

A New Approach to the Modern International Economic System: A Bridge between Economics and Public Philosophy

Hikari Ishido

1. Introduction: New Thinking on Economics

The field of economics is, without a doubt, a concrete academic pursuit focusing on actual material items. Concerning extremely mundane issues of people that constitute a society, like securing clothing, food, and shelter, it is also a social science field with a focus on grasping the limitations of issues, such as labor and natural resources, as well as their appropriate usage and allocation under these limitations. However, since the metaphysical awareness of the people securing these daily concerns is certainly involved, this recognition must also be considered in the study of economics.¹ This is to say that economics has an ambivalent nature in that it considers both the actual conditions of clothing, food, and shelter (material items) and, at the same time, the values (metaphysical matters) of the people behind these actual conditions, which is, in other words, a philosophical consideration. Regarding the current status and future prospects of the current international economic system, and considering both the metaphysical and material aspects, this chapter will make a new interdisciplinary attempt to build a bridge linking economics and public philosophy from the starting point of the study of economics. In particular, I want to examine the current state of the world regarding the issue of poverty in developing countries, which is a threat to peace and globalization, and has both positive and negative effects on peace.

In Section 2 of this chapter, as a metaphysical discussion, I will begin by providing an overview of economics as a public philosophy and touch upon the fact that the structure of current mainstream economics is insufficient to discuss issues in modern international economics since it is somewhat biased toward the concept of efficiency. Further, as a metaphysical discussion, Section 3 points out that the concept of the necessity of development in economics is gradually approaching the need for the emergence of public spaces. By shifting focus to touch upon the distinction between globalism as a metaphysical standard of value and globalization as a physical phenomenon, Section 4 sets the stage for the next section. Section 5 then discusses the increasing need to question the appropriateness of globalism as a metaphysical standard of value in the structuring of a global system of free trade. Lastly, in chapter 6, I will provide a review and examine the prospects of the structuring of international public philosophy.

2. Qualification of Economics as a Public Philosophy

¹ In the field of international political economy, this is indicated by the concept of constructivism. In considering international economic mutual dependency, it is not merely a focus on trends in material phenomena, but also the position that matters, such as identity and values, are behind these phenomena.

In this Section, I consider the viewpoint that the qualification of economics as a public philosophy is a metaphysical issue. While we are not ordinarily aware of this in our daily lives, it has become a common social view that in modern society life is divided into public and private spaces. Moreover, even in economics as an academic field, these two spaces are being divided into the public space as “government” and the private space as “other areas” such as family life and the private sector. However, with the actual social economy as an example, it is becoming clear that there is a need to encompass both these concepts of “public.” In the example on international economic systems, which is the focus of the international economics field, the author’s specialization, as stated later, it is possible to raise the issue of “who should make what products and at what price should they be traded and consumed at,” or in other words, “what the ideal state of international production and trade should be” is an issue that should, in reality, be resolved by a unified effort of government, households, companies, and non-profit organizations.

In this field of international economics, the reality is that differences in views between the prosperous and the poor clearly exist. This is the generally known so-called “north-south issue,” namely the economic disparity between the advanced industrialized nations commonly seen in the northern hemisphere and the developing nations usually found geographically to the south of these nations, and it is a present issue in the structuring of the future international economic system.² In the globalization process, there exist two positions concerning whether this global economic disparity, namely the “north-south issue,” will be resolved or will worsen. There are hypotheses that globalization will resolve the north-south issue (income level international convergence hypothesis) and that globalization will diverge this north-south issue (income level international divergence)³. Even in the observation of empirical data, there are phenomena that support both these hypotheses.

How does economics—one of the social sciences—present a path to resolve these actual social issues? In the modern study of economics, there exists public economics, which literally begins with the term “public.” In this case, “public” means the public sector (government), and the focus of public economics is the economic activity of government funded by taxes. However, in order to discuss current socio-economic issues, including the abovementioned ideal form of international trade, it becomes necessary to call them “public economics” with the corporate, household, and

² The tragedy of coffee cultivation is an example of the north-south issue. In this case, in the global coffee market, prices are set depending on multinational corporations from developed nations, and there were reports of people being forced to work for low wages in production sites in developing nations.

