

BOOK REVIEWS

"If the only tool you have is a hammer, everything begins to look like a nail".

A Review of, *"Economic Liberalization: No Panacea"*¹, edited by Tariq Banuri, Oxford Clarendon Press, UK, (Price in India Rs. 360/-)

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The title of this review article, is a quote from Abraham Maslow, referred to by Tariq Banuri in his introduction, who adds that, "the prescription of liberalizing all conceivable markets in countries in every conceivable political circumstance is beginning to look increasingly like the application of Maslow's hammer". In our own country, opinion by now has almost solidified particularly among the middle classes; the elite (or is it the creamy layer?) having long back made up their minds, that liberalization is the only and sure route to paradise. There was never much of a debate in any case, about the pros and cons, as well as the timing, of the liberalization and globalization initiatives, taken by a very small super elite circle of econocrats. For the rest of the population which is almost 2/5ths,² (on whom the impact of the New Economic Policy has been very well analysed in recent articles in the Ecologist and EPW, by Michael Chossudovsky, the Canadian economist), it has been more of a tyranny, of a consensus by a few against the many. In that sense, we are witnessing at this moment in our nation, both in the process of economic decision making and the politics of communal hatred (which I see as one feeding the other), this tyranny of a forced consensus by a few on the many and as a consequence, the gradual erosion of any substance that is left in our democracy. This surely is a matter of vital and urgent concern for aspiring lawyers, who in any way, are the ones to inherit the future that is being shaped by today's politicians, policy makers and decision makers.

Therefore, in reviewing a book on economic policy, to an audience to whom the legal and constitutional foundations of civilized democracies are an important concern, I perhaps should first take up the question of governance in relation to liberalization and globalization policies. Before I do that, I hope it will not be out of place to state that as a professional economist, having watched the crisis of governance, engendered by one-sided market oriented policies and the immense human suffering it caused in several Asian societies, the question of governance and management of conflict has occupied as central a place in my concerns about globalization policies as the sustainability in the long term of such economic policies. Interestingly, the very first chapter of 'No Panacea', is "Policy, Governance and the Management of conflict" contributed by Tariq Banuri and Edward J. Amadeo.

Amadeo and Banuri, say that there is a curious inconsistency to government policy in the attitude of those advocating neo-classical solutions to economies of developing societies; "on the one hand, the government is seen as being omnipotent and unique in its ability to

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choose policies and to pursue macroeconomic objectives; on the other hand, it is seen as being completely impotent and incapable of improving anything (except when they choose policies to ensure the freedom of markets)". Amadeo and Banuri, take a Keynesian view of governance which sees " the goal of state action in contemporary society to be the maintenance of social, and the creation of institutions of economic and political stability, the management (not elimination) and arrangements in which social groups can cooperate with each other in the economic life of the country." Drawing from an extensive range of literature relating to the political model of economics, analysis of the lessons of the crisis of policy making in Latin America, they show why it is not surprising that the neo-classical economists' monistic vision of politics leads often to intractable conflicts and crisis of governance.

Amidst the din and noise on 'liberalization' and 'globalization', it is perhaps useful to indicate the other contributions in this soberly analysed and presented volume. Two brilliantly argued chapters, drawing upon a tremendous depth and range of empirical evidence, look at the issue of international integration from different angles. These are Lance Taylor's, 'Economic Openness: To the Century's End' and a jointly written paper by Alan Hughes and Ajit Singh, titled, 'The World Economic Slowdown and the Asian and Latin American Economies: A Comparative Analysis of Economic Structure, Policy and Performance'. In another excellent chapter (Some Reflections on comparative Latin American Economic Performance and Policy), Albert Fishlow looks at the role of the state and the several distinct strands in the contemporary analysis of the state. Banuri and Amadeo in a second contribution (Worlds within the Third World: Labour Market Institutions in Asia and Latin America), point out how the importance of labour markets in developing countries has been neglected by economists and in sharp contrast to the attention given in the USA and Europe. There are also two very useful and informative appendices, one on 'Trade Policy and Growth ; after Lance Taylor's chapter and one on 'Wage Setting Institutions' after the chapter of Banuri and Amadeo on labour markets. The volume is part of the World Institute for Development Economics Research (WIDER) of the UN University Studies in Development Economics. The papers in the volume were presented at a conference on global macroeconomics held at Helsinki in August 1986. The overall theme of the conference was the causes and consequences of the slowdown and volatility of the world economy since 1970, a central, continuing problem of the contemporary globe, which we in our country treat it, as if it belonged to some other planet and we another planet.

As the contributors to the volume point out, what was once historically narrow trade oriented, export promoting policies have now metamorphosed into a broader all-encompassing, ideologically loaded concept of 'liberalization'. I say ideologically loaded, because in the evangelical zeal with which the case for 'markets' is made out and the false oppositions between 'markets' and 'state' is set up, only convenient evidence is taken, inconvenient facts or history conveniently left out. The case for 'economic liberalization' is often built on circular reasoning and logic. One would laugh at it, if only the long term consequences of such logic were not so serious. The belief in the efficacy and optimality of free markets, is used to interpret recent experience and the interpretation used to argue in a circular fashion for economic liberalization and free markets. Alternative interpretations, not based on such circular logic, may present more insightful and in a policy sencer a useful view of the efficacy of markets and the role of government in contemporary societies.

Ironically, in the post-Thatcher-Reagan-Bush era that is emerging, actually the orthodoxies and fundamentalism about markets and liberalization is beginning to recede. We and our intelligentsia are in that sense truly a 'late capitalist' society. We are always late in our capacity to learn from other countries, changes taking place in the world and to selectively absorb them for our home conditions. This is also because, I believe in the peculiar nature of our middle classes who have always vacillated between being 'resident non-Indians' and 'non-resident Indians', depending of course on the actual possibility of becoming 'non-resident'. These problems have been further compounded by the fact that the bulk of the middle classes, including and especially, the so called intelligentsia, is intellectually weaned today on a very strong instant diet of 'StarTV' and 'India Today' about the virtues of the market. This leaves little time or room for any serious study of evidence, reasoned debate or discussion about the implications of economic policies. But for those still inclined to look for evidence, the rigour of analysis, consistency in logic and reasoning 'Economic Liberalization: No Panacea' is a book to be read. Most of all it shows how dogmatism, whether it be of the 'dirigiste' kind or the 'freemarket' kind, is intellectually sterile and socially disastrous. In democratic societies as ours, the sum and substance of democracy is the ability and moral courage of an informed citizenry to demand an intelligent third way, between the extremes of fundamentalism, whether it be of the religious kind or of the 'elite economic policy' making kind.