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**Transitional Economics and  
Economic Globalization: Social and  
Environmental Consequences**

by

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**Sea Turtles as a Non-Consumptive  
Tourism Resource In Australia**

**by**

**Clem Tisdell†**

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## **TRANSITIONAL ECONOMIES AND ECONOMIC GLOBALIZATION: SOCIAL AND ENVIRONMENTAL CONSEQUENCES**

### **Abstract**

As former communist countries have proceeded with market reforms, they have become more enmeshed in the international economy and their involvement in economic globalisation continues to grow. While economic theory suggests that this should bring several economic advantages to transitional economies (such as greater diversity of choice of commodities, lower costs as a result of greater economic specialisation, enhanced economic growth as a result of liberalization of capital and technology transfers), the social and environmental consequences of globalisation have in many cases not been favourable so far.

Unemployment is emerging as a major problem in some transitional economies, social safety nets (especially for women, children and the elderly) have been breached, and basic needs are no longer being met across the board as in communist days. In most cases, inequality of income has increased and a bimodal distribution may be emerging in many other economies. Those on the low welfare- (income-) side of the bimodal distribution are casual workers, those in the informal sector, the unemployed and the handicapped, including the elderly. Those on the right-hand bulge of the income distribution curve seem to be the permanently employed (a declining proportion of population) and rich entrepreneurs and capitalists

The paper suggests that structural adjustment policies may be altering the shape of the Kuznets curve of income distribution from an inverted-*U* to a bimodal form in both capitalist and former communist-countries.

Transitional processes have failed to overcome many of the environmental problems experienced by former communist countries. This is particularly so in transitional economies which have experienced negative economic growth, such as Russia. It is partly a consequence of lack of investment in capital stock. Lack of economic growth makes it difficult to implement environmental reforms and maintain social services.

It is also noted that economic globalisation in terms of trade and capital inflows (including aid) makes transitional economies more dependent on the rest of the world. They can therefore be more easily subjected to external strategic economic bargaining or threats.

# **TRANSITIONAL ECONOMIES AND ECONOMIC GLOBALIZATION: SOCIAL AND ENVIRONMENTAL CONSEQUENCES**

## **1. Introduction**

In a comparatively short period of time, the former centrally planned economies have been confronted by two dimensions of market forces: (a) the creation of internal markets and (b) the opening up of their economies to the market forces of the outside world; the process of economic globalisation. These two dimensions are interacting: as economic globalisation becomes a more pervading factor in an economy, international competition forces the reform of internal markets to proceed even further than before. As a result of this interactive process, the governments of the former centrally planned economies (CPEs) have increasingly lost control over the operations of their economies and are finding it impossible to provide the level of social security and employment previously prevailing in the centrally planned system. Income and welfare inequality has grown. The problems have been compounded in those former CPEs (such as Russia) which because of economic and political disruption, have experienced massive declines in the national income. Indeed, Russia has been saddled with economic decline – negative economic growth.

There are of course many economies other than the CPEs which are involved in transition because of structural adjustment policies. In fact virtually every country is caught up in this process as they are urged to move from inward-looking economic policies to open-type market policies. Small government, low taxes, user-pays maximum use of contracting out by governments have become the prevailing policy prescriptions of the day. The proposed mission is to expand the private sector, reduce the size of the public sector, strengthen property rights regimes and let competitive

markets hold sway. Apart from the former CPEs, this renewed laissez-faire approach has or is altering the economic landscape of a diversity of countries, for example, African countries, e.g., Tanzania, South Asian countries, e.g., India, as well as countries which were less inward-looking and socialistic, such as Australia. The transition in mixed economies has however been much less dramatic and traumatic than in the case of the former CPEs, many of which are still a considerable way from completing their economic transition to a smoothly operating market economy supported by stable democratic institutions. In many ways, this is not surprising because they are being expected to achieve in a few years institutional structures (of which market systems are one) which have taken centuries to evolve in Western countries. Rapidly enforced artificially promoted institutions, as favoured by 'big bang' theorists, are unlikely to be workable and stable (Cf. Intriligator, 1998). Without roots in an evolutionary socio-political new processes, institutions are unlikely to become firmly and quickly embedded in a society, as the Russian case illustrates. By contrast, China adopted a slower evolutionary approach to economic reform, but still an accelerated one compared with economic evolution in the West. Compared to Russia, its economic fortunes have proven to be much better but China still faces major obstacles to completing its economic transition, as discussed below.

