Chapter Three
Responses to Neoliberalism

The theory and practice of neoliberalism have not gone unchallenged, any more than have state-centred
development models. The challenges today emanate from many quarters and have widely differing
agendas, some positive, others profoundly disturbing. Five broad groupings—some with grassroots
constituencies, others more elite-based—stand out. Each make different (though sometimes overlapping)
demands and each present very different views of what constitutes an "effective state" in the late twentieth
century.

At one end of the spectrum, a range of populist movements have emerged whose response is rooted in
exploiting the insecurities of globalisation in order to ferment exclusionary, xenophobic and socially
regressive nationalisms. At the other are movements seeking to build economies based on "cosmopolitan
localism". Other constituencies, notably those associated with several influential Washington-based think
tanks, have emerged to try to bolster the neoliberal agenda by softening its implementation. Still others,
particularly among policy-makers in East Asia, have been arguing for states to take a leading and, if
necessary, authoritarian, role in industrial planning to direct resources to sectors which can lead a
transformation of the national economy, using state power to manage the shock of imposing a new value
system on society. The fifth broad grouping has emerged around an agenda aimed at addressing the
distributional inequities created (or exacerbated) by economic liberalisation—for example, by pressing for
measures that would create a genuinely level playing field in world trade and that would ensure access to
essential public and welfare services as a fundamental right rather than as privilege of wealth and power.

The broad diversity of such views and their constituencies illustrates the intensity of the public debate, North
and South, which now surrounds the role of the state. Indeed, many have argued that the single greatest
weakness of the 1997 World Development Report lies in its failure to engage with the wide diversity of
challenges to existing state and market structures—a diversity which, in many instances, reflects attempts
by civil society "to recover politics from politicians and political brokers". In adopting a tone and
language that frequently suggests that there is one correct view and one view only of how markets
and states should operate, the Bank stands accused of displaying the same institutional arrogance that the
WDR itself criticises in past policy documents. The failure to acknowledge other perspectives has led to
many of the key issues raised by other commentators to be written out of the debate.

Chauvinism and Protection

One response to the neoliberal agenda has come in the form of xenophobic nationalism. Playing on the
insecurities that globalisation and liberalisation have spawned for workers in particular, a number of
movements—many of them led by those whose power base has been threatened by the opening up of
national economies—have made considerable headway in Europe, India and the US by stoking racist and
nativistic sentiments in an attempt to build a populist and nationalist response. Such responses are
exemplified in the politics of the New Right in Europe, Pat Buchanan in the US, Vladimir Zhirinovsky in
Russia and the Hindu chauvinist political groupings in India. In some cases, the reaction has taken the form
of a mix of conservative social policies, free-market neoliberalism and protectionism. In others, it involves
the vilification of all things "foreign", a rejection of all external trade and a yearning for "traditional" forms
of family and community life, many of which have either never existed or which play to highly-authoritarian
power structures.

In India, aggressive "Hindutva" communalist and economic nationalist politics have been built up by the
Bharatiya Janata Party (BJP) and its allies such as the Shiv Sena. Based on divisive, fundamentalist
ideologies which party leader Atal Behari Vajpayee describes as "uncompromising nationalism,
commitment to probity in public life, [and] opposition to pandering to casteism and minorityism", the BJP
has secured a quarter of the popular vote and emerged as the single most powerful political grouping in
the national legislature. Political commentator N. Ram commented recently that whilst this movement is confined to certain areas of the country, it is “taking a very high toll and threatening the integrity and basic character of the polity.” In the US, the response is exemplified by Pat Buchanan who stood for the Republican nomination in the 1996 presidential elections on a platform that promoted a “free enterprise” economy within the US; protectionist policies to create a “Fortress US” to shield US industry against foreign competition and US society against immigrants; and the use of trade sanctions and other political measures to secure new markets for US industry abroad.

Such “might-is-right” protectionism (actually a neo-mercantilism) has undoubted popular appeal in the US, as reflected in the support gained by Buchanan in the polls. However, a Fortress US (and likewise a Fortress Europe) even if stripped of the xenophobia and authoritarianism of those most vocal in promoting it has little to offer those seeking a better deal for labour and the poor, not least because within the manufacturing sector, the major economic actors in the global economy the transnationals have long established a variety of means to circumvent many protectionist barriers proposed by neo-mercantilists. Twenty-five per cent of world trade, for example, takes place within companies and thus escapes national tariffs (such trade is not governed by GATT). Other strategies, such as the use of “screwdriver assembly plants”, have been used to overcome import duties on products which fail to meet minimum local content levels.

