

HRH Prince El Hassan bin Talal  
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Grounds for Divorce:  
The Uncoupling of Democratic Capitalism  
& the Restoration of Trust and Confidence on the Global Commons

*Because things are the way they are,  
things will not stay the way they are*  
- Betholt Brecht

Dear Dr. Kurt Gribl, Professor Hans Küng, colleagues and friends, I'm greatly honored to receive the Augsburg Peace Festival Prize. This is an appropriate moment for reflection on international cooperation and peace. But I honestly think that before we can undertake a serious consideration of peace we must first focus on restoring international trust and confidence, which is now under great stress and is likely to deteriorate further as this financial crisis turns into a monetary crisis. The world has never faced so many problems at one time, yet I also see reason for hope because the awareness is now dawning that only global solutions will see us through this great unwinding. I've been an internationalist all my life, even as I worked for many years on development in my own country of Jordan. I've never forgotten that world affairs must be centered on human dignity and on nature to bring forth the values of justice, fairness, generosity and love – which is why I imagine you have bestowed on me this prestigious award. Thank you most humbly. Your gift renews my dedication to move forward in service. But more importantly, I suggest we use this occasion to inspire us all to greater work. And there is much work to be done.

## From the Axial Age to Liberalism

I'd like to share with you what I've been thinking recently. The global financial turbulence is affecting everyone and my heart aches as I spend time with all of you and feel the hurt and confusion that is spreading. Neither rich nor poor can escape this contagion affecting the economic system, but it is the poor especially who will continue to be disenfranchised by this crisis. What we are witnessing is more than the freezing of credit markets and the disintegration of the financial sector. As we watch the news of investment funds and banks crippled with losses and liquidity shortages triggered by the bursting of the housing and credit bubbles in the United States, I believe that what we are experiencing is the demise of the liberal system under which most of you have grown up and lived.

I suggest we look back into history to provide a context for what is happening at this pivotal moment. The idea of an **Axial Age** comes from the writings of German philosopher Karl Jaspers.<sup>1</sup> He maintained that the years 800-200 BC were a uniquely transformational period across Asia, the Near East and Europe – a time in which many key thinkers, working independently, had a major influence on religion, philosophy, culture, science, politics and economics. The origins of our current civilization can be traced to this period. Many of the same ethical qualities that were identified during the Axial Age – liberal religion, justice, reciprocity, compassion, love, universalism, altruism, humanism, the ending of human suffering, political participation and equitable distribution of wealth – were rediscovered and brought forward during the 17<sup>th</sup> and 18<sup>th</sup> centuries in Europe. Some say that the Liberal Enlightenment itself was a Second Axial Age,<sup>2</sup> while others believe that we are only now on the verge of a Second Axial Age, since our consciousness is finally becoming global and

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<sup>1</sup> Karl Jaspers. *The Origin and Goal of History*. New Haven: Yale University Press, 1953.

<sup>2</sup> Karen Armstrong. *The Great Transformation*. New York / Toronto: Alfred A. Knopf, 2006.

humanity is beginning to accept its responsibilities as a world community.<sup>3</sup>

The economic dominance of the West has been challenged on a few occasions since the 17<sup>th</sup> century, but never on the scale that is being mounted today. The Chinese economy has been growing at 7-10% GDP for nearly thirty years and will be on par with the United States economically within twenty years. India is also booming and will continue to do so, particularly because of its young demographic, its expanding educational system and expertise in technology. But the ability of North America and Europe to shape the international order through liberalism is under assault not only from the economic rise of Asia.

The moral authority and political wisdom of Western liberalism is also in question. For the better part of three centuries, we have been under the spell of an alluring idea – that democracy and capitalism are inseparable partners, bound together in a special compact ordained by an 'invisible hand'. In the virtuous circle of liberal thought, democracy leads inevitably to capitalism and capitalism leads to democracy – and the two shall live happily thereafter as the Market State. This marriage of economics and politics is one of the great events in human history, unleashing an unprecedented era of material progress, although there are many people, especially in my part of the world, who remain skeptical of the modern values expressed in this union of political economy which seems so absent of ethics and compassion. Nonetheless, the first part of the liberal promise has proven true – national democracies have very often resulted in capitalist economies. The reverse, however, is in much dispute: capitalism does not necessarily foster democracy – and this has serious implications.