In relation to transition to a market economy, note that there are two alternative models of the ideal market system. There are (1) the laissez-faire type model espoused first by Adam Smith in 1776 and (2) the social market economy model presented by several German writers (Riha, 1992; Böhm, 1950; Eucken, 1952). The latter is based on a modified market system in which the importance of social responsibility is stressed, particularly the need to provide social security and support

in a market system. The social market economy model therefore is more favourable to a mixed economic system (but not necessarily one in which there is considerable state ownership of industry) than is the laissez-faire model. However, the laissez-faire ideal has dominated recent proposals for economic transition and structural adjustment policies (as proposed by bodies such as the IMF and World Bank). Despite statements about the need to provide social safety nets (for those who have really fallen out of the economic act) social security has been increasingly relegated to a back seat to make way for economic efficiency.

In accordance with laissez-faire doctrine, there has been reduced emphasis on the existence of market failure as a reason for government economic intervention. Such externalities as exist are often attributed to institutional failures by free marketeers – failure in particular of governments to establish suitable property regimes and systems of rights supported by adequate social arrangements ensuring their enforceability with low transaction costs. The occurrence of corruption and bribery can add considerably to transaction costs. Nevertheless, the fact has to be faced that even after all property rights are bestowed to the extent that this is economic (and it is clear from the work of Demsetz (1967) and North (1981) that property rights depend on economics), externalities will continue to exist. This is especially so in relation to natural environments. In addition, laissez-faire economic policies appear to be inadequate for meeting many goals of sustainable development. This matter is not easily resolved by the laissez-faire market approach. Therefore a gap in policy proposals has emerged between those neoclassical economists favouring a laissez-faire approach to economic development and many ecological economists concerned about the sustainability of development under such conditions. This gap is far from being eliminated, although



increasing use of market mechanisms such as tradeable emission permits, is providing one means to help bridge it.

Thus the laissez-faire market model as in particular promoted by a considerable group of American economists, and international bodies (such as the IMF and the World Bank) as an ideal one for countries in transition is one about which many social economists and ecological economists have serious reservations.

This paper will consider how some of the former CPEs are coping with social security problems in their transition and how environmental and sustainable development issues are being addressed, and then discuss some of the general policy issues raised by the process of economic globalization. But first consider some general background about provision of social welfare support and globalization.

## **2. Transition, Globalization and Social Security – General Background**

Increasing support for laissez-faire market systems combined with globalisation resulted in a retreat in recent years from acceptance of the concept of the welfare state. The reasons for this retreat are probably complex, at least in the Western world.

Possibilities include:

1. A resurgence of social Darwinism.
2. The view that the tax burdens associated with a welfare state result in considerable disincentive to economic growth and that economic growth is the surest way to increase the incomes of all through 'trickle-down' effects.
3. Social security schemes breed a mentality (amongst recipients) of economic dependence, individuals have in incentive to exploit the system and fail to

provide for their own future. In its crudest form, it is believed that state provision of social services encourages 'bludgers' and an unwillingness of some individuals to engage in self-help by saving, work and so on.

4. In some cases, it is believed that such a system, for example the supply of free education, provides greater benefits to the rich than the poor and consequently benefits individuals who could afford to pay. Thus social service provision may have undesirable distribution consequences and transition costs might be reduced by eliminating some transfers.
5. Taxes to support social security or social services are often viewed as instruments which reduce international competitiveness and the ability of a country to compete in a global market for increased foreign investment and for exports. Incidentally, environmental taxes are often viewed in the same way.
6. The unemployed and the destitute may be blamed by some for their own plight. For example, it may be believed that they do not seriously want to work or that their destitution is a consequence of lack of prudence on their part.

One can find shortcomings in most of these arguments. For example, the trickle-down effect can be very uneven or a long-time in coming, individuals such as the seriously handicapped may be incapable of engaging in self-help, involuntary unemployment does occur (as was very well documented by Keynes), the fact that some of the rich gain social benefits ought not be used as an excuse for depriving the poor or the handicapped of such benefits. There is a strong moral and economic case for trying to provide a degree of equality of economic opportunity to the children of the poor via the provision of social services such as education and health benefits. As

pointed out later, children have been amongst the main social causalities of the globalization process.

