Transnational supply chain governance and social inequality: understanding the dilemma

Scholars of global governance have devoted increasing attention in recent years to the multi-level formations of power and governance that appear to be emerging within a globalising world economy. One economic domain in which pluralist institution building has advanced particularly rapidly is the realm of global production. Global production chains in a range of manufacturing and agricultural sectors now penetrate deep into the societies and economies of many developing countries, creating new forms of institutionalised connection between workers and producers in the global south, and corporations, investors and consumers in the industrialised north.

While many have welcomed such supply chain governance systems as potential means of instituting valued social protections across transnational scope in the absence of effective state action, others have expressed increasing concern regarding the unequalising dynamics of institutional development associated with such incremental processes of transnational institution building. Many have objected to the “piecemeal and partial character” of emerging non-state governance systems within the sphere of global production (Blowfield 2005; Fitzgerald and United Nations Research Institute for Social Development. 2001; Utting 2006; Vogel 2006, p.36). Most private supply chain governance initiatives within developing countries are found within traded sectors – particularly those sectors with significant links to businesses controlled from the US and Europe, where agendas of ‘corporate responsibility’ and ‘ethical trade’ are more firmly established. Even within the terms of these sectoral and geographical constraints, both the breadth of coverage and substantive scope of such initiatives are highly inconsistent, varying in relation to a range of firm-level variables, of which visibility and brand value are most commonly identified (Harvey et al. 2001, p.110). Given the significance of higher health and safety, labour and environmental standards – and in some cases also social services and infrastructure – for maintaining acceptable living standards and social relations of dignity and respect, the highly uneven and seemingly morally arbitrary ways in such privileges have been distributed within these non-state governance systems has given rise to widespread concern.

The potential of such trends to impact negatively on broader dynamics of social inequality has been perceived as a particular cause for concern in countries and regions in the developing world in which intensively globalised sectors are juxtaposed with entrenched pockets of poverty and underdevelopment. In such contexts there is widespread unease about

1 For discussion of some other factors, see (Garvey and Newell 2004; Vogel 2006);(Heeks and Duncombe 2003; Utting 2005; Vogel 2005).
the emergence of a multi-tier system in which economic opportunities to participate in sectors linked into the global economy translate in inappropriate and troubling ways into wider patterns of social and political opportunity or exclusion. Such concerns have mirrored broader concerns expressed by scholars of global governance regarding the implications of the unfolding dynamics of such a multi-level global institutional order for emerging global patterns of social domination, privilege and exclusion. Observing multi-level governance structures across a range of domains, (Cerny 2008 (unpublished paper), p.29-30) for instance warns that evolution towards a pluralist global system runs the risk of “increased inequalities and isolation of permanent sub-castes” who he refers to as an emergent global ‘underclass’.

With these considerations in view, the central purpose of this paper is to document the complex and contradictory consequences of emerging forms of transnational supply chain governance for patterns of social inequality, and to consider the implications of these dynamics for the role of supply chain governance systems within broader systems of multi-level governance, in which public and private governance arrangements interact and overlap, within and beyond national borders. While my analysis remains focused on supply chain governance systems, many of the issues raised have broader implications for the design of multi-level governance systems at the transnational or global level.

To provide an empirical basis for this analysis I draw on examples from the organisation of two prominent global supply chains in agricultural and manufacturing sectors of great importance to a large number of developing countries: the global garment and coffee industries. Analysis is based on field research conducted in Nicaragua, involving over 300 interviews with key governmental and non-governmental actors involved in these two industries.2

Drawing on these cases for illustrative purposes, I show that the globalisation of production systems has contributed to generating new forms of social inequalities by undermining the capacity of national governments – and the nationally bounded societies that underpin them – to effectively promote and protect recognised social entitlements. In response, the emergence of transnational systems of supply chain governance that ‘track’ transnational systems of corporate power within global supply chains has had contradictory effects on social inequality.

On one hand, such transnational governance arrangements have contributed to developing new institutional mechanisms through which those social entitlements recognised within national laws are able to be institutionally protected with greater effectiveness, thereby strengthening equality of access to recognised social entitlements at the national level. However, these transnational supply chain governance systems have also contributed to the creation of new patterns of inequality within and across national borders, as new relationships

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2 Analysis draws on evidence collected during ten months of multi-sited field research, beginning in coffee and garment producing communities in Nicaragua, and following transnational supply chains through to consumption sites in the US and Europe. These cases are discussed in more detail elsewhere (Macdonald 2007a, b).
of transnational social responsibility and entitlement have been layered over the top of existing relationships of national citizenship. The emergence of such multi-level governance arrangements is creating new patterns of inequality within national communities, as social entitlements able to be accessed become partially dependent on patterns of inclusion and exclusion from transnational production and trading relationships. These arrangements are also contributing to a shift away from an international system of inequality in which thick forms of social equality between co-nationals stand alongside sharply unequal relationships between citizens of different nations, and toward a multi-level structure of social entitlement and responsibility in which social inequality beyond the nation is determined not only on the basis of national membership, but also on the basis of participation in a range of transnational associational spheres to which social obligations and entitlements attach.

