

Developing in a Liberalized and Globalizing World Economy: an Impossible Challenge?

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“What should be the end of man and how should he choose his means? Economic rationalism, in the strict sense, has no answer to these questions, for they imply motivations and valuations of a moral and practical order that go beyond me irresistible, but otherwise empty, exhortation to be ‘economical’”
Karl Polanyi, *The Economic Fallacy*.

"Mais où trouver le médecin prudent qui tracera les lois de l'hygiène monétaire, et fournira les moyens d'éviter les accidents?"
Honoré de Balzac, *Code des Bénévoles ou l'art de ne pas être dupe des fripons*.

BETWEEN RHETORICS AND REALITY: A SEMANTIC PROLOGUE

Words matter, mostly when they are polysemic. Communication becomes exceedingly difficult, or even impossible, when people use the same word to denote different things without explicating its actual meaning. Other semantic traps to beware are the 'diplomacy by terminology' exposed by Gunnar Myrdal¹ and mistaking mantra chanting for problem solving.

The catch word nowadays is 'globalization'. Its popularity is partly due to the fact that it refers to four partly overlapping phenomena.

Thus, globalization denotes the emergency (more exactly the growing awareness) of global problems affecting all the passengers of the Spaceship Earth irrespective of whether they travel first or third class, (although the implications for each category are different): the climatic change caused by the emission of green-house gases, pandemics such as AIDS,² drug addiction, terrorism and, last but not least, social exclusion as a worldwide phenomenon.

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¹ Within a short span of time 'backward' countries became successively known as 'underdeveloped', 'less developed' and, finally, 'developing', while their actual condition did not change much.

² The microbial unification of the world preceded the creation of a world economy.

History has played a cruel joke on us. Rapid economic growth through its 'trickle down effects' was supposed to ensure prosperity to all. In post-colonial peripheral countries the expansion of the modern sector would gradually absorb, it was thought, the entire workforce of the traditional sector bringing it in this way to extinction. Instead, the dualization processes took hold of the advanced industrial countries and the specter of 'social apartheid' menaces rich and poor countries alike.

But globalization means also global thinking, looking at the world as a whole. Globalism has always permeated imperialistic doctrines and shaped the policies of big powers, of which only one is left at present on the scene, after the demise of the Soviet Union and the dislocation of the bipolar international system. Within one single tragic century two world wars, and many more of a more restricted nature, resulted from the clash of conflicting global endeavors (see Hobsbawm, E., 1994).

Universalism, the often betrayed heritage of the European Enlightenment,³ is poles opposed to the globalism as defined above. It affirms the existence of a set of perennial values shared by all the human beings, enshrined in the Charter of the United Nations and the compact of human rights. Those values should inform all the actions taken by governments and international organizations with a view at promoting the fundamental objectives of peace and development. Taken to its logical extreme, universalism postulates the establishment of a world government or at least of a functional confederation of international organizations, decentralized at the operational level and centralized at the policy-making level, the ultimate aim being 'decentralized planetary sovereignty' (J. Tinbergen et al. coordinators, 1976, p. 84).

Finally, in a more restrictive sense, globalization is used to describe

a process whereby producers and investors increasingly share as if the world economy consisted of a single market and production area with regional or national subsectors, rather than of a set of national economies linked by trade and investment flows (UNCTAD, 1996, p. 6).

³ For an interesting analysis of how the heritage of the Lumières is being perverted in the North, see Guillebaud, J.C. (1995). The author observes that the critics from the South are less sanguine about the universalist pretense of our values, than about our infidelity to the Lumières. "It is not the strength of our principles that is questioned, but their betrayal" (p. 35).

The most extreme globalizers⁴ pretend that this process was advanced to the point of becoming irreversible and so overwhelming that it deprives the nation States of effective power of regulation over their economies. The only two forces that matter are the global markets and the transnational companies. Neither can be subject to effective public governance. However, this view is challenged in a well argued book by Hirst and Thompson (1996).

For them, globalization is to a large extent a myth.⁵ The present highly internationalized economy is not unprecedented.⁶ Genuinely transnational companies are relatively few. Most companies which trade multinationally are nationally based, and maintain a close relationship with their respective governments. Capital mobility is not producing a massive shift of investment and employment from the advanced to the developing countries. Far from being genuinely 'global', the world economy is concentrated in the Triad (North America, Europe, Japan). The major advanced nations continue to be dominant. About 80 per cent of the world trade is conducted between the OECD countries. The group of five main economies accounts for 70 per cent of foreign direct investment, whose importance is often overstated. Indeed, the most significant recent development is the formation of regional economic blocs such as the European Union, NAFTA and, lately on, Mercosur.

The globalization myth serves a double purpose:

⁴ Such as e.g. Kenichi Ohmae (1996) or John Naisbitt (1995).

⁵ See also Bairoch, P. (1996), Streeten, P. (1996), Ferrer, A. (1996a) and Guaino, M. (1996). The last author, French commissioner for Planning, insists on the fact that the bulk of economic activities and exchanges is concentrated within each country : "... on a Tini par perdre de vue que le coeur de l'économie est à l'intérieur même du pays et que l'essentiel se joue d'abord dans la proximité". Rather than condemning nation states, globalization forces them to compete. Planning remains an important tool of coherence, cohesion and concertation. Among American economists P. Krugman (1994) has repeatedly denounced the danger of paying too much importance to the globalization problems to the detriment of domestic development. For a more fundamental treatment of the globalization processes and theories, see Ferrer, A. (1996b) and Ianni, O. (1995). In France, the list of books dealing with globalization draws at a very impressive path. For a thorough and balanced analysis of the implications of globalization for France, see Cohen, E. (1996) and Brender, A. (1996).

⁶ Deepak Nayyar (1995) traces an illuminating parallel between the globalization processes of the last quarter of the twentieth century and the 1870-1914 period. According to the South Centre (1996a) the extent of trade openness among industrial countries was then fairly similar to that today. For sixteen of the most advanced countries the share of exports in GDP was 18.2 per cent in 1900 and 21.2 percent in 1913. During the present era, the share of world exports in world GDP has increased from less than 6 per cent in 1950 to 12 per cent in 1973 and 16 per cent in 1992. The corresponding figures for industrial countries are 12 per cent in 1973 and 17 per cent in 1992. The stock of direct foreign investment in the world as a proportion of world output was broadly the same in 1992 (8.4 per cent) as it was in 1913 (9.0 per cent).

- to accredit the notion that an international order⁷ has at last emerged rendering obsolete the claims advanced in the seventies by the non-aligned movement and the group of 77, and

- to undermine the efforts of the nation states to improve their ability to regulate their economies and design development strategies.

Hirst and Thompson believe that the international economy can still be controlled and national development strategies did not lose their relevance. One of the main contentions of their book is that "nation states have a significant role to play in economic governance at the level of both national and international processes" (p. 170).

Yet, the condition to it is to address the right questions. The UNCTAD Report, quoted above, states that "globalization is the product of liberalization" (p. 7). Significantly, its first chapter bears the following title: "trade and development in a liberalized and globalizing world economy". Globalization is a process fueled by liberalization perceived as a *fait accompli*.⁸

What would be left for regulation by nation states in an economy fully liberalized, internally and externally? Fortunately, up to now no purely laissez-faire economy has ever existed, in which resources are allocated entirely by the totally unrestricted market under conditions of unlimited competition. As Eric Hobsbawm (1994, pp. 563-565) has observed, such a counter-utopia to the collapsed real socialism is also demonstrably bankrupt. All the 'miracles' of the 20th century were accomplished not through the laissez-faire but against it. A more serious question than the breakdown of two polar extremes is the disorientation of the middle path programs and policies, that succeeded in continuing pragmatically public and private, market and planning, state and business.

