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*The ethics of a globalized world: a universal ethic?*

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## The ethics of a globalized world: a universal ethic?

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**Abstract.** In a global economy, global and universal ethics are a necessity. How can ethics be connected to the economy in an interdependent world? From all the different theories on ethics, which should we choose? Do utilitarianism and the maximization of utility promote the happiness of all or do they promote selfishness? What are the roles of international institutions in the definition of and respect for universal duties and rights? What is the relationship between the two waves of globalization and income distribution inequality around the world? These are questions that this paper raises and attempts to answer, putting forward some contributions towards the definition of a global ethic based on duties, virtues and fraternity; a universal ethic reconciling partiality in feelings with the impartiality of duties; an ethic which combining justice with solidarity and in which the means justify the ends.

**Key Words:** Ethics, Moral, Globalization, Utility, Justice, Solidarity.

**JEL Code:** A13, F01, F02, F13, I38

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## I. Introduction

Ethical questions have occupied center stage in human thinking since the beginning of time. Philosophers, novelists, playwrights, politicians, historians, religious leaders and many others down the ages have produced some of their best efforts in addressing questions such as “how should we behave in the face of others”, “what is the sense of personal responsibility”, “how should we pursue a good life without hindering the rights of others”, “how can we define rights and wrongs, goods and bads” or “should we act based on consequences or should we merely concentrate on principles”. Despite the fact that each historical society has approached the world of morality in particular and nuanced ways, it remains a fact that it is impossible to find a civilization or a culture without moral rules or ethical constructions forcing or constraining people to follow “the right path”. Defining this path implies moral behavior that may be compared to a tightrope on which you are permanently adjusting your balance while not meaning choice is ever absent from your mindset. The morality conundrum results from the fact that you have to reconcile your self interests, rights and duties with those of all the others with whom you interact. Moral issues arise exactly because you have to consider the other as an individual and not as some abstract dehumanized figure. Each particular period raises new moral questions and new puzzles to solve. It is easy to be trapped by the feeling that we are living in a very special and unique moment in time and subject to never before faced moral pressures. But comparing moral requirements and the difficulties of complying with moral imperatives leads us nowhere – the question lies elsewhere – what kind of morality is emerging as a response to the present social, political, economic and cultural transformations taking shape in today’s society? The autarkic and parochial societies of the past, almost always closed to the outside world, relied on moral codes shaped by a stringent separation between a virtuous inner and a calamitous and dangerous exterior. Dealing with others was more a question of hospitality than a question of morality. But modern societies are no longer isolated and self sufficient; they have to rely on constant interchange with others who are sometimes radically different. Globalization, a *mot valise* that mostly hides more than it explains, is a process by which we are permanently confronted with moral choices and the need to reconcile contradictory requirements.

The father of philosophy, Socrates bequeathed an oath, something sacred, the thought of “knowing thyself” and the example of dying for freedom of thought and for respect of democratic laws.

The father of literature, Homero left us with a theory of religious ethics in *The Odyssey* (obedience to godly oaths) and the principles of a laic ethics with a mythological foundation: the ancestral theory of reciprocity (the figure of the foreign is sacred: first you feed and take care of the visitor and only afterwards ask for a name and inquire as to origins).<sup>1</sup>

One of the foremost tragic authors, Sophocles provides, in *Antigone*, a defense of humanism “There are many prodigals; even though none is bigger than Man” while simultaneously exposing the supremacy of religious ethics.<sup>2</sup>

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<sup>1</sup> Reciprocity has, in its origin, a debt deferred in time: we help today, because we were helped yesterday. Someone, in early times, began the process by imitating the behaviour of the Gods.

<sup>2</sup> *Antigone*, in order to obey the Gods, disobeyed the king, Creon and was consequently dispatched to the other world. Creon suffered the consequences of not having respected the primacy of religious power over temporal power.

Aristotle wrote several books concerning Ethics with the best known being “*Nicomachean Ethics*”, also known as the *Ethics of Virtue*.

Spinoza, in his *Ethics*, departs from the traditional concept of God by defending the role of feeling and emotions as determinants of our behavior (the freedom of reason would derive from the conscience of biological determinism).<sup>3</sup>

Kant, with his theory of categorical imperative, may be considered as the father of rational Ethics, also named Modern Ethics (laic ethics of duties).

Furthermore, Hume, Hobbes, Stuart Mill and other great writers, such as Rawls with his *Theory of Justice*<sup>4</sup>, have scrutinized moral issues in order to attain their best theories on ethics.

Recently, debate has focused on the *Ethics of Affection* and on the *Ethics of Rights*. To the first we may associate concern with family, fraternal and friendly relations. For the *Ethics of Rights*, also referred to as post modern ethic, post moralist ethic or anti religion of duty ethic, we may attribute a unilateral concern with individual rights to the detriment of duties.

Within this framework of several ethical theories and considering that ethical principles are universal, where do the ethics of globalization stand and what are the distinguishing features of global ethics when compared with individual ethics and national ethics? Is it possible to reconcile a universal ethics theory with the dominant economic theory based on utilitarianism and the maximization of the utility function? Is it necessary to substitute the utility function with another that includes new ethical principles? Or is it possible to change the utility function in such a way that it reflects an ethic based on virtue, duties and affections instead of the utilitarian ethic? Or does a new ethic of globalization imply a new economy and a new economic theory? Is it a utopian ethic, or, on the contrary, the *Ethic of the Future*? How to humanize the global market?

