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MAIN ISSUES PAPER

**EXPO 2000 / OECD FORUM FOR THE FUTURE
21st CENTURY SOCIAL DYNAMICS: TOWARDS THE CREATIVE SOCIETY**

Berlin, 6-7 December 1999

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**EXPO 2000
OECD FORUM FOR THE FUTURE**

Conference 3

**“21st CENTURY SOCIAL DYNAMICS:
TOWARDS THE CREATIVE SOCIETY”**

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Looking to the future on the threshold of a new millennium, the conferences in the EXPO 2000 OECD Forum for the Future series on "People, Nature and Technology: Sustainable Societies in the 21st Century" will consider four key areas of human activity: technology, economy, society and government. The conferences will explore possible trends in the key variables and analyse different development paths in order to expose some of the main policy implications and options. Each conference will provide a partial analysis of underlying trends and policy directions. However, taken as a whole the conference series is intended to provide a comprehensive foundation for assessing the critical choices likely to face citizens and decision-makers in the next century.

From the diffusion of information technology and the growth of the knowledge economy to the globalisation of markets and radical managerial innovations, the factors driving and being driven by social change are both wide-ranging and deep. It is a tide of pervasive transformation that is simultaneously washing away and reshaping the social foundations provided by cultural traditions, social symbols and institutions of authority and security. From the family and school to the firm and parliamentary fora, long-standing social reference points are being called into question, reformed and reinvented. Exploring the challenges posed by this transition to new, more dynamic social foundations is the primary aim of this conference.

Session one examines the long-run trends in both conventional and less-conventional social variables and categories. Consideration will be given to empirical estimates of changing patterns and structures of income, population, wealth, social status, health, and cultural identity. The second session turns to possible outcomes of the interaction between social structure and the changes likely to be wrought by two inter-dependent developments: first, the rapid and broad diffusion and deepening of the knowledge economy and society, and second much fuller global and regional integration, including the markets for goods, services, finance, technology and labour. Session three looks at the policy challenges posed by these trends. The purpose of this Main Issues Paper is to provide an outline of the main issues, help stimulate discussion, and propose specific questions for debate.

Session 1 - Long-run Social Trends: Mapping Diversity

Considerable controversy and uncertainty surround the interpretation and implications of trends in social patterns and structures. Some observers see fusion and convergence based on such factors as European integration, the emergence of the Pacific region, the economic catch-up of major developing nations, and the move towards a global economy based on the wide diffusion of knowledge instead of unevenly dispersed natural resource endowments. Others emphasise the growing heterogeneity of societies and their polarisation and fragmentation due to such developments as greater divergences in earned income, the expanding gap between information "haves" and "have-nots", the worsening plight of the world's poorest children and the wider schisms that mark religious and cultural fundamentalism. An alternative, plausible assessment is that both of these currents will co-exist over the next twenty to thirty years, generating a highly dynamic social tapestry.

The purpose of this session is to provide an overview of past and future trends in societal development across the globe, focussing first on broad indicators of change within societies, and second on general trends between and among societies.

Mapping diversity within societies....

Across the globe, people are living longer. In almost every country in the world life expectancy has improved significantly, fertility rates are falling and population growth rates are slowing, all trends which are set to continue in the decades ahead. As a result, the age profile of societies is lengthening. In OECD societies, for example, the 80+ and 90+ age groups are expected to expand considerably, with many remaining active, healthy and mobile until very late in life. At the same time, populations in developed and developing countries alike are concentrated more and more in cities, places which are infinitely more heterogeneous -- socially, culturally and religiously -- than most rural communities. Moreover, as migratory flows have continued, driven by war, famine or simply the desire for greater economic security and a better life, the ethnic landscape of many countries has become much more varied. The industrialised countries are no exception. It is thought that some 100 million people have migrated to OECD countries since the Second World War (more than three times as many migrants as crossed the Atlantic from the 1880s to 1920). There are few signs of these flows abating. Immigration into OECD countries actually accelerated in the 1980s and early 1990s, and after a brief slowdown, is accelerating yet again. Not surprisingly, foreign and immigrant populations have grown and, as a reflection of the widening range of sending countries, have become increasingly diversified.