Let us move now to development.

Faced with the global problem of poverty, unemployment and social exclusion, the Copenhagen Declaration reaffirmed the commitment of the United Nations to the concept of sustainable development in which the social, economic and environmental dimensions are closely interwoven (Nations Unies, 1995, p. 4). Development, as understood today, is a comprehensive concept distinct from economic growth, still viewed as a necessary, but by

⁷ Speaking at the Indian International Center in January 1996, the Brazilian President, Fernando Henrique Cardoso, stated: "Whether we wish it or not, economic globalization is a new international order. We must accept this fact with a sense of realism. Otherwise our actions will lack effective impact. This is not tantamount to political inertia, but an entirely new perspective on forms of action on the international scene" (p. 33).

⁸ For a masterful analysis of the consequences of liberalization on a developing country (in this case India) see Badhuri, A. & Nayyar, D. (1996).

no means a sufficient condition, encompassing ethical, political, social, ecological, economic, cultural and territorial dimensions, all of them systemically interrelated and forming a 'whole'. The processual nature of development calls, furthermore, for considering its sustainability (perennity) in order to meet the ethical postulate of diachronic solidarity with the future generations, symmetrical to the postulate of synchronic solidarity with the present generation, which in turn accounts for the preeminence of social considerations in the setting of developmental objectives (Sachs, I., 1993).

Although brought into the debate by environmental concerns, sustainability has as many facets as development itself. It is suggested that, given the multiplicity and, sometimes, redundancy of adjectives successively added to development in the course of a half-century long debate – the latest being 'human'⁹ – a better denomination might be 'whole development'.¹⁰ Whole stands as a shorthand for all the attributes of development, indicating at the same time that all the pertinent dimensions are contemplated in their interrelatedness, so that the conceptual model is complete and holistic.

THE SETTING¹¹

A Martian technocrat disembarking on our planet, using per capita average statistics, would reach a very optimistic conclusion about the prospect facing the inhabitants of our planet.

Thanks to the progress of science and technology already achieved, the age of plenty is within sight. The basic needs of all the humans could be easily satisfied with a reduced burden of work, so as to free peoples' time for the cultural, spiritual and ludic activities more congenial with the uniqueness of the human species. Although serious uncertainties remain as to the environmental impacts of some technologies in use and to excessive fuel energy burning, scientists should be put to the task of founding alternative solutions.

Yet, the reality is poles apart from this rosy picture. The world is engulfed by a deep social crisis, compounded by environmental disruption. Its causes are multiple:

⁹ The UNDP publishes annual reports on Human Development and has also proposed a synthetic (and, as far as I am concerned, controversial) index of human development (see Sachs, I., 1995b). At any rate, a more appropriate word in English would be 'humane'.

¹⁰ For F. Perroux development concerns "tout l'homme et tous les hommes".

¹¹ This section is partly based on Sachs, I. and Gouwariker, V. (1995a).

- the built-in inequalities in the working of the economic systems, both within nations and between nations, leading simultaneously to an ever increasing accumulation of resources in the hands of a minority, and widespread deprivation among large groups of population ; environmental disruption occurs at both ends of the spectrum : the affluent minority with its present life styles indulges in overconsumption of scarce non-renewable resources, the deprived majority, in order to survive, overtaxes the life-supporting systems to which it has an insufficient access ;

- the terribly wasteful and environmentally careless patterns of resource-use : the continuing potlatch represented by the piling up of armaments, the excessive 'transaction costs' of the socio-economic and political systems,¹² the paroxysm of 'creative destructiveness' of the productive capacities prompted by an obsessive search for competitiveness, the accelerated obsolescence built-in into equipments and the so-called 'durable' (sic) consumer goods ;

- the flawed priorities of technological research geared towards solvable demand and not towards the satisfaction of basic needs;

- above all, the worst form of irreversible loss represented by the wasting of human lives of all those deprived of their right to work, to earn a decent livelihood and to unfold the potentials present in every human being; in modern societies the poor become increasingly useless and discardable (Kothari, 1993); their predicament is made of alienation and exclusion even more than of exploitation.

Thus, the roots of the social and environmental crisis do not lie in the scarcity of resources. Nor, in the population explosion. The non-consumers cannot be blamed for overconsumption of fossil energy and other resources. Of course, the demographic transition is desirable, as exponential growth of human population in a finite planet cannot be sustained for ever. But the causal link between population growth and poverty works both ways. Thus to break the vicious circle between the two, eradication of poverty and upgrading of social conditions are the first priority.

An important feature of the present crisis is that it affects, albeit in different forms and with unequal intensity, all the three groups of countries: the South, the post-socialist East and, last but not least, the industrialized countries of the North plagued by structural unemployment brought about by jobless growth, and by the diversion of resources from real economy to the great financial casino.

¹² Various concepts have been put forward to interpret these costs. Marx spoke of 'faux frais' of capitalist production, Georges Bataille of 'la part maudite'. For a pioneering study of the social costs of private

By far the most spectacular event of the end of 20th century has been the sudden collapse of the Soviet Union, and the discrediting of the centrally planned command economy, paradoxically at a moment when it could at last rely on the technical support of powerful computers. The postsocialist countries were confronted by the daunting task of carrying out simultaneously a structural adjustment, a profound restructuring of the economy and a complete overhaul of economic and political institutions, while facing the prospect of mass unemployment and dealing with a severe environmental crisis.

Yet, their predicament and the failure of their socio-economic system do not constitute a proof *a contrario* of the excellence of capitalism. The Welfare States in Western and Northern Europe -a symbol of civilized and socially responsive capitalism- are showing signs of exhaustion, unable to resist the combined pressure of low rates of growth¹³ and of a labor-displacing technical progress. The welfare systems have worked well, so long as they were not being put too much to contribution under conditions of rapid growth and almost full employment. But now, when the need for social protection is most pressing, they are crumbling under their cost, not speaking of the fact that mere putting of the unemployed on the dole does not shelter them from social exclusion and loss of dignity.¹⁴ Work in our societies still has a major socializing function (see appendix 1) and the redistribution of its burden by means of a shortening of working time does not offer by itself a satisfactory solution.

Social exclusion, spatial segregation, ethnic tensions and dualization of the economies -themes once reserved to the discussion of post-colonial societies- have acquired a universal pertinence. A severe deficit of economic and social democracy has become a common challenge of the South, the East and the North alike, with no easy solutions in sight.

More and more, the international configuration acts as an obstacle rather than as a facilitator. The world economy has gone through a structural transformation brought about

enterprise, see Kapp, K.W. (1950, 1971).

¹³ During the decade of the 1960s world economy grew at the rate of 5 per cent, in the seventies 3.6, in the eighties 2.8 and in the first half of the nineties just 2 per cent. "In two decades capitalism lost 60 per cent of its momentum" (Thurow, 1996a p. I). The United States has an average rate of annual growth of GDP of 3.4 per cent from 1870 to 1973 and only 2.3 per cent between 1973 and 1993. The output per man hour (productivity) rose at an annual average between 2 and 2.5 per cent from 1970 to 1990, it exceeded 2.5 per cent from 1948 to 1973, then fell to below 1 % from 1973 to 1993 (Madrick, J., 1995). The correlation between the rise of neoliberalism and the slowing of the world economy deserves a closer scrutiny. Even by its own standards, the "survival of the fittest capitalism" (Thurow) which dominates the scene today, is unable to assert its superiority.

