



The Group of 78
Le Groupe des 78

You are Invited!

The Group of 78 Annual Policy Conference September 23 – 25, 2011

Cartier Place Suite Hotel,
180 Cooper St., Ottawa

The Growing Struggle between Democracy and Global Economic Liberalization

Canada's current foreign policy is guided by two overriding policy objectives: the promotion of democracy and the promotion of the free flow of trade and finance. Since these objectives are widely regarded as mutually reinforcing there has been relatively little discussion of the possibility that under certain circumstances, or beyond a certain point, they may prove incompatible.

This year's G78 Annual Conference will therefore focus on the: "*The Growing Struggle between Democracy and Global Economic Liberalization*," asking whether, and in what sense, these objectives may have become mutually incompatible. And what policy changes might be capable of reversing such a potentially disastrous development?

We take for granted that the relationship between markets and democracy is generally positive and mutually reinforcing. Yet there are circumstances where the market operates outside the oversight and control of government and intergovernmental institutions, which supposedly carry the people's mandate for security and stability. The 2008 global economic crisis is the latest major example.

The fear that neoliberal globalization has brought the world to a point where democracy and free markets are increasingly at odds with one another is ultimately rooted in three propositions:

- To serve the public interest (i.e. to promote 'public welfare') competitive markets must be embedded within a framework of rules and values that allow contracts to be enforced efficiently. The search for economic efficiency needs to be balanced constructively against other social objectives, such that income distribution can be managed so as to yield politically acceptable outcomes.
- Democracy, defined as a form of governance in which citizens are prepared to resolve their political differences peacefully through a competitive political process, can only be

successfully sustained so long as A) citizens share a sense of common interest strong enough to provide the basis around which to negotiate workable compromises on issues that divide them; B) elections are seen to be fair and present citizens with meaningful choices that the elected governments are in a position to honour; and C) peoples' lives are sufficiently secure that election outcomes do not actively threaten their livelihoods or their security.

- Neoliberal globalization has so eroded the substance of national economic spaces that governments have become increasingly unable to perform the vital function of embedding competitive markets. The result is that markets have often ceased to function in the public interest, or even in the interests of 'economic efficiency'. The sense of solidarity that is the essential foundation for democracy and for the successful functioning of markets in the public interest is being progressively eroded by uncertainty, income polarization, corruption, loss of sovereignty and free riding that are so actively encouraged by the ever deeper inroads being made by politically irresponsible (and 'disembedded') international economic forces. The resulting sense of political and social alienation is making societies increasingly ungovernable, leading either to the recent proliferation of failed states or to the emergence of increasingly illiberal, intrusive, secretive and authoritarian 'security states' that may continue to be formally democratic because they hold occasional elections, but that empty democracy of its meaning in the process.

Our discussions will focus on these broad concerns in an effort to arrive at a view of recent events that allows more of them to be understood, as opposed to merely being observed and acknowledged, often as totally surprising and unexpected developments, including: the recent global financial crisis; the dramatic further cuts in social services and living standards that now confront the citizens of most developed countries in the wake of the bailouts that temporarily stabilized financial markets in the wake of that crisis; the proliferation of failed states in the developing world; the deepening polarization in attitudes and incomes that has afflicted the political processes in some of the leading countries of the world, including the United States; and, also, the 'Arab Spring.'

The conference will endeavour to develop ideas and directions for both national and international policy making that our government can consider to re-entrench fairness and openness in a market ultimately accountable to the state and people and to strengthen democratic, participatory practices at home and abroad, including through our international institutions. Our particular emphasis will focus on positions and actions that Canada can take to play a stronger role on these principles internationally.