I suggest that while such shifting patterns of inequality appear unambiguously problematic from the perspective of norms of ‘equality of status’ associated with national citizenship, it is not clear on what basis such dynamics may be condemned from the perspective of the ‘interaction-dependent’ or ‘relational’ accounts of social entitlement and obligation that are invoked to support the creation of transnational systems of supply chain governance. These accounts remain importantly underspecified, not only within the political debates surrounding the creation of these supply chain governance schemes, but also within contemporary normative political theory. I conclude by suggesting that confronting these increasingly multi-level dynamics of social inequality will require not only normative frameworks better equipped to make sense of such pluralist configurations of social interaction and obligation, but also institutional innovations through which ‘spillovers’ between multiple, overlapping spheres of social interaction may be more effectively and consistently governed.

National governance and the promotion of social equality

For many governments worldwide, at least over the last half-century, the goal of protecting and promoting values of social equality has comprised an important objective of systems of public governance at the national level. The concept of social equality is both contested and multi-dimensional. I limit my attention to two dimensions of social equality that have been affected particularly importantly by the operation of supply chain governance schemes.

The first of these is equality of access to core social entitlements (understood as those entitlements that are recognised as giving rise to binding claims on ‘society’). This is a minimalist or formal account of equality, implying equality of access in the sense of universal provision of a basic minimum. The second dimension of social equality that I consider is the notion of equality of social status. David Miller (Miller 1997) distinguishes ‘equality of status’

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3 In focusing on these two dimensions of social equality I intend to bracket wider normative debates about the role of equality in broader distributive principles of justice. There is of course a vast literature that seeks to explore how concern for the distribution of social entitlements of various kinds (resources, welfare, capacities, opportunities for each of the above, or something else) should be balanced with concerns for other kinds of valuable freedoms and responsibilities. See for example (Cohen 2000; Dworkin 2000; Miller 1997; Sen 1979). These broader debates are without question very importantly linked to the narrower concepts of equality I focus
status’ from a narrower concern with the distribution of specific social goods in the following way:⁴

“It does not specify directly any distribution of rights or resources. Instead it identifies a social ideal, the ideal of a society in which people regard and treat one another as equals, in other words a society that is not marked by status divisions such that one can place different people in hierarchically ranked categories, in different classes for instance. We can call this second kind of equality equality of status, or simply social equality. ...

[Within a society characterised by equality of status] people feel that each member of the community enjoys an equal standing with all the rest that overrides their unequal ratings along particular dimensions ... In their social intercourse, they act on the assumption that each person has an equal standing that transcends particular inequalities.”

Although these conceptions of social equality are analytically distinct, I consider them for these purposes to constitute complementary dimensions of the same overarching concern for ensuring that social institutional arrangements are consistent with equality of dignity, status and life chances among all individual members of the social order. Equality of access to core social entitlements on this view operates as a minimum floor on equal entitlements. The concept of ‘equality of status’ then operates effectively as a test of what kinds and degrees of inequalities in specific rights and resources may be consistent with the underlying values and purposes of social equality, and their appropriate balancing against other considerations of valuable freedoms and responsibilities. Those forms of inequality that threaten equality of status are therefore often regarded as particularly worthy of concern.

Several authors suggest that equality of status is particularly endangered by those forms of inequality that give rise to oppressive relations of social power. Such a view is advanced for example by (Scanlon 2004), who expresses concern that social inequalities may enable “those who have more” to exercise “unacceptable forms of power over those who have less”. (Anderson 1999, p.288) voices a similar commitment to norms of social equality as means of countering oppressive social relationships: “The proper negative aim of egalitarian justice is not to eliminate the impact of brute luck from human affairs, but to end oppression, which by definition is socially imposed.” Likewise, (Beitz 2001) emphasises the potential implications of social inequality for the denial of individual and collective agency – and therefore capacity for self control and self government – among the more disadvantaged members of a social group.⁵ Others have suggested that we may be especially concerned about those social

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⁴ See also (Anderson 1999, p.289).
⁵ (Pogge 2007) makes a similar point.
inequalities that translate into *stigmatizing differences in status*, characterised by feelings of humiliation or loss of dignity among disadvantaged groups. According to Scanlon “Where people reasonably compare their lives and conditions with each other, differences in level can lead to reasonable feelings of loss of esteem” (Beitz 2001; Scanlon 2004, p.14).6

Although interpretations of which patterns of social inequality should be regarded as especially problematic and in need of remedy have varied widely, the goal of protecting and promoting values of social equality in some form has been widely shared by national governments across a broad range of developing as well as industrialised countries.