¹⁴ Already in the seventies the limits of the Welfare State and the impending crisis were perfectly discernible (see Sachs, 1982). The Secretariat for Future Studies existing then in Sweden was the focal point for the search of alternative forms of care in society. For a recent summing up of this question see Balbo, L., 1994.

by three 'decouplings' (Drücker, P., 1986): the divorce between the growth of output and the creation of working opportunities, the gap between the GNP and the volume of raw materials and commodities required to produce it and, last but not least, the loosening of the link between the real economy and the financial speculative sphere expanding in a totally uncontrolled way.

Rising productivity is, of course, welcome, on the condition of being properly managed in terms of equitable sharing of the socially required work and of the product obtained. But this is not the case at present. The pricing of commodities requires international agreements and stabilization schemes, which forty years of discussions have failed to yield. The North-South impasse continues unabated. Absence of controls on the global financial markets constitutes the basic weakness of the Bretton Woods institutions.

Deceptive rates of growth and unemployment intensify the struggle of the enterprises for markets. Competitiveness is being sought by all means, without distinction between its legitimate and spurious sources, such as depressed wages, severe underpricing of energy and raw materials, and predatory exploitation of natural resources.¹⁵ Whenever left to the free interplay of market forces, enterprises externalize social and environmental costs of production, playing havoc with the rules of social equity and ecological prudence. That is why spelling out the limits to liberalization, redefining the regulatory role of the States and setting binding rules of the game on the international scene are urgently called for in order to put the Spaceship Earth on the development track. This was the hidden agenda of the Copenhagen Summit, ostensibly devoted to the three interrelated subjects of anti-poverty struggle, social integration and employment generation.

THE SOCIAL SUMMIT: AN ASSESSMENT EN *CLAIR-OBSCUR*

The Copenhagen Declaration should be read in conjunction with the Rio Declaration adopted at the 1992 Earth Summit. Both are built around the concept of human-centered sustainable development and consider eradication of poverty as a condition *sine qua non* of such development.

Both proclaim the right to development albeit the Copenhagen Declaration, incorporating the results of the 1993 UN Conference on Human Rights, does it in a more

¹⁵ For a *mise en garde* against the transformation of competitiveness into an all-pervasive ideology, see the report of the Lisbon Group (1993).

explicit and solemn manner, as an integral part of fundamental human rights.¹⁶ One way of reconceptualizing development might consist in looking at it in terms of universalizing the effective appropriation of all human rights -civil, political, but also social, economic and cultural. Such an approach seems to offer both theoretical and operational advantages: it allows for escaping from narrow economicism and, at the same time, provides a framework for the concrete evaluation of the progress (or regress) achieved on the tormentuous path from maldevelopment to development.¹⁷

In this context, the objective of full employment, unambiguously reaffirmed in Copenhagen, appears as central to the implementation of economic and social rights. The more so that unemployment and severe underemployment affect 30 per cent of the world work force and that realistic projections do not warrant any optimism unless employment-oriented development strategies replace the growth-oriented ones.

Under circumstances two attitudes were possible:

- the one adopted, to the credit of the Copenhagen Summit, of reaffirming the centrality of full employment; or,
- proclaiming the obsolescence of the very notion of work, superseded by that, somewhat ambiguous, of activity and indulging into one more exhortation about the need for a fundamental shift in the civilizational paradigm. While fully recognizing the importance of the latter debate for the shaping of long term solutions (see appendix 1), generation of employment and self-employment *hic et nunc* should be considered as the cornerstone of meaningful development strategies. It should be used as an entry-point into their formulation, rather than being treated as a mere outcome of decisions related to growth of output and of productivity of labor subordinated to the relentless pursuit of

¹⁶ The very notion of 'right to development' has been fiercely resisted by the Republican administration in the USA. The Copenhagen Declaration and Action Plan mention it repeatedly. One would have expected, however, a more elaborated substantive statement on this fundamental subject whose codification is overdue.

¹⁷ However, even the right to be decently fed has been contested on conceptual grounds by the American delegation at the recent Food Security Summit in Rome. Clearly, the American establishment would not like to see the 'rights to development' approach applied to the United States given the downward spiral of social indicators and a severely declining quality of life in that country (see Miringoff, M.L. and alii, 1996). Let it be also said that, contrary to a widely publicized view, properly counted true unemployment rate in the United States is not better than Europe's. According to Lester Thurow (1996b p.56), "If we combine the 7.5 to 8 million officially unemployed workers, the 5 to 6 million people who are not working but who do not meet any of the tests for being active in the workforce and are therefore not considered unemployed, and the 4.5 million part-time workers who could like full-time work, there are 17 to 18.5 million Americans looking for more work. This brings the real unemployment rate to almost 14 percent. Slow growth has also generated an enormous contingent workforce of underemployed people. There are 8.1 million American workers in temporary jobs, 2 million who work "on call", and 8.3 million self-employed "independent contractors" (mane of whom are downsized professionals who have very few clients but call themselves self-employed consultants because they are too proud to admit that they are unemployed). Most of these more than 18 million people are also looking for more work and better jobs. Together these contingent workers account for

competitiveness by means of an ever accelerating 'creative destruction'.¹⁸ It is submitted that the prospect for the generation of employment and self-employment through appropriate public policies is less grim than usually acknowledged (see Sachs, 1994b and appendix 2).

However, such policies require from the nation States a capacity for intervention that the liberalization processes have undermined, if not entirely destroyed.

Unfortunately, both the Rio and Copenhagen Declarations failed to raise this issue, indulging into ambiguous statements about the opening of economies and globalization.

Although the incompatibility of sustainable development with the unrestricted work of market forces has been repeatedly pointed out in the preparatory work for the Earth Summit,¹⁹ the Rio Declaration did not address this issue explicitly, limiting itself to ask the States to "reduce and eliminate unsustainable patterns of production and consumption". It further asked in most general terms the States "to promote a supportive and open international economic system that would lead to economic growth and sustainable development in all countries", a way of begging the question.

The Copenhagen Declaration takes a stance in favor of dynamic, open and free markets, while recognizing the need to intervene in these markets 'to the necessary extent' (whatever it means) in order to prevent or correct their failures. It mentions several times liberalization as a solution, never as part of the problem, as it should be (Guimaraes, R.P., 1996). In particular, the signatories of the Declaration commit themselves to accelerate the liberalization of trade and investment so as to favor sustainable economic growth and employment generation. The Declaration takes as granted that increase of incomes, growth of employment and expansion of trade reinforce mutually each other. It proposes to monitor in the developing countries the impact of the trade liberalization on the improved satisfaction of the basic needs of the population, apparently assuming that this impact can only be positive.

The Program of Action states that globalization and the rapid technical progress reinforce labor mobility creating new possibilities of employment 'while making future uncertain' (?). This is a very peculiar way of addressing the issue of jobless growth and of

another 14 percent of the workforce."

¹⁸ At what point 'creative destruction' becomes counter-productive? When Schumpeter coined this concept he had in mind much lower rates of rotation of fixed capital. Computers and other equipments become 'morally obsolete' (Marx) at such a speed that an ever increasing volume of investment goes for premature reposition, to the detriment of employment-augmenting investment. The problem is compounded by the already mentioned diversion of financial resources from productive investment to speculation.

¹⁹ See in particular the contributions of two Nobel Prize winner, T. Haavelmo and J. Tinbergen to the volume edited by Goodland, Duly, El Serafy and Von Droste, 1991. See also Sachs, 1993.

the phenomena of deindustrialization occurring provoked in several Third World and post-socialist countries as a consequence of unselective opening of their economies.

