The World Economic Forum and social justice: How the Washington Consensus was undermined at Davos

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Abstract
This paper addresses the question of through what processes and on what authority are the rules and norms governing the international economy constructed, reconstructed, and reproduced? This paper argues that the nature of this contestation is changing. While state actors continue to play an important role, an unprecedented number of non-state, public, as well as private, actors and organizations now seek a voice in shaping those rules.

This paper takes the case of the World Economic Forum (WEF). It looks at the apparent shift away from the enthusiastic embrace of the norms and values of the Washington Consensus (WC) which characterized the discourse of the WEF annual meetings in the early 1990s. It examines the origins and strategies of the multitude of actors and organizations, both within and outside the WEF, which challenged the dominance of the WC. This paper examines the role of ideas and values in this contestation and considers its impact on the rules and norms governing the international financial system, in general, and attitudes to debt cancellation, in particular.

Finally, this paper argues that the case of the WEF provides an example of the tension between the outcomes of capitalist market dynamics and the social reaction to these outcomes and concludes that this ongoing process of contestation makes an important contribution to the resilience and adaptive capacity of capitalist systems.
The World Economic Forum and social justice: How the Washington Consensus was undermined at Davos

The World Economic Forum (WEF) whose high powered membership gathers each winter at Davos, Switzerland, appears to be an elite club devoted to organizing the world in the interests of big business and free market economics, yet, as the years have passed, the WEF has embraced an increasingly public role and normative agenda. Today the motto of the WEF is “Committed to improving the state of the world”. The WEF is an important site of contestation. This paper argues that the WEF generates a myriad of opportunities to influence the global agenda, the way the organization sees its “proper” role in the world has changed over time, and that normative factors played an important part in producing this change. The contestation at the WEF provides an example of the tension between the outcomes of free markets the social reaction to these outcomes. This ongoing process of contestation, between the economic and the social, makes an important contribution to the resilience and adaptive capacity of capitalist systems.

Theoretical Framework

This paper starts with Lukes’ three dimensional view of power which reveals that power relations exist even in situations where power does not appear to be exerted (Lukes 1974, 24). Lukes’ definition clarifies the power inherent in rules, practices, norms and shapes very real material outcomes and defines our very perception of what is desirable, or even possible. The complex web of rules, norms, and practices which govern capitalist economic relations in general, and international finance in particular, is an example of this power at work.

Lukes’ three dimensional view of power recognizes that power relations can be at work, even in the absence of overt conflict. Therefore, power relations can be at work even where harmony appears to reign. The capacity to determine the rules of the game in a given time and place is a key part of power. Networks of consent set the tone and create an intellectual climate in which certain outcomes are considered to be possible, while others remain out of the question. In the past 30 years, civil society actors have developed new ways to contest the rules and norms governing the organization of international finance. Technological innovations facilitated the formation of transnational advocacy networks and the use of “boomerang” politics in transnational lobbying (Keck and Sikkink 1999).

Second, the power of economic structures and, specifically, the power of market relations are important. Lindblom wrote about the “market as prison” and the “automatic and punishing recoil” which market forces present to those who do not conform to market logic or seek to act outside it. He describes a situation in which market discipline imprisons policy making. Market discipline can also force market actors to conform to the logic of market processes or be forced to leave the market. This is particularly true in financial markets where, as Lukes’ concept of power suggests, the norms and rules governing financial relations shape the very possibilities of action. Under the

1 Lindblom argues that market discipline imprisons policy making, it imprisons our attempts to improve our institutions and uncritical enthusiasm for the market as a social institution imprisons our thinking about politics and economics. (Lindblom 1982). Building on this, market actors are also similarly imprisoned by
Washington Consensus (WC) market discipline became a powerful force in shaping the global agenda.

Finally, the relation between society and markets shapes the rules. In a number of theories, from the embedded liberalism of Ruggie, to the Polanyian double movement and the Gramscian concept of hegemony, society is seen to have a role in the processes by which the rules and norms which govern economic relations are reproduced and also how they are challenged (Ruggie 1982; Polanyi 1944; Gramsci 1971). One of the most powerful economic structures in terms of setting the limits of the possible is undoubtedly the international financial system. International finance is a complex system of practices and norms which shapes very real material outcomes. It is a combination of understandings, treaties and agreements in combination with a number of enormous and innovative markets dealing with an ever changing array of financial products. While recent work has gone a long way to revealing the contingent and constructed nature of the rules and practices governing international finance, even so, the power relations which underpin the system are rendered invisible by its technical complexity as well as the claim that market logic is impartial, and objective (Geske 2000, De Goede 2003).

Polanyi and Gramsci both argue that resistance, based in society, can produce change, but how does it originate? As de Goede writes, what produces a “fundamental questioning” of previously accepted orthodoxies? Clearly changing material circumstances can change interest and this provides an important part of the explanation of the evolution of international finance in the twentieth century. Material explanations are important but they are also incomplete. In the debt cancellation campaign civil society actors challenged the existing market calculus in international finance. In part they questioned it on the basis of a competing logic, another kind of calculus, which was based on a normative vision. This was located within agents and based a vision, either secular or faith based, of what it meant to be human, and the rights and responsibilities this entailed. They judged the financial system by how well it met their vision of social and economic justice. In this contest material interests played a part but the power of normative interests, visions of how the world should be was also important.