As for whether social security payments reduce international competitiveness of a country imposing these, one should be careful not to come to hasty conclusions. Some social services improve human capital, may reduce crime rates, raise economic productivity and help to reduce involuntary unemployment. Up to a point, provision of social services and state policies to meet basic needs may enhance the productivity of a nation and even increase its international competitiveness. Beyond a point, it is of course possible that the extra tax burden imposed by a welfare state would reduce the international competitiveness of a welfare state. But economic efficiency and economic growth is not the end objective of a good society. Equity and justice must also be taken into account. A nation may therefore, choose to forgo some international competitiveness to foster greater social equity. Its economic penalty for doing so in terms of lost international economic opportunities, may be greater the less is the willingness of other nations to provide social services for their citizens. From this point of view, the process of economic globalisation is a threat to social justice and security, both in the former CPEs and elsewhere.

Supporters of economic globalisation and of structural adjustment policies see these as powerful initiatives to achieve rapid economic growth throughout the world. Such growth it is believed provides promise for the economically disadvantaged. If the theory of Kuznets (1963, 1973) were to hold economic growth in LDCs, including the former CPEs, would initially increase economic inequality and with sufficient economic growth, subsequently reduce this inequality. In those former CPEs which

have experienced economic growth income inequality has increased during transition, and there is no sign that such inequality is likely to decline in the near future. Furthermore, those transitional economies which have experienced declining real income, such as Russia, have experienced massive increased in income inequality and the incidence of poverty. In their case, the Kuznets income distribution curve has not exhibited reversibility. Growing income inequality in the transitional economies has been reinforced by reduced entitlements for the poor in Sen's sense (Sen, 1981).

Apart from being optimistic about the prospects for eventually increasing income equality with economic growth, Kuznets also expressed support for Pareto's view that income, after taking account of all entitlements, is likely to be unequally distributed in line with Pareto distribution (Tintner, 1953, p. 37). However, Kuznets clearly did not adopt Pareto's view based on slowly circulating elites, that the inequality of this distribution remains virtually unchanged with socio-political change.

Now however doubts must be raised about Kuznet's hypothesis that inequality of income (or economic welfare in the wider sense) can be expected to decline with economic growth in more developed countries. With the increasing adoption of laissez-faire economic policies, social changes are occurring which indicate that income inequality is rising and more generally social-economic inequality is increasing in more developed countries. Fears have been expressed that a bimodal distribution of socio-economic welfare is emerging reminiscent of the Industrial Revolution in which two distinct social classes were claimed to have emerged. Today those on the lower tail of the welfare distribution consist of the unemployed and the handicapped and increasing numbers in casual employment, often the unskilled or

those with limited skills easily replaced by machinery. At the other end of the spectrum are the more successful and highly skilled. While this may be a parody, there is little doubt that geographical separation of the economically successful and 'economic failures' has become more marked. This seems to have been signalled by the increasing development of ghettos in Western countries, e.g., Australia. Furthermore increasing economic separation of the economic situation of youth and older persons has occurred. (Cf. Gregory, 1999) in recent times. Increasingly the economically disadvantaged congregate together and those amongst them who have any economic success now rapidly move to locations of higher socio-economic status according to research results reported by Dr R. Gregory of the Australian National University.

This process has serious adverse social consequences especially when linked with devolution of economic responsibility and governance. It becomes increasingly difficult to fund community-provided public facilities such as education in disadvantaged communities, equality of opportunity for children is undermined. Such enclaves become deepening poverty traps commonly described in many early development textbooks concerned with economically backward regions.

### **3. Social Security, Transition and Globalization – The Situation of Former CPEs**

Possibly the major problem which the former CPEs have faced (and continue to face) is how to reform their social security system, their provision of social services in line with their market and institutional reforms. In the case of Russia, this aspect has been poorly attended to, and difficulties have emerged for all former CPEs for delivery of

social security and social services. While CPEs have many drawbacks, they were strong on their delivery of full employment, in providing for basic needs and in making social support services widely available. However, the delivery of social services was integrally linked with the production unit or organization employing individuals. It was this unit which 'supported' employees who might otherwise be unemployed, provided for health services, in many cases education, pensions and so on. Where productive units made a loss, soft loans and other means of financial support were usually available from the State so the ongoing social service commitments of the productive (state) enterprises could continue to be met. Such a system did not of course encourage the reduction of organizational slack and enhance allocative efficiency.

Given the enterprise-dependent form of social service provision in the former CPEs, it becomes immediately apparent that market reforms which corporatize or privatize state enterprises will completely undermine the social security system developed by the CPEs. With market reforms, the state no longer guarantees the financial operations of enterprises and therefore their ability to meet social security provisions. Profitability becomes a more important goal of productive units as market reforms proceed. Thus enterprises are no longer willing to continue to employ workers with a negative net marginal productivity. They increasingly prefer to employ labour on contract rather than permanently so avoiding social service obligations.

