

TRADE

The crisis of the international organizations

The attack on globalization targets

managed trade rather than free trade

by Jean-Jacques Rosa

The demonstrations in Seattle, then Washington and so on down the line, are seemingly directed against globalization and free trade, usually understood as the inauspicious outcome of the rapid extension of the market mechanism on the international scene. But in fact they are addressed to governments and international bureaucratic organizations. True, the main theme is hostility towards the markets, with the development of world trade allegedly threatening wages, jobs, and the environment in the affluent countries and, why not, "culture" itself, i.e. local traditions, language, the way we eat and the very survival of our novelists and film-makers and all the other producers and distributors of the ideas and symbols we call our own. Nothing is gained by objecting that the development of trade and the rise in the standard of living are what consumers want and allow to choose the best products from each country while increasing the variety of goods and services available to all. The issue is not to be argued in rational terms. It is a reminder of the anarchical outburst we saw in 1968 and the self-contradictory discourse of the time.

It was at that time that several thinkers, among them Raymond Aron, pointed out that the revolting students had no viable alternative model of society to set against the hierarchical system whose constraints they denounced while rejecting the other organizing principle of social life, the market. This spontaneous revolt of students and workers was doomed to miscarry because of its ideological incoherence and complete lack of realism. And this is indeed what happened to this "failed revolution" into which a generation locked itself, left only with the bitter taste of lost opportunities.

The same ambiguities are to be seen among the various groups that join forces to combat the world markets and the international organizations within which the governments consult one another. Some of the groups do no more than articulate the usual protectionist demands of producers overtaken by technological progress, fallen prey to the obsolescence of goods and services no longer sought by consumers. But others add an original message.

They challenge at the same time the states and the inter-governmental organizations like the International Monetary Fund, the World Bank and the World Trade Organization which constitute the demonstrators' favorite target. But in point of fact, the "leftist" attack on the markets is akin to conservative and pro-market criticism developing mainly in the U.S. around the value of the international financial bureaucracies which were set up in the aftermath of World War II to help finance inward-looking national economies in a world of capital controls, fixed exchange rates and atrophy of international financial markets.

The IMF and the World Bank are now rivaled by the markets and one may well wonder what their role is to be in a world where flexible exchange rates and private finance have overtaken fixed parities and public finance. The two organizations are inter-governmental bureaucracies, substitutes for the markets whose mechanisms they claim to propagate, whereas it is the recent development of the world financial markets that has made them obsolete. There is no further need for a World Bank to finance viable projects when any start-up has access to the world's stock exchanges. And liquidity management of the fixed parity systems carries less and less

weight in a world where currency floating is becoming the norm.

Paradoxically, the same is true of the WTO, accused of being extremely hard-line on free trade. It is actually a bureaucracy that handles managed trade on behalf of the member states, i.e. ongoing political negotiations covering the whole range of more or less protectionist measures. These mercantile disarmament negotiations proved particularly useful in the immediate post-war period of a world bristling with tariff barriers, in effectively synchronizing the gradual process of opening up what were at the outset the few dozen leading economies. But political negotiations on trade become increasingly difficult as the number of players increases to today's figure of around 200. What is more, the very success of the rundown of generalized protectionism as we knew it in 1945 makes inter-governmental cooperation less necessary. If further progress in the direction of free trade is desired today, unilateral action will do it just as well and in fact, more efficiently .

The attack, from left and right, on the international organizations is not aimed so much at the markets and free trade as at inter-government agreements and international bureaucracies.

The same thing goes, in the private sector, for the criticisms leveled at the major multinationals. McDonald's, Coca-Cola, Shell and CNN are not "the market" : these are businesses. As Nobel prize-winner Ronald Coase showed, these are bureaucratic hierarchies operating like public administrations. These hierarchies constitute a way of organizing an alternative to the mechanism of the market for the organization of production. Unlike what they actually say, the protests from the latter-day anarchists, year 2000 version, are pitched at the public and private hierarchies, not at the markets. As was the case in 1968, individualistic criticism of top-heavy hierarchical structures is articulated using earlier language, attacking the alternative system, the market. Ironically, the challenge to the bureaucracies from modern information technology, which is rendering them obsolete, finds expression in the old, market-bashing terminology. The concepts and ideas lag behind reality.

It is this fundamental misconception by those involved of what they are up to that makes the events difficult to understand. But, as in 1968, the protest movement has to be understood, despite the inconsistency of its discourse, as the instinctive, non-rational questioning of a hierarchical apparatus handed down from the past that no longer squares with modern production methods. This protest is something specific to the "*Second Twentieth Century*"(1) and will open the way for greater developments to the advantage of individualism, freedom and the markets, and to the detriment of bureaucratic organizations.

(1) The analysis of the role of organizations in the unfolding of the events of the last century is followed up in my book *Le second vingtième siècle : déclin des hiérarchies et avenir des nations*, published this week by Grasset.

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