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## Globes Apart

*There is perhaps no economic phenomenon more universal — and controversial — than globalisation. For its supporters, globalisation is the panacea for all economic ills. For its detractors, it is everything that is wrong with the world. The ILO appointed a world commission to study globalisation in all its aspects. Deepak Nayyar, economist and vice chancellor of Delhi University, was one of its members. In an interview with Siddharth Varadarajan, he argues that the direction globalisation is taking is unsustainable, and that there is need for rethinking:*

*Your report calls for an "urgent rethink" of the current approach to globalisation. What's wrong with the approach?*

There is a growing concern about globalisation. Immense riches are being generated for a few but the problems of poverty, exclusion and inequality persist. Too few share in its benefits. Too many have no influence in its design or course. Corruption is widespread. We are at a critical juncture. There is a fundamental disjuncture between economy, society and polity. The economy is becoming increasingly global, while social and political institutions remain largely local, national or regional. These imbalances point to the need for better institutional frameworks if the promise of globalisation is to be realised.

*What is new about this report?*

For the first time, a group of people from across the world, representing widely disparate interests, concerns and perspectives, has shown it is possible to find common ground on an issue as contentious as globalisation. The debate on globalisation has shifted from a focus on markets to an emphasis on people. It's also for the first time that a discussion on globalisation has sought to focus on dialogue rather than confrontation and on policies rather than polemics. Another new dimension is that the commission seeks action not only at international level but also at national and local levels. A more inclusive process of globalisation is not possible unless you have both the right rules and institutions at the global level and the right policies at the national level.

*This report does not seem very critical of the World Bank or IMF, although the negative social effects of their policies are widely known. Have you pulled your punches?*

No, we have not. There are indeed criticisms of policies pursued by the World Bank and the IMF in the report — on conditionality, on structural adjustment, on the failure to control financial volatility or contagion — but without this being a frontal attack on the institutions. Our purpose is to reform the reformers, some of whom are beginning to recognise their mistakes. For instance, Jim Wolfensohn told us the Washington Consensus is dead. That is fine,

but we need to be sure the message is heard across the international system as a whole. *Is the economic paradigm pendulum now swinging back in favour of greater regulation?*

We appear to have moved from a widespread belief, prevalent in the early 1950s, that the State could do no wrong to a strong conviction, fashionable in the late 1990s, that the State could do no right. These are caricatures. Reality is more complex. For the State and the market are complements rather than substitutes. The role of the State extends beyond regulation of markets or correcting for market failures. There are other important dimensions: Creating the conditions to capture the benefits from globalisation, managing the process of integration into the world economy, providing social protection to the vulnerable in the process of change.

*Globalisation is based on the logic that the free mobility of factors of production will benefit all in the long run. Why has enough not been done to ensure free mobility of labour from poor to rich countries?*

This is an important question. Globalisation has led to openness in trade, investment and financial flows. It also extends to flows of services, technology, information and ideas across national boundaries. But the cross-border movement of people

is highly restricted. This asymmetry is neither an accident nor a coincidence. It is not enough to create fair rules for trade and capital flows. These need to be complemented by fair rules for the movement of people. All countries stand to benefit from an orderly process of international migration.

### Q&A

**It is not enough to create fair rules for trade and capital flows. These need to be complemented by fair rules for the movement of people... All countries stand to benefit from an orderly process of international migration.**

that provides uniform and transparent rules for the cross-border movement of people.

*While globalisation seems to have increased inequalities within most countries and regions of the world, the report seems to suggest India is an exception...*

Economic inequalities have increased during the past 25 years as the income gap between rich and poor countries and rich and poor people within countries has widened. This is, in part, attributable to globalisation. India and China have done better than most developing countries by stepping up economic growth and reducing absolute poverty. The creation of initial conditions before the opening up is one reason, while a better management of integration into the world economy is another. However, aggregates conceal the fact that there have been winners and losers. The educated and the rich have benefited from globalisation. But the benefits have not yet reached the majority, in particular the rural poor: Is India, then, an exception to the rule? The answer cannot be the same for everyone. For, the perceptions of people about globalisation, in India as elsewhere, depend on who they are, where they live and what they possess.



Siddharth Varadarajan