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## Toward global paradigm change: beyond the crisis of the liberal world order

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### Abstract

This vision brief may be summarized by the following points. First, the crisis of the liberal world order arises from a misalignment of our social, economic and political domains of activity, along with a resulting destabilization of our physical environment. The integration of the global economy has generated problems that extend beyond our current bounds of social and political cooperation. Second, extending our social cooperation – on which basis our political cooperation can be extended as well – requires the creation of the appropriate moral narratives. These narratives must guide business strategies, public policies and civic activities. Third, these narratives must be supplemented by multilevel governance structures that address challenges at the scale – micro, meso and macro – at which these challenges arise. Finally, past human experience in developing moral narratives, supported by multilevel governance structures, suggests guidelines for a future form of multilateralism that enables us to meet this challenge.

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The liberal world order is in crisis. The symptoms abound across the globe: the growing disillusionment with liberal democracy as an instrument for political voice, the growing critique of capitalism as an instrument for the allocation and distribution of resources, the proliferation of environmental problems, the rising mistrust in our political and economic institutions (political parties, national government, international institutions, corporations, the media, and NGOs), the rise of nationalist and religious supremacy movements, the rise of populism and the gradual abandonment of multilateralism.

The current crisis of the world order, I claim, arises from a clash of paradigms in the social, economic and political domains of human activities, with grave consequences for our physical environment. The prevailing economic paradigm – market-driven globalization – has integrated the world economy, generating great material wealth as well as a variety of associated problems, from climate change to rising inequalities and social tensions. By contrast, the prevailing political and social paradigms – driven by nationalism, religion and ethnicity – keep our allegiances fragmented.

To make progress in tackling our global problems, we must strive to change our social paradigms where they are maladaptive, namely, where they inhibit our material and immaterial prosperity by preventing us from addressing challenges that call for social cooperation at the appropriate scales. And then we must strive to bring our economic and political paradigms into harmony with prosperity-promoting social paradigms.

Thriving societies rest on self-reinforcing social allegiances at various scales – local, regional, national and transnational. In order for our economic and political systems to promote human prosperity, these self-reinforcing social allegiances must be supported by self-reinforcing economic and political structures at all relevant scales, from local to global. In short, the requisite paradigm change calls for the recoupling of the economic and political domains with well-functioning social domains, across the relevant macro and micro scales.

These objectives rest on well-known insights into the process of multilevel selection that drives the evolution of human cultures.<sup>1</sup> Humans are such a successful species since they are able to cooperate in order to benefit one another, even at a cost to the individual. In cultural evolution, the process of selection acts not only on individuals, but also on groups at multiple levels. Groups containing a higher proportion of cooperators may gain a competitive advantage over groups of selfish individuals, much as groups of cells composing an organism cooperate successfully. The crucial difference between cultural and biological selection at multiple levels is that the ideas, rules, norms and values that drive human cultures can be managed. This difference enables us to have the mission of shaping our social, economic and political domains in order to promote human prosperity.

This mission has three far-reaching implications.

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<sup>1</sup> See, for example, Wilson (2015), Wilson and Wilson (2007), Richerson & Boyd (2006), Henrich (2017), and Turchin (2016).

First, in the social domain, there is a broad recognition that we all have multiple social allegiances – to our families, friends, colleagues, fellow citizens, congregants and so on – and that these permit us to cooperate with one another in multiple domains and allow us to lead rich, multifaceted lives. The new paradigm encourages consonance among multiple allegiances that enable us to cooperate at the scales commensurate with our challenges. These complementary allegiances are generally driven by moral narratives, supported by institutions, leading to personal empowerment, social belonging and an equitable distribution of benefits. Where our challenges are transnational, our allegiances need to be transnational as well, so that patriotism does not come into conflict with cosmopolitanism.

Second, in the political domain, our political allegiances must be recoupled with prosperity-promoting social allegiances. Under the new paradigm, nationalism serves national goals, while nations cooperate multilaterally in providing global public goods and managing the global commons. This new form of multilateralism is to be viewed as a means of pursuing enlightened nationalism. In the same vein, the new nationalism can become a means of supporting enlightened regionalism localism and individualism.

Third, in the economic domain, globalization should not be pursued at the expense of local communities. The new paradigm must encourage us to build strong local identities, while enabling us to reap the gains from specialization and knowledge transfer that globalization provide. This implies that neither central economic planning nor pure laissez faire are likely to be policy paradigms that can generate sustainable, inclusive and fair prosperity. Consonant economic policies at the micro, meso and macro levels are called for, associated with complementary endeavors in the political and social domains.

For this purpose, business leaders must adopt broader objectives than maximizing shareholder value and economic policy makers must measure their success by more than GDP. Since the new paradigm recognizes that the ultimate purpose of business and policy is to promote human prosperity, it involves more than achieving aggregate economic outcomes (such as pursuing high rates of economic growth). More than ensuring that these outcomes are fairly distributed among the stakeholders. Beyond these goals, the new paradigm induces business and policy to support personal empowerment (people’s need to shape their own destinies through their own efforts) and social solidarity (people’s need to be embedded in communities of belonging and care).