³ The correlation between real GDP per laborer and the long-term economic growth rate to group nations is as follows: (1) nations with high real GDP per person and a low long-term economic growth rate (developed nations group), (2) nations that currently have low real GDP per person but have recorded a high long-term economic growth ratio (developing nations that are economically developing group), and (3) nations that currently have a low real GDP per person and have recorded a low long-term economic growth ratio (developing nations that currently have stagnant economic development group). While it is decided that the income level international convergence hypothesis is appropriate for groups 1 and 2 and the north-south issue will be resolved with the globalization progress, focusing on groups 1 and 3, the income level international divergence hypothesis applies conversely. This is to say that the cause and effect relationship between the north-south issue and globalization has two meanings.

non-profit players being members of the public. Concerning overall human economic activity, this is a common foundation of thought needed to make a stable (and accordingly, peaceful) space emerge and create a public space in the economic dimension.

Shifting our viewpoint to classical economics, Adam Smith, the founder of this field, developed a foundational argument for this study under the contemporary framework of the 18th century moral philosophy: “*The pursuit of personal gain being an invisible hand commensurate with the common good*” summarizes his claim. The implied premise is that the *homo economicus* will expend utmost effort in the pursuit of personal gain. In generations following Smith, slightly more keen views emerged, and with Smith in an image that he likely had not intended, economists hypothesized that people only pursue personal gain and have unlimited awareness and ability toward that end. Expressing this abstractly, what is established is social harmony under complete human rationality. The greatest good in modern mainstream economics is Pareto optimality, that is, the most efficient situation in which the utility of one person cannot be increased without lowering the utility of another member of society, which is achieved through free trade in a complete marketplace. This single value standard is a characteristic of mainstream economics.

However, while this recent value system in economics in particular focuses on the monotonic increase of utility for each economic agent under certain resource limitations, no consideration is given to discrepancies in utility standards between agents; it is merely an indicator of efficiency. In other words, in mainstream economics, an indicator of fairness is missing from at least the backbone of the value system. Even if a slight decrease in the utility of prosperity greatly increases the utility of poor people, it would not be allowed. As the current mainstream economics are based on an axiomatic system biased toward efficiency, there is no paradigm to directly deal with issues concerning fairness, such as the above north-south problem that should be resolved in the public space. Thus, it must be considered as lacking the qualification as a public philosophy to discuss current international economic issues.

3. Relationship between Development Concept and Public Philosophy

How can the need for a concept of “public,” considered in the previous section, be related to economics? In this section, I will investigate this metaphysical issue. Development economics—a field of economic study—was born under the post-World War II reality of former Asian and African colonies becoming politically independent but still economically dependent on their former colonial masters. While since then the concept of development has had an ambiguous meaning, in conclusion, it is rapidly approaching a discussion of “the public nature.”

In discussing the propriety of the value system of mainstream neoclassical economics as part of a discussion on development, economist Amartya Sen pointed out that its central concept of the Pareto optimal, based upon efficiency as the sole measure, is extremely narrow as an information base (Sen,

1981). In submitting his capability approach from outside of mainstream economics, Sen meant that an increase in individual welfare standards, that is, development, which is human development, meaning that individual capability is exercised through expansion of the human ability to choose. He also discussed the ideal public system for the human ability to choose, pointing out that the democratic system contributes to development. His focus is on the masses of people in developing countries, starting with his homeland of India and neighboring Bangladesh, and his study is from the perspective, for example, that the difference between a fasting monk and a starving refugee is not in the lowering of nutrition standards in itself, but in the presence of options including such a situation. Moreover, he stated that since under a dictatorship, the true desires of the people are suppressed and an increase in options is not clear from an objective observation, it is necessary to liberate suppressed desires through a transition to a democratic system.

Sen's concept of human development is distinct from the conventional economic development emphasized by the World Bank and the International Monetary Fund, that is, the expansion of social infrastructure such as roads, bridges, and electric power systems. This is because an overemphasis on the strengthening of social infrastructure in the name of economic development may lead to the reduction in the essential human choices that constitute that society.⁴ Further, it can be said that the concept of human development centered upon people and a public philosophy emphasizing the "public" composed of none other than humans have a high degree of affinity transcending each of their origins as in academic terminology. That is, the characteristic common to both of them is the equal emphasis on securing the actual issues of efficiency and fairness.

