

Exploring Alternative Patterns

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GOVERNING GLOBALIZATION: ISSUES AND INSTITUTIONS

Edited by Deepak Nayyar

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The editor of this volume, Professor Deepak Nayyar, currently Vice-chancellor of Delhi University and former Chief Economic Adviser to three different Central governments of India, has brought together a group of intellectually 'heavyweight' contributors from Europe, North and South America, Asia. The result is a book of uniformly high quality in regard to the task it has set for itself and which is aptly summed up in the title of the book itself. What the contributors have in common is not only strong opposition, on both theoretical and empirical grounds, to the current neoliberal form of economic globalization but also the belief that there can and should be an alternative pattern of capitalist globalization with a much more sensible mix of market 'freedoms' and 'governing' institutions, rules and norms that would include national states, extra-national regional structures, reformation of existing international/multilateral institutions, as well as newer ones.

This is a book that is excellent in its diagnosis and analysis of the limitations and ills of neoliberalism as theory, ideology and practice, strong in its prescription of desirable alternative arrangements, but weak in strategic perspective. How do we get to where we should be and to what we should have? But then this is a dilemma shared with so many others. What is the politics that is required to persuade or defeat those who most benefit from the existing neoliberal order to accept a dramatic change of course that would result in a world order far more humane and equitable than today's? In particular, how are we to cope with and counter the overwhelming arrogance and power of the US that is also the single most important driving force behind neoliberal globalization?

Parts I and II of the book deal with 'Context' and 'Issues'. Here the contributors are Nayyar himself, Amit Bhaduri, Lance Taylor, Sanjaya Lall and Yilmaz Akyuz/Andrew Cornford. There are two large areas of concern. First, how and why the world has moved from the 'golden age of capitalism' (1948-73) marked by Keynesian cooperation between capital and labour, restraints on global capital flows with fixed exchange rates and therefore the 'euthanasia of the rentier', where macro-economic management was provided by national states, to the new era of neoliberal globalization. Second, what the problems thrown up by this transition have been, namely

global financial instability, growing inequalities of income and wealth between and within countries, declining prosperity in the developing world with notable exceptions in Asia and a few countries of Latin America.

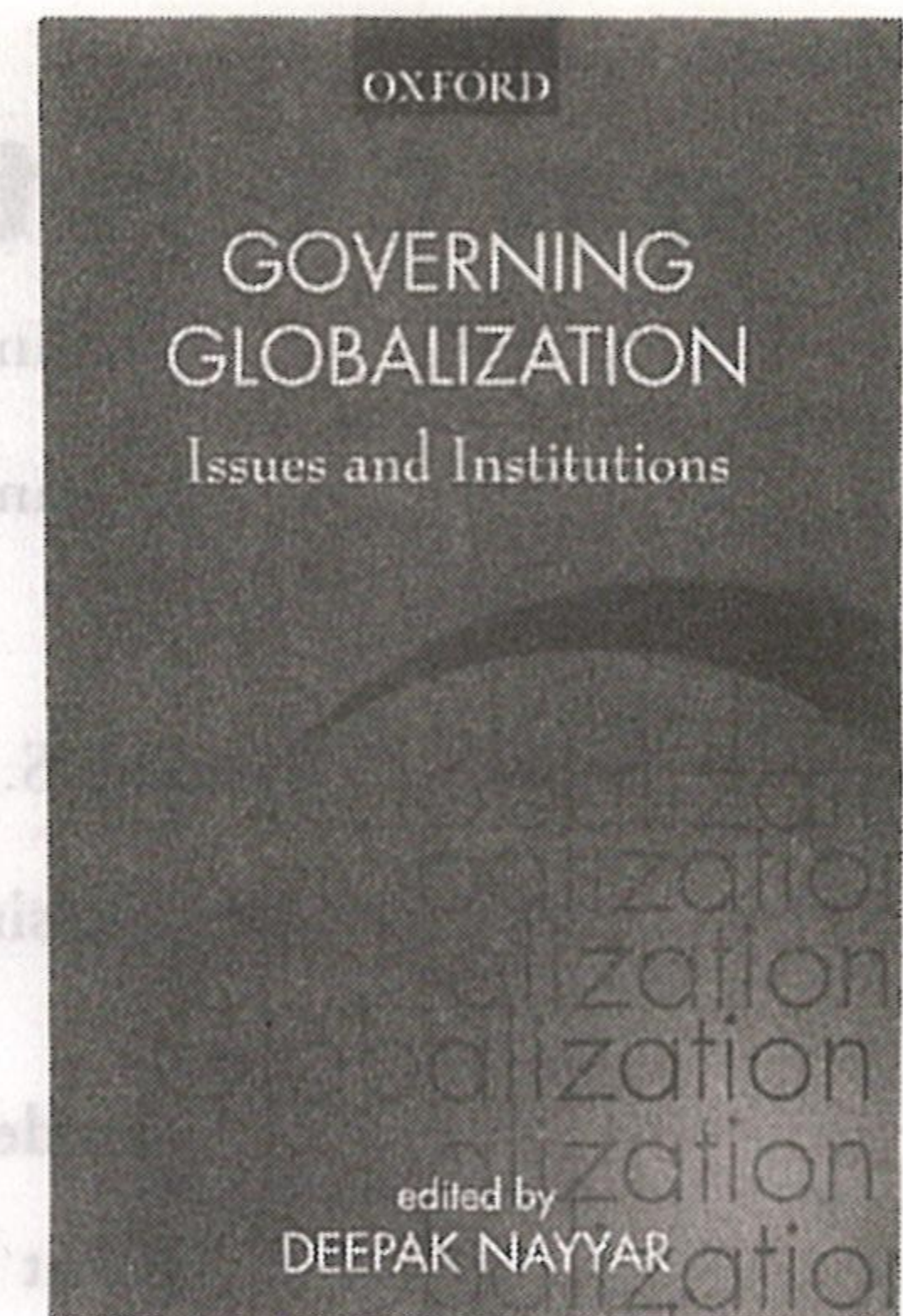
In a particularly good chapter by Sanjaya Lall (whose critique is likely to be all the more effective because it comes from one identified with the centre rather than the left of the economics profession) who, drawing on the East Asian developmental experience, explains why theoretically and empirically it cannot be argued that technology diffusion to low-productivity, technology starved countries comes about naturally or most effectively through simple worldwide liberalization of capital and FDI flows. Unless proper industrial and social (promoting 'human capital') policies are put in place by governments, competitive pressures alone cannot ensure desired diffusion to, nor constant technological upgradation in, developing countries. This is true even for what Lall calls "FDI-dependent approaches". Akyuz and Cornford explain why capital flows to developing countries work in uneven and inequitable ways and why there is a crying need for greater transparency, accountability and democratization in the global financial architecture if the poorest and most debt-ridden countries are not to suffer even more, and if the balance is to be shifted away from speculative and unproductive forms of behaviour towards more productive forms of investment. Nayyar provides an historical and analytical survey of human migration patterns, really from the mid-nineteenth century onwards and a key point made is that even orthodox economic assumptions about efficiency generation require unrestricted labour flows as the other side of its advocacy of unrestricted capital flows. Where, as today, this is absent for unskilled and semi-skilled labour, deep distortions are bound to arise.