In addition, a Fortress US or Fortress Europe strategy, in which capital is still free to flow within the Fortress, does not address the growing internal polarisation between the Fortress’s core and periphery, caused by companies shifting between regions in search of the cheapest operating costs. Likewise, Buchanan-style protectionism which explicitly eschews policies aimed at curbing corporate power would do little to redress the imbalance of bargaining power between labour and capital in an age of flexible production. In addition, its aggressive accent on pushing US trading interests overseas would, in all probability (given past experience), be severely detrimental to the economies of the South. Nevertheless, the xenophobia whipped up by the Fortress US and Fortress Europe lobbies is already having severe impacts on minority communities who do not “fit” with the new nationalism.

Softly, Softly

A second set of responses to the neoliberal agenda comes from a number of mainstream think tanks, business leaders, academic economists and many others who are broadly sympathetic to “free market” policies but who caution that structural adjustment has gone “too far”, straining society to a point that is intolerable, not only from the point of view of social justice but also, critically, from a political and business perspective.

As the Brookings Institute, a market-orientated but liberal Washington-based think tank, recently commented:

"In many countries of Latin America, market-oriented economic policies have become widely identified with unending austerity, and are often considered detrimental to the interests of the poor and even the middle class. Accurate or not, such perceptions can produce pressures to modify or abandon sound policy directions. They can also undercut the credibility of governments trying to carry out the policies. Indeed, under conditions of extreme income inequality, social conflicts can make it difficult to implement coherent economic programmes of any kind."

A major concern, argues the Institute, is the threat that “mass poverty and inequality” pose to political stability:

"Policy-makers and politicians are increasingly concerned with the effects of poverty and income inequality on political stability and economic prosperity. High and rising levels of poverty and inequality, some argue, could undermine economic reform, bring back the so-called populist policy agenda, intensify environmental degradation, put social and
political stability in jeopardy, and reduce long-term economic growth. This view is not ill-founded. The fear that increased poverty and economic inequality may breed a political backlash against fiscal prudence and efficiency-orientated structural reforms is based on the acknowledgement that large groups in the population identify stabilisation policies and structural reform, whether accurately or not, as detrimental to the poor and as the cause of greater inequality.186

Responding to that political backlash, argues the Institute, in a 1995 report187 that foreshadows much of the thinking in The World Bank’s The State in a Changing World, requires the state to take a proactive role in combating inequality and poverty. That role, however, should not compromise the structural changes in the economy brought about by the market-orientated reforms of the 1980s. Rather than seeking to reintroduce the types of redistributive instruments from subsidies to pricing that governments have traditionally used to address inequality and poverty, policymakers should instead make use of market-based but state-assisted policies aimed at:

- improving poorer peoples’ access to education;
- improving access to “social services and social infrastructure”; and
- developing legal systems prohibiting discrimination against women, indigenous peoples and peoples of colour.

Such initiatives, the Institute makes clear, require government resources to be deployed, forcing governments to take “tough decisions in allocating limited revenues” if inflationary deficit spending is to be averted. In effect, the state should become more active in countering poverty and inequality, but its activism should be constrained by the disciplines of maintaining a market-friendly environment.

The Brookings Institute’s views are echoed in a recent report by the Washington-based Institute for International Economics (IIE), which until recently has been among the strongest proponents of the neoliberal view that the state should be removed from most areas of public life. In a 1997 IIE publication, Has Globalization Gone Too Far?, Harvard University economist Dani Rodrik, writing for the IIE, argues that “policy makers should steer a middle course between responding to the concerns [of social upheaval] and sheltering groups from foreign competition through protectionism.”188 Trade-offs between maintaining “social cohesion” and opening borders to trade are inevitable, says Rodrik, but “it makes little sense to sacrifice social concerns completely for the sake of liberalisation”.189 In short, “as policymakers sort out economic and social objectives, free trade policies are not automatically entitled to first priority.”190

Rodrik goes on to argue that, given the extent to which tariff and non-tariff restrictions on manufactured goods have already been slashed, “the efficiency benefits of further reductions in [remaining] barriers are unlikely to be large.”191 Indeed:

"the dirty little secret of international economics is that a tiny bit of protection reduces efficiency only a bit. A logical implication is that the case for further liberalisation in the traditional area of manufactured goods is rather weak. Moreover, there is a case for taking greater advantage of the World Trade Organisation’s existing escape clause, which allows countries to institute otherwise-illegal restrictions under specified conditions, as well as for broadening the scope of these multilateral safeguard actions.”192

Nation states, argues Rodrik, in a significant departure from the views held by the US government, also "have the right and should be allowed to restrict trade when it conflicts with widely held norms at home or undermines domestic social arrangements that enjoy broad support.”193 Countries should not abuse this right by making complaints against other nations "when very similar practices abound at home" or by using it to impose their own institutions on others. "It is perfectly legitimate for the United States to make it illegal for domestic firms to engage in corrupt practices abroad . . . but it is not acceptable to unilaterally threaten retaliation against other countries because their business practices do not comply with domestic standards at home" a view that directly challenges a recent announcement by the US Trade
Representative that corruption in foreign countries will in future be considered to constitute unfair trade.\textsuperscript{194}