In sum, the new paradigm leads us toward a new social contract in which our social, economic and political domains no longer follow their own logic, dictated by current institutions, rules and norms, but rather interact to serve to fulfill our fundamental needs and the relevant interacting scales.

### **Three tectonic plates of human affairs**

What we are witnessing is a clash among the three tectonic plates on which human affairs are founded: (1) the economic domain, governing our production and exchange of goods and services, (2) the political domain, organizing the distribution of power, and (3) the social

domain, regulating our social interactions. Human affairs flourish and we live in a life-giving relationship with our planet when these domains are in harmony, promoting human inclusive and sustainable prosperity.

This means, first, that the boundaries of the society must overlap substantially with the boundaries of the polity. In other words, every country requires sufficient social cohesion for the needs of society to be addressed through the political processes representing the members of the society. Only then will citizens recognize the legitimacy of their political representatives. In countries with polarized societies – regardless of whether the polarization is due to inequalities of income, wealth and education; or divergent openness to foreigners; or to warring tribes – it become difficult, sometimes impossible, to establish legitimate government. Social polarization – measured in terms of population clusters in which people belonging to the same cluster have similar attributes, while people belonging to different clusters have dissimilar attributes – can lead to social tensions and unrest, due to this lack of overlap between social and political boundaries.<sup>2</sup>

Second, it is useful for the boundaries of the polity to overlap substantially with the boundaries of the economy. Under these circumstances, governments can manage the rules governing economic interactions in accordance with the will of their citizens. When the boundaries of the economy cross multiple national borders, then the boundaries of the polity must cross these borders as well, through multilateral rules and norms. In short, globalization calls for “polycentric governance,” that is, a governance system in which multiple governance bodies interact to make and enforce rules to promote collective action.<sup>3</sup> Otherwise disagreements concerning the regulation of economic activities are bound to arise, with regard to human rights, workers’ rights, environmental issues, consumer protection, and much more.

When the boundaries of society, polity and economy broadly coincide, then the sovereignty of the individual is reconcilable with the sovereignty of the economy and the sovereignty of the nation (or other political body). These issues of sovereignty – the right and power of a governing agent over itself, without interference from other agents – can be expressed in terms of votes. For example, a democratic polity runs on the principle of “one person, one vote.” A capitalist economy runs on the principle of “one dollar, one vote.”<sup>4</sup> These two voting principles are reconcilable only if the voters in the polity favor an economic system that rewards people in accordance with their purchasing power. In a democratic polity, this is likely to happen only when economic mobility is sufficiently high to give all individuals the prospect of achieving acceptable purchasing power. When the boundaries of society, polity and economy diverge substantially, then these issues of sovereignty become intractable, and sooner or later conflict is likely to arise.

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<sup>2</sup> Esteban and Ray (1994).

<sup>3</sup> McGinnis (1999), Carlisle and Gruby (2017).

<sup>4</sup> For a comparison of these voting principles, see Maira (2018).

As explored in Paul Collier's insightful new book,<sup>5</sup> many of the social tensions in advanced Western countries are driven by spatial, educational and moral divides, playing out in the social, political and economic domains. In many countries, the middle class provides an anchor for overlapping social, political and economic identities and thereby serves to mitigate social tensions, and the shrinkage of the middle class may consequently be associated with social and political tensions.<sup>6</sup>

## **The problem**

The crisis of the liberal world order has arisen because the three tectonic plates of human affairs have shifted. The economic domain has integrated much of the entire world into one integrated system of production and exchange. Nowadays most goods are produced in many countries. This globalization of production has come with a globalization of markets, allowing buyers and sellers to connect and compete with one another around the world. As goods and services have become increasingly interconnected and services have become electronically transmittable, the production and exchange of services has become global as well. Today's factories and marketplaces – the sites where goods are produced and exchanged – extend across multiple national borders. Through trade, financial flows and foreign direct investment, the world economy binds producers and consumers into integrated networks of global value chains. More profoundly, the production and distribution of knowledge in the economic domain has become globalized as well. The international movement of goods, services and ideas has, in turn, encouraged the international movement of people, though migration flows remain tightly restricted through national migration controls.

However, the integration of the world's economies has not been accompanied by an integration of the world's polities or societies. The globe is divided into a multitude of nation-states, each controlling most of the instruments of its public policy. With the rise of nationalism, the boundaries of these nation-states have created more unbridgeable social boundaries as well. As ethnic, religious and class identities have become more salient, many nation-states are witnessing the fragmentation of their social domains.

In short, the boundaries of economy, polity and society are becoming progressively decoupled. This is the fundamental problem of our age, the reason for the crisis of the liberal world order. It poses multiple overarching threats, since the integration of the global economy has generated a variety of troubles that are globally integrated as well – climate change, financial crises, nuclear, biological, chemical and cyber conflict, social disruption from migration, the danger of pandemics, the internationalization of economic stagnation and inequality, just to name a few. These threats can only be addressed through international cooperation, but this cooperation is obstructed through the fragmentation of our political and social domains.

