of labor, the work of the proletarians has lost all individual character, and, consequently, all charm for the workman. He becomes an appendage of the machine, and it is only the most simple, most monotonous, and most easily acquired knack, that is required of him. Hence, the cost of production of a workman is restricted, almost entirely, to the means of subsistence that he requires for maintenance, and for the propagation of his race. But the price of a commodity, and therefore also of labor, is equal to its cost of production. In proportion, therefore, as the repulsiveness of the work increases, the wage decreases. What is more, in proportion as the use of machinery and division of labor increases, in the same proportion the burden of toil also increases, whether by prolongation of the working hours, by the increase of the work exacted in a given time, or by increased speed of machinery,...The more openly this despotism proclaims gain to be its end and aim, the more petty, the more hateful and the more embittering it is.<sup>20</sup>

Marx, thus, was of the view that the expansionist tendencies of capitalism ought to be curbed because of its huge negative impact on labour and in leading to promotion of injustice in the world. However, his suggestion about imposing limitation on the way liberal capitalism spreads was only good for an ambitious projection rather than an account of what is achievable in reality. The futility of this venture was shown by Henry George through his arguments on the need for countries to eliminate tariffs as means of creating an open market and unrestricted economy beneficial to all. As background information to this argument, it was a common argument that countries ought to place tariffs on goods imported from other countries so as to prevent harm to the economy. George argues that countries impose tariffs on goods from other countries to prevent importation of goods they can easily produce without going abroad. He urges that we should take cognisance of the fact that trade and importations are human activities. As such, this protectionist activity prevents the men who are making efforts to trade within another country other than their own.

George maintained that it amounts to a misplaced assumption, as is popularly believed, to claim that what warrants trade restrictions is that foreign traders always endeavour to gain control over the local markets of the other country in which they trade. Trade relations are bilateral with each trading party seeking its own benefits.

George argues instead that restrictions are only allowed to discourage the desire of nationals to purchase foreign goods so that they can patronise the local market. Embarking on this action will guarantee the protection of the nation seeking protection and not to deter foreigners from trading in one's own country. This means that trade restriction is to protect a nation from losing the benefits of economic interests rather than hinder investors. A nation also makes more profits when she concentrates on exports than imports.<sup>21</sup>

George proceeded to shed light on what he called the true trade. To assert this position, he jettisoned the idea that mere elimination of protection to allow revenue-generating tariffs can be equated to free trade. Instead, he debated that what counts as free trade is a total elimination of tariffs and restrictions in relation to importation and exportation of goods and services. Free trade is not only about eliminating the customs duty posts but also incorporates an elimination of all taxes imposed on goods and services within a country and trans-border trade transactions. However, the only exceptional case is when it is pertinent to impose taxes to ensure public good and safety. Free trade encourages production. Thus, it is unnecessary to tax people for increasing the wealth of a nation, whether through local production or international trade. Everyone involved in trade transactions should be left alone to trade and pursue business interests without hindrance.<sup>22</sup>

According to Immanuel Wallerstein, the wide expansion of the global economy is affected by three essential factors: "the expansion of the geographical size of the world," "development of variegated methods of labour control and the creation of relatively strong machineries."<sup>23</sup> In support of Wallerstein view, events such as the trans-Saharan trade that spread across most parts of West and North Africa and the Middle East contributed to the expansion of the geographical size of the world's economy.<sup>24</sup> Jean Houbert also identified another important factor as the human conquest of distances over the seas. This has to do with human voyages over the waters of the world that led to the conquests of many lands by the former world powers of Europe, such as the French, Portuguese and Great Britain.<sup>25</sup> Following from the above, men's traversing wide distances over land and seas opened up opportunities for international trade relations and development of means of transportation for productive exchange of goods and services across different regions

of the world. Particularly, the conquests of the seas led to the establishment of international trade routes across the waters of the world and the emergence of the United States as a nation.

Before the United States emerged and became independent from Great Britain, the erstwhile European superpowers had competed to acquire lands and properties in remote parts of the then world. The independence of the United States from Great Britain in 1776 was one of the events marking the end of the hegemonic dominance of Great Britain and the other former European powers. The emergence of the Soviet Union as a new Super power in Europe between 1945 and 1991 pitched it against the United States and resulted in the cold war.<sup>26</sup> This is another factor that divided the world into two basic economic camps: the capitalist economic and communist economic camps. This division was more visible as nations of the world either aligned with the policies of the United States of America or the Soviet Union.

According to Walter L. Hixson,<sup>27</sup> the cold war thrived for five reasons and purposes: “ideology, national expansion, economic hegemony, militarisation and patriotic culture.”<sup>28</sup> Each of the two nations - US and the Soviet Union - strove to protect its ideological orientation and rallied other nations that bought into this ideology to withstand others in the opposing camp. The US ideology is predominantly capitalist while that of the Soviets was based on Bolshevism which is predominantly tailored towards a forceful overthrow of capitalism. At the same time, each of the nations had ambitions for great economic expansion so as to wield more political influence in global arena. The huge impacts of their economic strength manifested in their political control of the nations that shared the same interests with them. Obviously, the drive for political and economic expansion, the compact nature of the global economy and the cold war synergised towards giving the global economy a competitive and impersonal nature, promoting survival of the fittest in the economy such that as every free participant with the necessary capital and economic clout partakes in this economy and seeks to gain accordingly while others without capital and economic strength fizzle out. Thus, the competitive spirit invoked by market expansionism and the crises of cold war era have created new economic model for the world to follow and define the depersonalised and integrated nature and structure of the global economy. As a result, observable as part of what constitute the structure and nature of

the present global economy are relentless drive for competition and gains, free economic participation, emphasis on non-governmental interference in economic relations and trade pursuits, that are traits of the now thriving capitalist economy.

Actually, the present global economy is largely modelled after liberal capitalism as practised by America. In terms of economic expansion, the end of the Second World War saw the US making so much gain which ended its economic depression that started in the late 1920s. This was mainly because the US was not directly affected by the two world wars that were mainly fought in Europe, being thousands of miles from the battlefield. Thus, the gains it made from sales of ammunition and other things gave it economic advantage over other nations involved in the war, most especially the Soviet Union.<sup>29</sup> Hence, the US constituted a potential danger to the Soviets and the latter had to mount up armed security measures to secure their interests. Thus, ensuing between these nations is a crisis that many feared would develop into a full blown war. On a number of occasions, the more financially privileged of them had attempted provoking arms race so as to weaken the other's economic strength and defence by provoking her to purchase ammunition that might never be needed.<sup>30</sup> As such, as the one that is less financially stable did this, she invested money into what will eventually deplete her treasury and make her prone to poverty and eventual loss of relevance that will make the other emerge victorious.

For the period the cold war lasted, none of the two nations totally demobilised its armies. This shows the sense of their militarisation. To make things worse, they daily acquired nuclear, chemical and biological weapons to send signals to one another.<sup>31</sup> As all these were going on, each nation's citizens were particularly loyal to their nations and ready to ensure that whatever concerns it was promoted. When the cold war eventually fizzled out, the culture of loyalty developed by America paid off as the impact of her emergence as the new world superpower and consequent economic dominance swept round the world. Thus, America almost became the lone voice of global capitalism.

Another reason for the integrating nature of the global economy is that production shifted from merely trading in raw materials to trading in processed goods and more versatile service operations. It looks very unfortunate that nations that contribute so much raw materials to industrial production are the ones at the lowest rung of the

ladder in the global economy.<sup>32</sup> However, it is the reality of the contemporary global economic structure that nations that fail to drive themselves to the mainstream and adopt industrial production techniques serve the ones that are heavily industrialised and dynamic in following the trends of the global economy to make good gains. In more recent times, the urgency of capturing the global market makes the TNCs to continually seek business opportunities and employ all avenues to take charge of the global market.

According to De Rivero, rich and industrialised states used to be aristocratic societies that control the global economy but this has changed:

World power has always been a game of geopolitical balance among diminishing aristocracy of great powers. From the nineteenth century to the First World War, the players were Britain, Germany, France and Austro-Hungary. Between the end of that war and the Second World War, the game continued with the United States, Britain, France, Germany, Japan, Italy and the Soviet Union as participants. Later, the game was drastically reduced, to just two superpowers, the United States and the USSR. The game ended with the Cold War. The United States, the only superpower, cannot play the global equilibrium game, since it has no military rival. Even so, it lacks sufficient military and economic capacity to impose order unilaterally in the world and control the global economy. As a consequence...world power will no longer be the result of a game of geopolitical balance among great powers. Power...will depend on its capacity for technological revolutions.<sup>33</sup>

World power is now determined by economic powers and controls. This is because we now have the TNCs as the “non-state international aristocracies”<sup>34</sup> They control the global economy. It sometimes seems an understatement to say that the global economy is largely subject to the control of the TNCs. As a matter of fact, the TNCs are the major actors in today’s global economy. Through their operations, global economic activities have become fluid and almost intractable. Governments and peoples of nations sometimes appear to live at their mercy because of their overwhelming control and influence on national economies. At times, national Governments have had to accede to their terms in order to avoid harm to their national economies. De Rivero buttressed these claims by affirming that the global economy cannot be said to have resulted from “much of free global competition among



nations but a network of agreements and productive and financial activities among the transnational corporations.”<sup>35</sup> To foster national economic survival and trans-border economic benefits, nation-states usually give rights of operations to the TNCs.

Considering the above factors, it is apparent that the global economy is far from what it was before the cold war. Attesting to these facts, Peter Dicken stated that:

the nature of the world economy has changed dramatically since the 1950s. National boundaries no longer act as ‘watertight’ containers of the production process. Rather, they are more like sieves through which extensive leakage occurs. The implications are far-reaching. Each one of us is now fully involved in a global economic system than were our parents and grand parents. Few, if any, industries now have much ‘natural protection’ from international competition whereas, in the past, of course, geographical distance created strong effect. Today, in contrast, fewer and fewer industries are oriented towards local, regional or even national markets. A growing number of economic activities have meaning only in the global context. Thus, whereas a hundred or more years ago only rare and exotic products and more basic raw materials were involved in truly international trade, today virtually everything one can think of is involved in long-distance movement.<sup>36</sup>

The most dominant reason why the global economy has changed dramatically from its erstwhile imperialistic status, is because of information technology. According to Argandona:

The new economy is a technological revolution involving the information and communication technologies and which affects almost all aspects of the economy, business, and our personal lives. The economic or management problems it raises are not radically new, and even less so from an ethical viewpoint. However, they deserve particular attention, especially now, in the first years of the 21st century, when we are feeling the full impact of the changes brought about by this technological revolution. However, the key to the new economy is not in the silicon chips but knowledge: the fact that it is based on the acquisition, processing, transformation, and distribution of knowledge and information ... In a word, the distinguishing feature of the new economy is not merely a change in production and costs, or the use of the new technologies throughout the economy, but rather the nature of the "new" knowledge-intensive goods.<sup>37</sup>



The global economy is controlled by information technology. The internet, most especially, makes almost all sorts of trading possible. It can be used for petty as well as big trades. As such, high rate of information flow about businesses and trade affect trading in a magnitude never once experienced in human history. People now trade without considering border restrictions. By this means, trade assumes a new name or attribute of that which is not subject to the constraints of time or any particular location. Thus, the field of information technology becomes the most dynamic means of trade expansion in the present global economy. It has compressed the world into a virile business unit and created an invisible global market where all sorts of trades are possible and each participant trades to achieve specific interests. John Houghton and Peter Sheehan<sup>38</sup> hold that:

Over the first decade of its development, the internet remained a specialist research network. By 1989 there were 159,000 internet hosts worldwide. Now, just 10 years later, there are more than 43 million....In economic terms, the central feature of the IT revolution is the ability to manipulate, store and transmit large quantities of information at very low cost. An equally important feature of these technologies is their pervasiveness. While most earlier episodes of technical change have centred on particular products or industrial sectors, information technology is generic. It impacts on every element of the economy, on both goods and services; and on every element of the business chain, from research and development to production, marketing and distribution.<sup>39</sup>

The unwavering influence of information technology allows corporations to maintain flexible organisation systems and embark on highly effective production and use of human resources in ways that will enhance their overall advantage. At the same time, through the free flow of knowledge, production techniques could easily be learnt while innovative actions could be taken to facilitate improvement in efforts at production of goods and services and developing strategies for business initiatives. Apart from these, competitions that can enhance good production are provoked as people learn from the activities of others on the internet. In short, almost all avenues of trade and maximum gains can be explored.<sup>40</sup>

## **2.2 Liberal Capitalism: Pillar of the Global Economy**

The trend the present global economic structure follows is easy to pinpoint. It is well integrated and based on the principles of liberal capitalism. In short, liberal capitalist

ideology defines its nature and it is sustained by capitalist initiatives and expansionist agenda. As we see below, liberal capitalism allows for a *laissez faire* system of unhindered trade and economic activities in the world. It is also underpinned by the principles of individualism, competition, freedom of trade, and the SAS. All these determine its expansionist tendencies. However, as the global economy is overly influenced by individualism and the liberal capitalist ideology, a good understanding of the global economy would be enhanced by an examination of the relation between individualism and liberalism and their place in the global capitalist economy.

### 2.2.1 Individualism

According to F.A Hayek, the term individualism was first mentioned to the English audience in Alexis de Tocqueville's work, *Democracy in America*.<sup>41</sup> Here, Tocqueville explores how the American society evolved a substitute system for the collapsed aristocratic structure that once dominated the American society. In his description of individuals, he strongly emphasised the deleterious consequences of equality that encouraged a focus on individual interests at the expense of the good-of-all.<sup>42</sup> Tocqueville affirmed that individuals in society always seek to live independently, which depicts selfishness. This condition, common to members of aristocratic societies, derives from wrong a perception and judgement of things, and makes persons attempt to separate themselves from others in society while they cling only to their close relatives and friends at the expense of all others. This encourages selfishness and despotism. Tocqueville thinks that the delusion that makes each person pursue his self-interest with less concern for others is also common to democracy when equality and self-determination are overemphasised. Unfortunately, this trend exposes the individual to hazards and susceptibility of different forms of tyrannical practices either from state oppression or the overwhelming bias of the majority in a society.<sup>43</sup> This is what Tocqueville refers to as the 'tyranny of the majority.' By this, he means the teaming up of individuals to control a state or its apparatuses so as to protect their individual liberties and rights to others' disadvantage. He then asserted that:

If ever the free institutions of America are destroyed, that event may be attributed to the unlimited authority of the majority, which may at some future time urge the minorities to desperation, and oblige them to have recourse to physical force. Anarchy will then be the result, but it will have been brought about by despotism.<sup>44</sup>

Thus, stressing the urgency of combating these harmful tendencies, he promotes the importance of a strong bond of mutuality among individuals. He believes that this can undermine anti-social relationships and help people derive the benefits of social relations. The thrust of the debate on individualism is that the whole of a social structure or institution cannot be explained without the description of the components. This is true for explaining the relationship between the individual and social institutions. Individual persons and what they believe, their thoughts and orientations, take an important place in explaining the progress of any social group or institution. J.S. Mill, Max Weber and Karl Popper lend credence to this.<sup>45</sup>

Generally, from a liberal perspective, individualism suggests the unhindered right to self-determination by individual persons in society. By this, persons have a right to do whatever will better their lots without allowing their actions to serve as constraints to others' rights to self-determination. Individualism guarantees emancipation and freedom on individuals to act as they wish without others' inhibition. The emancipation tendencies of individualism have their roots in a number of events that precede the present era. One of the tendentious views on the philosophical doctrine of individualism is that of Max Stirner.<sup>46</sup>

As an Hegelian, Stirner took an extreme position on individualism. For him, reality consists in and has no sphere outside the ego of the individual. As such, human value lies in serving the ego's interest. Humans are to control the state and institutions but these have limited human freedom. As a way of ensuring that a human person gains this freedom and serves the ego's interests, he argued for an abolition of the state and other institutional spheres that dehumanise the human intelligence because of their constituting hindrances to human freedom and self-realisation.<sup>47</sup> Apart from this, the constraints from others' actions should be removed because this stands tall against the freedom of individuals to operate and enjoy themselves. Every law and ideas from the state and other constraining institutions should be abandoned for individual freedom. The freedom of the person should be the only law while every constraint is abolished. Given the position that man's topmost attainment is the liberty of persons to express themselves without subjection to constraints from others and that governments ought to be abolished so as to ensure that humans attain perfection, Stirner could be regarded as an individual anarchist.

Though the term “individualism” was first used in Tocqueville’s work, many writings preceding this era point to its essence. John Locke,<sup>48</sup> as an early proponent of individualism, argues that nature endowed every human person equally. In this wise, each person has a right to do things freely because humans play important roles in the formation of civil society. They should be allowed control over their lives within the state because they form part of the complex whole within the structures of the institution they gave support to create. As such, their individuality should gain expression so as to guarantee their freedom without allowing this individuality to be diminished in the state. It is the force of individuality that makes the community and determines the will or consent of the individuals to run society and gain through its running without any inhibitions from others. At the same time, these persons must not constitute hindrances to others’ rights to also profit accordingly.

This view on the importance of individuals and the need to allow each person run his or her life the way he or she pleases was also advanced by J.S. Mill.<sup>49</sup> He advocates the need to free the individual from the tyranny of the majority. There is always a constant conflict between using authority and exercise of freedom within the state. This, he claims, spreads across several nations from the ancient period. Given this experience, a struggle exists between the ruling class and the ruled. The subjects strive for freedom from the oppression of the rulers while the rulers seek to perpetuate their grips on the people they rule. The ruled agitate that their political rights and immunities be guarantee and that structures be put in place to ensure that the ruling class respects the rights, freedom and interests of the people they govern. Mill also submitted that the ruled, constituting the majority, can make their grievances known without creating conflict while, at the same time, respecting individual rights to self determination. In this guise, the duties, responsibilities and benefits of individuals should be separated from those of the state and vice-versa. While individuals’ rights are respected by the state, they also should have the obligation to respect others’ rights to self-determination in order not to create conflicts.

Hayek seems to have captured the impulse of the individualist arguments when, in tracing the philosophical underpinning of the subject, he asserts that:

true individualism ...began its modern development with John Locke, and particularly with Bernard Mandeville and David Hume, and achieved full stature for the first time in the work of Josiah Tucker, Adam Ferguson, and Adam Smith and in that of their great contemporary, Edmund Burke...In the nineteenth century I find it represented most perfectly in the work of two of its greatest historians and political philosophers: Alexis de Tocqueville and Lord Acton. These two men seem to me to have more successfully developed what was best in the political philosophy of the Scottish philosophers, Burke, and the English Whigs than any other writers I know; while the classical economists of the nineteenth century, or at least the Benthamites or philosophical radicals among them, came increasingly under the influence of another kind of individualism of different origin.<sup>50</sup>

Hayek holds the position that the type of individualism he catalogued above is a consistent one while the other type, which he called the second individualism, has an irregular and inconsistent structure. To Hayek, this second type shows in the works of French thinkers and continental rationalists who are of a Cartesian turn of mind and have their views coloured by Cartesianism. J.J Rousseau and the members of the physiocratic school founded by François Quesnay<sup>51</sup> were fingered by Hayek as the spokespersons for this kind of individualism he called “rationalistic individualism.” Hayek’s argument against this category of thinkers is that their ideas have high tendencies to oppose the “true individualism” or “consistent individualism.” This is because they form the bedrock of “modern socialism” or “collectivism”.<sup>52</sup> Let us briefly show what Hayek called inconsistent individualism before we proceed to examine his summation.

Stated in brief, the physiocrats discussed the view that the economy is controlled by the natural laws, hence their clamour for governmental non-interference in the way the economy runs. As such, they stressed the need for uninhibited economy, free trade, private ownership of properties, unfettered competition in economic pursuits and elimination of all favoritism and undue advantages in economic competitions.<sup>53</sup> Rousseau’s individualism emphasises the essential roles of individuals in forming and sustaining social organisation. In one of his very early works, Rousseau had argued that society created human misery by allowing the increase in knowledge - through the arts and the sciences- to corrupt moral virtues.<sup>54</sup> He debated that men in society were more virtuous when they had little knowledge. He argued that civilised society

favours fanciful exhibitions above good works that can benefit all. Thus, he favoured savagery over enlightenment because he thought those who had little strength seek the help of one another, a trait that he considered to be missing in relations among those who are enlightened.<sup>55</sup>

Rousseau later argued that knowledge made humans venture to control one another and, thus, inequality is promoted as one person uses his intelligence to outwit the other and acquire properties while his neighbour is in want of the things that make for meaningful human existence and survival.<sup>56</sup> In the *Social Contract*, he later articulated that the means by which humans can create a legitimate and just civil society is through the general will. By this, individuals in a social system submit their powers to the commonwealth such that they can enjoy equality and possess the rights and liberty to determine how they wish to run their lives. This act of giving their rights to the commonwealth is an inferno that promotes fraternal relations among them. Having being bound by brotherhood relations, this arrangement makes the pursuit of their set objective possible and helps them gain equal political freedom irrespective of their social status or background.<sup>57</sup> By this idea, Rousseau outlines the approach to eliminate undemocratic governments through evolving democratic ideals.

Hayek did not think Rousseau's view does not contribute to compounding the confusion over what he thinks individualism actually means. He said, "the man who to me seems to be one of the greatest representatives of true individualism, Edmund Burke, is commonly (and rightly) represented as the main opponent of the so-called "individualism" of Rousseau, whose theories he feared would rapidly dissolve the commonwealth "into the dust and powder of individuality."<sup>58</sup> Even though Hayek may not take his categorised second type of individualism serious, it holds an important place in this work because it helps to strengthen the fact that individualism underpins the structure of the global economy. Based on the above views, our working definition is that individualism is the idea that every individual is important and should pursue his/her interests in a state without being constrained by its collective interest or any governmental interference because the state exists to protect the interests of individuals.

### 2.2.2 Liberalism

Liberalism is the view that individuals should be allowed freedom for self-realisation without constraints from others. It promotes individual freedom and social progress. It denounces governmental authoritarianism while arguing in favour of human rights to self-determination. This spirit of emancipation is what influences the liberal capitalist ideology. The most common types of liberalism are classical liberalism, social or welfare liberalism and economic liberalism.<sup>59</sup> Welfare liberalism is an egalitarian form of liberalism that is an offshoot of classical liberalism which is the political aspect of liberalism that emphasises the ideas of political freedom, civil liberties and economic freedom.<sup>60</sup> Upon careful considerations, liberalism is seen to have three basic cores: political, moral and economic cores. These cores harmonise to define any comprehensive theory of liberalism.

Succinctly put, the political core of liberalism emphasises that individual freedom is the main concern of political activities and governance. In this wise, liberalism forms the basis for fundamental human rights.<sup>61</sup> These include: right to life, right of non-interference, freedom from oppressions and all forms of indecent treatment, freedom of speech, freedom of association, and property rights. The political core of liberalism is the basis for the liberal arguments that governments should be formed or institutionalised to protect and promote human liberty while, at the same time, restricting those involved in governance from arbitrary and abusive use of power.<sup>62</sup> Thus, persons can be self-determined without restrictions to their freedom. The moral core of liberalism stresses the utmost importance of the individual as possessing self-/moral worth, dignity and inalienable rights which must not be violated under any guise. This idea rests on the understanding that persons possess natural rights or rights conferred on them by their nature as humans.<sup>63</sup> The economic core of liberalism is based on the idea that individuals have the freedom and rights to own private properties and make economic decisions without constraints to their freedom, rights and intentions by the state or any collective institution.<sup>64</sup> As such, individuals can participate in free-market operations and freely acquire properties.

Reflecting on the various aspects of liberalism and their interconnectedness, it may generally be observed that what underpins liberalism are the different perspectives on the social connections between individuals and society. Against the backdrop of the



fact that the individual is an important unit of society, the basic argument of liberalism is that the individual and his interests are prior to those of society. As such, individuals and society as a whole should allow individuals to freely operate and be self-determined without external constraints to the pursuit of their individual set goals. Thus, in liberal considerations, individuals should enjoy a level of equality while society should promote a system that will guarantee this equality. In this regard, no one is allowed to dominate the other and all are to enjoy the same rights and privileges in the state. In this wise, the self-fulfilling urge in the individual is promoted.

The connection between the political, economic and moral cores of liberalism can be easily seen in the works of thinkers such as Locke, Bentham, Mill and, later, Rawls. In his views that mark the starting point of liberalism, Locke argued that persons and their properties are to be protected by the state.<sup>65</sup> For him, this protection is the natural role or duty of the state which it should not shy away from. When society violates or denies an individual's rights, the individual is expected to reject the state's authorities and laws in favour of the objectives that will enhance his personal goals. Later, in Rawls's works, he posited that it is in the effort to ensure that the state is more responsive to the concerns of individuals that welfare liberalism evolved. Over the years in philosophical circles, scholars' linking liberalism with the idea that governmental control over the economy ought to be eliminated takes liberalism from the freedom of individuals to the freedom of the economy. Especially, as Smith's work shows, individuals ought to be allowed to promote their interests through unrestricted trade.<sup>66</sup> By this, free trade is promoted while individual persons and individual corporations/privately owned companies partake and compete actively in trade. According to Bentham, persons ought to be free to express and develop themselves without restraints. Restraints have harmful results for human intellect and demean their morality. He bemoans the fact that the usefulness of individuals are not always given due recognition "by the common modes of thinking as having any intrinsic worth, or deserving any regard on its own account."<sup>67</sup> He debated that persons rather than society form the standard for measuring morality and social phenomenon. According to him:



The interest of the community is one of the most general expressions that can occur in the phraseology of morals: no wonder that the meaning of it is often lost. When it has meaning, it is this (sic). The community is a fictitious *body*, composed of the individual persons who are considered as constituting as it were its *members*. The interest of the community then is, what? -- the sum of the interests of the several members who compose it.<sup>68</sup>

Thus, he argued that by using society as the standard for measuring morality, a fictitious entity and false interests are assumed. Mill claims that individuals play an essential part in wealth creation in a state. Societies that interfere with the individuals' rights to self-determination will not make liberal trade possible. Like Bentham, who emphasised the moral importance and liberty of the individual in fostering liberal trade, Mill sheds light on the link between individual freedom and liberal trade by arguing that:

...trade is a social act...accordingly, it was once held to be the duty of governments, in all cases which were considered of importance, to fix prices, and regulate the processes of manufacture. But it is now recognized, though not till after a long struggle, that both the cheapness and the good quality of commodities are most effectually provided for by leaving the producers and sellers perfectly free, under the sole check of equal freedom to the buyers for supplying themselves elsewhere. This is the so-called doctrine of Free Trade, which rests on grounds different from, though equally solid with, the principle of individual liberty asserted in this Essay (sic).<sup>69</sup>

In what supports the violation of the individual's morality and freedom to partake in free trade, Mill considered the limits on free trade as very evil except when it concerns contraband goods which are considered to be injurious. In these arguments, Bentham and Mill clearly bring to fore the connection between liberalism and free trade. As is seen in today's world, the idea of free trade or free-market economy is the impulse of liberal capitalism.

It is easily seen from the above that liberalism is the idea that persons should take their destinies in their hands. By nature, humans always strive for self-determination. They love freedom and to restrict this freedom is to incapacitate them.<sup>70</sup> Human freedom has moral, political, social and economic aspects with the human desire to exercise economic freedom being at the heart of free trade. The necessity of asserting

this freedom occasions economic emancipation or trade liberalism, which manifests in agitations against monopolies to combat the obstacles to economic self-determination of individuals as against the tyranny of the majority. Thus, the human drive for emancipation is an important force in liberal trade.<sup>71</sup> In certain cases, things like economic collectivism and economic protectionism, which are based on the control of the economy by the state or majority rule, hinder human drive for economic freedom. In such cases, they make it difficult for individuals to achieve their personal economic goals or policies. However, there are instances in which they are important for economic growth and advancement. As such, they can be in the best interest of private businesses enterprises and facilitate the growth of domestic economies. For instance, high tariffs on importation can help production and exportation such that domestic economies gain stability and national wealth is created in the best interest of the people. Thus, protecting domestic economy can lead to its growth and sustenance.<sup>72</sup>

Considering the above, Mill's argument that imposing limitation on free trade is evil is inappropriate. However, even though Bentham and Mill's views display laudable efforts to strengthen the freedom of individuals to partake in the economy without state's control, discussions on liberalism have progressed beyond the point they left it. Through the discourse on the value of money and financial transactions to the present time, concern for human welfare has been a recurring decimal in discussions regarding liberalism.<sup>73</sup> This has become more pronounced since Rawls published his theory of welfare liberalism. Rawls' view that justice is the most basic virtue any society ought to consider made him fashion out arguments for a welfare state in which individuals are to benefit and the interests of the worst-offs are taken care of. This is the trend the global economy claims to follow as the more affluent nations claim to help the worst-off nations of the world. However, whether or not this is done effectively and consistently is a bone of contention.