Dominant ideas or the “conventional wisdom” are subject to an ongoing process of contestation and challenge. A shift in consensus need not be based only on the transformation of a material set of beliefs but it can also be based on a shift in normative beliefs about how the world should be organized. However, in spite of the idealist goals of many of the civil society actors examined in this study, it is important to stress that such shifts need not be progressive. Rather the point is that, although quantifiable, empirically measurable interests are very important, they may, in some cases, conflict with goals based on normative interests and, it is by no means certain that the materially oriented interest maximizing goal will always dominate.

Changes in discourse are important. By changing the way an issue is understood, by reframing the issues or bringing new information to the debate a new conventional market discipline. To take a recent example, for years financial market actors who were unwilling to become involved with what they considered to overly risky or even recklessly irresponsible financial practices faced a difficult choice. Due to the high, albeit short term, returns associated with such investments if they refused to be involved, they would produce reduced returns in comparison to their competition. They would be left behind, and perhaps even be forced out of business.
wisdom can be generated. Agents are important in challenging the existing discourse and shifting the agenda. Obviously agents have a tendency to pursue their perceived material interests but some also have a tendency to pursue normative goals. They have a view of how things should be and are capable of conveying this and convincing others to share their vision and participate in pursuing it. By reframing the issues in a manner that resonates with existing beliefs, it is possible to reframe an issue and motivate and mobilize the pressure of public opinion. Therefore, a shift in discourse can produce a shift in the agenda and this can produce a shift in real outcomes.

After 1945, under the Bretton Woods system international finance system was highly regulated but, since the early 1970s, there was a shift away from the Keynesian approach and an ongoing liberalization of finance. This was accompanied by a broad based ideological shift to neoliberalism and a preference for the discipline of free market processes as opposed to that provided by international regulation. The discourse of the last part of the twentieth century is dominated by accounts of the failure of Keynesian solutions, the need to free markets from the inefficient and destructive effects of government interference and the conviction that, in the long run, not only will economic welfare be maximized but also democracy will be strengthened by ensuring unfettered market processes are allowed to work their magic. Even though periodic financial crises took place in this period, the neoliberal consensus grew. The Washington Consensus (WC) was named in 1989 and soon came to dominate the policy of international financial institutions. The belief that market discipline would eventually provide a lasting way out of the debt crisis took hold.

As the movement towards the WC strengthened, a countermovement developed around the question of the third world debt crisis. Social, cultural, ethical, and faith based groups came together to challenge the policy prescriptions of the WC. The most visible part of this countermovement was the NGO based campaign which mobilized popular support for debt cancellation. However, the contestation at the WEF, located largely at the elite level, followed a similar dynamic. In both cases transnational civil society actors were influential in reframing the discourse around economic globalization and this created a space to challenge the assumptions of the WC. In both cases normative arguments were introduced and the impact, in human terms, of the outcomes produced by the international financial system was framed as a legitimate foundation on which to challenge the rules governing the system.

World Economic Forum

This paper focuses on the World Economic Forum (WEF) and how the WC was undermined at its annual general meeting. The period under study ends in 2005. The WEF is a private membership organization for the world business elite founded by Klaus Schwab in 1971. It has developed from its rather modest origins as the European Management Forum (EMF) to become an almost mythical institution, imbued with both glamour and mystery. At first the Forum met only once a year in Davos but, over the

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2 John Williamson has distanced himself from the more extreme version of the WC. For example he rightly argues that his original 10 points did not call for the liberalization of capital markets but, as Rodrik and Held both argue his “creation took on an independent life of its own” and came to both stand for an justify greater reliance on market discipline than Williamson had originally envisioned thereby becoming a legitimate target for critics (Williamson 2008; Rodrik 2008; Held 2003)
past decades, the WEF has expanded its activities in scope and scale to include regional meetings as well as an impressive number of specialized programs and initiatives. The Davos meeting has always been a venue for business networking and a place to take a reading of the business environment, but in its later years it has also been the site of substantial “consciousness raising” efforts. Since 1996, in order to maintain the sense of equality and easy access among participants, the size of the meeting has been limited by its organizers (Pigman 2007). Generally it includes 1,000 members of the WEF and another 1,000 invited guests who, in the estimation of the organizers, will contribute to the success of the event.