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<sup>5</sup> Collier (2018).

<sup>6</sup> See, for example, Birdsall, Graham and Pettinato (2000).

There is a growing recognition that the global governance paradigm must change if peace and prosperity are to be assured. The current institutions overseeing global affairs – the United Nations, the International Monetary Fund, the World Bank, and so on – cover a wide variety of interlocking domains, with little if any coordination among them. This international governance system is not well suited for harmonizing our economic, political and social domains.

### **What is to be done?**

To make progress recoupling our economic, political and social domains, we need to go back to basics and inquire how humanity has managed to perform massive acts of cooperation in the past. This is not the first time in human history that Homo Sapiens needed to tackle problems that required extending our bounds of human cooperation. In fact, the main reason why humans have been so successful in the evolutionary process lies in our ability to cooperate with one another beyond the bounds of kinship. How did we perform this trick in the past?

Initially, our ability to use language was crucial for far-reaching cooperation, but language by itself explains only a fraction of our cooperative capabilities. Language enhances our ability to acquire reputations for being cooperative, inducing others to cooperate with us. But the maximum size of a group that relies on word of mouth to create trust is about 150 individuals.

To establish larger groups, such as those cohering in large multi-national companies, nations, religions, and trading networks – communities that may comprise millions – we were required to create something that no other animal appears to have managed: *moral narratives supported by institutions of multilevel governance*. The moral narratives created social identities for social groups of the requisite size. The institutions of multilevel governance enabled different groups to work cooperatively with one another. It is worth considering each of these elements in turn.

### **Moral narratives driven by moral values**

How are narratives able to induce people to see themselves as part of a larger social whole, inducing them to cooperate with one another through the adoption of differentiated social roles? The central driving force is to be found in moral values. These values distinguish between good and evil as objectives of behavior and define codes of conduct, differentiating right from wrong. They have normative force, inducing us to act in specific ways. Their purpose is to establish social cooperation beyond the bounds of self-interest.

Moral narratives have enabled humanity to extend their cooperative units from the family to the tribe to the village to the city-state and from there to empires and nations. We now require narratives that enable us to extend our social and political boundaries to address the global problems arising from our global economy. Our genetic and cultural evolutionary past has not yet given us the mental resources to strive for global cooperation. Instead, we are designed to seek support in social groups of limited size. These social groups – often following national, cultural, religious and professional boundaries – structure our identities and thereby help determine our willingness to cooperate with one another. The objectives of these groups receive

little centralized coordination through our international organizations and engage in little decentralized coordination. Our local affiliations are more emotionally satisfying and fulfilling than our global ones. The scope of the market exceeds our capacity to form equally far-reaching identities. Thus the scope of our problems exceeds our capacities of cooperation.

Our moral values can be viewed as psychological adaptations enabling selfish individuals to enjoy the benefits of cooperation. Globalization and today's ICT technologies enable social groups to come into contact with one another on an unprecedented scale. Our genetically and culturally evolved morality did not prepare us for cooperation on this scale. Reaping the material rewards from globalization sustainably requires broad social approval across many national and cultural groups. Generating such approval requires the equitable distribution of material rewards across these groups in the economic domain, the willingness to cooperate across national boundaries in the political domain, and the acceptance of a common cause across cultural groups in the social domain. Thus far, the process of globalization has not been managed accordingly.

Thus our job now is to create new moral narratives relevant to both our local, regional, national and global problems. These narratives must strengthen local identities in accordance with people's traditional social needs and local challenges, and they must create wider identities relevant to our wider challenges. Various attempts to find narratives that shape global identities have already been made, such as the Universal Declaration of Human Rights, the Earth Charter, and so on. Contributions to the creation of motives, norms and attitudes favorable to a common human identity – through art, law, education, politics, institutional settings, personal transformation – are of greater importance than is generally appreciated.

Just as we currently live our lives through many identities at different levels of social aggregation – with regard to our families, occupations, hobbies, nations, ethnicities, religions and so on – so we must seek to combine these identities with more encompassing ones, just sufficient to address our global problems through interchangeable perspectives and the beginnings of Care. Then this could set in motion a virtuous cycle of values – including Care, Reciprocal Fairness, Authority and Loyalty – that shapes individual identities complementary to our global one.

Of course, not all aspects of our individual identities will survive the interplay with our global identity. All the divisive, hate-filled, dehumanizing aspects would need to fall by the wayside. Such active shaping of individual identity might be viewed with suspicion, as conflicting with our individual liberties. But people around the world are already familiar with the desirability of such social interventions in dealing with what the philosopher and neuroscientist Joshua Greene<sup>7</sup> calls our “Me-Us problems,” the problems of controlling our self-interest in favor of our social groups. What globalization and the ICT revolution have done is vastly extend the scale of our “Us-Them problems,” the problems of controlling our groups' self-interest in favor of intra-group cooperation.

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<sup>7</sup> Greene (2013).

