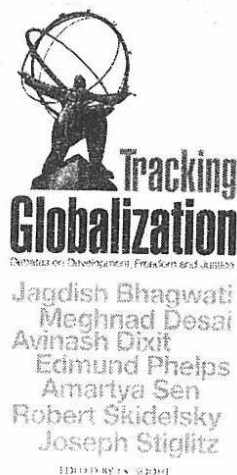


Globalization : New Perspectives with Policy Implications

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Tracking Globalization: Debates on Development, Freedom and Justice: Editor: J. S. Sodhi: Publishers: Penguin Viking with Shri Ram Centre for Industrial Relations and Human Resources: New Delhi; 2011 Pages: xiii+167: Price Rs. 499

This book edited by an eminent professor of management science is a compendium of articles written by stalwarts in Economics or Political Economy. Containing very insightful debates on development, freedom and justice as it does, the book takes its readers beyond the purview of usual or popular thoughts on these significant issues mainly because there is a successful attempt to track the dramatic process of globalization. This attempt is made by both the Indian and western scholars whose capacity to maintain originality in whatever they write is a well established fact.

Efforts to track globalization have been made by quite a few writers by periodization with a good deal of empirical evidence. One such effort got registered in 1992. It was made by Ronald Robertson who traced

the historical-temporal path of globalization through five phases: i) the germinal (1400-1750) phase of dissolution of Christendom and emergence of nationalism in Europe; ii) the incipient (1750-1875) phase of nation states and the initial phase of internationalism and universalism in Europe ; iii) the take off (1875-1925) phase of conceptualization of the world as a single international society, global calendar, First World War, massive international migration and inclusion of non-Europeans in the international club of nation states; iv) the struggle for hegemony (1925-1969) phase of cold war, the emergence of League of Nations and the UN, and emergence of Third World and; v) the uncertainty (1969-1992) phase of space exploration, recognition of global environmental problems and global mass media via space technology (Ronald Robertson, 1992, *Globalisation, Social Theory and Global Culture*, Sage Publications, London)

The phase of globalization following 1992 is anybody's guess. With the commencement of the regime of WTO, began the path leading to some degree of integration of economies in terms of movements of capital, knowledge and technology. But Sodhi's book is substantially different from the earlier works. It is tracking globalization in terms of its effects having policy implications.

All the articles in the volume are based on lectures delivered by Jagdish Bhagwati, Meghnad Desai, Avinash Dixit, Edmund Phelps, Amartya Sen, Robert Skidelsky and Joseph Stiglitz on India's rocky relationship with globalization. Sri Ram Centre for Industrial Relations and Human Resources had organized these lectures during 2004-10. These lectures contained arguments for equitable

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globalization having new perspectives with a lot of policy significance. Comparison of arguments of these writers and recognizing the differences of their views would be an academically useful exercise here.

Two Contrasting Views

Jagdish Bhagwati, a relentless advocate of globalization, cogently argues that globalization facilitates international trade which can be the engine of growth, development, freedom and even justice. As he writes, "The United States is one of the biggest markets of the world and that is why many Indians are going there. In exchange for that, India can open up its system in the financial sector, insurance etc., because that is good for Indians too" (p.18). In his article *In Defence of Globalisation* Bhagwati declares that liberalization is good for India and for the world (p.20).

Interestingly, the book begins with Bhagwati's praise of globalization and ends up with Stiglitz's critique. Stiglitz is, in fact, discharging the batteries of criticism against globalization. At one stage of his article he writes: "In the beginning of the modern discussion on globalization, the metaphor was a rising tide against all boats and it was claimed that everybody would benefit. But a more apt metaphor is that of a type that can overturn the smaller boats. If you don't have a life vest, you can drown" (p.444)

To make globalization work for the people, Stiglitz suggests certain reforms. Intellectual property rights are to be made public-oriented and not monopoly-centered as is the case at present. TRIPS agreement has to provide better incentives for innovations. There has to be international legal regime that confers responsibilities on corporations as well as protections. Global financial system needs to be reformed to avoid disparity and instability. Globalization should be democratized to enable the nation state to address some of the most important problems it faces. Dogmas and ideologies are to be rejected outright to give way

to pragmatic approach to handle the issues of globalization.

Stiglitz expresses some cautioned optimism: "We can make globalization work or at least work a lot better. But if we are going to do that, we have to manage globalization in a way which is markedly different from the ways in which we have managed it in the past" (p.164).

Indian Perspectives

An Indian perspective of Development as Freedom is furnished by no less a luminary than Amartya Sen of whom India is proud. He has pleasant surprise, for his book *Development as Freedom* published in 1999 received more attention than he had any reason to expect (p.88). Development as Freedom proceeds from the basic recognition that freedom is both (1) the primary objective and (2) the principal means of development. Sen argues with sagacity that economic growth is helped by the friendliness of the economic climate, rather than by the fierceness of the political regime (p.97). He strongly defends political freedoms of citizens in India. There is need for public discussions on development experiences and their relations with political freedoms which democracy has guaranteed. This calls for more democracy, not less.

Senism comes out in a sharp form when he compares India and China in the matter of human development. China had the credit of developing human capabilities through health care and education in the pre-reform period (pre-LPG period) while India's record was dismal and disappointing. China seized the benefits of globalization which were not available to a large number of Indians for whom public healthcare is still grossly inadequate (p.103). Sen's argument naturally borders on a broad policy initiative when he writes that the policy reform that is needed is largely a matter of clarity of economic and social thinking, and here public reasoning can certainly help (p.105). Sen with

his remarkable capacity to link economic growth with political freedoms identifies the dynamism of the approach of development as freedom (p.109).