Partly as a consequence of these changes, partly as a result of broader economic and technological change, family structures in most societies have undergone important transformations. In OECD countries, the traditional nuclear family has been superseded by a mixture of alternative configurations -- unmarried couples, single parents, semi-autonomous communal groups, same-sex partners, and -- especially among immigrants -- extended families. The impact on household structures has been quite remarkable, leading to a mushrooming of different household types and spectacular growth in single-person households. In countries as fundamentally different as Algeria, Cuba, the Netherlands, Peru, Spain and Sri Lanka the share of economically active women has risen by half since the 1980s. And going hand in hand with these changes within societies has been the emergence of an ever more colourful kaleidoscope of values, cultures, religions and spiritual beliefs. Particularly pronounced in OECD countries has been the spread of "post-modern" values, implying not only greater concern for quality of life and tolerance, but also a greater attachment to individual self-expression and individual value systems.

The heterogeneity of social structures has been matched by equally vibrant diversity in the economic, technological and educational spheres. With rising incomes, broad-based technological progress, dramatically falling transport costs and expanding international trade and investment relations, consumers in many parts of the world have over the last half-century witnessed a proliferation of choice in goods and services. A multitude of scientific and technological breakthroughs has widened the spectrum of possibilities in such areas as medical treatment, communication, information, energy, transport and housing, beyond anything most people ever imagined fifty years ago. Leisure activities and self-expression have also flourished as educational attainment has improved and the number of non-working hours over a lifespan has increased for many people.

At the same time, however, this growing differentiation within societies has been accompanied by greater inequality, fragmentation and polarisation. This is perhaps most telling in the case of income and wealth. Disparities are huge in developing countries, but even within OECD societies, after a long period of relative stability or even decline, they seem to be growing. Pushed by technological change, higher returns to education and skills, and long-run structural unemployment, wage disparities have widened over the last decades in the more advanced economies. At the one extreme, the low-skilled, poorly qualified have fallen behind the progress of mainstream incomes; at the other, the very wealthy have opened up a yawning divide between their own incomes and those of the vast bulk of employees. In the US, for example, at the beginning of the 1980s a typical CEO earned 42 times the average salary of his workers; he/she now earns over 400 times as much.

But it is not only income and wealth disparities that give rise to concern. Life chances in other domains such as education, technology and so on, also continue to be very unevenly distributed within societies. For example, in many parts of the developing world, from India and Iraq to Cambodia and the Congo, enrolment rates for females in secondary education are only two-thirds of those for males. In OECD countries, the handicap of low educational attainment is reflected in exceedingly high unemployment rates for under qualified young people even many years after leaving school. Concern is also mounting about uneven access to new technologies across society, particularly to IT and use of the internet. In the UK, for example, only 10 per cent of the poorest households own computers compared with nearly 70 per cent in the top income bracket. Internet users range from 3 per cent in the lowest 5 out of 10 income groups to 32 per cent in the top decile.

Added to this in the more advanced societies is the growing scope for the wealthy and mobile to buy their own health care, education and private security. Taken together with rising divorce rates, the breakdown of traditional family structures, the increasingly assertive search among some segments of society for cultural, spiritual or religious identity, and the emergence of individualism, it is small wonder that many people see the future of societal change mainly in terms of disintegration and polarisation.

This would, however, only be part of the picture. In many walks of life the very diversity of social development is fuelling the engine of renewal and regeneration. Indications are accumulating that families are moving more to networking-type relationships and re-thinking the channels and patterns of solidarity between generations and wider family structures. Similarly, it is not everywhere the case that social capital -- the civic engagement of individuals -- is declining. In many countries there would seem merely to have been a shift from support of traditional organisations and institutions (trade unions, the church, women's guilds etc.) to newer forms of voluntary association such as environmental organisations, societies for the protection of animals, sport and leisure clubs, and so on.

.....and across societies world-wide

A cursory glance at the statistics and at broad economic and political trends conveys, without question, a strong sense of convergence among countries. Global and regional integration of markets, though far from comprehensive, has progressed significantly since the 1950s through successive rounds of trade negotiations and, more recently, a distinct and widespread shift in stance especially among many developing countries towards greater openness and stronger market orientation of economic policies. Indeed for many commentators this is part of a broader movement towards the general acceptance of the market economy. Productivity levels and production structures have become a good deal more similar among the advanced countries, and several major developing countries have reached, or are rapidly approaching, OECD levels of production and income. Global communications have shrunk distance and, chiefly through the growing presence of the media, have brought foreign and especially western cultures and lifestyles into the homes of millions of families. Indeed, certainly among the more advanced economies there is little doubt that there is a convergence towards a common and greater range of family forms: the importance of solitary households is growing, the weight of the traditional nuclear family is diminishing, and fertility is declining.