**Figure 1 European Management Forum / World Economic Forum Themes 1984-2005**

<table>
<thead>
<tr>
<th>Year</th>
<th>Theme</th>
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<tbody>
<tr>
<td>1984</td>
<td>European Management Forum  Warming up for Economic Recovery</td>
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<td>1985</td>
<td>European Management Forum</td>
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<tr>
<td>1986</td>
<td>European Management Forum  The Courage for Globalization</td>
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<tr>
<td>1987</td>
<td>Name changed to World Economic Forum (WEF)</td>
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<td>1988</td>
<td>The New State of the World Economy</td>
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<td>1989</td>
<td>Key developments in the 90s: Implications for Global Business</td>
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<td>1990</td>
<td>Competitive Cooperation in a Decade of Turbulence</td>
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<td>1991</td>
<td>The New Direction for Global Leadership</td>
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<td>1992</td>
<td>Global Cooperation and Megacompetition</td>
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<td>1993</td>
<td>Rallying all the Forces for Global Recovery</td>
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<tr>
<td>1994</td>
<td>Redefining the Basic Assumptions of the World Economy</td>
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<td>1995</td>
<td>Leadership for Challenges Beyond Growth</td>
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<td>1996</td>
<td>Sustaining Globalization</td>
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<td>1997</td>
<td>Building the Network Society</td>
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<tr>
<td>1998</td>
<td>Managing Volatility and Priorities for the 21st Century</td>
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<tr>
<td>1999</td>
<td>Responsible Globality: Managing the Impact of Globalization</td>
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<tr>
<td>2000</td>
<td>New Beginnings: Making a difference</td>
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<tr>
<td>2001</td>
<td>Sustaining Growth and Bridging Global Divides: A Framework for our Global Future</td>
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<td>2002</td>
<td>Leadership in Fragile Times</td>
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<td>2003</td>
<td>Building Trust</td>
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<tr>
<td>2004</td>
<td>Partnering for Security and Prosperity</td>
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<tr>
<td>2005</td>
<td>Taking Responsibility for Tough Choices</td>
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Over the years the annual meeting has expanded its agenda from a focus on business management in Europe to one which seeks to provide information and analysis on a broad range of political, economic and, in recent years, social issues. At Davos it is now possible to hear heads of state, finance ministers, heads of international institutions, representatives of international labour organizations, other NGOs, and captains of industry from around the world, (politely) debate each other in the various public and private venues at Davos. While the scheduled activities of the meeting are open to participants, informal networking, private meetings, and invitation only events are an equally, or perhaps even more, important part of the Davos experience. The WEF strives to provide a respectful and non-confrontational venue for constructive discussion. In
media coverage of the public sessions no comment may be attributed to a specific speaker without their consent. Reports on panels do not always exist and, when they are available, they tend to be brief summaries of the discussion which cast all of the participants in a positive light. This is very much in the spirit of Davos. The organizers strive to create, not only a useful and informative experience for their business members, but also a pleasant and interesting experience.

Since the WEF first published the “Report on the Competitiveness of European Industry 1979” it has become well known for its annual competitiveness reports which provide analysis and data on the relative competitive positions of and ever increasing number of states. In January 1988 the WEF launched its own magazine called “World Link”. This publication was given to attendees at Davos (Pigman 2007, 101). It was used to set the tone at the annual meeting, call attention to issues the organizers wished to highlight, and also to provide a space for advertising and publicity for those interested in promoting specific states and regions. In 2003 the name of this publication was changed to “Global Agenda” but the use of the magazine as a companion publication to Davos, as well as a way to reinforce and explain the theme chosen each year by the WEF leadership, continued. Since 2003 the WEF has supported a counter summit, the Open Forum in Davos which provides a WEF sponsored opportunity for public participation and the discussion of alternative worldviews (WEF 2008d).

The WEF is an institution that is difficult to classify. On one level it is nothing more than a private club, but the power and wealth of its members and its desire to engage on the public stage make it a private club like few others. The WEF is not an easy organization to track, but what is clear is that today the public image of the WEF is very different from that of its early years. In the last 20 years, the WEF has undergone a transformation that reflects the changed preoccupations and intellectual fashions of the times.

This case study follows the change in discourse at Davos, paying special attention to attitudes towards the WC and the closely related issue of debt cancellation. In the early 1980s the third world debt crisis was impossible to ignore as the scale of the problem expanded to the point that the stability of the entire international financial system was threatened. At the time at Davos, debt was seen as technical problem and the impact in human terms of the “debt trap” on the citizens of the debtor countries, so prominent in later discourse, was noticeably absent. (Carr, 1984a). Throughout the 1980s, the debt crisis continued to be seen primarily in technical terms. It was not until 1987 that Daniel Cohn-Bendit, a dissenting voice invited by the WEF to enrich the discussion, first made a clear link between the debt crisis and the moral responsibility of the developed world:

The indebtedness of developing countries to the governments and businesses of the developed world poses a major moral question … If developed nations insist on repayment third world countries will be unable to afford the schools, hospitals and other essential services that their people need and violence will become unavoidable.

He concluded, however, by connecting the moral argument with a pragmatic one:

If we don’t solve the problem, there will be more violence and violence is bad for business. (Stevens 1987a)
This is an early example of the kind of “two track” – moral and pragmatic – argument that in later years typified the discussion around debt cancellation at Davos. In 1987, however, the moral argument fell on deaf ears at Davos.

