

Reforms and the Republic: Directive Principles to “Directionless” State Policy

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This paper is divided into three parts. The first part discusses the three aspects of post-second world war state policy that direct towards inclusive development, namely the emergence of Development Economics as a separate discipline, the incorporation of the Directive Principles of State Policy and certain international covenants and conventions, emphasizing development with justice, dignity and sustainability. The second part deals with discontents of the process of globalization which further marginalizes the poor, causes environmental disaster and destabilize the economies of the Third World countries, thus accentuating uneven development all over. The last part emphasizes the need for correctives to the neo-liberal reforms, the need for nation-state to serve as the focus of identity and help communities to realize their aspirations.

THE three decades following the World War II could be characterized as the “Era of Statutory Regulation”, (Standing 1999) marked by liberation from direct colonial control, evolution of national strategies of development with social justice and emergence of international consensus on the protection of human rights as the basic premises of development. It was a period that witnessed the emergence of not only theories but strategies which emphasized inclusive development that would improve the conditions of living of the poor and underdeveloped by assigning central role to the State. The Republic of India with its Constitutional guarantees is an outcome of the spirit of these times. Perhaps, the major problem of that era was in the failure to realize the objectives set for development. But, the present phase of economic globalization, beginning with 1980s is characterized by features which include minimizing the role of nation-state in the arena of economic and social concerns; undermining differentiation of national economies into developed and underdeveloped countries; overplaying the differentiation of economies into efficient and inefficient ones; and attributing all forms of economic intervention as market distortion and “rent seeking”, resulting in inefficiencies. These neo-

liberal ideas constituting the core of the “Washington Consensus” have constituted the basis for economic reforms in India since 1991. Free market and competition are the imagined panacea. The basic tenet of inclusive development viz. social justice is eroded letting loose a process of extensive exclusion marked by growing inequalities, deprivation and marginalization.

The thrust of this paper is to show that shift from the strategy of growth with social justice with a central role to the state to neo-liberal strategies of with an emphasis on market driven efficiency has been the cause of undermining the process of inclusive development and hence the need for correctives. The paper is divided into three parts. The first part discusses three aspects of post-second world war state policy that direct towards inclusive development. These three aspects include the emergence of Development Economics as a separate discipline, the incorporation of the Directive Principles of State Policy as Part IV of the Indian Constitution and certain international covenants and conventions which emphasize development with justice, dignity and sustainability. The second part briefly discusses the present phase of globalization which threatens to undermine growth with justice

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and instead further marginalize the poor, erode environment and destabilize economies. The last part concludes by emphasizing the need for correctives to the neo-liberal reforms to restore the values envisioned in the Indian Constitution.

I

THE BEGINNINGS OF INCLUSIVE DEVELOPMENT

1.1 Development Economics

Though development was the foremost concern of all classical political economists from William Petty and David Hume, to Adam Smith and David Ricardo, to J.S. Mill and Karl Marx, the origin of modern mainstream theories of Economic Development is traced to 1940s. Beginning with Paul Rosenstein-Rodan's seminal article, "Problems of Industrialization of Eastern and Southeastern Europe" (1943), which, for the first time, argued the necessity of a special field of Development Economics, a number of theories came out to the fore, which we shall call as the 'Mainstream Theories of Economic Development' (MTED). Economic development, as a separate discipline, arose because of the presumed limits of conventional economic analysis in dealing with the problems of developing countries. The differentiation of the characteristics of developed countries and the underdeveloped countries became the basis for the development of a separate theory of Economic Development.

The main contributions to the MTED are much too familiar and a bit removed from contemporary relevance to merit a fuller description. (Reddy 2002) For the present purpose, it is sufficient to summarize the contribution of the mainstream theory of economic development from Rodan to Lewis to Leibenstein that economic development process in developing countries is significantly different from that predicted by the standard economic theory and would require alternative theory and strategy than the market induced growth.

The influence of the MTED during post-World War II period was all-pervasive. The strategies of economic development of most of the Third World

countries were influenced by one or the other of the versions of the MTED. An important aspect of the MTED needs to be highlighted. It is the institutional arrangement that would ensure accumulation. Quite in contrast to the mainstream neo-classical economics, which emphasizes market-induced incentives as motive forces of accumulation and growth, MTED insisted on the need for State playing the role of accumulation and dynamic entrepreneurs. This institutional insistence has become the very basis of the differentiation of 'Development Economics' (DE) as *dirigisme* or State interventionist economics. At the peak of contention, neo-classical economists equate 'DE' as State interventionism.