Then, how do the human-centric values common to these two items influence the discussion on resolving the north-south issue as a physical problem? I will consider this in the next section.

4. Globalism and Globalization

In this section and the following section, I will consider so-called globalization as a physical example that is a center of discussion in international economics. In doing so, I will discuss in this section the need for a distinction between globalism as a metaphysical value system and globalism as a material phenomenon.

To begin with, globalism is one of the values that humans possess as participants in economic transactions. While this is difficult to define, according to Steger, "it is an ideology that provides neoliberal values and meaning to the concept of globalization." Drawing upon the economic tradition of Adam Smith, neoliberalism is a school of thought that "self-acknowledges." Summarizing this claim, "the market is a self-adjusting mechanism balancing supply and demand, and accordingly it guarantees the most efficient allocation of resources. Therefore, government

⁴ For example, an actual issue in developing nations is people being evicted from places where they have settled to live, even if they are slums, due to illegal occupation of government land.

restrictions should be eliminated.” We also need to consider the fact that the axiomatic system of this neoliberalism is based only on “efficiency” information.

On the other hand, it is possible to define globalization as “strengthening social relations on a global scale.” While this includes not only the economy but also politics, culture, and a value system, from an economic standpoint, it means that the human activities of production, distribution, and spending are the basic economic environment conducted on a global scale.

There are many perspectives concerning inquiries into the phenomenon of globalization: 1) Is it unavoidable and irreversible? 2) What is its deciding force and deciding factors? 3) Is it old or new? Is it a repeated process? 4) Will it spread benefits or inequality? 5) Will democratization make progress? 6) Is the nation state receding, strengthening, or changing? 7) Is it the same as Americanization, or can it be seen as cultural imperialism? In addition, I would like to add, “Is globalization from the outset a phenomenon which advances mechanically?” In conclusion, the answer is “no.” Since globalization is observed as a whole due to the results of human cooperation, it is necessary for individuals to share some type of value system. Accordingly, globalism is evoked by observers as a value system to promote globalization. That is, the metaphysical, neoliberal value system that is globalism prescribes globalization as a material phenomenon. The mainstream economic value system of globalism has promoted globalization, as it is considered the “most efficient” and accordingly the “greatest good.” According to the well-known principle of comparative advantage in standard (mainstream) international trade theory, “the greatest benefit is obtained by each country specializing in production and trade of the goods that they most efficiently produce.”

By explicitly distinguishing between the material phenomenon of globalization and the metaphysical value standard of globalization, it is possible to conduct a public philosophical observation of the international economic system as a phenomenon. I will discuss this in the following section.

5. Public Philosophy for the International Trade System

The international economic system is conceptually divided into a system of international trade concerning the exchange of items to be consumed such as goods and services, and an international financial system for the trade of different currencies. In this section, I will focus on the international trade system. While the human-centric concept of public philosophy is beginning to be applied in the field of assistance-based international cooperation, it has not yet been acknowledged in the field of commerce-based international trade. Accordingly, this section provides a new perspective in the sense of applying public philosophy to the international trade system.

(1) WTO Value System

With the establishment of the WTO in 1995, the international trade system has been transitioning from a quantitative export competition in a market under a fixed framework to issues toward, in some sense, qualitative competition in the dimension of individual rule making for the trade system itself. Regarding the state of the WTO, the sole form of so-called legislative body for the international trade system is a direct factor. This is not to say that established individual rules exist in the WTO, but that rule making itself takes place through negotiation.

The important point here is that when the WTO that governs global trade (multilateral trade) with a legally binding force makes individual rules on trade, it uses a free non-discriminatory principle as an axiomatic system of some sort. This can be viewed as neoliberalism being exactly embodied in the international trade system. The principles that actually embody this WTO non-discriminatory principle are “most-favored-nation treatment” and “national treatment.” The most-favored-nation treatment provided in Article I of GATT implies that “the favorable trade conditions granted to a particular nation shall be applied equally to all contracting nations,” and the national treatment provided in GATT Article III implies “granting equal treatment to the citizens of one’s own nation and foreign nationals.”⁵ In the WTO, negotiations on international economic transactions aside from trade in products, such as actual trade, investment, intellectual property rights, domestic subsidies, and non-tariff measures for services, take place under these two main principles from a more comprehensive viewpoint.