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<sup>3</sup> Hans Kung. *Global Responsibility: In Search of a New World Ethic*. New York: Continuum, 1993.

The end of the Cold War renewed the dream of political freedom across the world. For a decade, we envisioned a *peace threshold* arising from East-West demilitarization for the benefit of society. Having conquered communism, as we had earlier conquered fascism, our Market State seemed invincible. Democratic capitalism would usher in the 'end of history', the leveling of cyclic boom and bust cycles, the bridging of cultures and the conversion of swords into ploughshares. But the realization of a self-generating dynamic between political liberty, laissez-faire economics, converging cultures and international peace proved to be little more than hopeful rhetoric – a transitional bubble in the sweep of global history. In fact, we are now experiencing a democratic reversal. Freedom House, which annually assesses democratic trends around the world, reports that the number of 'free' nations has been declining in recent years. In 2007, for example, 10 nations improved in their freedom ratings while 38 declined.<sup>4</sup>

China, Russia and Mexico are familiar examples of states where market freedom has been thriving but social and political freedoms are struggling for expression. Many people say that it's only a matter of time before such nations become democracies – but this is probably based more on inflated expectations of ideology than on the evidence. Others say that because the increase of autocracy in the world is correlated with a nation's possession of oil and energy wealth and a trade surplus, and since many autocracies are already playing by the liberalized rules of the World Trade Organization, there is always hope that they will turn democratic. But how realistic is this?

### The Failed Promise of Democratic Capitalism

During the past 25 years, economic globalization – by which I mean rapid growth, the privatization of government-owned

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<sup>4</sup> Freedom in the World. New York: Freedom House, 2008.

enterprises, decreased government regulation, reduced social spending, the lowering of barriers to international trade and investment, and the exploitation of natural resources – has deeply affected the decision-making power of people in free societies.

As differences between local and international responsibilities are blurred by the integration of global ideas, cultures, people, places, trade and finance, the legitimate means of governance are being called into question. If democracy were truly working, it would allow people to redress the negative externalities of capitalism – such as growing economic inequality, job insecurity, and environmental damage. But as a result of financial and trade liberalization, corporations, insurance companies, investment houses and banks have usurped the sovereign ability of governments to meet the needs of their citizens, leaving people increasingly powerless to address these problems. This is so even in democracies like Japan, the United States and the nations of Europe.

As our devotion to market forces accelerated the accumulation of income and wealth into fewer hands, increasing the divisions between the global rich and poor, the public debate over rules for the distribution of resources has itself been outsourced to the marketplace – leaving the market to regulate itself. At the same time, the international political system has been desperately weak in ensuring that the power of national governments over individuals is not exercised outside of the law, because the principle of sovereignty shields states that choose not to offer a just legal order to their citizens. The emerging international principle of the *responsibility to protect*<sup>5</sup> those whose lives are in jeopardy in their own country is often outweighed by article 2(7) of the United Nations Charter, which declares that “nothing should

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<sup>5</sup> Commission on Intervention and State Sovereignty. *The Responsibility to Protect*. Ottawa, 2001.

authorize intervention in matters essentially within the domestic jurisdiction of any state”.<sup>6</sup>

So democratic capitalism is now facing a major crisis of credibility. The real issue is not whether markets are self-correcting or whether they need regulating by states. The real issue is that markets and states are not sufficient to handle the increasing number of systemic risks that transcend national borders. Ladies and gentlemen, our shared physical and cultural spaces are under assault. Governments, transnational corporations and development banks are making claims on resources that were previously managed locally, encroaching upon the economic and ecological domains that spill across sovereign borders – yet the Market State is increasingly unresponsive to the growing tribulations on our commons and to our spiritual responsibilities as custodians of these common goods. The litany of our transborder problems includes world hunger, population growth, the erosion of wages and working conditions, economic disparity, gender disparity, energy security, resource depletion, water scarcity, destruction of rainforests, overfishing, species loss, wealth disparity, ozone depletion, global warming, environmental pollution, energy insecurity, infectious diseases, noise, sprawl, migration, cross-cultural conflicts, regional political instability, state failure and terrorism.

As the community of sovereign nations grows more impotent in the face of these emergencies, many states are attempting to *de-leverage* both politically and economically from the liberal power structure. Yet this is proving quite difficult because virtually all nations are enmeshed in global trade and financial relationships, legal agreements and treaties, and also because there does not appear to be a clear alternative to our system of free markets underpinned by sovereign reciprocity and multilateralism –

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<sup>6</sup> United Nations. *United Nations Charter*.

beyond the prospect of a grim mammonistic world of corporate autarchy, where the fear of externally-financed 'evil empires' is used to perpetuate authoritarian rule.

