How Does the Global Order Harm the Poor?

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January 2, 2005

1. Introduction

1.1 More than 20% of the world population lives in abject poverty, on less than $1 day, and about 50% on less than $2.[1] One quarter is illiterate. The 2.5 billion people in low-income countries have an infant mortality rate of over 100 for every 1000 live births, compared to six in high-income countries. According to widely circulating statistics, the gap between rich and poor has increased dramatically: in 1820, the gap in average per capita incomes was 3:1, in 1960 60:1, and in 1997 74:1. The contrast between lavishly rich Americans whose urgent questions of the day are about where to go for dinner and when to meet one's personal trainer, and cotton farmers in Mali with barely enough to survive could hardly be starker, and becomes depressing if we recall that US cotton subsidies exacerbate their plight.

Such facts are especially alarming since our world is politically and economically interconnected, a continuous global society based on local territorial sovereignty whose

[1] The data mentioned in this paragraph will be documented and explained in more detail in section 6.
Thanks to Charles Beitz, Eric Cavallero, Derya Honca, Michael Ignatieff, Margie Jenkins, Simon Keller, Hélène Landemore, Jennifer Pitts, Thomas Pogge, Dennis Thompson, Leif Wenar, Ken Winston and two referees for *Philosophy and Public Affairs* for comments or discussion, and to Ricardo Hausmann, Lant Pritchett and Dani Rodrik for conversations about development. Thanks also to the members of the faculty fellows seminar at the Center for Ethics and the Professions at Harvard, the Montreal political theory colloquium, the participants in the Kline conference on "Equality, Poverty, and Global Justice" at the University of Missouri at Columbia, and two audiences at the University of Konstanz (especially to Gerald Schneider, who was a commentator on one occasion), where I presented parts of this material. This paper is related to both Risse (forthcoming) and Risse (forthcoming/b). Risse (forthcoming) develops an account of what is owed to the global poor based on the institutional stance also introduced in section 2 of this study. Risse (forthcoming/b) argues that the global order should plausibly be credited with advances over the historically normal situation of misery. Together, these three pieces are meant to offer a set of answers to normative questions about the global order that opposes Pogge (2002).

fate is shaped not merely by states, but also by transnational and transgovernmental networks, structures aptly called *the global political and economic order*. Since there is such an order, the radically unequal distribution of advantage may not be an aggregative phenomenon arising from many disconnected causes. Instead, we must ask whether there is a sense in which that order itself actually *harms* the least-advantaged, the global poor, in a way that implies an injustice. This essay aims to contribute to that task.

Let me explain some more what I mean by the "global order." While this global order possesses no government, it is governed through a network of organizations, and the term "global governance" captures this phenomenon. At the political level, our current state system is governed by a set of rules the most significant of which are codified by the UN Charter. Our current global society has arisen from developments that began in the 15th century through the spread of European rule as well as the subsequent formation of new states through wars of independence and decolonization. At the economic level, the so-called Bretton Woods institutions (International Monetary Fund, World Bank, later the General Agreement on Trade and Tariffs/World Trade Organization) provide a cooperative network intended to prevent wars and foster worldwide economic betterment. These institutions, jointly with the more powerful states acting alone or in concert, shape the economic order. More could be said, but clearly it makes sense to talk about a *global order* that includes but is not reducible to actions of states.[2]

[2] Cf. Malanczuk (1997), chapter 15, for a description of the complex net of economic treaties that governs the world economy. For a very useful account of this global order in terms of a system of transgovernmental networks, cf. Slaugher (2004).

The question of whether this order *harms* the poor must at first seem hopelessly amorphous. However, if we acknowledge that there is an entity aptly called "the global order," we must take it seriously as a subject in the domain of political philosophy and ask questions about *it* that we have always asked about political entities. One such question, for its mixture of factual and normative content drawing on both philosophy and social sciences, is whether this order *harms* the poor, and the larger question that makes us inquire about that question is whether it is *just*. There is a discourse about "globalization" and "global governance" that raises numerous normative questions and involves lawyers and social scientists, but in which regrettably philosophers participate only sparsely.[3]

My project in this study is to argue that if a certain empirical thesis is true, then certain philosophically interesting arguments for the (as introduced normative) thesis that the global order harms the poor, fail. The arguments we will discuss here are versions of

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[3] Let me add a few remarks about "globalization" and the role of philosophers with regard to it in a historical perspective. "Globalization," broadly conceived, is not new. As just sketched, it goes back to the spread of European control since the 15th century, a process accompanied by the emergence of a state system whose central features were captured in the doctrine of "sovereignty." Political philosophers of the 17th and 18th century, such as Grotius, Pufendorf, Locke, or Vattel, explored questions that arose at *that* stage of globalization: they developed the doctrine of sovereignty, assessed under what conditions territories outside of Europe could allegedly be occupied, and what kind of ownership there could be of the seas. The spread of European control was completed by the end of the 19th century. At *that* stage, political philosophers, such as Tocqueville and Mill, were busy justifying why people who were in so many ways just like Westerns should still be kept in colonial dependence. To make a bit of a caricature of the history, a period of devising rules for the spread of "empire" was followed by a period of justifying the persistence of "empire." After WWII globalization obtained a new character, as also sketched above, and it is within that context that "global governance" comes into its own. Global governance is a major area of inquiry. Political scientists explore its "who is who;" international lawyers try to comprehend the ever more complex web of international conventions, multilateral agreements, and declarations, and development economists explore why some countries are doing much better than others. "Global governance" also raises normative issues that philosophers are indeed shy to tackle. Still, these questions are those about which political philosophers should worry at *this* stage of globalization. Another reason for this neglect, in addition to the amorphous nature of the subject, is, I think, that familiarity with this domain requires more interaction with other disciplines than philosophers are often comfortable with. Thus – with due respect for the work philosophers do on other aspects of global justice and for contributions that have been made to this area -- one of the big intellectual debates of our time happens largely without us.

arguments developed by Pogge (2002). The empirical thesis is that it is the quality of domestic institutions that primarily explains whether a country is rich or poor ("the institutional thesis"). Its incompatibility with this empirical thesis by itself, however, does not mean that we must reject the view that the global order harms the poor. However, the ways in which the global order harms the poor must then be understood in a manner consistent with and informed by the institutional thesis. This study is thus guided by the view that both empirical and normative concerns are relevant for assessing whether the global order harms the poor.