In order to answer these questions, we set out a brief synthesis of the main theories on ethics and approach globalization ethics in the light of these theories. We then provide a summary of both the globalization phenomenon and the major waves of globalization. We then return to Adam Smith and his “*Theory of Moral Sentiments*” and possible contradiction between the ideas expressed in this work and those presented in his “*Wealth of Nations*”, namely the invisible hand mechanism – the famous Adam Smith construct. Should we really confront the Mandevillian leanings of Smith with his Scottish sympathy? Should we oppose the “knives turned honest” with the “impartial spectator”? This analysis emphasizes the alleged impossibility of reconciling utilitarianism and ethical utilitarianism with principles of justice and solidarity. The market seems to be blind (usually is blind) to the other and the misery of another. Just as governments correct market distortions and the distribution of income through economic policies, can an institution like the World Trade Organization (WTO) defend ethical values across the global economy? What is the capacity of international institutions like the United Nations (UN) to act in defense of ethics in international relations? As ethics relate to law, but also extend beyond its field, is it possible that danger arises from imposing some sort of ethical Republic of Plato? How to give economic theory a non utilitarian ethical foundation? How to reconcile the *Theory of Moral Sentiments* with the *Wealth of Nations* in the era of globalization? These are some of the contributions we seek to add to this debate.

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<sup>3</sup> Recently, António Damásio (2004) rediscovered Spinoza and the role of feeling and emotions in the rational thought.

<sup>4</sup> J. Rawls (1971) talks about the veil of ignorance that allows those who choose universal ethical principles not to know where or not they benefit from the principles chosen.

This paper is structured as follows: the second section following presents the two concepts of morality and ethics, usually presented as synonymous, and the various ethical theories before the third section examines economic globalization, its various waves and the role of multinational companies and international organizations; the fourth section debates global ethics, revisits the Theory of Moral Sentiments of Adam Smith and makes some contributions to an ethics of globalization. Finally, in the fifth section, we present the main conclusions.

## II. Ethics

### *Moral and ethics*

Moral and Ethics are two concepts often deployed as synonyms (Cf. Singer, 1993). Both Moral and Ethics deal with the system of conduct rules in our relations with the other. The Moral is a concept more adequate to philosophical systems, to theory, while Ethics is more applied to practice, to the rules of day to day practice. We may say that the domain of Moral is wisdom, theory and contemplation while the domain of Ethics is feeling, acting and interaction with the others.<sup>5</sup>

Moral and Ethic begins when the Other comes onto the scene. The rules of conduct, the good reasons, the virtues of character, the utility of a certain action are thought through and defined to regulate interpersonal relations. If happiness lies in an understanding of what we are (Cf. Aristotle, Nichomachean Ethics), it is the Other, his recognition, his vision that enables us to understand ourselves.

To the question “who am I”, we have the answer: “you are...” Therefore, the comprehension of our nature is given by the recognition that the Other has of us. The Other is a *universal Other and neither tribal nor sectarian*. The purpose of a universal ethic is extending the understanding of recognition to all Men (symbolism of the Good Samaritan of Jesus Christ), even if recognition begins with the vision of those who are close and familiar.

### *Religious ethics and laic ethics*

We may say that both Religious Moral and Ethics, such as Laic Moral and Ethic, aim to respond to the two great questions of perpetual concern to Man: the desire for happiness (to Aristotle happiness is the end of human nature) and access to goods and their distribution (to lead a worthy life).

In the Religious Ethics of the monotheist credos, duties and oaths are absolute and dictated by God. Happiness is reached by the conformity of Man with those duties. The *Love to God* comes first before love to others. In this case, recognition of the Other is also fundamental. But the Other is different. The OTHER is unique, one cannot see him or recognize rationally (only by faith) and is omnipotent and omnipresent. The love of the OTHER, the *love of God*, is a gift that only the chosen feel. Nonconformity with God’s oaths brings remorse, feelings of guilt and unhappiness.

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<sup>5</sup> Cf. Simon Blackburn (2008). Most authors prefer to identify both concepts, separating them from theoretical ethics (the definition of universal rights) and practical ethics (the application of universal rights, which may differ between societies and circumstances). That also represents our position.

For religious Ethics – mainly for Christian ethics – access to goods and their fair distribution is irrelevant, because only the poor (economically and spiritually) reach eternal happiness (later reforms from Luther and Calvin would justify enrichment, capitalism and the capitalist ethic as Protestant ethics, according to Max Weber (2001)).

The Laic Ethics of duties have replaced God with Reason. The feeling of guilt and remorse does not stem from fear of God but from fear of loneliness. The fear of non recognition and non comprehension of oneself is the cause leading to unhappiness.

Bertrand Russell (1975), in his essay on happiness, mentions that big causes and big ideas carry the means to reach happiness. But there are no great causes without sharing and no big ideas without receiving. Concern with the Other, with the humanity of the Other is the essence of Kant's Ethics. The feeling of guilt from doing nothing about it is such that it outweighs fear of God's punishment. Human loneliness is so great that a larger and infinite solitude is not needed. Therefore, the oaths of Reason (categorical imperatives according to Kant) are enough for ethical behavior.

The Laic Ethic does not exclude feeling of the sacred and of the boundaries, the sense of questioning and communion with something outstanding (let us refer to it as the infinite substance as Spinoza, or the oath of Socrates "know thyself"). Neither excludes the oath of Christ "Love thy neighbor as you love thyself". They are inherent in its principles of Tolerance, Truth and Justice.

Laic Ethics, just as the religious Ethic, have Universal Principles. Defense of freedoms of physical, thought and word circulation – defense of the body, in Umberto Eco's (2002) terminology – is common to all peoples across history. Parental preference and protection of their children is verified in all communities. The need for and respect for the Other as a condition of human nature and respect for ourselves is universal.

### *Ethical theories revisited*

#### Aristotle's virtue ethics

Aristotle, in his book *Nicomachean Ethics*, is concerned about the principle of the orientation of Man in pursuing excellence and happiness. The possibility of always acting in an excellent way depends on character – a way of being that is permanent, constant. What are the features of character we must possess in order to be good and virtuous? How should we live so life becomes ethically good?