Try as we may to disengage from the blame game and create real empowerment with authentic solutions, the Market State continues to draw us back in with splendid reassurances of our 'freedom to choose' between irresponsible options. On one hand, the public sector offers us social collapse through mass unemployment. On the other, the private sector holds out the possibility of environmental collapse through continued economic growth. These deep contradictions in democratic capitalism give us cause to break away now from this co-dependent partnership. Neither the privatization of resources nor their appropriation and management by government are adequately addressing the problems of resource overconsumption and degradation – and enabling people to use natural resources sustainably – while the costs of fighting poverty and climate change continue to fall disproportionately upon those who are already poor and on future generations. Such neglect and abuse is grounds for divorce – the uncoupling of democratic capitalism and the restoration of our commons through a new global social and economic charter.

### Reclaiming the Commons

It's time for citizens to reclaim the power of decision-making and engagement for the common good through new oversight of the squabbling banks, the corporations and their lobbyists, public relations experts and ideologists. Responsibility and authority must shift from governments downwards to individuals, communities and civil society, and upwards to international organizations, regional systems and networks. Together, as a global citizenry, we must now confront the many environmental and cultural problems involving matters of shared international concern that governments and markets are not equipped to address.

We can only confront this crisis through a third sector of popular will – a powerful countervailing force dedicated to ensuring human security, cooperation and sustainability across borders. This third sector is the commons, consisting of our environmental, social, cultural, genetic and intellectual resources. Identifying the commons means clearly defining for ourselves the boundaries of particular resource domains to prevent their further enclosure, overuse and deterioration, and to recover the human and natural wealth that has been lost in our historical transition from society-centered markets to market-centered societies.

### Self-Governance

The United States is now perceived to be losing its legitimacy as a guarantor of the rule of law across the world. American influence and moral authority are in decline as a result of the wars in Afghanistan and Iraq, which have been a disaster for military and diplomatic reasons. American violations of human rights have been a travesty. And spending on these wars has also led to a deeper deficit and a decline in the value of the dollar, which combined with weak subprime regulations and a credit crisis, has visited serious trouble upon the US economy. If the dollar continues to lose its value, the purchasing power of American foreign assistance – humanitarian, economic, and military – will also decline. As its liquidity dries up, how long can the US remain the world's *de facto* legal power, setting the standard for global order?

The rule of law is necessary both nationally and globally to prevent disorder. But the liberal legal order has tried to embrace both the sovereign prerogative of states to act freely within their own borders, as well as the interests of the global community in applying these rights universally so that all people are afforded legitimate protection under the rule of law. That legal system is failing because the principle of national sovereignty has been

elevated above international law, which, it is often argued, is undemocratic since international treaties are not developed in a popularly representative fashion. But in fact, during the hundreds of years before sovereign treaties came into existence, international law was developed through international custom – local and regional agreements for governance of the commons.

State enclosure laws and privatization have made these shared rules for the neighborly governance of resources seem old-fashioned, yet the principle of self-governance still holds great significance at local, regional and global levels. Cross-border and supra-national institutions for the management of our commons are becoming increasingly necessary because sovereign jurisdictions and their social institutions rarely match the boundaries of ecosystems or social and cultural groups and diasporas. The challenge now is to include customary international law in the international legal order so that the law obtains in situations where individual states do not provide it, particularly for the protection of the poor and defenseless. The means of this legal empowerment are the commons – local, regional, intraregional and supranational.

Restoring the commons to its proper standing involves engaging civil society groups and individuals across the world, along with international organizations, to take an active role in shaping the growing interdependence of our shared spaces. The objectives of the commons sector are to generate more equitable and sustainable economic policies, and to de-legitimize the monopoly of government and market power in order to create space for different ways of producing, consuming and valuing wealth. This involves creating new checks and balances on the government and corporate sectors that have placed individual freedom and market efficiency above environmental and social harmony. In many cases, it means recovering ownership of common spaces from government and private interests. But the commons sector is

not set in opposition to the public and private sectors – rather, it binds government and business through new global standards to counterbalance the negative externalities which are holding back our efforts to use fewer resources, reduce consumption and increase conservation and efficiency.