Equally, however, there is a strong cross-current of diversity. It is perhaps most striking at the demographic level. In almost all OECD countries populations are ageing rapidly and growing only slowly or actually shrinking. Conversely, the population is young and still growing rapidly in the vast majority of developing countries, with some notable exceptions like China. Economic growth still reveals remarkably different patterns across the globe: annual GNP growth rates for the last quarter-century range, for example, from over 9 per cent in China and Botswana to negative figures in countries as varied as Russia, Guyana and Nicaragua. Even in the OECD area, cross-country disparities in growth of GDP per capita

have been on the increase. And notwithstanding OECD countries' universal commitment to the market economy, each country has its own distinct combination of structures, institutions, methods and philosophy for achieving its aims.

Similarly, at the level of living arrangements, heterogeneity remains a persistent feature of inter-country comparisons. Among western societies, for example, patterns of family ties contrast strongly. While in the UK and France only one fifth of men in their late twenties still live with their parents, the corresponding figure in Southern Europe is close to two thirds. In Spain over two fifths of elderly people live with one of their children, while in the US and in Nordic countries only 10 per cent do so. The point is that while, as was noted earlier, certain indicators of family structure are converging across countries, the relative variability of most of these indicators shows no decline over time.

Diversity across societies should not in itself give rise to concern; indeed its enriching properties are to be welcomed. Where, however, diversity goes hand in hand with unacceptable degrees of inequality, it understandably becomes the subject of vigorous debate. This is especially true with the distribution of income and wealth. A few striking statistics illustrate the growing gap between rich and poor. The ratio of the richest country to the poorest was 11 to 1 in 1913, 44 to 1 in 1973, and 72 to 1 in 1992. The assets of the 200 richest people in the world surpass the combined income of over 40 per cent of the world's poorest people.

The list of other indicators – conventional and less conventional – that underpin this sense of growing global inequality is long. There are crass differences in mortality rates. In some regions of the world life expectancy at birth has actually decreased since 1970. The worst affected regions are Africa, where AIDS and war have taken an appalling toll, and the area of the former Soviet Union where, among the numerous causes for this trend reversal, suicide rates are the highest in the world. In the developing world huge swathes of the population have no access to health services, sanitation or safe water supplies. Technology is a further illustration. Just 55 countries account for 99 per cent of global spending on information technology. More than a quarter of the US population are internet users, while in Latin America, East Asia, Sub-Saharan Africa and South Asia those with access to the internet account for only a fraction of one per cent of the population. Not surprisingly, anxiety is running high that the coming years will see the world split even more definitively into technology and information “haves” and “have-nots”, with those groups and societies that lack the basic equipment, education and skills falling irrevocably behind the rest.

Issues for Discussion

- 1) To what extent are higher levels of income inequality within countries becoming the norm? How strong is the global convergence likely to be towards “winner-take-all” types of society where the rich get richer and lower income groups stagnate or fall behind?
- 2) At what point does cultural diversity within a country begin to erode the common identity and credos that serve to unify a majority of a nation's population? Has this degree of fragmentation touched many countries? To what extent are new forms of affiliation and solidarity emerging that point towards coexistence of diversity and cohesion?
- 3) In what ways has greater social diversity within and between countries opened up the possibility of a variety of innovative and distinctive approaches to building sustainable societies?

Session 2 – Reconfiguring Social Foundations in the 21st Century

The next few decades promise transformations that might be as profound for the existing social order as was the shift in OECD countries from agricultural to industrial society. Two of the many factors driving

this kind of comprehensive change stand out: first, the dual shift towards a knowledge economy and society in OECD countries and towards market-based mass-production in many other parts of the world; and second, the trend towards even greater global economic, social and technological interdependence.