Liberalization and globalization are neither an absolute evil nor the magic shortcut to the kingdom of prosperity and happiness. They produce winners and losers within countries and between countries, a global North and a global South, whose boundaries cut across all nations. The gap between them widens. The rich and the poor people are living in increasingly separated worlds.²⁰ This trend will not be reverted by merely continuing the liberalization and globalization processes in their present form. They must be brought under closer control, nationally and internationally, and submitted to tighter rules of the game. Copenhagen has sinned by omission. It did not analyze sufficiently in depth the causes of the evil. In consequence, it got entangled with modern Sisyphus' works: reactive social policies bringing relief to the victimized populations dealing with unemployed and excluded, rather than with unemployment and exclusion.²¹

But, to conclude this balance of Copenhagen on a more cheerful note, the Social Summit created a political momentum, which hopefully will bring into debate the right questions. It is time to open the hidden agenda.

OVERHAULING NATIONAL GOVERNANCE

According to Broad and Cavanagh (1995), global markets integrate about one-third of humanity, most of those in the rich countries plus the elite of poor countries. Country-wise, the North-South gap is narrowing for about a dozen countries but continues to widen for well over 100 others. "Without a major shift in policy, the world of the twenty-first century will be one of economic apartheid" (p. 24).

Which will be the fortunate few developing countries to benefit from the integration with the world economy through globalization? For Deepak Nayyar (op.cit., p. 26) the only countries that stand a chance are those which have laid the requisite foundations for industrialization and development. For this, strategic forms of State intervention are essential, side by side with the creation of institutions capable of

²⁰ "An emerging global elite mostly urban-based and interconnected in a variety of ways, is amassing great wealth and power, while more than half of the humanity is left out". J. Speth, UNDP administrator presenting the 1996 Human Development Report, International Herald Tribune, July 16, 1996. More than 3 billion people live on an income of less than 2 dollars per day.

²¹ Cf. Philippe Séguin (1996, p. 26) : "Terrible contresens : on s'échine à 'traiter' les chômeurs, alors qu'il faudrait 'traiter le chômage". Remedial social policies are certainly necessary, given the growing numbers of people who must be assisted. But they do not attack the problem at its roots.

regulating, governing and facilitating the functioning of markets.²² In their absence, globalization will reproduce, once more, uneven development.

Though globalization has reduced the autonomy of the nation State, some degrees of freedom remain and must be used to create economic space for the pursuit of national interests and development objectives.

The same is true of nation-States in industrial countries. The disaffected workers marginalized by the global economy need there the nation-State "as a buffer from the world economy" notes E.B. Kapstein (1996, p. 16) complaining about the demise of governments. For him, "the face of the global economy ultimately rests on domestic policies in its constituent States".

In his report on globalization and liberalization, the Secretary-General of UNCTAD insists on the role of the State in providing an appropriate enabling environment for private enterprise, in dealing with environmental externalities and in addressing issues of poverty and income distribution. This 'mild' version of interventionism is predicated on reliance on market forces as the primary means for the allocation of resources and the organization of economic activity. It falls within the range of European models of governance of social democrat inspiration.²³

It is my belief that to meet the present challenges a stronger version is called for, questioning one of the basic tenets of the social democrat paradigm: the possibility of ensuring equity through redistribution of income without interfering in the problems of production and consumption.

In the real world, which does not resemble the ideal model of perfect competition and democratic transparency, the so-called market forces (and the power groups behind them) tend to promote a perverse pattern of growth through inequality or even growth with dedevelopment (Sachs, 1996). At some point this trend must be arrested because of its disruptive social effects and the excessive cost of policies aimed merely at their 'alleviation' (not a very glorious objective).²⁴ What matters really is the primary distribution of income inherent to the production paradigm, the corresponding employment structure and the access to assets and resources.

²² The neoliberal theology misses a fundamental point made by K. Polanyi: markets are social constructs (see A. Bagnasco, 1988).

²³ For a recent analysis of competing models of capitalism, continuing the work of A. Schonfield and M. Albert, see Crouch and Streeck, 1996.

²⁴ My stance is diametrically opposed to that of the OECD experts, who consider that the struggle against unemployment requires the widening of inequalities. See on this point Halimi, S., 1996.

As a matter of fact, equality of chances, another tenet of the social democrat paradigm, can only be achieved by democratizing the access to collective equipments (i.e. assets) such as housing, transportation, urban environment, credit, side by side with education and health (Fitoussi, J.P. et Rosanvallon, P., 1996, p. 210 and 228). In this context, one realizes the importance of a concept central to the French model: public services neither entirely public nor entirely private, "a negotiated third way based on the redefinition of the relationships public/private" (Rachline, F., 1996, p. 28).

At the same time, a caveat should be entered with respect to the overestimation of the impact of education as a lever of employment. Training per se will not generate jobs. Whom to train? For what jobs? Created by whom? Say's law and supply economics will not work in the information age, no more than up to now.²⁵

Another powerful reason to modify the production and the consumption patterns - an even more daring task given the present balance of power- stems from environmental considerations. Consumerism, as we practice it in the industrial countries with its profligate use of fossil energy is not sustainable in the long run, and its reproduction in the South for the benefit of its elites is not possible without maintaining there a severe social apartheid.

The need to change consumption patterns and lifestyles of the rich in order to make possible the economic and social advance for the poor has been proclaimed in several international conferences since Stockholm, including the Copenhagen Summit. Both the Declaration and the Action program see the main cause of environmental degradation in the unsustainable patterns of consumption and production, mainly in industrial countries. But, to my knowledge, little has been done up to now beyond rhetorical recognition of the problem and moral exhortation *et pour cause*. In market societies, States hesitate for doctrinal reasons (*the consumer sovereignty*) to use the means of regulation available to them (fiscal systems, public investment, etc.). As for the former centrally planned economies, they misused completely their capacity to influence consumption patterns and to face adequately the environmental challenge.

Unless one considers that the collapse of command economies is a proof *a contrario* of the excellence of the liberal capitalist model (which would be a folly), the challenge before us is to rethink in its entirety the modalities of regulation of mixed

²⁵ See e.g. E.S. Phelps (1996) and Ph. Séguin (op.cit.). In the already quoted article E.B. Kapstein writes: "it is odd that training has become the mom and apple pie of economists and public officials across the political spectrum when it could at best provide only a partial answer to the problems of dislocated workers..." (op.cit. pp.27-28).

economies, rather than to choose from the range of existing models of capitalism. Practically all the post-communist countries, with the possible exception of China, took the imitative and not the innovative way, missing thus a historical opportunity. However, future must be invented. Heilbroner and Milberg (1995) are right when they point to a crisis of vision in modern economic thought.

This is a much too ambitious task to be preempted by this paper.²⁶ I shall limit myself to enunciate questions that could serve as entry-points into this matter:

- what State, for what development?
- how to articulate the internal development with a sovereign insertion in the world economy?²⁷
- is national planning still relevant, and, in the affirmative, under what form?²⁸
- what content should be given to democracy beyond mere compliance with the rules of the game of representative democracy?
- how to achieve new forms of partnership among the State, the civil society and the business world so as to enhance and bring out the full potential of local initiatives and citizen actions?
- in the absence of an equitable and efficient international order, what kind of national safeguards are required to protect the economy from disruptive and deleterious effects of decisions taken by external economic and financial agents?²⁹

This brings us to the next point.

GLOBALIZATION AND INTERNATIONAL GOVERNANCE

Equity in international economic relations requires rules of the game biased in favor of the weaker partner (G. Myrdal). UNCTAD was built on this principle. Formal equality between partners of unequal strength creates, on the contrary, highly asymmetrical relations of domination of the weaker by the stronger. Yet, this is the direction in which the

²⁶ In November 1989, on the wake of the fall of the Berlin wall, I proposed a comparative project on 'mixed economies' summarized in appendix 3.