Section 1 ends with a brief account of harm. Section 2 introduces the institutional thesis. Section 3 explores the argument ("Uncompensated Exclusion") that the global order harms the poor in the sense of violating their rights because, although resources are common property of humanity, countries possess unequal amounts of resources and it is on the basis of this unequal distribution that they obtain their relative economic standing within that order. Section 4 explores the argument ("Shared Institutions") that the global order harms the poor by imposing an institutional framework although there is an alternative that works more to their advantage. In light of the institutional thesis, both Uncompensated Exclusion and Shared Institutions must be reconsidered. Both arguments do reveal a manner in which the global order harms the poor, but both times it is a manner different from what one may have thought. While endorsing versions of some of Pogge's arguments, this study depicts a more differentiated as well as more favorable picture of the global order than Pogge offers, and takes a more skeptical stance towards arguments that seem to indict it of harming the poor. In particular, the way in which we find that the global order does harm the poor is consistent with its deserving praise for its

having advanced the world above its historically normal state of misery.[4] A reader who wishes to see right away more data about the current situation of the global poor should look at 4.2.

1.2 Feinberg (1984) offers a useful analysis of harm. He starts by observing that conditions of being harmed (harmful conditions) can be analyzed without reference to acts of harming, since the former do not involve the latter. He distinguishes three senses of being harmed, the first merely to have an adequate account of harm-talk. That sense is an extended one in which just about anything can be harmed if damaged. A window is harmed if cracked, or a car if scratched. Yet these ways of speaking are elliptical with regard to those whose interests are involved. In the second sense, harm occurs if interests are set back or defeated. This presupposes that the entities being harmed have interests, in a manner in which windows or cars do not. For statements about harm in this sense to have appropriate force, not everything that is resented, found distasteful or otherwise avoided should be considered harmful, and "interests" should be understood accordingly. Ordinary language supports this concern, since there are unwanted physical or mental

[4] While Pogge is also envisaged as the opponent throughout much of this study, our concern is with arguments, rather than the specific features of Pogge's view. As I explain at the end of 1.2, I will not engage with Pogge's arguments against states and thus develop arguments that stem from his work in a way that takes states for granted. However, the concerns that Uncompensated Exclusion and Shared Institutions identify need to be addressed independently of how one stands with regard to the legitimacy of states. Moreover, Pogge (2002) offers one other argument, like Shared Institutions and Uncompensated Exclusion also intended to show that the global order is actually unjust: "*Violent History*: The social starting positions of the worse-off and the better-off have emerged from a single historical process that was pervaded by massive, grievous wrongs. But a morally tarnished history should not result in radical inequality, given that all people who live nowadays live *because* there was such a morally tarnished past. (Had the past been different, different people would be alive, and different considerations would apply.)" I do not discuss this argument. Surely there has been much violence, and different people would be alive had the past evolved differently. Yet past injustice *per se* hardly makes the existing order unjust or imposes a negative duty. We need to show how past injustice leads to an ongoing injustice and imposes a negative duty on people alive today. Shared Institutions has potential to do so, by arguing that that injustice is the imposition of an economic system detrimental to developing countries.

states that are not plausibly harmful states. The third sense of being harmed is that of being wronged, which is the case if another's "indefensible (unjustifiable and inexcusable) conduct" (p 34) violates a person's rights.

So a person may be harmed when either falling short of having her interests satisfied, or of having what she is entitled to. These senses may diverge. It is rare for somebody to be wronged without his interests suffering a set-back, but common for interests to suffer while nobody is wronged. Yet while the interest-thwarting sense does not always evoke moral concern, it sometimes does, possibly even unmediated through rights-based concerns, especially if the interests at stake are basic needs.[5]

Talk about *acts* of harming introduces questions about how to attribute shortfalls in either of the two manners, "attribute," that is, in the sense of assessing how actions and omission are causally tied to certain events, as well as in the sense of allotting moral or legal responsibility. Once we have separated an account of harmful situations from one of harmful acts, it is clear that a situation may be harmful although we cannot attribute any harming to anybody, other than, perhaps, in the sense of not doing anything about it: think of a storm destroying houses. Sometimes nobody can prevent harm: think of a disease killing with certainty. These points are obvious for the interest-thwarting sense, but depending on what one thinks individuals have rights to, they might also hold for the rights-violating sense.

Uncompensated Exclusion can be understood as an argument intended to show that the global order harms the poor in the rights-violating sense, whereas we can take Shared Institutions to aim at showing that the global order harms the poor in the interest-

[5] I wish to stay neutral vis-à-vis the question whether any wronging is in some interesting sense a rights-violation, that is, in a sense different from being one in virtue of there being "a right not to be wronged."

thwarting sense by blocking a feasible alternative in which the interests of the poor fare better. Since basic needs are at stake, this is an instantiation of the interest-thwarting sense accompanied by a moral concern. Our discussion of Shared Institutions will also involve questions about whether the current and obviously harmful state of the global poor can be attributed to the global order. With these remarks on harming in place, let me explain one way in which this study begs an important question. While Pogge is the envisaged opponent throughout, I do not discuss one way in which he argues that the global order harms the poor, namely by being based on a state system. Risse (forthcoming) argues that states are legitimate "in principle," that is, with the understanding that their existence comes with strong duties of support for those respectively excluded from them. While I acknowledge that the existence of states causes harm for many in the interest-thwarting sense (those who would rather live elsewhere), it does not involve a wrong. Therefore, I formulate and discuss both Uncompensated Exclusion and Shared Institutions in a way that takes states for granted. This will not have any major impact on our understanding of Shared Institutions, but it will have such an impact for our understanding of Uncompensated Exclusion.