Such is the extent of the shift away from pure neoliberalism amongst Washington-based think tanks that The Economist newspaper now refers to "a new policy consensus".\textsuperscript{195} Summarising its broad contours, the paper singles out and comments on the shift's most salient features. These include calls to:

- Strengthen the state and in particular strong central government. "In their zeal to end the overbearing state, some reformers fear they went too far. Devolution of central power can allow local elites to derail reform. It is clear that tackling profligate state governors in Brazil and Argentina, or drug barons in Mexico or Colombia, requires a strong president."

- Improve economic supervision. "Privatisation and deregulation have sometimes ended in corruption or corporate crisis. [One recommendation is] the setting up of institutions similar to America's Securities and Exchange Commission to improve supervision. Many argue for a Central Bank."

- Bolster institutions. "Disregard for the law has made reform of the judiciary and police essential. Already, America's US AID is helping train new police forces in Haiti and El Salvador. The World Bank is helping overhaul Venezuela's secretive and inefficient judicial system."

- Target social spending where it is most needed. "Latin America spends more of its GDP on social services than the Asian tigers, but lags behind in standards of primary education and basic public health. A main reason, suggests the Inter-American Development Bank in its [1996] report, is that social spending is run by centralised bureaucracies which are corrupt. It argues that local governments and non-governmental agencies should be permitted to provide social services."

Without such reforms, warns The Economist, there may be growing violence and military rule as popular discontent at structural adjustment boils over into guerrilla warfare, rioting and social unrest. The overall agenda is still broadly correct, but more effort needs to be placed on better "explaining" the benefits of the free market, in particular to people at the sharp end of reforms.

**The Japanese Government View**

Fears over the backlash against liberalisation and globalisation also feature prominently in strong critiques from the Japanese government, now the world's largest funder of development assistance and the largest contributor to the World Bank. These critiques are understood to be one of the main reasons why the Bank decided to dedicate its 1997 World Development Report to the issue of the state.

Whereas the Brookings Institute and the IIE are still committed to the neoliberal agenda albeit in a softer form the Japanese authorities question many core features of the neoliberal economic model and the intellectual, social and political assumptions which underlie it. They reject a blind insistence on structural adjustment as the only path to economic prosperity. Pointing to East Asian "Tiger" economies, Japan's Ministry of International Trade and Industry (MITI) has long argued that it was not the free market that was the central factor in the "take-off" of these economies but an interventionist state. Indeed, such was the Japanese government's concern in the early 1990s that the World Bank was downplaying or ignoring the key potential role of the state in promoting economic growth that, in 1993, the Japanese government proposed and funded a World Bank study on The East Asian Miracle.\textsuperscript{196}

This study acknowledged the important role played by the state in promoting growth in the New Industrialised Countries (NICs) of South East Asia for example, through "picking industrial winners", strategic protectionism, and providing subsidised loans to the private sector in order to compensate for "market failures" but argued that the model would not be applicable elsewhere. The lesson which the report sought to impress upon the South was clear, reports Walden Bello of the Bangkok-based NGO Focus on the Global South: "it is still better not to intervene than to intervene".\textsuperscript{197}

Unsatisfied, the Japanese government subsequently pressed hard for the World Bank to make a more considered evaluation of the Japanese arguments that it should revise or tone down its advocacy of deregulation and liberalisation as the sole requirements to create an efficient market economy.
At a very early stage of the 1997 World Development Report production process, Kenichi Ohno of Saitama and Tsukuba Universities, Japan, provided the Bank with a remarkably candid background paper "summarising current discussions taking place among officials and academic researchers responsible for Japanese aid policy." The paper raises many fundamental concerns and criticisms of the Bretton Woods institutions’ approaches and presents counter-arguments. Most of his points, however, were not discussed in The State in a Changing World: Ohno’s paper is merely listed in the bibliography and only a few of his important concerns emerge in muted form.

The Ohno paper notes that at the time of the Bank’s East Asian Miracle report, Japanese observers felt the Bank was moving towards a more even-handed treatment of governments’ roles, but that more recent publications, such as Bureaucrats in Business and From Plan to Market, “seem to have reverted to the more neoclassical line”. The following quotes give a flavour of the arguments put forward in the paper and of the deep anger within the Japanese development community that its views are being ignored:

"Since the marketization process is critically dependent on the existing structure of each individual society, we believe that the marriage of the neoclassical paradigm and development economics is a theoretical mismatch. Neoclassical development economics would automatically rule out the most important topic for investigation from the outset: Where deductive logic reigns supreme over empirics, it is difficult to even ask the question: how do the unique inheritances of each society from its own past affect the formation process of the market economy?"