²⁷ It is necessary to transcend the dichotomy between the inward-looking and outward looking growth searching for a 'development from within' (Sunkel, O., 1993).

²⁸ Personally, I believe that the collapse of central planning should not be interpreted as the end of planning as such. All big corporations do strategic planning. Why the nation State should abstain? The French experience suggests that concertation among all the protagonists of the development process may lead to interesting results, mostly when the interested parties establish between themselves contractual linkages. The Nordic concept of negotiated economy points to the same direction.

²⁹ It is a paradox of history that, forgetful of their historical experience, under the pressure of globalizers nation States accept to dismantle their defenses at the interface with the world economy, i.e. at the point

international system is moving after the defeat of the proposals for the NIEO, put forward by the developing countries in the seventies.

In its present form, the system is both inefficient and inequitable, unable to 'civilize' the globalization processes and effectively assist the development efforts. Reshaping the international order is urgently called for, a complex, exceedingly difficult and time-consuming endeavor. Meanwhile, reliance on internal safeguards remains the main option.

The tyranny of international financial markets is perhaps the first priority. The IMF, the IBS (Basel), the World Bank and the central banks are unable to bring them under control. Governments, which have liberalized the financial markets, find it very difficult to resist to the wanderings of the volatile capital and to the outbursts of speculation.³⁰ The phenomenal growth of private financial transactions, completely delinked from the real economy, diverts resources from productive investment and has pushed up the real rates of interest to unprecedented levels; infrastructural investment is the first casualty.

The vulnerability of the system is so evident, that some farseeing financial operators demand the overhauling of the Bretton Woods institutions and setting up tighter rules. For George Soros (1996), the present day economy rests on a very fragile basis. Markets are imperfect and can be brought to collapse in the absence of strong mechanisms ordering the globalized economy.

An open society that is not ruled by laws is unviable -be it a country or a planet. At present the international finance does not obey any law. When an activity escapes the realm of law, it is force that prevails (p. 10).

Already twenty years ago, James Tobin suggested a tax on foreign-exchange transactions,³¹ whose daily turnover has grown now to around 1.2 trillion of dollars.³² Such a tax would curb the short-run speculation. Besides, it would generate huge amounts of resources. A tax of one per thousand (0.1 per cent) – *a dime on a dime on a dime* – would

where they are most vulnerable.

³⁰ However, a more selective policy at the national level is feasible, as shown by the examples of South Korea and Taiwan (see A. Singh, 1996, for a thorough interpretation of their success story contrasted with the experience of Latin America and for a polemical assessment of the World Bank's views on this subject). Let it be said that even Chile and Columbia managed to protect themselves against the coming and going of volatile capital.

³¹ See Haq et alii (1996) for an up-to-date analysis of this proposal and the controversies around it.

³² According to The Economist (July 13th, 1996) the daily turnover is roughly the same as the total currency reserves of the world's central banks.

yield about 150 billion dollars, enough to ensure on a worldwide scale the implementation of Agenda 21 and to provide at last the United Nations with an automatic source of financing.³³

The Copenhagen Summit practically ignored the Tobin proposal, limiting itself to an appeal for an additional foreign assistance. Meanwhile, the ratio of ODA to industrial countries' GNP has shrunk to a historical low. Under the pressure of the Republican majority in the Congress, the United States are disengaging themselves from multilateral assistance.

Without a worthwhile international monetary system, fairly stable exchange rates and aligned currencies, a trading system cannot operate in an orderly manner. This is a serious handicap for the system, that is being built around the WTO, but by no means its only weakness. For Muchkund Dubey (1996), a former Indian ambassador to the United Nations and to GATT,

the international trading system that has emerged from the Uruguay Round is a combination of highly qualified and only partially liberal multilateralism, discriminatory regionalism and arbitrary unilateralism (p. 130).

The regime of Intellectual Property Rights is a move away from liberalism and competition. Trade in agriculture will still remain largely chucked. No international regime has been contemplated to curb restrictive business practices of the TNCs. The regional integration schemes will tend to marginalize the countries staying outside these arrangements. No wonder that he entitled his book 'An Unequal Treaty'.

The logical consequence he draws from this analysis for India is a plea to "resume the path of self-reliant growth without isolating ourselves from the rest of the world" (p. 134). Integration with the global economy should be selective, development of technological capability reinforced, financial liberalization should come last in the sequence of economic reforms.

All attempts to use the financial powers of the IMF and World Bank to reinforce WTO disciplines on developing countries and

³³ The UNCED Secretariat estimated in 1992 that in full speed Agenda 21 would require outlays of 625 billion dollars a year, including a transfer from North to South of 125 billion dollars in the form of Official

use WTO sanctions to reinforce IMF/World Bank conditionalities must be resisted (p. 138).

Several points of the Marrakech agreements should be renegotiated, starting with TRIPS. India should take the initiative for introducing on the agenda of negotiation an international regime on competition policy to control the restrictive business practices of transnational corporations. At the same time, efforts should be made to resist the introduction in WTO of subjects which are best dealt by other organizations of the UN system.

Dubey's views are representative of a large section of informed public opinion in the South. They should be carefully meditated if we seriously intend to break the present North-South impasse. In particular, restraint is recommended with respect to the so-called 'social clause'. Independently from the intentions of its proponents, seen from the South, this clause looks as one more instrument of hidden protectionism of the industrial countries.³⁴

The long overdue reform of the Bretton Woods institutions and the streamlining of the WTO are part of a larger problem: the reorganization of the entire United Nations system to which the Bretton Woods institutions belong *de iure* but non *de facto*.³⁵ The South is certainly interested in strengthening and democratizing the United Nations,³⁶ that does not seem to be the intention of the United States and of the OECD countries, rhetoric notwithstanding. The prospect is worrisome.

Development Assistance (about 0.7 per cent of the industrialized countries' GNP).

³⁴ This is not to say that enforcing social standards in developing countries is unimportant. On the contrary, it constitutes a major challenge for the extension and deepening of democracy. However, there are other processes to deal with this question and better forms of assisting social advances in the South, than resorting to discriminatory practices in trade. Abolishing child labor is certainly important. But most children work in agriculture and services and not in export-oriented industries. In an overview of the debate on the social clause from the Indian perspective, R. Hensman (1996) writes: "if trade unionists in Europe and North America want to convince us that they are genuinely concerned about these children and not just about their own jobs, they must help us to come up with creative solutions to this problem. Perhaps they could campaign for debt cancellation which is directly set off against government expenditure on rehabilitating and educating these children, and an immediate end to structural adjustment policies which lead to increases in child labor" (p. 1033).

The Governor of Brasilia, Cristovam Buarque, started an extremely successful program, which brought back to primary schools thirty thousand children from deprived families, whose parents are getting the equivalent of one minimum wage per month to compensate for the children's forgone income. Several other Brazilian towns have followed this example. An internationally supported program of fellowships to enable poor children to give up work and go instead to school would do more than blackmailing with the social clause.

³⁵ The standard reference on this subject is Stewart Holland's (1994) excellent book.

³⁶ The South perspective on UN reform has been spelled out in a comprehensive report prepared by the South Centre (1996). The South Centre is a permanent intergovernmental organization of developing countries working in contrast with the Non-Aligned Movement and the Group of 77. In [Appendix 4](#) there are four tables taken from this book summarizing the Northern and Southern views on the United Nations.