2. The Institutional Thesis

2.1 The "institutional thesis" responds to the question of "what makes some countries rich and stable and others poor and volatile." That is, it offers one view within a debate that goes back at least to Adam Smith's *Wealth of Nations*, namely, the debate about the sources of prosperity or growth. This debate has attracted much attention especially over the last dozen years or so and has been explored with all sophistication contemporary

econometrics makes possible. Whether the global order harms the poor must depend on what makes things go well for them, which is obvious at least for the interest-thwarting sense. It is for that reason that we are looking at this debate. The following is a statement of the institutional thesis:

> *Institutional Thesis:* Prosperity depends on the quality of institutions, such as stable property rights, rule of law, bureaucratic capacity, appropriate regulatory structures to curtail at least the worst forms of fraud, anti-competitive behavior, and graft, quality and independence of courts, but also cohesiveness of society, existence of trust and social cooperation, and thus overall quality of civil society.[6]

In the literature, this thesis must be distinguished from the following two other views:

> *Geography Thesis*: Growth is primarily determined by factors such as location, climate, endowment of resources (including soils), disease burden, and thus agricultural productivity, quality of human resources, and transportation costs.[7]

> *Integration Thesis*: Growth is primarily determined by world market integration.[8]

Each of these views can account for the importance of factors championed by the others, but each also takes a stance on what the deeper causes of prosperity are. In particular, the institutional thesis is consistent with the claim that geographical factors and market integration matter for growth, but their causality is channeled through their impact on institutions. While these theories themselves raise important questions, especially about the kind of causal claims involved in the econometric techniques used to developed and substantiate these theses, this is not the place to explore them.

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[6] Cf. North (1990); Landes (1998); Hall and Jones (1999); Acemoglu et al. (2002); Rodrik et al. (2002); North and Thomas (1973), Engerman and Sokoloff (1994), Hall and Jones (1999), Easterly and Levine (2002). The importance of domestic institutions is also discussed in the 2003 *World Economic Outlook*, chapter 3, which includes a review of recent literature and an illustration of the importance of institutions: calculations show (p 106) that an improvement of institutional development from its current average to that of developing Asia implies an 80% increase in per capita income for Sub-Saharan Africa: from $800 to over $1,400. (For measuring institutional quality, see p 119, appendix 3.1.)

[7] Cf. Diamond (1997), Gallup, Sachs, and Menninger (1998), Sachs (2001).

[8] Cf. Frankel and Romer (1998), Sachs and Warner (1995). Policy makers from World Bank, IMF, WTO, and OECD frequently argue that integration into the world economy is the way to prosperity.

For the purposes of this study, I adopt the view that the institutional thesis is the most plausible view on the sources of growth. I do so in particular with reference to Rodrik et al. (2002), which is a central contribution and shows that institutions trump everything else: once institutional effects are determined, market integration has nothing left to explain, and geographical factors very little.[9] However, the debate about the sources of growth is still ongoing, a point acknowledged also by protagonists of the institutional stance. Rodrik, for instance, grants that "[i]t would be fair to say that scholarly opinion remains divided on the significance of geography [as opposed to institutions] as a direct determinant of income levels."[10] We must also keep in mind that social sciences can only account for what the world has been like so far, and hence results of this sort have no immediate implications regarding measures that are discontinuous with those that have been tried. Moreover, these results are statistical in nature and do not reveal much about specific countries. Therefore it is important that a collection of case studies confirms that institutions "that provide dependable property rights, manage conflict, maintain law and order, and align economic incentives with social costs and benefits are the foundation of long-term growth" (Rodrik (2003), p 10), and do so by tracing the economic development of different countries. Examples include China, Botswana, Mauritius, and Australia.[11] In spite of these qualifications, assuming the institutional stance for the sake of exploring its consequences will be justified already if

[9] Rodrik et al. (2002) build on a significant amount of earlier work, and conduct both robustness tests and discussions of related results, all of which confirms their findings.

[10] Cf. "Getting Institutions Right", April 2004, p 5; to be found on Rodrik's web-site, at http://ksghome.harvard.edu/~drodrik/papers.html.

[11] Mallaby (2004) includes a chapter on Uganda that demonstrates how competent bureaucracies combined with market-friendly economic policies (i.e., institutional reform) can genuinely help the poor.

that stance is a plausible contender, which it clearly is, and not only if we know for sure that it is the correct view.[12]

2.2 Let me now introduce an implication of the institutional stance that is crucial for our subsequent discussion. Following North (1990), institutions in general

> are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction. In consequence they structure incentives in human exchange, whether political, social, or economic. Institutional change shapes the way societies evolve through time and hence is the key to understanding historical change. (p 3)

Those constraints benefit societies only if most individuals comply with the "rules of the game." Some such "rules" can be implemented and enforced by a governmental decision, but others cannot. For instance, a legal system that reliably enforces property rights and contracts, a culture of trust, shared views of what are reasonable benefits and burdens arising from social cooperation, and other hallmarks of civil society can emerge and persist only with broad domestic support. Such institutions cannot be imposed, not by a government and in particular not through outside interference. This is not to say that poor institutions are necessarily the fault of those living under them, even if it is true that, without their support, these institutions cannot improve. Outsiders may be able to do a lot to destroy institutions of the sort they cannot themselves build or rebuild (think of

[12] For a recent critical response to the champions of the institutional approach, cf. Glaeser et al. (2004); cf. Przeworski (2004) for a recent expression of general skepticism vis-à-vis the institutional stance. But the main worry about the institutional stance may not be so much that there exist some critical responses to it, but that its most elaborate representations are fairly recent and therefore have not been subject to as much critical scrutiny as one would like, a point that will pertain in particular to the notion of "institution" used in it. This notion, one may say, is still very elusive. However, the crucial feature of the institutional approach used in the text is that it traces economic growth in given countries to relationships among these individuals themselves, rather than to relationships among them and outsider (which is what Integration does) or to given geographical factors (which is what Geography does). And, again, this seems a sufficiently plausible view for its consequences to warrant investigation even if this view itself is disputed.

colonial oppression).[13] Crucially, then, if the institutional thesis is correct, what outsiders can do to foster prosperity is limited by what they can do to help build institutions, and while details must be left to case studies, such limitations are plausibly quite severe. It also follows that development is not primarily a matter of transferring resources.

Relying on the institutional stance, Risse (forthcoming) argues that there is a duty of assistance in institution building, but no further-reaching redistributive duties once that duty has been discharged (a view also offered in Rawls (1999)). There is no need to repeat the arguments for that view here. What matters for present purposes is that, although it is indeed institutions that the duty to assistance requires us to help build, this duty is constrained by these difficulties about helping others build institutions ("nation-building"). Often the execution of this duty is not straightforward: it is frequently hard to tell what it takes to build institutions and how outsiders could possibly contribute to it. It is thus often impossible to derive from the fact that a country's institutions are in bad shape that outsiders should or could have done more to help. These remarks about the duty to assistance will become important later.