1.2 The Directive Principles

As is well-known, most of the economic, social and cultural rights under the Indian Constitution belong to Part IV, Directive Principles of State Policy. Some of the relevant provisions are set out in Articles 36 to 51 of the Indian Constitution. For instance, Article 38 is aimed at securing a social order for the promotion of welfare of the people a social order in which justice, social, economic and political shall inform all the institutions of national life; a social order that minimizes inequalities of income and eliminates inequalities in status, facilities and opportunities. Article 39 lays down the principles that should direct the state policy in securing social, economic and political justice. Right to livelihood, fair distribution, check on concentration of wealth, equal pay for equal work, protection of health of workers from hazardous work, creation of opportunities for children to develop in a healthy manner and right to work, to education and public assistance (Article 41) are some of these directive principles. Though these provisions are not justiceable, Constitution of India lays these principles as the very basis of development policy and could be seen in retrospect as the beginning of a rights based approach to development. But all this is in jeopardy. In the name of fiscal constraints and under the pressure of globalization, the State is increasingly distancing itself from these constitutional obligations.

1.3 Rights Based

The challenging task of evolving a normative framework for equitable and sustainable development is set out in the Report of the World Commission on Dams (WCD). Referring to the rootedness of the dams debate in the ongoing debate on development, the WCD begins with an assumption that there is an emerging global vision of equitable and sustainable development that can provide the foundation for the Commission to evolve 'a new framework for decision-making' on large dams, which is universally acceptable. The effort is to evolve a rights-based approach to development. There are internationally acceptable norms on human rights, as enunciated in the Universal Declaration of Human Rights (UDHR) (1947), right to development, as set out in the UN Declaration on the Right to Development (UNDRD, 1986), and sustainability, as provided under the UN Rio Declaration on Environment and Development (UNDED-1992). The effort is to fuse these three major landmarks as the premises for a rights-based development approach. It suggests that decision-making on water and energy management will align itself with the emerging global trends on equitable and sustainable development.

The adoption of human rights framework means the need to respect the rights and entitlements of all. Those policies that deny the rights to some to fulfill those of the others are not acceptable. It emphasizes the indivisibility of civil, political, economic, cultural and social rights. It broadens the range of basic human rights beyond the socio-economic sphere of needs to include right to life, healthcare, education, shelter, food, water, remedy, security, subsistence and livelihood. The UNDRD-1986 is a significant step in developing a normative framework, which specifies responsibilities in applying human rights approach to development. "It moved beyond the sphere of individual human rights to address relations between different interest groups in society and their interaction with the State". The UNDRD-1986 sees development as a comprehensive process aiming at the constant improvement of well-being of the entire population. It sees development encompassing economic, civil, social, cultural and

political rights. It recognizes that promotion of certain of human rights and freedoms doesn't justify denial of other human rights and fundamental freedoms. It emphasizes that the creation of conditions of development is the primary responsibility of the State. The UNDED-1992 evolved a number of principles of sustainable development, the core of which is that human being is central to sustainable development; and it emphasizes the role of indigenous people and other local communities in environmental management and development. The provisions under these three UN declarations together "make up an internationally acceptable framework of norms empowering a concept of development that is economically viable, socially equitable and environmentally sustainable". Such a rights-based approach would enable the premising of development process and its outcomes on certain core values of equity, efficiency, participatory decision-making, sustainability and accountability.

II

COUNTER REVOLUTION AND ITS DISCONTENTS

2.1 Implementation Crisis of Inclusive Development

One of the main reasons for the widespread disenchantment with the MTED was the failure of the strategies flowing from it to deliver the promised results. By mid-1960s, substantial areas of the Third World, including India, were in deep economic crisis. Famines and food shortages apart, there was growing inequality, unemployment and poverty. "For, instead of the kingdom of abundance promised by theorists and politicians in the 1950s, the discourse and strategy of development produced its opposite: massive underdevelopment and impoverishment, untold exploitation and oppression..." (Escobar, 1995). Even before these nations recovered from the consequences of the distorted development; in the 1980s in the name of correcting distortions, the Structural Adjustment Programme (SAP) became the panacea under the aegis of the Counter Revolution in development theory. With the SAP, the devastation of the Third

World economies and people deepened by the end of the decade.