### **2.2.3 Capitalism**

The urge for trade liberalism dictates the impulse of capitalism. As the spirit of the global economy, capitalism is taken to be an economic orientation or system in which private ownership of economic means of production is allowed. As such, private individuals and business corporations carry out their business and exchange goods and services through a complex network of markets. It is a system that allows

individual corporations an unabated pursuit of personal business interests. From its history of unhindered trade, capitalism traverses nations and allows whoever has the means of production to determine his/her role in the business world. Though there have been changes in the manner of defining capitalism, its basis has not changed. In this regard, over centuries, the basic elements of capitalism such as capital, competition, business drives, entrepreneurship, labour, free market, manufacturing/production, and so on, have constituted part of its definition.

Capitalism is both a theory and a system that advocates unhindered trade and pursuits of individual's self-interests. As a socio-political and economic theory, capitalism articulates the socio-political and economic ideas that underpin the structure of capitalist economic systems in the world. The earliest theoretical expression of capitalism is seen in Mandeville's famous poem, "The Fable of the Bees,"<sup>74</sup> in which he discussed that limited governmental control and minimal interference of charity groups will ensure that individuals in society pursue their interests in ways that will be to their benefits. By this, his view is a precursory stage of the *laissez faire* capitalist economic system that promotes competition and pursuit of individual business interests. Capitalism's theoretical leaning creates the scaffolds for its economic practices the world over. In practicing capitalism, persons (individuals or corporate persons), can make economic gains in any form they choose such as owning properties, investing in businesses, or performing trade activities, so far such means enhance their self-interests.

Though Mandeville's work gives inkling about the importance of the pursuit of self-interest in the development of capitalism, the most basic and comprehensive classical doctrines of capitalism that initially dictated the trend the ideology follows are in Adam Smith's *Wealth of Nations*<sup>75</sup>. In this book, which shows us the first ideas on the nature of the capitalist market, Smith discusses views that later writers such as Keynes believe derive from Mandeville's work. Like Mandeville, Smith is intolerant of any system that permits the government to gain an absolute control of trade. This made him, argue against governmental control of the economy. He is of the view that government has no business in restricting trade but should allow individuals' undertake free pursuits of business interests. He stressed that the actualisation of self-interests depends on exchange and skills acquisition that encourage professionalism or

mastering of one's chosen trade. Thus, he argued that cases in which skills development and consistent pursuit of self-interests gain upper hand in business endeavours will actually downplay mediocrity and encourage demand and supply of goods and services.<sup>76</sup>

Smith later gravitated his views on pursuit of interests to issues bordering on domestic and foreign trade and how one may be successful in foreign trade transactions. Outlining this, in a manner largely characteristic of capitalist tendencies in economic pursuits, Smith debates that individuals who own capitals and pursue free trade really dictate the direction of events in the international market. He then advocates the need to embark on exportation of goods and services, as opposed to importation, as the means to improve and strengthen the local market. For him, those who engage in producing goods and services stand better chances of gaining more from efforts geared towards exporting goods and services as they are the ones that export their own commodities. Apart from this, they will also gain advantage over other local people and will nearly wholly monopolise the market. This situation, he thinks, often enlarges the business within any industry that values labour, gives attention to business gains, increases company shares and fosters productivity. However, he contended that:

No regulation of commerce can increase the quantity of industry in any society beyond what its capital can maintain. It can only divert a part of it into a direction into which it might not otherwise have gone; and it is by no means certain that this artificial direction is likely to be more advantageous to the society, than that into which it would have gone of its own accord. Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of the society, which he has in view. But the study of his own advantage naturally, or rather necessarily, leads him to prefer that employment which is most advantageous to the society.<sup>77</sup>

Further, according to Smith, in seeking his/her own benefits, any individual involved in trade necessarily has certain considerations that determine his/her actions. The first is that he/she attempts to "employ his capital as near home as he can"<sup>78</sup> provided he will make more profits on the goods and services delivered. This first consideration is essential because he closely monitors his investments and sees to the welfare of his

business as against when he will divide his capital between the home economy and foreign trade. In situations that permit capital division between nations, “the uneasiness...which he feels at being separated so far from his capital, generally...necessarily subjects him to a double charge of loading and unloading as well as to the payment of some duties and customs.”<sup>79</sup> By these he pays more than expected. Thus, being subject to a harrowing experience, he confines himself to selling his goods and services, as much as possible, locally.

The second thing an individual seeking to promote his business interests does is to use his business capital to promote the local market and commercial interests such that, though unintentional, it can yield “the greatest possible value.”<sup>80</sup> What this means is that his concerns for business security induce or influence his business decisions and ensures that he runs the business in ways that promote good profit or the “greatest value.”<sup>81</sup> Thus,

He is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest, he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it.<sup>82</sup>

Among other things, two things are most important to note in Smith’s views. The first is the need for nations and nations to cater for the ever growing demands and supplies of goods and services in a country and use their limited resources in ways that are most profitable. Second, nations that are involved in foreign trade should master the skills of producing the goods and services in which they have total advantage, which are the goods and service they can produce and offer more cheaply to those with whom they trade. By this, they can embark on exportation of these goods and also cheaply import the goods and services that the other traders from other nations produce.

Several issues are raised in Smith’s classical economic ideas to which later writers responded. One is the factor of exchange or consideration of total advantage. By this, he thinks that mutual advantage is derived in pursuit of individual interests. This

factor is what David Ricardo modified and built his theory of comparative advantage on<sup>83</sup>. Ricardo's views on comparative advantage are widely accepted to modern writers and is one of the theories that, till date, define the nature and structure of capitalism.<sup>84</sup> According to the theory, the differences in trade abilities of two individuals in trade deals should not stop them from trade and negotiations. A nation can benefit from trading despite that the nations that trade will have the capability to produce the goods at cheaper rates. The comparative advantage the nations will gain will be based on their having goods that can give them more profits abroad than at their domestic markets. As such, it is beneficial for the two nations to gain special skills in producing such goods that will enhance their advantage and produce them for exportation so that through bilateral trade they can both create and enlarge wealth.

In spite of the above, certain questions arise from Smith's ideas expressed here. Is it still the case that investors concentrate more on making sure that they have their businesses/investments near their base for the purposes of monitoring? Are the trends in the modern market not far from what Smith discussed? These questions arise based on the following views. First, the nature of the current global economy is such that it does not seem to obey any rule. One of the things that amplified this is the idea of comparative advantage. Most investors in the global economy spread their economic tentacles more to the foreign nations because of the impacts of the globalisation process. As such, their investments can be monitored virtually from anywhere and profits can be made from anywhere. In this sense, geographical boundaries are no longer capable of restricting trade because economies have no such boundaries or location. Nations and businesses can then use any finance house anywhere in the world to host their funds and, at the same time, have access to them anywhere they engage in business or need funds. The current global economy is true to the nature of capitalism, which underlies it. We need to highlight the features of capitalism for a better understanding of the current global economic trends.

Though Smith's and others' views shape the way we perceive capitalism, capitalism in the twenty first century largely varies from the classical ideas. Over the centuries, certain features are held to be common to capitalism. A major one is that it emphasises private ownership of properties. According to Alan Macfarlane:

In capitalism, there is a full development of individual, private property. No longer is property communal, owned by the state, community or family, or even by the lords, as in earlier social formations, but it is fully owned by the individual. This applies not only to real estate but to the ultimate 'property' of an individual, his labour power. In capitalism all becomes alienable, everything is a commodity to be traded on the market, people can buy and sell objects, and their own and each other's labour. All is apparently set 'free' and given a monetary value. Thus the emergences of individual private property and of widespread wage-labour are (sic) central characteristics of capitalism. These features allow the emergence of classes; the owners and the owned; the landlords, farmers and labourers; the capitalists and the workers.<sup>85</sup>

The above quote from Macfarlane shows the import of capitalism's private ownership of properties in wealth production. Ownership of private properties for wealth production in capitalism focuses mainly on ownership of capital and landed properties. Land, labour and capital are means for producing wealth under capitalism. Land is a fixed but transferable asset while capital is the combination of goods such as buildings and machines equipments, or monies used in wealth production. As characteristic of capitalism, land and capital are usually privately owned. Labour is the work done or, at some instances, the supply of workers, in creating wealth. Land, labour and capital are acquired and controlled by entrepreneurs/ persons to produce wealth. Apart from the fact that activities of buyers and sellers become coordinated as these entrepreneurs act and individuals pursue their business objectives in wealth creation, capitalism allows the owner of capital and his employees to work for their interests.<sup>86</sup> The capital owner derives full benefits from his investments while the workers get paid for their labour. As such, owners of capital are free to employ workers for production purposes while workers are also free to pursue their interests. At the same time, consumers have the freedom to utilise their earnings as they deem fit, in purchasing goods and services, in order to best satisfy themselves or their interests whether on short or long term basis. By this, capitalism advocates market interrelationship between producers and consumers of goods and services such that each seeks to gain. By their mutual interaction, purchases and sales are possible, well-directed and managed.



In addition to the above, based on factors such as location and localisation of industries, consumers' behaviours, business expansion, and fight over market monopolies, capitalism provokes competition which brings about improvement in the values or quality of goods and services offered the consumer by the producer. It may, thus, become necessary for the producers or sellers to compete with others in the same market to ensure that they satisfy the interests of the consumers so as to make maximum gains and stay in business. This competition may also be in other areas that affect an economy.<sup>87</sup> Besides these, capitalism favours governmental non-interference. The essence of competition in an economy is to prompt others who are in the same business to be active and proactive such that the economy regulates itself through the activities of competitors. As such, the interests of the community is protected and enhanced when there is competition. The only condition for governmental intervention will be when there are things that violate private acquisition of properties and the laws relating to business agreements, which amount to jeopardising the interest of the community.

The major objection to capitalism is from Karl Marx. Marx's economic theory is consciously developed from Locke's view which later became known as the 'labour theory of value.' In articulating the ideas this theory contains, Locke argues that a person becomes the rightful owner of a property if he adds his labour to it after obtaining it from its natural or common state. Till date, this idea is a basic doctrine of private property. This is primarily because it enjoyed much attention from the writers of the Nineteenth Century, one of the most popular of which was David Ricardo. These thinkers and many of the later ones see in it the tendencies to promote free ownership of properties for the individual in ways that eliminate governmental control and interference and allow persons to have just rewards for their labour. These writers think that the best way to achieve this private ownership of properties is by giving attention to exchange and other factors apart from labour that contribute to goods production. Conspicuously visible among these factors are "demands" and "monopoly".<sup>88</sup> Prices of goods may increase or decrease based on demand from people for certain goods. If the demand is high, supply may be low and there is possibility of hoarding for the purpose of hiking prices. This is where a company that has advantage may dominate or monopolise supply for the purpose of huge profits. In determining the prices of goods, it becomes essential to weight the value of the labour

expended in producing the goods and fix the price in relation to this. This part of the determination of price in relation to labour expended to realise the real value of the labour is what Smith, Macculloch and Marx called *natural value, real cost and exchange value* respectively.<sup>89</sup>

As developed by Ricardo, the labour theory of value interested Marx and propelled him to fashion out his theory of *exchange value*. Ricardo once argued that the cost of production determines cost of goods and services. In turn, the costs of goods and services determine the cost of wages which is determined by the amount of labour needed to produce the goods. It then follows logically that value is determined by labour. Marx varied Locke's and Ricardo's views by showing that until the labourer gets the proper exchange value for his labour he will not be able to own the property or product of his labour or get a fair reward for his labour. As he said:

The bourgeoisie, wherever it has got the upper hand, has put an end to all feudal, patriarchal, idyllic relations. It has pitilessly torn asunder the motley feudal ties that bound man to his "natural superiors", and has left no other nexus between people than naked self-interest, than callous "cash payment". It has drowned out the most heavenly ecstasies of religious fervor, of chivalrous enthusiasm, of philistine sentimentalism, in the icy water of egotistical calculation. It has resolved personal worth into exchange value, and in place of the numberless indefeasible chartered freedoms, has set up that single, unconscionable freedom -- Free Trade. In one word, for exploitation, veiled by religious and political illusions, it has substituted naked, shameless, direct, brutal exploitation.<sup>90</sup>

What Marx argued for is that the labourer ought to get a fair reward for his labour and not just labour for his employer to inherit the surplus of his labour and get richer while the worker only uses his strength to labour for meagre his wages.<sup>91</sup> To Marx's mind, this is what capitalism does. This idea of using the workers' labour to produce goods that far outweigh the labourer's wages, the excess of which the bourgeoisie will inherit, is what became known as Marx's theory of *surplus value*. In ways that differ from Marx's views, the nineteenth century thinkers believed that a fair exchange of goods will promote the *laissez-faire* system which is a system of free market operations that eliminates governmental control and allows individuals to trade without the government dictating what happens at the market. Marx thought that the *laissez faire* system will not fulfil the results these thinkers have in mind. This is

basically because of the fact that controlling capital, which is the private ownership of the means of production, and trading labour in exchange for workers' wages so as to create further capital will only widen the inequality gap between the bourgeoisie and the proletariats thereby provoking class conflicts. Though Marx supports that people should get rewards for their labour and own properties, he objected to capital because he thought it robs workers of their wages while making their employers benefit at their expense by receiving the value they have created. According to him:

The average price of wage labor is the minimum wage, i.e., that quantum of the means of subsistence which is absolutely requisite to keep the laborer in bare existence as a laborer. What, therefore, the wage laborer appropriates by means of his labor merely suffices to prolong and reproduce a bare existence. We by no means intend to abolish this personal appropriation of the products of labor, an appropriation that is made for the maintenance and reproduction of human life, and that leaves no surplus wherewith to command the labor of others. All that we want to do away with is the miserable character of this appropriation, under which the laborer lives merely to increase capital, and is allowed to live only in so far as the interest of the ruling class requires it.<sup>92</sup>

Marx concludes that workers and their employers have varying interests. The capitalist intends to make gains and accumulate wealth while the worker attempts to work faster for more wages. The workers lot is worse while the owner of capital makes more fortune through making the worker to work longer. The bourgeoisie aims at business expansion while the proletariat becomes increasingly disadvantaged. Their divided interests occasion conflicts. As this situation continues, the proletariat becomes alienated. By this, Marx means that the worker does not receive fulfilment from his labour but is like an alien to the object of his labour, that is, the wealth he creates which the bourgeoisie is the one enjoying.<sup>93</sup> Instead of satisfaction, he labours slavishly to satisfy the interest of the owner of capital. As a result, he faces exploitation and debasement. Even if he is well paid, he is still estranged in as much as the owner of capital is the one really benefiting from the proceeds of his labour. The worker needs to be free from his economic alienation. The urge for freedom from alienation will make the worker to revolt against the owner of property.

The activities of capitalism, argued against by Marx, and the features identified above show in the structure of the present global economy. The global economic order is an

increasingly globalising one that fulfils Marx's and Engel's prediction in the *Communist Manifesto* that:

The need for a constantly expanding market for its products chases the bourgeoisie over the entire surface of the globe... The bourgeoisie has through its exploitation of the world market given a cosmopolitan character to production and consumption in every country... industries, whose products are consumed, not only at home but in every quarter of the globe... In place of the old local and national seclusions and self sufficiency, we have intercourse in every direction, universal interdependence of nations. And as in material, so also in intellectual production.<sup>94</sup>

Obviously, the global economy rests on the pedestal of liberalism. By way of a brief description, the global economy is the network of the economic systems of nations of the world, perceived as a single economy. Within it, nations seek free trade and opportunities for economic benefits. This made them submit to formation of such groups as the International Monetary Fund, World Bank and the World Trade centre. Consequently, they submit to the structural adjustment strategies of these organisations to enhance their economies. In recent times, the capitalist spirit of the global economy is driven by the activities of the TNCs that are spread across nations and pursue the business interests of their investors. However, while the global economic order is essentially capitalist in nature, it does not seem to strictly follow classical capitalism. What is observable in it is the spirit of welfare capitalism.<sup>95</sup> Welfare capitalism, a mitigated form of capitalism, is a mixture of capitalist ideologies and welfarist tendencies. The global economic order is an increasingly expanding one that runs on the wings of the information technology, which makes businesses possible from any corner of the world. Hence, as our working definition, we take capitalism to be the free market economic system that puts premium on private ownership of means of wealth production, which allows free market competition, prompted by considerations of economic gains. At the same time, the global economy is the internetworking of the different economies of the world as one economy. however, since the pursuit of the global economy is based on the pursuit of self-interests, what really is self-interest and how does this relate to egoism that is the moral basis of the global economy?

### 2.3 The Idea of Self-interest

The idea of self-interest has been in philosophical debates for centuries. Though Hobbes is taken by many to be the first to articulate the idea of self-interest, there are precursory hints in the theories of earlier writers.<sup>96</sup> In his doctrine of the mean, Aristotle's advocated a middle ground between extremes and considers what is virtuous to be a situation in which one performs "best actions in connection with pleasures and pains, and vice the contrary."<sup>97</sup> He identified two classes of things that determine human choices. In the first class are things one considers in making good choices: "the noble, the useful, and the pleasant."<sup>98</sup> The other class contains elements that influence men to avoid bad choices: "the shameful, the harmful, and the painful."<sup>99</sup> Men go for good choices and avoid bad ones because of the necessity of favouring their self-interests. As such, we choose actions that lead to honour, yield good results and make for happiness and avoid those that bring dishonour, sorrow and have deleterious consequences. What Aristotle discussed here was also prominent in Bhudda's theory of moderation which clamours for a middle ground between extremes in human behaviours so as to encourage humans to choose actions that will promote their interests and help them to avoid harmful consequences.<sup>100</sup> Self-interest is usually at the heart of human activities and influences most decisions made, whether business, socio-political or moral.

Adam Smith's views on self-interest, in his *Theory of Moral Sentiments* and *The Wealth of Nations*, constitute a well-articulated idea of self-interests, still debated by modern thinkers. As argued by Milton Myers, who regarded self-interest as "the soul of modern economic man,"<sup>101</sup> there were important precursors to Smith in the discussion on self-interest, one of which was Hobbes whom he adjudged to have provided a salient motivation for British thinkers that discussed self-interest before Smith. In the *Leviathan*, Hobbes gave a comprehensive account of self-interest that portrays what it means to be self-interested by nature. For him, self-interest is the strongest propelling force in every man which drives him to act and influences his decisions. It also cannot be satisfied completely and can create devastating consequences if not moderated by the state. Indeed, it was the passion for personal pursuit of interests that underlies the cutthroat competition in the state of nature, thus endangered the lives of the people in it. Hobbes made a distinction between rights of nature and law of nature. The former he considers as the individual's rights for self-

preservation while the latter is human innate motivation or drive for self-preservation. He made a further clarification between this basic law of nature and certain additional laws which he also calls laws of nature. These laws concern what humans ought to or ought not to do to ensure this self-preservation. They are principles based on certain prerequisites for human self-preservation. The laws are based on reason and dictate how we may live to guarantee our existence in the state of nature. They are not chosen because of moral considerations but because of wisdom. They require that we avoid contemptible and hateful actions, honour agreements and contracts. In summary, Hobbes thinks the laws of nature derive from the maxim "Do not to another, that which thou wouldest not he should do unto thee."<sup>102</sup>

Under Hobbes' theory, the most basic of the laws of nature, which is to seek and pursue peace, makes humans consider leaving the state of nature.<sup>103</sup> By this, individuals in this state of nature consented to obey a constituted authority and avoid what is injurious to self-preservation by obedience to the laws. This consenting, which creates civil society, is an agreement to live based on the laws of nature and it imposes a moral duty to obey agreements on persons. It will be unreasonable not to obey or comply with such agreement because they are in the self-interest of every individual concerned. Anything contrary to this may be against human self-interests. Apart from Hobbes' idea, there are other perspectives on self-interest, such as found in the works of the other contract theorists: Rousseau, Locke and Kant. However, some have argued that Hobbes' perspective on self-interest was overblown and took for granted that the human mind is capable of regulating and seeking equilibrium between diverse intentions, one of which is self-interest. However, as much as the human mind is capable of regulating intentions, with self-interest inclusive, this can only be done with a strong will power to act positively. On the part of Smith, this idea of self-interest focused on the fact that persons always act based on self-interest with this leading ultimately to a better achievement of the overall societal interest. According to San Fleishchacker, Smith believes that common people have abilities to know what is in their interest without needing thinkers or people in government to discern for them.<sup>104</sup> Smith's belief is on the ground that these class of people usually live and enjoy at the expense of the interest of the common people.

In assessing the question of morally right actions in debates on self-interest, Moses Oke queries whether self-interest underpins morality. Making a distinction between what is selfish and what is self-interest, he argues that selfish pursuit of self-interest ridicules human personality or character. He sees selfishness as being a pervasive form of self-interest. As he affirmed:

In the only important sense, vicious tendencies are generated when an agent, through ignorance or confusion mistakes selfish interest for self-interest and consequently only seeks self-gratification rather than self-actualisation. It is therefore necessary to see the distinction between selfishness and self-interest.<sup>105</sup>

The distinction he gives is simply that self-interest is when one carries out an action that is moral in one's interest without jeopardising others' interest while selfish interest is pursuing one's interest to others' disadvantage. By implication, what Oke affirmed is that self-interest that is not rational or based on enlightenment is one that is selfish and makes for a wrong moral choice. Oke's emphasis on the role of rational action in pursuit of self-interest is germane for this research work.<sup>106</sup> In his idea of justice, Armatya Sen, like Oke, emphasised the importance of reason and objectiveness in the pursuit of self-interest. Denying that self-interest is primitive as some argued, he opined that:

...the more sophisticated priorities and obligations that we would want to cherish and pursue would tend to depend on our power of reasoning. A person may have well-thought-out reasons other than the promotion of personal gains for acting in a socially decent way. Being smarter may help the understanding not only of one's self-interest, but also how the lives of others can be strongly affected by one's own actions.<sup>107</sup>

To further affirm this position, he discussed it against the limited view of the advocates of "rational choice theory" who debate that our choices are rational when they are in our self-interests. In other words, nothing should be done that is not in our self-interest and only what is reasonable is what advances our self-interests. Sen, however, argued that this contradicts selfless living because it is not every time one does things for one's interest alone. There are times certain actions are taken in others' interests (whether or not self-interested).<sup>108</sup> For our purpose in this work, we take self-interest to be a rational pursuit of personal interests in ways that guarantee advantage for the individual pursuing this interest without jeopardising the interests of



others. This will be our working definition. Given that the idea of self-interest is at the heart of the idea of egoism, we would now turn to a consideration of egoism, which is the moral basis of the global economy.

## **2.4 Egoism: The Moral Foundation of Capitalism and the Global Capitalist Order**

Scholars, over the years, have discussed different variants of egoism. Generally, egoism is the theory that human actions are justified if such actions foster their self-interests.<sup>109</sup> Egoism has different interpretations among different cultures in the world. Kim-Chong Chong, in shedding light on the Chinese perspective to egoism, affirmed:

The term “egoism,” *wei wo*, in Chinese ethics is usually associated with Yang Zhu, but it encompasses issues much wider than the narrow and overriding conception of self-interest attributed to him by Mencius... These include questions about the possibility of universal love, the extension of benevolence, human nature, the ultimate motivation for behavior, self-cultivation, the value of spontaneity, and the conflict between particularistic concern - i.e., concern for one’s kin - and nonparticularistic concern. These related issues surround classical figures like Mozi, Yang Zhu, Gaozi, Mencius, and, beyond them, the neo-Confucians.<sup>110</sup>

Chong’s view shows a very broad approach to the issues involved in the conceptual clarification of egoism. This is different from the Western analysis of egoism that shows a less broad dimension to the discussion. For our purpose, we shall not pursue the broad Chinese idea of egoism in this work but concentrate on the more popular Western conception. In this respect, Moral Egoism is the view that human actions are moral when we act in a way that guarantees or satisfies long and short term interests for us. Obviously, the concept of self-interest is central to discussions in many ethical issues. What the egoists mean by self interest has been thought to be what gives one pleasure or that from which one derives satisfaction. Among the Greek egoistic hedonists called Cyrenaics, satisfying one’s immediate end without due consideration for others is the ultimate end of living.<sup>111</sup> Hedonism is the view that pleasure is intrinsically good while whatever brings pain is evil. Egoistic hedonism is one of the two major hedonistic doctrines among the Greeks. It differs from the second one, rational hedonism or Epicureanism, that argues that real pleasure is attainable based

on human rationality. Over the centuries, there are many variants of egoism. We shall now consider three in turn.

#### 2.4.1 Descriptive or Psychological Egoism

Descriptive or Psychological Egoism, otherwise called positivist egoism, is the theoretical leaning that self-interest is the main motive of man's actions and that he must in fact pursue the actions that best serve his interests.<sup>112</sup> It affirms "that each of us is always seeking his own greatest good"<sup>113</sup> and working for "what he conceives to be his interests or welfare or happiness or pleasure"<sup>114</sup>. One of the strongest positions on psychological egoism is held by Max Stirner:

Is not mankind's cause—a purely egoistic cause? Do truth, freedom, humanity, justice, desire anything else than that you grow enthusiastic and serve them?...Just observe the nation that is defended by devoted patriots. The patriots fall in bloody battle or in the fight with hunger and want; what does the nation care for that? ...The individuals have died "for the great cause of the nation," and the nation sends some words of thanks after them and—has the profit of it. I call that a paying kind of egoism. But only look at that Sultan who cares so lovingly for his people. Is he not pure unselfishness itself, and does he not hourly sacrifice himself for his people? Just try it; show yourself not as his, but as your own; for breaking away from his egoism you will take a trip to jail...And will you not learn by these brilliant examples that the egoist gets on best? I for my part take a lesson from them, and...rather...be the egoist myself...What's good, what's bad? Why, I myself am my concern, and I am neither good nor bad...The divine is God's concern; the human, man's. My concern is neither the divine nor the human, not the true, good, just, free, etc., but solely what is *mine*, and it is not a general one, but is—*unique*, as I am unique. Nothing is more to me than myself!<sup>115</sup>

As in the views on psychological egoism, what is most clearly observable in Stirner's view is his excessive invocation of feelings and huge dwelling on personal motivation for pursuit of private interests. His perspective thus affirms that humans are naturally egoistic and each man pursues what he thinks to be in his best interest while leaving others to mind their own concerns. The psychological egoist sees no reason to be concerned about others pursuit of interest or to forgo his own interest under any guise. The only condition for forgoing his interest is if this act of forgoing it will lead to

achieving his long-term interests. Psychological egoism, thus, is based on the motivations derived from actions that emanate from man's nature.<sup>116</sup> As such, it does not really count as an ethical standpoint that is directed towards or concerning normative issues involved in human conducts and their consequences.

Discussions on egoism have their roots in the ancient philosophical thoughts of writers like Epicurus and Plato. In Plato's Republic, Thrasymachus distinctly argued for egoism. According to him, what is morally just or right is what is in the interest of the stronger party. By this, he advocated the sovereign rights of rulers to formulate rules and policies which they can manoeuvre to suit their own self-interests while they impose the same on the ruling class. This latter action furthers this self-interest. Considering this, what is moral is that which satisfies the ego of the ruler and allows him to gain control and favour what is advantageous for him. This position by Thrasymachus is what Hobbes developed. As he shows, the urge for promoting self-interest led the people in the state of nature to pursue their interests without minding the outcome of their actions for the interest of others. In other words, he showed that people care about their interests than they care for others' interests. Hobbes argument shows the core of psychological egoism. Apart from Hobbes and Stirner, psychological egoism is favoured by other thinkers like Baruch Spinoza and Jeremy Bentham. However, it has been "attacked in one way or another by Butler, Hume, F. H. Bradley, G.E. Moore, C.D. Broad, and recently by P. H. Nowell-Smith."<sup>117</sup> The concerns of psychological egoism pitch it more with the philosophy of mind or psychology than morality. Writers often contrast psychological egoism with psychological altruism which is another descriptive idea that emphasises human psychological or inner motivation as the source of his aspiration to perform actions that benefit or satisfy or promote others interests and welfare, a stand which some thinkers have condemned as unattainable.<sup>118</sup>

#### **2.4.2 Normative Egoism or Moral Egoism**

Distinct from psychological egoism, moral or normative egoism concerns the issues involving virtues emanating from human actions. As psychological egoism is contrasted with psychological altruism, Moral Egoism is also usually contrasted with moral altruism, which is a theory of human conduct that emphasises the importance of prioritising the good of others as the ultimate purpose of human moral actions. Further

described briefly, moral altruism demands human selflessness in relating with other humans or showing concerns for others' wellbeing. As a consequentialist theory of moral virtue, altruism denies that humans possess the right to live for themselves while maintaining that the justification for their existence lies in their selfless performance of good actions towards others. Considering this, an altruistic person may sacrifice his interest, if necessary, to foster others' interests. By this, self-sacrifice constitutes the most vital moral virtue and duty towards humanity that should be considered as being morally valuable. As such, being selfless becomes a yardstick for determining what is morally good. In its contradistinction to moral altruism, Moral Egoism focuses on virtue ethics which borders on the rightness or wrongness of human actions. This is responsible for why it is also referred to as normative egoism or rational egoism.