By 1989, the increasingly serious third world debt crisis was proving to be a difficult problem to remedy. Speaking at Davos in 1989, Senator Bill Bradley argued, that since debtor countries were devoting an estimated 30 to 50 % of their foreign exchange earnings to repaying debt, they had no money to buy American exports and this, he argued, was hurting American manufacturers. There was still no discussion of the impact this might have on the citizens of debtor countries. Rather, there was a conviction that the people who had created the “mountains of debt” in the 1970s, the bankers and their third world clients, were now responsible for solving it. There was little criticism of the rules governing the financial system that had, at first, rewarded the exuberant lending which led to the debt crisis. In contrast to later years, it was assumed that the moral imperative determined that debtors must somehow repay their debts. It was argued that debt relief “based on pity or the idea of good works rightly rubs Americans the wrong way” (Hoagland 1989a). At the time debt restructuring or cancellation was based on a pragmatic calculation of what it would be necessary to keep the system functioning.3

By 1989 the ongoing debt crisis was recognized as requiring a new approach. The idea that economic growth could provide a remedy to the intractable problem of the third world debt crisis resonated with another theme which had started to take off at Davos in the 1980s: the “magic of the market”. At Davos debt was viewed as a technical, but not a political or social, problem. The belief that market discipline and strict adherence to neoliberal policy prescriptions of privatisation, deregulation, and economic restructuring would eventually provide a lasting way for debtor states to grow out of the debt crisis was starting to take hold. At the time debt forgiveness was employed as a part of the toolkit for managing the global economy but it was not associated with any normative project. Rather, it was seen as a form of default, an emotionally neutral, unfortunate, but necessary, side effect of the incorrect assessment of financial risk.

Washington Consensus
After 1989, at Davos as elsewhere, there was a marked turn towards the ideology of the apparently newly triumphant neoliberalism. The Berlin wall came down in the autumn of 1989. This stunning event and the ongoing implosion of the Soviet Union reinforced the shift towards neoliberalism which became the foundation of the Washington Consensus (WC). At Davos, the enthusiastic participation of new converts from the emerging economies of Russia and Eastern Europe added to the sense that free market capitalism had won the day. By 1990, the move from Keynes to Hayek seemed complete. At the WEF panels emphasized the benefits of unfettered markets, the “distortion” associated with bureaucratic state “interference” in these markets, and the connection between free markets, democracy and individual freedom.

By the mid 1990s, however, a shift away from the WC was slowly starting to take shape. Arguably, at Davos, the turn towards neoliberalism in the early 1990s was the result of external events and shifts in economic fashions. The turn away from

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3 Reframing this fundamental understanding of the moral principles at stake in debtor/creditor relations was one of the triumphs of Jubilee 2000 and the debt cancellation movement of the late 1990s.
neoliberalism, however, was in large part the result of the intellectual leadership of the WEF. Through his power of invitation Klaus Schwab could, and literally did, set the agenda at Davos. In the early 1990s a neoliberal consensus dominated at Davos but by 1993 cracks started to appear.

In 1993, Klaus Schwab publicly stepped into the role of a visionary when, in his opening address, he proposed an ambitious role for the WEF in shaping the global agenda (Schwab 1993a, 100). The next year, in his opening address, he developed this theme arguing that “what we need now is to extend entrepreneurship to politics, economics and social interaction. Entrepreneurship does not mean just adapting to change, it means provoking change in a positive direction … for the benefit of mankind.” (Schwab 1994a, 112). On January 26, 1995 Klaus Schwab and Malcolm MacLaren published the first of several op-ed pieces which, for many years, appeared just before the start of the Davos meeting. These were calculated to set the tone of meeting. In this piece their growing concern with the impact of economic liberalization is apparent: (Schwab and MacLaren 1995). Similarly, in 1996 Schwab and Smajda published an op-ed piece called “Start taking the backlash against globalization seriously”. In this they emphasized that the benefits of markets must be considered in conjunction with their social impact and, although largely pro market in tone, this editorial opened the door to a more values based discussion of social issues at Davos (Thorsell 1996a).

By 1996, the WC no longer represented the overwhelming consensus at Davos. (Economist 1996a, 75). Yet, at the same time as neoliberal policies were being criticized in one panel, they were being lauded in another. In 1997 the WEF leadership continued its efforts to bring the social impact of economic globalization to the discussion at Davos. In the same year, the respected financier George Soros published a revolutionary article, timed to coincide with the Davos meeting which warned of the dangers of the “capitalist threat” (Soros 1997). These concerns, which Soros repeated at Davos, presented a profound challenge to the WC and the neoliberal view of the proper market/ society relationship. Although the WC continued to dominate at Davos, the social was firmly back on the agenda. By the mid 1990s, in some parts of Davos, there was a renewed respect for the role of international institutions and government and a concern that, in a global context, unfettered market processes might produce a social backlash. But while there was dialogue around these issues, there continued to be a tendency to accept that the prescriptions of the WC provided the most promising means of moving forward. As will be seen in the next section, the Asian financial crisis dealt a severe blow to this belief.