While some point out the recent economic development experience of developing nations and the impasse in multilateral trade liberalization in the WTO, behind these is likely the many fallacies in theory concerning trade and industrial policy as well as the policies actually enacted in these developing nations. In addition, the WTO clearly points out that if complete trade liberalization is carried out without considering differences in stages of economic development based upon the axiom of the neoliberalism, it could actually hinder the economic development of developing nations. This claim directly poses a question on neoliberalism, the current conceptual pillar of multilateral trade negotiations in the WTO.

Shifting our focus to the actual conditions of the economy, which is the backdrop for the above, as mentioned in Chapter 4, there was an agreement on the trade liberalization in the free trade and the Uruguay Round of GATT—the predecessor to the WTO. There was also an increasing suspicion in developing countries toward free trade itself due to a worsening balance of payments in East Asia, Brazil, and the African nations caused by sluggish exports in the 1990s. This coincided with the Uruguay Round negotiations, as well as trade liberalization under the World Bank and the IMF structural adjustment and stabilization programs, which were promoted in these developing nations more than in developed countries.

⁵ The GATT original text may be downloaded from the following website (as of September 1, 2006)
http://www.wto.org/english/docs_e/legal_e/gatt47_01_e.htm

Although Adam Smith touched upon the history of trade liberalization, discussing how the economy would grow through industrial structural transformation by means of trade liberalization policies such as elimination of customs duties and quantitative restrictions, the perspective of this argument originated because there was not much difference among nations in terms of economic development. Moreover, the technological progress required for production in goods was slow, which is a static viewpoint.

In modern international economic society, since many nations are at different stages of economic development, and the production technology for goods is dynamic in that it is constantly changing through the initiative of companies in developed nations, the situation is different. In other words, the traditional trade theory based upon the concept of comparative advantage has a static viewpoint, and if the premise of the argument is not actually fulfilled, then the comparative advantage theory may lose its validity in a dynamic economy.

From this viewpoint, trade patterns observed in modern economies can be seen as based upon a so-called absolute advantage theory in which there are no export opportunities whatsoever for developing countries and manufacturing “weaklings” such as small- to mid-sized companies, many of which reside in such nations. This contrasts with the international trade model based upon the comparative advantage hypothesis. The survival hypothesis adopted in neoclassical economics, which states that even if manufacturers (nations) with inferior efficiency are forced out of the market due to competition such that they will survive to be employed in other areas of industry, does not easily occur in actuality. This is counter to reality, which is an issue. In addition, as claimed by spatial economics, which is in the limelight as an international economic theory with neoliberalism as a major premise, the wealthy core and the impoverished periphery will self-organize just with market functions, and economic disparities between these regions will increase. In other words, there is no discussion from the viewpoint of fairness.

If the hypothesis of constant returns to scale, that is, the hypothesis of the comparative advantage model) which states that production volume expands only in proportion to the amount by which production factors, such as labor and capital expansion (expansion of production beyond the expansion of factors of production not being possible) is fulfilled, then from the outset, the actual existence of corporate organizations as groups of individual workers can no longer be explained. This is because there is no benefit to increased efficiency in the corporate organization system as a collective of people. In reality, however, due to the effects of increased production efficiency using the advantage of scale, roughly 1000 large corporations account for 80% of the global industrial output and 500 companies occupy 70% of world trade. This is to say that the constant returns to scale hypothesis in the comparative advantage international trade model can be judged as unrealistic. If this is so, then even if the benefits of the free trade system without any restraints whatsoever on the oligopolistic actions of large companies are determined to be a fabrication, there is nothing that

can be done.

To raise another example, the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) and Trade-Related Investment Measures (TRIM) are legal provisions concerning, respectively, the state of intellectual property rights and investment in international trade.⁶ However, since the underlying tone is the protection of the interests of corporation, they can be said to significantly limit the scope for policy interventions in developing nations. As a result, these WTO agreements and measures are merely reflected as rules to allow or encourage developed country large corporations running rampant, and they invite opposition from developing nations, which are the majority of WTO member states.