"The government of a developing or transition country faces a large number of grave issues, while its budget, time and a number of competent officials are severely limited. Advising such a government to solve all problems simultaneously is no advice at all.

"As a matter of highest priority, international financial institutions especially the IMF which plays a catalytic role in mobilising external finance advise macroeconomic stability and ‘structural adjustment’... to a country in economic crisis... Most Japanese aid officials find such an obsession with macroeconomy and finance too narrow and unbalanced. True, inflation must be dealt with, but not at all costs to the society, especially when the country is in deep crisis with collapsing output, joblessness, political instability, ethnic conflicts, lawlessness, and public discontent. Under such circumstances, the highest priority for Japan would be real and not financial: how to arrest the fall in output, how to secure jobs, what initial steps must be taken to revive and restructure industries etc. These real concerns take precedence over money, budget and inflation."

The paper sets out in detail the Japanese government’s rationale for an alternative approach to liberalisation, one that envisages not only an active role for the state but which, critically, argues that an active even authoritarian state is essential in the early stages of development. Underlying this espousal of top-down state planning is a rejection of the fundamental premises and methodologies of neoclassical economics. Particularly problematic, says Ohno, are:

- The use of unrealistic models based on purely hypothetical perfect competition;
- The presupposition that markets will automatically work if certain obstacles are removed;
- Value judgements based solely on efficiency;
- The failure to deal with “how various classes, institutions, and spirits in support of the market economy form, develop, and interact within each individual society”.

Ohno comments that aid agencies and governments should be clear that:

"Highly advanced industrial economies apart, we do not believe that the market economy is ubiquitous in any human society and only suppressed by inappropriate state control and bureaucratic meddling. We do not subscribe to the view that, in any country,
removal of government intervention alone would immediately release the potential power of the market economy. That may happen in some countries, but certainly not all... The market economy is a very demanding system. It requires a large number of conditions to be satisfied for its proper operation. Provision of these conditions is not automatic and only societies which happen to be equipped with them or those that deliberately transform themselves to be compatible with the market mechanism can successfully adopt it.206

It follows that market thinking has to be instilled. The process of economic development or, as Ohno terms it, "systemic transition" is thus "a deliberate attempt; perhaps only once in the history of any country, to implant a system from without that does not arise automatically from within the existing society."207 The implications for "latecoming" developing countries are twofold, argues Ohno:

"Marketization [in developing countries] entails two grave problems that are peculiar to them. First, there is the serious risk that the existing society is unready for or incompatible with the requirements of the newly introduced market economy. If inconsistencies are left unattended, the market economy may well remain underdeveloped. Second, the government must act first to start the process of marketization, since the existing society does not contain within itself the dynamism for creating the market economy."208

In effect, in many societies, "the government must take the initiative to marketize the economy or it will not be marketized."209 To that end, the state must take an active, leading role not only in creating an appropriate social division of labour, an infrastructure for distributing goods and rules for market exchange, but also in "creating an imagined community" that binds differing groups and interests into "nations" and "states" whose "existence is the prerequisite for the execution of development policy":

"When a country is about to undertake a total social change like marketization, with inevitable pains and adjustments, maintenance of centripetal force in the society is indispensable. Otherwise, the country will break up along . . . ethnic lines, and political crisis and even civil war may ensue."210

The "East Asian solution to the vicious circle of weak government and economic backwardness is authoritarian developmentalism" for early stages of modernisation. This position, says Ohno, is "not explicit in official documents, but nonetheless real"211 as exemplified by Japan and the East Asian "Tiger" economies. To Western eyes, argues Ohno, such a policy may seem reprehensible, but it is wrong, he insists, to judge it by "the standards of advanced democratic market-economies": rather, it should be judged by its effectiveness in maintaining stability in the face of the pressures "due to fierce competition, overcapacity and monopolies that come and go."212 The "vital role of the government is to let... industry enjoy ever lower cost without such 'excess' competition", in addition to undertaking "supplementary policies" aimed at redistributing income, instituting universal education and mobilising resources against external threats.213

Moreover, Japanese analysts argue, the social and economic change achieved through authoritarian developmentalism will create pressures that cause the authoritarian regime to "dissolve itself":

"rising income, diversification of social strata, emerging middle class, educated and sophisticated population, fading appeal of materialism, individualism, acceptance of different values, access to global information networks... all increase the demand for more political freedom comparable to the now higher living standard. The rigid regime becomes increasingly incompatible with the changing needs of the people eventually leading to its demise."214

Following this logic, Ohno argues, there is a need to accept "authoritarian developmentalism in the early stages of development" and allow national governments to see to it, in their own way, that "the newly introduced market mechanism is accepted by the base society."215 Within this framework, the broad role of the state is:

☞ To improve, not remove, government. "Government intervention is a necessary although not sufficient condition for starting economic development".
To formulate long-term development strategies, to be implemented mainly by the private sector, with targets and steps clearly outlined.  