His article may be contrasted with the article *Development with Justice* authored by Edmond Phelps for whom the underdevelopment of helpful economic institutions and cultural attitude is one category of the causes of underdevelopment in the economy at large (p.75). Highlighting what development means in a market economy, he convincingly states that jobs are the main means for people to develop themselves and their society. Jobs obviously lead to wages. The way a market economy determines wage rates also affects inclusion of people in the growth process (p.81). So long as there is business economy, the state by itself cannot ensure inclusion.

Phelps has his own vision of a just economy. It is one that has the right system for creativity and intellectual growth for everybody, and at the same time it has prices designed to bring about the greatest possible inclusion of the less advantaged (p.87). Sen defends political freedom for development. Phelps defends development only if it stimulates the rise of a just economy. For Sen, freedom can become means of development if there is more democracy. For Phelps, development has to become a means of justice by promising inclusion in the society and the economy.

Meghanad Desai makes a drift by stating in his interesting article *Development and Nationhood- An Indian Perspective* that soon after Independence in India, a triangle emerged. In the first instance, India was to be a democracy with adult franchise. Second, a decision was made that India was not to do anything to the social structure; it was not going to be a reformist government in terms of the social structure. The third part of the triangle was a choice made sometime during the 1950s that India was going to choose a radical economic strategy (pp.23-25).

Desai's manner of dismantling the popular belief, that

India in 1947 was deficient in industrial growth is really impressive. A large native capitalist class, one of the largest railways in the world, the largest jute industry and fairly big industrial production were all indicating that British had not deindustrialized India (p.26).

The Congress party disintegrated in a series of splits from 1969 onward. Therefore it lost its traditional vote banks paving the way for Third Front, the conglomerate of the multinationalities of India. Now India is multinational polity. This argument is connected with reason that India needs more economic reforms and more responsive approach to globalization. Manmohan Singh is applauded for making a bold departure by heralding an era of LPG. The policy measure that Meghanad Desai suggests is simple and clear. A vast growth of private sector jobs both in the countryside and in the urban areas is required so that people stop relying on the state as a Kamadhenu which they can go on milking endlessly (p.40).

Sen vividly shows the need for a development-oriented policy for removing poverty by massive public spending on health and education. Desai seems to suggest a growth-oriented policy for removing poverty by generating employment on a large scale in the private sector. For them goal is the same; means or policy measures are different.

The article under the title *Economics, Lawlessness and Justice in India* by Avinash Dixit is multidisciplinary in its approach. Its thrust is on economic governance which means the structure and functioning of the legal and social institutions that are essential for economic activity and for economic transactions to flourish (p.44). He takes the stand that the debates on economic policy issues such as market vs planning are completely irrelevant in India so far as governance is concerned.

India's strengths and weakness in governance are well documented. A well educated and interconnected community of people, the broad continuity of economic reforms and polices, the freedom of media and caution

maintained by the RBI which avoided the worst of the problems of sub-prime lending and the strongly religious and cultural traditions of India promote better governance. Evidently, these are strengths. The Permit-License Raj generating corruption, the ideological division among the intelligentsia, frequent elections and political divisions are the weaknesses frustrating the efforts of good governance (pp.58-61).

The policy reforms suggest by Dixit are more general than specific in that they relate to the old problems of poverty, inequality and terrorism. After going through his lengthy article, the reader may find it a little difficult to relate it to the track of globalization, the thematic structure of the book being reviewed here. In fact, the policy measures suggested by him are like the beaten tracks.

The crisis of capitalism well depicted by Robert Skidelsky in his *Crisis of Capitalism: Keynes vs Marx* begins with a tribute to Keynes: "John Maynard Keynes keeps returning like an ageing diva who goes on giving farewell performances" (p.110). The exposition of the relation between power and ideas is simply brilliant. The Ricardian foundations of Marxism are critically evaluated. The triumph of the rational expectations school is brought out.

The change in the structure of the economy is clearly posited. As he writes, "I know of no good theory which endogenizes technological change" (p.137). Notable structural changes are 1) consolidation of big business and banking and shift to a service economy creating a global network of interlinked oligopolies and, 2) Globalization may be interpreted as the effort of business to escape national regulation. It was a business response to the declining rate of profit which Marx predicted (pp.137-138). In fact when we read Skidelsky's article, we may find that globalization is beset with the problems of theoretical inadequacies (Chandan Sen Gupta, *EPW*, August 18, 2001). But his discussion of prospects of Keynesianism is a bit

disappointing as it does not take us beyond what he explains in the earlier parts of the same article.

A Missing Link

The debates on development, freedom and justice can be complete with some literature on the roles of the state and the market in the process of globalization. The ideology of development need not be replaced by that of globalization and structural adjustment because these are to be viewed only as strategies of improving human welfare and development (M.V.Nadakarni, *The Journal of Social and Economic Development*, Vol. 1. No.1, January – June 1998, Editorial). Both the state and the market play important roles in development, though not necessarily with harmony and understanding. As Rangarajan rightly argues, among the issues of public policy, the one that has attracted the widest attention has been the issue of state vs. market in development (C. Rangarajan, 2009, *India: Monetary Policy, Financial Stability and Other Essays*, Academic foundation, New Delhi). There has to be a mix of the state and the market because the various questions which we have to address is not one of either state or market, but one of how much state intervention, what kind and by what mix. Rangarajan observes that a mix that was relevant at one stage of development need not be appropriate at a later stage. The ultimate test is not ideology but what works best under a given set of circumstances (Rangrajan, *ibid*). The debates examined and explained in Sodhi's book would be more instructive with the inclusion of an article that brings out the shifting frontiers of state, market and the economy in different stages of globalization.

Be that as it may, the immense worth of Sodhi's edited book is found not only in the collection of articles but also in the scholarly introduction. The articles in the volume as well as the introduction are enlightening because there are new perspectives of globalization with policy implications that are worth considering.