As shown above, while the WTO system of international trade based on the neoliberal claim that WTO rules contribute to development have a premise in conflict with actual economic conditions, there is a separate viewpoint of these agreements in the WTO. This viewpoint is that in the trade liberalization system with the WTO at its center, trade liberalization efforts in all member states, including developing nations, is stipulated as compulsory with legal sanctions, and there are no compulsory provisions for cooperation from developed to developing nations to eliminate the adverse effects of unilateral trade liberalization. Therefore, this is implied to be non-compulsory. In other words, there is a discrepancy in the design of the WTO system from the viewpoint of fairness toward both developing and developed countries. Moreover, the possibility cannot be denied that the WTO system, which gives favorable treatment to the economic benefit of developed countries, is the cause of lack of implementation of developing country rules as well as difficulty in the Doha Development Agenda—a venue in the WTO for multilateral trade negotiations that started in 2001. The WTO as an entity for international trade negotiations has not become an effectively functioning public space and has not responded to the need for stable economic activity among the people who make up such a space.

(2) FTA Value System

Here, I use public philosophy to consider the FTA⁷ value system provided in Article XXIV⁸ of GATT (General Agreement on Tariffs and Trade) managed by the WTO. Although entering into an FTA is being vigorously promoted by nations around the globe, this trend is based upon the fact that the WTO multilateral trade liberalization framework discussed above is not functioning well due to difficulties in negotiations. In other words, since the system liberalizes trade only between a few nations (i.e., on bilateral basis), and the actual benefits of even partial trade liberalization are

⁶ Refer to the following site for WTO provisions concerning international trade.

http://www.wto.org/english/docs_e/legal_e/legal_e.htm

⁷ Refer to the following site for the original text of GATT Article XXIV (September 4, 2006).

⁸ In the WTO, while Customs Unions or Free Trade Areas are official terms for bilateral preferential trade agreements, in this Chapter, I follow the convention in international economics and use FTA.

relatively short term, an FTA is preferred. While the FTA is an agreement allowed within the WTO framework, this is a discriminatory agreement in principle liberalizing all trade within the territory of FTA member states, and its fundamental theory violates the WTO free non-discrimination principle, as it inevitably discriminates against nonmember states.

Consequently, there are contradictory views concerning the FTA value system. Here, private goods in economics refer to goods and services that have competitiveness and exclusivity, while public goods refer to goods and services that have non-competitiveness and non-exclusivity. That is, private goods and public goods are conceptually distinct. However, it is reasonable to perceive FTA as having ambiguity. This is because “high quality” FTAs with few items excluded in trade liberalization (elimination of tariffs) in a wider area have a public good aspect with positive value to increase the possibility of broader FTAs. Conversely, “low quality” FTAs with many items excluded in trade liberalization and few member states have a public good aspect with negative value due to their creating a precedent of a trade system that is complicated from a practical trade standpoint, and from the viewpoint of trade benefits, only member nations are contributed as private goods. In view of this, in the same manner as the WTO, it is evident that the FTA value system cannot autonomously exist in the public space.

(3) APEC Value System

APEC was established in 1989 as a regional framework in the Asia-Pacific region, including the Americas in addition to East Asia, which includes Japan. The systemic nature of the APEC regional framework is expressed with the “open regionalism” concept. While there are many interpretations of this concept, the simplest is the expression of intent that all APEC members will realize trade liberalization based upon WTO most-favored-nation treatment. Trade barriers such as mutual import duties between two countries engaged in trade are being regularly eliminated in the WTO framework based on “reciprocity.” In a sense, this is an implementation of exchange transactions in a market with tariff barriers. In this regard, in APEC, there is a clause of a voluntary decision by all APEC members to eliminate trade barriers based upon the WTO principle of non-discrimination even if the counterpart nation does not belong to APEC. This suggests the provision of, in a sense, public goods with voluntary and non-discriminatory elimination of trade barriers in the international trade system space legally stipulated by the WTO, which is a great expression of intent from the international economic society of the Asia-Pacific region to the global economy as well as a significant experiment.

The term “open regionalism” at first seems to be self-contradictory as technical terminology. This is because “open” implies non-discrimination regardless of region, and “regionalism” implies exclusion of certain external regions. However, the fact that this is not a “pie in the sky” is indicated by the establishment of the Bogor Goals at a summit in the ancient Indonesian capital of Bogor and

the move toward implementation from the following year. The Bogor Goals are targets for APEC members to achieve trade investment liberalization by 2010 for developed nations and 2020 for developing nations.⁹ We obtained the results in Table 1 by actually measuring the phased reduction of import tariff rates, which is the main item in the Bogor Goals. This table clarifies that APEC members are on average exceeding the WTO members in efforts to lower import tariffs.