Humanity has already managed feats of comprehensive Care before, as when it transformed slavery from an acceptable form of international business into a globally acknowledged evil. A major force driving this transformation was perspective-taking. Through books like *Uncle Tom's Cabin*, art, political activism, and media reports, people around the world gradually came to regard slaves as beings of ultimate intrinsic worth, and this realization eventually led to the criminalization of slavery in country after country. Europe's refugee crisis should be viewed as a golden opportunity to initiate the educational, legal and cultural initiatives required for perspective-taking beyond our current national, cultural and religious borders.

Extending our circles of affiliation – through encompassing narratives, social norms, education, laws and institutions – is now our central challenge as human beings, made salient through the proliferation of our “problems without borders.” Rising to this challenge will be arduous since our moral instincts are more suited to addressing the “Me-Us problems” than the “Us-Them problems”. Despite international condemnation of slavery, the UN estimates that 27 to 30 million people are still caught in the slave trade industry today.

Given our capacities for perspectival disconnection and for attributing people's situational constraints to their dispositions, many people still do not consider the extension of our social affiliations to be obviously desirable. Furthermore, affiliative relationships – particularly in the absence of fairness, reciprocity and means-end rationality – are notoriously vulnerable to free riding and exploitation, such as when computer hackers gain access to people's email accounts and then request money from friends and relatives in their address books. Extending our circles of affiliation may be particularly difficult when levels of affiliation are in conflict, as when familial affiliation hurts the tribe, tribal affiliation hurts the nation, or national affiliation hurts the global public interest.

The integration of the global economy and our ever more oppressive footprint on the global environment calls for the development of moral narratives that induce us to cooperate at unprecedentedly large scales, while maintaining our sense of belonging at the small scales necessary to tackle our small-scale challenges.

### **Multilevel governance**

But that is not all. In the past, whenever we have been successful in extending our social boundaries, we have done so through institutions of multilevel governance. Such institutions enable locally cohesive social groups to cooperate with one another at a regional level, thereby establishing a regional affiliation that may be weaker than the local one, but sufficient for addressing regional challenges. Further institutions enable regional groups to cooperate with one another at a national level, thereby establishing a national affiliation. Beyond that, our global challenges call for international institutions enabling multilateral cooperation. Such multilateralism is politically sustainable if it succeeds in establishing multilateral affiliations, which can be weaker than the national ones, but sufficient for addressing our global problems.

Such multilevel governance, supported by moral narratives, are essential in establishing sustainable cooperation at the various levels – local, regional, national and global – at which our

problems arise. It is striking that this multilevel governance mirrors the multilevel selection that has become prominent in the analysis of cultural evolution.<sup>8</sup> Multilevel selection theory recognizes that groups of individuals can have a functional organization analogous to the groups of cells that compose each individual. Social norms and institutional governance structures can serve to reduce individual level variation and competition, thereby shifting selection to the group level. Thus, in the process of evolution, selection can take place at the individual and various group levels. The principles required for groups to thrive in the evolutionary process are the same as the principles required for individuals to thrive. David Sloan Wilson writes, “At all scales, there must be mechanisms that coordinate the right kinds of action and prevent disruptive forms of self-serving behavior at lower levels of organization.”<sup>9</sup> Humans have individual and social needs, and they are capable of meeting these needs through selfish and socially cooperative behaviors, but these behaviors often pull in opposing directions. D.S. Wilson and E.O. Wilson explain, “Selfishness beats altruism within groups. Altruistic groups beat selfish groups. Everything else is commentary.”<sup>10</sup> The history of human cooperation may be understood as a struggle between selfish individualism and group sociality.

Elinor Ostrom<sup>11</sup> (1990) has identified eight Core Design Principles that enable social groups to avoid the tragedy of the commons through the sustainable use of common pool resources. These principles encompass social, economic and political relations. First, the group must have a strong sense of social identity and share a social purpose. Second, the distribution of benefits and costs must be fairly distributed. Third, the decision making within the group must be considered inclusive and fair. Fourth, individual behavior must be monitored to detect free-riding. Fifth, misbehavior must be punished through graduated sanctions. Sixth, conflicts must be resolved quickly and fairly. Seventh, groups must have the authority to organize their own affairs, in order to ensure that their decision making is accepted as inclusive and fair. And finally, there must be appropriate coordination among groups, in accordance with “polycentric governance.” These Core Design Principles are a promising starting point for conceiving the multilevel governance that promotes human cooperation at the multiple levels at which our local, regional, national and global problems arise.

As our problems have become more interconnected and far-flung, we face the challenge of designing multilevel governance structures, supported by moral narratives, operating at ever larger scales. This is where the future of multilateralism is to be found.

In the process of developing new forms of multilateralism, we will need to rethink the future of democracy and capitalism as well.

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<sup>8</sup> Boyd and Richerson (1985), Richerson and Boyd (2006) and Henrich (2015).

<sup>9</sup> Wilson (2015).

<sup>10</sup> Wilson and Wilson (2007, p. 345).

<sup>11</sup> Ostrom (1990, 2010a, 2010b).