Asian Financial Crisis

The Asian financial crisis, which emerged in the spring of 1997, blindsided the Davos community. (WEF 1997b, 31). It undermined confidence in the WC and, as the crisis spread around the world, a number of opinion leaders became increasingly critical of the WC. After the Asian financial crisis the WC came under greater scrutiny in Davos. Indeed, in the minds of many opinion leaders, events following the financial crisis in Asia had effectively discredited the theoretical underpinnings of the WC and brought into question the competence of the international organizations, most notably the IMF, which sought to administer its policy prescriptions. Financial instability and international debt became linked with concerns about the unequal benefits of economic globalization and, at Davos, this resonated with the concerns previously expressed by the WEF leadership.
At Davos scepticism of the WC had been growing for years. The early criticisms put forward by the WEF leadership warned of a potential backlash to neoliberal capitalism and expressed concern this would make the system too difficult to manage. After 1998, however, their concerns started to take on a more normative tone (Schwab and Smajda 1998a; Sachs 1998a; Davies 1999a; Schwab and Smajda 1999b). Furthermore, the assertion that there was a causal connection between free markets and democracy had been one of the cornerstones of neoliberal popularity but, in 1998, Soros turned this argument on its head when he argued that, under certain conditions, unfettered free markets can actually generate antidemocratic conditions and likened the pendulum of market forces to the swing of a wrecking ball (Lapham 1998, 45). In 1998 and 1999, ethics, values and social responsibility appeared in the Davos discussions with increasing frequency, while social considerations and institutional regulation were increasingly seen as necessary complements to market processes.

In this period, George Soros, Jeffrey Sachs, and Joseph Stiglitz, all highly respected long time participants, expressed views highly critical of the policy prescriptions of the WC and the actions of the IMF. This was an important turning point. Soros had expressed concern with the self regulatory limitations of market processes at the 1997 meeting, and, as events unfolded, his concerns grew. In 1998, he labelled the WC “market fundamentalism” (Lapham 1998, 45). The term “market fundamentalism” was a profoundly effective criticism of the WC because it undermined neoliberal pretensions to having the monopoly on a coolly rational approach to economic policy. Previously, criticisms of the negative social effects of neoliberal policy prescriptions had been easily dismissed as overly idealistic or for not taking the policy constraints of the “real” world into account. But, in this one phrase “market fundamentalism”, Soros was able to emphasize the normative and dogmatic aspects of neoliberal ideology and the WC. When this phrase was later taken up by others inside, and especially outside, of Davos it provided an important step in creating the space to bring more openly normative critiques back into the discussion.

Increasingly the networking at Davos appealed to the better instincts of the corporate participants in attendance. Arguably those who came to Davos were already self selected for their desire to face intellectual challenges and many of them were also characterised by their “good intentions” (Lapham 1998, 36) Although the “core” of Davos was what it saw as “hard economics”, in 1998 observers noted “some businessmen can surprise you by their liberalism and social concern. They are developing a new value system around their capitalist beliefs…” (Hutton 1998). In 1999, after Kofi Annan called on “the world’s leading businessmen to initiate a global compact of shared values and principles which will give a human face to the global market”, it was the corporate participants at the WEF who approached Annan to express their interest in developing an organization to promote corporate social responsibility (WEF 1999; Fréchette 2008). By facilitating networking, as well as lobbying opportunities, the WEF successfully placed social and normative concerns back on the business agenda. The geographic diversity of the invited participants contributed to a more nuanced understanding of the issues facing the developing world. At the same time there was an increased emphasis on philanthropy among business participants. In 1999 Ted Turner and Bill Gates met at Davos (Saporta
Before this, Gates’ contribution to Davos had been primarily in terms of his business and technology savvy but, after the 1999 meeting, Gates became much more politicized and involved in the major philanthropic initiatives for which he is famous today.

At Davos the leadership of the WEF had set about creating the conditions to turn businessmen into statesmen. This was in keeping with the original mandate of the WEF which was to give European business the insights and intellectual tools to adapt to changing conditions of competitiveness and yet, at this time, the WEF expanded its mandate, to not only help business to compete efficiently but also to shape this competition in the most socially responsible way possible. At Davos the agenda was increasingly designed to enhance the participants’ understanding of the complexity of the global environment they operated within, as well as develop a sense of the responsibilities and obligations of business to the broader global community. At Davos the “two track” argument became increasingly common. According to this argument, “globalization with a human face” or “responsible globality” was not only the right thing to do from a moral perspective, it was also the correct approach from a business perspective.

By 1999, Schwab and Smajda were openly critical of neoliberal faith in the invisible hand of the free market and argued for a renewed role for regulation in market relations (Schwab and Smajda 1999b). At Davos a number of participants had become concerned that an increasingly deregulated international financial system was having a disproportionately negative impact on the developing world and that the neoliberal model of development was a failure. Finally, for the first time in years, representatives from developing countries at Davos to secure funding no longer expressed their commitment to the WC but, instead, expressed concerns with the impact of the deregulated international financial system. A sense that the free market “playing field” was not, in fact, quite as level as previously believed, started to take hold at Davos. In 1999 Al Gore put the issue of debt relief on the agenda at Davos, the next week the G7 finance ministers meeting in Bonn considered three new proposals for more generous help to developing countries, and at the G8 in June of that year the Cologne Debt Initiative was launched.

At the same time, outside Davos campaigning organizations challenged the WC and created pressure for debt cancellation which was felt within Davos. For years NGOs had lobbied government leaders in the G7 countries. In 1999 the support of Gerhardt Schroeder, chancellor of Germany and the head of the G8 host government, along with the support of like minded representatives from the US, UK and Canada, many of whom were in attendance in Davos in 1999, was crucial to the success of this debt initiative. Activist groups started to target Davos directly and demonstrated in the streets. In a quote that foreshadows the World Social Forum, Susan George, a member of the “Alternative Davos” summed up their position: “Mrs. Thatcher used to say that the market would solve everything, that there is no alternative but the truth is there are thousands of alternatives.” (Brittain 1999).