National governments have sought to protect and promote social equality by use of a combination of regulatory and programmatic tools. National governments are paradigmatically able to draw on privileged public powers in the form of a capacity to engage in authoritative processes of legal rule-making, as well as associated processes of monitoring, adjudication and enforcement, as a basis for undertaking regulatory governance functions. The state is also assigned extensive capabilities to mobilise and strategically deploy social resources via powers of taxation and control over elaborate infrastructures of public administration.

In addition to these specific powers, the centralised or constitutionalised structure of the ‘sovereign’ institutional form through which state power is constituted has played an important role in enabling states to perform both regulatory and programmatic functions effectively. This capacity enables states to strategically coordinate interventions not only across a range of actors and locations, but also through time, therefore importantly underpinning the effectiveness of regulatory functions that seek to effectively protect *equal social entitlements* among co-nationals.

The distinctive capabilities of *sovereign* structures of national governance are perhaps of even greater importance as a means of enabling the protection of a more comprehensive form of overarching *equality of status*. The multifunctional institutional character of a constitutionalised or centralised state enables such institutions to monitor and regulate interactions between the whole constellation of semi-autonomous spheres of social association and power, attempting to ensure that none generates ‘spillovers’ that undermine equality of status between citizens within the society as a whole (Walzer 1984, 1985), and where necessary making ‘side-payments’ between spheres via a clearly monitorable, effectively coordinated and systematically accountable structural mechanism (Cerny unpublished paper). In other words, institutional capacities of this kind enable the centrally important function of resisting and mitigating dynamics of *cumulative disadvantage*.7

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6 As (Scanlon 2004, p.15) highlights, such considerations differ in the extent to which they are fundamentally egalitarian; nevertheless, such ideas have long played a part in underpinning widespread concerns about unequal societies in both liberal and republican thought. For example, both the evil of stigmatization and the importance of avoiding domination are emphasised by Rousseau.

7 According to David Miller (Miller 1997, p.235) “If we want our society to be egalitarian, then we will try to shape our distributive practices so that the emergence of hierarchy is discouraged; in particular we will try to
distinctive institutional capacities of sovereign state institutions have therefore played a critically important role in defending a meaningful notion of equality of status among co-nationals.

Global production and the weakened protection of equal social entitlements

Given the importance of these national, ‘sovereign’ structures of public governance as means of promoting and protecting social equality, the erosion of these capabilities of state centred public governance in the presence of global systems of production weakens the capacity of governments to effectively defend values of social equality. In the absence of sovereign structures of governance at the global level, the unravelling of transnational corporate power from effective subordination to sovereign control by individual nation states has enabled corporate power to be frequently exercised in the absence of effective institutional structures of public control. As a result, there has been a significant reduction in the capacity of state institutions of public governance to provide equal protection for designated social entitlements of a range of workers, producers and communities associated with these global production systems.

Such dynamics can be clearly observed in the evolution of relations of institutional power and interconnection within global supply chains in the garment and coffee industries. Within both of the industries examined here, corporate power is presently structured within institutions commonly described as ‘global supply chains’. This term refers to the whole spatially dispersed organisational system of functionally interconnected inputs and processes through which production and distribution are coordinated within given industries. Supply chain institutions in the garment and coffee industries take a wide variety of organisational forms; typically they involve institutionalised coordination between some combination of firms (or other vertically integrated production units), markets and relational networks of diverse kinds (Ponte and Gibbon 2005). Within the ‘buyer-driven’ supply chains that dominate both industries, decision making is coordinated and controlled primarily by large retailers and branded merchandisers based in industrialised countries; these are ‘brands’ and retailers in the garment sector, and roasting companies in coffee. The control of such corporate buyers over strategic marketing and design activities enables them to wield extensive power over decision making throughout the global chain (Gereffi 1999; Gereffi et al. 2005; Gereffi et al. 2002).

These kinds of power within global supply chains impact importantly on the realisation of core social entitlements for many workers, producers and communities. Of particular significance in the garment industry is the way dominant buyers use their power within global supply chains to push down wages and increase workloads, with significant and direct implications for the wellbeing of workers. In the coffee industry, major roasting companies in consuming countries, along with some large international trading companies operating in

avoid the emergence of large-scale, cumulative inequalities of advantage which make it difficult for people to live together on terms of equality, even if politically they are all defined as equals.”
producing countries, have exercised their power in ways that has enabled them to capture increased shares of income generated across the supply chain, while farmer income has significantly declined.