Gunder Frank describes graphically what he saw in India at the 1988 Congress of the International Society for Development, attended by as many as 1000 delegates from different parts of the world. The whole Congress was dominated by the theme of crisis—a crisis in the very process of development! “There was a sensation of total bankruptcy in development policy, thinking, theory and ideology. Little wonder, in Latin America, per capita income and/or product had fallen by 10% - 15%, equivalent to the level of more than a decade before. In Africa, per capita national income had fallen to more than 25% to a level below that at the time of independence. These averages also hide the worsening distribution of resources, as “the poor pay more” of this decline” (Frank, 1996).

Ironically, the Eastern Europe, which could insulate itself from the influence of MTED, could not retain that privilege by the time it was the turn of the SAP in the 1980s. “The social sectors first seem to do well, but then they are also caught in the vice of crisis. Socialist national product and income had also fallen to 25% in a four-year period in Poland. Economic and political crisis went very bad to worse in Stalinist Romania (lights out), worker management Yugoslavia (threat of army intervention), not to mention liberated Vietnam (chaos and reprivatization). Twenty five percent of Hungarians lived in poverty. The Brezhnev period in the USSR was rebaptized as one of ‘stagnation’ but happened after 1989. Many economic sectors and social indices deteriorated”.

“In the short run, not development, but rather crisis management, has become the order of the day in the much of the South and the East...” Neither the advocates of neoclassical capitalist stabilization and adjustment nor neo-structuralist advocates of reformist structural change or even *Perestroika* and *Glasnost* promised a credible solution to the crisis, much less for development” (Frank, 1999).

What has been observed by Gunder Frank is, perhaps, a very sober description of the crisis of development process. What actually has been happening is much more shocking. One could not

have a better sample of this shock treatment than what is observed by a post-developmentalists: “The idea of development stands like a ruin in the intellectual landscape. Delusion and disappointment, failures and crime have been the steady companions of development and they tell a common story; it did not work. Moreover, the historical conditions, which catapulted the idea into programmes, have vanished; development has become outdated” (Sachs, 1992). One may not entirely agree with the notion of ‘development becoming outdated’ even before a vast majority of humanity coming anywhere near a decent life, but the delusion and disappointment, as a result of lack of development, is a reality.

2.2 Emergence of Counter Revolution

The present phase of globalization is built on the growing disaffection with the state centred strategies of development. Implementation failures of the earlier strategies of growth with social justice are sought to be made out as theoretical and foundational weaknesses. The resulting alternatives suggested on the basis of ‘Counter Revolution’ in development theory have been the cause of widespread concern.

The ‘Counter Revolution’ (CR) in development theory based on regrouping of bits and pieces of neo-classical critiques of *dirigisme*. The very expression ‘CR’ is intended to contrast with the Keynesian notion of ‘revolution’ in economics by way of bringing State intervention. An excellent summary of the antecedents of ‘CR’ in development theory is provided by Toye (1987). We shall briefly summarize here the nature of the ‘CR’ critique of MTED. The strands that are drawn from the so-called New Political Economy (NPE) to constitute the ‘Counter Revolution’ are essentially the theory of ‘rent-seeking’ (Krueger, 1974) or ‘directly unproductive profit-seeking (DUP) activities’ (Bhagwati, 1982). The basic proposition of ‘rent-seeking’ theory is that State intervention by way of controls or restrictions on the economic activity generates a variety of rents—some legal and many illegal. And people often compete for these rents. For instance, State intervention by way of licensing may provide monopoly advantage to the one obtaining a license and thereby enable earning of