Moral Egoism, in its rigid sense is the view that we ought to perform the actions that will promote our long term interests and not refrain from performing such. In this regard, one can pursue one's interests not minding the other person's interests so far one's interest is secured. It argues that no one has duties of morality to others. Thus, it affirms that individuals ought to perform actions that are only to their advantage. William Frankena says that it is the position that a person should continuously perform actions that "will promote his own greatest good, that an act or rule of action is right if and only if it promotes at least as great a balance of good over evil for him in the long run as any alternative would, and wrong if it does not."<sup>119</sup> From the ancient times to the modern era, many philosophical writings have articulated ethically egoistic ideas, which have shaped the way we view egoism. As shown above, among the earliest are the works of Epicurus and Plato.<sup>120</sup> Later thinkers like Nietzsche also discuss this moral theory.<sup>121</sup>

Kai Nielsen is of the view that the failures of psychological egoism necessitate a search for a moral criterion that can guarantee human good. He investigated ethical egoism to see if it satisfies this criterion. According to him, "An ethical egoist, in any form, argues that man ought always to seek his own good. He, thus, argued that ethical egoism may take two logically independent forms: it may be developed as an ethical egoism of ends or an ethical egoism of means."<sup>122</sup> Simply, egoism of ends is that which fulfils an immediate end while egoism of means satisfies a process to

arrive at an end. Nielsen's distinction of egoism of means from the egoism of ends reflects his gross dissatisfaction with the entire theory of egoism to serve as a scheme that will satisfy the common good. In examining egoism of ends, he said:

Taken as a doctrine of ends the ethical egoist might argue that all value or good terminates in immediate prizings and disprizings. The final test of the valuable is what I like in the way of experience. This experience in its most primitive state is irreducibly personal, and only later in a state of partly settled inquiry does it become "shared." Thus, when A says "X is valuable," he is really only saying in a confusing and elliptical way, "I value X." To be meaningful all valuing must be identified with a valuer. Good, then, is always "good for me." That there are "shared goods" and that occasionally self-sacrifice is deemed fitting, only reflects that some men have gone beyond "human bondage" and have an "adequate idea" of their own needs and the means by which they are realized.<sup>123</sup>

Nielsen is of the view that ethical egoism of ends has always tried to debunk altruistic and non-egoistic actions. For him, people perform actions for a variety of purposes, for "altruistic" and "non-egoistic" reasons, which suggests that they understand Enlightened Self-interests. He points out that people have always said that altruistic and non-egoistic actions are justifiable in egoistic actions but that it is sometimes difficult to affirm this on the basis of certain considerations. In these cases, actions that are performed but void of egoistic considerations may show a person to be altruistic and help him better grasp that his own long term good is guaranteed by these acts while others derive motivation to do the same. For instance, a fire-fighter who believes in heaven and eternal rewards may embark on rescue operation of a people in a burning building with the expectation that if he perishes in the process he will gain heaven and the rewards as the ultimate end of his dedicated services and love for humanity. This consideration shows a normative status.

However, what if the person who helps in saving lives and knows that he may die in the process holds no such belief? This, argued Nielsen, is the paradox of such arguments. It becomes paradoxical because it elicits a conflict between factual cases and normative cases. If the statement holds that "the end of all moral action ought to be the self-interest of the individual involved" what are we talking about?<sup>124</sup> This is a normative statement. This shows a universal ethical statement. It is normative because it talks about what is either right or wrong for a person's best interest. If it is

reinterpreted to mean that “all individuals ought to seek their interests as an end to be achieved” what does this mean? Put in another form, it the same as saying that “individuals ought to pursue their happiness as an end.” Is it not a factual statement appealing to people’s motivation? What Nielsen seems to have expressed is the question, “In what sense does egoism of ends differ from or says anything better than what psychological egoism affirms?” He said that egoism of ends does not align with our every day experience and is inadequate. The basis for this rejection is not clear from his work and seems a lopsided explanation. Glasgow, seemed to have offered a better explanation to Nielsen’s by saying that the fact that individuals desire to be happy may be challenged by a case in which he needs to make a decision and ask, “What ought I to do?”<sup>125</sup> Though he desires to be happy one may still say that he has to decide concerning what he ought to do to further his self-interest. This particularistic instance of the question seems more direct.

However, Nielsen assessed the plausibility of egoism of means as a likely final alternative egoistic position. He argues that views of the egoist here comply with the “altruistic doctrine of ends or with an objective ethical theory.”<sup>126</sup>

This last variety of ethical egoist...need merely assert that...“the common good” can best be achieved by each man consciously seeking his own good. Yet in the face of the above-mentioned exceptions to what would normally be considered egoistic behavior, an ethical egoism of means is also difficult to hold. It is usually felt that certain acts involving self-sacrifice ought, under certain conditions, to be performed to insure the common good. An ethical egoist of this type might argue that a common good that is nobody's individual good would not be a suitable ideal and would not be in fact what is usually meant by 'good' at all. This seems to be obviously (and tritely) true. Certainly, it is important to take proper account, in constructing criteria for good-on-the-whole, of the goods of particular individuals.<sup>127</sup>

On the above basis, Nielsen thinks that if we jettison both egoism of ends and psychological egoism, the egoism of means lacks the substance to explain the fact in human daily ethical experience that personal sacrifice is at all warranted for the common good. A soldier’s or a firefighter’s perishing through sacrificing his life may not necessarily guarantee the common good. By this, he argued that following egoistic principles may not necessarily guarantee the common good. Although Nielsen’s

conclusion here is plausible, even though his position is debatable, his distinction between egoism of ends and egoism of means is not really necessary. This is because the two ideas are not really logically independent considering that a normative egoist may not choose a means that will not serve his interest.

Some thinkers often think that ethical egoism tells us about the duties we ought to perform. Manuel Velasquez, shedding light on Kurt Baier's debate on the inconsistency of egoism, illustrated this from the perspective of duty:

He asks us to imagine two presidential candidates...Brown and Kory. It is in the interest of both to be elected, but only one can succeed. It follows, then, that it would be in Brown's interest but not in Kory's if Brown were elected, and vice versa. Similarly, that it would be in Brown's interest but not in Kory's if Kory were liquidated, and vice versa. More important, Brown ought to do everything possible to get rid of Kory; in fact, it would be wrong for Brown not to do so. Likewise, Kory, knowing that his own liquidation is in Brown's interests, ought to take steps to foil Brown's endeavours. Indeed, it would be wrong for Kory not to do so. "It follows", writes Baier, "that if [Kory] prevents [Brown] from liquidating him, his act must be said to be wrong and not wrong – wrong because it is the prevention of what Brown ought to do, his duty, and wrong for [Brown] not to do it; not wrong because it is what [Kory] ought to do, his duty, and wrong for Kory not to do it."<sup>128</sup>

Baier's idea is that egoism does not resolve issues surrounding conflicts of individuals' interests which should have been the case with any moral theory that is worth its onion. On this ground, he concludes that situations of conflict will not exist if nothing is taken for granted in pursuit of self-interests. What is then obvious is that such cases as we have here make every person's interest to be seen as relative. In this guise, egoism is not a logically consistent view.<sup>129</sup>

### **2.4.3 Conditional Egoism**

The last type of egoism we shall discuss is Conditional Egoism. It holds an essential place in the running of the global economy and is a prime bedrock of capitalism. It is the view that egoism should be accepted and considered morally right provided it brings about ends that are morally satisfying or acceptable. That is, it advocates that actions deriving from self-interest are morally right if, in the final analysis, they



eventuate in societal development and overall best interest. Taking a cue from Mandeville's Fable of the Bees, Adam Smith discussed this variant in his Wealth of Nations. It is a utilitarian version of Moral Egoism that favours unhindered individual pursuit of self-interests and is a midpoint between egoism and utilitarianism.<sup>130</sup> Apart from its utilitarian inclination, this type of Moral Egoism is also conditional in nature. Even though not specifically mentioned above, we have considered this in part when discussing the origin of egoism. As it claims, each individual is to pursue his interest and by so doing the interests of others shall be promoted as the natural consequence of each person's actions.<sup>131</sup> This suggests that individuals in society would become happy as each man pursues what is to his best interests which will in turn, through a barter system, help others and society at large to develop and become happy. This means that the pursuit of self-interest shall yield an unintended overall positive result for the entire society. Obviously, for thinking in terms of self-interested endeavours as the condition for benefiting the majority, Conditional Egoism is utilitarian, egoistic and conditional in nature. According to Smith, a man may receive assistance from his fellow but it will be foolish of him to expect them to always dissipate their goodwill on him by supplying all his needs. He said:

He will be more likely to prevail if he can interest (sic) their self-love in his favour, and shew them that it is for their own advantage to do for him what he requires of them. Whoever offers to another a bargain of any kind, proposes to do this. Give me that which I want, and you shall have this which you want, is the meaning of every such offer; and it is in this manner that we obtain from one another the far greater part of those good offices which we stand in need of. It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity, but to their self-love, and never talk to them of our own necessities, but of their advantages.<sup>132</sup>

It is for this sake of individual's interest that Smith made reference to the invisible hand that will promote the economy. Put in logical statements, Conditional Egoism is easily seen as conditional if we consider the statement that "If Mr. T. gives good 'B' to Mr. L. in exchange for good 'C' then he will get 'C' in return and will be happy and make 'L' happy too. Thus, as further consequence, this type of trade exchange will eventuate in the common good of the entire society. In other words, Conditional

Egoism has the logical corollary that allowing interpersonal trade leads to the welfare of others in the state.

The common good of society through Conditional Egoism as a variant of Moral Egoism can only be possible if the conditions of trade, and giving individuals the chances to pursue their interests, are catered for. Smith thinks it diminishes a person's dignity to reduce him to the status of a beggar to expect him to rely only on the good will of the other men in the same state. As such, it is better for him to be allowed to trade and exchange goods, through "treaty," "barter" and "purchase" of goods and services for him to be able to do himself good and meet all his needs without being ashamed. As much as it lies within people's power, they ought to endeavour to promote their interests through exchange.<sup>133</sup> However, when such pursuits become injurious to the state's welfare they should be jettisoned for the common good.<sup>134</sup> In other words, the condition for allowing self-interested pursuits is that it must lead to the best interest of society as a whole. If this is not so, egoism should be stopped. Smith is here more concerned about the common good than about mere pursuit of personal interests. Pursuit of individual interests, as this understanding permits, ought to lean on a higher ethical standard that promotes the common good of all persons in society. It is important to note above that Conditional Egoism provokes competitive trade by its stand that individuals ought to pursue their interests first and leave others' interests to take care of themselves. However, it did not specify that individuals ought to do something to directly benefit the state but that as they pursue their interests the state will indirectly profit. Experience defies this. This is a passive action that may never promote state interests.

Emmett Barcalow, using the term Moral Egoism as a covering term for Conditional Egoism, has denied that Conditional Egoism is egoistic in nature.<sup>135</sup> He is of the view that its end is not actually the self-interest of the individual but the common good of society. Barcalow, thus, maintained that Moral Egoism is weakened by such arguments as are adduced in favour of Conditional Egoism since Conditional Egoism rests on a "non-moral" pedestal. Barcalow further argued that Conditional Egoism is based on a fictitious, vacuous and misdirecting distinction between an achievement of self-happiness and other-happiness objectives. This distinction gives the impression

that the two extreme positions are “both mutually exclusive and exhaustive.” Thus, Barcalow contends that:

They are not mutually exclusive because in any given instance striving to make other people happy does not necessarily require us to ignore our own happiness. They are not exhaustive because issues of harming others are ignored. That is, if we strive to make ourselves happy, whether we (1) cause harm to others or (2) permit harm to others that we can prevent as much relevant alternatives as whether we (3) try to make others happy.<sup>136</sup>

Barcalow’s position seems to be assuming. Although we can read meanings to arguments as he did, Conditional Egoism does not amount to a denial of self interest. At the same time, the concern about disregard for “issues of harming others” does not imply something new. One may as well read the same meaning to arguments of Moral Egoism. Barcalow may have failed to note that what Conditional Egoism actually emphasises is a morally egoistic act rather than an altruistic objective. In other words, Conditional Egoism does not emphasise that individuals have duties of morality to the other and this shows Conditional Egoism to be a variant of Moral Egoism. This work hence treats it as such. In a nutshell, Conditional Egoism is the view that self-interested ends are right or morally justified or acceptable if they lead to morally satisfying ends or the common good of society. This is another way of saying that if we commit ourselves to satisfying self-interested actions we are indirectly satisfying the conditions for attaining the common good of all. In treating Conditional Egoism as a variant of Moral Egoism, this work consequently subsumes it under moral egoism and may adopt the term interchangeably with Moral Egoism in this work.

#### **2.4.4 Moral (Conditional) Egoism as the Moral Bedrock of the Global Capitalist Economy**

As is easily observable from our discussion so far, individualism, egoism and liberalism are in tandem to promote the individual and his ideals. In economic matters, we cannot rule out the huge influence of these three. Though different forms of egoism have been considered, in theory and practice, only the conditional variant of Moral Egoism actually underlies or serves as the moral bedrock of capitalism. It is a major starting point of capitalism which carefully articulates the basic moral foundation on which it is built. As discussed by Adam Smith, it presupposes that as the individual trades with others because of his “self love” (self-interest), this will, at

the same time, promote national interest or the common good.<sup>137</sup> This view has since formed the moral bedrock or pillar of capitalism and the moral foundation upon which the global economy rests. Conspicuously, that Conditional Egoism is at the foundation of capitalism shows in the operating principles of capitalism. As the basis of capitalism, Conditional Egoism is the basis of alienated labour and private properties criticised by Marx. Alienated labour is a situation in which the worker is estranged for his labour. His work being appropriated by another person while he labours compulsively.<sup>138</sup> Concerning this, Marx affirmed that:

...the object which labor produces – labor's product – confronts it as something alien, as a power independent of the producer. The product of labor is labor which has been embodied in an object, which has become material: it is the objectification of labor. Labor's realization is its objectification. Under these economic conditions this realization of labor appears as loss of realization for the workers; objectification as loss of the object and bondage to it; appropriation as estrangement, as alienation.<sup>139</sup>

In rejecting private properties and embracing communism, Marx also indirectly rejected Conditional Egoism, which is the moral basis of capitalism. He also rejected some aspects of Max Stirner's views on individualism and theory of anarchism, especially his argument in favour of self-interest which maintained that people ought to choose their interests above their department or demeanor. Taking sides with Feurebach, Marx debated that people find it difficult to realise themselves because of the idea of moral obligation which largely manifests in the state's usual demand for obedience from people.<sup>140</sup>

The points of differences between Stirner and Marx made Marx to eventually pitch his tent with Feuerbach whose influence was later obvious in his economic philosophy. Feuerbach defined the properties of human beings in terms of consciousness through his inversion principle which was adopted as a refutation of Hegel's view on alienation. This view holds that man creates the divine in his mind and not vice versa. As such, human nature is such that he has unlimited power to think and conceive of himself and act as he deems fit. He said that abilities to act contrary to animal nature are inherent only in man; that being which is conscious. He asserts that man has no divine being to appeal to outside of himself which is why he must determine himself since he is the centre of his own thought.<sup>141</sup>

Feuerbach's notion of consciousness however soon disinterested Marx<sup>142</sup> and he sought to explain human survival in terms of the abilities to labour and achieve their means of livelihood.<sup>143</sup> This, he considers, mere discourse on human consciousness fails to explain. This aspect of Marx's analysis strikes a major chord in what serve as the basic elements of Conditional Egoism: exchange, competition and self-determination. He maintained that man only becomes a conscious entity by performing practical actions that can help him create an object of consciousness. The failure of capitalism, then, is that it allows labour to become the object of man's alienation such that the proceeds of his labour and his activities become alien to him. Thus, this idea of labour that forms a point of convergence between Stirner and Marx, to which he reverts after exploring Feuerbach's idea, plays a central role in his economic thought. By shifting his attention to labour, Marx found a passion through which he would eventually argue against capitalism and uphold communism.<sup>144</sup> In explaining his view on labour, he affirmed that just as

... labour is a creator of use-value, is useful labour, it is a necessary condition, independent of all forms of society, for the existence of the human race; it is an external nature-imposed necessity, without which there can be no material exchanges between man and nature and therefore no life.<sup>145</sup>

On a careful note, all the above views have wide implications for the global economy. First, Stirner's stance on the egoism of the individual, that the individual is his own supreme being who must master himself and be rational in relating with others, encourages the aggressive Western capitalist agenda and undermines communism.<sup>146</sup> This is clearly evident in his definition of liberalism as "the knowledge of reason, applied to our existing relations" which focuses on a "rational order," a "moral behavior," a "limited freedom," and the guide or "dominion of reason" and his consequent clamour for the dismantling of the state as an inhibitor of human self-realisation or self-determination.<sup>147</sup> Besides, Stirner was not favourably disposed to the idea of communism because he thinks that it may not guarantee the results and expectations put on it and may leave individuals worse off after it has become entrenched. He thereby contends that:

As the Communists first declare free activity to be man's essence, they, like all work-day dispositions, need a Sunday; like all material endeavors, they need a God, an uplifting and edification alongside their witless "labor."

That the Communist sees in you the man, the brother, is only the Sunday side of Communism. According to the work-day side he does not by any means take you as man simply, but as human laborer or laboring man. The first view has in it the liberal principle; in the second, illiberality is concealed. If you were a "lazybones," he would not indeed fail to recognize the man in you, but would endeavor to cleanse him as a "lazy man" from laziness and to convert you to the *faith* that labor is man's "destiny and calling." Therefore he shows a double face: with the one he takes heed that the spiritual man be satisfied, with the other he looks about him for means for the material or corporeal man. He gives man a twofold *post*, – an office of material acquisition and one of spiritual.<sup>148</sup>

As he claimed, then evolving is a society with "a new master, a new spook, a new "supreme being," which" takes us into its service and allegiance!"<sup>149</sup> Stirner thus thinks that communism allows the individual to become disempowered and his freedom is curtailed as he lives only at the mercy of other individuals and the collective will of the state. Contrary to this, egoism sets the individual free and helps him to be self-determined in the pursuit of a beneficial objective that will reveal his humanity and ingenuity.<sup>150</sup>

Secondly, the capitalist endeavour has thrived through the employment of labour as means of production and exchange of goods and services, which was properly identified by Marx.<sup>151</sup> However, his appeal that all labourers should overthrow capitalism runs contrary to the capitalist initiative. Thus, the essence of the cold war, the end of which made capitalism the dominant economic ideology on which the current global economy is built, had been to combat the theoretical leanings of the practice of the communist principles by the Soviets.<sup>152</sup> What is explored in defeating communist to ensure the triumph of capitalism are the ideas of liberalism and Conditional Egoism which give the individual the opportunity of asserting his individuality. At this level, both corporate and private individuals agitate for freedom.

## 2.5 Conclusion

In our discussion thus far, in this chapter, we examined the nature of the global capitalist economy and identified liberal capitalism as the basic ideology underlying its activities. We equally argued that liberal capitalism, in turn, is underpinned by such principles as individualism, liberalism, competition, freedom of trade, and the

structural adjustment strategies that, conterminously, determine the nature of the global economy. These principles were discussed from the perspectives of thinkers such as Karl Marx, Henry George, John Locke, Alexis de Tocqueville, J.S. Mill, Jeremy Bentham, J.J. Rousseau, F.A. Hayek and John Rawls. We showed how some of these thinkers examined what characterised the liberal capitalist ideology that serves as the foundation of the present global economy.<sup>153</sup> We discussed the idea of self-interest as it affects competition in the global economy and showed how Moral (Conditional) Egoism, as the basic moral principle underpinning the global economy, serves as guide for liberal capitalism which gives the global economy its nature. In rounding up, we showed the polemics of Karl Marx rejecting liberal capitalism and how the defeat of the communist-socialist ideology in the Soviet Union, through the promotion of liberalism and Conditional Egoism that allowed individuals to exercise their freedom, paved way for the capitalist ideology to become the dominant ideology of the global economic order.



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## CHAPTER THREE

### THE TRIUMPH OF THE GLOBAL CAPITALIST ECONOMY

#### 3.0 Introduction

This chapter discusses the benefits of the global capitalist economy. It maintains that it has facilitated and encouraged industrial production and trade expansion through the activities of global corporations. In analysing the extent to which liberal capitalism, as the dominant world economic system, has enhanced human wellbeing, we shall discuss how the structure of the global capitalist market affected global economic reorganisation and integration. Discussing the benefits of the integration and reorganisation of the global economy, this chapter would also examine how the different areas of the global economy, such as redistribution of market shares, corporate activities, and various strategic approaches like liberalisation, deregulation and privatisation, have to some extent culminated in helping some stakeholders of the global economy to achieve economic gains. Thus, it would consider some ways through which the reorganisation and integration of the global economy, as determined by the principles guiding this economy and the operations of its various players, have enhanced human wellbeing and benefits.

#### 3.1 The Global Economy: The New Industrial Revolution and Production

The global economy has yielded many benefits for the inhabitants of the world. In a lucid analysis, Malcolm Waters discussed the salient characteristics of the global economy in the fifty years spanning the last and first quarters of the Nineteenth and Twentieth centuries. For our immediate purpose, these characteristics count as benefits of the global economy and ought to be so labeled. They are:

...the development of transportation and communication networks that physically linked together the different parts of the planet, especially the railways, shipping and the telegraph. The second was the rapid growth of trade with its accompanying pattern of dependency, especially between the relatively industrialized countries of the Western Europe and the rest. The third was a huge flow of capital mainly in the form of direct investment by European firms in non-industrialized areas.<sup>1</sup>

The above points to the benefits or successes of the global economy. As part of its successes, it has facilitated an integration of the social and economic aspects of the

world by the social, financial, capital and industrial linkages and growth it created. It is palpable that the benefits-cum-characteristics of the global economy have affected the way the world is structured.<sup>2</sup> In ways characteristic of the liberal capitalist economic principles underlying it, this economy has affected the different modes of achieving global interactions and interdependence through “trade, investment, production, financial exchanges, labour-migration, international economic cooperation, and organisational practices.”<sup>3</sup> Never in the history of the world has there been such compactness in the world’s economy as we have in this era. There are great interdependence and opportunities witnessed in capital investments and trade interactions. As such, national economies are integrated into the whole global systems while trans-border restrictions are eliminated. The resulting trade openness leaves room for every interested economic investor to partake in trade, whether physically present or not. Thus, economy, business investments, inter-state economic interactions, bilateral trade agreements and treaties, all have new faces that suggest opportunities for financial success and economic improvement.<sup>4</sup>

In addition, as Waters identified in his mention of the pre-twenty-first century economy, the global economy has clearly built transnational relationship bridges among nations, which facilitate easy trading and bilateral economic transactions. World trade has equally assumed new dimensions with old patterns of trading giving way to new international and inter-regional approaches to more beneficial trading that absorbs and shares the peculiar elements characteristic of the global economy in Nineteenth and Twentieth centuries. By this, “social and technical”<sup>5</sup> divisions of labour are enhanced. As such, specialisations in vocations, competence, skilled jobs advances are guaranteed. These, in turn, foster trade expansion, “labour-protection,”<sup>6</sup> and “environmental protection,”<sup>7</sup> which further accelerated the growth of the global economy by causing it to shift from being a “resource-based and market-seeking investment to spatial optimization of production and profit opportunities.”<sup>8</sup> Based on this shift, the field of information technology and media play the very crucial roles of facilitating the process of trade expansion, skills-development, and creation of trade chances for good profit.

As the accelerated growth of the global economy has promoted economic integration among nations, it has also led to the formulations of different economic policies that

have affected national and private economic drives and determination to pursue national benefits. As such, the increasing consciousness to derive more benefits from the global economy is responsible for some socio-economic developments in the world. First is the regional economic integration that is more prevalent in certain power blocs of the world. This resulted in the emergence of such groups as the European Union, the “Asian Tigers”<sup>9</sup> and African Union emerged. Stressing the importance of this regionalisation of the economy, Zu Kweon Kim stated:

Regional economic integration is one of the most significant changes in the international business environments during the past two decades. International economic integration accelerates the free movement of created production factors across national boundaries and makes a theory of international trade based on immobile factors irrelevant. The static and dynamic effects of economic integration modify world production by providing new opportunities to multinational enterprises (MNEs). The current international business environment could explain both different motivations and patterns for Japanese and US FDI to European countries in the past decades.<sup>10</sup>

Showing the benefits of the global economy, Taye Mengistae and Francis Teal averred that regional economic integration used to be seen as a strategy for economic protection. They claim that there are vivid evidences that gaining entrance to “regional markets”<sup>11</sup> advances the operational effectiveness of different companies. Consequently, they contend that “these efficiency gains are not large enough to enable firms to become internationally competitive.”<sup>12</sup> For this they pose a question that: “if the productivity gains to enable the economies to become competitive on the world market can be achieved, what is the role of regional trade arrangements?”<sup>13</sup>. In response to the query, they argue that many justifications can be given why regionalism can take a vital place in the successful growth of production areas of a nation. One of the reasons is that this kind of provision may allow for a consistent and stable macroeconomic system that can help improve export of goods and services. “Regional trade can be a method for firm growth providing it is treated as a stepping stone to the international market and not used as a device to protect firms that cannot compete internationally.”<sup>14</sup> The impetus towards showing the relevance of this position might have led to dismay expressed by Mengistae and Teal at why companies in Africa embark on exporting only a little part of their produce. The

explanation they offered for this low exportation is that companies in these regions focus more on “primary processing” of goods, which gives them little competitive advantage in the global market.”<sup>15</sup>

The aftermath of the above is the strife for economic advantage, which further heightens competition among nations and business investors, stirs the national economy and also keeps investors on their toes. To attain meaningful economic gains, regional governments are making efforts to fashion out policies for national development which will result in helping them to actually profit from the global economy. Obviously, the years before the era of globalisation witnessed an increasing change in the structure of the global economy. In later years, this culminated in a daily and unparalleled expansion of the global market economy as the global economy incorporates nations and individuals that were, initially, not in the mainstream of the global market.<sup>16</sup>

As is observable, the effects of globalisation show that the global economy is dynamic and progressive in nature. More global investors who were once unaware of how to make their enterprises global are entering into the global market. This is mostly common in the developing countries where many had late access to information technology and, as such, limited exposure to the necessary information that can promote business initiatives.<sup>17</sup> For instance, many western nations have had inputs and profited from the information technology before many nations in Africa ever did.<sup>18</sup> As at now, though there are still many business people in Africa who have never used the internet to promote their businesses, and some who do not even understand its importance, the awareness for its use is heightening and far better than what obtained at the wake of the Twenty-first century. The problems surrounding Africans’ initial inability to adopt the information technology emanate from the prevalent illiterate conditions in their societies, most especially in the rural areas. Unfortunately, this has kept the ones with potentially sharp business acumen from realising their business potentials. However, people are daily getting awareness through initiatives for enlightenment by governments, business promoting/facilitating groups, NGOs, and so on. The entrance of such once unenlightened small scale business investors and their sudden exposure to the fora of international business have occasioned rich and diverse business enterprises and heritages that further enlarge the

global economy. By this, there are now corporations with astounding business performances that shape the way we perceive the global business economy. These trends also largely affected global economic redistribution of market shares.