## Implications for global paradigm change

The three domains of human affairs – the economic, political and social – all serve to promote cooperation, discouraging selfishness and free-riding. For this purpose, each domain needs to answer two elementary questions:

1. *Individual needs*: Which human needs are to be taken into account?
2. *Interpersonal comparisons*: How are the needs of different people to be compared in the pursuit of public policy?

The answer to the first question is multifaceted. Humans have a variety of needs, some self-interested and some social. Our social needs are addressed by our moral values, with different needs associated with different values. For the values identified by Jonathan Haidt and his colleagues,<sup>12</sup> for example, “care” enables us to protect and care for our family and friends, “fairness” permits us to exploit synergies from partnerships, “loyalty” enables us to form cohesive coalitions, “authority” generates synergistic relationships within hierarchies, and “sanctity” induces us to avoid contaminants and pursue health.

Regarding the second question, the world is caught in a clash between three perspectives – a clash that arises as the political and economic domains have become decoupled from the social domain. The discipline of economics, insofar as it has been dominated by the concept of Homo economicus, has set the stage for this decoupling, since Homo economicus is driven exclusively by the rational pursuit of selfish, materialistic needs. The three perspectives on interpersonal comparisons of worth are associated with the three domains – social, political and economic.

In the social domain, people are connected to one another in social networks, giving rise to acts of cooperation, positional competition and aggressive conflict. These networks are commonly driven by moral narratives, comprising moral values and norms, as well as institutions that were created to serve social purposes. The networks generate identities, associated with social roles within these networks. The social and institutional forces maintaining the networks generate rewards and punishments, which often become persistent once they have been created and thus need not adapt readily to changing physical and social contexts. Consequently, the social networks may be both adaptive (serving human social needs under the prevailing contexts) or maladaptive. Adaptive networks generally promote cooperation among people at the scales in which these people’s opportunities and threats arise; maladaptive networks fail to do so and may generate harmful conflicts.

In the political domain, as noted, interpersonal comparisons of worth are treated simply in democracies, where all individuals are counted equally, in accord with the principle of “one person, one vote.” This principle is upheld through Kantian deontological ethics, emphasizing the equal intrinsic worth of each individual. But there are also other ethical foundations for public policy, which may or may not be reconcilable with the intrinsic equal worth of all people. In Benthamite utilitarian ethics, each individual is to be weighted by his or her utility, with the aim of “the greatest happiness of the greatest number” in economic, political and social affairs.

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<sup>12</sup> For example, Haidt and Joseph (2004), Haidt and Kesebir (2010), Haidt (2012).

In Rawlsian ethics, each individual has an equal right to the most extensive basic liberties (the greatest equal liberty principle) and social and economic inequalities are to be arranged so that they benefit the least advantaged members of society (the difference principle). Such diversity of moral foundations for public policy provides latitude for the moral narratives of politics to become dissociated with the moral narratives of society.

In the economic domain, capitalist economics implies interpersonal comparisons of worth that have come to be increasingly at odds with the perspectives above. Capitalist economies weight individuals in accordance with their purchasing power, so that richer individuals have more access to goods and services.

As capitalist economics plays a pervasive role in many of our institutions of global governance, it is useful to compare the economic and social perspectives, as this can provide clues concerning how the global paradigm needs to change in order to bring the economic and social domains into better alignment and thereby indicate useful avenues for the future of politics. The following matrix compares the economic and perspectives.

	<b>Selfish Materialism</b>	<b>Holism</b>
<b>Individual Needs</b>	Homo Economicus	Homo Psycho-Socialis
<b>Interpersonal Comparisons</b>	Shareholder Capitalism	Social Purpose Capitalism

The two rows cover the two questions above; the two columns differentiate between a selfish materialistic focus (human needs focused on goods and services, interpersonal comparisons in terms of purchasing power) and a holistic focus (covering a wider conception of human needs, non-materialistic interpersonal comparisons of worth). Homo Economicus is restricted to material needs, whereas Homo Psycho-Socialis covers a broad range of human needs (material and immaterial, self-interested and social). Shareholder Capitalism is based on materialistic interpersonal comparisons of worth, both through its focus on goods and services and on maximizing shareholder value. By contrast, social purpose capitalism is based on business driven by well-defined social purposes.

As long as business and politics remained strongly rooted in local social networks, the alignment of the social, economic and political domains occurred quite naturally. Many of the major innovations in business and policy over the past century – the creation of community banks, credit unions, cooperatives, friendly societies, local councils, etc. – were responses to social problems. But with the advance of globalization and financialization in the world economy, the economic domain became progressively decoupled from the social domain. The political domain became torn between the fragmented allegiances of the social domain and the integration of the world’s economic domain. Many of the world’s current social, economic and political problems are a product of this decoupling.