Seattle

Ted Turner, vice chairman of Time Warner, who had announced in 1997 that he would give over $1 billion to establish a United Nations foundation, had been openly critical of those wealthy executives, including Bill Gates, who had not given generously to philanthropic causes.
The demonstrations in Seattle in the fall of 1999 were to have a profound effect on the Davos meetings. The following January, the WEF invited representatives from a number of NGOs to Davos and, over the next five years, the WEF strove to provide a space for formal and informal discussion between individuals and representatives of organizations that would otherwise not encounter each other in a non-confrontational setting. In this period the WEF moved well beyond the simplistic, economistic understanding of the proper market/society relationship which characterized the WC. Creating a “social consciousness of the world economy” and “making a difference” had become an important goal of the WEF (Schwab 2000b, 7).

In 2000 it scheduled sessions on corporate responsibility, debt, African economic recovery, human rights, the digital divide, corporate philanthropy and global health. Representatives from a number of NGOs added a new authority and point of view to the discussions. At the same time their presence inside Davos enhanced the legitimacy of their colleagues protesting outside and drew attention to the agenda of the alter-globalization movement in general. By 2000 normative arguments with respect to debt were firmly on the Davos agenda. (WEF 2000f; WEF 2000g). After Seattle, as civil society protesters increasingly took to the streets, large and sometimes violent demonstrations took place on the streets of Davos. Furthermore, NGO sponsored, counter conferences such as “The Other Davos” and “Public Eye on Davos” presented important opportunities for activists to network, debate, gain media and public attention and, in this way, challenge the WEF on an intellectual level. On many panels inside the WEF, the presence of NGO representatives had the effect of subtly shifting the debate. CEOs were urged to take a stronger stand on human rights and accept more broadly defined responsibilities, not just to shareholders, but to society as well. The most effective challenge to the WC was located on the terrain of social responsibility. In the previous decade the WC had claimed to provide a set of rules that would improve both economic efficiency and global welfare. By 2000, however, there was a sense that the WC had not “delivered the goods” and the most important category goods which it had failed to deliver was the social.

In 2001 this desire to “advance human wellbeing” and “deepen thinking about the challenge confronting global society” is prominent in WEF (WEF 2001i; WEF 2001a) and its leadership continued in its efforts to locate the WEF on the moral high ground (Schwab and Smadja, 2001a). Street demonstrations and counter conferences continued. In 2001 the World Social Forum (WSF), the most influential counter conference of all, was launched in Porto Alegre, Brazil. The WSF was conceived of as a sort of “anti-Davos” and, from the start, the WSF was intended to provide “a space for building economic alternatives” (50 Years is Enough 2000). The WEF linked to the first WSF for a video debate between WEF and WSF participants. Although, according to contemporary accounts, this encounter between the two forums deteriorated into a shouting match, this recognition gave the WSF a certain measure of legitimacy, as well as a higher profile, among those attending the WEF in Davos.

In 2002, in the wake of the September 11 terrorist attacks, the WEF annual meeting was held in New York. Many WEF member companies had been affected by the attacks. Not surprisingly these events brought the question of security to the WEF agenda but, rather than security concerns eclipsing the questions of social responsibility, economic justice, or human rights, as might easily have happened, security concerns were seen as
bolstering the importance of these questions. The WEF continued to reinvent itself in a more activist form, moving from what it saw as “its traditional role as a convener of events to a wider new role as a catalyst for progress on important items on the global agenda”. (Schwab 2001b).

There was a sense that the debates at the WEF were gradually incorporating the views of campaigning NGOs and the alter-globalization groups. In 2002, even the closed summit of government leaders was dominated by two themes growth and equity (Crane 2002). By 2002 debt relief had become a prominent issue on the WEF agenda and it was increasingly framed as a necessary step in alleviating poverty and disease. In the opening plenary Bono made the link between AIDS and the urgent need for debt relief. In a later session Bono and Sachs reinforced this message. Kofi Annan spoke out in favour of debt cancellation. Canadian Prime Minister announced Canada’s plans to “lighten Africa’s choking debt load” and announced that that “helping Africa out of its worsening economic crisis will be the challenge of this year’s G8 summit in Kananaskis, Alberta” (WEF 2002f). At Davos many were eager to join the cause.

In 2003 increasingly the idea of responsibility to others and importance of ethical behaviour challenged the arguments in favour of market discipline as an automatic mechanism for maximising welfare. Global Agenda featured articles putting forward a positive view of the benefits of debt cancellation (WEF 2003c). At a session on “A World without the IMF” the technical discussion was overshadowed by comments from the two NGO representatives on the panel on the downside of globalization and the link between debt repayment and reduced spending on health and education. On the session on “Africa: seizing the moment” debt relief was framed as necessary for combating disease and poverty. Speaking at “Globalization at a Crossroads” George Soros expressed his very critical view of the financial order, IMF policies, and the impact of financial globalization (WEF 2003d).