Parts III and IV look at 'Institutions' and 'Governance' possibilities. Jong Il You and Nobel Prize winner, J. E. Stiglitz provide lucid studies of the Bretton Woods Institutions (BWI) – their emergence, original purpose and then their shift in functions where today, along with the G-8, WTO, World Economic Forum, they aim to provide the basis for constitutionalizing a global neoliberal order. What these two authors do for the BWI, S.P. Shukla, former Indian ambassador to GATT, does for the WTO. All of them suggest ways in

which these institutions can and should be reformed to make them internally more democratic and transparent. It is truly shameful that these powerful bodies are both so manipulated by a few countries and so unaccountable to the developing countries, the main 'guinea pigs' for their newly and unjustifiably acquired capacities to effectively restructure these economies. Indeed, among the central recommendations are that the IMF be more concerned with stabilizing the world financial system and with being a lender of last resort than with pushing neoliberal policies on to borrowing countries, while the World Bank needs to concentrate on providing capital to capital-scarce countries and to focus on development in poor countries and for poor people. As for the WTO, substantive equity not formal uniformity, should be the aim and purpose of its regulatory rules and structure and this means differential treatment of the poorest, the developing, and the developed countries in all the areas under its ambit.

Richard Falk's contribution on reforming the UN – expansion of the Security Council, financial independence especially from the US (which provides 25% of the UN budget), establishing a Peoples Assembly, a volunteer peacekeeping force, an Economic Security Council with adequate representation of the poorest countries – stands apart from the other chapters because the main existing global economic institutions of coordination, influence and 'management' lie outside the UN system. So obviously a key recommendation of the editor in his concluding chapter is to make the UN system the only existing body with some reasonable claim to truly global representativeness, stronger and broader.

Jose Ocampo, G. Helleiner and D. Kapur provide the prescriptions for reforming existing institutions and for putting up newer ones. They explain why current ones are deficient and suggest how they should be changed. What we get is a thoughtfully argued and thought-provoking menu of desirable changes, but something of a wish list nonetheless. Since no



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one else has a strategic road map for bringing about the desired changes, this lacuna is not the most serious one. What is surprising in a volume like this which otherwise provides such a powerful challenge, empirically and theoretically, to neoliberal devotees is that apart from recurring references to the power of the US there is far from enough about the all-important connection of the existing financial order to the presence of the 'Dollar Wall Street Regime' (DWSR) itself founded on the enormous advantages conferred on the dollar as the international currency.

Though many capitals in many countries benefit from a neoliberal order, it is the US corporate elite that benefits most, and it is the DWSR that is the single most important influence on the global financial/credit system. In turn, it is the US Treasury/government that is the single biggest influence on the DWSR and through it on the world financial/credit system. This is a position that the US will not easily relinquish. And so a crucial question is raised which is never directly or sharply posed by the somewhat 'pragmatic' and 'tempered' flow of arguments and suggestions provided by the various contributors to this volume. Are US hegemonic ambitions (and those of its dominant classes and their external allies and states) compatible with a more humane world order? Is a pragmatic reform that seeks compromises with the powers that be, or an intransigent radicalism that insists that the US's hegemonic ambitions must themselves be decisively undermined, the best way forward politically? Whatever the answer, this book can be read with much profit. ■

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