To realign the economic domain with the social domains, our thinking concerning economic activity – in both business and policy – will need to shift from selfish materialism to holism. In

economics, this will mean moving from models based on Homo Economicus to those that take a wider range of psycho-social needs into account. In public policy, it will require a shift from economic objectives centered around GDP to wider conceptions of human welfare (“beyond GDP”). Such welfare measures are already proliferating, including the OECD Better Life Index, Index of Sustainable Economic Welfare, Genuine Progress Indicator, the Inclusive Wealth Index, the Human Development Index, the Weighted Index of Social Indicators, and much more. In particular, much progress has been made in measuring not only environmental sustainability, but also social cohesion.<sup>13</sup> By taking these welfare measures seriously in the design of public policy, the social domain may become more salient in political decision making and the democratic political process may become more responsive to issues of the common good (in contrast to the polarizing pressures currently arising from many populist movements). This will involve not only measures that adjust GDP to take account of environmental and social influences of economic activities,<sup>14</sup> but also measures that supplement GDP<sup>15</sup> and those that replace GDP.<sup>16</sup> In doing so, policy makers will need to rely not just on the performance classifications of economists,<sup>17</sup> but also those of sociologists<sup>18</sup> and psychologists.<sup>19</sup>

In business, it will mean moving from corporations that maximize shareholder value to those that driven by social purpose. In his new book, *Prosperity*, Colin Mayer writes that “enlightened corporations ... deliver on their stated purpose by balancing and integrating the five different components of capital that comprise their business activities – human capital (employees, suppliers and purchasers), intellectual capital (knowledge and understanding), material capital (buildings and machinery), natural capital (environment, land and nature), social capital (public goods, trust and social infrastructure) and financial capital (equity and debt).”<sup>20</sup> For this purpose, “company law should be reformulated to require corporations to articulate their purposes, to redefine the fiduciary responsibility of boards of directors to the delivery of their stated purposes, to produce accounts that measure their performance in relation to them, and to implement incentive arrangements that reflect their success in delivering them.”<sup>21</sup>

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<sup>13</sup> See, for example, Chan et al. (2006) and Bottoni (2018).

<sup>14</sup> For example, the Index of Sustainable Economic Welfare, Green GDP, Genuine Savings and Measure of Economic Welfare.

<sup>15</sup> For example, the Sustainable Development Goals, Sustainable Development Indicators, System of Economic Environmental Accounts.

<sup>16</sup> These include measures of happiness and life satisfaction and other indicators such as the Environmental Sustainability Index, the Human Development Index, Ecological Footprint and the Happy Planet Index.

<sup>17</sup> For example, the Index of Sustainable Economic Welfare and the Measure of Economic Welfare.

<sup>18</sup> For example, the Human Development Index, the Index of Social Progress and Physical Quality-of-Life Index

<sup>19</sup> For example, the happiness indicators, the Happy Life Years Index and the Personal Well-Being Index.

<sup>20</sup> Colin Mayer (2018, p. 41).

<sup>21</sup> *Ibid*, p. 42.

These and many other changes<sup>22</sup> in the public policy and business will need to be implemented in conjunction with one another in order to become individually effective and sustainable. Furthermore, economic transformation will need to be accompanied by a complementary political transformation that supports. To recouple the social, economic and political domains, it will be vitally important to take into account the lessons learnt from our past cultural evolution. This means driving change through moral narratives, supported by multilevel governance structures.

The desirability of multilevel governance implies that it is undesirable to strive for sovereignty primarily at the national level, just as it is also undesirable to aim for sovereignty primarily at the level of international governance institutions. Both nationalism (“My country first”) and globalism (world government through international organizations) are misguided. Similarly, it is undesirable to let economic decision making power reside primarily with private economic agents (*laissez faire*) or government (central planning). In the same vein, we should avoid identity monocultures, defining ourselves primarily in terms of one social group, whether religious, national, ethnic, gender-based, class-based, occupational, or other.

Instead, the current crisis of the liberal world order calls for a multilevel approach in the social, economic and political domains. In the social domain, we must strive for multiple identities that induce us to cooperate at the appropriate levels – locally to preserve our neighborhoods, regionally to address challenges of migration, globally to tackle climate change. In the economic domain, our aim should be distributed decision making powers – at the individual level for private consumption decisions, at the meso level for rural and urban renewal programs, at the national level for macroeconomic policies. By implication, our objective in the political domain must be the multilevel governance that promotes multilevel economic policy and is consonant with our evolving multilevel identities. Since our local identities generate particularly meaningful bonds of belonging, it is vital for higher-level economic and political decisions reflect the interests of local communities. Multilevel economies and polities function well when they succeed from bottom up.

### **Towards a new paradigm**

We have good reason to believe that governance is moving in these directions. We live in a world of international institutions working top-down and decentralized initiatives working bottom-up. In the aftermath of World War II, political intergovernmental organizations addressing various global problems have proliferated: the United Nations, the International Monetary Fund, the World Bank, the Organization for Economic Cooperation and Development, the World Trade Organization, the World Health Organization, the International Criminal Court, Interpol, the International Seabed Authority, the World Customs Organization, the Organization for the Prohibition of Chemical Weapons, the Nuclear Suppliers Group, the

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<sup>22</sup> A variety of other desirable changes are described in Kelly (2019).

International Energy Agency, International Commission on Missing Persons, and innumerable others.