Table 1. Concessional Tariff Rates on Imports (most recent reported year base)
(%)

| | All items | Agricultural products | Non-agricultural products |
|-------------------------|-----------|-----------------------|---------------------------|
| APEC member average | 16.8 | 21.4 | 16.1 |
| Non-APEC member average | 42.8 | 59.8 | 31.9 |
| Global average | 39.0 | 54.2 | 29.6 |

Source: Prepared by the author based on the WTO World Trade Report 2004.

Since even those who do not bear the expense for a public good can consume (acquire) the public good, there is an accepted economic theory that the “free ride” inducement always exists, so no one will themselves produce the good, which results in an undersupply. In response to this, moves to realize the international public good of trade liberalization in the APEC region can be seen as attempts at a rebuttal through actual international economic policies.

6. Outline and Prospects for an International Public Philosophy Structure

This section presents trends concerning trade liberalization as an example from the field of international economics and describes WTO-based trade liberalization, FTA-based trade liberalization as its rival, and the voluntary efforts at trade liberalization in APEC as their antithesis. As the focus of the WTO, which legally oversees the international trade system, shifts to international rule making for ultimate convergence to a free trade system, it is increasingly necessary to reconsider globalism, which is based upon neo-liberalism—the foundation of this value system.

For the nations that make up the global economy, the inclination toward economic development does not necessarily mean free trade; free trade is a means toward the end of economic development. However, developing nations, which are the majority of sovereign states around the globe, are aware that trade liberalization is being pushed upon them by the WTO as an autotelic value standard without considering the economic development stage. Against this backdrop, in the modern economy, goods that are produced are not fixed and are constantly changing due to progress in economic development based on knowledge (the relation between industrial technology, knowledge, etc.), and thus one can identify a shift in international competition to a more dynamic nature emphasizing

⁹ The Bogor Goals are included in the APEC Economic Leaders’ Declaration as the outcome of the APEC summit held in Bogor, Indonesia in 1994. Refer to the following APEC public site for this Leaders’ Declaration. http://www.apecsec.org.sg/apec/leaders__declarations/1994.html (September 4, 2006).

elements other than market price.

However, it is clear that activities related to FTAs—an alternative to the WTO—which are experiencing negotiation difficulties and are accepted by the WTO, inevitably discriminate against external countries in trade liberalization, and cannot become a value system in a public space in the international trade system. The limits of the WTO and FTAs are that they are efforts to structure social systems based on coercion. As long as this is so, the appropriateness of Arrow's Impossibility Theorem in welfare economics (i.e., the proposition that democratic procedures do not exist to decide a set of values for a society as a whole by aggregating individual economic entities)¹⁰ will be realized. Even in the structure of the international trade system, there are limits to a coercive approach.

Accordingly, the need is increasing to structure economic development policy as an alternative distinct from that based on neo-liberalism. Economic development policies, based upon instantaneous trade liberalization pushed (as recognized by developing nations) by international economic society and lacking consideration of the non-price elements decided in the market, have not gained consensus as a universal value system in the so-called international public space.

The cooperative and voluntary trade liberalization in APEC does not expect "repayment" (i.e., corresponding trade liberalization efforts from non-APEC trading partners), and in that sense, it provides a public good in the international public space. It is a value system and a policy stance that should be praised. However, the voluntary implementation of the above Bogor Goals realized by this value system is unpredictable from the viewpoint of whether it will be actually achieved as an APEC trade liberalization system. This is because free riding by non-APEC members has been sufficiently predicted, and APEC members will not necessarily accept this. Moreover, compared to WTO and FTA trade liberalization negotiations, which have legal binding power or coerciveness, APEC trade liberalization efforts are merely voluntary on the part of member states. With the meaning of international policy efforts by means of voluntary goals and not legal coercion and the "philosophy" of each member state undertaking trade liberalization being tested, future APEC trends toward cooperative and voluntary trade liberalization are a public philosophy issue requiring focus.