Towards the knowledge economy and society: social causes and consequences

At its core, the movement to a knowledge economy and society implies a major dematerialization of value-added activity and the replacement of the uniformity and homogenisation of mass-production, mass-consumption and mass-government with creative diversity and decentralisation of responsibility. The factors behind this change are by now familiar. Rising wealth allows people to spend more time and effort on non-survival (non-material) related activity. Information technology enables easier and cheaper access to information, the main “raw material” of the knowledge economy. Efficient transportation and communication systems facilitate specialisation and collaboration. Established and stable rules of the game, be it for markets or basic legal rights facilitate the risk taking that knowledge creation requires. Open markets, relatively unconstrained by barriers to trade or excessive accumulations of market power (that might stem from regulations, public monopolies, inadequate anti-trust), foster the highly competitive conditions that spur innovation and personalisation. Lastly, knowledge as a product forces a reinvention of business models since it differs from most physical products in so far as it is almost costless to reproduce, easy to steal and hard to explain in advance of being consumed.

The knowledge economy can be considered a more complex place to produce, consume and live than yesterday’s industrial society. First, as the number of distinct products, producers and consumers increases, the knowledge economy introduces more variety. Second, in addition to this quantitative diversity, there is a wider range of qualitative relationships. Workers are no longer passive cogs in the Taylorist factory. Consumers are no longer couch potatoes accepting uniform products thrust their way. Investors (formerly known as savers) are no longer resigned to an exclusive and unquestioned relationship to their pension fund but supervise their own portfolios. Company managers must contend with new strategic challenges as old products and methods of production rooted in the industrial era can now be outflanked more quickly and from previously unlikely sources. Governments are withdrawing from cradle-to-grave intervention in people’s choices. Relationships in the knowledge society take on a new and broader set of qualities than in hierarchical systems of the past. Buyers, employees, initiators of production and citizens can – and often must – forge new types of relationships, many of which are outside familiar legal and cultural frameworks. This brings a greater degree of freedom, but it also creates uncertainty. Seeking to reduce uncertainty tends to increase the knowledge intensity of economic and social activity.

The complexity and knowledge intensity of a society where learning is one of the principal activities has lead to concern that people will not have adequate skill levels. Some analysts worry that the a knowledge economy will lead to social polarisation that reflects the unequal distribution of skills. Current evidence does point towards a strongly positive correlation between income and high levels of educational achievement. There is, however, another view that does not see a need for more of the technocratic skills associated with the old mass-production economy. Proponents of this perspective argue that an intellectual trap is set by the tendency to associate more sophisticated technology, a wider range of choices and more personal responsibility with higher technical skill levels. For two reasons the opposite may be true of a society where learning is one of the basic activities. First, the lesson from past technological breakthroughs like electricity or the automobile is that as it advances it gets easier to use. Second, the key to a thriving learning society is the capacity of most people to produce relatively simple living knowledge, even if such knowledge is not new or a “first” – either historically or world-wide. The dependence of the knowledge economy on the production of living knowledge – facilitated by more efficient tools – means it can be hugely productive of value-added. The economic viability of such banal, individual level creativity, is no less plausible or justifiable than the success of many other “luxury” sectors in today’s marketplace.

These increases in diversity, creativity and complexity that are at the heart of the transition to a knowledge economy and society are both consequences and causes of social differentiation. Consequences in the sense that today's society carries a legacy of economic and cultural difference that serves, in part, as a launch pad for creativity. Cause in so far as the emergence of the knowledge economy and society tends to reinforce social distinctiveness – including a wide spectrum of qualitatively different power relationships. In some ways this is a precarious foundation. A creative learning society must find ways to contain, within the tolerances that are specific to different countries and cultures, the centrifugal forces of inequality and fear that arise when people cultivate their differences. Additionally, the reallocations of decision making power and initiative that are part of the transition to the knowledge economy and society call into question the legitimacy and utility of many industrial era institutions that tended to stifle creativity and difference – from the nuclear family and family firm to centralised bureaucracies and uniform schools.

