A Study on Measuring Success and Failure in the Global Economy

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Ⅰ. Introduction

One interpretation of globalization rests on the idea that the world economy is becoming more uniform and standardized. Trade, communications and technology are bringing about a worldwide convergence of values, institutions and government policies. In particular, it has been suggested that there is a degree of harmonization of national economic policies or, even more so, a homogenization of values converging around the principles of liberal capitalism and democracy.[1] Some have suggested that globalization signaled the triumph of capitalism while critics warn of creeping westernization or even Americanization. Irrespective of one's ideological views, the pressures of globalization and increased international competition have in fact accentuated the benefits of so-called good policies and the cost of bad policies.

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1) The most popular proponent of this view is Francis Fukuyama's *The End of History and the Last Man*, Free Press, 1991.

Determining whether one country is successful or a failure in the global economy depends on whether one conforms with a set of standards consensually viewed as necessary to achieve economic growth. These standards or codes of conduct are reflected in the various indices that give importance to market-oriented policies and are used to assess a country's receptiveness to market activity. Countries everywhere are now judged on the same basis. Governments are expected to observe what is considered best practices and undertake adjustments to conform their economies to these codes of conduct. Observance of these practices is believed to guarantee rising levels of income and better standards of living.

Conventional measurements of success reflect the dominance of the neo-liberal approach to development. These various indices are premised on the belief that the market would guarantee a smooth passage to affluence and human happiness. Governments are now confronted with the challenge of satisfying the demands of the global market, which has become the principal governing system determining what is viable and good in society. In other words, the world capitalist system has become a chief purveyor of values in the global society. Globalization has come to characterize a value system that determines who can and can not participate in and benefit from the international economy. As the forces of globalization intensify, there is more pressure on that countries measure up with these standards.

However, many of these indices fail to consider the broader dimension of development. They ignore variables that accurately measure the cost of adjustment and fail to fully appreciate the various obstacles to growth that countries face. Moreover, sufficient consideration of the particular conditions of developing countries and the differential effects of globalization upon groups and individuals are often neglected.

This paper briefly examines a number of measurements or determinants of success and failure in the global economy. The first section of this paper describes the various developments that led to this convertgence of thinking. It will establish that prevailing achievement measures or the definition of failure conform to the liberal consensus about the nature of growth. The following section then examines alternative approaches and indices that reflect this consensus. This section looks into the divergence of views and gaps among the prevailing indices. It also highlights the counterarguments of this dominant view and draws attention to other value considerations such as environmental sustain ability, good governance, and social capital. In the end, the paper critics the utilitarian-bias of present indices and argues for the development of measures giving cognizance of the social and moral dimensions of economic activity.

Ⅱ. Forces of Convergence

The economic theory of convergence suggests that globalization will result in the equalization of the macroeconomic performance of national economies.[2] Trade, capital flows, and the diffusion of technology from the industrialized to developing economies will cause rates of economic growth, levels of productivity, and the cost of production to equalize around the world. This also implies that national economic practices and institutions will also converge toward a set of standards most closely correlated to growth. In essence, this has meant the adoption of the policy prescriptions of neo-classical economics. This theory is similar to the assumptions of modernization theory the core of which is states that as domestic political institutions develop, they increasingly assimilate the values of liberalism and free market capitalism.

Due to the internationalization of production and capital movements, certain policies have become important to private companies and managers seeking the highest return on their investment. As businesses

2) Jeffrey Williamson declared that globalization was the critical factor promoting economic convergence. See "Globalization, Convergence and History", *Journal of Economic History*, Vol. 56, June, 1996.

began locating different aspects of their production process across national boundaries, assessments and comparisons were made of the prevailing conditions of prospective host countries. Market size, factor and resource endowments and relative price structures were important investment considerations. More significantly, the policy environment and the structure of incentives provided by the host country were also taken into account. Policies that protected foreign companies against actions that could disrupt production, regulations regarding capital transfers including repatriation of profits, tax incentives, etc. were high on their list of concerns. Governments seeking to attract more foreign capital to their countries anxiously complied with the demands of these private corporations and undertook the necessary policy adjustments. In fact, the pressures of international competition and the requirement of maximum efficiency on both private firms and countries contributed to this trend.