To Aristotle there is no single law or laws imposed by a transcendental legislator (God), nor oaths dictated by reason. The Virtue Ethic is not an ethic of divine or rational duties. There are no obligations, remorse or feelings of guilt. The essential issue arises in defining the features of character that make a person virtuous. Aristotle indicated the following features: honesty; loyalty; courage; generosity; temperance (self-domain); good sense; justice; equity; goodness and perseverance (in a good way).

For Aristotle, more important than pointing out character features is the definition of virtue. Virtue is an attribute of character defined by reference to two opposite extremes: that of excess and that of defect (lack of). *Virtue is achieved in the middle* of those extremes. Exemplifying with courage, Aristotle explains that this lies halfway between temerity and cowardice. But courage, although a feature of character between two extremes, is only a virtue if it additionally respects the Other in his humanity. To respect

is to have respect. Being a good and virtuous person always assumes the presence of the Other.

Virtue Ethics justify generosity and love not out of moral duty but out of the motivation inherent to the character of good and virtuous people. The question that arises is in relation to those who do not have virtuous features of character. According to Aristotle, those who lack virtuous character features will not gain them by free will. Who is not inclined to act wisely will have to be virtuous in obedience to those who have good sense (Book VII of Nichomachean Ethics). Therefore, Virtue Ethics do not exhaust all the decision making processes in daily life and needs complementing by rules and duties.

Another question raised by Aristotle is the conflict between the different features of character, between the different virtues. How to solve that conflict? Is there a virtue among virtues that may be considered the *virtue of virtues*? Yes, there is: wisdom. Then, what is wisdom? It is the knowledge of you. The “Know thyself” of Socrates. A knowledge of you that is only reachable by contemplation and by the Other, the vision and the respect of the Other. Only this wisdom – the true wisdom – brings happiness.

### Utilitarian ethics

According to utilitarian ethics, we should do what increases happiness for the greatest amount of people. This is the utilitarian oath. The concept of marginal utility – the increment of total utility – has been familiar to economists since Stuart Mill. At the ethical level, the utility concept is used with the purpose of increasing the well being (happiness) of the greatest possible number. Actions and daily rules of conduct are a way to attain a purpose: the increase in well being. Since the final objective is what really matters, it justifies all means. Thus, to the utilitarian, lying is defensible where the benefits are greater than the costs. Concepts of justice, truth, rightness of action or features of character are irrelevant. Individual happiness is also irrelevant. To the utilitarian, there are neither individual rights nor affection: should sacrificing a son or finding someone to blame be more important for the community, than let the son be sacrificed and someone to take the blame be found.<sup>6</sup>

The impartiality criterion excludes partiality of affection and family relationships. Classical utilitarians defended the impartiality criteria from the perspective that it was indispensable to the universal character of any theory on ethics.

Nowadays, followers of Utilitarian Ethics have reformulated the theory. We now have two sets or levels of rules:

- The first level of Utilitarian Ethics is constituted by the set of rules that guide daily living and are correspondingly more intuitive and less elaborate. At this level, the existence of a greater concern for those who we know better and with whom we have stronger bonds, or for those to whom we owe favors, is acceptable. At this level the impartiality criteria is not applicable.
- The second and critical level is the philosophical dimension that analyses which preferential treatments may resist the impartiality criteria. There are preferences

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<sup>6</sup> Utilitarian Ethics is an ethic of consequences («consequentiality» Ethics): it does not come from moral rules but from objective ones. The objective is the increase in utility, happiness or interest of the group. When compared with an alternative action, an action is good if it produces a marginal increase of greater happiness. But we are not in a situation of Pareto's optimum, in the language of economics: in the utilitarian optic not all have to win or remain the same. There may be someone that takes the blame, is arrested or tortured.

– between parent and child and between friends, for instance – that happen in every culture. In this case, partial treatment does not challenge the universality of the rule. *There is an impartial reason that justifies the partiality.* On the other hand, from the utilitarian perspective of the greatest benefit possible point of view, the costs of diminishing partiality would be greater than its benefits. Therefore, modern utilitarians accept the ethic of affections in preferential treatments (partial) that resist the impartiality test and that increase the well being (happiness) of the greatest amount of people. Lying is still admissible as are torture and deprivation of individual freedom.

### Contractual ethics

For Thomas Hobbes, moral rules are essential so we may live together in society. At an economic level, he considered resources to be scarce and if we did not want to depend on the altruism of others or resort to force we should establish rules for economic competition. The rules should aim to promote the general well being without distinction.

In order to ensure the rules decided were respected by everyone, a State would be needed.

Associated to the Contractual Ethics is the principle of reciprocity: we obey rules on the condition that others also obey them: if they give us, we give back.

Reciprocity implies a debt deferred in time: we repay but not at the same time. Hence, motive is not important to the idea of reciprocity, whether selfish or altruistic: what matters is that the rule is obeyed.

Contractual Ethics have been subject to several criticisms. Firstly because there is not really any formal social contract but only an implicit social contract. Society is a game and by accepting we live in society we implicitly accept its rules (the rules of the social game). The second more solid criticism derives from the fact that animals and the physically and mentally challenged are excluded from this idea of the social contract.

### Universal duty ethics: the categorical imperative of Kant

For Kant, Ethic is a set of rules dictated by reason that we must follow independent of our desires, our interests, our will and our historical conditions.

Kant defended that moral rules had an absolute character, meaning rules were applied without exception. To him, the lying defended by utilitarianism – as long as it increased well being – was an inadmissible exception to truth.

The word duty has, for Kant, a dual meaning: a purpose to reach an end (hypothetical imperative) and a moral rule (categorical imperative). The hypothetical imperative depended on desires while the categorical imperative depended on reason.

In his book “Grounding for the Metaphysics of Morals” Kant formulated the categorical imperative in two ways:

- “*Act uniquely according to the rule that makes you simultaneously desire its transformation into Universal Law*” ;
- “*Act in a way to treat humanity, in yourself as in another, always simultaneously as an end and not as a means*”.