Within a sovereign structure of public power, such forms of power would themselves be subordinated to the authority of overarching institutions of public governance, empowered to ensure that such systems of social power were appropriately harnessed to protect the realisation of equal social entitlements. However, in both the garment and coffee industries, the integration of producing countries into global supply chains and the wider global political economy in which they are embedded systemically constrains the capacity of many governments to discharge their designated responsibilities for constraining the autonomy limiting power of corporations, thereby limiting their capacity to provide equal protection for recognised social entitlements.

The historical ability of sovereign state institutional structures to harness plural configurations of social power within centralised structures of public control has played a centrally important role in underpinning the capacity of state institutions to define and defend values of social equality by enabling both promotion and protection of recognised social entitlements on an equal basis to all citizens. The emergence of a transnational systems of corporate power – in the absence of a corresponding structure of public governance at the transnational level that could more effectively bring corporate and market power under authoritative public control – has presented a significant challenge to the capacity of state centred structures of public governance to continue providing such protection for established norms of social equality.

Transnational supply chain governance: contradictory implications for social equality

As transnational corporate power breaks loose from the institutional control of state centred systems of public governance, new institutional mechanisms of public governance are being created that seek to ‘track’ transnational configurations of corporate power and bring them under public control. Transnational configurations of global public power are therefore giving rise to the emergence of an increasingly multi-level system of public governance.

In what follows, I briefly sketch out how such institutions of multi-level public governance are being created in the global garment and coffee industries. I show that on the one hand, such developments are helping to create new institutional capacities that can mitigate inequalities in the protection and promotion of recognised social entitlements at the national level. However, I show that on another level such multi-level institutional structures also contribute to the creation of new patterns of inequality among co-nationals, as the definition of recognised social entitlements and responsibilities is itself being reconfigured within a multi-level structure.

Transnational public governance and the protection of equal social entitlements
I begin by mapping out the processes of transnational institution building through which decentred configurations of transnational corporate power are being brought under public control. We can gain greater understanding of how such transnational governance mechanisms operate to re-assert the protection of core social entitlements by identifying the distinct functional elements these mechanisms entail. To enable these mechanisms to perform both regulatory and service provision functions of relevant kinds, the most important constituent activities that these emerging institutions must enable are: promoting transparency in the exercise of public power; enforcing regulatory standards; and directly undertaking programmatic and redistributive functions.8

Achieving transparency in the exercise of public power requires transparency at two levels: in the identification of public agency, and with respect to the actions and outcomes resulting from the exercise of such agency. In the early 1990s when such corporate campaigns began to emerge, public awareness of the direct power wielded by retailers and other powerful supply chain buyers over workers in the global south was limited, and demands by activists that such companies accept responsibility for conditions in the factories and farms from which they sourced were in most cases strongly rejected (Spar and Burns 2000). In response to such prevailing assertions, the central claim that unaccountable corporate power was leading directly to violations of shared norms was articulated explicitly and forcefully by activists, who relentlessly pressed the message that “the current international economic order of trade liberalization and economic globalization … places MNCs in positions of extraordinary power and equally extraordinary lack of accountability”.9 Such campaigns generally targeted major retailers and brands in garment sector supply chains, and major roasting companies in the coffee industry.

Such companies initially resisted this characterization of their role, seeking instead to point to long chains of sub-contracting or arms-length market based sourcing as evidence that violations of human rights in individual factories and farms were ‘beyond their control’. In the face of this resistance, activists worked through the construction of transnational networks to lay bare explicitly and publicly the ways in which corporations in the north exert autonomy-limiting power over workers and small producers in the south via their control of ‘buyer-driven’ supply chains (Macdonald 2007a, b). Companies have responded to these campaigns by developing a range of codes of conduct – both unilateral corporate schemes and a range of multi-stakeholder arrangements – in which corporate public responsibility to correspond with companies’ transnational exercise of autonomy limiting forms of power is publicly acknowledged and formally codified. To the extent that such campaigns and codes have enabled individual workers and producers affected by the exercise of corporate power and their representatives to identify the multiple agents and forms of corporate public power

8 These mechanisms have been discussed at greater length elsewhere (Macdonald 2008; Macdonald and Macdonald 2006a).
9 [www.indianet.nl.irene.html](http://www.indianet.nl.irene.html). Even more specifically, it was claimed that “sweatshops are the result of corporate abuse, greed, excessive power and the lack of accountability.” National Labor Committee, *No More Sweatshops: Campaign for the Abolition of Sweatshops and Child Labor*, available at: [www.abolishsweatshops.org](http://www.abolishsweatshops.org)
being exercised over them, such mechanisms have played an important role in creating a transnational system of public governance.