In view of the human reality of the expression "well fed, well bred," one way to realize regional peace is the stable conduct of economic activities in human daily life. There is a two-way cause and effect relationship between peace and the blessings of economic life. The view that peace is first secured through a prosperous economy is supported by, for example, the fact that hotbeds of international terror are mostly economically poor countries and regions. There is a mutually dependent relationship in that peace is the foundation of the economy, and the economy is premised

¹⁰ A more rigorous definition of Arrow's Impossibility Theorem in welfare economics is that a social preference does not exist that fulfills the four constraints of 1) Pareto efficiency, 2) freedom of individual preference, 3) independence of selection, and 4) existence of democratic decision making.

upon peace. In other words, market economic activity is a mechanism to maintain peace (market peace) through avoiding confrontations of bare power occurring through the clash of the diverse values and opposing forces in our lives, and achieving a complicated, dynamic balance between these values and forces. The structure of an international trade system emphasizing a public nature has the important meaning of underpinning regional peace from an economic aspect.

The actual state of economic development strategy as an alternative to immediate and complete trade liberalization based on neo-liberalism may differ by country. However, trade policy, which occupies a main position in economic development strategy, should be clearly inclined toward economic development, and we should keep in mind that trade policy in itself is merely a means and not an objective. Similar to trade liberalization, an actual economic policy planning should perceive market preparation, industrial policy, foreign direct investment policy, and industrial technology policy as merely means, and more than anything, economic development should mean securing employment to raise the living standards of the nation's people. Policy on trade liberalization and other matters cannot become autotelic. With corporate competition in the marketplace becoming oligarchic and beneficial to global companies due to progress in technological standards, and since the time period to acquire the technology has lengthened, the need for so-called policies to protect infant industries may be increasing along with a new public philosophy nuance transcending the recent mercantilist meaning. In other words, the term "policy" here should be "public policy" including the many actors in the public space, such as governments and NPOs.

Adam Smith, who emphasized the benefits of division of labor, put forth mutual empathy as a main premise for the establishment of the social division of labor. This is the importance of considering the position of the counterparty. It can, therefore, be said that stable human economic activity will not arise from a field of competition in which one tries to deceive and outmaneuver one's trading partner. This is characterized as, so to speak, competition without public philosophy between sovereign nations and corporations, or in other words, the "pursuit of efficiency in fighting over things." Public citizens, who already recognize efficiency and public nature as their own issues at the same time, need differentiation from such a stance.

Conducting an actual overview of the world by region and establishing public policies in line with the stage of economic development is essential. For low income African nations, we should focus on the expansion of production capacity; for Latin American nations and Middle East countries that have achieved import substitution, we should direct attention to increasing the efficiency of domestic industry for the promotion of exports; and for Asian nations that have already achieved a degree of export competitiveness, the focus should be on further upgrading of industries. Moreover, since the implementation of these economic development policies is incomplete with only market coordination, and the possibility of government failure cannot be dismissed in the case of government intervention, there should be further promotion of intervention through a so-called

“global civil society.”

While such alternative economic development policies may be idealistic and have a completely different nature and policy stance compared to those of the current WTO and international financial institutions, international economic systems should be changed in accordance with the goal of global peace. Further, if international public policy is formulated in line with the stage of economic development of each country, such alternative economic development policies should contribute to economic stabilization through securing a foundation for peace and become beneficial to not only developing nations but developed ones as well.

The modern international trade system has the WTO as one of its main pillars, and systemic measures in markets and the WTO play a leading role in deciding trade patterns and, as a result, income distribution. In addition, with globalism inevitably resulting from the current neoliberal value system of the WTO, which has legal binding power, and superficial acceptance of the conclusion of existing mainstream trade models that the free trade system is desirable, policy formulation may be easily established and implemented. Some point out that there is no overseeing entity in globalization, and this is in some sense true.

The actual international economic system is characterized by complex interdependent relationships and is pluralistic. Through trial and error, global citizens should desire a, so to speak, “responsible globalization,” not a globalization through a value system completely devoted to efficiency. It should be voluntary as can be seen in its early stages in APEC efforts and that involves more economic entities, and present from an overall viewpoint a value system and actual format toward that end—an international public philosophy with a focus on economic aspects.