May there be exceptions to the Moral rule without damaging its universality and its consistence? Alternatively, is there room for the partiality of family and friendship



affection in the Kantian system? Kant himself thought this not possible. To him there was no room for exceptions.

Nowadays, most authors (for instance remember the two level utilitarian theory), consider that when we violate the rule – when we make an exception – we do not compromise the universality of the rule as long as we are willing to see the exception applied to everyone (including ourselves) in a similar situation. *There may be a good reason – in a Kantian way – justifying the absolute character of a rule being violated by everyone under the same circumstances.*

Therefore, the Duty Ethics of Kant, in its categorical imperative, may be conciliated with the ethic of affections.

### Affection ethics

Affection Ethics favor intimacy, affection, family and friendly relations. That is, they focus on privacy. Instead of general, abstract, absolute and impersonal principles, we have feelings and emotions. Instead of the categorical imperative of reason, we have the "categorical imperative" of affection. Instead of the impartiality of reason, we have the partiality of affection.

The ethics of affection reject duty for love and friendship. Bertrand Russell (1975) declared that to do otherwise would even be insulting.

Love and friendship are affectionate, are experienced, are spontaneous, although they are responsible and have limits. As Aristotle advocates, they are virtues, are sensible: they are neither excessive nor poor and do not bear the coldness of an impartial obligation.

The ethics of affection explains to us that we can only be brotherly with someone who deprives us on a daily basis. Aristotle, in Nichomachean Ethics, writes: "Not many guests, nor no guests." That is, "Not many friends, nor no friends." To maintain relations of friendship (Love of Friends) we must live and this is not achieved with many friends or with no friends.

This belief should define us. Friendship needs to be watered with daily living. The sharing of principles and values may be sufficient for the ethic of duties but is insufficient in the ethics of affection.

The Love (that Apostle John identifies with God) that we seek constantly within us is returned to us as a silent echo, indirectly, by the fraternal and comprehensive look of the Other, who is our brother regardless of color, race or religion. The Apostle writes in his first letter. "If someone says: 'I love God', but hates his brother then he is a liar; because no one who hates a brother that can be seen, can love God that cannot be seen" (John, 4, 20).

The absence of the Other is the absence of the mirror in which we see, understand and accept ourselves. The mirror of memory, of good memories of past meetings is part of that other, which is us.<sup>7</sup>

The ethics of affection have similarities with the ethics of virtues. We can say that the virtue ethic is concerned with life both as public and private life while the affection ethic is concerned primarily with the latter.

For both ethical theories, questions of impersonal duties, obligations, of social contracts, their usefulness, cost and benefits are secondary. Virtue ethics and affection ethics see

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<sup>7</sup> Christian baptism with the concern of proselytism and simplification removed a large part of the initiation process which is linked to Gnostic Christian and at the same time removed/reduced the concern for understanding each other and the complexity that this self-knowledge through others implies.

people through their character traits and their feelings and emotions. Since affection ethics are more recent, we may state that affection ethics rediscovered virtue ethics.

### Psychological selfishness and ethical egoism

*Psychological selfishness* defends that all human actions are motivated by selfishness. For this theory, there is no genuine altruism since we always do what we want and what makes us feel good.

Most theorists reject psychological selfishness on the grounds that its theoretical justification is incoherent. The fact that an altruistic person draws pleasure from helping others does not make him a selfish person given it does not eliminate the altruistic nature of the act. To be concerned and to do good things to others is what distinguishes the altruistic from the selfish, who only thinks and worries about the self.

In addition, concern about individual welfare is not incompatible with altruism, it is inherent. The selfish does not improve individually: by concern only with self-interest and excluding the other from his concerns, he weakens himself.

The real opposition is not between individualism and altruism, but between selfishness and altruism. Individualism opposes collectivism (the idea of the annulment of the individual in the collective). Individual rights are compatible both with the idea of individual duties along with altruistic practices.

*Ethical egoism* argues that the exclusive obligation, the duty of man, is to fight only for self interests. In other words, our only duty is to promote our own interests. If, for tactical reasons, it is beneficial to be cynically altruistic, then we should be so: this is the touchstone of the ethical egoist.

For this theory we should not worry about the moral and spiritual improvement of society as the best way to promote public interest is by each caring only for oneself.

### Ethical and cultural relativism

For this theory, different cultures have different rules of behavior. There are no universal values and there is no universal ethic. Within each society, rules determine what is right for that society. We cannot say that the rules of a given society are better than the rules of another. There are no universal truths. There are no moral truths accepted by all, at all times and places.

Were we to follow cultural and ethical relativism, we could condemn neither the practice of slavery nor the female circumcision in parts of Africa. Neither could we say that a tolerant society is better than an intolerant one. Nor could we be self-critical in relation to our own society: there would be no grounds for moral progress.

Cultural and ethical relativism stresses the cultural differences between societies and ignores the values common to different cultures. However, as we saw earlier, the natural rights over one's body are common to all cultures. There are values (virtues) such as honesty, truth, solidarity, protection of children, defended in all societies. But the cultural and ethical relativism does not recognize these as universal values.

Cultural and ethical relativism appeals out of its boundless tolerance towards other cultures. But boundless tolerance is fundamentalism. In all cultures, there are habits, beliefs, dogmas, social practices that are not worthy of tolerance because they call into question individual freedom and human dignity.

### The ethics of rights and the decline of duties

This is the ethic of individual rights stressing rights to the detriment of duties. It rejects the "religion" of duties and the "religion" of reason. It rejects universal rules. It identifies selfishness and individualism and opposes these against altruism. It considers duty ethics as a modern ethic and opposes post-modern and post-moralistic ethics of rights. It accepts cultural and ethical relativism.