Transparency of public power is of little use however unless sanctions are able to be imposed on powerholders in ways that can effectively enforce responsiveness of public decision makers to public standards that have been specified as a basis for protecting recognised social entitlements. In addition to mechanisms rendering the exercise of public power transparent, the effective operation of a transnational system of supply chain governance therefore also requires the existence of centralised or decentralised enforcement mechanisms for recognised social standards.

The anti-sweatshop campaigns undertaken by activists within both the coffee and garment industries have contributed in some limited and yet significant ways to the development of such enforcement mechanisms. To some extent, increased consumer awareness and concern regarding working conditions in offshore factories and farms has enabled activists to strategically mobilise and deploy consumer action as an independent coercive weapon able to be wielded in support of campaigners’ demands (Jenkins 2001). Such sanctioning mechanisms have operated both through direct consumer boycotts, and through deeper processes of socialisation manifested as broader reputational damage to company brands (Haufler 2001; Jenkins 2001; Ruggie 2001). Many firms are highly vulnerable to such pressure because of the value invested in the construction of their brands, making such strategies very successful – at least in some cases – as means of sanctioning decision-makers.

The strengthening of certain kinds of programmatic and redistributive capabilities has been another way in which some institutional capacity has been developed – though institutional capabilities of this kind have generally remained more underdeveloped than those involved in performing regulatory functions. One form of transnational institution building that has contributed more significantly than other initiatives to programmatic and redistributive capabilities is the fair trade system, which seeks to create an ‘alternative’ market through which coffee can be produced and traded on terms considered more favourable to marginalized coffee farmers (Macdonald 2007a). The transnational institutional architecture of this alternative trading system enables at least some limited degree of transnational income redistribution to occur. At the local level the fair trade system has also supported processes of organizational and institutional strengthening among producers, thus strengthening the capacity of local organizations themselves to contribute to the performance of a range of public service provision functions at the local level. Within corporate supply chains in the coffee sector, there are also some examples of new kinds of organizational relationships being fostered with external ‘partners’ such as development NGOs possessing complementary competencies, thereby enabling wider contributions to education or health programs to be facilitated.

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10 The way in which transnational forms of institution building have contributed to such processes of collective preference formation and signalling in the public domain are discussed further in (Macdonald 2008; Macdonald and Macdonald 2006b).
By gradually constructing institutional mechanisms that contribute to public transparency, public enforcement and programmatic and redistributive functions, these non-state governance systems have made important contributions to strengthening the capacity of transnational governance arrangements to provide effective protection for the social entitlements of those workers and producers participating in transnationalised economic sectors.

**Multi-level governance and new dynamics of social inequality**

However, at the same time that activists and companies have attempted to remedy inequalities in protection of acknowledged entitlements via creation of such new transnational systems of governance, differences have emerged in how such entitlements are defined with respect to differing individuals and groups within national communities, as new forms of *transnational* social responsibility are layered over the top of existing systems of *national* governance.

Because activist campaigns, corporate codes of conduct and fair trade schemes tend only to be developed in certain export sectors, other members of *territorial* communities who do not participate in production in such sectors, or who produce for export to other locations where these normative obligations are not recognised, are largely excluded from newly created forms of social entitlement. In this sense, the new institutions of public governance that are being constructed in both the garment and coffee industries are institutionalising new patterns of social entitlement and responsibility on the basis of an *associational logic*, in which new social entitlements are extended to those participating in global production systems, without equivalent entitlements being extended more widely. This logic appears to mirror what some political theorists have referred to as ‘interaction-dependent’ or ‘relational’ accounts of social entitlement and obligation, according to which the scope and content of social obligations and entitlements are linked importantly to empirical features of the social interactions in which individuals and groups participate (Armstrong 2009; Maffettone 2009; Sangiovanni 2008).

The models of public responsibility promoted by emerging institutions of transnational public governance in both the garment and coffee industries challenge the established view of production and trading relations connecting northern consumers to marginalised producers as being anonymous and morally unproblematic acts of voluntary economic exchange. Instead, they ‘re-frame’ the nature and significance of such relations as representing power- and value-laden relationships across space, introducing an *associative* and *relational* way of thinking about relationships of social reciprocity and obligation. Such accounts of transnational responsibility encompass claims and identifications of ‘collaborative enterprise’ and ‘interdependent core interests’, invoking the institutionalised social relationships that link populations in both poor and affluent nations via their common participation in transnational sectoral systems of production and exchange.