A new awareness of the commons would embrace open markets and financial innovation but also require business and government to serve community and environmental needs, thus striking a new balance between the private sector, the public sector and the commons sector. The first step must involve intra-regional and supra-national agreements among investors, businesses, states, and civil society. Working together, we can create a new social charter, a code of conduct and a cohesion fund in various regions of the world, empowering the poor to escape poverty and improve their quality of life and personal dignity through common welfare and human security.

### Irreconcilable Differences

We know now that democracy is likely to result in capitalism (at least in states where meritocracies are encouraged and protected). But capitalism does not inevitably lead to democracy – and this fact is shaking the Western liberal order to its foundations. It is becoming clear that democratic capitalism was a historical stage that has brought us to the global level but does not contain within itself the capacity to manage our interdependence. The Market State has left us in a bewildering transitional space between national sovereignty and international governance, which Herman Daly has called "a cosmopolitan non-community of globalized individuals".<sup>7</sup> The challenge before us is not one of normalizing international relations, but of normalizing international themes so that all matters bearing on the global commons are brought together in one multilateral agenda. A

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<sup>7</sup> Herman Daly. *The Right Livelihood Award Acceptance Speech*. Stockholm: Right Livelihood Award Foundation, December 9, 1996.

global economic coordination conference – linking human rights, development, social, cultural, environmental, trade, financial, and monetary, and security issues – is long overdue.

The multilateral system that evolved after World War II was driven by American monetary hegemony and financial and trade dominance. Over the past sixty years, the United States has transformed its enormous wealth – the greatest productive surplus of any nation in history – into a giant debt and credit machine in order to fuel its own military spending and consumption. As a result, America has become dependent on foreign savings to finance its mounting current account deficit. But the attraction of US financial assets to foreign investors has been thwarted by the current meltdown of the US economy. Since the American dollar accounts for nearly 2/3 of official foreign-exchange reserves, the collapse of the US financial and banking system is affecting the entire world through this extraordinarily high level of leveraged capital. The US presently owes the world \$14 trillion. Nations are bracing for the day when the dollar hits bottom and loses its role as the world's primary reserve currency. Before long, a new international monetary system must be negotiated, establishing a fair and just financial order with a diversified currency that is no longer dependent on the United States.

This will result in a new geo-political balance of power. The rules and institutions of this new system will go beyond the dichotomized liberal order that we have known. In my view, we must not stumble into these international negotiations for our economic future stuck upon the idea of 'democracy', because most nations recognize that it was the malpractice of democratic capitalism that precipitated the current disaster. Please do not misunderstand me. I'm not saying that we may not someday have democratic global governance. What I am saying is that it will not be of the liberal brand – the kind of democracy that defines liberty

merely as consumerism and creates unregulated markets to privatize profits and socialize their costs. You know the democracy I'm referring to – the public-private engine that burns through the capital stock of renewable resources while repressing the genuine interests of society and nature for sustainable levels of production and consumption. Instead of the ideal of democracy, we should be thinking of the authentic empowerment of citizens and their actual opportunities to participate in the decisions that directly affect them. These issues are addressed in the report of the Commission for the Legal for the Empowerment of the Poor, of which I am a member, whose aim is to guarantee the right of legal protection and economic opportunity to all people.<sup>8</sup>

The post-liberal world order can only finance the opening of renewable energy capacity through a new nexus involving citizens, government, business, the environment and a social charter for human rights and human dignity. Without a legal covenant for the just distribution of resources and financial investment in human security, we will be facing a sustained conflict between the public and private sectors, perpetually discounting the poor, the environment and the future in a fractured world of corporate barbarism.

### Declaration of Intra-Independence

Ours is a spiritual crisis. Where fear exists, there is no love. And when our actions are not done in love, they have no value. My dear friends, our economized world is devoid of human value. We cannot continue to power our global economy through a liberal ideology that is merely a belief system in the service of power. As Pope Benedict XVI said recently, the world's financial systems are

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<sup>8</sup> Madeleine Albright and Hernando De Soto. Report of the Commission on Legal Empowerment of the Poor. New York, 2008.

“built on sand”.<sup>9</sup> Financial laissez-faire is over and its political and ideological underpinnings are dissolving.