Pressures to escape social security responsibilities at the enterprise level are likely to grow where nascent private firms in the transitional economic system are able to avoid social security costs. Furthermore, with globalization, enterprises in the former

CPEs are likely to argue that this type of social security system places them at a competitive economic disadvantage compared to importers. Thus competitive pressure generated by economic globalisation accelerate the dismantling of the traditional social security system of CPEs. Already erosion of the traditional social security system has been rapid. The consequence has been increasing unemployment, greater socio-economic inequality and a rapid increase in poverty, particularly amongst children and the elderly. In many respects also the socio-economic status of females has suffered severely.

The above is probably most apparent in the Russian case where rapid market reform was attempted. But it is now a serious problem being faced by China. Without dismantling its state-owned enterprises, China was able to achieve rapid economic growth largely due to the performance of its town-and-village enterprises (Tisdell, 1993). But in a globalising world and bearing in mind that China expects to join WTO, it is now being forced by circumstances to privatize or corporatise its state-owned enterprise. If this were to occur immediately, it would it is estimated result in an overt unemployment rate of 30 per cent in urban China (Tisdell and Chai, 1998). While possibly further economic growth induced by this further reform might reduce this predicted rate of unemployment, massive initial urban unemployment with potential for political disruption is a real possibility. Already political disturbances have occurred in China's Northeast as a result of China's economic restructuring. Increased foreign direct investment in China especially in service industries, is likely to accelerate this trend.

To some extent the situation can be summed up in a quote from Chai and one from Riskin. Chai (1996, p. 254) pointed out:

‘Before the reforms a social security system financed by the communes in rural areas and by urban enterprises in the cities reduced the economic insecurity caused by inflation, unemployment, industrial accidents, illness, old age and so on. With the end of the communes, financial problems have caused access to social security in rural areas to diminish. In the cities, the enterprises still provide social security for tenured workers but not for unemployed migrants from rural areas or contract workers --the latter accounting for an increasing share of the urban workforce. The enterprise-financed system is disintegrating but state-financed social security is still not in place’.

Riskin (1997, p. 367) observed:

‘the fate of ongoing attempts to reform state enterprises depends in part on the reform of the social security system. State enterprises have been ‘mini societies’, responsible for providing a host of social services for their employees, including pensions, medical care, schooling and housing. Such obligations are to be diverted onto the shoulders of government, central or local or some combination, or shared by government and affected individuals. Retirement pensions and unemployment compensation are two areas of particular concern in this regard.’

China is responding by reforming its social security system as a matter of urgency. But such reforms take time and may also given rise to undesirable features. Responsibility for social security provision and provision of basic needs is being increasingly devolved to local communities and to the provincial level. However,



given that great socio-economic inequality exists between provinces and local communities in China, this tendency is likely to exacerbate geographical economic inequality in China. Some of the poorest inland provinces find it increasingly difficult to shoulder the burden of providing education, and fees for education have been introduced so placing a burden particularly on the more disadvantaged members of the community. A similar situation is developing in the provision of health services, including immunization programmes against disease. The latter is especially regrettable since some of these programmes have positive externalities.

According to Riskin (1997), urban poverty has grown in China as the economic reforms have continued. With increasing unemployment, urban poverty has the potential to get worse; much worse. Unfortunately, apart from rising income inequality in transitional former CPEs, a sad feature has been growing incidence of poverty amongst children and the elderly, groups which are unable to engage in self-help to any great extent. Furthermore, such inequality in relation to children is a serious blow to the ideal of equality of opportunity.

The emerging degree of income inequality and incidence of poverty varies considerably amongst the former CPEs. Market-making and economic globalisation nevertheless appears to have been strongly associated with increasing poverty amongst most of the European former CPEs. Hope Sr. (1998, p. 65) observes:

‘the move towards greater market orientation in the late 1980s in Eastern Europe and the CIS countries was also accompanied by an increase in poverty. The incidence of income poverty increased sevenfold between 1988 and 1994 (from 4 per cent to 32 per cent) pushing the number of people living below the

poverty line [in these countries] from a little less than 14 million to more than 119 million’.

More than half of this group in poverty was in Russia. In all probability, the situation has worsened since 1994 given continuing political instability and economic decline.