Such accounts of transnational political responsibility have been promoted by activists, who have targeted consumers in the global north as a basis for building stronger patterns of
identification and social commitment at transnational scale. The targeting of consumers by activists has served to transform “public awareness and public social norms” around issues of transnational corporate responsibility, and thereby to “build a base of people concerned about workers rights in the global economy”. In this sense, activist campaigns associated with agendas of both fair trade and offshore labour standards have attempted to mobilize underlying processes of social transformation in locations where the decisions of key actors at the ‘top’ of the supply chain structure (consumers and retailers) are situated. Such explicitly ‘norm’-driven strategies attempt to draw on existing values and identities as a means of mobilizing action around offshore labour issues, deploying claims that “we have the power to end sweatshop abuses and child labor because the American people are very decent and have a strong sense of what is just and fair”, and adopting slogans explicitly exhorting consumers to “Wear What You Believe”. Similarly, activists have sought to deploy emotive imagery highlighting the ‘human cost’ of production, and invoking the notion that increasingly close social and economic relationships of production and consumption imply an elevated responsibility for avoiding such human costs:

“Each time we buy clothes sewn in maquilas, we form an economic relationship with those who produced them. With that relationship comes responsibility.”

In these ways, the class of institutional relationships linking producers, traders and consumers within global production systems has been characterised as one of special moral significance which confers political entitlements and responsibilities beyond those owed by affluent populations to populations in developing countries as a whole.

In some cases, workers and producers participating in global supply chains selling into European and North American markets have acquired access to strengthened protection of social and labour standards that workers and producers working in similar jobs but selling into different markets have continued to be denied. Provision of basic social goods, services or infrastructure is another area in which those linked into global production systems have in some cases been able to access privileged entitlements. In some cases in the coffee sector in particular, programs of fair trade and corporate social responsibility have involved investments in social services or infrastructure within local communities, such as support for local schools or health clinics, or improved housing for permanent workers on coffee farms. In other cases, participation in global production systems has enabled strengthened worker and producer organisation, and thereby strengthened political agency among those producer groups participating in transnational systems of supply chain governance. Such examples are

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11 While it is notoriously difficult to measure transformations in norms, several studies of expressed values and preferences among US consumers suggest that as a result of such consumer campaigns, public norms and identities have been both mobilized around increased concern for issues of transnational labour standards, and transformed in some limited ways to reflect greater concern for such issues (Elliott and Freeman 2000; Harvey et al. 2001; Pollin et al. 2001)

12 Interview with National Labor Committee, New York, August, 2004

13 (National Labor Committee 2001)

14 This was a slogan deployed in a UNITE anti-sweatshop campaign in the US in the late 1990s.

15 (Witness for Peace 2001)
rare within corporate controlled schemes of supply chain governance, but much more common in relation to governance schemes such as the fair trade system (Macdonald 2007a).  

Because access to these expanded social privileges is allocated based on a particularistic logic, the progressive construction of such new relations of transnational responsibility and entitlement gives rise to new forms of inequality between persons living territorially side by side. The associational logic that appears to be driving processes of transnational institution-building therefore contributes directly to the intensification of existing patterns of inclusion and exclusion. The increasing recognition of new forms of transnational associational responsibility strengthens protections for social entitlements of those whose entitlements were previously violated as a function of the terms of their integration into the global economy. But it offers very little to those whose social entitlements are undermined as a result of their exclusion – including many of the most marginalised participants in a globalising economy. In effect, emerging governance institutions display a kind of ‘selection bias’ in the patterns of transnational political responsibility to which they respond, as the recognised social responsibilities that give rise to correlate social entitlements are politically constructed in asymmetric and uneven ways.

A multi-level system of social entitlement and responsibility is therefore emerging, creating new configurations of global social inequality. In place of a simple system of international inequality (in which thick forms of social equality between co-nationals stand alongside sharply unequal relationships between citizens of different nations), these dynamics are underpinning the emergence of a multi-level structure of social entitlement and responsibility in which social inequality beyond the nation is determined not only on the basis of national membership, but also on the basis of participation in a range of transnational associational spheres to which social obligations and entitlements attach.

**Implications for social inequality at national and transnational levels**

New patterns of inequality appear to be taking two distinct forms. First, the inequalities being created at the national level undermine equality of status between co-nationals. The values associated with national citizenship that underpin the ideals of ‘equality of status’ discussed above therefore come into tension with a commitment to extending strengthened social protections and entitlements (such as higher wages, improved health and safety, or enhanced access to social services or infrastructure) to participants within transnational relationships.