Post-modern and post-moralistic ethics theorize an egocentric vacuum in those who did not receive, or are assumed not to have received, enough affection and attention. Post-modern ethics is not an individualistic ethics, but a selfish ethics. We may state it is a reformulation of ethical egoism. The individual I, the healthy narcissism (self-esteem) does not exclude the other and altruism. It accepts rules and limits. The I of the egocentric reflects an unhealthy narcissism. One does not look at others as a mirror of oneself but contemplates only oneself. The I is omnipotent wanting boundless love and admiration. It is irresponsible and does not comply with rules demanding rights without duties.

### **III. Economic and cultural globalization**

#### *Concepts of globalization*

According to the sociologist Anthony Giddens, quoted by various authors such as Pintado (2002), Bonaglia and Goldstein (2003) "globalization means the intensification of social relationships on a global scale in such a way that makes dependence on what happens at a local level and can be verified over long distances, and vice-versa."

Friedman (1999) adds the global village idea, defining the phenomenon of globalization as "the integration of capital, technology and information across national borders, creating a single global market and to some extent a global village"

Stiglitz (2003) introduces the concept by defining economic globalization as "the closer integration of countries and peoples, that resulted in a huge reduction of transport and communication costs and the destruction of artificial barriers to the cross-border circulation of goods, services, capital, knowledge and (to a lesser extent) people."

Regardless of which side we examine, there is consensus that globalization affects everything and everyone and contributes to an inevitable and constant process of change at all different levels, whether social, economic, cultural or environmental.

#### *Waves of globalization*

If we contextualize globalization within modern world history, we realize that in the last 150 years the world suffered enormous changes at every different level, socioeconomic and cultural and even in environmental terms, culminating in two waves of globalization.

The first wave began in 1870 following on from the industrial revolution and lasted until the beginning of the 1<sup>st</sup> world war.

The second wave began in 1945 with the end of the 2<sup>nd</sup> world war and lasted until today.

In the period between the two world wars, the globalization phenomenon slowed, world trade and the movements of productive factors decreased.

Some consider the existence of a 3<sup>rd</sup> wave, characterized by financial market liberalization, that caused the major financial crisis in the 1990s. In this case, the second wave would have finished in the 1980s.

The development of the textile and iron sectors, driven by the industrial revolution, led to lower transportation costs and to an increasing speed of circulation for goods and services as well as the telegraph revolutionizing the communication sector and for the first time enabling access to all markets in every corner of the world.

With the industrial revolution the conditions to drive the first wave of globalization were created, the world had become smaller.

Before this revolution, the planet was poor and rural with few disparities between rich and poor countries. Countries like China and India were considered more developed than some countries in Europe, because of their textile and ceramics industries.

According to Baldwin and Martin (1999), the 1<sup>st</sup> wave increased the gap between rich and poor countries, since it contributed towards the industrialization of the North to the disadvantage of the South.

With the beginning of the 1<sup>st</sup> world war in 1914, the world closed in on itself and the globalization process was reversed.

Against a backdrop of war, we saw a rise in immigration as well as trade and FDI (Foreign Direct Investment) barriers.

The world that emerged from the 2<sup>nd</sup> world war was very different from that previous; Europe had been ruined and destroyed thus allowing a geopolitical division of the world into two blocs, communist and capitalist, led by the two big winners of the 2<sup>nd</sup> war: the USA and the Soviet Union. This affected all international relationships and was called the “Cold War”.

The reconstruction of Europe driven by the Marshall Plan in 1947 (the US financial plan for Europe’s post war recovery) and the signing of the ECSC (European Coal and Steel Community) treaty in 1951, as well as developing the technology and information sectors, created the necessary conditions for the 2<sup>nd</sup> wave of globalization.

This 2<sup>nd</sup> wave of globalization diverges from the 1<sup>st</sup> in some respects, especially concerning the role of the lesser developed countries (LDC`s) in terms of world trade and FDI.

In terms of trade, developing countries are less important currently than in the past with about two thirds of international trade taking place between developed countries and most FDI flows into developed countries with origins and destinations in similar countries.

The 2<sup>nd</sup> wave also increased the gap between rich and poor countries. Furthermore, in rich countries, disparities between the incomes of highly skilled workers and unskilled workers also increased because of the importance of information and computing technologies ensuring the qualified workforce gains higher relevance than the less qualified workforce.

#### *The poorest countries and globalization*

Globalization is a major challenge for developing countries since they have greater complications in adapting to current circumstances. Their domestic economies and their

social structure policies are weaker compared with those of developed countries. The developing countries also lack the bargaining power in trade relations and a lack of organized and concerted action in international forums.

World trade and financial market liberalization has costs and benefits for developing countries. According to the Prebisch-Singer theory<sup>8</sup>, trade liberalization leads to a deterioration in trade terms and the purchasing power of developing countries. This theory is opposed to the classical theories of international trade based on comparative advantages: in the absence of barriers to trade, trade would be mutually beneficial where countries specialized in the production of goods at lower costs. As the product costs are associated with the costs of relative factors, countries tend to have comparative advantages in products that make intensive recourse to factors relatively abundant locally (Heckscher-Ohlin-Samuelson theory).

In this way, developing countries have comparative advantages in products intensive in unskilled work and the developed countries have comparative advantages in products intensive in physical and/or human capital. Whatever international trade theory we use, we always conclude that the developing countries have a relative shortage of highly skilled workers (human capital). The liberalization of trade increases competitive pressure and the need to increase productivity or low wages in order to enter the global market.

The liberalization of capital movements leads to exchange rate volatility in countries that allow their currencies to float or link them to a strong one (dollar or euro). In the absence of a strong financial system - this requires the independence of the central bank in relation to the government - exchange rate and monetary crises cause economic crises and unemployment in developing countries.

Another issue that concerns developing countries is technological development. The developing countries are characterized by low rates of literacy and skills, unable to leverage the benefits of new production technologies and information. Moreover, they are more susceptible to external influences, through the imitation of patterns of consumption under the foreign cultural influence disseminated through the media, forcing a homogenization of values and bringing about some loss in cultural values and self identity.