Furthermore, poverty amongst children and the elderly (economically vulnerable groups) rose rapidly in Russia, Bulgaria, Romania and Estonia and significantly for several other eastern European former CPEs. For example, according to UNDP statistics, cited by Hope Sr. 1998, child poverty in Russia stood at 62 per cent in 1993 (up from 40 per cent in 1989) and 43 per cent in Bulgaria (up from 2 per cent in 1989). Poverty amongst the elderly in Russia rose in the same period from 23 per cent to 34 per cent and from Bulgaria from 4 per cent to 28 per cent. One suspects that the situation has continued to get worse given Russia’s declining income and political instability.

While the situation in Hungary of social policy is better than in many of the former Soviet-style CPEs, Hungary’s social situation is nevertheless relatively grim. Real social welfare payments fell *greatly* for all categories of social welfare between 1989 and 1996, except unemployment payments because there was zero unemployment in 1989. Overall social welfare payments fell in real terms by a quarter in this period of 7 years (Darvas, 1998, p. 77). The number of children registered by local guardianship bodies as being at ‘risk’ of poverty rose from 35,321 in 1988 to 249,976 in 1996, more than a sevenfold increase (Darvas, 1998, p. 84). Very often children in poverty are also indicators of mothers in poverty. It therefore, seems possible that

mothers in poverty in Hungary rose sharply in this period also. A similar less than satisfactory position has emerged in many other transitional economies.

Chosudovsky (1997) has argued that structural adjustment policies, the foundation of policies for economic globalisation have in fact globalized and increased the worldwide incidence of poverty. Although his view is unlikely to be welcomed by institutions upholding the 'Washington Consensus', it cannot be dismissed without consideration. There are worrying trends of increasing socio-economic deprivation in most countries associated with growing economic inequality and a reduced social conscience. This is reflected not only in falling national budgets in real terms for social welfare but by declining official development assistance to the world's poorest countries. Rising incomes in the more developed world have been accompanied by reduced charity.

#### **4. The Environment, Transition and Globalisation**

The likely impact of economic globalisation on the state of the national environment is a matter for controversy. On the one hand, free trade should make for greater efficiency of resource use. This means that the same level of economic output can be produced using fewer resources than in a world of restricted trade nationally and internationally. Thus one might imagine that freer markets and economic globalisation will reduce the drain on natural resources and lower pollution per unit of output.

While it is likely that freer trade will reduce resource use per unit of output, it by no means follows that total pollution levels and resource use will be lower in a less

restricted world economy. To the extent that the system stimulates economic growth, it accelerates resource-use and aggregate levels of pollution may actually increase (Cf. Tisdell, 1999c, 1999b). A globalized economy may be increasingly dominated by the view that weak conditions are required for economic sustainability rather than strong ones. If so, this will favour the increasing conversion of natural resources into man-made capital. To the extent that globalisation is relatively favourable to the economic interests of multinational companies, the new freedom for these companies may reinforce this process.

Nevertheless in those former CPEs which have developed a more open system of government and have permitted the civil society to develop along with freedom of expression, this helps to provide a check to the worst excesses of environmental abuse. In such cases, less government protection is likely to be available to enterprises engaging in offensive environmental behaviour than when they are owned by the state.

The immense environmental abuse which existed in CPEs is well documented (see for example Kallaste, 1994, Pryde, 1972). In transition, however, the CPEs have varied greatly in their ability (and possibly will) to address their environmental problems. Those former CPEs which have experienced declining income and investment such as Russia and Bulgaria have not been able to deal very effectively with their environmental problems. They have been forced to continue to use old equipment which they have been hard pressed to maintain. Such equipment is inefficient, resource-wasteful and polluting (Cf. Tisdell, 1999c). Most of their population is concerned with coping with poverty and avoiding economic catastrophe so

environmental concerns tend to be a secondary consideration (Doktorov *et al.*, 1993; Genav, 1991). Overall with declining output it seems almost certain that pollution levels in relation to output have risen in a country such as Russia. In addition environmental degradation has gathered pace as once protected areas have become subjects for economic exploitation with reduced central control. The desire to exploit such natural resources is driven by dire economic circumstances. As yet market-making in Russia has a long way to go before it yields demonstrable economic benefits.

On the other hand, China has experienced considerable economic growth and has been giving increasing attention to environmental policy since it began its economic reforms. While it is still an inefficient user of energy, the efficiency of its energy use is increasing (Tisdell, 1997). It is increasingly imposing taxes and charges on the emission of pollutants. Nevertheless, it is difficult to control pollution emission by town-and-village enterprises, and air and water pollution still remains a major problem in China. Furthermore, with economic growth, there have been rising demands for scarce natural resources, such as water. Water is in relatively short supply in China and a geographical imbalance exists between its relative abundance in southern China and its considerable scarcity in northeastern China (Tisdell, 1997b). Greater demands on freshwater resources in China are liable to reduce riverflows even more than in the past, further lower water quality and major dam construction, such as the Three Gorges Dam on the Yangtze river, is bound to bring about major ecological changes.