3. Uncompensated Exclusion

3.1 The first argument to be considered here is

> *Uncompensated Exclusion*: The better-off enjoy ample advantages in the use of a single natural resource base from whose benefits the worse-off are largely, and without compensation, excluded.

[13] "Emergence" and "persistence" of institutions must be kept apart more than the account above suggests. It might well be possible for outsiders to force the emergence of a certain set of institutions that would not have otherwise emerged, but then can (and need to be) maintained by the indigenous population. Think of the imposition of democratic structures in Japan at the end of WWII. Still, situations in which outsiders can impose institutions in this manner will tend to be cataclysmic moments, such as the one just mentioned, and thus be rather rare.

Without much stretching we can take this to be an argument intended to show that the global order harms the poor in the rights-violating sense. Crucially, that view succeeds *only* if we have

> *Egalitarian Ownership*: The world's resource base belongs in some (possibly rather weak) sense to humankind collectively.

Unless those barred from enjoying a share of resources have a legitimate claim to them, no rights violation occurs through unilateral appropriation. The only plausible way of backing up such a claim is captured by Egalitarian Ownership. For the sake of the argument I grant Egalitarian Ownership. Our task is to assess how to understand it.

There are, roughly, four types of ownership-status X may have: no ownership; joint ownership (ownership is directed by collective preferences); common ownership (X belongs to several individuals, each equally entitled to using it within constraints); and private ownership.[14] Even if X is unowned, moral or other constraints may limit its appropriation. The intuitive case for the claim that resources are not up for grabs is that, while they are valuable for human activities, their existence is nobody's accomplishment. Who gets to use them should not depend on accidents of space and time. To accommodate this intuition, there are various ways in which resources could be owned collectively (i.e., various interpretations of Egalitarian Ownership). First, they could be jointly or commonly owned; second, they could be considered unowned while their acquisition must respect moral constraints; and third, each person in the world could have private ownership of an equal share of the world's natural resources (or the value equivalent; call this "equal division").

[14] For example, if "we" hold some land as common ownership, then all of us are equally entitled to using it, but this use is not subject to any kind of collective preference. If instead we go through a process of joint decision making, we hold the land as collective property.

It matters greatly which of these interpretations of Egalitarian Ownership is adopted. I submit (and in what follows will sketch an argument to the effect) that the most plausible way of understanding Egalitarian Ownership is in terms of common ownership. If resources are jointly owned, differential use violates rights (unless it has received general approval, which we can safely rule out), and so Uncompensated Exclusion is proven. Yet hardly anybody endorses joint ownership of resources since this view is so demanding as to require support from very thick philosophical theories, theories that strike most as too strong. For instance, Grunebaum (1987), a rare defender of joint ownership, does so by introducing a notion of autonomy construed in such a way that any ownership form other than joint ownership is impermissibly inconsistent with autonomy. Upon pressing, I think, that view will turn out to be implausibly strong.

There is another reason why we should understand Egalitarian Ownership in a weak sense, a reason that speaks against both joint ownership and equal division and thus will leave us with common ownership. To begin, consider the following views rejecting *even* such a weak understanding. First, one may insist that resources are originally unowned and no moral constraints apply to their appropriation. Appropriation is legitimate if it abides by a first-occupier principle, the only constraint being what one can reasonably "occupy." Second, one may maintain "that 100% of the value of a good is the work of human creativity" (Paul (1987), p 230), and so objects of ownership are attached to their "creators." Third, one may think ownership acquires meaning only within political systems and amounts to whatever it is within such systems. The following two straightforward features of resources help motivate such views. To begin with, materials become resources, and obtain market value, through activities that require a social

context: crude oil, say, became important only after the invention of the motor engine. Moreover, unlike biblical manna, resources require work to become "available:" oil must be extracted and refined, minerals must be mined, etc.

While I deny that these points mandate views denying *any* version of Egalitarian Ownership, they do stand in a tension with Egalitarian Ownership since they introduce entitlements of a sort that conflict with egalitarianism about resource ownership. Such entitlements conflict with joint ownership, as well as (less obviously) with equal division. For equal division gains its plausibility from the idea that there is a (figurative) heap of natural resources vis-à-vis which each human being has an equal claim. But as we saw, materials become resources (hence something of value) through activities that require social contexts, contexts in which *not* all human beings participate equally.

One may object that what persons have an equal claim to is raw materials, regardless of whether some of those are socially useful ("resources") and others not. That is, this objection insists that there is an equal-ownership relationship that must be understood independently of any value the objects of this relationship may have. However, if one tries to define the objects of ownership independently of value-considerations, one is at a loss for a reason why an ownership relationship should apply *to raw materials* in the first place. The point of introducing such (pre-legal) ownership is to capture the idea that it should not depend on accidents of time and space who gets to use what is in principle *of value to everybody*. So since it makes no sense to introduce such ownership relationships without recourse to value-talk, we are back with the earlier consideration that shows that such recourse breaks the equality of the claims.

All these points deserve a more careful treatment, but I think we have found some good reason to conclude, at least tentatively, that equal division, just like joint ownership, is untenable. Recall now that the original intuition in support of Egalitarian Ownership is that, while natural resources are valuable for human endeavors, their existence is nobody's accomplishment. In light of the points just made, this intuition seems best accommodated not by joint ownership or equal division, but by common ownership or no-ownership with constraints on acquisition. I submit that, if we understand Egalitarian Ownership more strongly than that, we are losing much of the plausibility that it gets from the original intuition that supports it. Since nothing depends on whether we talk about "common ownership" or "no ownership with moral constraints on acquisition," I adopt common resource ownership. Adopting a stronger notion would have different implications for what follows (and in fact the argument of this section will fail if equal division or joint ownership are accepted), but again, a stronger notion will be hard to make plausible.

3.2 In particular, common ownership implies that co-owners who unilaterally use resources do not owe compensation *merely* because others do not unilaterally use resources, or *merely* because they exploit one particular resource (say, oil) that others do not find where they live. However, adversely affected parties have a valid complaint if (first) they are prevented from using resources, or (second) harmed in the sense that their interests are thwarted by unilateral acquisition in a manner that runs contrary to their status as co-owners.