The progressive lowering of trade barriers under successive GATT rounds, the removal of capital controls since the mid-1970s, and the deregulation and privatization of key economic sectors around the world have reduced the amount of market distortions and contributed to greater global economic growth. Nearly every country in the world have now abandoned statist and inward-looking policies of protectionism and import-substitution in favor of more outward-looking policies. The collapse of the Soviet Union and the failure of statist policies in Latin America demonstrated the decline of state-led development strategies. Conversely, the phenomenal growth of the East Asian countries in the periphery showed that countries that adopted open market policies and maintain stable macroeconomic fundamentals experienced increased trade, captured a greater share of foreign capital and, consequently, produced higher per capita incomes. Governments that did mot adopt these market-oriented policies suffered declining shares and relatively lower growth.

Likewise, the expantion of international regimes since Bretton Woods and attempts at international coordination of macroeconomic policies by the G7 countries and the OECD has established a body of principles, norms, and rules of behavior governing international commerce. Multilateral institutions such as the IMF and the WTO attach certain conditionalities to membership including adherence to free market principles. Globalization has proved to be a catalyst for internationally agreed-upon-rules of behavior in trade, finance, taxation and many other areas. As one analyst observed, there has been a shift from public to private regulation and from territorial to trans-territorial forms of authority.[3] The growth of international institutions of governance demonstrates the degree of policy convergence among nation-states trying to cope in the environment of increasing interdependence.[4] As the forces of globalization become even stronger and countries linked more closely through trade, capital flows and technological networks, there is more expectation that further convergence around the free market framework will occur.

This convergence represents a liberal consensus regarding the determinants of growth. Many of the standards commonly referred today are essentially based on assumptions made by neo-classical economists. In general, it is believed that state intervention in the market distorts resource allocation and that market-oriented policies will lead to improved standards of living largely defined in terms of rising per capita incomes. The World Bank endorsed this framework by concluding that the less distortion on the market, the higher the growth.[5] The benefits of increased specialization and a more efficient allocation of resources form the basis of this argument, which essentially rests on the premises held by Adam Smith and David Ricardo regarding the central element of the market and specialization in economic growth.

Typically, these preferred policies focused on areas such as

3) See Richard Higgott and Simon Reich "Globalization and Sites of Conflict: Towards Definition and Taxonomy" *CSGR Working Paper No. 1*. Center for the Study of Globalization and Regionalization, University of Warwick, 1998.

4) Robert Keohane and Helen Milner, *Internationalization and Domestic Politics*, Cambridge University Press, 1996.

5) See World Bank, *1991 World Development Report*, Oxford University Press, 1991.

inflation, money supply, interest rates, budget and trade to form a picture of the health of an economy. These policies came to be collectively known as the Washington Consensus which held that good economic performance required liberalized trade, macroeconomic stability and getting the prices right.[6] This included fiscal discipline; a redirection of public expenditure priorities toward fields offering both high economic returns and investment in such areas as primary health care, primary education, and infrastructure; tex reform; liberalization of FDI inflows; privatization; deregulation; and secure property rights.[7]

The impressive record of rapid and persistent growth rates in the so-called miracle economies of East Asia during the 1970s-80s presented a clear endorsement of the importance of good economic policies. Sound policies such as stable macroeconomic management, market liberalization, effective and secure financial systems, and export-oriented strategies contributed to high rates of productivity growth and declining levels of poverty and income inequalities. These countries maintained low rates of inflation and high levels of savings, exhibited high ratios exports to GDP while reducing import barriers, and invested in human capital as indicated by public spending on education as a share of GDP. In other words, East Asia's success was in getting the basics right.[8]

However, the experience of East Asia also showed that the government intervened systematically and through multiple channels to foster development. Governments in these countries actively intervene in their

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6) John Williamson, "Democracy and the 'Washington Consensus'", *World Development* Vol. 21, 1993.

7) However, good policies are not enough. Aziz and Wescott argued that one type of policy is not sufficient but what is needed is a comprehensive set of mutually reinforcing policies. They contend that policy complementarities are important and poor performance in one policy are may hold an economy back even if other policies are favorable. The conclusion they made is that no policy by itself seems to be sufficient for fast growth and that at least a moderate degree of policy success in several areas and consistency of policies are necessary to achieve fast growth. See Jahangir Aziz and Robert F. Wescott" policy Complementarities and the Washington consensus", *IMF Working Paper*, International Monetary Fund, 1997.