16 The examples described here have been selected as illustrations of the kinds of privileges associated with the most extensively developed existing schemes of transnational supply chain governance. It is certainly far from being the case that workers in export sectors such as these enjoy provision of social entitlements that go beyond those accessed by others within their local communities on a consistent basis. My contention here then is simply that to the extent that activists, policy makers and other observers celebrate such ‘best practices’ when they do occur, and seek to press for the consolidation and extension of such practices, the implications for social equality of such processes of transnational institution building ought to be more seriously confronted.
such as those associated with global supply chain relationships.\textsuperscript{17} To the extent that the boundaries of valued social relationships overlap within a multi-level system of social interaction and governance, a tension therefore appears to exist between protecting ‘thick’ forms of social equality between co-nationals, and recognising strengthened social and political entitlements associated with new categories of associational relationship at the transnational level.

Second, inequalities are being created between the social entitlements associated with associational relationships of different kinds. More extensive social entitlements and protections are accorded to co-nationals than to those participating in supply chain relationships; those participating in supply chain relationships are able to access more extensive entitlements than those connected to the global economy via more arms length market relations; and so on.

From the perspective of those committed to a ‘communitarian’ account of the scope and grounds of norms of social equality, inequalities of the latter kind would be regarded as problematic only insofar as they translated into inequalities of the former kind, which are clearly in conflict with a commitment to equality of status between co-nationals. A ‘cosmopolitan’ account of the scope and grounds of norms of social equality would be much more concerned about the second kind of inequality than would the communitarian view, though it is not clear that inequalities within this kind of multi-level configuration would be regarded by a cosmopolitan as any more problematic than the pre-existing structures of international inequality upheld by differentiated patterns of national citizenship.

For these purposes, I am particularly interested in considering how such patterns of inequality might be evaluated from the perspective of a ‘relational’ account of social entitlements and responsibilities, such as that invoked in the construction of these transnational supply chain governance schemes. On such an interaction-dependent view, the meaning and value of social equality are held to arise as a function of certain features of the social institutions or relationships within which equality is being assessed.\textsuperscript{18} That is, “the reasons why we care about social inequalities are essentially connected to the structural or cultural characteristics” of particular social relationships (Beitz 2001, p.96). On such an account, concern about inequality should therefore be institutionally contingent; in the absence of such ‘structural or cultural characteristics’ of relevant social relationships, inequalities between individuals or groups should not be viewed as a source for concern.

\textsuperscript{17} The social and economic inequalities generated within national communities directly as a result of the globalisation of production and trading relations (as opposed to also as a result of the institutional systems created to govern such production and trade, as I discuss here) have been explored and debated extensively elsewhere. See for example (Hurrell and Woods 1999; Kaplinsky 2005; Ravallion 2003; Ravallion and World Bank. Development Research Group. Poverty and Human Resources. 2001; Sen 1992; Wade 2004).

\textsuperscript{18} Such an account resonates with ‘interdependence’ dependent accounts of the scope of egalitarian justice; such accounts focus variously on the institutional scope of social interdependence, cooperation, coercion, harm and/or benefit (Caney 2004 (unpublished paper))). See also (Pogge and Bleisch 2002).
Establishing that the value of social equality is dependent on certain features of social relationships and institutions establishes the possibility of a justification for observed patterns of inequality, since the characteristics and boundaries of certain institutional relationships can therefore be viewed as placing justified limits on the required scope of equal social entitlements in any given context. However, both the content and the grounds of the social entitlements claimed to be associated with these transnational social relationships remain importantly underspecified and contested.

Some prominent writers on the topic of social equality – notably David Miller – have been very explicit in rejecting the proposition that principles of social equality and justice can simply be ‘stretched’ to the global level as relations of social power and interconnection extend to transnational or global scope. Miller distinguishes between the simple fact of transnational spheres of human interaction – or the possibility of ‘having an impact’ across borders – and “having a citizenship relationship with fellow-members of your political community”. (Miller 2007, p.13-15) continues:

“the principles that tell us what counts as a just distribution of some good are specific to the context in which the distribution is taking place. There is no one master principle (or connected set of principles) that defines justice in all times and all places. Instead, the relevant principle will depend on what is being distributed, by whom, and among whom: especially on the kind of relationship that exists between the people among whom the distribution is occurring ... we need to ask whether the institutions and modes of human association that we find within nation-states, and which form the context within which ideas of social justice are developed and applied, are also to be found at international level, and if not how we should understand human relationships across national borders. Only then can we begin to ask what global justice should mean.”

To the extent that such a proposition is accepted, we would require a distinct account of the content, scope and grounds of social entitlements and obligations associated with each distinct category of valued social relationship. That is, the ‘structural or cultural characteristics’ of particular social relations that are connected to ‘the reasons why we care about social inequalities’ would need to be unbundled and examined one by one in relation to each distinct category of social relationship in relation to which concerns about inequality were present.