As far as the first condition is concerned, it is no longer the case that some societies keep other societies from extracting resources (or at any rate such cases are rather exceptional), or that colonial powers own extraction facilities in their colonies. Moreover, many of the poorest countries are actually resource-rich.[15] This leaves us with the second condition. Note that we try to identify a way in which some co-owners' interests are thwarted in a manner inconsistent with their co-owner status that can be ascribed to the global order rather than individual countries (such as countries failing to restrict emission of chemicals causing the ozone hole although experts agree that that hole will only heal in 50 years). With this point in mind, I submit that the most plausible version of spelling out Uncompensated Exclusion is that the global order thwarts the interests of the poor because the relative economic standing of countries within it is determined by the fact that some possess more useful resources than others, although humankind owns those resources in common. Such thwarting of interests of some through unilateral exploitation by others is unacceptable because all are co-owners, and thus violates the ownership-rights of those whose interests are so thwarted.

Implicit in that way of spelling out Uncompensated Exclusion is

Resource Significance: Resources are crucial for countries' wealth.

So unless Resource Significance as well as Egalitarian Ownership hold, Uncompensated Exclusion fails to show that the global order harms by violating ownership rights.

[15] Many if not most countries in Sub-Saharan Africa are resource-rich, cf. chapter 1 in Veit (1998), and *World Resources 1996-1997*. Note also that the world is not (yet) running out of resources, according to the *World Resources Report 1994-95*, p 5. For the view that there is no pending (and in light of technological advances, plausibly no future) danger of the world's running out of resources, cf. Lomborg (2001), chapter 11 and 12.

3.3 Recall now the theses about sources of wealth from section 2. Neither the Integration Thesis nor the Institutional Thesis supports Resource Significance. If the Integration Thesis holds, a country's wealth level does not crucially turn on its resource endowment. A country may offer to the global market what it has a comparative advantage in doing, which may be the provision of minerals, tourism, manufacturing, or services. A similar argument holds for the Institutional Thesis.

Things are different if the Geography Thesis is true, at least if one understands "resources" in a sufficiently broad sense. When Bloom and Sachs (1998), committed to that thesis, sum up the sources of Africa's problems, they write that "tropical agriculture, especially food production, is faced with chronic problems of low yields and fragility due to low photosynthetic potential, high evapotranspiration, low and variable rainfall, highly weathered soils, veterinary diseases, and plant and animal pests" (p 227). In addition, they talk about disease control, a small coastline relative to the land area, shortage of natural seaports and navigable rivers, populations far from the coasts, and a high number of landlocked countries. In light of such statements, advocates of the Geography Thesis take "resources" not only to include non-renewable resources such as minerals and fuels as well as renewable resources such as soil and air, but understand "resources" as natural endowment. If so, the Geography Thesis supports Resource Significance. Yet of the three views discussed earlier, only that thesis does so. Moreover, the view we have adopted in section 3 is the Institutional Thesis, and according to that view, Resource Significance fails. Yet Resource Significance is a necessary condition for Uncompensated Exclusion, given our preferred understanding of Egalitarian Ownership. So if the Institutional Thesis

holds, Uncompensated Exclusion fails to show that the global order harms the poor by violating their rights in common property.

3.4 However, this does not yet complete our discussion. A straightforward objection is that geographical factors, and hence resources, do have *some* role to play in the explanation of economic success, even if channeled through institutional efficacy, and that the reasoning leading up to the rejection of Uncompensated Exclusion understates their role. The emergence of successful institutions is facilitated by possession and successful exploitation of resources. A response to this is that the significance of resources for the emergence of institutions is accommodated by acknowledging a duty of assistance in institution building, a duty mentioned in section 2.2 and argued for in Risse (forthcoming). If this duty is obeyed, no further worries regarding an underappreciation of resources should arise.

Yet obviously, this duty is not universally followed, and thus countries do suffer considerable disadvantages through the uneven distribution of resources even if economic success within the global order depends on institutional quality. While we should recall that the execution of this duty is not straightforward, it is nevertheless true that, to the extent that a shortfall in discharging this duty can be ascribed to the global order (which, after all, includes organizations whose task is to assist developing countries) we have indeed identified a sense in which the global order harms the poor – but a sense rather different from what Uncompensated Exclusion seemed to suggest, and in particular one that does not turn on common ownership rights.[16]

[16] One may object that, even if geographical factors explain directly only a small part of the variation in wealth across countries , that would still imply that nations can be harmed *to that extent* by deprivation of

4. Shared Institutions

4.1 For easier reference, I break down Shared Institutions into a number of propositions. The notion of "radical inequality" that appears in some of them is defined as follows: 1. The worst-off are very badly off in absolute terms. 2. They are also very badly off in relative terms – much worse off than others. 3. The inequality is impervious: it is difficult or impossible for the worse-off substantially to improve their lot: and most of the better-off never experience life at the bottom and have no vivid idea of what it is like to live in that way. 4. The inequality is pervasive: it concerns not merely some aspects of life, but most aspects or all. 5. The inequality is avoidable: the better-off can improve the circumstances without becoming badly-off themselves (Pogge (2002), p 198):

> *Imposition:* The better-off impose a shared institutional order on the worse-off (i.e., the global economic and political order introduced in section 1).
>
> *Feasible Alternatives*: There is a feasible alternative institutional order under which radical inequality would not persist.
>
> *Implication:* The existing institutional order is implicated in the persistence of radical inequality because there is such an alternative.
>
> *Extra-Social Factors:* Radical inequality cannot be traced to extra-social factors affecting different people differently.

Shared Institutions argues that the global order harms the poor in the interest-thwarting sense of the term, and in this case a moral concern is involved – and a serious wrong

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natural resources. But it seems this concern is addressed in this paragraph above. The role of geography on the institutional stance is one of making the development of good institutions more or less difficult. Therefore, the extent to which a duty of support in building institutions is demanding will depend on geographical factors. But it also seems that the importance of geographical factors is now fully accommodated.

inflicted if the argument succeeds – because the interests thwarted despite the existence of a feasible alternative are basic human needs.