To plan in terms of decades and generations, not years. "Marketization is a total social process involving economy, politics, culture, class, ethnicity, international relations and not just a technical problem to be solved by economic principles only." Indeed, on this view, the Russian "shock therapy" reforms of the early 1990s were, says Ohno, "incomprehensible" to Japanese analysts.

**Challenges from Below**

The Ohno paper makes clear that the "Japanese consensus" is shared by many other development agencies and governments in Asia and other regions. Ohno argues that the authoritarian state which the Japanese Government seeks to foster "should not be confused with Stalinism or Maoism, or the personal kingdom of a badly-run African state." Trade unions, political dissidents and numerous ordinary citizens who have found themselves at the sharp end of the "benevolent authoritarianism" that Ohno promotes would vigorously disagree, however. As the International Confederation of Free Trade Unions (ICFTU) points out in a report prepared for the 1997 IMF/World Bank annual meetings:

"The downside of the East Asian 'miracle' is in the form of repressive governments that systematically violate human and trade union rights, including in export processing zones where the workers, predominantly young women, are subjected to exploitative sweatshop conditions and denied the right to form or join unions... Over the long-term, the East Asian model will be unsustainable in the absence of a balance between economic and social policies within a consultative framework which allows a place and a voice for free, independent unions in determining policies affecting the lives of working people."

Similar concerns have been expressed by other NGOs in the region who vigorously contest the claim that the region's economic and social gains can be ascribed to the benevolent use of authoritarian state power for the general good, arguing, to the contrary, that such gains have largely resulted from resistance to such authoritarianism. Commenting on the World Bank's *East Asian Miracle* report, the groups write:

"The stifling of independent labour and social movements and the constraints on freedom of association and freedom of speech, restrictions or elimination of opposition political parties, and the fusion of the interests of the state and large conglomerates, all form part of an effective authoritarian regime. In Taiwan and South Korea, severe restrictions on workers' organising, repression of independent trade union movements and extensive controls over trade unions highlight the entire period of "miraculous growth". In Hong Kong, the colonial regime restricted labour movement activities and denied workers their fundamental rights. In Singapore, civil rights organisations continue to be suppressed, while the trade union functions merely as an extension of the government. However, while the World bank views this authoritarianism as necessary, if not crucial, for economic growth, it was precisely because workers, independent trade unions, NGOs and social movements struggled against authoritarian regimes that there has been a redistribution of resources towards health, education and other 'social fundamentals'."

Indeed, many social movements in East Asia are becoming increasingly vocal in their rejection not only of neoliberalism but also of the Asian Tiger/Newly Industrialised Countries (NIC) model. As political analyst and activist Walden Bello reports, NGOs across the region are beginning to articulate similar core ideas that, for want of a better term, come under the rubric of "sustainable development". He outlines seven key perspectives:

- "In opposition to the blind play of market forces in the free-market approach and to state fiat in the NIC model, the sustainable development perspective makes transparent, rational and democratic decision-making the fundamental mechanism of production, distribution and exchange";
"In contrast to impersonal control by the ‘invisible hand’ of the market and the hierarchical and centralising thrust of decision-making in the NIC model, the sustainable development model decentralises economic decision-making and management to communities, regions or ecological zones and makes national planning a bottom-up process";

"In opposition to the premium put on economic growth by the free market and the NIC models, the sustainable development model de-emphasises growth in favour of equity, the quality of life and ecological harmony";

"Whereas both the free market and NIC models are heavily biased towards urban-based industry, sustainable development puts agriculture and the re-invigoration of rural society at the centre of the development process";

"Whereas both the free market and NIC models, the pursuit of profitability dictates the adoption of capital-intensive high technology in industry and chemical-intensive technology in agriculture, the sustainable development approach tries to reverse uncontrolled technological change which takes place at the expense of people, favouring instead the development of labour-intensive appropriate technology for industry and organic, chemical-free agro-technology";

"Whereas, in the free-market model, the private sector calls the shots and in the NIC model, the state-'big business' partnership has a ‘duopoly’ over political and economic decision-making, the sustainable development approach organises the popular sector, represented by NGOs, as the third pillar of the political and economic system as a balance to state and business in the short-term, but with the perspective of making it the dominant force in the long-term"; and

"Finally, in contrast to a property system based on the division between private and public ownership in both the free market and NIC models, the sustainable development approach supports the recognition, institutionalisation and expansion of the realm of the ‘commons’ or community or ancestral property that cannot be disposed of by market transaction or state fiat." 221

In other regions, similar demands have been articulated by growing alliances of development groups, trade unionists, environmentalists, consumer groups and anti-poverty groups. Although these alliances are generally informal, a number of broad approaches are emerging to address at the international and national level the inequities and social impacts of liberalisation.