Instead, the G7 -a body whose legitimacy is questionable and which speaks only for the Triadhas occupied the void created by the weakness of the UN system. Under its guidance, outright globalization is likely to continue only tempered by the policies of nation States.³⁷

TOWARDS NEW SOCIAL CONTRACTS?

A realistic assessment of the present impasse should not distract us from producing a bold vision of the direction in which we want to move.

Democracy is a foundational value (A.K. Sen), while markets belong to the instrumental sphere. Perfectioning of democracy is, to a large extent, synonymous with development redefined in terms of effective appropriation of all human rights by all.

BOX

Decalogue of citizen rights

1. Professionally assisted birth
2. A safe and secure life space
3. An adequate diet
4. Affordable health care
5. A good, practical education
6. Political participation
7. An economically productive life
8. Protection against unemployment
9. A dignified old age
10. A decent burial

Source: from Friedmann, J., "Rethinking poverty: empowerment and citizen rights", in International Social Science Journal nr. 148, UNESCO, June 1996.

In a seminal article, John Friedman (1996) argues that on the prescriptive level a new social contract is needed, based on 'the right to livelihood' and leading to a triangular relationship among State, civil associations and households (the household economy being regarded by him as a centre for the production of livelihood). Friedman proposes a

³⁷ G7 represents little more than 10 per cent of the world population (Singer, H., 1995). Its enlargement has been suggested (Chavagneux, Ch., 1995) but it would still be a far cry from making it a truly democratic body. A fundamental question to be raised here is that of the relations between the members of the Triad. Will they be able to compromise on their conflicting interests and jointly exercise their condominium on the rest of the world, or, on the contrary, their contradictions will sharpen? In the latter case, conditions would arise, at least for some large countries (China, Russia, India, Brazil) to practicize some kind of 'neo-

decatalogue of citizen rights (see box above) and suggests that States should commit themselves to honoring these rights before addressing other claims.

In this perspective, then, economic growth is no longer regarded as the blind pursuit of growth for its own sake, but as an expansion of the productive forces of society for the purpose of achieving full citizen rights by the entire population. Economic growth thus becomes linked to a specific social goal and requires state intervention into the anarchic play of market forces. The new social contract endows economic theory with a moral purpose, turning it from a utilitarian and excessively individualistic science into a deontological one.

Friedman advocates the empowerment of local communities and considers self-organization of the poor as fundamental for achieving collective survival. But, at the same time, he emphasizes the need for outside help, especially by the State in order to obtain satisfactory results on a scale commensurate with the size of the problem. The voluntary sector cannot by itself cope with it. "Without direct involvement of the State there can be no escape from massive poverty and disempowerment" (p. 168). He also shows the limitations of 'new localism'. Regional, national and international levels are also involved.³⁸

What can be done to bring about this kind of partnership between the civil society and the state? For Friedman the only hope lies in the launching of political protest movements demanding the transformation of discarded peoples' claims to livelihood in a fundamental human right.

This may prove a realistic assessment of the limitations of less radical approaches. This is not to say, however, that we should not try to put the new social contract on the agenda of political negotiation, supplementing it with a 'natural contract' (Michel Serres, 1990).

neutralism' playing the members of the Triad one against the other.

³⁸ See on the same point J. Madrick (op.cit.), p. 162: "But we cannot expect local government to protect our hard-won civil rights, take care of the poor, or maintain our national defense. Local governments cannot build national highways, oversee far-flung corporations, or even help coordinate an electronic superhighway. Solutions at local levels will play an important role in any renewal of America, but many of the problems that beset us are nation-wide in scope. To relinquish some of our most cherished rights to local authorities could be dangerous indeed".

At the same time, we ought to reconstruct the international system on the basis of a world contract to be designed along the lines suggested by Riccardo Petrella and the Group of Lisbon (op.cit.) as well as by the Fondation pour le Progrès de l'Homme. Such a contract should at last create conditions for a symmetric codevelopment between South and North prepared by coreflexion, which in spite of the efforts of UNCTAD and other UN bodies did not produce as yet a convincing blueprint of a new North-South compact.³⁹

WHITHER EUROPE?

A final comment on this subject is in order here.

We have reasons to be proud of our Welfare States and to resist the American way, even though, for reasons explained above, we must recognize the limitations of the social democratic paradigm and look for innovative ways of regaining full employment and moving from Welfare States to caring societies.

Our ambition should be to attempt to 'humanize globalization' which in its present form is 'the law of the jungle', a system in which it is always the rich who make up while the poor get poorer (Guigou, E., 1996). For this, we must succeed in defining a European societal project that could unfold into a world civilizational project.⁴⁰ Europe's future will depend on our success or failure in this endeavor, which calls for mobilizing ourselves against the moving force behind globalization: "the world capitalism and his liberal apostles" (A. Gauron, 1996). The European Union runs the risk of becoming the Trojan horse of socially disruptive globalization, if it fails in giving itself a strong common social foundation and, for all practical purposes, limits its ambitions to those of a common market.

Again, as things stand now, the prospect does not look engaging. Perceptive observers from the other side of the Atlantic consider Europe to be a grand illusion, almost

³⁹ The 20:20 compact put forward by UNDP addresses only one issue: the social policies. Besides it is open to strong criticism at least on three grounds:

- why 20:20 and not any other figure?
- applying the same ratios to all countries means disregarding their singularities;
- 20 per cent of a rapidly shrinking ODA is a somewhat deceptive goal, as far as the donor countries are concerned.

⁴⁰ "Pour redonner du sens à la construction européenne -maintenant qu'à l'Ouest la paix est acquise, niênze si ce n'est nzalheureusement pas le cas dans l'Est de notre continent-, il faut essayer de voir comment l'Europe peut hunwniser la niondialisation. Pour cela, il faut réussis à définir un projet européen de société, il faut que cette démarche sois reprise pour un projet de civilisation à l'échelle mondiale, qui aurait pour ambition, non pas de niveler vers le bas ou d'utufonniser, mais au contraire d'élever vers le haut et de laisser vivre les différences, les diversités et les traditions culturelles, tout en nzettant en conunun ce sur quoi nous savons nous rassembler". (p.116).

a myth, "more than a geographical notion but less than an answer" to its political and social problems (T. Judt, 1996). According to E. Suleiman (1996) the divorce is total between the real Europe and the mythical and rhetorical one. The discourse is on the social Europe, but the Europe that was built is liberal. "Notwithstanding the sincere efforts of some eminent Europeans, it is Mrs. Thatcher's Europe that got the upper hand". Capitalism has won. Seen from the South, Europe appears as an inward looking grouping with highly protectionist agricultural policies and strong neocolonial interests.⁴¹

The European left has a long way to go to revert this situation.

⁴¹ The share of extra-European trade in European GNP does not exceed 10 per cent.

APPENDIX 1

Work, a vanishing value?

In France, the transformation of work into autonomous 'activities' has been a major concern for Jacques Robin, editor of Transversales Science/Culture and the movement Europe 99. In the United States Jeremy Rifkin's (1995) book, significantly entitled 'The End of Work', attracted the attention of the media. It also influenced the thinking of Philippe Séguin (1996). Rifkin sees the emergence of a two-gear society: a small professional knowledge sector, highly educated, the top 20 per cent of the workforce, on the one side, and, on the other side, the 80 per cent in dead-end and temporary jobs, underemployed and unemployed. While his analysis is correct, his concept of third volunteer sector is unconvincing, it fails to explain how this sector will be financed. Rifkin's ideas are close to those of the French proponents of 'économie solidaire' and 'économie plurielle' (see e.g. Roustang, G. et alii, 1996).