### **3.1.1 Redistribution of Market Shares**

The competition occasioned by the global economy largely facilitates a global redistribution of “market share between emerging and developed countries and among developed countries themselves.”<sup>19</sup> Thus, as a result, some regions that were not doing well rebound and became economically relevant, as they focus on advanced technology as an important factor of production. By the revival of the weak regions economic initiatives and focus on technology, they are able to venture into investments in other regions of the world with the aims of diversifying their investment risks and seizing the opportunities of growing or emerging markets to enhance their growth. As such, they invest through various means. One of these means is the international mutual funds in which certain investment corporations in a country use their stakeholders’ capital to buy various stocks in other companies internationally. Another is to identify capital markets in other countries to invest in. By the latter, many of them have invested in company shares or made foreign direct investments which follow open investments policies in line with liberal capitalist ideologies. As nations adopt these various methods to trade, the use of the medium of information technology is one of the very important avenues that enable them to make good business judgments and also factor in the risks involved in their attempts. It, thus, becomes easy for them to know within a relatively short period what happens in the different areas of the world where they have investments and weigh their options for business successes. In engaging the field of information technology, these investors have been able to attract huge wealth, thereby, sometimes unconsciously redistributing market shares and also, enhancing both private and national development as well as the opportunities for helping the poor and economically disadvantaged peoples.

Efforts by nations to venture into investments in other regions of the world have assisted them to increase their Foreign Direct Investment (FDI), which is expected to produce same results as local investments. FDI is the same as seeking open markets or open investment opportunities beyond national boundaries. Through FDI, nations



strive to sustain businesses and production, drive economic competition to provoke economic growth, create employments and trade initiatives, and develop creative methods for economic development and investment sustenance. At the same time, they make projections for poverty alleviation and eradication. The assumption is that by increasing their FDI, nations would be able to generate the revenue necessary to pursue development and address such problems as poverty and unemployment. Besides, as Elizabeth Asiedu affirmed, FDI will help nations to bridge the gaps created by situations of reduction in economic assistance from donor agencies and lack of really viable “international capital markets”<sup>20</sup> for effective competition.

The various attempts to attract FDI have contributed to the redistribution of market shares. This happens as individuals invest their funds and, consequently, high quality goods and services are produced from the companies they invest in. Resulting from this, nations gain good chances of inviting external investors who bring further business opportunities to them and produce goods and services that promote export and, on the long run, the GDP. As such, through investments, trade competitions and other different economic struggles, the global market shares are redistributed. A really competitive and promising economic situation boosts the trust of global commodity consumers, yields more financial returns for the producers and creates the fora that help in building more stable businesses. The resulting viable businesses encourage financially disadvantaged intending business investors to make efforts to start more private businesses and seek means of sustaining them. People who have invested in businesses usually adopt several means to sustain these business initiatives.<sup>21</sup> Part of these is to seek governmental assistance through loans and grants.<sup>22</sup> In turn, to encourage the people, some national governments indicate their willingness to award grants or devise schemes to help ensure beneficial economic competition for their nationals.<sup>23</sup> This has, at least, helped to keep the urge for national economic freedom floating. Owing to these activities, it is now a common occurrence to see regions that were once left behind in the production process, because of their slow paces of development, fast catching up with other regions in industrial production. As a result of these developments, national economies are strengthened and stabilised. This is more pronounced as nations build more meaningful bilateral relations and rally around themselves to contribute to one another’s development and welfare which make participation in global economy worthwhile.<sup>24</sup>

### **3.1.2 Information Technology and Effective Participation in the Global Economy**

In line with the above, another most obvious area of the dividend of participating in the global economy is the springing up of industries that showcase a new form of industrial revolution. This revolution is driven by information technology which awakens a high initiative for industrial production in the current industrial processes. As such, in this new economy, concentration on industrialisation helped information generation to better the industry.<sup>25</sup> As such, generation and accumulation of relevant information drives technological changes for great industrial returns. Besides, in line with industrial development in the global economic order, companies generate information to encourage industrial trainings and mastery of the nitty-gritty of business interaction, trade deals and business growth and sustenance. Through this, initiatives for business expansion arise that not only put some companies on the internet, and promote their businesses for them to have more customers and business partners, but to also act as models to encourage expertise and sustain global drive for new business initiatives. Obviously, the global economy, thriving on the strength of the information technology, has positively affected the field of information technology and has become a knowledge economy. .<sup>26</sup>

It is glaring that one of the areas where the world will highly profit from the use of information technology in this knowledge economy is the stock exchange market. In the past, men used to trade only at certain locations of the world, constrained by the schedules of time. This is now a different ballgame. People now trade from their rooms whenever they deem fit and deposit their gains in domiciliary accounts in nations of their choices without any rigour.<sup>27</sup> This has assisted in consolidating capital and financial markets worldwide. It also shows how the borderless structure of the global economy brings immeasurable profits and provokes the urge for non-conventional trade among the inhabitants of the world. As a further benefit, the knowledge revolution gingers up adoption of policies by national policymakers towards reducing the susceptibility of national economies to the negative impacts of running the global economy. This is done by generating and disseminating necessary information so as to develop “confidence-building measures in the banking and corporate sectors, diversification of the domestic economy through a focus on commodity and service expansion, and the implementation of more prudent

macroeconomic policies.”<sup>28</sup> This indicates that accumulation and circulation of information through information technology is capable of creating strong impetus for global economic growth and financial market operations.

The current technological and information revolution, having unparalleled effects on the nations of the world, provokes information competition among corporations and nations, leaving room for corporations and nations to know the state of technological changes and successes in other parts of the world. The amount of time required to get the necessary information for industrial needs is far less than what it used to be. In the past, it used to take nations and corporations longer time of overseas studies and intensive interaction to gain the necessary information for running business or organisational initiatives.<sup>29</sup> This is no longer the case. Most of the information needed can now be gotten at a click of the mouse without any risk of traveling and at very minimal cost. This makes it easy for nations and corporations to aim at mega business results and gains, which at the same time contribute to and enhance a nation’s GDP and GNP.<sup>30</sup> In this way, the information revolution has provoked a new industrial revolution that gives the global economy a virtual outlook which, consequently, creates a new economic revolution.

### **3.1.3 The Impacts of Global Capitalist Economy and Participation of Government in the Economic Arena**

The new economic revolution has results that are more noticeable because of its direct and sweeping impact on people, due to their daily interaction with industries. In the past, governments used to be the dominant forces in industrial pursuits but this has changed. One of the major blessings of economic stability, resulting from industrial production, is that it encourages mobility of talents. In the past, governments have made efforts to put skills acquisition programmes in place that can affect the transformation of the local/ national economies to more viable ones. As such, the general public is made to believe that concerns for helping them to acquire requisite skills so as to ensure productivity and efficiency, in order to generate revenues, dominated the heart of government. Though governments are inward looking and struggle to restructure the local economies by putting controls in place to enhance productivity and efficiency, the control of the economies lies largely in the hands of corporations.<sup>31</sup> This is because they drive changes and control the global economy at

will while seeming not to obey rules. This has reverberating effects and affects the local economies in turn. Governmental efforts at economic control often meet with intense barriers that range from attitudes that hinder productivity to poor management skills and policies. The case is worse in developing countries. For a very long time, as noted in an example cited by Mohammed Salisu, most part of the Nigerian civil service remains largely unproductive and have been unable to drive the economy in significantly dynamic ways. This is due to certain lugubrious or inebullient factors constituting inefficiency:

Over staffing and the closely related poor remuneration of employees in public service are key factors. Secondly, there are the issues of poor assessment of manpower needs and the use of wrong criteria to appraise staff performance. These two have led to poor recruitment procedures, inadequate training and ineffective supervision. There tends to be a lack of qualified technical support staff as opposed to the abundance of general staff. The failure to carry out periodic assessment of manpower needs of the various departments leads not only to uneconomic systems of compensation but also to inadequate job description and poor physical working conditions. There has also been considerable political interference in the process of personnel administration, leading to improper delegation of power, ineffective supervision and corruption. The resulting apathy has in turn led to unauthorized and unreasonable absenteeism, lateness and idleness and, notably, poor workmanship.<sup>32</sup>

In a simple fact, these situations are not just peculiar to Nigeria but typical of the activities and *modus operandi* of most developing countries. As much as governments make efforts to inject some productivity-enhancing incentives into the governmental employment sectors and civil service systems, the corporations have succeeded in mastering these challenges to achieve dynamic results that have given the global economy a new face.

True to the capitalist idea that underpins the global economy, the activities of the private corporations have overshadowed governments' efforts in creating industries and driving the economy for more meaningful national and global economic benefits. Instead of having a static and inefficient workforce that is only interested in milking the government without contributing to the economy, they have been able to raise an active workforce and create beneficial labour mobility that facilitate efficiency and

productivity.<sup>33</sup> In this regard, private corporations are the major facilitators of this new economy. Companies that were once domiciled in their countries of origin now have talented international staffers that carry out economic transactions in nations of the world. By this, there is an international rich pool of labour force that can drive economic changes within the shortest possible time in corporations and countries of the world. It is presently a common occurrence for a member of a particular business group to be transferred to another country to transact business on behalf of his employer.<sup>34</sup> Through this, and by building effective systems and networks, other skilled people have been drawn to organisations in different parts of the world.

Private corporations are able to dominate industrialisation because of certain factors. A major one is “market power.”<sup>35</sup> Private corporations dominate the market through their search for raw materials for production, trading activities involving domestic industries and economy. As such, through these private corporations, the domestic economy transitions to the global economy. By this, areas that used to depend only on unprocessed raw materials have seen their raw goods being developed and transformed into more useful finished products through modern technological processes as applied by these corporations. In the previous years, most rural economies in many developing countries prevailed through local partnerships and interactions that gave little attention to any international consideration for the transformation of the local economy. Then, the major raw materials usually come through “farm household economy, which accounts for the bulk of rural economic activity in most developing countries.”<sup>36</sup> This trend is changing with the active involvement of private corporations.<sup>37</sup>

It is presently more vivid that most national economies are getting integrated into the global economy without hindrance as the high spate of industrial transformation experienced by the world, through the initiatives of the private corporations, sweeps away the redundancies in domestic economies, giving some leverage to an effective functioning of the local trade system.<sup>38</sup> Thus, through viable activities that redirect the erstwhile limited successes of the local economies and create more profitable opportunities and incentives for gainful labour, employment opportunities are created for grassroots people through the involvement of private corporations. Apart from the highly skilled international workers, the private corporations have also become

venues for inexperienced employees that are nationals to learn business skills and develop competence. As such, very useful interactions between business experts and these inexperienced employees helped the employees to gain skills and become better in their areas of operation. The aftermath of this is a twofold benefit for the developing economies. One, the economies in which these private corporations domicile are achieving unprecedented growth and are able to effectively compete with other highly functional economies of the world<sup>39</sup> while their social development and economic growth are enhanced. Two, the national employees in the corporations gain further skills that aid them to work effectively and promote bilateral business relations among nations such that many of these skilled workers have found their ways into the global multilateral economic organisations to fashion out policies and contribute to the survival of the global industrial economy. All the above factors have, at one time or the other, contributed to global economic reorganisation.

### **3.2 Global Economic Reorganisation and its Benefits**

The need to reorganise the global economy and make it more beneficial to nations of the world led to the formation of different global multilateral economic organisations like the International Monetary Fund (IMF), World Bank (WB) and World Trade Organisation (WTO).<sup>40</sup> Through these organisations, countries have been able to borrow money to assist in stabilising their economies and ensure national economic reorganisations. As such, some nations have claimed being able to finance their projects and create opportunities for their citizens in areas such as employment and poverty reduction. At the same time, they have been able to work on how to stabilise their foreign exchange rates and microeconomic and macroeconomic finance systems in ways that will yield dividends for them to be able to take care of their citizen's welfare on the long run. Apart from these, these multilateral organisations are able to wade into helping nations to manage their economic policies and facilitate economic development by urging them to take the growth of their economies more seriously. On the overall, these benefit some of the nations by helping them to really assess their economic positions and take steps towards economic stability or make efforts to do something about their poor economic conditions. As such, the global economy seems to receive a new direction.

The policies formulated, as a result of the reorganisation in the global economy, have helped financial regulations and economic reforms in some countries of the world. One of the major reforms is currency reform through the operations of central banks. This, in recent times, has a number of positive impacts in the world. First, it aids the structural reorganisation and consolidation of national economies, most especially those of developing nations. For instance, banking consolidation in Nigeria has positively affected the reorganisation of the nation's banking sector,<sup>41</sup> resulting in the effective prevention of the loss of the hard-earned money saved by the customers patronizing these banks. Second, reforms in the banking sector are leading to cashless banking in many countries. With this, risks attending transfer of cash are limited. One main area this has greatly helped is in trade and transfer of funds.<sup>42</sup> Money transfers and use of debit and credit cards now allow for easy business transactions.<sup>43</sup> In some quarters, it is becoming increasingly difficult to bank without using these means of trading because of proximity problems and time constraints. As such, for effective banking and promising trading that can enhance the growth of national economies, central banks allow banks to operate under e-banking policies that safeguard the continual existence of the national economy by being beneficial to all stakeholders in the banking industry.<sup>44</sup>

Third, currency reforms have facilitated the strengthening, development and rebuilding of economies in the world, especially in conflict and post-conflict countries. Tony Addison, et al, identified different types of currency reforms. Discussing from Tilman Brück's perspective, they argued that:

Currency reform is widespread among conflict-affected countries, and it takes a variety of forms: introducing new currencies for new states; replacing old national currencies with new ones; legalizing the parallel circulation of foreign currencies; and replacing the national currency with a foreign currency...It also has a variety of motivations, political as well as economic.<sup>45</sup>

These various types of currency reforms make gains possible in the countries that adopt them in different ways. An introduction of new currency for new states makes them gain "seigniorage revenues,"<sup>46</sup> which simply is the profit made from minting of currencies. Currency reforms foster international economic reorganisation to help central banks of the nations of the world to develop prudent control and oversee the commercial banks based on the standards set by the MLOs that can ensure the



stabilisation of the national economies. It equally strengthens national economic drives for easy trading, investments and capital reallocations both locally and internationally. It increases the strive towards achieving economic stability and dealing with fiscal risks. It allows adoption of monetary policies “to target growth and inflation objectives”<sup>47</sup> and “provides scope for assigning the exchange rate to offset external shocks through international currency reserves or to act as a nominal anchor to curb high inflation.”<sup>48</sup> By international currency reserves, international balance of payments which is the statement of international transactions or the difference between the debits and credits of a nation in transactions exchanges with other nations is offset with a receipt issued.

The support provided by this back-up currency is able to help stabilise a nation’s economy in case it pays more than it gains in international transactions. Any nation that has depreciating external reserves knows that the value of its currency will equally depreciate. Also, the MLOs depend on balance of payments to determine the economic strength of a nation and determine whether it qualifies for their loans. As such, based on these and other reasons, nations work on their external reserves or balance of payments to boost their exchange value in the international market so as not to run an economy that is weak in comparison to others. In line with this, currency reforms also affect a nation’s balance of trade, which is the strength of a nation’s export over her import.<sup>49</sup> Every nation in the global economic order struggles to realise a good balance of trade as it deals in foreign trade. In order to achieve a good balance of trade, there may be governmental restrictions to curb importation so as to enhance export of goods and services produced by local firms. This is also necessary because local currencies are adopted in trading at the international currency market, which warrants governments’ imposing restrictions so as to regulate the currency escaping from the country through international trade.

Currency reforms also assist in curbing storage of currencies by rebels in crises-ridden or war-torn countries of the world where dissidents have illegally stored up currencies to finance their actions. This is achieved when governments phase out old legal tenders and introduced new ones, which has, considerably, assisted in cutting off the amount of money in the hands of rebels. This effort helps in stabilising the economies by assisting governments to monitor the amount of money in circulation, restrict the

effects of looting and hinder the minting of fake currency by dubious persons. By this, a virulent war is also waged against corrupt practices in the economy and the policies of governments of such nations are regarded with high esteem. In certain cases, the currencies of these nations are replaced with the currencies of other economically strong nations so as to help the weak ones to compete well with other stronger nations. This is with the hope of their reverting to the local currencies when their central banks become strong and viable. Somehow, due to the active involvement of the MLOs and other nations, in terms of offering useful advice, diplomatic and logistics support to strengthen the economies of the challenged nations, the above situations contributed to global economic integration.<sup>50</sup>

Apart from the above, global economic reorganisations through the MLOs have challenged nations and occasioned public sector, governmental and economic reforms in them, which also ginger private sector economic reforms.<sup>51</sup> By these reforms, individual companies and corporations are given aids and are encouraged to adjust to and practice business in conformity to best business practices. This is so as to aid the development of the private sector in manners that can contribute to the overall development of the national economy. These government/public sector reforms aim at aiding the productivity of the private sector.<sup>52</sup>

In the past, according to Ayodele Jimoh, governments were the beneficiaries of 'official aid' meant for private sector development. On some occasions, the public sector's involvement in production, through government owned agencies and business establishments, creates redundant administrative and bureaucratic systems that hinder positive economic shifts for meaningful competition in the global market and opening of the domestic economies to accelerated economic growth<sup>53</sup>. These systems that create unnecessary bottlenecks do little to attract external investors. At the same time, they frustrate infrastructural development, realisation of capitals on investments and exacerbate national poverty. In short, given these weaknesses, they are inadequate to propel the kind of economic change required to achieve maximum national economic gains. The situations are worst in that the activities of those who run such public sectors constantly showcase conflicts between public and private interests. This is because they usually act to derive personal benefits. As such, their activities kill the initiatives towards national economic transformations and deny their nations the

chances of being better placed to effectively compete with others in global economic order. To redress this, Jimoh stated:

Today, the conventional wisdom is that the private sector should be the engine of growth in developing countries. This being the case, it is only logical that development aid efforts be directed, increasingly, at private sector development (PSD) which provides the best hope for ending poverty in the less developed countries (LDCs) and for ending the need for development aid that could be replaced by private capital flows...In other words, aid should facilitate the transition from a public sector led economy to one dominated by the private sector and in a manner which would alleviate abject poverty and empower minority groups in these countries.<sup>54</sup>

Besides the above reforms, there are other reforms recommended by the MLOs for distressed economies in line with global economic reorganisation and the capitalist orientation that dictates its policies. These include market or pro-market, financial, industrial, tax and subsidies reforms. These reforms focus on reorganisation in these sectors of the economy. Each of them has its own benefits. Subsidy reform, for instance, as a type of reverse taxation system, aims at protecting the interests of low income consumers and helps them to buy goods and services at affordable rates. Under it, governments put some part of their revenues into private and public corporations and agencies to help them function well such that prices of commodities will be reduced for low income earners to be able to purchase them with ease. On most occasions, subsidies reforms can be problematic for a nation's economy. To tackle this, nations are usually advised to seek other means of reinvesting their subsidies reserves so as to cater for their poor. Some East Asian countries have adopted the MLOs prescriptions with their own amendments and gained from the process. An important example is China.

### **3.2.1 Privatisation, Liberalisation and Deregulation as Approaches to Global Economic Integration**

Global economic reforms are expected to be achieved through business privatisation, economic deregulation, and trade liberalisation, which are three of the approaches advocated by the MLOs in the reorganisation of the global economy in consonance with the ideals of capitalism. Privatisation is a continued drive to privatise the public

sector. This involves opening up public owned companies and businesses to private owners and investors. Privatisation is now a vital aspect of many nations' economies and focuses on motivating proper distribution of government's assets. Part of the basic purposes it aims to fulfill is to enhance generation of revenue and facilitate the development of private sector and ensure that private investments are made towards national economic survival<sup>55</sup>. Steve Kayizzi-Mugerwa<sup>56</sup> sheds more light on the benefits of privatisation. According to him, privatisation holds benefits in several convoluted or intricate areas of human activities:

...including property rights, nationality, ethnicity, bureaucratic practices, donor conditionality, nature of markets and politics.....The last phase, so far only reached by a few African countries, involves a more fully fledged privatization effort, including firms formerly considered strategic in sectors such as telecommunications, electricity, water and other utilities. The phase is reached when political and institutional constraints to privatization have been resolved, enabling rapid divestiture, with big companies coming on stream relatively quickly and with sales to foreigners causing little or no controversy.<sup>57</sup>

In line with the reorganisations in the global economic order, based on the prescriptions of the MLOs, national economies are becoming widely deregulated. Deregulation involves the removal of different legitimate governmental rules on trading with very minimal restrictions allowed so as not to compromise business security in such national economies. As such, old rules of business operations give way for more benign ones. The idea of deregulation follows the *laissez faire* approach to pursuing the economy. By allowing deregulation, competition is stirred among the different businesses in an economy and they have opportunities to engage in a competition that can lower the prices of goods and services to the advantage of nations and consumers. Deregulation stands to benefit all corporations that are willing to be involved. From national corporations to private businesses, deregulation cuts across several areas of the economy and allows for easy participation in the economy with minimal governmental regulations.<sup>58</sup> Part of the benefits of deregulation is that it opens opportunities for individuals who are seeking opportunities in the business world through allowing them to operate based on favourable conditions resulting from its removal of the rules restricting activities of business organisations. By this, small scale business people venture into businesses or act as agents to the corporations in

the deregulated economy. Apart from this, many new businesses spring up and the weak ones quickly merge to consolidate their activities and create strong business bases that help their expansion. Deregulation has taken place in various areas of national and international businesses such as the banking, railway, airways and broadcasting sectors.<sup>59</sup>

In addition, with the deregulation of the global economy, it is now easy for national governments to negotiate among themselves and impose less restriction on economic transactions between corporations having businesses in across countries.<sup>60</sup> In some sense, this affects such factors as prices of goods and services offered by such corporations. The competitions, resulting from such deregulation have also led to the promotion of efficiency in the different sectors concerned and have also provoked different initiatives for achieving economic safety and minimizing national economic losses.

As an approach towards economic reorganisation in the world, liberalisation portrays the essence of free and unhindered trade across national borders.<sup>61</sup> It, thus, allows for free movement of goods and services, more open participation of investors and transnational corporations. Apart from these, it also promotes competition, which seeks to bring out the best investment opportunities, for the economy to yield much dividends for all stakeholders of the economy. By this, it eliminates the possibility of having a redundant economic system. According to Nina Pavcnik<sup>62</sup> considering how best to realise effective trade liberalisation encourages nations to look inwards so as to fashion out their plans of action.<sup>63</sup> By liberalising an economy, global economic integration is facilitated such that trans-border economic dealings are well defined and more people participate in economic processes and progress. Liberalisation has a high impact on national trade activities, most especially as it concerns industrial production and levels of individual and government's involvement in the economy.<sup>64</sup> In line with this, Nilabja Ghosh argued that trade liberalisation "generate (sic) rapid growth in output in a manner that leads to rising employment and income for large numbers."<sup>65</sup> Liberalisation encourages free flow of capital among states to enhance their competitive advantages. Also, trade liberalisation brings about increase in the values of the stock market, as investors seek chances of investing in the national economy,

and the local economy is opened up to international opportunities due to elimination of trade barriers.<sup>66</sup>

Besides, liberalisation improves national comparative advantages. As the comparative advantage of nations is enhanced and nations make economic gains, equally boosted are the chances of eliminating the problems of poverty, infantile infrastructures and docile economic structures. This is because nations now have funds to expend on researches and socio-economic activities, which enable them to take more proactive steps towards combating the socio-economic difficulties that once stared them in the face. Apart from these, nations that once adopted severe and draconian methods of economic superimposition and protectionism - that retard economic progress through hindering private sector initiatives - are deliberately loosening their tight measures to encourage private ownership and participation in local and international markets. Besides this, they are allowing free operations of the market forces so as to maximise economic returns and gains through a more integrated and beneficial national economic involvement. These have further encouraged unskilled workers to learn and acquire skills so as to be relevant in the competitive market that is created as investors seek competent hands to handle their investments.<sup>67</sup>

Some writers have expressed concerns about the impacts of liberalisation on the growth of national economies, most especially the “productivity growth in the manufacturing sectors of developing countries.”<sup>68</sup> Thus, such writers as Tilat Anwar, Andrés Rodríguez-Pose and Javier Sánchez-Reaza<sup>69</sup> agreed that the positive impact of trade liberalisation on growth is controversial, most especially in the developing nations.<sup>70</sup> Rodríguez-Pose and Sánchez-Reaza maintained that the divergent theoretical positions and empirical evaluations of economic growth usually yield conflicting outcomes for the “territorial impact of trade and economic liberalisation.”<sup>71</sup> These results vacillate between two extremes: the one that state how “trade leads to greater concentration of economic activity and greater polarization”<sup>72</sup> and the one that affirms that “economic liberalisation and increases in trade ultimately lead to a reduction of disparities.”<sup>73</sup> The empirical results of trade liberalisation for economies of nations are usually the direct consequences of the application of liberalisation and growth theories. However, efforts at applications can only lead to improved theories or vice versa. Showing the extent of the various polemics on

economic growth and liberalisation's effects on productivity, Satish Chand and Kunal Sen, affirmed that:

The conventional wisdom in favour of trade liberalization is that the latter can lead to significant gains in productivity. This view has, however, been challenged by the new theories of endogenous growth. The new growth theories do allow for the possibility that trade reforms may bring about a permanent change in productivity growth. However, the theoretical literature does not yield an unambiguous prediction on the direction of the change... Given this ambiguity, the impact of trade policies on productivity growth is ultimately an empirical question.<sup>74</sup>

Critics have argued that liberalisation has not really addressed the problems of human welfare in the global economic order and that it has been injurious to human welfare in developing nations.<sup>75</sup> They maintain that the strategies suggested by the MLOs are targeted at destabilising the economies of the developing nations so as to give the developed ones competitive advantage in the global economy. They also argued that the MLOs' imposed trade liberalisation strategies for economic reorganisation of the developing nations are the strategies that have failed the grown economies and are abandoned. Also, the conditions they compel the growing economies to adopt are unbearable for any economy. In the past, long durations were given to the now developed economies to achieve economic reorganisation when they were made to follow these conditions. Unfortunately, these same procedures are what the MLOS expect the growing economies to follow strictly over a relatively short period without concerns about their effects on these economies. For instance, as debated by Stiglitz, unemployment rate in Argentina was already at twenty percent while the IMF still expected it to embark on austerity measures. The now developed nations did not operate in this form.<sup>76</sup> Hypocritically, they still make efforts to protect their weak industries by subsidising their activities and putting protective measures in place to restrict trade liberalisation efforts, whereas, because of their vantage positions in the MLOs, they pressure the weaker economies to rigidly follow they suggested strategies and expose them to untold hazards.<sup>77</sup>

Sad to note that the aftermath of following these strategies and acceding to the MLOs' conditions is that there are series of economic, social, political and moral crises in the



disadvantaged nations. One of these is severe unemployment or job loss since trade liberalisation makes retention and creation of jobs difficult. A consequence of this is extensive poverty deriving from loss of means of survival.<sup>78</sup> Also, since the weak economies are unable to compete well with the strong ones, their economies are weaker as their industries produce only raw materials for the developed economies to process to finished products and resell to them at exorbitant prices.<sup>79</sup> By this, the already strong economies become stronger and the weak economies are at the mercy of the strong ones.<sup>80</sup> This often leads to massive corruption in the developing nations as their corrupt leaders seek advantages to benefit from the grown economies and the MLOs to the disadvantage of their people. However, despite these criticism and concerns, liberalisation is taken as an overriding factor and approach to economic reorganisation in the global economic order. Besides, it is widely held that the essence of any reorganisation in the global economic order is to enhance human welfare.

### **3.2.2 Corporate Benefits of the Global Capitalist Economy**

Reorganisations in the global economic order yield corporate benefits as corporations make efforts to enhance human welfare, being pressured by the conflicts emanating from the agitation for enhanced welfare of all stakeholders. Generally, issues concerning human welfare in the global economic order are multifarious in nature. For one, there are concerns involving global economic security.<sup>81</sup> Nations as well as corporations are expected to rise to the task of addressing this: nations because of national economic protection and corporations for the sake of their investments and business interests. This is against the backdrop that economic security facilitates security of lives and properties. There are also concerns involving harmful tendencies of environmental pollution deriving from industrial activities. As such, environmental problems such as green house effects, global warming and the depletion of the ozone layer which result from the activities of transnational corporations and also have grave economic consequences for the world, ranging from acid rains and poor farm produce, are perceived as threats to human welfare. Scientific, social scientific and humanistic approaches have been adopted to tackle these environmental problems and curb their harmful effects on the ecosystem, biodiversity and human health include afforestation, industrial regulatory controls, and so on.<sup>82</sup> At different times, the above concerns have translated to concerns about human dignity and justice in the global order, which are (implicitly) also concerns about human welfare.