8) See World Bank, *The East Asian Miracle: Economic Growth and Public Policy*, Oxford University Press.

respective economies and engaged in industrial policies. This state-led intervention did not coincide with the neo-classical view of the Washington Consensus. Instead, these countries seem to have adopted Keynesian approaches to ensure sustainable growth. The World Bank, however, maintained the validity of the neo-classical framework arguing that East Asian governments limited state intervention to areas of genuine market failure while ensuring a competitive environment for local players.

The role of government continues to be a controversial point among development economists. Price distortions caused by political interference with the market mechanism are believed to inhibit economic growth. The lack of transparency and accountability in policymaking and excessive government intervention and regulation of economic activities, high levels of public spending, corruption and inefficiency have become critical obstacles to development. The convention regards the government's role as limited to securing property rights and ensuring monetary and fiscal discipline while essentially leaving the private market alone to produce growth. Lately, however, there has been an appreciation of the developmental role of government. The rule of law and the quality of governance have become relevant concerns. Some have proposed the concept of the developmental state to emphasize the contributory function of the state. For example, state involvement is justified in fostering and ensuring a competitive atmosphere against monopolistic or oligopolistic practices. The experience of the dynamic Asian economies also showed how the government can intervene effectively through industrial policy.[9)]

9) Some call this the Post-Washington Consensus. Critics argue that other important determinants of growth were either underemphasized or left out. See Joseph Stiglitz, "More Instruments and Broader Goals: Moving Towards the Post-Washington Consensus", a speech delivered at the 1998 WIDER annual Lecture in Helsinki, 7 January 1998.

Ⅲ. Determinants of Success

These different determinants of growth have been incorporated by several indices that measure a country's performance in the global economy. The most famous of these is the World Economic Forum's annual Global Competitiveness Report. The WEF report defines competitiveness as the ability of a country to achieve sustained high rates of growth in GDP per capita. A country is competitive internationally to the degree that it can, under free and fair market conditions, produce goods and services that meet the test of international markets while simultaneously maintaining or improving living standards.

The WEF index gives weight to four categories which most studies suggest are the most important for growth, namely: the openness of an economy to trade and investment, the role of government (i. e. public spending as a percentage of GDP and marginal tax rates), the efficiency of the financial sector, and the labor market (its flexibility as well as its level of education and skills). These account for two-thirds of the total index with factors such as the quality of management, infrastructure and technology, and the effectiveness of legal and political institution making up the rest.[10] The WEF contends that countries that rank high on its index generally tend to exhibit higher rates of economic growth. Following these standards, the Singapore outranks the United States as the most competitive economy in the world in 1999.

The International Institute for Management Development (IMD) in Lausanne also publishes a similar index. Its annual World Competitiveness Yearbook assesses and ranks a country's capacity to promote growth. The IMD defines competitiveness as the ability of a country to create value added and thus increase national wealth. Its report focuses on how national environments are conducive or detrimental to the

10) Andrew M. Warner, "Methodology" in *The Global Competitiveness Report*, World Economic Forum, 1999.

domestic and global competitiveness of private enterprises operating in those countries.

The World Competitiveness Yearbook uses 244 indicators grouped into eight separate categories, namely: domestic economy, internationalization, government, finance, infrastructure, management, science and technology, and people.[11] Like the WEF Index, the IMD report uses a combination of quantitative and qualitative assessments (principally through survey instruments) to measure a country's competitiveness. IMD examines a country's overall attractiveness to foreign investors as well as its aggressiveness in seeking international market share. Both the IMD and WEF stress the importance of technical innovation, credit mobilization, and investments in human capital as determinants of economic growth rate incorporating conventional theories of economic development.

Perhaps the closest indices correlating free markets with growth are those done by the Heritage Foundation and the Fraser Institute. Unlike IMD and WEF, the Fraser and Heritage indices focuses on a fewer number of variables directly concentrating on factors that objectively measure economic freedom. Both indices focus on the institutional arrangements necessary for economic growth and looks into how government regulates and protects the personal economic choices of individuals. They both highlight the need to build the institutional infrastructure of a market economy particularly accentuated by the Asian financial crisis. Consequently, their respective rankings approximate each other, putting Hong Kong as the freest economy in the world.

The Heritage Foundation produces an Index of Economic Freedom to highlight the positive correlation between economic freedom and economic prosperity. It measures the extent of government coercion or constraint on the production, distribution, or consumption of goods and services.