Within regards to agriculture, for example, there is growing pressure from a wide range of social movements to renegotiate key sections of the Uruguay Round of GATT in order to secure the right of countries to curb the power of TNCs in agriculture and to address agricultural liberalisation’s impacts on food security. Kevin Watkins of Oxfam UK and Ireland outlines the immediate priorities:

"The World Trade Organisation (WTO), the body set up to replace GATT, should enforce a comprehensive anti-dumping provision, outlawing the use of direct and indirect subsidies to gain market share. More importantly, a new food security clause is needed in the WTO which would entitle all food deficit countries to protect their food systems up to the point of food self-sufficiency, if their governments so choose." 222

Watkins argues that the social, environmental and employment grounds for such a clause, in addition to food security considerations, are overwhelming:

"It is surely unacceptable for the world’s industrial countries (where farming now accounts for a tiny fraction of employment and national income) to transfer to the WTO the authority to dictate policies in a sector which accounts for over half the employment in most developing countries." 223

The second strand of a new agenda to promote food security, says Watkins, should concentrate on enhancing the capacity of smallholders to supply national and regional food needs locally, while increasing their control over production and marketing. This implies a broad range of public policy interventions, including
redistributive agrarian reforms, strengthened tenancy legislation and a redirection of public investment towards staple food crops and more marginal areas. Investment in post-harvest storage facilities, rural feeder roads and research on food staples is especially important, according to Watkins, as is a commitment to the establishment of regional food stocks capable of meeting fluctuations in supply and demand.\textsuperscript{224}

A similar set of policy changes was advocated by NGOs attending the UN Food and Agriculture Organisation's 1996 Food Summit. The groups proposed that governments legislate a new set of principles for international agricultural trade which would ensure "the intrinsic right and obligation" of every nation "to strive for a high degree of self-sufficiency of basic food stuffs as part of a national food security strategy" and "the right of Food Deficit Countries to protect their internal markets" by means of anti-dumping tariffs and subsidies to protect the environment and vulnerable producer and consumer groups.\textsuperscript{225}

Spurred by the need to resist the threat of the proposed OECD Multilateral Agreement on Investments (MAI), which would further liberalise international trade by preventing signatory countries from introducing tariffs, taxes or any other measures which can be viewed as discriminating against foreign investors or traders, other groups have set the general principles for an international agreement that would ensure the right of states to regulate investments within their own borders, in particular, to disallow any takeovers, mergers, amalgamations, or strategic alliances deemed detrimental to the public interest.

There is also deepening support for measures to tax speculative capital flows and to limit the economic power of transnational corporations. As a first step to controlling footloose money, for example, governments could adopt the so-called Tobin Tax (named after Nobel prize-winning economist James Tobin who first proposed it in 1972), which would tax international capital transactions, raising considerable funds in the process.\textsuperscript{228} With regard to TCNs, a starting point for a new regulatory framework could be the Code of Conduct for TCNs developed under the auspices of the United Nations in the 1970s although it should be stressed that such Codes of Conduct are not seen as a substitute for wider measures to address the disproportionate power that TCNs exert in the global economy. In addition, says Oxfam, anti-trust legislation (laws intended to prevent companies establishing monopolies) should be introduced at the international level to prevent the abuse of corporate power, and a new international framework evolved for combating transfer-pricing and tax avoidance through underinvoicing.\textsuperscript{229}

The urgent need to address the issue of international debt a key factor which has long undermined the bargaining power of many developing countries in the global economy is also recognised by a wide range of groups, academics and politicians, North and South. Such groups are demanding that the World Bank and IMF do more to reduce repayments on the debt they are owed, and support measures to reduce the debt owed to private banks.

More controversially, at least from the point of view of many Southern groups and governments, a broad alliance of trade unionists (North and South), governments and peoples' movements have called for a social clause to be incorporated into the WTO which would mandate certain defined labour standards. Infraction of the social clause by a country, according to current proposals, would lead to trade sanctions against that country, authorised by a joint advisory body of the WTO and the International Labour Organisation.\textsuperscript{230} The opposition to the proposal (from progressive Southern groups as well as governments) is based on concerns that such a social clause will be used as protectionist measure by Northern governments. For that reason, the Third World Network, a Malaysian-based international NGO, argues against labour standards being dealt with by the WTO.\textsuperscript{231}

**Improving Public Services\textsuperscript{232}**

Underlying such approaches is an insistence that sustainable livelihoods, decent working conditions, access to food and public services, and a healthy environment are all fundamental human rights an approach that differs markedly from that in many World Bank documents where the preoccupation, particularly in discussions on public services, is with economic efficiency rather than rights. Yet, as numerous initiatives by public sector unions show, there is no fundamental conflict between public services being provided by the state as a right and such services being run efficiently and in a manner that is both equitable and democratically accountable.
In Sweden, the public service union SKAF has, for example, developed an alternative to privatisation that saves money, improves quality of services and increases job satisfaction. SKAF has long stressed that the traditional hierarchical organisation of work in local government administration must be inefficient if it does not use the knowledge and experience of employees. To that end, the union has developed "a model to build a more efficient, non-hierarchical organisation by involving the employees, with the aim of saving money without making people redundant." Its ideas were tested in 1991 in one municipality, Malung, which, by the following year had saved 10.5 per cent of costs.