profits, which have substantial unearned or rental element. In the face of State intervention by way of quantitative restrictions or regulations, rent seeking may take other forms, such as bribery, corruption, smuggling, and black markets. These rents are likely to generate competition for unproductive activities associated with rents and thus represent the inefficient utilization of resources. It is generalized that the poor performance of developing countries is due to the pervasive State intervention inspired by the strategies flowing from MTED. Krueger's analysis was restricted to the competitive rent seeking arising out of quantitative restriction upon international trade in India and Turkey. Bhagwati (1982), with some modifications, extended rent-seeking as a generalized theory. He introduces the concept of 'directly unproductive, profit-seeking (DUP) activities', which include rent seeking and other forms of premium and revenue seeking. DUP activities represent ways of making a profit by undertaking activities, which are directly unproductive. They yield pecuniary returns but do not produce goods or services. When resources are devoted to DUPs, these resources are diverted from productive activities and to that extent, represent inefficient use of resources. He refers to DUPs of different types like policy triggered (rent-seeking), policy evading (smuggling) and policy influencing (demanding tariffs on certain imports) (Dasgupta, 1997). All these DUPs are described as State intervention induced and cause welfare loss. The generalized 'economic reform' strategy has, thus, found 'rent seeking' and DUPs proposition as the central theoretical arguments against the intervening State, *dirigisme*.

Thus equipped, by mid-1980s, the 'Counter-Revolution' paradigm tried to equate the mainstream development theory and development economics with State intervention or *dirigisme*. The extreme formulations under 'Counter Revolution' like that of Deepak Lal (1983) go to the extent of suggesting that all ills of developing economies are due to the interventionist policies of the State and suggested that the demise of 'development economics', meaning State intervention, is good for economics and developing economies (Toye, 1987). The

'Counter Revolution' is an effort to restore the markets, the role of efficient allocation of resources and with that, pave the way for structural adjustment from the primacy of State towards market-oriented economic reforms.

2.3 Neo-Liberal Reforms and Violation of Right to Development

The neo-liberal approach apparently emphasizes the 'universal human rights' as a 'fact of the world' but promotes a biased version of these rights. A particular aspect of human rights, based on an individual's civil and political freedom, is being prioritized, while another, equally valid, the economic and social, is being marginalized (Thomas 1998). "Under international law, it is the duty of states to secure the human rights of their respective citizens (though not of non-citizens apparently – see Article 2(3) of the Economic, Social and Cultural Covenant) but the global economic structure increasingly renders the state less able to fulfill this duty. Globalization is privileging the private over the public sphere and over the commons. It is eroding the authority of states differentially to set the social, economic and political agenda within their respective political space. It erodes the capacity of states in different degrees to secure the livelihoods of their respective citizens by narrowing the parameters of legitimate state activity. The process of globalization is rendering it impossible for many states to exercise a basic minimum control over the domestic economy, and therefore it is directly undermining the state's ability to deliver social and economic rights to citizens". (Mittelman 1996 as referred in Thomas 1998).

With the erosion of the regulatory capacity of the State, the other global actors like the G-7, World Bank, IMF and Transnational Corporations directly influence the States which affects their capacity to deliver economic, social and cultural rights. These global actors advocate the current development orthodoxy: that global welfare is maximized by economic growth, and the latter is best achieved through economic and political liberalization. (Thomas 1998)

There is broad agreement that structural adjustment programme (SAP) as a part of the globalization process has resulted in contradictions in ensuing patterns of entitlement that have strained political systems and affected the fulfillment of social and economic rights. Those who have been rethinking development as expanding people's choices to lead the lives they value, have been highly critical of the consequences of SAP and globalization and their impact on social and economic rights. "The UN Commission on Human Rights Special Rapporteur, Danilo Turk, reporting on the human rights implications of SAPs, has taken a strong line. He notes that states have legal obligations to move towards fulfilling the economic, social and cultural rights of their citizens, but the increasing integration of the world economy undermines their ability to fulfill these obligations. In particular, he suggests that harm is done to the rights to work, to food, to adequate housing, to health, to education and to development" (Khor 1996).

"The overarching policy of global economic integration via free-market policies, of which structural adjustment forms a part, cannot satisfy the economic or social rights of the majority of human beings or of states. The elevation of the private sphere, at the expense of public sphere or the commons, is a direct attack on these rights". (Thomas, 1998). These critics regard the transformation of social and economic structures as essential to delivery of economic and social rights to humankind. Broadly speaking they prioritize a conception of sustainable development based on self-reliance, respect for nature, diversity, the local community, appropriate technology and so forth (Thomas 1998).