11) Madeleine Linard de Guertechin "Methodology and Principles of Analysis" in *The World Competitiveness Report*, International Institute for Management Development, 1997.

The Heritage Index analyzes critical economic determinants such as corruption, non-tariff barriers, taxation, rule of law, regulatory burdens on business, restrictions on financial services, labor market regulations and activities such as smuggling and piracy of intellectual property.12) The index studies 50 independent economic variables grouped into ten broad categories, i.e. trade policy, taxation, government intervention in the economy, monetary policy, foreign investment, banking, wage and price controls, property rights, regulation, and black market activity. The Heritage report particularly gives strong emphasis on the protection of property rights and deregulation.

Likewise, the Fraser Institute focuses on the importance of economic freedom defined here as personal choice, protection of private property and freedom of exchange. Their index identifies variables where institutional arrangements or public policies exert a substantial influence on economic freedom. Apart from providing cross-country comparisons, the Fraser Index also monitors trends allowing one to assess whether economic freedom improved or worsened over time. It focuses on 17 components divided into four major areas: including money and inflation, government operations and regulations, takings and discriminatory taxation, and international exchange.13) This Index evaluates the protection of money, the freedom of production and consumption, the freedom to keep what you earn, and the freedom of international exchange.

Except for IMD, the other indices leave out GDP as an indicator of growth. The rest do not measure changes in economic growth rates but rather concentrates on analyzing and describing the political, economic and social environment necessary for economic activity. The contention here is that GDP growth, increases in real per capita and growth of trade and investment are outcomes or manifestations rather causes of economics growth. Nevertheless, there is fundamental agreement between the four indices on the importance of

12) Bryan T. Johnson "Methodology: Factors of the Index of Economic Freedom" in *1999 Index of Economic Freedom*. The Heritage Foundation, 1999.

13) James Gwartney, Robert Lawson and Walter Block, *Economic Freedom of the World 1975-1995*, The Fraser Institute, 1996.

market-oriented policies and limited government. While each would stress and macroeconomic discipline(see table 1).

〈Table 1〉 A Convergence of Views

Indicators	WEF	IMD	HERITAGE	FRASER
Economic Policy				
Openness to foreign trade	V	V	V	V
Openness to foreign investment	V	V	V	V
Competitive exchange rate policy	V	V		V
Fiscal discipline	V	V		V
Inflation rate			V	V
Rates of national savings	V	V		
Marginal tax rates	V	V	V	V
Financial liberalization		V	V	V
Quality of public expenditure	V	V		
Shares of public sector of GDP		V	V	V
Extent of business competition		V	V	V
Securing property rights			V	V
Institutional Issues				
Stability of financial institutions	V	V	V	
Quality of legal institutions and practices	V	V	V	V
Extent of corruption	V		V	
Government efficiency	V	V	V	

Measuring success raises certain methodological questions. Should one rely exclusively on statistically available variables? How does one quantify other relevant factors, such as social variables, where no reliable measurements exist? The indices surveyed above present both quantitative and qualitative indicators to show changes in development. But the predominant use of statistics in the treatment of data that are gathered has made the assessment of well-being more quantitative and economistic. This approach may impose meanings and interpretations on some phenomena that do not completely reflect reality. Standardizing data gathering and measurement might create a particular context of behavior, values and meanings that conform to the bias of those who constructed the index. In the case of the WEF and IMD indices, the qualitative assessments reinforce this bias since their surveys are principally directed at business executives whose primordial concern is the company bottom line.

Critics of these growth statistics complain of the lack of distinction between economic activity that contributes to well-being and that which causes harm. They criticize the single-mindedness of the concentration on growth and efficiency and the lack of attention on factors that address such issues as equity and sustainable development. Globalization has had differential effects upon individuals and groups. In fact, conventional economic theory does not guarantee that gains from increased efficiency will be equitably distributed. There is a tendency of equating national income with national well-being ignoring how that wealth is dispersed. The above indices seem to emphasize a particular kind of economic efficiency to the exclusion of all other human needs.