SKAF call the model "Kom An!" ("Come on!") and claim a 100 per cent success rate for its application in 60 municipalities so far. The secret? Trusting and acting upon the experience, knowledge and expertise of the front line workers. Under the approach, when a decision has been taken to set up a project in a workplace, all employees are informed and then divided into groups of between 8 and 12 people, each with an appointed leader. The groups then spend up to ten months analysing their organisation, identifying its strengths and weaknesses and finding ways to build on the former and eradicate the latter. One union organiser explains:

"The members become researchers in their own jobs. They discuss how to improve quality, where responsibility lies and should lie, what are their training needs. They measure the costs of specific tasks, so that each person knows the costs associated with their own job."

The workplace groups break down their organisation’s budget into its smallest components to enable everyone to understand it and see where the money goes. Each employee gets to learn the costs associated with their own job and to develop ways of reducing them. Structures are flattened, with hierarchies reduced to the minimum. Training needs are identified and personal initiative encouraged. One of the workers becomes a tutor who receives training from Kom An before systematically meeting fellow employees over a period of five to six months to analyse problems in each employee’s work experience and assist them in developing their own solutions.

Although the self-consultancy approach is common to the Kom An projects, its outcome, of course, varies. In one case, the members developed their own system in which individual workers took particular responsibilities for budget, sickness monitoring, temporary redeployment and a range of other management tasks, linked together in a way that inspired the name they gave the system, "the spider web model". In another case, the workers developed a purpose-designed computer programme to predict staffing and other resources needs in their hospital wards. Their system measures levels of dependence of patients against a number of indices, and helps assess nursing needs in the ward as a whole. At the same time, they developed a system to examine their own activities, identifying ways to make more time for direct patient care.

Reflecting on the experience, which has parallels in other countries, a union representative comments:

"Public sector organisations with the traditional pyramid hierarchical structure can no longer be defended because they cannot solve our economic problems or provide the right working conditions or give the best quality of service. We need new systems not because the old ones were always wrong they were right for their time but because the new era requires new concepts . . . Our ethos has been more concerned in the past with public structure than with quality, but we will defend the idea of public service only through good results. The more people get to control their own jobs, the more interesting it becomes and the greater their job satisfaction. It leads to better management and pay systems, which produces real job security in the long run because it is the only way to increase productivity."

Indeed, the union sees employee involvement in shaping the future as key to the success of the Malung model. Everyone is mobilised as part of the creative process, their expertise and experience are put to use and the quality of the suggestions made is high. Participation means that the employees are prepared to "let themselves go" and try out unlikely solutions. Changes are seen not as threats but as opportunities not least because they are not imposed by management.
Reclaiming the Commons: Cosmopolitan Localism

Many of the above proposals enjoy widespread support amongst movements which, although deeply critical of the current global economy, do not oppose globalisation itself, or see it as an unstoppable process. Rather their analysis and resulting demands are primarily addressed to ensure a more level playing field in world trade and national economic policy. In the words of Oxfam, "The challenge for Northern governments as it is for their Southern counterparts is to harness the market to the cause of social justice through regulatory measures designed to generate and distribute wealth more equitably". Viewed from this perspective, the immediate priority is to identify and implement policies "which enable poor people to participate more equitably in markets, at both the national and the global levels". In addition, efficiency gains in service provision should not be made at the expense of workers' rights, accountability, affordability and access for marginalised groups.

For other analysts and movements, however, efforts to ensure more equitable and sustainable results from international trade are part of a more general political struggle to relocalise economies in the conviction that genuine equity in the marketplace and in political decision-making is only possible at the local level, where people can better exert control over their lives and livelihoods.

Questioning the argument that export-led growth and enhanced corporate competitiveness represent the routes to prosperity, such movements are pressing for a different economy, one that seeks to move from specialisation to diversification; that prioritises self-reliance over trade; that adequately safeguards the environment; that produces for use rather than profit; that protects the economy of the commons rather than the economy of the corporation; and that insists on the right of a community to protect itself precisely because it does not seek to infringe the rights of others to protect themselves.