Another controversial concept is that of a universal tax-free citizen income propagated by the Basic Income European Network (BIEN) and, lately on endorsed in UK by a commission chaired by Lord Dahrendorf (The Economist, April 27, 1996). In France the journal MAUSS (1996) has published a voluminous dossier edited by A. Caillé. While recognizing the generous intentions of the proponents of the guaranteed income, I cannot accept it for reasons that have been well stated by A. Gorz (1994): work confers economic citizenship. While the abolition of the microsocial and private spheres leads to the total infeodation of the individuals, a life without work universally exchangeable means that he is condemned to uselessness and public inexistence. Guy Aznar (1996) fears that the guaranteed income would legitimize once for ever the dual society. Fitoussi and Rosanvallon (1996) take a similar stand.

In my paper 'Les temps/espaces du développement' published in 1980, I have argued that the 'surplus' of time released from heteronymous work is the measure of cultural freedom, just like the economic surplus is the measure of economic freedom.

As for the current debate, my position coincides with the stance taken by Guy Aznar (1996, pp. 132-133):

La mutation du travail à laquelle nous assistons ne nous conduit pas à sa disparition mais au contraire à sa réinvention. Plus que jamais il apparait que le travail constitue une caractéristique essentielle de

l'homme, présentant un caractère anthropologique et conditionnant l'expression de l'identité humaine. Le travail permet à l'homme de se relier au monde et de se relier aux autres, en instituant un mécanisme d'échange économique, affectif et social, alors que l'impossibilité d'accéder au travail constitue une forme de bannissement de la société, une exclusion du monde.

Contrary to those who affirm, like Dominique Meda (1995), that work is a vanishing value, Aznar considers that work as value will be reinvented and will conquer new spaces.

This philosophical discussion should not distract us from the urgency of a more pedestrian approach: increasing productive investment! (see de Bandt et alii, 1996). For this it is essential to curb financial speculation.

APPENDIX 2

A note on employment-generating development strategies

1. To avoid any misunderstanding, rises in labor productivity are, as such, a bounty: they provide the ultimate basis for economic progress (more goods, less working time or a combination of both). The issue at stake is: how this progress is managed and shared? To whom accrue the additional goods? Who benefits from the reduction of working time and who falls its victim, excluded from the working force?

2. Given the present trends in technical progress, reduction of employment cannot be avoided in industries turning out tradables and modern services. However, the boundary between tradables and non-tradables is not fixed once for ever. It depends on the degree of openness of an economy and the form of its insertion in the world markets. Moreover, through cross subsidies it is possible to ensure the survival of some highly labor-intensive cottage and small-scale industries.

3. The trend toward substitution of labor by capital is magnified in many countries by policy mistakes consisting of subsidization of capital, overburdening of labor costs with social overheads (which should be financed out of value added tax), overvaluation of currency (which lowers the cost of imported capital goods) and fiscal measures favoring accelerated substitution of equipment (instead of slowing down the rate of real depreciation).

4. Shrinking of employment in some sectors must be compensated with the expansion of other sectors, which can still absorb labor, either in the form of wage jobs or through self-employment, particularly in agriculture through family peasant farming. Industrialization without depeasantization (Ismail Sabri Abdallah) is probably the only viable option for densely populated countries and an opportunity for those Latin American and African countries, which still have large reserves of agricultural land.

Sectors enjoying high rates of increase in productivity labor should be put to contribution through appropriate fiscal policies (taxing of capital equipment?) to finance the expansion of the labor absorbing sectors.

5. Environmental considerations point to the objective of seeking a higher productivity for energy and other natural resources (e.g. increasing the number of kilometers per liter of fuel or the yield of grain per cubic meter of irrigated water). This can be achieved by energy, water and resource conservation, waste and materials recycling and

reuse, as well as by extending through improved maintenance the lifecycle of existing infrastructures, built environment, equipments and vehicles.

As a matter of fact, environmental, economic and social criteria often coincide in such "triplewin" activities which are often labor-intensive and at the macro-economic level (though not necessarily in micro-economic terms) finance themselves, at least partly, by the resulting saving of resources and forgoing or postponing of reposition investment. Local agendas 21, urban and rural, should be mainly concerned with the identification and implementation of such "triplewin" projects for which the State should provide the necessary support in the form of appropriate credit lines, service and purchase contracts, research and technical assistance. This is an area for innovative experiments in partnerships between public sector, private enterprises, workers, service cooperatives, citizen movements and organizations.

Although the employment potential of the activities described above may vary considerably from place to place, there are reasons to believe that it is quite considerable, the more so that it does not require significant additional investment.

6. Given the prohibitive cost of urbanization of rural migrants in terms of infrastructure, housing and job provision, all the possibilities of less capital intensive rural development should be carefully ascertained. They include

- the modernization of family farms by applying science-intensive, resource saving and labor absorbing technologies of the second green revolution;
- the settlement of landless peasants through land reforms and colonization schemes;
- promotion of bio-energies;
- decentralized industrialization;
- production of services for the rural population.

While the expectation of one billion jobs in ten years (Swaminathan) may be too optimistic, this is by far the single most important reserve for employment creation and a key element in the pursuit of food security.

7. Public works allow more scope for choosing appropriate technologies than market activities. Their volume depends on the ability to generate public savings.

8. In all countries, including the industrial ones, the potential demand for social services is far greater than the current output, limited by lack of adequate funding. Progress in this area will depend on the capacity to design less costly service delivery systems based on partnerships involving the State, the users, the citizen organizations (the private non-

profit sector) and the private enterprises. In developing countries where the wages are low, special attention should be given to qualified labor-intensive delivery systems, the unit cost of such services being there much lower than in the advanced countries. This comparative advantage should lead to an inversion of historical sequence followed by the industrial countries, expanding social services without waiting to become rich. China, Cuba, but also Sri Lanka and Kerala provide strong arguments in favor of such an approach.

9. The points 2 to 8 of this note constitute a check list of questions providing an entry-point in the process of formulating an employment oriented development strategy. This preliminary identification of employment possibilities should be further refined by analyzing the policies on which they are predicated and ascertaining the macroeconomic balances. Planning is always an iterative process. But the entry-point matters. That is why the practice of country reports on employment, which yielded significant results in the seventies, should be revived.

APPENDIX 3

Whither 'mixed economies'? (West, East, South)

Insofar as dogmatic neoliberalism is a poor and dangerous substitute for dogmatic central planning and patrimonial statism, both Eastern European and developing countries should be encouraged and helped in searching new institutional settings belonging to the broad category of 'mixed economies'.

There is, therefore, an urgent need of going beyond the simplified description of such economies in terms of a juxtaposition of market place and planning (as much market as possible, as little planning as necessary, some would say).

One should aim at building a typology of the diverse existing and plausible forms of articulation between the private, the public and the social sectors (the latter consisting of cooperatives, mutual aid institutions and citizen associations), as well as the household non-market economy. The different forms of articulation between the local, national and transnational spaces of development should be likewise considered (in P. Streeten's terminology macro-macro, macro, meso, micro and micro-micro levels).

The description of the institutional settings should be supplemented by an analysis of the forms of regulation of mixed economies, of the range of incentive systems and policy instruments and of the adjustment and reform paths, leading from the present state to the desired institutional pattern.

The proposed transition paths should be subject to the three criteria of social equity, ecological prudence and economic efficiency. Such solutions to the present crisis, capable of minimizing the social and ecological costs, are far from evident, and may even require counterintuitive measures in their initial stages (e.g. rationing as a way of protecting the vulnerable strata of the population during the transition to a balanced market economy).