### *The role of multinational firms and FDI in globalization*

The role of multinational companies and FDI in the economic development of less developed countries has been subject to exhaustive analysis. Some authors accuse some multinationals of the human exploitation of resources in their incessant search for cheap labor, other authors argue as to the importance of these firms for host countries when they prioritize the use of qualified manpower, good infrastructures and strong domestic demand, rather than low wage costs.

World trade is an important vehicle of globalization and where the role of multinational firms becomes very important. According to data from 1998 provided by Kleinert (2001), 65% of U.S. exports are linked to multinational companies, almost a third of

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<sup>8</sup> According to the Prebisch-Singer theory, the exchange terms of trade between primary products and manufactured goods tend to deteriorate over time. Developing countries are mostly producers of raw materials; the opening of trade has led to deteriorating terms of trade and reduced the purchasing power of imports by these countries.

world trade takes place between them and 80% involves at least one of these companies. Furthermore, the majority of world trade happens between developed countries.

The main aim of multinational companies is to maximize profit and hence why most do not include a social and ethical component into their strategic plans. FDI and the international transfer of knowledge and technology are also important factors in globalization and, similar to world trade, FDI flows are more intense and larger in scale between developed countries.

### *The role of international institutions in the process of globalization*

Several authors examine the role of international institutions in the process of globalization, criticizing the partiality of institutions like the International Monetary Fund (IMF), the World Bank and the World Trade Organization (WTO).

The IMF's main aim is the supervision of the international financial system to avoid serious crises in the world economy. However, the voting system in the IMF is calculated on a "one dollar, one vote" basis and the contribution of each member country to the Fund depends on its Gross Domestic Product (GDP). It follows that the richest countries are those with the highest number of votes within this institution.

Stiglitz (2003) states that IMF decisions reflect the views and interests of those who take them, and also of those who vote as well as those speaking for the countries, which in this case are finance ministers and central bank governors. He also refers to mismatches in the macroeconomic requirements of IMF packages regarding the economic reality of each country.

The World Bank's functions are essentially of reconstruction due to natural disasters and conflict outcomes, extending its action to social projects and LDC development and openly assuming the fight against poverty as a major objective.

The World Bank voting system is equal to the IMF which, according to Stiglitz (2003), ensures that in international aid, the interests and experience reflect those who give aid and often do not take into account the needs of those for whom it is intended, in particular developing countries: give the fish but do not teach how to fish.

The WTO is the institution that regulates international trade and with aims related to increasing conditions and standards of living, full employment and increasing real income and effective demand levels.

This organization has been at the centre of the controversy between critics and defenders of globalization and some consider that its role should be more active in protecting the interests of developing countries and environmental and social issues. The Seattle conference in December 1999 provoked heated reactions and demonstrations. The WTO's core purpose was called into question. The debate extended to criticism of globalization and neoliberalism. The criticism was basically all about the lack of ethics in business and international relations.

Two years later, the Doha conference opened up a precedent, a new round of negotiations with especial attention paid to LDC interests. Particular regard was paid to issues related to trade in primary sector products, more affordable pharmaceutical pricing in the poorest countries and also supporting the implementation of LDC trade policies, among other issues.

However, there are other priority issues that were postponed for discussion at the next round which include competition policy, labor and the environment, among others.

Regarding competition policy, its implementation in the WTO receives reservations by some countries, particularly certain Asian countries, which fear that large developed

country multinationals would enter their domestic markets and create rising difficulties for its small and medium enterprises.

Concerning employment and environmental issues, there is some reluctance among LDCs to accept any imposition of working patterns and environmental standards. According to Elliot (2003), the establishment of trade unions can result in disinvestment by international companies that sought out those countries due to the supply of cheap labor, where not child labor. Moreover, environmental standards can serve as mere protectionist pretexts given the weaker bargaining power of the poorest countries. There is a risk of the environmental exploitation of the least developed countries by the most powerful once inhibited on their own territory by environmental laws.

Therefore, there is a clear need for greater integration and coherence between the international institutions and for the improvement of coordination between national institutions within the process of world development and in responding to the challenges of globalization. In short, and once again, there is a need for an ethics code approved and adopted by all WTO members.

#### **IV. The ethics of a globalized world: a universal ethic?**

*Back to the theory of moral sentiments and to the role of utility*

In Adam Smith's book *The Wealth of Nations*, *homo economicus* is generally presented as the rational and selfish man (rational selfish and ethical selfish) of marginal/utilitarian economic theory. However, this is an incorrect understanding. The dominant economic science reduces man to his economic dimension and to a very partial rationalism: rationalism deprived of affection and compassion for others, the self-sufficient egocentric rationalism. If each seeks to maximize his own interest, all will be improved. It is an illusionary and dangerous utopia. There is no interdependence: each is an isolated island and can count only on oneself. The underlying ethics can be summarized by the sentence: "Do what you want" because that is what rationally benefits you and gives you the greatest happiness. If all do the same, everyone will be better.

St. Augustine says something profoundly different, though it seems formally similar at first sight: "Love and do what you want." The difference is the commandment "Love" meaning the consequent actions (the "do what you want") are based on love.

The utilitarian ethic is a consequential ethic. Only the results of actions count. In this case the endings - maximizing utility - justify the means. The means do not have a plea. They are not based on love/respect for others. Utilitarian ethics do not even consider the existence of the other as essential to individual existence. The whole is the mere sum of its parts: no feelings, no altruism, there is disinterest, there is no love.