There are also a variety of cultural intergovernmental organizations, such as the Commonwealth of Nations, the Community of Portuguese Language Countries, the Organisation internationale de la Francophonie, and so on. There has also been a proliferation of international nongovernmental organizations (NGOs), such as the International Committee of the Red Cross, Médecins Sans Frontières, Greenpeace, and many others.

There are also many organizations operating at the meso level, involving both top-down and bottom-up initiatives. These include Amnesty International, Transparency International, the Global Environment Facility, the International Organization for Migration, the Bank for International Settlements, a variety of development banks, regional organizations on all continents, and mayors' roundtables. Collaboration among cities has become a major source of multilateral cooperation, as illustrated by the Cities Climate Finance Leadership Alliance.<sup>23</sup> Cities are also important domains linking the political, bureaucratic and social domains.<sup>24</sup> Additionally there are local urban development initiatives aimed at fulfilling social needs, such as the development of Saigon South.<sup>25</sup>

Insofar as these organizations have some decision-making power, it is clear that we have moved far from a world of sovereign nations in practice. But the efforts of the many international organizations are usually not coordinated with one another. Nor do these organizations have systematic regard for the alignment between the economic, political and social domains that must occur in order for international cooperation to become sustainable and legitimate.

Instead, the current globalization paradigm is still trapped in a misplaced belief in the Invisible Hand applied to the three domains at the global level. According to this belief, the different decision makers in the economic, political and social domains all have different responsibilities and, in pursuing these responsibilities, they will be lead as if by an Invisible Hand to promote the global public interest. In particular, the responsibility of citizens is to pursue their material self-interest (meaning the maximization of their individual utility through consumption), the responsibility of business is business (meaning the maximization of profit and shareholder value), the responsibility of national and sub-national political governance institutions is to pursue their specified political targets (such as those of different government ministries), and the responsibility of international organizations is to pursue their specified transnational and international targets (again divided into different silos of decision making, such as the different economic domains of the IMF and World Bank and the different social domains of the WHO and the ICC). Our current difficulties in achieving global cooperation to address climate change,

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<sup>23</sup> [http://climateinitiativesplatform.org/index.php/Cities\\_Climate\\_Finance\\_Leadership\\_Alliance\\_\(CCFLA\)](http://climateinitiativesplatform.org/index.php/Cities_Climate_Finance_Leadership_Alliance_(CCFLA))

<sup>24</sup> See, for example, Landry and Murray (2008) on “urban psychology” and the initiative on “Making Cities Socially Cohesive” of the International Federation for Housing and Planning (<https://www.ifhp.org/agenda/making-cities-socially-cohesive>).

<sup>25</sup> Kriken (2017) describes nine design principles: accessibility, sustainability, open space, density, incentives, diversity, compatibility, adaptability and identity.

financial crises, cybersecurity and more, as well as our difficulties in dealing with rising social tensions in many countries testify to the folly of relying on the Invisible Hand to coordinate the activities of the existing economic, political and social decision makers at the micro, meso and macro levels.

The new paradigm – in which multilevel social affiliations are to be matched with multilevel political and economic structures – is meant to promote a closer alignment of responsibilities across the social, economic and political domains. In the aftermath of the global economic and financial crisis of 2008–9, it is becoming clear to many consumers that they have responsibility for much more than their individual material prosperity, but need to take more responsibility for their environment and communities as well. Similarly, many business leaders have understood that they must strive for more than the maximization of shareholder value, but need to pay greater attention to the wellbeing of their workforces, the environment and the local communities in which they operate. In the political domain, the need to harmonize power relationship in the political, economic, and social is also becoming increasingly apparent.

The need for a greater confluence of responsibilities is illustrated clearly in the challenges addressed by EU politicians. The European Union began by focusing on an “economic project:” the creation of a European Single Market. The conception of this market was gradually extended to the “four freedoms,” namely, the free movement of goods, capital, services and labor.<sup>26</sup> To address the resulting challenges, the EU devoted itself increasingly to its “political project,” involving the development of its political institutions, including the European Parliament, the European Council, the Council of the EU, the European Commission, the EU Court of Justice, the European Central Bank and the Court of Auditors, as well as a wide variety of decentralized agencies. In response to the resulting social challenges, the EU is devoted greater efforts to its “social project.” The European Social Fund,<sup>27</sup> originally created in the founding Treaty of Rome in 1957, is currently giving increasing attention to social cohesion – improving access to employment for people of all ages and backgrounds, supporting social inclusion of disadvantaged people, promoting access to vocational training, lifelong learning and primary education for disadvantaged children and promoting public services to make public administrations more transparent and accessible to citizens. The political emphasis on social cohesion also generates new efforts to measure social cohesion, in order to assess the social effects of policy.<sup>28</sup>

Overcoming the deficient legitimacy that is commonly ascribed to EU political institutions – for example, most Europeans feel much greater allegiance to their national representatives than to their MEPs (Members of European Parliament) – can only be addressed by bringing the social allegiances of Europeans into closer alignment with the political initiatives at the EU level. In short, political legitimacy must arise from a recoupling of social and political commitments.