I accept Imposition and Extra-Social Factors and focus on Feasible Alternatives (and thereby derivatively Implication). Note that Pogge's claim is rather weak. Defenders of (the various versions of) "dependency theory," for instance, make a stronger claim. They argue (or used to argue, at any rate, before their views were found to be largely uncompelling) that poor countries at the "periphery" of the world economy cannot develop (or anyway benefit much less than the countries at its "centre" from a shared economic system) as long as they are enthralled to the rich nations at that "centre." One mechanism on which dependency theorists focused to explain this tendency is that prices of primary commodities were bound to fall relative to manufactured goods. Pogge, however, is not concerned with mechanisms within the global order that may have brought about the current state of affairs. All he is claiming is that there is a feasible institutional alternative that could be adopted but is not. This deprives him of the onerous burden of proof (and in particular the social-scientific work required) that would accompany any claim involving such mechanisms. How imposing this burden of proof can be is revealed in what Velasco (2002) says about the attempts to establish dependency theory, which from the start

> faced its share of troubles. Armies of graduate students tried to find a positive correlation between expansion in the north and recession in the south, but failed to find it. (Then, as now, a boom in the US and Europe often meant growth for developing countries.) Much less did they manage to prove a *causal relationship* between northern wealth and southern poverty. (p 1)

It was this failure to reveal the relevant mechanisms that has led to the decline of dependency theory.

4.2. Before addressing Shared Institutions directly, I would like to comment briefly on the statistics that Pogge offers to indict the global order. This discussion will also remind the reader with what sort of harmful situation we are concerned. As he tells us,

> [t]he World Bank estimates that 1.214 out of 5,820 million human beings were in 1998 living below the international poverty line, which it currently defines in terms of $32.74 PPP 1993 per month or $1.08 PPP 1993 per day. "PPP" stands for "purchasing power parity." So the income per person per year of people at the international poverty line has as much purchasing power as $393 had in the US in 1993. (…) These are the poorest of the poor. The World Bank provides data also for a less scanty poverty line that is twice as high: $786 PPP 1993 (…) per person per year. It counts 2,801 million people as living below this higher poverty line, falling 44.4 percent below it on average. (…) The consequences of such extreme poverty are foreseeable and extensively documented: 14 percent of the world's population (826 million) are undernourished, 16 percent (968 million) lack access to basic sanitation, and 854 million adults are illiterate. Of all human beings 15 percent (more than 880 million) lack access to health services, 17 percent (approximately 1,000 million) have no adequate shelter, and 33 percent (2,000 million) no electricity. Two out of five children in the developing world are stunted, one in three is underweight and one in ten is wasted. One quarter of all 5- to 14-year olds work outside their family for wages, often under harsh conditions, in mining, textile and carpet production, prostitution, factories and agriculture." (p 97)

This is a harmful condition if any is, and obviously, we should try to make things better if we can. But can this harmful condition be attributed to the global order? Pogge sometimes writes as if it can: "'Worldwide 34,000 children under age five die daily from hunger and preventable diseases.' Try to conceive a state of nature that can match this amazing feat of our globalized civilization!" (Pogge (2004), p 274). But do we have to ascribe to the global order the fact that 34,000 children more *than in an ideal state of affairs* (in which there would presumably be zero) die daily of such causes; or rather, the fact that not twice as many who do? This question is explored in more detail elsewhere,

so here my concern is only to show that the second answer has much initial plausibility.[17] To this end it is useful to look more broadly at some developments of the last 200 years and the last 50 years, respectively.

For many indicators we lack data from before 1950 in developing countries, but much is known. Whereas at any given time in human history the overwhelming majority of people alive lived in utter misery, it is most striking about the present that this is no the longer the case. Per capita incomes around 1820 were similar worldwide and low, ranging from around $500 in China and South Asia to $1000-$1500 in the richer countries of Europe (1993 US $ PPP). 75% of the world's people lived on less than $1 a day in 1820. Today, about 20% of the population does, and in many countries domestic policy is concerned with relative rather than absolute poverty. At the same time, inequality has increased. However, the gap between rich and poor varies with the measurement method. Widely-circulating UN statistics based on exchange rates suggest the gap between rich and poor was 3:1 in 1820, whereas in 1960 it was 60:1, and in 1997 74:1. Yet using calculations based on Purchasing Power Parity (PPP), which take into consideration what money buys locally, we find that between 1820 and 1960 the change was from 3:1 to 7:1, and that it has since declined to 6:1 because the developing world has recently experienced more growth on average than the developed world.[18] India and China have only begun their economic rise, and that is where most of the poor live.

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[17] Risse (forthcoming/b) discusses Pogge's claim that the global order harms the poor by relating it to different benchmarks (historical/counterfactual/fairness) and argues that the global order should plausibly be credited with advances over the historically normal state of misery.

[18] Unless otherwise noted, data are from the *World Development Report* 2000/2001, the report of the High-Level Panel on Financing for Development ("Zedillo report") at http://www.un.org/reports/financing/, and from the World Development Indicators 2002, CD ROM; cf. also Maddison (2001), Table B 22, p 265. For a differentiated discussed of whether inequality is rising or falling, cf. Wolf (2004), chapter 9, and Bhalla (2002), chapter 3. See also Lomborg (2001), Part II,

This 200-year horizon matters since this has been the time since the beginning of the last industrial revolution, the period during which the division of labour has been perfected, which has led to the technological advancements shaping our current world. Ranging from advances in medicine and food production to better means of communication, the many improvements that have arisen during that period have originated mostly in those countries that have imposed the global order.

Consider now data from the last 50 years. This horizon matters because it captures the period since global governance has come alive, especially through the UN and the Bretton Woods institution, that is, the period during which for the first time ever humankind has engaged in something resembling potentially all-inclusive collective problem-solving. Crucial developments include that the share of people living on less than $1 a day fell from 42% in 1950 to 17% in 1992; that the worldwide average income per capita rose from $2,114 in 1950 to $5,709 in1999 (in 1990 PPP dollars), and for developing countries from $1,093 to $3,100; that between 1960 and 2000, real per-capita income in the developing world grew at an average 2.3% (which doubles living standards every 30 years); that during the same time longevity in developing countries rose from 44 to 64; that the literacy rate rose from 54% in 1950 to 79% in 1999, and that infant mortality fell from 156 in 1000 live births to 54 -- developments that dramatically exceed improvements made throughout history up to that point. In economic terms and in terms of any other development indicator, the human race has never been better-off, and it has never been better armed with the technological prowess, medical knowledge, and

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especially for the different approaches to measuring inequality. It has been objected that my discussion should include a methodological defense of how these data have been obtained. However, I am using standard sources of poverty and inequality statistics consulted and quoted across the board in this discussion (in particular also by the social scientists involved), and I do not think it is within the confines of my current project that these statistics are most aptly assessed for methodological accuracy.

intellectual tools to fight poverty. Again, we must ask whether it is the "feat" of our global civilization that 34,000 children die daily of preventable causes, or whether it iits "feat" that there are not many more who do. This leaves many questions, but once the numbers are put into historical perspective, the second answer gains much plausibility – anyway, the first is not as obvious as it may seem when Pogge simply states the data.