Although the State Council (1994) has approved a white paper *Agenda 21* to provide development guidelines for China to achieve sustainable development in the 21<sup>st</sup> century, its practical policy consequences are not entirely clear. So far China appears to have followed weak rather than strong sustainability criteria in its development process. Nevertheless, China's *Agenda 21* can be considered a significant document because it recognizes the central importance of sustainability issues (both social and environmental ones) for China's future. Recognition is the first step towards positive action.

China is likely to face major challenges in achieving its sustainable development objectives as it enters the next millennium. Its likely entry into WTO may force it to move further down the globalisation, free market path. This could increase the difficulty of China achieving its sustainability objectives (Cf. Tisdell and Chai, 1998)

## **6. Concluding Observations**

Structural adjustment policies have been adopted and economic globalisation has spread at the expense of the welfare state. The consequence has been massive losses of social services and social security provided by the state. An associated effect has been growing income inequality and a resurgence of poverty. Furthermore, the ideal of providing equality of opportunity for children has been seriously undermined. These trends are especially noticeable in the transition of the former CPEs which has had to cope both with the introduction and extension of market systems nationally as well as economic globalisation. Furthermore, as economic globalization proceeds transitional economies are forced for competitive reasons to more thoroughly allow laissez-faire markets to operate and reduce public expenditure on social policy.

The former CPEs seem to have been promised a pot of gold at the end of the market-globalisation rainbow<sup>1</sup>. But for the present some, such as Russia, seem to have reaped a bitter harvest with declining incomes, increasing inequality of income and a very serious incidence of poverty amongst several vulnerable groups such as children, the elderly and females. China has fared better but increasing unemployment and decreased economic security are likely to take an increasing toll as privatization of its state owned enterprises gathers momentum, a momentum being accelerated by the economic globalisation process.

Whether or not a caring society will emerge at the end of the transition in which income inequality is greatly reduced and poverty virtually eliminated remains to be seen. The signs, however, in the more developed countries do not at present seem very propitious. With their continuing development, they appear to have become socially less caring. The incidence of poverty, inequality of opportunity amongst children, and inequality of income have risen in many developed countries. Expenditure on social services has declined in real terms along with overseas development assistance.

Only those transitional economies which have experienced positive economic growth have been able to take effective steps for dealing with their environmental problems. Russia has, for example, not been able to deal effectively with its environmental problems. Although transitional countries, such as China, experiencing economic growth have had the capacity to formulate and execute more effective environmental policies (and their environmental awareness and policies have shown considerable improvement compared to the situation with central economic planning), market-led

economic growth is strongly biased in favour of the conversion of natural resource and environmental capital into man-made capital. In a globalizing market-oriented world, it may become increasingly difficult for governments to follow other than weak sustainability conditions in their development process.

In conclusion, it might also be observed that the transition of many former CPEs has weakened their international political independence and bargaining power. Russia for example seems to have become highly dependent on Western loans and economic concessions. This along with its ailing economy reduces its international political influence. While China has more room to manoeuvre, it is becoming increasingly dependent for the functioning of its economy on exports. It will be bound by further obligations once it joins WTO. Consequentially it will increasingly become subject to global surveillance in its economic and other policies (Cf. Chossudovsky, 1999). Whether or not China will be a major power broker in such organisations committed to the economic globalisation process cannot be decided in advance. It seems plausible however, that the G-7 countries are currently the major political power brokers with the position of the USA being of central importance.

### **Endnotes**

1. As pointed out by Thomas O’Nitsch (1997, 1999) the collapse of centrally planned economies and their transition toward capitalism is not synonymous with the demise of social Marxism, or communism according to Marx. In fact, the centrally planned economies did not reach Marx’s ideal of communism in which the state withers away. In reality just the opposite occurred – the state became increasingly powerful and pervasive. Of course, it is far from clear how a large state would operate in the absence of both private property and state control. Marx’s ideal is probably unable



to be achieved. Given this conundrum, a mixed economic system probably provides the best prospects for combining a reasonable degree of social justice with the avoidance of many of the economic disadvantages of comprehensive state control of economic activity (Cf. Sun et al., 1999). At the same time, is likely to preserve an acceptable degree of individual liberty.

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