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<sup>26</sup> <http://ec.europa.eu/growth/single-market/>

<sup>27</sup> <http://ec.europa.eu/esf/home.jsp>

<sup>28</sup> See, for example, Aket et al. (2011) and Dickes and Valentova (2013).

As people in different geographic regions have different social norms, values and identities, different countries are justified in building distinct economic and political domains, aimed at serving distinct social needs. In order to enable different countries to cooperate economically and politically to reap equitably the potential gains from trade and to address global problems such as climate change, these distinct national economic and political systems must pursue international cooperation. This means that putting “my country first” generally involves multilateral cooperation to address multilateral opportunities and dangers. In the new paradigm, the roles and responsibilities of local, national and international institutions must be specified explicitly in order to enable people to address the challenges they face with cooperation at the appropriate scale.

Multilateral institutions must be explicitly designed as vehicles for addressing multilateral issues lying outside the scope of single nations. Similarly, national institutions should be designed as vehicles for addressing national issues that exceed the competence of regional and local decision makers. Where local and regional allegiances are strong, the new paradigm should respect the principle of subsidiarity, with political institutions performing only those tasks that cannot be performed at a more local level. The resulting networks of cooperation could be called “glocalization,” connecting global and local affiliations. This multilevel approach to human prosperity under the new paradigm permits the transformation of conflict-prone nationalism into mutually constructive patriotism.<sup>29</sup>

## **Implications for the G20**

This paradigm change has significant consequences for the framing and execution of G20 policies. In broad segments of the public, the G20 has become the voice of multinational interest groups that have become increasingly mistrusted as global economic growth has become increasingly dissociated from local prosperity. In many policy circles, the G20 is viewed as the voice of multilateralism as opposed to nationalism, of global as distinguished from national governance, of supranational as distinguished from national sovereignty. This is a source of the ominously recurring protests against globalization at G20 summits and the widening nationalist backlash against global agreements on climate change, migration and other global issues.

The new paradigm places the G20 in a different light. It calls on the G20 to use its unique capabilities – its ability to set global agendas and influence global norms; its access to politicians, experts and civil society representatives; and its economic and political clout at international and national levels – to develop a framework for multilevel governance to

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<sup>29</sup> This is my interpretation of Emanuel Macron’s statement that “Patriotism is the exact opposite of nationalism. Nationalism is a betrayal of patriotism.” (<https://www.reuters.com/article/us-ww1-centenary-macron-nationalism/with-trump-sitting-nearby-macron-calls-nationalism-a-betrayal-idUSKCN1NG0IH>). The underlying issue was clarified by Angela Merkel: “Either you’re one of those who think they can solve everything on their own and just have to think of themselves. That is nationalism in its purest form. That is not patriotism. Because patriotism is pursuing the German interests by taking other people’s interests into account and accepting win-win situations” (<https://www.tagesschau.de/inland/bundestag-generaldebatte-125.html>).

encourage the recoupling of economic, political and social domains around the world. As countries differ in terms of identities, social norms, institutions and historical traditions, this recoupling implies policy diversity to address national and regional problems, combined with a coordinated multilateral approach to tackling global problems that is accepted as inclusive and fair. By implication, the G20 should be a forum that encourages national policy diversity, identifying best practices where relevant, and discouraging beggar-thy-neighbor policies. It requires the development of expeditious and fair conflict resolution mechanisms concerning global problems, associated with monitoring processes to detect free riding.

At the same time, the new paradigm for the G20 must support strong national and social identities, on which a common sense of global purpose can be built. Through its Finance and Sherpa Tracks, its various Working Groups, and its Engagement Groups, the G20 can seek to promote a multilevel governance system in which the legitimacy of the parts enhance the legitimacy of the whole.

Achieving this end will require a far-reaching exchange between Eastern and Western, as well as between Northern and Southern, perspectives on global, national and local governance. As these approaches differ in terms of individualism versus collectivism, centralization versus decentralization in the organization of economic, political and social affairs, and absolute versus contextual understandings of morality, a vigorous exchange among these approaches provides a promising basis for a multilevel approach to global and national problem-solving. As explained below, this approach involves understanding multilateral policy as an extension of national policies with regard to transnational challenges, just as national policies are to be understood as complementary to local policies with regard to problems that single localities cannot address on their own. The Japanese G20 Presidency in 2019 may offer a special opportunity for such an exchange of worldviews.

In sum, overcoming the current crisis of the liberal world order requires a new paradigm for our thinking about human relations. To live in peace and prosperity with each other and the rest of the natural world, we require two things: (1) complementary, polycentric social allegiances that induce us to address our local, national and global challenges at the appropriate scales and (2) polycentric political allegiances and economic collaborations that are coupled to our social allegiances. Globalization has vastly magnified the scale of our challenges. But we should not despair. Human history is an account of how we have managed to cooperate at ever larger scales through the creation of moral narratives, supported by multilevel governance structures. Our mission now is to create new narratives and governance structures that are appropriate for recoupling our social, economic and political domains in a globalized world.

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