4.3 But our concern now is not to reflect on whether the current harmful condition of the global order can be ascribed to the global order, but to evaluate Shared Institutions, which is a logically distinct matter. So let us assess the Feasibility claim in Shared Institutions. Let us first ask what makes an alternative institutional order under which radical inequality does not persist "feasible." That is, who should or can do what to bring about such an alternative order? Answering this question helps us assess whether the global order should be blamed for omitting to bring about such an alternative order.

Pogge seems to think "feasibility" is primarily a matter of allocating money to developing countries, money that could and should be provided by rich countries. He calculates that it would just take 1.2% of income of the high-income economies, $312 billion annually, to bridge the aggregate shortfall of those living on less than $1 per day from the $2 line (Pogge (2002), p 7). Pogge's proposal for raising at least some of those funds is his Global Resource Dividend, which taxes the extraction of resources for the benefit of developing countries. Other proposals for obtaining funds for development purposes discussed in the literature include insistence on fulfillment of the UN-recommended .7% GNP as official development aid; taxes on environmentally undesirable activities (carbon use), or socially problematic activities (weapon trading);

the Soros proposal to donate "special drawing rights;" and the Currency Transfer Tax (CTT), also known as Tobin Tax, or a more general tax on financial markets, in the style of a Value Added Tax on financial transactions.[19]

While Pogge's calculation shows that at least abject poverty would not be insurmountable *if* closing such a gap were merely a matter of transferring money, this if-clause is highly problematic. Suppose we are in situation S1 in which we have the funds to cover the financial shortfall. (Similar considerations will apply if we talk about more ambitious improvements.) Yet this would be insufficient to create a situation S2 in which nobody actually lives on less than $1 a day. What is needed are reliable ways of distributing the funds to the relevant individuals (individuals who, after all, do not simply have a bank account they can securely and regularly access and to which money can be transferred without interference by local strongmen who would rather channel the funds to benefit their own purposes), as well as an environment in which individuals can actually spend the money. In both cases this will involve institutional improvements, in particular if one wants the changes to be ongoing, or the stepping stone for further improvements. Similar points apply if one does not want to distribute money directly to individuals, but support medical and educational advancements. One cannot simply start to "work on AIDS," but needs to build and maintain an appropriate medical infrastructure, and one cannot improve education simply by building a few school houses, but needs to invest in an appropriate educational infrastructure – which will not just be more expensive, but also require at least a peaceful environment.

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[19] Special Drawing Rights are international reserve assets issued by the IMF; cf. Soros (2002), chapter 2, for his proposal of the donation of such Special Drawing rights as development aid.

It has been objected that one feature of a feasible alternative could be precisely that it reduced the extent to which a person's income depends on the wealth-promoting character of her national institutions. That is, could one not pay a Global Resource Dividend to a supranational body which then pays monies out to individuals - a sort of global basic income idea? However, there cannot be any such an "institution-circumventing" transfer of money. After all, at the scale that one would be talking about here, one would need either a functioning and trustworthy banking system, or some other distribution system – either way, what is needed would be part of the institutional infrastructure. Without at least a basic network of functioning institutions, aid cannot even be administered.

That *sustainable* measures for *enduring* changes require good institutions has become a guiding insight of many development researchers. This view appears in the 1998 World Bank Research Report *Assessing Aid*, and the 2004 *World Development Report*: ideas and patience are needed more than money.[20] Put differently: having the funds to close the aggregate *financial* shortfall between S1 and S2 is at best necessary, but not sufficient for S2 to be actually *feasible*. S2 becomes feasible only if in addition appropriate institutional improvements can be made. However, to belabor this point a bit

[20] *Assessing Aid* points out that the following three measures are unlikely to succeed at bringing about sustainable changes: large amounts of money; buying reform (i.e., conditional lending not supported by a domestic movement); focusing on individual projects (p 103). Pogge sometimes (cf. Pogge (2002), p 206) talks as if one may simply bypass governments (institutional structures) and start a project regardless of domestic support. Such projects tend to fall apart as soon as the donor is moving out. Van de Walle and Johnston (1996) claim that the proliferation of stand-alone projects not tied into a general improvement of infrastructure and institutions is a key weakness of aid to Africa. Wenar (forthcoming) questions the claim that "small sacrifices bring great benefit" by displaying how difficult it is to determine the effects of contributions to aid efforts, and in the process surveys a considerable amount of empirical literature expressing skepticism about aid. Pogge (2002) takes up the theme that "world poverty cannot be eradicated by 'throwing money at the problem'" (p 8). He rejects that claim by reference to the facts that much development aid has been given for strategic reasons, and that only a rather small percentage share was allocated to the least developed countries. However, the 1998 World Bank report and van de Walle and Johnston (1996) are also aware of these facts – but these facts do not refute the claim that Pogge dismisses.

more, we must understand the nature of this necessary condition correctly: money in isolation, detached from an institutional environment in which it can do good, may well be ineffective or cause harm when seized by the wrong people. Crucially, how one can bring about institutional improvement requires case-specific empirical analysis, but the discussion of the institutional stance in section 2 has offered reasons to think that in many cases *outside assistance will be of limited value to do so*.

4.4 Note also that ideas about development have evolved. In the 50s and 60s the focus was on governmental planning, but since then it has been on market ideas, summed up eventually as the "Washington consensus." The original "consensus" emphasized fiscal discipline, trade liberalization, privatization, deregulation, and secure property rights. Later institutional quality was added, including corporate governance, anti-corruption, independent central banks, social safety nets, and poverty reduction. It is not the case that a blueprint for eradicating poverty has long been available, but remained unused for lack of willingness to take the necessary steps – and thus in particular not for lack of willingness to spend the required money.