This is the reason why utilitarian theory clashes with Adam Smith and his *Theory of Moral Sentiments*. In this Adam Smith work, there is always a concern as to love and justice that prevails over selfish interest. "In recent years the philosophers have considered mainly the purpose of affection, paying little attention to the relationship it keeps with its originating reason why it exists". And furthermore, "Naturally, the man does not want just to be loved but wants also to love; or be the natural and appropriate object of love". Or, also: "When we read the stories about the pride and cruelty of a Borgia or a Nero, our hearts rebel themselves against those hating feelings that

influence their conduct...". Sympathy, solidarity, compassion, justice and love are concepts used repeatedly in the Theory of Moral Sentiments. There is, in the work of Adam Smith, the defense of non-egocentric and solidarity individualism. "An individual should never choose himself over the other to the point of hurting or harming the other for the benefit of itself, even if the benefit of one is much larger than the pain or injury of another". No more anti-utilitarianism - where the scapegoat, that allows the maximization of value - is accepted.

*The actual debate focused on the economy and environment*

Singer (2004) raises the following question: "How far will political leaders see their role in a limited way, just in terms of promoting the interests of its citizens, and how much should they be concerned about people's welfare around the world?".

September 11th, followed by terrorist attacks in Europe and natural disasters such as Hurricane Katrina and El Niño showed us the extreme need for richer nations to take a global ethical perspective, which reflects the idea that we all live in one global world, where no country is free of catastrophic consequences wrought by global environmental mismanagement or global terrorism. A unilateral, egocentric policy that cannot see beyond national borders is incompatible with a global/universal ethic.

Any distant event can have serious consequences in our own home - space or time no longer exist to protect us from what happens in other corners of the world. The planet has become smaller and the problems of others are now much closer and as much ours.

There is just one biosphere and the planet is getting warmer. Nine of the ten warmest years in the last 140 occurred after 1990, melting ice around the planet and increasing the sea water level hence causing large scale natural phenomena of huge intensity such as hurricane Katrina and El Niño. For the first time in world history, the governments of most countries began expressing concern about these issues and started acting.

Global warming is caused by greenhouse gases emissions and, in 1997, the Kyoto Protocol set targets for limiting or reducing greenhouse gas emissions for 39 developed countries, to be achieved by 2012.

This protocol was signed by 178 countries and begun in 2001, leaving out countries like the U.S., which rejected the protocol and issues four times the greenhouse gas quota that would have been permitted.

The document is governed by the principle of "emissions trading" through which a country can buy emission credits from others. However, the way of allocating quotas to these countries has been widely discussed and controversial. For Singer (2004), the proposal would be fairer assigning quotas to countries according to their population size hence enabling the poorest countries to trade their quotas and other resources for their own development. The main difficulty lies in the existence of high corruption rates in some LDC governments allowing funds from this kind of trade to be diverted for other purposes.

The WTO has been the target of criticism regarding its lack of democracy, partiality, and lack of concern over matters other than trade: environment, human rights and animal welfare.

On environmental issues, the WTO demands that countries do not use the pretext of environmental protectionism to promote their own industries. Hence, it runs the product / process rule, which consists of considering bans on entries of similar foreign products as national protectionism, regardless of the production process. For example, the WTO surveyed EU policies prohibiting the entry of animal skins acquired by trapping, cosmetics resulting from animal tests and the entry of beef produced with hormones.



Singer (2004) presents an example of what happened in South Africa to justify the WTO's disinterest in human rights. Faced with a "health emergency" characterized by 20% of the population, equivalent to 4 million people, infected by the AIDS virus, the government decided to permit the manufacture of medicines in South Africa, with the aim of offering lower prices to its population.

Given this, the U.S. reacted immediately, threatening trade sanctions to protect the intellectual property rights of North American manufacturers, only dropping the threats in the face of public opinion pressure.

Regarding democracy, at the WTO, and despite organizational decisions being taken unanimously, the bargaining power of LDCs is lower than that of other wealthier countries, which weakens the decision-making.

Singer (2004) argues that the WTO should be more active regarding targets beyond the most basic commitment towards establishing free trade and may even help the least developed countries in defense of a global ethic.

The existence of acts of such magnitude harming human dignity requires a universal law against genocide and crimes against humanity (enslavement, torture, etc.)

The perpetrators of these crimes must be punished regardless of the nationality of offenders and victims, irrespective of national laws in effect where the crimes were committed.

In response to this need, the Hague International Tribunal was set up in 2002, a permanent international body with the aim of implementing international law against human rights crimes for all countries accessing its jurisdiction. There has been, from the U.S., pressure to implement a clause of exception allowing for the immunity of all holders of official positions and the U.S. military. However, those requirements have been rejected by the remaining member countries. The court was established so that all criminals who violate human dignity are tried on an equal footing regardless of their nationality and country.

The United Nations could assume the role of an international body authorized to decide and determine whether military intervention is justified or not. But to do so it needs to be subject to serious reforms and take responsibility for the protection of the universal rights of men overriding national member interests.

The feeling that we should take care of "ours" to the detriment of "others" has been assumed over time, that is, each of us citizens of the world, continue in helping those who are close, even when the foreigner requires much more than our neighbor. Neither race nor nationality should determine the value of human beings and there must be a collective awareness of the existence of a single community and a single nation.

External aid is far short of what is needed to eradicate poverty, pestilence, illiteracy and wars.

Concern and collective awareness of the need for a global ethic based on the perception of a single world is fundamental.

Justice and solidarity are human values that can contribute towards the future of humankind in the globalization era.

Attention should not be restricted on how to avoid the consequences of globalization since they are inevitable, but rather how we can ethically enhance its benefits to allow equal opportunities for all individuals and a guarantee of a future for generations to come.

### *Contributions to an ethics of globalization*

The ethics of globalization should be based on the following reality: the existence of

only one atmosphere, one economy and one community. Therefore a law applied by only one institution, the UN, and only one ethics.

Universal ethics, the ethics of globalization, should be an ethics of virtues - be free, in the sense of understanding each other, be true and fair, be tolerant and sensible; necessarily an *ethic of duty* - a duty in itself, with family, friends and humanity, the duty to comply with commitments freely made; should be an *ethic of affections* - preferential treatment for relatives and friends, although the end is to extend such treatment to all humanity. It must be an ethic of universal values: freedom, equality, solidarity, justice, truth and reason. It should understand and accept the partiality of fraternal affection, familiar and friendly, common to all cultures.