Generally, initiatives towards achieving human welfare have prompted initiating different policies and programmes by the major players in the global economic order. These include the Millennium Development Goals (MDGs), Corporate Governance (CG), and Corporate Social Responsibility (CSR) which are part of the efforts to palliate the harmful effects of the global economy on its stakeholders. While the MLOs give attention to the welfare of people in the global community, corporations are also forced to think about people's welfare with the introduction of CG and CSR. This is contrary to the position that the sole aim of businesses is to make profit and not to bother about human welfare.<sup>83</sup> One of the ways by which corporations achieve business success and respond to human welfare is through attention to CG. The peripheral ideas determining what CG is are based on corporate citizenship, which is the idea that emphasises the necessity of firm devotion to the moral rules and orientations guiding business operations.<sup>84</sup> In recent times, the definition of CG has become inclusive to accommodate environmental, social and management concerns. Taken simply, the initiative for CG deals with how individual companies adopt management methods and procedures for effective action and attainment of human welfare. It is the system of administratively controlling and guiding the activities of corporations in ways that will take care of the different concerns of all stakeholders.

CG showcases the relationships involving satisfaction of the overall and long-term interests of all the various stakeholders, namely, the shareholders, consumers, debtors, managers, management board, creditors, staff of corporations and the people in the community of the corporation's operations who will one way or the other be affected by its activities. As such, the interests of all stakeholders must be taken care of according to best business practices that will boost the confidence of investors and other stakeholders and guard against corporate greed and corrupt practices.<sup>85</sup> This is facilitated through the formulation of laws and policies, and the establishment of organisational customs and procedures of operation. This aids building a virile institutional structure that makes for objective and effective policy implementation and control, which cater for the welfare of the various individuals involved. By this, corporations are accountable to all their stakeholders. CG also lowers the tendencies to have single personalities dominating and manipulating the corporation's system for personal gains to the detriment of stakeholders. This also aids an effective pursuit of corporate goals, which actually determine the focus of control and governance.<sup>86</sup>

On a general note, writers think the current global economy reveals two distinct approaches to realising human welfare. The first is *laissez faire* in nature and is thought to operate passively. It follows Adam Smith's economic principle of the invisible hand under which he claims that competition and the pursuit of self-interest by an invisible hand yield unintended consequences that culminate in an overall benefit for all stakeholders. This is an indirect way of saying that this trading pattern will lead to the welfare of all.<sup>87</sup> The second shows corporations' direct or intentional involvement in granting aids and assistance to the needy. It is intended to cushion the feelings of injustice that people have, resulting from the activities of corporate organisations.<sup>88</sup> Given the first idea on invisible hand, the activities of the transnational and corporate organisations have advanced the global economy. The total production of the TNCs is more than the economic returns of several nations of the world combined.<sup>89</sup> In this sense, the TNCs drive the global economy and provoke competition such that corporate initiatives are enhanced. However, some of the activities of these organisations sometimes have bad influences that hamper national economic growth, security and cause environmental problems that do not just threaten nations but the global community at large. It is for this reason that peoples, across nations, fight to ensure that TNCs contribute to national development and make reparations for their errors.<sup>90</sup> This is where the second point above comes to fore. In the past, in most nations, the TNCs refuse to accede to the people's demands but later started giving attention to issues of corporate social responsibility (CSR).

CSR incorporates the idea that corporations have responsibilities to their staff and the people in their communities of cooperation.<sup>91</sup> As such, it is expected that corporations ought to consider the social, environmental and ethical implications of their actions on their workers and people in the communities where they do business. The understanding behind this is the idea that bilateral/mutually beneficial relationships ought to exist between the communities and persons affected by the actions of these corporations and the corporations themselves. The absence of a cordial relationship may on the long run engineer conflicts that may place any of the sides at the loser's end. Most of the time, the corporations are the ones who witness paralysis in their operations and lose personnel. In some cases, their personnel are kidnapped by hurting people who see the need for vengeance and exploitation, either to demand ransom or send warning signals to corporations and their active and productive

workforce. At other times, people resident where corporations carry out business sometimes resort to conflicts because of the thought that what these corporations benefit from are common or public good from which all of them can derive benefits.<sup>92</sup>

Greard D. Keim observes that:

Operationality has been the focus of much of the recent discussion on corporate social responsibility. The literature appears to be confused because many activities subsumed under the rubric of corporate social responsibility can be shown to be public or partially public goods. Theoretical advances and empirical research pertaining to public goods mostly have been limited to economics, political science and sociology.<sup>93</sup>

As much as we are not interested in the ensuing debate in the issues raised by Keim, it is worthy of note to maintain that the success or productivity of any corporation depends on its being able to have a clear vision that allows for favourable operations and caters for human welfare so as not to jeopardise business and community interests. Speaking on the relevance of a vision of CSR, Marco Were said:

A clear vision and core corporate values formulated and shared by top-management with regard to CR are important elements in focussing the efforts of employees and mobilising their energy and enthusiasm. A vision vividly describes the long-term strategic goals and direction of development of the organization. Core corporate values are principles guiding decisions and behaviour; they support the organization in reaching its goals and vision. Both a vision and core corporate values address the big picture of the desired situation and desired change for the organization; they function as criteria to decide which implementation actions to take and to evaluate whether these actions are delivering results. An effective vision and set of core corporate values have two main characteristics: They are an appropriate reaction to the external environment of the organization. They are a source of inspiration for the employees of the company. A requirement for the second characteristic of providing inspiration is that the vision and values are conscious, shared and lived within the organization. A CR-vision and core corporate values therefore can not be installed by a mere declaration from top-management, but should be formulated in a carefully designed process to ensure fit with current personal values of employees.<sup>94</sup>

The ideal of CSR allows transnational corporations to be socially and ethically responsible for the consequences of their actions on their stakeholders. In brief, the

idea and pursuit of CSR are necessary for many reasons. One, to ensure sustainable development.<sup>95</sup> Two, for ensuring equity and fairness in nations.<sup>96</sup> Three, to ensure the guarantee of human rights and human dignity.<sup>97</sup> Four, to allow active players in the global economy to be responsible to stakeholders, demonstrating real commitment to the causes that foster global beneficial relations and human peaceful coexistence.<sup>98</sup> Five, to provoke to action those who are unmindful of the need to give back to society part of what they took from it.<sup>99</sup>

### **3.3 Conclusion**

In summary, this chapter showed that the global economy has yielded some benefits for the global inhabitants. Parts of these gains are that it aided trade liberalisation, deregulation and privatisation. These constitute a tripod on which global businesses lean and means by which economic liberality or free trade thrives. As offshoot of this, business competition is provoked in the world in ways that give room for elimination of market mediocrity, development of expertise and growth of domestic economies. Thus, productivity is enhanced to cater for human welfare. Also, the global economy has stimulated global responsive actions for ascertaining that human welfare is catered for. By this, all the players in the global economic order, viz: corporations, nation-states and multilateral organisation, become actively involved in pursuing the objective of achieving human wellbeing in the world by developing welfare initiatives that take cognizance of the interests of people in the global community. However, as much as the global economy has certain merits, the important question to consider is if it has yielded overall and significant benefits for all nations and peoples of the world who constitute the stakeholders of the global economy? This is the question the next chapter shall address.

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## CHAPTER FOUR

### INADEQUACIES OF THE GLOBAL CAPITALIST ECONOMIC SYSTEM

#### 4.0 Introduction

This chapter focuses on the inadequacies of the capitalist economic order and links these with the principle of Moral Egoism that underlies it. It seeks to show how this principle manifests in the structure of the global capitalist economic order and also in the activities of the players therein. Despite open border economic policies and social programmes, such as the advocacy for corporate social responsibility (CSR), the global economy has not significantly enhanced the overall welfare of all its stakeholders. This is due to the fact that the provisions of the principle of ethical egoism on which it rests apparently contradicts the pursuit of human welfare for all. More specifically, the objective of this chapter is to show how the contradiction between egoism, as the basis of the global economy, and human welfare, as the end of all social institutions, has not allowed the global economy to yield total dividends for all the players in it. At present, the three major players in the global economic order are nation-states, multilateral organisations (MLOs) and transnational corporations (TNCs). The negative activities of the TNCs, the injustices and moral crisis in the actions of the MLOs, and the moral problems among citizens of nation-states all combine to create an overwhelming moral crisis and failure in many nation-states, especially in the developing parts of the world. These have a lot to do with the moral foundations of the global economy. To this end, we shall examine how the interests of these players, especially the TNCs agenda of promoting efficiency and productivity, have been overly pursued to the detriment of human welfare which ought to be the ultimate end of the global economy, thereby undermining the promises of the global economy to adequately cater for the general wellbeing of all in society.

#### 4.1 Promises of the Global Capitalist Economy

The promises of the global economy are many. Among these, the following are conspicuous. First, the promise of free trade, which may be bilateral or multilateral, and is thought to guarantee unhindered economic participation.<sup>1</sup> Second, the promise of aids or assistance to nations. These are believed to be capable of helping nations, during difficult times, to combat national socio-economic challenges or meet certain important needs.<sup>2</sup> Third, similar to granting of aids is the promise of quick economic intervention and rescue during national economic crisis or when faced with

developmental challenges.<sup>3</sup> Under this, there are promises to provide economic succour to nations in forms of lending and provision of strategies for getting out of economic mess. Also, as part of this, nations are made to realise that they can benefit from the pool of economic technocrats or specialists in the world who can help their economies to overcome distress in crises periods. Fourth, the promise of participation in effective and meaningful economic dialogues, leading to the achievement of successful and sustainable economic gains, as nations make conscious efforts to realise fruitful economic pursuits.<sup>4</sup>

Many of the nations involved in the global economy have, at different times, derived certain socio-political benefits from the above global economic promises, which we briefly hint here. Based on these promises, in terms of economic considerations, there have been international granting of aids and promotion of bilateral trade among nations with the TNCs equally benefiting through a good expansion of their businesses. Socially, the promises led to nations' combining efforts to fight economy-induced environmental problems and catering for human welfare through such programmes as the millennium development goals (MDGs).<sup>5</sup> Politically, and paradoxically too, they have resulted in military disarmaments as well as taking up of arms in nations of the world. The disarmament is towards fighting a common cause that can lead to averting another world war while armed crusades are geared towards compelling ambitious groups to lay down their arms. The latter includes engaging of groups like the UN Peace keeping forces and the ECOMOG troops. On the long run, the promises of the global economy are intended to bring about or guarantee human welfare, which is the ultimate promise or aim of the global economy.

Channels for implementing the tenets of these promises are usually TNCs, MLOs and nation-states. Standing at the borderlines, sometimes as umpires and sometimes in the opposition, to drive change in the implementation of the policies emanating from the drive to attain these global economic promises are civil society groups, certain influential individuals and activists within nations and the non-profit or non-governmental organisations, whether national or international, that constitute minor players of the global economy. The major players of the global economy, the nation-states, TNCs and MLOs such as the IMF, World Bank, United Nations and WTO, that are directly involved in running the global economy, have at one time or the other



demonstrated intentions to be committed to global economic welfare. For instance, speaking about the IMF's originating documents and vision for the welfare of the nations, Daniel D. Bradlow stated as follows:

...the IMF's original governance structure contained some checks on the power of the richest member states, even though the IMF's system of weighted voting gave these countries the greatest influence in the IMF. Since the richest and most powerful states could anticipate having to use the financing services of the IMF, they were unlikely to advocate policies that were unduly burdensome for those states that did use the IMF's services. They understood that the policies they supported in the IMF could one day directly affect their own citizens and they could be held accountable for them.<sup>6</sup>

At certain periods, the MLOs have signed treaties and co-opted nations into supporting these treaties, giving them hope of deriving benefits from the pacts in the future. In a similar manner, through their activities and the promises of business prospects that offer hopes to the nations of the world, the TNCs easily make inroads into their host nations by obtaining operating licences and leaning on international economic agreements, depending on the companies' modes of operation. In some situations, mild agreements between them and the states, which also have welfare concerns, may be in form of Memorandum of Understanding (MOU) on such issues as environmental impact assessment, environmental protection and promises of jobs for the people within host communities.

Obviously, the issues involved in the promises of the global capitalist economy have a historical dimension. Hitherto, the cold war-involving the United States on one side and the Soviet Union on another - determined the economic alignment of nations but since the end of the cold war and the ushering in of new economic promises, it is generally thought to be the case that nations have economic willpower to determine what happens to their economies.<sup>7</sup> This is responsible for their being drafted into various multilateral economic organisations. There are various reasons why nations join these groups. For instance, the antecedent to some nations joining the WTO is the understanding that they would be treated with others based on equal rights. In a 2002 Doha treaty which was one of their usual bi-annual meetings targeted at discussing agenda for world trade, the ministers of the WTO nations came to the following resolution:

[We] commit ourselves to comprehensive negotiations aimed at: substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support. We agree that special and differential treatment for developing countries shall be a part of all elements of negotiations and shall be embodied in the schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and enable developing countries to effectively take account of their developing needs, including food security and rural development.<sup>8</sup>

The above description of the promise of guarantee of the welfare of nations reveals that the global economy holds promises for nation-states.

#### **4.2 The Moral Contradiction in the Promises of the Global Capitalist Economy**

Contrary to the stated promises of the global economy, developing nations have been largely marginalised and have not been treated equally.<sup>9</sup> For instance, the above quoted agreement among WTO ministers seemed to have proven to be mere lip service because ministers from sixty-one developed countries objected to it in a later meeting held in Cancun, Mexico.<sup>10</sup> In reaction, the developing nations agitated for the conditions for achieving equality to be favoured by stronger nations.<sup>11</sup> In the first instance, the idea of why, the well-to-do nations should object to the economic development of the developing ones calls to question the sincerity of the promises and agenda for successful global bilateral economic benefits. As scholars, such as Walden Bello, Claude Ake and John Akokpari, have shown, the decision makers in the global economy take decisions that do not take into consideration the other developing nations of the globe. This, no doubt, portrays that one of the major problems with the global economy is that it plays down equality, even though ideas of equality dominate the discourse on fair play in the global economy.<sup>12</sup> In actual fact, the ways by which some nations act in the global economic order undermine the popularly propagated idea of equality among nations. Nations are not really treated as equals, most especially in accordance with contracts existing between them.<sup>13</sup> As the global economy becomes more competitive and each nation considers its interests, the

tendencies to treat one another as unequals increase, and, each attempts to outsmart the other.

Efforts by the developed economies to take advantage of the weak ones reflect in a lack of transparency within WTO. The WTO has been unable to display clean acts concerning how trade agreements, bargains in innovations for new trades and trade settlements between nations are attained.<sup>14</sup> Resulting from this, states that are weak in negotiating with the WTO find themselves being discriminated against. On a general note, while the WTO is supposed to be impartial in its dealings, this has not been the case in real terms because the body's activities usually favour wealthy states and transnational corporations particularly.<sup>15</sup> These activities are evident in the ways wealthy nations and transnational corporations are favoured in the areas of imports and tariffs on imports, limitations on or banning of importation of certain goods other than raw materials, from the underdeveloped nations. As have happened for long, these allow strong protectionism in internal production in the developed nations while the weak nations vulnerably open their markets to trade. The aftermath is that the already weak economies get weaker and further exploited for the developed economies to gain advantage. These situations miss the clamour for a mutually beneficial free trade as spelt out by the various players in the global economy.

As portrayed by the WTO's working documents, the present idea of free trade invokes a conception of mutual benefit, through an initiative-based participation, in the minds of sincere and considerate players in the global economy. A free trade system that truly answers to the tag "free trade," would not necessarily marginalise any or create a defective system in situations that ought to benefit nations. Though it is commonplace for capitalist orientation to be prevalent in the pursuit of the current global economy because of the way it is structured, based on competition and exchange, any economy that will survive must be welfarist in approach. It must be laced with an orientation towards encouraging other players to be mutually considerate in their approaches to the pursuit of their interest. Though, as theoretically evident, this sense of mutuality is invoked in the way the players in the global economy agreed to approach economic pursuits, the practice contradicts it. In actual fact, any economic system that is actually driven by this sense of mutual consideration will not fail to really consider the necessity of mutual agreements towards reciprocal benefits among nations. In

situations contrary to these, overly pursuits of interests cripple the chances of the weak ones and debar them from mutual progressiveness. On the overall, these situations contribute to the widening of the inequality gap between rich and poor nations and rich and poor individuals in the developing and developed countries.<sup>16</sup>

Aside the above consequence, the WTO's failures in being open and transparent in its activities create the possibilities of industrial lethargy for local corporations in the developed countries. By this, we mean a situation in which local corporations' fervour for competition is undermined. The WTO's operations then allow others from the developing nations to gain upper hands while, in certain cases, the disadvantaged ones who suffer the effects of their activities produce inferior materials that will not enhance real economic development.<sup>17</sup> Obviously, this certainly reflects in situations where the poor and developing economies are not allowed the same trading rights as their rich and developed counterparts because of WTO's rules or policies which are not made open and transparent to member nations. Worst still, the domestic economies of the poor nations may suffer while the transnational corporations dictate the pace of things in the domestic economies of the rich and poor nations. By this, consumers might be forced to pay more. What this portends is the risk of creeping-inflation developing to chronic-inflation or, eventually, hyper-inflations for the local economies. In any case, the growing economies suffer these more. These may eventuate in a number of social crises such as severe unemployment and worsening poverty rates in the developing nations. Furthermore, it has been argued that the WTO takes for granted the need to start focusing on the interconnections between the pursuits of economic objectives and environmental issues. At present, trade expansion gains upper attention while the environment is given less consideration. The sad aspect is that at the end, the gains of economic expansion might be dwarfed by the deficits created by environmental problems emanating from economic successes.

The WTO's lack of operational transparency has been berated by scholars. In a 2002 paper, Walden Bello pointed out the injustice in the activities of the WTO. He criticised the shady way the organisation takes decisions while frustrating the profitable involvement of other member nations. For him, the body only decides on the consensus reached by the current economic superpower nations such as America, Canada, Japan, and countries that are members of the European Union. Once these

nations agree on certain terms among themselves, other nation-states are expected to simply comply with the terms of the superpower states' agreement.<sup>18</sup> Usually, this approach to decisions is not limited to the WTO. According to Gorik Ooms and Rachel Hammonds, the control exercised by the IMF and why it has been able to allow the domination of the developing economies by the developed ones is because its system allows the developed nations to have more power through exercising voting rights based on their affluence. The Third World Traveller's website said, "The US is the largest shareholder with a quota of 18% of votes. US, Germany, Japan, France and Great Britain together hold about 38% of the votes." The reasons usually adduced by IMF for allowing more votes for the developed economies centre around the fact of working to protect the institution and interests of the nations. The duo then asserted:

Therefore, if such protection is our goal, the IMF should be reformed. First, its "one dollar, one vote" governance should be replaced with a "one human being, one vote" governance, or at least a "one nation, one vote" governance. Voting power at the IMF is based on the amount of money a country contributes to the IMF. At present, the voting power, and thus the influence, of wealthy nations far outweighs that of developing nations. This fundamental shift in the IMF's system of creating policy could help engender a greater distribution of power toward those most affected by such policy.<sup>19</sup>

Essentially, one of the things this situation violates is the individual nation's right to vote in the affairs that concern it. On some occasions, when the weak nations determine to have inputs in the decision making processes, their representatives are denied entry visas by the superpower nations and as such they cannot partake in these activities. Thus, this visa constraint created by the superpower nations frustrates their efforts.<sup>20</sup> Unfortunately, not many of the nations put forth protests because of considerations of future benefits based on the promises of the global economy. However, their distrust in the superpower nations heightens, which affords the enlightened elites in these nations the privilege of criticising the big nations for their perpetration of injustice.<sup>21</sup>

Likewise, lack of transparency and openness are vivid in the way the World Bank operates. According to the Global Transparency Initiative (GTI), the World Bank is enormously powerful and takes custody of a vast pool of information on the nations of

the world and economic operations around the world. However, it has been found out that the WB hoards information concerning its projects and activities as it relates with nations of the world. It affirmed that:

In 1991, civil society groups pushed the Bank to release environmental assessments prior to project approval. In 1993, faced with further civil society pressure – and a threat to withhold funds by the United States Congress – the Bank adopted a formal information disclosure policy that introduced Project Information Documents (PIDs, released before approval) and expanded access to project appraisals once approved. In 2001, the Bank revised its policy and for the first time released documents related to structural adjustment loans (though only after approval), completion reports, and the Board calendar. In 2005, the Bank was pushed to finally release abridged minutes of Board meetings. Despite these gains, the Bank's current "Policy on Disclosure of Information" limits public access in a number of critical ways.<sup>22</sup>

Despite the WB's "Policy on Disclosure of Information,"<sup>23</sup> certain inadequacies still hinder the operations of the bank which borders on the fact that transparency and openness are not guaranteed in certain instances. It is a common observation among some of the bank's stakeholders and observers that the bank has reservations concerning certain information. As such, some vital information are kept from some of the nations that are stakeholders of the bank or their representatives. No doubt, this undermines the integrity of the bank and does not reflect a thoughtful and determined effort to ensure that its systems guard against marginalising others. In actual fact, openness ought to be total as far as what involves others' survival within an organisation jointly owned is concerned. The WB is not exempted since those from who such information are withheld are equal stakeholders. The Global Transparency Initiative (GTI) asserts that as much as the WB understands the 'principle' that information ought to be fully volunteered unless there are strong reasons that warrant holding it back, "its existing policy in fact contradicts it."<sup>24</sup> To make the matter worse, for non-disclosure of full information, people have opportunities to give their own interpretations to the little information volunteered, peddle rumours and adduce unjustifiable reasons for the activities of the WB. As such, its strengths become undermined and people's confidence in it wanes.

If the WB allows confidence in it to be eroded, development initiatives in the world will be crippled. In the modern world, withholding information from those who should have access to it is seen as a great hindrance to human developmental initiatives. In other words, those who deserve access to certain vital information necessary for developmental objectives ought not to be denied so as not to impede their abilities to initiate and achieve development. Article 19 of the United Nations Universal Declaration of Human Rights affirmed that every individual in the world, regardless of nationality “has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers.”<sup>25</sup> Though the tenets of the UN idea of human rights may have been contested by some, this article signifies that the world and the various players in the global economy are aware of the necessity of transparency and openness as far as information dissemination and acceptance are concerned. The perspective accounts for why international pressures mount on various nations of the world to pass the freedom of information (FOI) bill as part of the laws governing their nations.<sup>26</sup> More nations have bowed to this international pressure to pass the FOI bill. Unfortunately, as far as the MLOs and other powerful groups that mounted these pressures are concerned, they seem to be above compliance with rules of transparency and openness. If they do not say this categorically their acts portray it.

Following global economic history, many of the nations in the modern world were never really parties to most treaties that led to the formation of most of the global multilateral organisations that dictate the ways the global economy currently operates because of their being restricted by the colonial policies of the time. As such, this gave them a bad start and weakened their involvement and capability to exercise some level of firm control in issues involving these organisations. Up till now, nations that had a good start and have made substantial economic and ideological gains through having firm control over important global economic institutions are still the ones controlling global economic affairs. Succinctly put, the advantages gained over the years by these privileged nations that were directly involved in the formation of these MLOs make them now dictate the pace of events and shape the way the global economy runs.



To buttress the above points, as an instance, the positions of the apex leadership of the IMF and World Bank have never been occupied by any of the third world nations since they were not part of the initial signatories and lack the advantages the developed ones that were direct signatories to the founding of these organisations have.<sup>27</sup> Instead, these offices have been occupied by the citizens of, or those favoured by, the nations that are the principal protagonists at the Bretton Woods conference that occasioned the establishment of the organisations – most especially the United States and European nations, with special preferences for Great Britain and France. As at now, the advantages the United States has in these organisations overshadow the advantages of other nations. David Peretz sheds light on this aspect of the dealings of the multilateral organisations. He maintained the view that the tradition of having the important offices of the IMF occupied by European and US citizens “clearly reduces choice.”<sup>28</sup> What makes this worst is the fact that there is no well spelt out description of what should count for good choices by way of reflecting “the qualities, expertise and experience that candidates should have”<sup>29</sup> to occupy the offices. At the World Bank, this lasted until 2007 when reforms were supposedly instituted towards correcting the anomaly. Unfortunately, the procedure is still fraught with difficulties and the approaches adopted to select these leaders are still shrouded in mystery or unopen to other stakeholders, most especially the third world nations. According to Peretz, what is responsible for this is that the conventional procedures of decision making varies from the ‘substantive’ approaches to taking decisions that is the order of the day in dialogues between the government of the United States, European Union and the G7 nations.<sup>30</sup>

As it is obvious in our discussion here, on most occasions, the leaders of the third world nations are not in the picture, as far as top leadership positions of the most powerful multilateral financial organisations are concerned, even though they may be well gifted or intellectually endowed to make fantastic contributions to global economic development. By being in charge, at the expense of other stakeholders, the economic superpower nations are able to use their positions of advantage to control the global economy in their favour. A combination of various events centring on the above issues works to the disadvantage of the growing economies and give them poor advantage in the way the economy runs. At the same time, their chances are worsened by the fact that they are kept in the dark concerning important issues regarding their

economic development. The problem of lack of transparency within the MLOs portends a great mishap for the growing economies. Issues bordering on lack of transparency within multilateral organisations are more revealed in the Washington Consensus.<sup>31</sup>

By way of definition, the Washington Consensus is the joint neoliberal agreement of the IMF and World Bank on loan conditions to borrowing nations.<sup>32</sup> It is so named because these two institutions that operate by it are based in Washington. It allows these two organisations to offer conditions of structural adjustment to nations. These conditions include reducing their national budgets and other government offered services, exporting more of raw materials, drastic reduction or removal of trade tariffs on imported goods. These follow a tripod of free trade policies: economic liberalisation, economic privatisation and economic deregulation. Every borrowing nation is expected to strictly comply with the directives of the IMF and World Bank on policies based on the Washington Consensus. The Washington Consensus has been seriously criticised. At present, the Washington Consensus has failed due to the failures of the structural adjustment programmes that lean on this consensus and other aspects of IMF policies.<sup>33</sup>

The failure of the structural adjustment programmes is partly due to the activities of the World Bank and IMF that offered the programme. The non-transparency and dishonest dealings of these institutions constitute part of what led to this failure. Before the introduction of the structural adjustment programmes, there were several attempts by the developed nations to draft the developing nations into accepting certain conditions for economic reforms. For a long time, the developing nations rejected this. Unfortunately, through the greed of some leaders of the third world nations, most of the nations adopted the structural adjustment programme.<sup>34</sup> The more unfortunate aspect is that their lenders made them undergo reforms that give their economies huge setbacks and keep them in worst states of development.<sup>35</sup> On some occasions, these lenders adopt different strategies to keep the nations that are borrowing from them from being fully informed about the implications of their activities and, sometimes, take decisions without the involvement of these prospectively indebted nations. It has been discovered that the nations that refused the Washington Consensus performed better economically than the ones that did not. The

summary of this is that the Washington Consensus did not help the nations and it failed.