In 2004 the momentum towards debt cancellation continued to build. Debt cancellation had come to stand for the social responsibility of the fortunate to the less fortunate and it had become accepted as a necessary step on the road to ending poverty and fighting disease. It became almost impossible to be critical of debt cancellation but, as the movement grew in popularity it lost its focus on the rules governing the system which had generated the debt in the first place. So, paradoxically, as the economic justice movement gained in strength at Davos, at the same time it became less effective in addressing those root causes of debt which lay in the organization of the global financial system.

In 2005 the WEF took its activism to a new level. Schwab wrote:

Our summits have always sought to anticipate the needs of member organizations and to reflect key issues and, in doing so, to drive the global agenda. In 2004/2005, we took this commitment even further. In a new move, the agendas of the Annual Meeting and the Africa Economic Summit were structured to give targeted support to the UK as it chaired the G-8 group of industrialized nations and took over the presidency of the EU in the second half of 2005. The programme outline was drawn up in close collaboration with senior UK ministers, with Prime Minister Tony Blair and Chancellor Gordon Brown participating in the Annual Meeting. (Schwab 2005a, 3) [my bold]

In 2005 poverty, equitable globalization and climate change topped the agenda (WEF 2005a, 1). Davos provided an opportunity to make the case for debt cancellation and increased development assistance at the highest level. As in recent years, Global Agenda
magazine set the tone and featured articles on the Global Compact, MDGs, poverty, debt relief, Africa and global warming (WEF 2005c). At the opening a “Global Town Hall” was held during which 700 participants discussed, and eventually voted on, the six top challenges facing the world. Poverty and equitable globalization topped the list (WEF 2005d). Jacques Chirac, the president of France, addressed the assembly and argued for the implementation of a voluntary tax to fight poverty. Lord Browne of Maddingley the chief executive of BP mused openly about the limitations of markets in delivering public sector services (Caulkin 2005a). Tony Blair, the Prime Minister of the UK publicly cited his conscience as an important motivator behind his involvement in the Report on Africa (Dugger 2005a). Ken Wiwa wrote that the “Davos crowd appears to have grown a social conscience” (Wiwa 2005a). At Davos it was now possible, not only to argue that poverty was “ethically unacceptable”, but also that it was properly the concern of business to work with civil society and government to “eradicate poverty”.

Over time the WEF became more focused on how it might produce concrete results. The WEF was well positioned to influence the G8 agenda with respect to financial policy. Not only did most of the G7 finance ministers, central bankers, and representatives of the international financial institutions attend Davos but also the G8 finance ministers traditionally had held their meeting shortly afterwards. For years Davos had provided a convenient place to lay informal foundations for G8 initiatives. Therefore, through its power to set the agenda at Davos, the leadership of the WEF was in a position to influence the atmosphere in which this informal foundation was developed. This was the case in 2005 and, in its annual report, the WEF was pleased to conclude:

The energy generated on day one of the Annual Meeting continues to reverberate across Africa and around the world. During the summer – as the Live 8 series of international concerts kept momentum strong – this energy ensured that Africa, debt relief, trade and global poverty held centre stage at the G-8 meeting in Gleneagles and beyond.

(WEF 2005b, 6-7)

By the time the G8 met in Gleneagles in July 2005, it was almost impossible to adopt a public position critical of debt cancellation. Arguably some of the groundwork for this was laid in Davos. The conventional wisdom that the morally correct course of action was to repay debts had been reframed into the belief that, under certain circumstances, it was morally abhorrent to demand debt repayment. For this shift a large part of the credit must go to debt cancellation campaigners including the Jubilee 2000 network who successfully reframed the debate. By 2005, strict economic discipline had been trumped by “social responsibility” as support for debt cancellation was equated with the moral high ground. Even Sir Digby Jones, who was outspoken in his criticism of NGOs “hijacking” the Davos meeting, was careful to clarify that he supported Blair and Brown’s efforts to make progress on debt relief during Britain’s G8 presidency (Elliot 2005b).

In 2005 at Davos there was a widespread questioning of free markets and capital flows and a recognition that, while market logic has tremendous benefits, unfettered financial markets can produce destructive outcomes. Furthermore, at Davos social responsibility was wrapped in a potent package of charisma and authority in the persons of Bono, Jolie, Stone, Gates, Clinton, Blair, Brown and Soros to name but a few. There was a
widespread sense among participants of wanting to do something to “help”. By 2005, few participants were willing to be seen as uncaring or, even worse, “uncool” (Elliot 2005a).

In the period from 2000 to 2005, the intellectual hegemony of the WC as a means to “improve the state of the world” continued to be challenged at Davos. Through the power of invitation and the design of the conference agenda, the WEF leadership was able to include voices, and guarantee a hearing for points of view, that challenged the fundamental assumptions underpinning neoliberalism. This proved to be particularly effective in the debate around debt cancellation. At Davos, the policy prescriptions associated with the WC were brought into question, both on the basis of economic theory as well as on the basis of the negative social effects associated with their implementation. As the Davos agenda shifted so too did the global agenda.

Conclusion.