For one, they contend that conventional economic indicators such as GDP are inadequate measures of substantiality. These critics argue that an increase in GDP is not the most important indicator of development but rather how these economic gains may be effectively distributed throughout a specific country. They call for a broader definition of well-being and progress to consider concerns such as the quality of the environment and the improvement of the overall quality of life of persons.[14)]

The strongest proponent of this view is the United Nations through its development arm the UN Development Programme. The UNDP is critical of the exclusive attention to economic growth. It stresses that economic growth is not the end of human development, it is one

14) There is a proposal to replace GDP with what they call as the Genuine Progress Indicator, which incorporates twenty-six social, economic and environmental variables. Unlike the GDP, the GPI distinguishes economic activities that produce benefit from those that cause harm. For example, the GPI subtracts the costs of crime, pollution and accidents while adding free time, greater equality, and a cleaner environment. See Ted Halstead and Clifford Cobb, "The Need for New Measurements of Progress" in jerry Mander and Edward Goldsmith (eds.) T*he Case Against the Global Economy and a Turn Toward the Local*, sierra Club Books, 1996.

important means and regards the distribution of growth as also important. They argue that income is just a means of achieving human development while standards of health and educational achievement are ends. They emphasize that need of relating economic growth with broader concept of human development. Human development is defined here as a process of enlarging people's choices not just for today but also for future generations.15)

The primary measure of well-being here is the United Nation's Human Development Index. HDI essentially focuses on basic needs combining both social and economic indicators monitoring such variables as life expectancy, health, educational attainment and indicators of national income as composite measure of human progress. This Index goes beyond notions of trade and FDI as shares of GDP and examines the composition of GDP by deducting the depreciation of physical capital, human capital and stock of natural resources. The UNDP also monitors access to health services, safe water, and sanitation; per capita food production and daily calorie supply: infant mortality, literacy rates and mean years of schooling, combined primary and secondary enrollment ratio and correlates these with GNP per capita and real GDP per capita. In its 1999 survey, the UN ranked Canada the highest according to its human development index while placing lower in the WEF and Heritage indices (see table 2).

The concern over sustainable development has led to the search for appropriate indices to monitor environmental quality. The IMD report and the Heritage Index focus environmental factors. But the latter looks at it from the regulatory perspective, assessing it as a restriction to business activity rather than its contribution to sustainable development. Fortunately, substantial progress has been made in the last

15) This definition incorporates the definition of the World Commission on Environment and Development, which defined development as that fulfills the needs of the present without limiting the potential for meeting the needs of future generations. See United Nations Development Programme, *Human Development Report 1992*, Oxford University Press, 1992.

twenty years in natural resource accounting, auditing, and other environmental quality measures assessing enveronmental sustainability.

〈Table 2〉 Comparative Table of Various Indices of Selected Countries, (1999)

Country	WEF		Heritage		UNDP	
	Rank	WCI	Rank	EFI	Rank	HDI
US	2	1.58	6	1.90	4	0.943
Japan	14	1.00	12	2.05	8	0.940
Canada	5	1.33	14	2.10	1	0.960
Hong Kong	3	1.44	1	1.25	25	0.909
South Korea	22	0.46	28	2.40	30	0.894
China	32	-0.27	124	3.80	106	0.650
Thailand	30	-0.10	28	2.40	59	0.838
Malaysia	16	0.86	65	2.95	60	0.834
Indonesia	37	-0.39	65	2.95	96	0.679
singapore	1	2.12	2	1.30	28	0.896
Philippines	33	-0.31	48	2.75	98	0.677
Mexico	21	-0.20	85	3.15	49	0.855
Chile	21	0.57	18	2.15	31	0.893
Brazil	51	-1.20	90	3.25	62	0.809
India	52	-1.30	120	3.70	139	0.451
Denmark	17	0.85	22	2.25	18	0.928
France	23	0.44	34	2.50	2	0.946
Germany	25	0.39	25	2.30	19	0.925
Italy	35	-0.36	34	2.50	21	0.922
Luxemburg	7	1.25	7	1.95	26	0.900
Netherlands	9	1.13	18	2.15	7	0.941
Norway	15	0.92	27	2.35	3	0.943
Sweden	19	0.58	33	2.45	10	0.936
Switzerland	6	1.27	5	1.85	16	0.930
UK	8	1.17	7	1.95	14	0.932
Spain	26	0.37	34	2.50	11	0.935

One recent effort is at the recent pilot environmental substantiality index (ESI) that was launched at this year's World Economic Forum annual meeting in Davos. The pilot DSI is an initiative of the Center for International Earth Science Information Network at Columbia University and the Yale University Center of Environmental Law and Policy. The ESI ranks 56 countries on a range of factors encompassing different aspects of environmental substantiality. This index monitors 64 variables grouped into five categories, describing the current environmental systems, the stresses to those systems, the vulnerability of human populations to environmental disturbances and disasters, the social and institutional capacity to respond to environmental problems and global stewardship. The ESI measures such qualities as urban air quality, overall public health, and effective environmental regulation. However, the present measure has yet to establish a positive and conclusive correlation between economic growth and environmental protection.