Apart from the above, the IMF exercises vast control in the global economy which makes nations see it as the gatekeeper of the global economy.<sup>36</sup> As such, other financial multilateral organisations depend on it. For instance, if it fails to recommend any indebted nation to groups, such as the WB and Paris Club, none of them will lend to the nation or grant it aids. Because of such roles as these, the IMF is usually called upon to come to the aids of nations in crisis, which affords it the chance to make the nations run its programmes. Unfortunately, its methods of designing programmes for nations to get out of problems and its approach in negotiation of conditionality for nations to benefit from these programmes usually rely on informal meeting methods such as conference calls, and so on, which are allowed to supersede formal methods. Unfortunately, on such occasions, minutes of meetings were never taken and a handful of strategists were allowed to finalise the projects intended for the outcomes of such informal meetings. As an aftermath, the missing transparency made the policy implementers to offer programmes that never really measure the problems faced by the people for whom such programmes are designed.<sup>37</sup> Stiglitz said that in these instances:

Citizens were...not only barred from discussions but of agreements, they were not even told what the agreements were. Indeed, the prevailing culture of secrecy was so strong that the IMF kept much of the negotiations and some of the agreements secret from World Bank members in joint missions. The IMF staff provided information strictly on a “need to know” basis. The “need to know” list was limited to the head of the IMF mission, a few people at the IMF headquarter in Washington, and a few people in the country’s government.”<sup>38</sup>

It becomes rather unfortunate that the nations for whom the IMF programmes were put in place are left in the dark concerning the information that could give them a leeway for escape from economic mishap. In an interview by Anup Shah, Shah queried Stiglitz on the activities of the IMF and WB. Speaking further on the issues surrounding openness and transparency, Stiglitz argued that:

The IMF likes to go about its business without outsiders asking too many questions. In theory, the fund supports democratic institutions in the nations it assists. In practice, it undermines the democratic process by imposing policies. Officially, of course, the IMF doesn't "impose" anything. It "negotiates" the conditions for receiving aid. But all the power in the negotiations is on one side – the IMF's – and the fund rarely allows sufficient time for broad consensus-building or even widespread consultations with either parliaments or civil society. Sometimes the IMF dispenses with the pretence of openness altogether and negotiates secret covenants.<sup>39</sup>

Thus, according to Stiglitz, the above situation in IMF made it uneasy to shift bureaucratic procedures to help ailing nations. As such, the conditions tacitly imposed on the nations make them worst off economically. According to him, before these conditions were enforced in, for instance, the Asian nations, their economies had improved and for decades many of them experience budget surpluses.<sup>40</sup> The efforts towards liberalisation of their markets due to IMF's pressure, in imposing conditions on them, occasioned an economic downturn in these nations as many investors attempted to remove their funds in panic. The people might possibly have seen no need to remove their investments from a flourishing economy if the IMF had not imposed these conditions on them.<sup>41</sup>

Apart from the above, it has been alleged by Africans that the weaknesses of the internal structures of the MLOs, in certain cases, have been responsible for moral conflicts in their national administration and leadership.<sup>42</sup> For instance, the WB is thought to aid and promote bribery and corruption among some nations of the world, especially the developing ones.<sup>43</sup> As a matter of fact, there are corrupt leaders in the developing nations who are bent on achieving their interests. These leaders sometimes find allies in some of the leaders of the MLOs. By this, leaders of the MLOs aid them to achieve their corrupt intentions while equally enriching themselves, under the guise of legally acting within the ambit of roles carved out for them by the organisations they represent. Besides this, in cases where they decided to deal with the corrupt practices of leaders of the nation-states, their actions lead to untold poverty within the nations. One of such actions causing poverty in nations is cancellation of lending programmes and aids as far as these nations are concerned. Reacting to this kind of situation, with respect to the IMF, Stiglitz opined that:

There was a certain irony in the stance of the IMF. It tried to pretend that it was above politics, yet it was clear that its lending program was, in part, driven by politics. The IMF made an issue of corruption in Kenya and halted its relatively small lending program largely because of the corruption it witnessed there. Yet it maintained a flow of money, billions of dollars, to Russia and Indonesia. To some, it seemed that while the Fund was overlooking grand larceny, it was taking a strong stand on petty theft. It should not have been kinder to Kenya-the theft was indeed large relative to the economy; it should have been tougher on Russia. The issue is not just a matter of fairness or consistency; the world is an unfair place, and no one really expected the IMF to treat a nuclear power the same way that it treated a poor African country of little strategic importance.<sup>44</sup>

While we are not justifying corrupt practices in growing nations, it is easy to deduce from the above quote that many developing nation-states have become more corrupt when finding solutions to conditions of extreme poverty. The MLOs should be bothered about the welfare of the nations and the possibilities of truly combating corruption without allowing their scheming to further throw the nations into poverty.<sup>45</sup>

#### **4.2.1 The Contradiction in the Activities of the Transnational Organisations**

Because of their strong pursuit of business interests, transnational organisations are the most active players of the current global economy. Their activities show one of the areas where the global economy displays a lot of inadequacies, which amplifies the contradiction in the economy, i.e., the contradiction in what this economy promises and the way it is actually carried out. We, hence turn to examine this. Quoting Ohmae, in his observation of the impacts of the activities of the TNCs in shaping the global economy, Henry Wai-chung Yeung highlights the following as the defining traits of the global capitalist economy:

1. Investment is no longer geographically constrained, so that capital can flow to places that generate the highest return or best opportunities.
2. Industry is much more global in orientation today. The state has lost control over the whereabouts of capital, because regulations and incentives are no longer effective in a 'borderless' world in which transnational capital can flow almost effortlessly across national boundaries.
3. Revolutions in information and transportation technologies have enabled global corporations to

operate virtually everywhere in the world without reproducing clones of management structures.  
4. Individual consumers are becoming increasingly global in their tastes and orientation.<sup>46</sup>

In actual fact, the traits described above, which seem to have merely suggested that the present global economy is webbed together by the TNCs', are actually characteristic of an economy that is driven by the activities of the TNCs. Obviously, seamless economy is made possible by them and they are so strong that they are almost irresistible. A number of factors are responsible for this. First, MLOs' policies allow the TNCs to function almost without restriction. For instance, Michael C. Webb, citing the involvement of the Organisation for Economic Cooperation and Development (OECD), argued that "international cooperation has done little to enhance governments' capacities to tax TNCs, and that normative deliberation in which private actors played central roles were crucial to this outcome."<sup>47</sup> Second, the insatiable appetites of consumers within nations make demands for the goods and services produced by the TNCs high. As such, because of the consideration that their activities will boost domestic economies, nation-states sometimes allow these TNCs to operate freely and make use of local raw materials for production, with the calculation that they will positively impact the domestic economies and benefit the people. One result of this is that the TNCs achieve exportation with limited government involvement and control. Third is the TNCs' unusual drive for profit. This on its own makes them go extra miles and adopt strategies they consider necessary for the survival of their businesses, not minding the interests of other protagonists, especially the nation-states.

The TNCs' activities cut across nations and they act with almost no resistance. They are at different levels, from small to bigger ones.<sup>48</sup> They operate to gain competitive advantage, as they compete with others who produce similar products. On some occasions some of them diversify to keep their businesses. As at now, the number of the TNCs within nations is overwhelming and they control larger percentage of outputs in the global economy. In making inroads into any nation, they present themselves as coming to promote the local economy. Unfortunately, as their various activities reveal in the global economic order, the TNCs have capitalised on their strengths to act contrary to the promises offered by their interactions with nations, either at the initial or later stages.

Usually, the concern of any nation involved with the TNCs is to develop its domestic economy through a mutually beneficial relation with these organisations. Contrary to the assurances of economic welfare, on most occasions, the TNCs appear to be merely interested in exploiting the underdeveloped state of the economies of the developing nations in order to keep these growing states as mere exporters of raw materials instead of their profiting from industrially well-processed finished good that can help them to compete well in the global economy. Deploring the exploitative nature of the TNCs, with particular reference to Africa, Claude Ake emphasised that TNCs' activities in Africa restricted giving encouragement to exports.<sup>49</sup> According to him, TNCs provide opportunities for global business advantages as far as exports, competence, and productivity are concerned but to rely on them is not to be ready for self-independence because they mostly use African nations as sources of raw materials, which offers least expansion and competitive advantages for these nations and ensure the failure of strategies for export promotions. As such, this failure "reinforces the tendency of African regimes to rely on the funds of the international development agencies and to follow the line of least resistance."<sup>50</sup>

With the above view, Ake says nothing better than that the TNC's efforts cripple exports beneficial to national economies and make the nations subservient to the MNOs and their forced economic strategies. Furthermore, the atrocities of the TNCs within and against national economies are many. On some occasions, the TNCs pressure the governments of their originating countries, if they are among the powerful economies, to force the developing economies to take certain decisions. Stiglitz said,

After developed and less developed countries have agreed to a trade liberalization agreement, for instance, the IMF and the World Bank may insist that the developing country engage in further liberalization, if it is to receive a requested grant or loan. A drug company in the U.S. will successfully pressure the U.S. government to put pressure on a foreign country that considers issuing a compulsory license not to do so, even when the issuance of that license is totally within the framework of the WTO.<sup>51</sup>

Given the egoistic tendencies in running the global economy, which permeates the activities of the TNCs, they operate with utmost consideration of allowing nothing but business interest in their relationship with the peoples in their communities of



operation. In most nations in which the TNCs operate, their slogan has usually been that it is not their business to divert stakeholders' funds to corporate social responsibility (CSR). Citing the case of the oil rich Niger Delta area of Nigeria and the assertions of the oil TNCs operating there, Felix M. Edoho,<sup>52</sup> said, that Shell SPDC claims that the company's

most significant contribution comes from carrying out our direct business activities efficiently, profitably and to high standards. It also comes from the sizeable investments we make. These create wealth for the nation, through the substantial amounts of taxes and royalties generated, and the direct and indirect employment created.<sup>53</sup>

With this mindset that manifests corporate greed, the TNCs antagonised recommendations to assist in providing necessary infrastructures towards achieving the social and economic development of their host communities in Nigeria claiming that it was not their responsibility to do so.<sup>54</sup> Rather, they debated that it is the duty of the government to care for its citizens. The aftermath of this is that militant activities in the region eventually led to oil thefts, damage of their oil exploration equipments, loss of their personnel to the kidnappings, brigandage and incendiary conflicts originating from militancy, among other severe consequences of their exploitative decisions.

In more recent times, militants' activities, political pressures, activities of interest groups, and so on, have forced the TNCs to embark on corporate social responsibilities in their domains of operation. Unfortunately, this has not also led to widespread benefit for the inhabitants of the world. Still rearing its head as one of the vital problems causing this is that the TNCs embark on CSR with the mind to take back what they have invested in the economy. Sometimes, this profit-making mindset reveals the essence of their aids, scholarships and business promotions which are camouflaged as activities geared towards corporate social responsibility but which actually aim at fostering their business interests and enlargement of profit-margins. In some of these cases, people in the TNCs' communities of operation were randomly selected to be partakers of these so called benefits.<sup>55</sup> In certain situations, the contributions made by many people through promos are harvested and presented as corporate aids to a few individuals while the corporation keeps the excess profit accruing from such activity. By this, the corporation has not really parted with

anything but collected from many to give to a few while making things appear as activities towards the realisation of CSR. Situations as these breed serious mistrust among the people towards the TNCs' and their activities. One may then confidently assert that, despite the attention given to CSR by the TNCs in the global capitalist economic order, the global economy has not significantly benefited all its stakeholders. This casts doubts on the effectiveness of ideal of CSR in regulating the activities of the TNCs to be devoted to the pursuit of the global economy's primary goal of ensuring that the interests of all stakeholders of the global economy are significantly enhanced through their activities. As at now, the TNCs activities are hugely exploitative while the MNCs that should be the regulating agencies of the global economy have virtually done nothing to check the excesses of the TNCs, thereby making the situation worst despite clamour for ideals such as the CSR.<sup>56</sup>

The TNCs exploitative acts thrive on a number of factors. First is the failure of corrupt government officials who exploit their own peoples and benefit at their expense while working to satisfy the unenviable corporate interests and greed of the TNCs.<sup>57</sup> The failures of these office holders, on many occasions, translate to state failures. As such, in certain cases, governments, especially in the developed nations, deliberately allow some of their policies to favour corporate organisations for political causes and personal gains. As such, corporate greed that leads to national exploitation has usually provoked reactions from several peoples across the globe. At different times, long protests have been embarked upon while pressures are mounted by citizens of nations toward sanitising corporations and eliminating corporate greed. An instance is the fairly recent 'occupy wall street' protest in the United States.<sup>58</sup> Second is the competitive spirit that allows for too much emphasis on productivity and efficiency at the expense of the people and their states. By this, TNCs explore their business freedom and their opportunities to concentrate on profit-making to the extreme. Regrettably, as they exercise this business freedom, their activities that yielded negative results, contrary to the people's welfare, in different areas such as environmental pollutions, sponsoring of brigandage against the people who complain about their activities, and so on, brought to fore their failures to take responsibilities for the direct results of their activities and the untold damages done to people's lives in their business environments. By promoting activities that harm people in their communities of operation, TNCs have actually acted immorally and downplayed the

welfare of their communities of operation. This indicates that the TNCs contradict the expectations of the nation-states in the global economic order in relation to human welfare because of unbounded pursuit of business interests.<sup>59</sup>

In addition to the above, the TNCs efforts to compete well with their counterparts has, in certain cases, resulted in overly driving their workers to achieve industrial productivity and efficiency.<sup>60</sup> This corporate concern for productivity and efficiency has turned men to mere puppets in the hands of the leaders of these TNCs. As it is now turning out, the interests of the workers in these corporate groups have been treated with little importance compared with the interest of the owners of the corporations. This is responsible for the ease with which these corporations sack their employees when they perceive that they will derive maximum gains through dispensing with them and recruiting others that they will equally keep in their employment for short periods without having to pay heavy severance packages. Besides this, many methods are adopted to ensure that workers are not paid huge salaries as before. A major one is outsourcing, which is a method of contracting services to other corporations that are thought to be capable of playing symbiotic roles so as to ensure that a corporation does not pay too much for its activities. These corporations will in turn employ staff that will serve as auxiliaries within the organisations that employ their employers. An outrageous outcome of this is the fact that many leaders of corporations, especially in the third world have enriched themselves through covert extra-contractual activities resulting from real negotiations sustaining the outsourcing.<sup>61</sup> Another is that it allows a shift in people's retirement time and reduction in the salaries and gains due to them. These dastardly activities are still, in a way, curbed in the developed countries because of good legal systems unlike the developing ones where the laws are easily broken. Thus, contrary to the promise of the global economy that the economy will yield overall benefits for all as the different peoples involved in it pursue their various economic interests, the activities of the corporations make some people work at others' mercy without their welfare being adequately taken care of.

Aside the above, as practised, it is observable that competitions geared towards maximising the business interests of the corporations have received more attention than concerns for the corporations' workers and the community. As a result, humans

only become worthless tools to be used and dumped. At this level, any sense of human worth is demeaned. This is a rather unfortunate aspect of any system that places too much emphasis on productivity and efficiency.<sup>62</sup> Apart from losing their jobs, as consequences, affected people also experience high levels of poverty and are forced to experience forced and cheap labour in cases where they condescend to the demeaning conditions of their morally egoistic employers. This unhealthy approach to competition does not lead to a mutual and bilateral growth and benefits for the competing parties. This is more so because the competing parties compete because of self-interests, which may lead to the extinction of some of them. A healthy competition necessarily ought to lead to a situation in which the market system benefits from the competition and the growth of the system is achieved for the benefits of all. In this, corporations will not focus on competing to destroy one another but towards exerting themselves to gain while the others gain also. In this instance, competition will yield a form of symbiotic outcome, which is positively purpose driven.<sup>63</sup>

On the whole, though the TNCs have their merits, the negative effects of their activities discussed above are averse to the promises of the global economy to enhance human welfare, which is the real primary goal of the global economy as distinct from the goal of business profit which these corporations make the main goal of the economy.

#### **4.3 The Nation-states: Passive Players of the Global Economy**

Conspicuously, while nation-states are the most passive of the three major players in the global economy, they are mostly affected by the policies of the other two players. Up to a point in history, the nation-state was a strong economic determinant and had firm grips on national territories. However, now, the globalisation process and the sweeping effects of the activities of the MNOs and the TNCs seem to really dwarf their actions and impacts to exercise economic control in the global capitalist economic order. Despite some of the good effects of the global capitalist economy, its increasing integration as propelled by the actions of the other players, especially the corporations, sometimes trigger untold social and financial crisis that have ripple effects across nations of the world, with economies collapsing at more alarming rates. An instance is the recent global economic meltdown or recession at the end of 2008

which brought serious poverty and depression on many nation-states and their citizens.<sup>64</sup> Also, conspicuously noticeable from this integration is the erosion of the sovereignty of nation-states. These show that the nation-states are the ones at the receiving end of the negative effects of the activities of the TNCs and MLOs in the current global economy. Thus, the activities of the TNCs in nation-states affect national citizens more directly than those of the MLOs.<sup>65</sup> The TNCs act right where the people are while the MLOs act through national governments. To encourage production and local business investments, towards the viability of their economies, nation-states give landed properties, almost free of charge in some cases, licenses to and open business opportunities for TNCs so as to allow them to operate in manners that can benefit their national economies.<sup>66</sup> Painful though, for the sake of maximum benefits, these corporations cheat on the people by taking advantage of them to foster their parochial interests.<sup>67</sup> According to Kaushik Basu, TNCs never wish to experience problems with those they employ to work for them in these regions so that their production activities would be uninterrupted. Unfortunately, as means of guaranteeing this, they lobby some nations to create conditions for their workers to relax on claims to certain rights for employment. By this, when employed, the people:

...give up their collective bargaining rights and desist from trade union activity, and suspend the application of minimum wage laws (which are frequently the source of worker-management dispute), which may be effective elsewhere in the nation...If a worker chooses to work in one and is accepted by a firm, then presumably both the worker and the employee like it that way and the principle of free contract seems to kick in. As Judge Robert Sweet, presiding over the case in which MacDonald's was sued for causing obesity, said, in dismissing the case, 'nobody is forced to eat at MacDonald's.'<sup>68</sup>

One of the results of the above economic situation involving the activities of the TNCs is that it has occasioned escalation of poverty in nations, most especially the developing ones, as citizens of these nations become disadvantaged and only live from hand to mouth as an aftermath of the TNCs encouraging of forced labour in the nations of the world. By this forced labour, corporations give jobs for which they enslave the people and pay them peanuts for hard labour. While it appeared as if the people are allowed to freely enter into job contracts, what actually happen is that they have been indirectly compelled to pick up jobs that will yield only marginal economic

benefits for them while their employers record great profits at the workers' expense. This kind of treatment is what Karl Marx argued against in many of his works.<sup>69</sup>

Nation-states allow the above kind of treatment from the multinationals because of their desire to have higher exports turnover by enhancing local economy through productivity. Unfortunately, their decisions are sometimes made without understanding the real intentions of the TNCs to short-change them. As such, these nations are sometimes at the losing end because of this lack of discernment. What they often fail to realise is that even though there may seem to be parity between their interests and those of the TNCs, they certainly differ in these interests. The interests of the TNCs are towards business profit, no matter the strategies adopted, while those of the nation-states focus on the welfare of their citizens. The TNCs are more aggressive and have established aggressive systems for realising these interests but the nation-states are not that forceful on most occasions. This is why the exploitation of the citizens of nations by opportunists who capitalise on cheap chances of wealth creation at the expense of the nation-states result. According to a description by John Rapley, which is still the same as now:

In the 1980s, research uncovered an alarming polarization between rich and poor in most societies. There emerged a picture of a decade of in which a small class of entrepreneurs and financial spectators had become fabulously wealthy at the expense of the bulk of the population, even the most buoyant economies.<sup>70</sup>

Apart from the above, the failures of the nation-states are also evident in their adoption of the different strategies and programmes proposed by the MLOs for running national economies. Most conspicuous are failures that centre on privatisation, monetisation, deregulation and liberalisation. The results from these approaches to national economic reorganisation, rather than create avenues for widespread benefits through national economies for all, average people hardly benefit from them. For instance, in attempts to deregulate the public sector and liberalise national economies, nations have opened up their economies to controls by the TNCs, with the collaboration of some greedy nationals who are in governmental spheres. Unfortunately, those who eventually benefit from these attempts are the foreign economies that owned the TNCs. Really, in global economic assessments, the benefits in the nations where the TNCs operate are insignificant when compared with the

benefits derived by their originating nations.<sup>71</sup> Efforts at liberalisation have created several environmental and political concerns in many nations, which eventually lead to economic woes in these nations.

Most companies privatised in many developing nations witness only the people at the helms of affairs in the nations benefiting, either directly or indirectly. Also, efforts to eliminate unnecessary government spending by allowing monetisation give opportunities to those who have control within governmental systems to receive bribes and kickbacks. At the same time, many people become jobless while some of the best hands that are capable of contributing to national economic developments are weeded out. This also leaves loopholes for those who have the mind to steal government properties to do so. On the overall, in these situations, the policies of the MLOs encourage economic setbacks in many nations as their leaders act under the guise of privatisation, monetisation, liberalisation and deregulation to loot their nation's treasuries and work against the welfare of the people.<sup>72</sup> As such, as they embrace the MLOs' agenda for personal gains, not minding the welfare of their nations, the MLOs gain upper hand having found fertile opportunities for their activities. The general understanding of privatisation, which is believed to be its essence, is to make government owned corporations and infrastructures belong to individuals so as to promote competition that will ensure that common people benefit from the goods and services form those corporations. The current trends in privatisation efforts within nations deviate from this by becoming an exploitative way of acting contrary to people's interests. Thus, nations and their citizens are the losers in the manoeuvres involving them and the other players of the global economy.

#### **4.4 Moral Egoism: The Basic Reason for the Inadequacies of the Global Capitalist Economic Order**

The inadequacies of the global capitalist economy discussed earlier in this chapter stem from its foundation of Moral Egoism. This egoistic leaning is responsible for why individuals in the economy are bent on pursuing their business interests and working assiduously to profit at others' expense. Obviously, Smith's assertion that pursuit of self-interests by individuals necessarily yields overall benefits for society has never been found to be realistic. Though the global liberal capitalist ideologies that direct the global economy lean on egoistic foundation, just a part of the totality of



what Smith argued for has really been adopted to run the global economy. As such, running the global economy based on a view of Moral Egoism leads to inadequacies and contradictions in the global economic order. By the way Moral Egoism is made to dominate the global economy, the advantages that should have been realised as the overall benefits or welfare for the inhabitants of the global economic order have not actually been realised.<sup>73</sup> If Smith's complete views have been harmonised to run the global economy, it would have been more beneficial than it is at present. For further clarification, we shall, hence shed more light on the actual source of the moral contradiction in the global economy.

Over the centuries, scholars have variously examined Smith's views and pointed out an over-bloated problem which is generally called the Adam Smith problem. This has to do with the problem of inconsistencies in Smith's ideas in his *Theory of Moral Sentiments* and the *Wealth of Nations* (hereafter, TMS and WN respectively). These two works have two different conceptions of the invisible hand. The aggressive drive for pursuit of self-interest portrayed by the WN differs from the sympathetic approach to pursuing self-interest in the TMS. The different account in the TMS has usually been ignored by economic practitioners while they capitalised on the aggressiveness of the view of invisible hand in the WN to run the global economy in ways not beneficial to all. Interesting though, the idea of invisible hand only appears once in each book. In discussing the "invisible hand" in the TMS, Smith said:

The rich only select from the heap what is most precious and agreeable. They consume little more than the poor, and in spite of their natural selfishness and rapacity, though they mean only their own inconveniency, though the sole end which they propose from labours of all thousands whom they employ, be the gratification of their own vain and insatiable desires, they divide with the poor the produce of all their improvements. They are led by an invisible hand to make nearly the same distribution of the necessity of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus without contending it, without knowing it, advance the interest of the society and afford means of the multiplication of species. When provinces divided the earth among few lordly masters, it neither forgot nor abandoned those who seemed to have been left out in the partition.<sup>74</sup>

Whereas, in the WN, he was more strict in his approach. According to him:

As every individual, therefore, endeavours as much as he can, both to employ his capital in the support of domestic industry, and so to direct that industry that its produce maybe of the greatest value; every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain; and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest, he frequently promotes that of the society more effectually than when he really intends to promote it.<sup>75</sup>

Given the two accounts of “invisible hand,” we can confidently affirm that the meaning of the “invisible hand” that Smith intended has been allowed to be just one sided by scholars and economic practitioners. On various occasions, scholars have argued about the contradiction in the two accounts of invisible hand in Smith’s two works. The problem of how to reconcile these two accounts of pursuit of self-interests is what they call the Adam Smith problem.<sup>76</sup> Even though issues concerning this problem have been debated from different perspectives, theoretical considerations have been pushed to the extreme such that empirical concerns are not well addressed. Obviously, in the way the global economy runs, the well-known Adam Smith problem is not faced out. Most modern economic failures, most especially as seen in the present global economy, stem out of the failure to balance the two conceptions of the invisible hand in Smith’s works. Instead of balancing the expression of the idea in the two books so as to take a middle ground, most scholars have usually maintained the side affirmed in the WN. Thus, theoretical contradiction amplifies empirical implementation of the ideas. On a careful consideration, the contradiction in the global economy lingers because as writers apply Smith’s views on invisible hand in the WN they take for granted that the theoretical foundation and framework for the ideas discussed in the WN, which should have been held as instrumental in regulating the global economy as well as resolving the contradiction inherent in it, were laid in the TMS.

The inadequacies in the global economy centre on self-interest, which is the point of the idea of invisible hand. Smith's two books have both positive and negative perspectives to pursuit of self interest. The account of self-interest in TMS is shown to be an enlightened or rational self-interested one that yields positive results for all. TMS shows that there are possible abuses of self-interest. Individuals prioritise what concerns them and neglect concerns for others because of their ambitions.<sup>77</sup> However, their delusion of the pursuit of their happiness and their failure to realise this delusion eventually prevents them from real happiness as they indulge in an excessive pursuit of the happiness. In certain aspects of WN, Smith pointed out that excessive self-interest leads to the rapacity of the merchants and eventuates in mercantilist policies.<sup>78</sup> Succinctly explained, this means that what the individual benefits makes the community to be disadvantaged. In the TMS, Smith's account of pursuit of self-interest is not excessive and it is other-regarding or altruistic in nature while the account of self-interest in the WN claims to concentrate on altruism but is actually self-serving or egoistic in nature.<sup>79</sup> In the TMS, there is no abuse of self-interests as there is in the WN.

As seen in the above quote from the TMS, it is the responsibility of the advantaged to pursue self-interests in ways that are empathetic to the life of the disadvantaged. In pursuing their self-interest, they consider the interest of the disadvantaged. As such, as they do this, an invisible hand regulates what they do for them to get results that are advantageous to the community. This seems a contrast to the idea of invisible hand in the WN. In the TMS, desire for praise and the operation of "impartial spectator" regulates self-interest. By the crave for praise, Smith means the necessity of wanting to keep one's honour and dignity before others, so as to be admired. Also, by impartial observer, he means a natural innate trait. Everyone has the impartial spectator in him as the regulator of his actions. This Smith described as:

...a stronger power, a more forcible motive, which exerts itself upon such occasions. It is reason, principle, conscience, the inhabitant of the breast, the man within, the great judge and arbiter of our conduct. It is he who, whenever we are about to act so as to affect the happiness of others, call to us, with a voice capable of astonishing the most presumptuous of our passions, that we are but one of the multitude, in no respect better than any other in it; and that when we prefer ourselves shamefully and blindly to others, we become the proper objects of resentment,

abhorrence, and execration. It is from him only that we learn the littleness of ourselves, and whatever relates to ourselves, and the natural misinterpretations of self-love can be corrected only by the eye of this impartial spectator. It is he who shows us the propriety of generosity and the deformity of injustice, the propriety of resigning the greatest interests of our own, for the yet greater interest of others, and the deformity of doing the smallest injury to another, in order to obtain the greatest profit for ourselves.<sup>80</sup>

What Smith identifies here reflects an important question concerning what counts as the basis of morality or moral actions. Smith expects everyone to regulate self-interests. If we take the two accounts of “invisible hand” together and strike a balance between the two perspectives, there will be allowance for rational pursuits of individuals’ interest that will put others into consideration. This is what many players in the global community do not seem to realise. As at now, the dominant economic idea on which global economic practitioners hinge their economic practices is Smith’s “invisible hand” in the WN which affirms pursuit of self-interest and the consequent regulation of the economy by an invisible hand as people trade without governmental interference or regulations.<sup>81</sup> When we think about this, we will realise that the moral contradiction in the global economy emanates from a one sided application of Smith’s views of the “invisible hand.” In actual fact, in the interregnum between different events from Smith’s days and the present era, there have been several inadequacies and economic disadvantages in the global economic order emanating from this one-sided interpretation and lack of harmony in addressing his two economic accounts. Thus, it becomes easy to conclude that, in running the present global economy, the manner of practicing the economy reflects this obvious imbalance such that as one set of people benefits the other set is increasingly pauperised by the activities of the one that benefits. The practices of the global economy then contradict its promises.