At Davos debt cancellation became an important issue on which to challenge the WC. At Davos, in the 1980s, the debate over debt cancellation was concerned primarily with material issues and did not question the moral obligation of debtors to repay creditors. As such, it appeared that a firm adherence to market discipline might provide a promising way out of the problem. Over the years, however, campaigning NGO networks successfully reframed debt cancellation so that it became a very different debate. Debt cancellation was reframed as a human rights and economic justice issue. It would have been difficult to speak of “economic justice” at Davos in 1990. At the time, economic justice was equated with equality of opportunity to participate on the “level playing field” of the free market. By 2005, however, economic justice was viewed differently. As many at Davos recognized the the market/society relation as potentially problematic, business was urged not only to pursue competitiveness but also to embrace its corporate social responsibility

In the challenge to the WC, Davos was an important site of contestation. At the annual meeting the “two track” argument was made with increasing frequency. As early as 1996 Schwab and Smajda had written about the need to avoid the backlash against capitalism but, over time, values came to play a larger part in this argument. Debt cancellation and anti poverty campaigners created a growing sense of uneasiness with being wealthy in a world of extreme poverty. For some this uneasiness was linked to traditional faith values. For others, human rights and economic justice provided a way into questioning the existing arrangements. These criticisms had a powerful cultural resonance. They were not easy to dismiss.

At Davos there was an especially sharp contrast between the extreme wealth of the business attendees and the plight of much of the rest of the world. After 2000, at Davos the unequal outcomes of economic globalization were reframed as “unacceptable” and a growing sense developed that “something must be done”. By 2005 Schwab estimated

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5 For example, near the end of a discussion about the most effective structural funding mechanism through which to reach the UN Millennium Development Goals by 2015, actress Sharon Stone stood up and offered $10,000 to buy anti-malarial bed nets. Then she asked if anyone would like to help her and, in response “participant after participant took out business cards with figures scribbled on them and passed them along the aisle to the staff.” (WEF 2005g)
that 50% of the corporate membership was “enthusiastically committed to the forum’s
goal of uniting politicians, business, and nonprofits to improve the world”, while 30% were “loyal” but were not involved in the many initiatives the WEF pursued in the rest of the year, and finally 20% were primarily interested in the networking opportunities afforded by Davos (O’Brien, T. 2005a).

At the Davos meeting the WEF provided a venue to shape the global agenda through facilitating lobbying and networking opportunities. It provided a means of bringing certain issues and even points of view to prominence through the its power of invitation and by setting the agenda for its own annual meeting which included sessions and panels which pushed the boundaries well beyond the narrowly defined interests of business. Like the WSF, the WEF was a “crucial leverage point” in the contest to shape the discourse around the global economy (Elkington 2003a). When the moral foundations of debt cancellation were taken seriously enough to be extensively debated at Davos, this changed the agenda outside Davos. It expanded the limits of what was believed to be possible in the “real” world.

The most important outcome of this contestation is the change in discourse or, in other words, the change in the policy environment in which issues such as debt cancellation were considered. When the WC was repeatedly challenged at Davos on the basis of its impact in human terms, this contestation resonated with existing criticisms of the limitations of markets processes and eventually undermined the ideology of market fundamentalism. The WEF was an important site where these issues could be explored by members and invited guests. When many of those gathered at Davos openly expressed their criticisms of “market fundamentalism” and their belief in corporate, as well as individual, social responsibility, this was an important endorsement of the goals of the alterglobalization movement. Faith in the benefits of unfettered market processes was undermined and politics was brought back into the economic debate at the highest level. Although increased welfare had long been the goal of the Washington Consensus but the consensus on how best to achieve this goal changed. Similarly, the tolerance for collateral damage, in the form of the human impacts of economic restructuring programs, was questioned. As previously marginalized voices became more difficult to ignore, the definition of success changed. Davos contributed to a shift in the global discourse. It provided a forum in which a number of previously marginalized voices were invited to join in the debate and found an audience among the WEF business elite. There is little doubt that the WEF expanded the worldview of many of its members beyond the economistic logic of the WC.

In this paper I found that in the period under study, the issues were reframed at Davos to place greater emphasis on the broader responsibilities of business. At Davos a “two track” argument is often made. According to this logic it is, first of all, good business to consider potential social impacts of business outcomes in order to avoid a “backlash”. This will keep the economy stable and society on an even keel and therefore maintain a climate conducive to successful business activity. But there is a second part to this argument which has been made with increasing frequency at Davos. It is that business should embrace its corporate social responsibility because it is the “right” thing to do. This kind of “noblesse oblige” or human rights argument puts forward a normative vision of how the world should be and asks how members of the WEF might best contribute to
achieving this. It is striking how, by 2005, the WEF had embraced an activist agenda. It had evolved from the European Management Forum to what one commentator called a “facipulator”, a combination of manipulator and facilitator, that emphasizes the social responsibility of its members (Zadek 2005a).

What has been examined in this case study is an ongoing process. The key point to be drawn from this case study is that normative, as well as material, considerations, play a part in the creation, maintenance and adaptation of the conventional wisdom, the invisible belief system that shapes our actions and agenda in such an all encompassing manner that we are barely aware of its power. But this conventional wisdom can be challenged and rules can be changed. Economic structures are inevitably the product of a process of political contestation and ideas, norms, and values play an important part in this. This ongoing process, which adapts the rules governing the economy to the social context it must function within, is an important element in the adaptive capacity of capitalist economic relations.

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