Moreover, development economics, the social-science discipline concerned with understanding what it takes to improve the situation of the poor, is a field with substantial disagreements – disagreements that reflect, at the theoretical level, the chances in political development paradigms. The extent to which development economics is far from being a settled field was underscored when in the first May issue of 2003 the *Economist* announced what must be considered a considerable change of view with regard to the

control of capital flows.[21] Disagreement persists about whether the goal of development should be economic growth (that is, raise of income levels), assuming that growth solves all other problems eventually, or whether development should be thought of in terms of several goals (as captured, e.g., by the UN Human Development Indicators*);* in a related manner, about how precisely social indicators like life expectancy, school enrollment, infant mortality, and child malnutrition are related to per capita income; and about whether there is "one way or many" for successful development, that is, whether there is a recipe for successful development as captured, for instance, by the "Washington Consensus," or whether there are country-specific ways in which successful development depends on local factors. But in particular, over the last decades, the field has seen a sequence of ideas about how to bring about fast growth, and by now a literature has emerged that reflects on the fact that none of them turn out to be a panacea. For instance, both Pritchett and Lindauer (forthcoming) and Easterly (2001) suggest that "big ideas" in development have failed and that there is no general method that guarantees success.[22] Over these decades of what retrospectively seems like experimentation with different approaches to development, some countries received substantial shares of their GDP as official development aid, often under the condition of implementing what at that time seemed like the most promising plan to realize more growth. For instance, in 1993, Sub-Saharan countries received on average 11.5% of GNP as official aid (Zambia 23.6%,

[21] "This newspaper, too, long maintained that capital controls are always wrong. Yet the evidence reviewed [here] shows that the global capital market is a turbulent and dangerous place, especially for poorly developed economies that my be ill-equipped to navigate it. (….) [F]or some countries, imposing certain kinds of control on capital will be wiser than making no preparations at all." (p 23).

[22] Rodrik (forthcoming) argues that successful economies all had their own economic ideosyncracies: none really did it precisely the way prescribed by the Washington consensus, whereas those that did, like Latin America, have not done well recently.

Tanzania 40%).[23] That their problems are still persisting should be taken to support the view that no blueprint for success is known.[24]

So not only must we not understand "Feasible Alternatives" as if the provision of funds were sufficient for bringing about an institutional alternative, but moreover, we must also not understand it as if the required institutional changes in developing countries (now regardless of in whose power it is actually to bring them about) were a matter of the straightforward implementation of a well-understood vision.

4.5 Obviously, the data rehearsed in 4.2 point to a harmful situation. What Shared Institutions claims is that the global order harms and wrongs the poor (and thus commits an injustice) because it would be feasible to replace that order with an alternative that would attend better to the human needs thwarted by the current order. The reflections in 4.3 and 4.4 now show the following. If we were to understand the "feasibility" of an alternative order in Feasible Alternatives in the sense that there is a straightforward course of action for improving the situation of the global poor that representatives of that order refuse to adopt (such as paying money, or taking well-understood institutional measures open to outsiders that will bring about effective change), Shared Institutions would convict the global order of harming the poor. However, as we have just seen, we should not understand feasibility along such lines. If, on the other hand, we took the

[23] Cf. van de Walle and Johnston (1996), p 20.

[24] While development aid is sometimes criticized for making up only very small percentages of rich countries' GDP, one should not forget that, indeed, these payments make up substantial shares of poor countries' GDP. Cf. Alesina and Dollar (2000). According to the Zedillo report, official development aid in 2000 was $53.1 billion, down from $60.9 billion in 1992; in 1998, $12.1 billion went to the least developed countries; 33 is the average percent of GNP contributed as official development aid in 1992, down to .22 in 2000, contrasted with the .7 of GNP that is widely agreed.

feasibility of an alternative order in the sense that there plausibly are numerous ways of improving the situation of the global poor through institutional improvements (both at the domestic level in poor countries and in international organizations) that, however, are poorly explored and understood, we would have a much more credible notion of "feasibility" according to the institutional stance. But then it will be less clear whether the global order harms the poor, and, as we have seen in section 2, on the institutional stance it is often hard to judge what else outsiders could or should have done.

Put differently: Shared Institutions could straightforwardly convict the global order of harming, and thereby wronging, the poor by failing to implement improvements only if there were a clear and well-understood blueprint of how to bring about these improvements. As we just saw, however, there is no such blueprint. To be sure, this understanding of feasibility still *does* lead to an indictment of the global order if not enough effort goes into exploring and, if appropriate, implementing possibilities for institutional change. While pursuing this point further requires empirical investigations that it would be impossible to conduct here, it would be implausible to insist that, indeed, enough is done on that score – which is what would be required to reject Shared Institutions.[25]

[25] The question has been raised what this stance would entail for the proposals for a feasible alternative to the present global order set out in a book like Held (2004). Does the position defended here not commit us to denying that, if such an alternative were enacted, it would make an appreciable difference to global poverty? And if not, how can one escape the conclusion that present order harms the poor? In response: the point of the above discussion was to insist that we have no blueprint for devising a feasible institutional alternative. Held himself begins his list of proposals for the Global Covenant with a list of goals for institutional reform much of which will require domestic changes: "rule of law, political equality, democratic politics, global social justice, social solidarity and community, economic efficiency, global ecological balance" (p 164). Now, is the global order harming the poor by not taking steps to implement these goals? One can only answer affirmatively if one has a blueprint for how the global order can make sure that, say, the rule of law is followed across the world, or for how to make sure "social solidarity and community" are implemented. The point of the discussion above was to say that there is no such blueprint, and that one will have to take that into account when accusing the global order of harming the poor.

For instance, to quote just one testimony this view, Jeffrey Sachs, a leading development economist, complains in an op-ed that

> our military expertise is undoubted. Our ability to understand what exists before and after wars in low-income countries is nearly non-existent. ("Don't Know, Should Care" in the *New York Times* (June 5, 2004, p A 25)

So plausibly, a version of the weak reading of Shared Institutions is correct, but it must be understood before the background of the institutional stance. Curiously, then, the sense in which the global order harms the poor we encounter now is the same we encountered in section 3 after discussing Uncompensated Exclusion. In both cases we saw that not enough is done to discharge the duty to assistance in institution buildings – which indeed is a wrong just because there is such a duty. While in both cases we must add the caveat that it is hard to tell when that duty is satisfied and how to go about doing it, and while we have also rejected a range of considerations that would lead to a broader indictment of the global order, it is in this sense that this study finds that the global order does harm the poor. This claim, however, is entirely consistent with the view that the global order must also be credited with massive advancements over the historically omnipresent state of misery – a claim for which I have not argued here, but also believe to be true.[26]

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