Due to the fact that the global economy is misdirected by the imbalanced interpretation and non-reconciliation of Smith’s two ideas of the invisible hand, the moral contradiction between the promises of the global economy, based on the principles guiding the economy and its actual practise, becomes very obvious. This contradiction reveals that the global economy has not actually promoted the overall welfare of the stakeholders in the global economic order. As such, the problems arising from this contradiction include consequences such as loss of lives and

properties and downward turn of the economy. If carefully addressed, a synthesis of or middle ground between Smith's two ideas will impose an obligation to be morally responsible on the practitioners of the global economy. This moral obligation will promote reciprocal actions in the pursuit of interests by the economic practitioners. At present, the disharmony between these two ways of pursuing interests led to clamours for things as social welfare, corporate social responsibility, corporate governance, and so on, which are responses to the trans-border approaches to palliating the negative effects of the global economy on nations' economies.<sup>82</sup> Unfortunately, up till now, the main reason these trans-border economic approaches have not been of any significant overall benefit to all stakeholders is that the global economy is yet to fully harmonise Smith's economic and welfare views. Allowing a middle ground, and not any extreme, between these two ideas of invisible hand becomes necessary to make the global economy more beneficial to all. This middle ground will result in a rational or enlightened pursuit of self-interests that will serve as a new moral basis of the global economy as well as a viable alternative to Moral Egoism that currently underpins this economy.

#### **4.5 Conclusion**

In summary, as seen above, the contradiction in the present global economy is the direct results of the activities stemming from the inadequate economic interpretation of the idea of the invisible hand. Based on this theory, global economic strategists and implementers have struggled to pursue their interest. Also, we have highlighted the various ways by which the present global economy is not beneficial to all global inhabitants. We have also emphasised that scholars' and economic players' examination of the idea of invisible hand is one-sided, which underlies the contradiction in the pursuit of the global economy. We pointed out that the perspective that guides the current global economy does not harmonise or balance Smith's complete idea about how the invisible hand regulates the economy and yields overall welfare for the people in an economy. This is what makes the contradiction in the global economy more pronounced and renders it incapable of catering effectively for the welfare of all stakeholders of the economy. Having considered these, we will proceed to the next chapter, which focuses on how to apply the principle of Enlightened Self-interest to run the global economy in line with Smith's and Rawls' ideas.

## Endnotes

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- <sup>2</sup> Bird, G. 2004. 14.
- <sup>3</sup> Bird, G. 2004.
- <sup>4</sup> Bird, G. 2004.
- <sup>5</sup> These programmes aim at alleviating poverty, improving health, providing education and so on, in these nations.
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- <sup>10</sup> Alexander, N. 2005. The roles of the IMF, the World Bank, and the WTO in liberalization and privatization of the water services sector. Silverspring, MD: Citizens' Network on Essential Services. 20-21.
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- that kind of proportion, but with arithmetical proportion.” A consideration of the concept of equality here, no doubt, drafts in the concept of what may or may not be just or fair to be accepted as good dealings in global activities. Aristotle. 2004. *Nichomachean ethics*. Trans. Roger Crisp. Oxford: Cambridge University Press. 87.
- <sup>14</sup> Bello, W. 2002. 117-122;
- <sup>15</sup> Bello, W. 2002.
- <sup>16</sup> Such situations as these have provoked serious questions among scholars. Sach once queried: “When will...history start again, with efforts being made to devise blueprints for society and world community, fulfilling the three criteria of social justice, ecological wisdom and economic effectiveness? When will there be a new world order on equality of opportunity for all countries, big, small, rich and poor, and an equal sharing of power in international institutions?” See Sach, I. 1992. Introduction: the end of the age of Columbus? development in question. XLIV. 4: 457-458.
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- <sup>18</sup> Bello, W. 2002. 117-123.
- <sup>19</sup> Ooms, G. and Hammonds, R. 2009. Scaling up global social health protection: prerequisite reforms to the international monetary fund. *International Journal of Health Services* 39. 4: 799.
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- <sup>22</sup> Jenkins, B. 2009. World bank to review transparency standards. UNU WIDER. Research Paper 2005/40. 125.
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- <sup>24</sup> Jenkins, B. 2009.
- <sup>25</sup> The UN Human Rights declaration follows important documents in European and American history to create a legal standing for the pursuit of human rights. These earlier documents include the Magna Carta, French Declaration of the Rights of Man and the United States Bill of Rights. Over the centuries, the global community has come to terms with certain universal tenets for human existence to be meaningful. Rosen, M. and Wolff, J. Eds. 1999. *Political thought*. London: Oxford University Press. 400.
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- <sup>31</sup> Williamson, J. 2008. A short history of the Washington Consensus. *The Washington Consensus reconsidered: towards a new global governance*. Eds. Narcis Serra and Joseph E. Stiglitz. Oxford: Oxford University Press. 14.30.
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- <sup>33</sup> Ocampo, J.A. and Stiglitz, J.E. 2008. *Capital market liberalization and development*. Oxford University Press. 357.
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- <sup>39</sup> Stiglitz, J. 2000. What I learned at the world economic crisis. The Insider. The New Republic. Retrieved March 25, 2009, from <http://www.globalissues.org/article/3/structural-adjustment-a-major-cause-of-poverty>.
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- <sup>51</sup> Stiglitz, J.E. 2007. Multinational corporations: balancing rights and responsibilities. *Proceedings of the Annual Meeting of American Society of International Law* 1.9.
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- <sup>63</sup> Godfrey, N. 2008. Why is competition important for growth and poverty reduction? Department for International Development, OECD Global Forum on Investment, London. 3- 4.
- <sup>64</sup> Historically, this portrays a situation of unrivalled and damaging impact of the global economy on humans. The only similar case to this was the Great Depression of the 1930s. The current global economy has worst impacts because of the breakthrough in information technology that makes it possible for investors in an economy to have access to information that could make them take urgent decisions that can negatively affect global economy.
- <sup>65</sup> The increasing integration of the global economy has made the financial crisis emanating from it to have ripple effects across nations of the world, with economies collapsing at more alarming rates than they ever grow. The most recent instance is the global economic meltdown/recession that started in latter part of 2008, only comparable to the Great Depression of the 1930s, which occasioned a huge collapse that brought untold poverty and depression on many nations and individuals in the world. Unfortunately, the activities involved in global economic integration have led to a loss of sovereignty for the nation-states.
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- <sup>78</sup> Smith, A. 1998. 646-647.
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- <sup>80</sup> Smith, A. 2005. 120.
- <sup>81</sup> Smith, A. 1998. 593.
- <sup>82</sup> Doyle, E. 2005. *The economic system*. Sussex, England: John Wiley and Sons Ltd 1-32.

## **CHAPTER FIVE**

### **TOWARDS AN IDEAL MORAL FOUNDATION FOR THE GLOBAL ECONOMY**

#### **5.0 Introduction**

The chapter proposes the principle of Enlightened Self-interest (ESi) as a viable alternative to Moral (Conditional) Egoism that underpins the global capitalist economic order. Using Smith's idea on self-interest, it argues for ESi. To achieve its aim, it shows how Rawls' principles of justice, especially the difference principle, and duty of assistance rest on the principle of ESi. Based on an interpretation of these views that construes of them as types of moral obligations, it argues that the principle of ESi can serve as an alternative basic moral principle to ethical egoism that can adequately take care of the moral shortcomings of the global capitalist economic order and enhance a global economic order that will be true to the ideal purpose of the global economy and be more beneficial to all its stakeholders. It will equally discuss how the principle of ESi can be incorporated into the structure of the global economy in ways that will avoid the shortcomings of the existing global capitalist economic order and facilitate widespread well-being for all the stakeholders of the economy.

#### **5.1 The Concept of Enlightened Self-interest**

The concept of ESi deals with rational and other-regarding pursuit of self-interests. It is common for men to seek their interests first in all things. This intrinsic concern for personal welfare is responsible for why men use others and are tempted to bother less about altruistic feelings. However, one may be self-interested and still pursue that interest in an enlightened manner, showing good understanding in the way one relates with others to pursue one's self-interests. Over several years, the idea of ESi runs across a wide number of thinkers' views. While some give it utilitarian interpretation others construe it as being humanitarian in nature.<sup>1</sup> The former group, thus, relates it to what is empirical and useful while the latter views it as idealistic and charitable in nature. This chapter combines both perspectives in creating its theoretical framework. Theoretically, the concept of ESi underpins the social contract theories. Hobbes, Locke and Rousseau considered the need to gain mutual advantage through rational pursuit of personal interests as the ultimate reason for men's quitting a natural

anarchic state to transfer their powers to others so as to guarantee their overall long term interests.<sup>2</sup>

As an important example of this school of contract theorists whose views heralded the others, Hobbes' in his *Leviathan* showed that the thought of promoting personal interests without endangering human life made men to arrive at the social contract. The eagerness to ensure good protection of self-interests made different self-interested men to voluntarily give their powers to a man or group of men to help protect their interests by acting as their representatives. Thus, people operated with the view of protecting their common good. By seeking their general wellbeing they think that their individual wellbeing will equally be guaranteed.<sup>3</sup> Considering this scenario and the other articulations of the social contract idea, to act based on ESi is to act wisely and seek others' interest as much as one seeks one's own. By this, one's interests are enhanced. Apart from the above, as shown in Chapter Four, identifiable in the articulation of Adam Smith's two conceptions of the invisible hands in his two books, the *Theory of Moral Sentiments* (TMS) and the *Wealth of Nations* (WN), is an idea of ESi.

Smith's reference to an ideal sympathetic observer in the TMS may actually be said to be the basis of ESi. This impartial spectator, which is the conscience present in every man, allows humans to be able to regulate their actions and be sympathetic to one another's concerns. Although this idea, which is central to Smith's TMS, was earlier discussed by Hutcheson and David Hume, Smith's approach is distinct. In talking about the conscience as the arbiter of human actions, Smith reflects on the possibility of an ideal person who is passionate about giving others due consideration in all activities relating to him and their interests.<sup>4</sup> This ideal observer is a moral agent, an internal person who allows humans to assess their actions in the light of how people who are external to them will assess them. Thus, he sets orders by correcting what may not be right through perceiving it from other people's perspectives or seeking to bring about change before being corrected by the external spectator. As much as this internal person strives to pursue interests, he allows the interests of others to also have a right of place while working towards mutual benefits for them. He is an individual who judges situations without being subject to the bias or prejudice of human perspectives. He evaluates the approval or rejection of his actions by those with whom

he relates in light of his feelings and the extent to which he performs actions that are sympathetic to others cause. Thus, Rawls concludes that:

Responding to the interests of each person in the same way, an impartial spectator gives free reign to his capacity for sympathetic identification by viewing each person's situation as it affects that person. Thus he imagines himself in the place of each person in turn, and when he has done this for everyone, the strength of his approval is determined by the balance of satisfactions to which he has sympathetically responded. When he has made the rounds of all the affected parties, so to speak, his approval expresses the total result. Sympathetically imagined pains cancel out sympathetically imagined pleasures, and the final intensity of approval corresponds to the net sum of positive feeling.<sup>5</sup>

Smith's idea of a spectator who moderates fairly between interests is what Rawls later developed as the idea of the ideal observer in his efforts to conceptualise thoughts on the original position which is equally a situation of ESI. As a matter of fact, Smith's impartiality thesis as well as Kant's idea on impartiality are significant for the idea of justice as fairness which is a theory of human welfare. Drawing from Smith's idea of the impartial observer, Rawls theory leans on Kant's view of impartiality under his categorical imperative that men should be treated as ends in themselves rather than as mere means to ends. Kant urged all humans: to act "as though the maxim of your action were to become, through your will, a universal law of nature."<sup>6</sup> In other words, humans should perform actions that all men can accept as the universal standard of morality. By giving attention to the importance of human self-worth and reciprocal benefits in human relations,<sup>7</sup> individuals will be seen as part of the kingdom of ends where each person treats the other with utmost dignity.<sup>8</sup>

To Rawls, contracts drawn based on impartiality must be objective and non-circumstantial in outlook. An impartial spectator is required to determine this kind of impartial status in contractual agreements. Drawing on this, Rawls formed his contract theory, holding that contracts are impartial if originated from an original position in which people determine to choose what their future status will be in a future society.<sup>9</sup> People in this original position must be able to agree on just principles to organise this future society. Rawls sees justice as the first virtue of social institutions and its primary subject to be the basic structure of society and social



institutions. The basic structure greatly affects the lives of persons in society for their entire lifetime because they “distribute fundamental rights and duties in society.”<sup>10</sup> The basic structure of society has the role of distributing benefits (such as powers, rights, liberties, food shelter and authority) and burdens (such as duties, obligations as tax payments) that derive from cooperation among social beings. Granting these and the profound nature of the impacts of society’s basic structure on human life, what rules and procedures ought men to adopt to create, govern and lead the social institutions justly? As an answer, Rawls proposed the original position of equality in which rational self-interested but mutually disinterested men, under a “veil of ignorance,” making choices, discussing their roles and fashioning out principles that will govern these roles and interests in the said future society. Rawls considers this original position to be similar to the hypothetical social contract expressed by Hobbes, Locke and Rousseau.

When carefully examined, Rawls’ original position of equality that is a situation in which individuals rationally considered their self-interests depicts a situation of ESI. According to Rawls, the persons in the original position will be fair, because of absence of contingencies of bias, since no one is sure of what his real position would be in the new society.<sup>11</sup> From the foregoing, the rational consideration of interests, which depicts ESI, would make each man in the original position to act reasonably and carefully enough to choose principles that would be fair to all in the future society.<sup>12</sup> Since those making choices in the original position never wish to go through suffering, which they can avoid by their choices, they would deny making a choice of utilitarian principles. They will choose two principles which are stated as follows:

1. Each person is to have an equal right to the most extensive total system of equal basic liberties compatible with a similar system of liberty for all.
2. Social and economic inequalities are to be arranged so that they are both:
  - a. To the greatest benefit of the least advantaged, consistent with the just savings principle and
  - b. Attached to offices and positions open to all under conditions of fair equality of opportunity.<sup>13</sup>

Rawls called the first the principle of the greatest equal liberty. He also called the first part of the second (2a) the difference principle and the last part (2b) the principle of fair equality of opportunity. These principles are to be applied in the following lexical order: principle (1) is to be satisfied before (2). (2b) is to take priority over (2a). The principle of equality of liberty entails that everybody has certain rights that make him equal to others which must be respected. For instance, things as freedom of expression, right to own properties, right to life, and so on, are part of the freedom deriving from the principle of equality of liberty. The second part of the second principle provides for a situation under which everyone must be given equal opportunities for competition and self-determination so as to derive benefits. This right must not be hindered by anyone. The first part of the second principle allows for the worst offs to be treated preferentially so that they can equally gain some advantage. This preferential treatment should not, however, violate the first principle. As intended by Rawls, (1) is directed towards ordering or constituting society's political realm while the difference principle directs towards structuring economic institutions. Rawls thinks that these principles are essential and can serve as solutions to the problems surrounding how to have just social institutions.<sup>14</sup> From the above, it is very obvious that the original position underlies Rawls' two principles.

## **5.2 Original Position as the Basis of the Duty of Assistance**

Similar to our consideration above that the original position is the basis of Rawls two principles of justice, which includes the difference principles, Rawls original position is also the basis of his idea of duty of assistance. While giving little attention to his two earlier principles and adopting views that he thinks are applicable in the international world, Rawls later in a different way applied his idea of the original position in his *Law of Peoples*.<sup>15</sup> In *A Theory of Justice*, he earlier hinted of an international original position in which "contracting parties" will be envoys of states who will be knowledgeable enough to "make a rational choice to protect their interests but not so much that the more fortunate among them can take advantage of their special situation."<sup>16</sup> As such, they will have a fair situation that will erase "the contingencies and biases of historical fate"<sup>17</sup> and be just based on the principles they choose in this version of the original position.<sup>18</sup> As later discussed in *Law of Peoples*, under Rawls original position, different parties would equally be under a "veil of ignorance,"<sup>19</sup> which is expected to take care of this international situation. This

original position will not be for singular persons but be an interaction among societies that currently exist. Under this global original position, none of the peoples will have information about their advantages or disadvantages in the global society to be created. For instance, they would be ignorant of the population strength and sizes of their territories, their economic growths, available natural resources, the “relative strength of the people whose fundamental interests they represent,”<sup>20</sup> and so on. However, they will not be ignorant of the fact that there are conditions guaranteeing the practice of constitutional democracies. They will operate under eight principles which they will choose in the Society of Peoples, namely:

1. Peoples are free and independent, and their freedom and independence are to be respected by other peoples.
2. Peoples are to observe treaties and undertakings.
3. Peoples are equal and are parties to the agreements that bind them.
4. Peoples are to observe a duty of non-intervention.
5. Peoples have the right of self-defense but no right to instigate war for reasons other than self-defense.
6. Peoples are to honor human rights.
7. Peoples are to observe certain specified restrictions in the conduct of war.
8. Peoples have a duty to assist other peoples living under unfavorable conditions that prevent their having a just or decent political and social regime.

The last principle above is the duty of assistance. The duty of assistance is the duty every advantaged people have to help the disadvantaged. According to Rawls, the above principles focus on the justification of the standards for peaceful coexistence and tolerance in international laws. As such, the principles are intended to consider the major concerns of human rights and stable global society. By this, the principles will cater for the interests of the different peoples.<sup>21</sup> He then listed the five different types of societies which he calls the Society of Peoples: “reasonable *liberal peoples*,” “*decent peoples*”, “*outlaw states*”, “*societies burdened by unfavourable conditions*” and “*societies that are benevolent absolutisms*.”<sup>22</sup> While further naming the first two the “well-ordered peoples,” Rawls strictly divided the above groups into liberal and non-liberal peoples. For him, the former group is democratic and united by common feelings of sympathy among its members. These share same basic goals, interests and moral concerns. Though they may not be flawless in the practice of democracy, they operate by making leadership choices through elections and protect their citizens and national interest by constitutional provisions.<sup>23</sup> Besides, they take accountability seriously and do not allow economic interests to control them so as to be free from

and stay free from corrupt practices. Liberal peoples are directed by a sense of what is reasonable and rational. Rawls says these traits differentiate liberal peoples from others in the Society of States. Affirming this, he said that “just liberal peoples limit their basic interests as required by the reasonable.”<sup>24</sup> By this, liberal peoples seek to do what is right and the strength of their moral character is revealed. This is obvious in their conducts of elections. They are also always willing to cooperate with other liberal or decent peoples.<sup>25</sup>

Decent peoples do not attain to the height of the liberal peoples but are decent and accommodate a greater percentage of the attributes of the liberal peoples, which make them almost at par with the liberal peoples and place them above the remaining three groups. The statuses of liberal peoples and the decent peoples are the ideals the peoples in the Society of States are expected to aspire to. As a way of knitting his ideas or relating them to the peoples in the Society of Peoples, Rawls discusses ideal and non-ideal theories, with the former setting the ideal target of what the Society of Peoples ought to look like, which is a realistic utopian, while the latter examines the nature of the peoples in the Society of Peoples. Rawls examines two instances of “non-ideal” theory: non-compliance and unfavourable states of affairs.<sup>26</sup> In the Society of Peoples, the outlaw states do not obey rules of compliance. They are threats to the well-ordered peoples. The burdened societies are the ones who become disadvantaged because of their unfavourable history, economic and social backgrounds. These hinder them from attaining the levels of the well-ordered societies. The benevolent absolutist societies follow some moral rules but still limit the decisions their citizens can make, as such they are not considered to be well-ordered.

Rawls holds that the well-ordered people, being more advantaged, owe a duty of assistance to burdened societies. Besides the eight principles he earlier identified, Rawls favours

principles for forming and regulating federations (associations) of peoples, and standards of fairness for trade and other cooperative institutions. Certain provisions will be included for mutual assistance among peoples in times of famine and drought and, insofar as it is possible, provisions for ensuring that in all reasonable liberal (and decent) societies’ people’s basic needs are met. These

provisions will specify duties of assistance in certain situations, and they will vary in stringency with the severity of the case.<sup>27</sup>

He proposed certain guidelines that well-ordered nations should follow in performing duties of assistance. First, since just wealth is essential in establishing the just institutions that are concerned about human welfare in the well-ordered society, the well-ordered society must be wealthy, which is akin to the status of the rich people in *A Theory of Justice*. This just wealth is realisable through just savings which must be ended as soon as the social institutions capable of catering for human welfare are established. In domestic cases, this just savings method is what Rawls calls “duty of just savings.”<sup>28</sup> He thinks the justification for this is to situate “just basic institutions for a free constitutional democratic society (or any well-ordered society) and to secure a social world that makes possible a worthwhile life for all its citizens.”<sup>29</sup> This may not be that the well-ordered societies are so wealthy but because they wish to see to the welfare of the others. On this note, the point of convergence between the just savings principle and the “duty of assistance” is their attention to ensuring that social institutions are well established and the wealth of the average/disadvantaged people increase. Rawls views this just savings as having a meeting point with the “duty of assistance.”

Obviously, the purpose of the principle of “just savings” and “duty of assistance” to others in the global front is to better people’s welfare. Second, in as much as the well-ordered societies strive to help burdened societies to become well-ordered, they must realise that the political systems of the burdened societies are important such that there should not be any political interference in any area of their tradition, whether moral, religious, social or political. This is why they must respect human rights. He argued further that “there is no easy recipe for helping a burdened society to change its political culture. Throwing funds at it is usually undesirable, and the use of force is ruled out by the Law of Peoples. But certain kinds of advice may be helpful.”<sup>30</sup> Third, well ordered societies must assist burdened societies to reasonably manage their affairs such that they will eventually become members of the group / society of well-ordered societies. Well ordered-societies must not lord anything over the burdened societies but help them to develop to the level of the well-ordered societies. Apart from these, Rawls said that the duty of assistance is for well-ordered

societies to help burdened societies to become well-ordered. After burdened societies become well-ordered they cease to enjoy assistance from well-ordered societies.

### **5.2.1 The Nexus Between Difference Principle and the Duty of Assistance**

The difference principle and the duty of assistance are divergent in that the duty of assistance is morally supererogatory while the difference principle is morally obligatory.<sup>31</sup> As the difference principle emphasises the place of moral obligations among peoples of a particular state, the duty of assistance requires nations to assist one another.<sup>32</sup> The moral supererogation of the duty of assistance makes nations not to be under compulsive obligation to help others but act out of compassion towards others. As far as the duty of assistance is concerned, even though it may not be morally binding for wealthy nations to offer assistance to ones that are not, a duty of assistance is necessary.<sup>33</sup> Having a sense of this makes other nations give thought to helping those who are disadvantaged out of their resources. However, if the argument from the original position is carefully considered, and the principle of ESi is brought to the fore, it will show moral obligation to be the basis of the duty of assistance as much as it is the basis of the difference principle. This is obvious in the formation of the eight principles agreed upon by the peoples in Rawls' domestic and international original positions that show the different parties to the agreements making commitments to abide by the final outcomes reached by the agreeing parties.

It takes a sense of being morally obligated to one another for nations to follow the first seven principles agreed upon in Rawls' international original position. Moral obligation reveals the duty men owe one another. This affects the values humans placed on one another which consequently determine the treatments measured out to one another and the manner of caring for one another's welfare. Given this, the difference principle and duty of assistance can serve as types of moral obligation. The position on moral obligation further reveals an essential meeting point between the difference principle and the duty of assistance: concerns for human welfare and the need for the advantaged people to help the disadvantaged. Similar to this, concerns for human welfare and mutual advantage constitute the focus of the idea of ESi. ESi is capable of promoting moral obligation among persons by helping them to recognise that they have moral duties to one another. Through this understanding, individuals can give adequate attention to promotion of one another's welfare. Thus, given these

considerations, it is obvious that the principle of ESI can generate moral obligation. We hence turn to this and how it generates moral obligation for the players in the global economic order.

### **5.3 ESI and Moral Obligation in the Global Economic Order**

The principle of ESI generates obligation for the major players in the global economic order by imposing on them the duty to be responsible to others in the global economic order. At the domestic nation-state level, based on their contractual terms of formation and in line with the principle of ESI, states have moral obligations to their citizens. One important idea eliciting moral obligation is the idea of the defence of their moral rights, otherwise known as human rights, which is based on the fact that humans are thought to possess self-worth. As we found in Hobbes' idea of the state of nature in which human life was "solitary, poor, nasty, brutish, and short,"<sup>34</sup> because each person in this state of nature puts little or no value on the moral worth of other persons and endangers them to the point of termination of life, consideration for moral worth stands as one of the principal things that eventually generated the social contract on the basis of ESI. By considering human worth to form the social contract, the ground of moral rights translates to consideration of human welfare and its pursuit based on ESI. This in turn generate moral obligation in the state in two ways: between the state and the citizens and among citizens. By this, the idea of moral rights directs what nations should do to protect the interests of their citizens and the patriotism it expects from citizens. Thus, protecting citizens' rights and interests includes granting them fundamental inalienable rights and freedom. This would enable them to achieve their aspirations and pursue their interests without limitations being imposed on such by others' inimical actions while the nation equally benefits from their good use of liberty. At the same time, it helps the state to shield these citizens from harm whether internally or externally. In modern times, under representative democracies all over the world, protection of moral rights is taken seriously, which is the essence of charters like United Nations Declaration of Human Rights, Magna Carta and the United States Declaration of Independence.<sup>35</sup> These exist because of the worth man is thought to possess. Thinking about these strengthens the position that nations have moral obligations to their citizens and foreshadow the importance of contractual relations among nations and other global economic players.



At the global level, the most important things that confers moral obligation on nations are the agreements between them. At different times, there are usually agreements between nations and transnational corporations (TNCS). Also, there are agreements between nations that occasion the formation of the multilateral organisations and there are inter-state agreements that strengthen bilateral trade investments. In any of these cases, any state or group that is party to the treaty or agreements has moral obligations to others that are equally parties to the same covenant. Thus, as seen under Rawls original position, by the reason of the contract, which is based on trust, conditions to act honestly, and seek mutual welfare, moral obligation is imposed on parties to the covenant. This is the sense in which the MLOs and the TNCs are morally obligated to nation states.

In the case of the MLOs, the existing agreement forming them impose moral obligation on the members of the organisation to seek one another's welfare. The hopes they gave to the nations include the duties of non-maleficence, to help other nations to attain development, and duties to be just.<sup>36</sup> These hopes are raised in various documents and agreements to seek mutual promotion of inter-state interests in operating these institutions. Hence, these duties impose the obligations to act right and be committed to mutual welfare on the MLOs. If these duties are despised or violated, there are imminent dire consequences for the inhabitants for the global economy. Also, in the case of the TNCs, business agreements and understanding signed or reached with the states before commencement and during their operations impose on them the moral duty to abide by rules within the nations states and do what is to the long term advantage of the states.<sup>37</sup> In most cases, these agreements run on the understanding that violators would be answerable to the MLOs that can compel them to remedy any anomaly in trade relations. Though it is very common to pursue self-interest selfishly, potential violators would refrain from this because of consideration for the principle of ESi which is necessary to guarantee her interests. Hence, for corporations to fail to act based on the agreements between them and nations to act contrary to these agreements constitute failing to act based on the principle of ESi.

Unfortunately, many major business protagonists in the global economic order act contrary to the principle of ESi. This is due to a number of reasons. First is the fact that the TNCs found nationally corrupt, insensitive and unprofitable cronies or allies

in the leaders of the nations of their operation who sacrifice the interests of their people or act contrary to their wishes because they found opportunities to gain at their nations' expense. Second is the general idea and misconception that corporations are not morally obligated. The misconception peddled by the TNCs is based on Smith's idea of invisible hand and has other theoretical leanings in the works of several writers such as Friedrich von Hayek and Niklas Luhmann.<sup>38</sup> Regina Kreide attenuates this fact by arguing that:

As part of the systematic economic order, corporations are self-referential entities, subject to the imperatives of economic rationality, such as the exchange of economic goods, the maximising of profits under conditions of competition, and the accumulation of power. The argument for restricted corporate obligations concludes that, because the actors in the market are driven by the forces of economic rationality, and do not have intentionality, one cannot say that the corporate actor was ever in a position to act otherwise.<sup>39</sup>

Often, this results in corporations' passiveness in considerations of state welfare while affirming that that states ought to be the one to perform moral obligations to their citizens. While it is true that states are to be morally obligated to their citizens, the TNCs are equally expected to be morally obligated to the states within the boundary of the agreements reached with these states. The TNCs take for granted that the idea of moral obligation concerns the duties owed to (a) person(s) or group(s) of persons by others with whom they relate on contractual terms. The disappointments resulting from the inaction or failures of these corporations to fulfil their moral obligations make the citizens of the states in which they operate to suffer from the effects of their activities. What actually are the moral obligations of the major players in the global economy to the people or states? How has the failure to perform them run contrary to ESI and generate undesired consequences in the global economic order?