Faced with the disintegration of formerly sustainable social configurations, the challenge becomes the regeneration of appropriate social, legal and cultural underpinnings. Only it turns out that in some parts of the world, the “high-tech clusters” or regions, are better equipped to make the transition. These centres end up leaving behind many communities that do not have the necessary endowments of human capital or adaptive capabilities. As a result, both within and between countries, there may be a deepening of the gap that separates winners from the losers. Globalisation, as examined next, could exacerbate this tendency or could be used to leverage local knowledge assets. Regions aspiring to become part of the knowledge economy and society might find that global differences are a powerful source of market opportunities and the cross-fertilisation of desires and ideas that encourage learning and creativity.

Going global: social causes and consequences

The movement towards a global economy has gradually gathered speed over the last few decades as both the practical ability (cheaper communication, transportation, etc.) and political willingness (WTO, OECD, etc.) to engage in cross-border exchange have increased. As a result globalisation today is about much more than international trade in goods and services. Indeed, the process that is currently underway bears a closer resemblance to the difficult and protracted consolidation of national markets that occurred in many countries over the last two centuries. People, in OECD countries, take for granted the existence within national boundaries of common laws, open labour markets, harmonised regulations, a single currency, a shared set of basic social services in education, healthcare and income security, and democratic political institutions that can run a national, industrial-era infrastructure. These foundations of the national economy emerged from the rough crucible of social adjustment and conflict that accompanied the dual transition from agriculture to industry and from fragmented to integrated national markets. In a parallel fashion, the 21st Century may witness a dual transition towards globally integrated markets and new socio-economic systems, with some parts of the world ushering in industrial capitalism while other parts make the jump to a knowledge economy and society.

These processes are inter-related and, as a result, globalisation is often blamed for disruptions that are more accurately part of the wrenching transition to either a mass- or knowledge-based market economy. Recent criticisms of the WTO make this mistake by holding globalisation responsible for changes wrought mostly by powerful internal drives towards industrialisation and urbanisation in countries like China, India or Brazil. Certainly globalisation does contribute to these changes. Previous conferences in this series have analysed the interaction of global markets with the technological and economic trends that could prevail over the next few decades. Mutually reinforcing developments are plausible. Many technological breakthroughs will serve to further knit the world together. Advances in computing and transportation do serve to shrink distance and facilitate the creation of seamless global transactions for tangible and intangible products, remunerative and non-remunerative activities. Sharing science and seeking innovative applications of biotechnology or new materials also enlarges the web of global connections. On the side of

economic change, as already noted above, the emergence of the knowledge society in OECD countries and the transition to industrial capitalism in much of the rest of the world provides a powerful stimulus to global inter-dependence and integration. Knowledge workers, modern multi-nationals and investors – in all parts of the world – are slowly beginning to take a planetary perspective.

Turning to the social causes and consequences of globalisation reveals similar interaction. One of the primary causes of globalisation is that people seek to escape poverty through trade and migration. Closed national economies are opened up to the influence of global markets that offer cheaper products, access to consumers in other countries and new sources of finance, technology and know-how. People migrate to seek a better life elsewhere. All of which gives rise to the cosmopolitan character of most of today's major cities and economic regions. This in turn provides strong social momentum for continued global integration. These exchanges combined with the loosening of the social fabric as countries go through profound internal transformations further encourage distinctiveness.

Out of this process could emerge “world-culture”, where a multitude of diverse nodes function within a globally distributed network. One worry is that this trend could bring greater uniformity. An opposing view sees it as a source for nourishing diversity. The ultimate verdict is likely to depend on the frameworks that are established locally and globally. If these frameworks provide the liberty and incentives to use the assets of local history and culture for creative purposes then it is likely to strengthen the distinct community networks to which the global nodes are attached. If, on the contrary, isolationism and monopoly are allowed to prevail, then there is a good chance that both the global network and the communities that make it up will be less vibrant.

Indeed, the likelihood is that globalisation will continue both to be fuelled by social differences and to give rise to them. This is perhaps its most worrisome attribute for those accustomed to the apparent homogeneity associated with the nation state and mass-markets. Globalisation's dependence on and reinforcement of differences is at the origin of much concern about its social consequences. Two problems stand out: first the fact that unlike many nations, the world has no mechanisms that enable those who win because of change to compensate those who lose; and the second, related difficulty is that without the infrastructure needed to overcome exclusion there is a great risk that globalisation's social heterogeneity will turn into destabilizingly high levels of fragmentation and polarisation.