Hence the need for a comparative institutional analysis of 'mixed economies', as they exist, or have existed in industrialized and developing countries, as well as in Eastern Europe during the years 1944-1948.

Considerable literature on the subject has piled up since the formulation of this proposal in November 1989. Yet, there is still room for a comparative critical synthesis. The research field should be now extended to the actual experience of the post-socialist countries and to an assessment of the impact of liberalization reforms in the developing countries.

APPENDIX 4

The Northern and Southern views on the United Nations*

North critics' vision of the United Nations

The UN needs to be freed from impractical illusions and adapted so as to conform to present day realities regarding international power relations.

The UN also needs to work in harmony with and promote the new economic thinking which gives primacy to the 'rationality of the market' and encourages reliance on the market as a decision-making and resource-allocation mechanism in almost all spheres of life.

This requires that programs which are 'outdated' because they do not correspond to the new, current!), preferred approaches, or are considered inefficient under the new paradigm, be phased out. Thus, the UN is expected to abandon its long-standing efforts to modify the global economic status quo and to refrain from questioning the way that the world economy functions and its impact on the South.

The UN needs to be streamlined, and its bureaucracy and costs reduced significantly, taking into account what the principal contributors are willing to pay.

New and powerful actors on the global scene such as business, finance and the media should be allowed direct access to and given an appropriate place in the proceedings of the UN.

Complaints of the critics from the North

The UN is too costly, inefficient and unwieldy, both with respect to its intergovernmental and secretarial structures and proceedings. It produces an excessive amount of documentation, has an overly demanding calendar, an unfocused and overwhelming agenda, and is in danger of suffocation.

The democratic principle of 'one state, one vote' is unrealistic and anachronistic and, by not recognizing the hierarchy, of power, discourages serious and committed participation by those 'states that count' and that are in a position to assume responsibility.

The application of the 'one state, one vote' principle results in the UN being too South-oriented.

* Taken from South Centre, For a Strong and Democratic United Nations: A South Perspective on UN Reform, The South Centre 1996, Geneva.

The Organization's past work, especially as concerns the North-South development agenda, has proven misguided and should be jettisoned.

The UN should limit its activity wholly or principally to those areas where it has a so-called comparative advantage, e.g. peace-keeping and humanitarian activities. social development and the environment.

The South's vision of the United Nations

The UN Charter, its basic structure, mandate and principles, and its 'world development' orientation are basically sound and should be continued.

The UN as an institution should play a key role as a champion of peace, justice and equity. Thus, one of the main goals of the organization, stemming from its Charter, should be to seek improvements in international economic and political relations and to create an external environment that is conducive to the development of countries of the South. Moreover, closing the development gap would remove one of the central threats to peace.

Within, the UN should be fully democratic and pluralist, both with regard to its intergovernmental machinery and proceedings, and its secretarial and staff. Hegemony and special privileges for those able to wield power within the organization have no place in the UN since they are the very antithesis of what the UN stands for.

The organization should be funded adequately to carry out the various tasks corresponding to the objectives and agenda decided upon by member governments.

The organization should be staffed adequately by people selected for their excellence and motivation and who can work together in a truly international spirit for the achievement of the internationally-agreed goals, free from pressures exerted by powerful states.

Challenges facing the United Nations: The South view

The UN Charter and its main principles have become eroded and are in danger. The North's economic and political power is used more openly than ever to undermine the Organization's democratic and pluralist character.

The UN is underfunded and understaffed in key areas of its work which correspond to the many ambitious mandates and objectives set for the Organization. In effect, it is not allowed to exercise its mandates fully nor is it given the institutional means to implement its agenda in a systematic fashion. The UN is therefore overburdened with issues and expectations, which give rise to allegations of incompetence and inefficiency.

The intergovernmental machinery and secretarial of the UN are increasingly under pressure from a few powerful countries of the North which are intent on dominating the Organization in order to determine unilaterally its agenda and policy outcomes.

The Organization's critically important role in the field of economic development is being denigrated by the North, which would like to preclude the UN from acting as a critic and an agent of change vis-à-vis the North dominated global system.; The North's aim is to divest the UN of its policy and research capacities in the economic sphere, and to give a more central role in the economic and development field to the Bretton Woods institutions and the WTO institutions which are North-dominated, undemocratic, and differ in basic policy inspiration from the UN.

The UN is effectively precluded from adopting an integrated and coordinated approach to global problems and to their root causes. This is partly due to the fact that it is prevented from having any jurisdiction or influence over those areas of economic and social policy, among others, of the industrialized countries of the North which have a global impact.

The Organization's inability to encourage the implementation of more appropriate people-oriented development policies in the South has resulted in increasing examples of 'failed development', giving rise to severe crises which then require the UN to devote substantial energy and resources to humanitarian and peace-keeping activities.

The UN is being transformed into an instrument of direct or indirect interference in the governance of volatile and unstable developing countries, which raises questions not only about the appropriateness or adequacy of the measures adopted but also about the responsibility for decision-taking on these matters.

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a substantial portion of the developing world? The heart of the issue lies in how the governments of developing economies that joined the third wave of globalization, or the "late liberalizing" countries, raised their money prior to the 1990s. Revenues were collected, in large part, from taxes on imports and exports. Specifically, tariffs on consumer goods, particularly luxury goods. Overall revenue levels in developing economies have always been far below that of advanced industrialized countries, and in spite of frequent, and sometimes extensive deficit spending, the provision of public goods is inadequate in many late liberalizing countries. Trade liberalization in the developing world has thus been heralded as a necessary step in the path to development success. International Trade 3. Policy-Making in A Globalizing World Economy 3.1. The Agreement on Trade-Related Intellectual Property Rights 3.2. Technical Standards and Regulatory Reform 4. Concluding Remarks Glossary Bibliography Biographical Sketch. A rapidly expanding group of developing countries and economies-in-transition have taken deliberate - and in many cases drastic - steps to open their economies wider to the outside world. They are liberalizing imports, promoting exports, encouraging foreign investment, and decontrolling foreign exchange regimes. Such development strategies have already propelled a number of these countries into the front ranks of trading nations and recipients of foreign investments. Part 2 " FOREIGN DIRECT INVESTMENT AND THE CHALLENGE OF DEVELOPMENT. The new competitive context raises new challenges for governments and TNCs | The development priorities of developing countries include achieving sustained income growth for their economies by raising investment rates, strengthening technological capacities and skills, and improving the competitiveness of their exports in world markets; distributing the benefits of growth equitably by creating more and better employment opportunities; and protecting and conserving the physical environment for future generations. The new, more competitive, context of a liberalizing and globalizing world economy in The goal of neoliberal economic globalization is the removal of all barriers to commerce, and the privatization of all available resources and services. In this scenario, public life will be at the mercy of market forces, as the extracted profits benefit the few. Its ideologies have been rejected by influential countries in Latin America and its moral basis is now widely questioned. Recent protests against the WTO, IMF and World Bank were essentially protests against the neoliberal policies that these organizations implement, particularly in low-income countries. The neoliberal experiment has failed to combat extreme poverty, has exacerbated global inequality, and is hampering international aid and development efforts. This article presents an overview of neoliberalism and its effect on low income countries. I. International Trade and the World Economy II. The Benefits of Trade Liberalization III. The Need for Further Liberalization of International Trade IV. These countries have become successful because they chose to participate in global trade, helping them to attract the bulk of foreign direct investment in developing countries. This is true of China and India since they embraced trade liberalization and other market-oriented reforms, and also of higher-income countries in Asia"like Korea and Singapore"that were themselves poor up to the 1970s. But progress has been less rapid for many other countries, particularly in Africa and the Middle East.