Despite glorifying reason - following Kant – this should not exclude emotions. We can say that from scientific discoveries about the human brain, particularly on the relationship between feeling, emotions and reason (see Antonio Damasio), it is not about "controlling emotions and glorifying reason" but to "understand emotions as a basis of good reason." The understanding of emotions reinforces positive emotions, helps control the negative and allows more sensible judgments and decisions.

Universal ethics for a globalised world (the ethics of the global village) have to consider both the duties and the rights of the individual and defend that individualism is not only compatible but also requires altruism. It should reject psychological egoism, ethical selfishness and cultural relativism.

In the spiritual field, it must consider that the construction of the human temple, which is the man, an individual task - "know thyself" - that cannot be done without the eyes of another returning the echo, the true light on inner nature.

Spirituality based on the sacred condition of human nature (with its light and shadow) and its respect has a universal duty. Joining all traditions, all religions (including atheism) and all cultures that respect the principle of non-violence (according to Pope Benedict XVI there is an incompatibility between the idea of God and the idea of violence) and tolerance based on the sense of Justice, Truth and Reasoning, in an inter-religious dialogue.

An ethics of globalization that meets the principles of Justice, of Truth and of Reason, does not exclude inter-religious dialogue between different cultural traditions: they complement each other. The only requirement is that religions and traditions promote peace rather than violence. To become better, with awareness that Man is not the only living being, that we are just a grain of dust in the vastness of the universe (or universes), that spirituality does not end in religion and that the inter-religion debate does not exclude agnostics and atheists.

Be free – in the sense of knowledge of oneself - and respect others / other. Be tolerant except with intolerant customs and practices. Being itself is a spiritual experience that begins with individual transformation towards Goodness, an experience of the sacred that feeds from our concern to know and improve ourselves.

## **V. Main conclusions**

The Ethics of the Future, the Ethics of a Just Globalization are limited by inter-religious tolerance and respect between social classes. Hence, such will never be tolerated by the various religious fundamentalisms and political totalitarianisms. Being free is not about not being a slave. Today, being free is to be oneself, it is to implement the 'know yourself' of Socrates.

Fair and global ethics is an ethic based on defense of humanism as a living and dynamic humanism, which recognizes the state of ignorance of human beings regarding themselves and the timeliness of the Socratic commandment. It is a humanism that does not exclude other living beings (so the ethic of a fair globalization is not a contractual ethic) and, hence, defends the ecological balance. It is a humanism that advocates constant human improvement - the virtuous character traits towards Aristotle's ideas – and the accomplishment of one's duties with oneself, with humanity, with other living beings and with nature. It is a humanism that is based on universal ethical principles, which does not exclude preferential treatment for friends (ethics of affection). It is a humanism that combines individualism and altruism, duties with rights, reason and emotion (so the overall ethics we advocate is not a utilitarian ethic). It is a humanism that is not compatible with the current state of humanity: there is much to do in terms of the two main objectives mentioned by Aristotle: be happy (to know oneself) and lead a dignified life.

In this paper, we approached the ethics of globalization as a way to express the idea that man is not only *Homo economicus*. But, even here, there is also a necessary minimum condition for us to start thinking about being free. World institutions play a crucial role in protecting an ethic that promotes public awareness of the existence of only one atmosphere, one earth, one world where all living beings - human and nonhuman - have an interdependent existence.

The need to develop weaker economies must be understood not as a threat but as an essential factor for the development of the world economy, which can only benefit all.

We must be aware of the need for global legal and economic rules, equal for all. The ethics of solidarity and the fulfillment of obligations do not exclude affections. But there is no solidarity or fraternity without the individual sense of justice, in national and global terms. The values of patience and tolerance, respect and kindness are linked to the courage to resist, in a peaceful way, to all kinds of injustices and power abuses. We are free and we are also co-responsible for everything that happens in the global village.

The fight against hunger, extreme poverty, disease, illiteracy, war, environmental destruction, weapons of mass destruction, can only be understood as something that benefits us all, citizens of the world, as interconnected beings in an area without borders, aware of social responsibility in the existence of a single community. There is a minimum of material goods related to physical survival without which not even the idea of freedom survives. If there is no sense of justice and solidarity, globalization will cause the gap not only between developing and developed countries but also between rich and poor individuals within the same country, towns and villages to yawn still wider.

The benefits of globalization can be maximized if the ethics of globalization do not become utilitarian ethics and if economics (economic science) is not based on the poorly rational assumption that the predominant individualism in humans is selfish individualism and the need to maximize egocentrism. The maximization of egocentric utility does not lead to the happiness of all or of the largest number but to the unhappiness of many or almost all. The axiom/dogma that general happiness would be achieved by the maximization of individual selfishness has been combined with another axiom/dogma: that the end justifies the means. But, in a logical perspective, we can always argue that the happiness of the individual results from the maximization of happiness of other(s) and that the means justify the end. The ethics of the global economy will thus have to be based on altruistic individualism. If the selfish gene had

been, in the past, a winning strategy, Man would never have reached the levels of scientific knowledge reached or perhaps would even have perished. The selfish gene can win in the short term. The successful strategy in the long term was, and will always be, the altruistic gene. It still is not the Jesus Christ strategy of infinite cooperation - perhaps a strategy too human to be feasible. Perhaps the humanity possible in humans can only deal with a winning strategy in the case of non unlimited cooperation when the other decides to repent and cooperate. Hopefully repentance is not only in the last days of life as with the repentance of the good thief. At any time of the game, the goodness of the unselfish should result in reciprocity. If not for love then done for duty. By accomplishing a duty. Is it a profession of faith? Is it a duty simply to be? Or is it already a tested hypothesis in most living beings awaiting validation?

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