Ⅳ. Conclusion

Critics view the gains from globalization to be far smaller and their drawbacks greater than what its advocates present. Globalization has been associated with widening inequality, growing poverty and increasing marginalization. Some refer to the extreme pressure to compete in as a race to the bottom as countries reduce wages, taxes, welfare benefits, and environmental controls to make themselves more competitive. Globalization brings to all societies a message of capitalist efficiency and countries wishing to integrate into the world economy are forced to reduce the size of fiscal deficits and, consequently, limit the provision of public goods.[16] Francis Fukuyama also warned of the Great Disruption

16) Dani Rodrik criticizes mainstream economics for underestimating the effect of trade and capital flows on employment. He argued that globalization, by allowing firms to shift production overseas, as undermine worker's rights while making it difficult for

in social values and of moral decline brought about by the culture of individualism.[17] He argued that rapid technological and economics change is undermining social norms and corroding virtually all forms of authority thereby weakening the bonds that hold communities together. The accumulation of profits and economic efficiency has come to be regarded to the exclusion of all other human values.

Economics is essentially concerned with the acquisition of wealth and the constant search for alternatives where benefits outweigh costs. Individual freedom is central to the operation of a market economy. In particular, the freedom to choose and engage in voluntary exchange is an integral part of human person and a central element of economic progress.[18] The improvement of the quality of life for individuals and the community is impossible without regard for economic liberty and private property.[19]

A market economy based on property and free enterprise has an important value in itself. It stimulates creativity, innovation and fosters entrepreneurial qualities. Joseph Schumpeter believe that entrepreneurs and technical innovation drove growth. The market system also has the potential of imparting societal values. For profit to be sustainable, business firm are compelled to give due consideration of the interests of consumers and employees thereby fostering a sense of community, participation and mutual recognition. Finally, the consideration of efficiency does away with needless waste and corruption. As one put it, markets have a tendency of weeding out mistakes rather than entrenching them. A government that takes away or reduces the share of profit, it inadvertently diminishes the incentive for entrepreneurship. Profit is the primary motivation behind entrepreneurship.

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government to provide for welfare for displaced workers. See Dani Rodrik *Has Globalization Gone Too Far?*, Institute for International Economics, 1977.

17) Francis Fukuyama " The Great Disruption : Human Nature and the Reconstruction of Social Order" *The Atlantic Monthly*, May, 1999.

18) Gwartney, op. cit.

19) Gregory M. A. Gronbacher, Economic Personalism : *A New Paradigm for a Humane Economy*, Acton Institute, 1998.

The indices surveyed above impart these central values in their individual rankings. Their judgements force countries to be in their best behavior and, in a competitive way, provide some incentive for policy reform. After all, marking the grade and putting on a good public face are very compelling reasons.

To be sure, many economists hardly agree on what exactly drives growth or what makes it sustainable. Most studies confirm the importance of certain policies but there is still considerable debate on what the most important sources of growth are and how this process was best set in motion. The indices surveyed here demonstrate that much theorizing on growth is focused on endogenous variables.

One should also consider the structuralist view, which strongly focused on external factors as determinants of the development process. Structuralists argue that the basic economic structure cannot easily be changed through the accumulation of capital and growth in production and consumption. Rather, they contend that structural transformation is also necessary to foster development. Therefore, a policy framework considered best for a given country is dependent on the its economic and political structure, its stage of development and the external shocks to which it is subject.

Clearly, there is a need to reevaluate the standards commonly referred to and incorporate other dimensions of well-being. There is need to give greater attention to measure that help define overall human development. There must be an improvement in the various indicators of development, to include food, education, health, employment, and the environment. Maximization of profit should not be the only goal and consideration be given to equity, governance, security and substantiality. Insofar as globalization leads to adjustments, increased productivity and national wealth should provide for the compensation of losers. Fukuyama also stressed the need for social capital. Like physical and human capital, social capital produces wealth and is therefore of economic value to a national economy.

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