Authors within the literature on relational accounts of social justice have identified a range of characteristics of social relationships that may give rise to distinctive obligations of social justice: these include relations characterised by particular forms of power, coercion,

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19 This notion mirrors similar sentiments expressed by (Rawls 1999): “The correct regulative principle for a thing depends on the nature of the thing”. (Sangiovanni 2008) similarly suggests that: the ‘practice dependence thesis’ on the nature of justice entails that “[t]he content, scope and justification of a conception of justice depends on the structure and form of the practices that the conception is intended to govern”. Both cited in (Maffettone 2009).
interdependence, reciprocity and shared identification (Armstrong 2009; Maffettone 2009). All these criteria appear to be met to some degree by the relationships formed within global supply chains. However, this observation alone does not go very far towards enabling evaluation of the extent to which observed dynamics of inequality may be justified. Rather, we require much clearer accounts of the reasons we value these transnational relationships, and how these reasons relate to the reasons we care about social inequality. This in turn needs to be developed into sharper accounts of normative thresholds and criteria through we may identify the relevant types and intensities of power, interdependence or reciprocity in which we consider norms of social equality to be grounded.

The pluralist or multi-level patterns in which transnational associational relations are emerging complicate this task further, since a justification of observed patterns of equality or inequality across such a multi-level structure requires not only separate accounts of the content, scope and justification of social entitlements and obligations within each distinct type of social relationship deemed to be normatively significant in the relevant way, but also some account of how competing demands of social obligation and entitlement between these spheres may be resolved.

**Conclusion: egalitarian dilemmas of multi-level supply chain governance**

Those transnational governance systems that are emerging in the domain of global production are making some important contributions to promoting social equality by strengthening the protection of minimum social entitlements. However, these transnational supply chain governance systems have also contributed to the creation of new patterns of inequality within and across national borders, as new relationships of transnational social responsibility and entitlement have been layered over the top of existing relations of national citizenship. These dynamics have been shown to present significant normative and institutional challenges for those multi-level governance arrangements that appear to be emerging within a partially joined up global order.

Normatively, the task of theorising multiple, overlapping types of ‘associationally’ grounded relationships of social entitlement and responsibility is a daunting one. A small body of work has begun to accumulate in the normative literature addressing questions of transnational associational justice (Armstrong 2009; Maffettone 2009; Sangiovanni 2008). A great deal more work in this area will be required, not only to develop more detailed accounts of the grounds, content and scope of the social justice obligations and entitlements that attach to heterogeneous types of social relations, but also to develop an account of principles that might regulate the interaction between these different ‘spheres of justice’ in the absence of an overarching citizenship relation.

The dynamics of unequalisation emerging within a partially joined up global order also pose significant institutional challenges for multi-level institutions of public governance. The protection of social equality at the national level has relied importantly on the capacity of centralised and constitutionalised institutional structures within nation states to enable
coordination, regulation and ‘cross-payments’ to take place across multiple, overlapping spheres of social interaction within national communities. The challenge confronting multi-level governance systems is how to design *decentralised institutional structures* with sufficient capacity to coordinate decisions between dispersed decision makers, thereby enabling ‘spillover’ dynamics between spheres of association to be effectively managed.

In other contexts, ‘horizontal’ coordination has often been facilitated via the development of voluntary inter-organisational networks. Where the incentives for dispersed actors to participate on a ‘voluntary’ basis in such networks are lacking, arbitrated forms of horizontal bargaining or the reconstitution of actor incentives via indirect regulatory strategies may also play an increasingly important role (Black 1996; Teubner 1983, 1996). The development of such horizontally coordinated mechanisms remains embryonic within existing supply chain governance structures. However, such models provide suggestive pointers towards the directions future institution-building efforts may take in order to strengthen the capacity of a multi-level governance system to more effectively protect norms of social equality within the governance system as a whole.

Up to now, many concerns about social inequality associated with multi-level configurations of transnational economic governance have been moderated by the relatively marginal status of private governance initiatives in many contexts of production. The very limited scope of the social benefits extended by the majority of these schemes has also perhaps contributed to tempering such concerns: with few social benefits to distribute, less is at stake in questions of distributional equality. Nevertheless, as such governance schemes continue to expand and increase in importance for populations in the developing world – and as multi-level models of global governance continue to attract serious and sustained attention by scholars and practitioners of global governance – the stakes in this question will only continue to rise. We therefore need to take more seriously the project of developing decentralised, horizontal means of tackling inequalities between associational spheres, in the absence of an overarching constitutionalised structure of global social governance.

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