The TNCs are morally obligated to respect people's moral rights. As corporate individuals, their actions can be judged from moral perspectives because these actions directly affect people. Even though we usually judge their actions differently from those of human beings, from the perspective of moral laws, we always expect them to be morally responsible for the consequences of these actions and refrain from performing deeds that are morally forbidden.<sup>40</sup> The moral duty to be responsible for their actions imposes on them the moral obligation to respect people's moral rights

and avoid involvement in what is injurious to others. They are to obey certain basic rules and the tenets of human rights charters, most especially as far as citizens in their areas of operation are concerned. This will affect the moral obligations to make the inhabitants of their regions happy by helping them to develop and gain advantage. It will also influence the duty to be honest and act in integrity in dealing with the people as far as the duty not to harm the people, their environments, and what makes for their livelihood, economy and survival are concerned. Thus, this will ensure that the people gain as the corporations also gain. At the same time, it will enable the TNCs to give attention to carrying out their activities in manners that can help the good economic development and benefits of the communities and states in compliance with best or standard practices in the world.

On most occasions, the TNCs fail to perform their moral obligations because the MLOs that ought to act as regulatory agencies do not perform theirs. For instance, under the UN Global Compact Principles, TNCs are expected to respect human rights, environment and anti-corruption policies based on certain principles, some of which read as follows:

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: Make sure that they are not complicit in human rights abuses.

Principle 7: Businesses should support a precautionary approach to environmental challenges; and

Principle 8: Undertake initiatives to promote greater environmental responsibility.<sup>41</sup>

The UN only considers these principles as what facilitates discussions without any provision to enforce them, thus, still leaving TNCs to act as they deem fit without real control. The situation with the UN cuts across the activities of the global financial institution as IMF and WB. They have not been able to control the negative activities of the TNCs. Whereas, these groups owe the moral obligation to protect the interests of the nation states based on the contracts that made these nation-states members of these groups. Like the TNCs, the MLOs owe the moral obligation to make the citizens of the nation states happy, help them gain business advantages, promote their sense of self-worth and dignity, and deal with them based on honesty and integrity without

allowing any harm to them or whatever concerns their economic interests. The failures of the MLOs and the TNCs to fulfil their respective moral obligations undermine the moral rights of the people by permitting injustices against the people. As such, this failure to respect the moral rights of people has led to serious armed brigandage against corporations. This, moreover, stemmed from the corporations' denying that there is moral responsibility in business, and consequently that they owe no moral obligation to the people. Based on this, the conflicts resulting from the activities of the aggrieved peoples in the communities of the TNCs operation have led to heavy business loss for these corporations.<sup>42</sup> An important example of this situation is the Niger Delta crisis in Nigeria where the people carry out incendiary attacks on the major oil corporations in the area for neglecting to respond to their plight that emanated from the negative effects of the TNC's operations in the area.

As at now, even though the Federal Government of Nigeria granted amnesty to the militias fighting the corporations, they are yet to stop all negative activities perpetrated against these oil giants. Before the amnesty, these corporations colluded with the government and high ranking government officials to malign the moral rights of the Niger Delta people. The consequences later became too great for their business interests. Rather than fulfilling the ultimate goal for their establishing the oil business, which is the maximisation of profit and creation of efficiency towards enhancing this goal, they recorded terrible losses of profits, properties and their skilled manpower.<sup>43</sup> Many of their experts were killed while many forced to relocate to other countries by kidnappers or people who threatened to kill them. When business safety was no longer guaranteed, a major oil company in the area planned relocating operation to another country. What these corporations ignored is that aggrieved parties cannot be suppressed for long and that the interest of all others with whom we relate ought to be protected to guarantee our own interests. As at now, the corporations are becoming more aware of the negative effects of their activities on the region and seeking remedies. This is what necessitated the action focused on corporate social responsibility through which they carry out welfare programmes for the peoples in their communities of operation.<sup>44</sup> However, is corporate social responsibility sufficient to cater for the above inadequacies in the way corporations respond to the issues of human welfare in the areas of their business activities? Can it really be successful without corporate moral responsibility? Corporate social responsibility

would not be successfully pursued if corporations fail to be morally responsible to their host communities. This portrays the necessity of corporate moral responsibility/obligation so as to guarantee corporate moral standards for corporate activities.

Apparently, the moral duties a state has towards its members, first, and the other nations in the global order, impose on it the obligation to seek their welfare. It is pertinent to ask, “What are the MLOs doing to help nations to confront challenges that are making TNCs exploit them, which challenges make nation-states appear to be failing in their obligations to their citizens?” In response to this, the MLOs may cite instances in which they make provisions through treaties to permit nation-states to act against interests contrary to them. However, despite that the MLOs have enormous powers and control, they have done little to help nation states against the negative activities of the TNCs operations while further influencing the economies of the nation states negatively. As such, the impacts of the MLOs and the TNCs on the global economy is becoming too enormous for nation-states to cope with.<sup>45</sup> If all the stake holders in the global economy will benefit without losses, there is need to give attention to a pursuit of self-interest that is reasonable and other-regarding. In other words, attention needs to shift to the kind of self-interests that rationally puts all the players into consideration without harm to any. This is what necessitates the principle of ESi.

As at now, many of the players in the global economic order do not recognise or act in ways that undermine the moral obligation they have to other stakeholders of the global economy. Whereas, the issue of moral obligation should be taken seriously among the players in the global economic order if the global economy will yield overall benefits for all the stakeholders and inhabitants of the world. In discussing about the importance of moral obligation, Kant recognises man’s duty to attain perfection and the duty to work towards others’ happiness.<sup>46</sup> Both are based on human ability to reason. The first is the duty we owe to develop ourselves in all forms. This includes cultivating moral virtues, being self-determined and acting in ways that are not injurious to ourselves in any form. The second is the duty to be good to others and respect them and what they stand for. Kants affirms of the latter:

When it comes to my promoting happiness as an end that is also a duty, this must therefore be the happiness of *other* men, *whose* (permitted) *end I thus* make *my own end as well*. It is for them to decide what they count as belonging to their happiness; but it is open to me to refuse them many things that *they* think will make them happy but that I do not, as long as they have no right to demand them from me as what is theirs. But time and again an alleged *obligation* to attend to my *own* (natural) happiness is set up in competition with this end, and my natural and merely subjective end is thus made a duty (an objective end). Since this is often used as a specious objection to the division of duties made above (in IV), it needs to be set right.<sup>47</sup>

Both types of duty may be positive or negative. By this we mean that they may impose upon us the duty to do or not to do certain things. Apart from Kant, W.D. Ross discussed various types of duty. He claims that some of these duties result directly from and are based on our past acts. This includes the duty of fidelity, which derives from our resolve to abstain from lying, and the duty of reparation, which is the duty to correct past wrong acts. There are also duties emanating from past acts of others, such as the duty to be grateful which derives from help others did for me. There are also others that are neutral of the above two types such as the duty to help those in need, which is the duty of beneficence; the duty to refrain from unjustifiable harm of another person, which is the duty of non-maleficence ; and the duty to act in conformity to rules of justice. Others are duties of self-improvement, which are duties we owe to make ourselves better in every area so as to maximise our innate abilities to our advantage. Ross called these the *prima facie* duties,<sup>48</sup> These are duties that are morally required if no other important consideration hinder their performance.<sup>49</sup> TNCs, MLOs and nation states need to understand these duties of non-maleficence, duties of justice and beneficence, as they will act to contribute to helping the nations without harming their economies and also ensure that key players in the global economy yield benefits for one another.

On the whole, the moral obligation among the different players in the global economy order has to be based on fair dealings, transparency, other-regarding virtues and follow set rules and standards. By these, the MLOs should be willing to really promote national economies, bail out those in economic crises and not just use their economies to service those of the advantaged nations, and ensure that the global

economic goods are distributed fairly and justly. Also, TNCs should be able to carry out their operations without harming nations' economies while nation-states equally maximise the opportunities at their disposal to revive or create or recreate and sustain viable, functional and sustainable national economic systems that will benefit all their citizens. Obviously, the constraints of following the above duties impose a moral obligation not to act in ways inimical to national economies on the players and stakeholders as they relate with themselves. However, how then can the players in the global economic order be encouraged to recognise and fulfil their obligations to other stakeholders? This is another way of asking the question of how ESI can be incorporated into the global economy.

#### **5.4 Global Economic Players and Fulfilment of Their Moral Obligations: Incorporating ESI into the Global Economic Order**

As at now, what the major players in the global economic order take for granted is that their interests are actually guaranteed as they recognise and fulfill their moral obligations to other players. It is not an overstatement to affirm that the economic challenges of our planet require joint combat and that situations in which some players neglect the interests of others will jeopardise our common existence. It is necessary to deal with the situation that can lead to the disadvantage of all the stakeholders of the global capitalist economy (GCE) by educating the various players in this economy to learn how to perform their duties in morally reciprocatory manners and give utmost attention to one another's interests.

Moral education has been found to be very essential in integrating societies and ensuring that individuals in them live harmoniously by cultivating conducts that enhance mutual interests. Over the ages, the idea of moral education has surfaced in the works of several writers, some of the earliest of which are the writings of such philosophers as Socrates, Plato, Aristotle and Buddha. The ideas of Socrates-Plato and Aristotle on moral education dealt with character formation of the individual in manners that will ensure their utmost contribution to societal development. Particularly, Plato opines that everyone in society is to undergo moral education so as to develop a morally good character. As moral virtues can be taught to members of society, a person who does what is good is able to do so because he possesses a knowledge of what is good. Since persons always strive to do what is in their best



interests, a person who does what is good will live a happy life.<sup>50</sup> Doing contrary to this means that one is ignorant of the understanding of what is good. By encouraging the growth of moral virtues, a state develops as each individual does what is morally right. For Plato, those who reach the climax of their educational training top the list of those who have developed the character traits necessary for wise decision making. These are the rulers or the philosopher-kings. Generally, there are three classes of people who undergo this form of education: the artisans, soldiers and the rulers. Respectively, they possess the moral virtues of temperance, courage and wisdom, all which culminate in ensuring justice in society.<sup>51</sup> By these views, Plato emphasised the importance of moral education in character formation and societal development.

In his doctrines of the mean and habituation, Aristotle argues that people can be taught to imbibe moral virtues. The doctrine of the mean teaches that men must learn to choose between two undesirable extremes of vices, an excess and a deficiency.<sup>52</sup> For instance, courage is the mean between cowardice and rashness while generosity is the mean between parsimony and profligacy.<sup>53</sup> In what counts as the thrust of his doctrine of habituation, he believes that no one was born with ethical virtues which is why humans must learn these virtues through constant practice since they have the natural abilities to imbibe them.<sup>54</sup> In other words, we learn moral virtues by making them a daily practice. By forming good habits through the practice of sound virtues, we easily locate the mean between extremes of human actions and avoid vices so as to overcome pains that can deprive us of happiness. Prior to Plato and Aristotle, Buddha also taught what is similar to the doctrine of the mean by his idea of the middle way as a path of moderation between the extremes of self-indulgence and self-mortification and taught people to practice the eight fold paths: right conduct, right speech, right intention, right understanding, right contemplation, right endeavour, right concentration and right occupation.<sup>55</sup> Through these, he expects every man to overcome negative desires that can lead to misery and pains.

From the above, it is clear that moral education provides a way of helping people to live the good life through the development of good habits and conducts which enable them to become good members who contribute meaningfully to the development, peace and cohesion of the community. It serves as a means through which people imbibe moral virtues and values that play complementary roles in fostering human

welfare. Thus, the question of how to promote moral values and virtues has been the main concern of moral education. By giving adequate attention to moral education such moral values as reciprocity, integrity, mutual respect, transparency, altruism and justice, and moral virtues as kindness, respect for covenants, fairness in dealings and empathy will be imbibed by players in the global economic order.<sup>56</sup> As such, the ideals of transparency, integrity and empathy among the players of the global economy will promote fair dealings, just actions, reciprocity mutual respect and altruism in the global economic order. Implicitly, these virtues and values will promote other-regarding virtues if promoted in the global economic order.

With a proper moral education, the determination to give adequate attention to and fulfill their moral obligations towards one another will help the stakeholders of the global economy to play by the rules of operation they have set for the smooth running of the global economy. This is good for enhancing mutual benefits and eliminating all possibilities of cheating due to excessive pursuit of self-interests, especially when each player deals with the mind to act in the interest of others as means of guaranteeing its own. Considering this, all forms of clandestine operations or lack of openness by the MLOs, which have directly or indirectly jeopardised the chances of the other stakeholders of the GCE to enjoy fair dealings as these players pursue their interests will be discouraged and disallowed. Thus, it become imperative that for the MLOs to really fulfill their roles of being impartial umpires of the GCE, whose activities will lead to maximum benefits for all other players they are capable of impacting, they need to be morally educated to recognise as their moral obligation the importance of setting, sustaining and enforcing the right rules that will be fair to all without leading to the enslavement of any of the stakeholders. This moral education will also make them to be conscious of the fact that they have the moral duty of ensuring that the stakeholders play by the rules set, helping them to gain perspective that situations in which rules are set without the intention to enforce them only leave room for the weak economies to be exploited.

As at now, nations in the global economic order are a loose confederation of states who are either part of the masterminds of the leagues forming the MLOs or willingly belonged to them by the desire to associate in order to promote their interests. As such, it should have been easy for any state to pull out of any league binding them

together in these institutions. However, this is uneasy for the developing nations because of certain reasons, two of which are stated here. First, many of them are heavily indebted to these institutions, especially IMF and World Bank. The debts owed the MLOs many developing nations skyrocket each passing day. This becomes worse with the fact that they have to service these debts. The cost of debt servicing makes the burden greater and the nations seem helpless. Early this millennium, the Paris Club and the MLOs cancelled the debts of some nations, still with certain conditions to fulfil. Unfortunately, many of the nations are back in debt with some even more indebted than before.<sup>57</sup> What is responsible for this is that they only enjoyed debt cancellation without their economic systems growing to the level where they could do without borrowing for national sustenance. Besides, the years of following the conditions for borrowing gave the MLOs opportunities to meddle with the internal economic and governance activities of the nations, have further weakened these weak economies. As they borrow more to sustain themselves, the more they depend on the MLOs. Second, as is the practice by the MLOs, especially in line with its conditions that are harsh on developing states, any attempt to pull out or fail to fulfil the conditions of these MLOs means being discredited. Thus, it implies forfeiting all chances of borrowing or receiving aids from the MLOs and cognate donor agencies.

An immediate way to encourage states' economic growth and sustenance is to give assistance to the weak nations that can get them out of their economic quagmires. At present, many of the developing nations need aids from the MLOs and the big nations so as to be able to attend to many of their economic problems that result directly from the activities of the major players in the global economy, especially the TNCs and the MLOs. Though, as argued by Peter Singer, the rich's nations' gifts to the poor in form of aids is morally supererogatory, as they have right to use their resources as they want, it is better for them to maintain an obligation of assistance to the poor ones so as to protect their interests.<sup>58</sup> In our case, moral supererogation could only apply outside the contractual obligation foisted on the MLOs by the agreement establishing them. As such, if the rich gets richer and the poor poorer where both are supposed to perform their moral obligation towards each other, the rich is not safe or may jeopardise his future interest in relation to the worst offs because of the discontent on the part of the worst off. The poor nations should not be denied the chances of getting

aids for their economic stability. Following this practice of assisting the poor nations by the major players of the global economy means fulfilling the obligation imposed on them by their agreements with these nations towards pursuing one another's welfare.

Thus, as the MLOs were formed by the nation state to promote their individual interests, the survival of the nation states should be the first task of the MLOs. This is why the MLOs should not work contrary to the interests of the nation states. To do this or denigrate the nation-states by imposing on them activities that can destabilise their economies will be immoral. Also, the MLOs need to be fair in the operations of their policies and should not just let those policies favour only the interest of their originating nations as the situation is at present.<sup>59</sup> As much as the MLOs continue to service these interests contrary to the overall interest of all the nations of the world the possibility of dysfunction is imminent on the long run for both the MLOs and the nation states. They will breed enmity against those nations whose interests they seek in the hearts of the nationals of the least advantaged nations and cause economic distrusts that may lead to systemic dysfunction in the global economic order. The MLOs may be the final losers if the nations decide on their reformation or abandonment all together. These may sound conjectural but are possibilities. It is important for the MLOs to act in ways that will not make the nations that are worst off regret joining these institutions and become more worst off than when they joined. This is the more reason why there has to be fairplay in the way these MLOs operate. If this is not done, MLOs and TNC risk crisis. This will create more woes for the inhabitants of the world, and should be averted.

The neglect of the MLOs in putting in place right control mechanisms gives the TNCs upper hands to operate without due consideration for interests of the national economies. These issues need to be taken seriously since these players have negatively affected the nation-states more than ever, taking advantage of the ignorance of their people and the greed of their leaders. Though the major obligation of the TNCs is to their shareholders, their moral obligation ought to also be to their communities of business operation or the nation-states, having provided habitable environment for the success of their businesses, which equally guarantees their business continuity. However, this has not been the case. Even though the TNCs now

consider welfare ideas of corporate social responsibility and other types of community-sensitive welfare systems, which derive from their host communities' forcing them to recognise their moral obligations, many of them have not done much for these communities in a way that is commensurate with what they have benefited from them. Instead of being forced to acknowledge these obligations, sometime by intense violence and conflicts, the TNCs ought to have taken note and act appropriately from the point of view of duty for its own sake or, at worst, duty for business sake. In other words, doing what duty requires should have been the order of the day rather than struggling to remedy situations because the peoples in the communities force them to do so.

It is now essential for the TNCs, as against their erstwhile *modi operandi*, to think of their business interests and take care of the nations where they do business at a level proportionate to the benefits they derived from the states rather than offer stints of welfare programmes. In other words, it is imperative for them to adequately consider the interests of the peoples in their business localities in their activities as much as they promote theirs.<sup>60</sup> This they need to do as their moral obligations to their host communities and as a means of protecting their overall future interests. This orientation may involve that they give aids and support to the citizens of the nations as they develop a sense of corporate moral responsibility and understand the place of moral duties in seeking the welfare of these communities. As these corporations give back to these communities because of a sense of moral duty, their business interests are advanced and the nations are encouraged to open further economic opportunities to them. Also, by this, situations of conflicts would be avoided and their business interest will be furthered.

As part of the ways the MLOs fulfil their obligations to the nation states, the MLOs should be able to put regulations and measures in place to check the excesses of the TNCs. The failure to check the TNCs is due to the imposing influence of the more developed nations who have stakes in these TNCs and equally have members at the helm of affairs in the MLOs who control things to their advantage. As such, they seize the opportunity of their vantage positions to take advantage of the exploitative activities of the TNCs to further silently and covertly exploit the weak nations and promote their economies.<sup>61</sup> Thus, sincere control becomes difficult, if not sometimes

impossible. If these weak tendencies could be curbed and the TNCs are allowed to realise that there are penalties and are sanctioned accordingly for the violation of the welfare rights of the nations where they have business interests and carry out their business activities, the global economic order will create benefits for the nations and the TNCs without any side losing. At the same time, the MLOs will gain the confidence of the nations as they find them more trustworthy, open and ready to fight for their business advantages.

From the foregoing, following the principle of ESi will make the pursuit of the global economy more beneficial. This is against the perspective of utilitarian egoism that currently underpins the global economic order. There is need to substitute this type of egoism with the principle of Enlightened Self-interest. It is essential to regard one another's welfare so as to keep a planet devoid of economic rancour. As such, the concept of Enlightened Self-interest should be incorporated into the global economic order to promote a situation in which the global economic players prioritise moral obligation to one another. Thus, in our overall consideration of the above situations, we advocate that the MLOs should consider the moral obligation of putting the welfare of nations into consideration. This is when the purpose of economic benefit for all, which is the main reason for the founding of economic institutions can really be justified. The present approach of putting procedures in place to take advantage of the weak nations by the TNCs, the MLOs and some influential nations, contradict the original intention that underlies the founding of the MLOs and thus, negates the moral obligation that derives from the contracts that led to the emergence of these MLOs. Thus, it is imperative for these players to ensure that the economies of weak nations are protected and encouraged to grow so that the welfare of their citizens would be effectively taken care of.

## **5.5 Conclusion**

In this chapter, we examined the principle of ESi through Adam Smith's theories of positive and negative self-interests, shown in his idea of invisible hand, and John Rawls idea of justice as fairness. Through the application of Rawls difference principle and duty of assistance and considering them to be types of moral obligation, the chapter showed the significance of ESi and discussed how the principle of ESi can become a viable alternative moral foundation for the global economy. It equally

discussed how the principle of ESi can serve as an alternative to ethical egoism and adequately take care of the moral shortcomings of the global capitalist economic order and render it more beneficial to all stakeholders. In attempting to achieve this, it argued that ESi should be incorporated into the global economy by an effective moral education of the various players in the global economic order.

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<sup>23</sup> Rawls, J. 1999.

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<sup>25</sup> Rawls, J. 1999. 30.

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<sup>27</sup> Rawls, J. 1999. 38.

<sup>28</sup> Rawls, 1972. 140.

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<sup>30</sup> Rawls, 1999. 111.

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## CONCLUSION

The central argument of this thesis has been that the principle of ethical egoism, as the moral basis of the global capitalist economy, has not allowed the economy to adequately take care of human welfare and yield significant benefits for all its stakeholders. As such, it should be substituted with the principle of Enlightened Self-interest. In grappling with our problem of study, we identified an obvious but serious contradiction between the principle of ethical egoism and what actually ought to count as the ideal and ultimate end of the global economy. This contradiction between theory and practice reveals how the global economy's persistent and sometimes obstinate pursuit of private interests conflicts with the ultimate goal of the economy to enhance the overall welfare of the different participants in the global economic order. The global economic players, especially the TNCs and the multilateral organisations (MLOs), have refused to give adequate attention to this contradiction. This is primarily because they have been acting on the assumption that an invisible hand will automatically guide the global economy to the benefit of all, which derives from and unbalanced implementation of Adam Smith's theory of 'invisible hands' in the *Wealth of Nations*.<sup>1</sup> Unfortunately, this later and more active version of Adam Smith's theory of invisible hand, was interpreted and adopted in running the global economy without balancing it with his earlier and mild account of invisible hand in his *Theory of Moral Sentiments*.<sup>2</sup> This one-sided and ambitious application of the idea of invisible hand took considerations for other's interests for granted and accounts for why the promises of the global economy have not been realised. As such, there are attendant moral, economic and social conflicts in the global economic order resulting from the activities of these players based on the imbalance in the application of Smith's version of Moral Egoism as encapsulated in his later account of invisible hand. This work critically examined some of these problems and further debated that the deficiencies in the way the global economy operates are compounded because little attention is given to certain important moral values and virtues that will show and guarantee real consideration for the interests of other stakeholders in the global economic order.

In its attempts to address the problems resulting from the contradiction identified above, the study advocated giving attention to Enlightened Self-interest by arguing for a synthesis of Adam Smith's two ideas of invisible hand and recognition of reciprocal

obligations among different players of the global economy. In this respect, it conceived of John Rawls' idea of original position as a situation of Enlightened Self-interest, and his difference principle and duty of assistance as types of moral obligations. It affirmed that the principle of Enlightened Self-interest will create a balance in the way the global economy runs and address the problems of the economy. The study further maintained that promoting important moral virtues such as kindness, empathy, fair dealings, respect for covenants and moral values as transparency, reciprocity, integrity, mutual respect, altruism and justice in the global economic order in line with the principle of Enlightened Self-interest will equally promote the welfare of all stakeholders. Thus, as a philosophical contribution to the multifaceted discourse on the global economic order, this study proposed a moral solution to the problems originating from the palpable contradiction between the theory and practice of the global economy. It offers an ethical framework that is viable enough to ensure that the goal of human welfare that is the ultimate aim of an economy is realisable and addressed the conflict between Moral Egoism and what ought to be the ideal end of the global economy.

In establishing the thesis of this work, the first chapter dealt with an examination of the ultimate purpose of the economic system in line with what ought to count as the real and ultimate purpose of the present global economic system. In attempting to achieve its set objectives, the chapter examined what the primary purpose of all economic institutions should be and established that the basic function and final end of civil society and all social institutions is the maximisation of human welfare. Furthermore, the chapter discussed the meanings and nature of economic systems and what the idea of human welfare entails. It equally examined different forms of economic systems, as essential parts of the world's social systems and established that liberal capitalism is the prevailing economic system in the world. It also affirmed that human welfare is the ultimate end of any economic system or social institution. It concluded by doubting the viability of the present global economy to realise the basic purpose of guaranteeing human welfare for all its stakeholders.

The second chapter, which was an exploration of the nature of the global capitalist economic order, identified the principle of ethical egoism as the ethical principle underpinning global capitalist economy. Based on the understanding that the global

economy is capitalist in orientation, it sought to look at such underlining features of capitalism as individualism, competition and freedom of trade, and its expansionist tendencies. It also examined the principle of ethical egoism before attempting to show that it underlies the overall structure of the global economy and virtually all the operational principles of modern capitalism such as the principles of deregulation and privatisation. Using the ideas of thinkers, such as Karl Marx's economic interpretation of history and the economic philosophies of writers as Henry George and J.S. Mill, it debated the issues involved in the current global economy so as to show the strengths and shortcomings of the capitalist economy and ideology.

The third chapter discussed the successes of the global capitalist economy. It started by discussing the benefits and achievements of the global capitalist economy and maintained that it facilitated industrial production and trade expansion based on the activities of global corporations. In considering the degree to which liberal capitalism as the world's dominant economic system enhanced human wellbeing, it discussed how the structure of the global capitalist market affected global economic reorganisation and integration. In discussing the benefits of the integration and reorganisation of the global economy, it examined how some of the different features of the global economy, such as redistribution of market shares, corporate activities, and various strategic approaches like liberalisation, deregulation and privatisation, have to some extent culminated in helping some stakeholders of the global economy to achieve economic gains. Thus, it considered some ways through which the reorganisation and integration of the global economy, as determined by the principles guiding this economy and the operations of its various players, have enhanced human wellbeing and benefits.

The fourth chapter assessed the inadequacies of the global capitalist economic system and linked these with its egoistic foundation. Showing how the principle of egoism manifests in the structure and activities of the players in the global capitalist economic order, it argued that the global economy has not adequately achieved an overall welfare for all stakeholders despite that it promises free participation and promotes such social programmes as corporate social responsibility, corporate governance, and so on. It debated that the inadequacy of the global economy to ensure the realisation of an overall welfare for all is due to the fact that the provisions of the principle of



ethical egoism on which it rests contradicts the purpose of the general human welfare it ought to enhance. By assessing the global economy in line with Adam Smith's ideas, the chapter showed how the contradiction between egoism as the fundamental principle of the global economy and human welfare as the main purpose of all social institutions hindered the global economy from yielding total dividends for all its stakeholders. It strongly affirmed that the agenda towards promoting efficiency and productivity has been overly pursued to the detriment of human welfare which is the ultimate purpose of the global economy.

The final chapter argued for and proposed the principle of enlightened self-interest as a more viable alternative to Moral Egoism which is currently as the moral principle underpinning the global economic system. It employed a synthesis of Adam Smith's two conceptions of the invisible hand and John Rawls view of justice as fairness to argue for the principle of Enlightened Self-interest as a viable moral foundation for the global economy. Leaning on Smith's idea of impartial observer as an important link with Rawls idea of original position, the chapter adopted an application of Rawls difference principle and the duty of assistance to argue for moral obligations among the players in the global economic order. It also showed the significance of Enlightened Self-interest and how it can adequately address the moral shortcomings of the global capitalist economic order and render it more beneficial for all stakeholders. It argued that Enlightened Self-interest can be a worthwhile substitute to the principle of moral egoism that currently underpins the global capitalist economic because it offers better prospects of enhancing the welfare of all stakeholders in the global economic order. In concluding, it discussed that Enlightened Self-interest can be incorporated into the global economy through a conscious moral education of all the various players and stakeholder in the global economic order.

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