Oftentimes committed to what Indian activist Vandana Shiva has termed "democratic pluralism", such movements are redefining both the role of the state and of the market through political action rather than abstract debate. As Shiva explains:

"Democratic pluralism recognises the anti-democratic nature of the centralised nation-state on which state protectionism of the past was founded. But it also sees the emergence of corporate protectionism as the real threat to democratic rights and economic livelihoods. Countering this recolonisation requires the reinvention of national sovereignty by democratic processes to create national systems which act in partnership with local communities to protect the natural wealth, the economic livelihoods and the cultural and intellectual heritage of the country." 235

More specifically, the appeal of a number of groups such as the UK-based Protect the Local Globally is for citizens from different countries:

- to organise to dismantle corporate control over their economies and workplaces;
- to restrict capital flows an "invest here to prosper here" policy;
- to localise markets, with long distance trade an option of the last resort a "site here to sell here" approach;
- to redirect subsidies away from transnational economic interests towards supporting local production for local use;
- to reclaim the political process and to re-root it within the local community; and
- to challenge power structures at the local, national and international level which deny local communities democratic control over their livelihoods. 236

The open espousal of "protection for the local" has undoubtedly attracted many who, like Buchanan in the US, have a xenophobic bent or authoritarian views of community. However, others have steadfastly distanced themselves from such views, actively promoting what has been termed as "cosmopolitan localism". In many instances, the demand for a localised economy is thus closely linked with efforts to reclaim a space...
for the commons those locally-oriented systems of production, distribution, exchange and property rights where the bargaining power of any one group or individual is checked by both a culture of shared responsibilities and a practical need to cooperate.238 The rough equity that results, it has been argued, arises:

"not out of any romantic preconceived notion of ‘communitas’ but as a by-product of the inability of a small community’s elite to eliminate entirely the bargaining power of any one of its members, the limited amount of goods any one group can make away with under the other’s gaze, and the calculated jockeying for position of many individuals who know each other and share an interest both in minimising their own risks and in not letting any one of their members become too powerful."239

For some, the immediate issue is defending existing commons against enclosure by market or state interests; for others, it is the reclaiming of commons that have been "enclosed". In other instances, local people have begun to evolve their own institutions, accountable to the community as a whole, to redress power imbalances wrought by market- and state-led development. In India, for example, the failure of local panchayats (effectively district councils) to reflect the will of the commons has led many communities to create alternative village-level institutions "that can work with a high order of democracy."240 Only by so doing have villagers been able to regain the authority necessary to check and even reverse resource depletion.

Such everyday struggles, however, are rarely, if ever, guided by a theoretical debate over the merits of states versus markets: rather they rest on a pragmatic use of the political space that existing state and market formations provide.241 In some instances, the state may be approached as a protector against the market; in others, the market may be perceived as a liberating force in obtaining or reclaiming a political structure that secures livelihoods and promotes virtues such as receptivity, flexibility, patience, open-mindedness, humour, curiosity and respect for others’ opinions. These approaches and values act as counterweights to the formulas, principles and economic dogmas that result in all-encompassing solutions.

The perception of "power" articulated by many commons-based movements shares much with many feminist movements. Power is not seen as a singular commodity that a small minority ("the powerful") have and that others the vast "powerless" majority lack. Rather power the ability to control is perceived as the constantly shifting outcome of the everyday processes of social and economic life. In that respect, discussions of "state", "market" and "civil society" that assume each can be neatly demarcated as identifiable actors can, many commons-oriented critics argue, lead to a dangerously misleading understanding of the exercise of power just as some feminist critics have long argued that "the way in which the economy is conventionally understood (as the sphere of paid labour performed outside the household) has systematically disprivileged women."242 In the same way, the World Bank's tendency to equate civil society with NGOs disprivileges those who see themselves as "active citizens" but who may not be organised into such groups. Nor can the workings of power in the modern world be understood by reducing the state to the civil service and the market to corporations.

Indeed, analyses which fail to consider the role played by ordinary citizens in actively shaping the boundaries of states and markets through their everyday actions as workers, consumers, carers, daughters and sons fail to capture the dynamics of power or the way in which power structures are replicated and changed. They also fail to capture the sense in which many movements now talk of “active citizenship” the possibility of citizens using their multiple powers as citizens to "shape their lives", "transcending the status of recipient or beneficiary of economic, social and political change and [becoming] the agents of social transformation."243 In that respect, The State in a Changing World fails to engage with the agenda of many movements active in opposing neoliberalism although the subject of the Report clearly reflects pressure on the Bank to respond to (and contain) those challenges. While the Bank appears to see it as a priority to make its version of politics and economics more "people-friendly", many peoples' movements are looking to recover politics and economics from institutions such as the Bank by unsettling those structures of power from patriarchy to racism and class that deny people the right to exercise control over their lives and livelihoods.244