This becomes exceedingly clear when some members of the club of modern democratic nations openly speak of their disregard for ‘surplus humanity’ – as if the long-discredited spectre of Marxist dialectics, from surplus value to surplus repression, were being resurrected again in the homes of an egalitarian bourgeoisie that seems dedicated to fighting its own shadow of corruption by terrorizing and eliminating whatever human flesh dwells innocently in the hinterlands. But capitalism, like socialism before it, has cheated on its promises to us and lost its morality. We can choose to remain in the household of this failed marriage, or we can petition for the dissolution of the Market State and articulate a vision and a set of values that recognizes our vital dependence on the commons and the ethical involvement of human capital for intra-regional stability and the common good.

This is a new axis in history. The great divorce of global democracy and capitalism may turn ugly or it may proceed amicably. Peace is possible. The uncoupling of democratic capitalism can have a positive outcome. We ask the partners of the Market State to show cause why you should not alter your partnership and grant the relief we are requesting in allowing ethical standards to be linked to corporate practices. We are asking for an end to the culture wars, the rancorous ideological bickering, and the institutional incapacity to provide for our welfare and security. We seek a settlement between the private sector and the public sector that heals the bitter divisions of the past and ensures the survival and prosperity of all our children and future generations through a just and equitable reopening of our common resources.

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<sup>9</sup> Richard Owen. "Pope Says Financial System 'Built on Sand'." [timesonline.co.uk/tol/comment/faith/article4893190.ece](http://timesonline.co.uk/tol/comment/faith/article4893190.ece)

Please understand, in using the language of divorce, I do not mock the sacred institution of marriage, which I deeply honor. To the contrary, I'm deeply moved by the trust and commitment that is so often forged by the unlikeliest of partners. Do you know the haunting novel by Louis de Bernieres, Birds Without Wings, in which a Muslim boy falls in love with a beautiful Christian girl in rural Turkey during the waning years of the Ottoman Empire?<sup>10</sup> Or Kurban Said's poignant story, Ali and Nino, of a Muslim boy from Azerbaijan and a Christian girl from Georgia who fall in love and struggle to stay together during the pandemonium of World War I and the Russian Revolution?<sup>11</sup> My region has many similar tales of colorful travels through the mountains and vales of these rugged lands between the East and West, where, despite colliding cultures and political resistance, love endures and elevates human beings through the sanctity of their beloved partnerships. I believe, too, that the Byzantine world and the great energy elipse that extends from the Black and Caspian Seas and the Bulgarian Caucuses down through Persia to the Hormuz and all of their surrounding environs, have much to teach us. As a historic scene of endless wars but also a crossroads of trade and culture for Christian Europeans, Slavic Europeans and Islamic West Asians, the region is a living symbol of our need for social empowerment, transitional democracy and good neighborhood policies.

This is why I see a new covenant emerging from the irretrievably broken bonds of liberalism. The transformation we seek – political, cultural, environmental and economic – requires moral and ethical leadership to lift the human spirit and lead humanity with new standards for a unified world. Liberalism gave us the gifts of advanced reason and technology and we are most grateful, but now it's time to address the deeper dimensions of our meaning and existence as a global people. If the First Axial Age was about realizing local and regional identity in the world, then

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<sup>10</sup> Louis de Bernieres. *Birds Without Wings*. London: Secker & Warburg, 2004.

<sup>11</sup> Kurban Said. *Ali and Nino: A Love Story*. New York: Random House, 2000.

the Second Axial Age is about realizing a new global identity through our local and regional commons. We need a worldview broad enough to see that human beings are an interdependent and intergenerational part of the complex web of life, while ensuring the provision and appropriation of resources to meet the actual needs of people on the ground and in their homes, crossing the threshold of our commons and entering into a world of happiness and conviviality.

Peace is truly possible once we forgive the hurt of our separated lives and heal the sorrows of our wounded relationships, setting forth as world citizens with a new global ethic, a new natural and cultural identity, and a new global political movement committed to building communities of trust and cooperation for the management of our shared resources. The commons shows us the way toward global consensus-building and a new multilateralism for rich and poor nations based upon just laws, good governance, legal rights for the poor and disempowered, and an economic system which cherishes nature and human dignity as central values. I think that if we can realize this, then peace is possible.

So, ladies and gentlemen, I leave you with a challenge. Can we make the adjustment from the Market State to the global commons before greater ecological, social and political turbulence occurs? It is for you now to decide.