These problems are already very significant and the track record of the 20th Century, reviewed in Session 1, does not offer grounds for expecting spontaneous solutions. The question is, to what extent will fuller globalisation – if it treads a path similar to the one followed by national integration – aggravate or repair the tears in the social fabric within and between countries? At first blush the expectation is that globalisation will mostly exacerbate social inequality and disruption. After all, the integration of national markets did (and still does) give rise to: fiercer competition in all markets (goods, services, labour, finance); increases in economic specialisation – a more elaborate division of labour; and changes in the geographical redistribution of economic activities on the basis of locational differences such as the quality of the labour force, overall transaction costs, specific regulatory burdens, local environmental conditions, etc..

Yet, it is within the boundaries of national markets – and even regional common markets like the EU – that the huge increases in productivity and wealth that are generated by integration have been most effectively used to compensate the losers and redress social insecurity. Not all nations have overcome the barriers to creating “level playing fields” within their borders. Nor have OECD countries, for instance, all pursued the same social model. But, in all cases, the economic upheavals that arose from opening up markets – as in the example of the unification of East and West Germany – were cause for developing social compromises and compensatory mechanisms. A non-static, non-partial perspective on globalisation could provide a plausibly similar prospect. Success at a global level that is on par with the nation building of the

past will take effort, time and innovation. The policies that might move the world in that direction are the topic of the next session.

Issues for Discussion

- 1) What are the knowledge requirements of a creative economy and society? How will the move to a knowledge economy and society change skill definitions and mixes? What are the attributes of complexity that might facilitate or undermine the shift to learning as the primary economic and social activity? What role might the evolution of property rights and the encouragement of strong incentives play in this respect?
- 2) How sustainable is asymmetric globalisation where economic integration proceeds without the parallel development of social infrastructure? In what ways does this asymmetry provoke a schism between international elites and domestic populations?
- 3) What are the implications of a continuation of above average growth rates only in specific clusters scattered around the globe? Could this type of growth-cluster development path overcome the risk of excessive international and intranational polarisation and the alienation of elites from electoral majorities?

Session 3 – The Power of Diversity: Policies for 21st Century Social Dynamism

Over the next few decades it seems likely that social differences will grow. Coexisting in rapidly-developing countries are two or three distinct social systems spanning rural, industrial and global arenas. In OECD countries the new knowledge worker and consumer are leaving behind the old social structures. Globally the march of technology, economic expansion and human curiosity are eroding isolation and often accentuating the social discontinuities within and between countries. In order to make these transitions as painless and quick as possible policy makers will have to harness the powerful forces arising from the at times conflictual trends towards greater social diversity and interdependence.

Five general directions for establishing the policy frameworks of the future seem to apply equally well to all three types of transitions and appeal to the positive potential of social dynamism.

First, the instability and uncertainty provoked by the changes currently underway put a special premium on maintaining macro-economic stability. Here the traditional emphasis on prudent fiscal and monetary policies remains important.

Second, both economic stability and efficient resource allocation require transparency – information that is accessible, of high quality and easily intelligible – on everything from taxation and wage rates to accounting standards and environmental regulation.

Third, dismantling the barriers to exchange in all forms and markets is the key to ensuring high levels of productivity enhancing flexibility and specialisation. Openness is the way to learn and to share.

Fourth, trust is essential for all types of economic and social transactions. Trust emerges when people have experienced the fact that the rules of the game are clear and fair. Without trust both interdependence and autonomy are limited.

Fifth, common basic values are needed for the functioning of rule by law, taking personal responsibility and democratic choice. Amongst these basic values are the commitments to human rights, equality of opportunity and democracy.

Issues for Discussion

- 1) In the context of major transitions from established economic and social systems, to what extent will effective decision making come to depend more on the pursuit of basic, guiding principles and less on technocratic or administrative formulas of the past? What policy responses might be successful in addressing the ethical dilemmas posed by new technologies and global disparities?
- 2) What kinds of global level policies are capable of finding the common ground across possibly more disparate economic and social systems? How will the increasing importance of network standards for economic and social interaction be integrated into the policy frameworks of tomorrow?
- 3) Are policy approaches that encourage convergence in the rules, values and methods that guide the functioning of economic and social systems likely to be more effective than those that allow for divergence? To what extent could a more convergent path reduce the potential for destructive friction between distinctive economic and social systems?