2.4 Discontents of Globalization

There is voluminous and growing evidence of the discontents of globalization. What is attempted is a brief and cursory account of exclusionary impact of the process. The experience of economic globalization on employment, wages and income distribution has been devastatingly different from the promise of decentralized development. Under the spell of globalization, through casualisation,

informalisation, flexibilisation, feminisation, growing wage disparities and reduced opportunities for employment are felt in developed countries as well, the present analysis is confined to some of the experiences in the Third World countries.

Privatization of public sector, decentralized production through sub-contracting and home-based production, deregulation of labour markets, transfer of jobs from the formal to the informal sector undermined the position of labour as a factor of production and labour as a class. The process of sub-contracting with the exception of early Japanese experience, has been highly exploitative as in Southeast Asia where sub-contracting has been widely prevalent. Due to fierce competition among small and informal supplying firms, the large firms can choose their sub-contractors. The formal sector exploits the existing sharp differentials in job security, wage levels and safety standards by sub-contracting to smaller and informal firms and thereby avoiding costs of social security and high wages. With the emergence of dual production structures, the major proportion of risks, hardships and uncertainties of small enterprises are, in turn, transferred to hapless workers in these sweatshops (Thomas et.al. 1994).

The forces shaping globalization seem to affect women in ways which suggest increasing feminization of employment, which may not always mean improved employment status for women. Though globally the importance of agriculture for employment is diminishing for women as well as for men, women are moving out of agriculture at a slower pace than men. As a result, women's representation in the agricultural labour force of developing countries is increasing (Mehra and Gammage, 1999). During 1980-90, for the developing countries as a whole, it rose from 41.6 to 43 percent. There has also been an increase of women's employment in manufacturing, particularly in Asia, but only in certain low-paid and low-skilled areas. Standing shows that it is the spread of more flexible and informal employment that accounts for much of the upward trend in the female share of the labour force. The decade spanning the late 1980s and 1990s is one of feminization of flexible labour in industries where profit margins are protected by

reducing labour costs, extending hours and decreasing the numbers of formal production workers (Standing 1999). The greatest increase in female share of manufacturing employment is in countries, which adopted export-oriented low-technology high-labour based industrialization, especially by setting up export processing zones (EPZs) for textiles, garments, shoes and electronics. Women seek employment in these activities, though wages are lower and working hour longer, because alternatives are not much better. Employers, seeking to gain and maintain competitiveness in global markets, are inclined to substitute female for male workers. Governments, seeking employment and foreign exchange gains, exempt them from labour regulations. Often unions are not permitted in EPZs and women have little bargaining power (Mehra and Gammage, 1999). There has been fastest growth of women's employment in the South-East Asian export-oriented industries, especially in EPZs, and FTZs and newer industries. But these are also the locales of widespread sex-based segregation of jobs. The forces of free trade and technological change that divide workers into a small groups of highly-skilled highly-paid workers at the one end and a large number of low-skilled low-paid workers and the resulting organizational changes in the form of sub-contracting and home-based production have driven women into the low-end jobs.

Many of the South-East Asian countries have not even ratified the ILO Convention No.100 on equal pay for equal work'. While feminization of employment is in increasing evidence, the experience has been varied. In India, like Bangladesh and Pakistan, there has been higher growth of female employment compared to male, especially in agriculture. It is happening in the face of stagnation in non-agricultural work, unlike the rapid growth of manufacturing employment in South-East Asian NICs. Much of this female employment is distress-induced supply of female labour than the demand-driven (Ghosh, 1999). 'Home workers' is yet another category of degraded labour dominated by female share that is rapidly growing. Employers choose employment contracts with home workers because they are cost-minimizing. These workers

actually subsidize capitalist growth by providing infrastructure, tools, equipment and often work below minimum wages (Chen, et.al 1999). Most of these informal labour markets, under the pressures of the so-called competitiveness as a apart of the globalization, are constructed on gendered basis because all the burdens of reproductive economy will be borne largely by women (Elson 1999). Of course, it is true that "the impact of globalization on women's paid labour is far more complex than generally assumed. While it may open up certain opportunities for 'elite' women, it tends to drive many other women into destitution. The economic polarization resulting from globalization sets the dynamics for labour migration as well as its feminization" (Cheng, 1999).

During 1980-91, under the influence of globalization, the minimum wages actually declined in several Latin American countries. It fell by 40 percent in Venezuela, by 60 percent in Mexico and by 85 percent in Peru. Besides inflation and weaker union bargaining power, the main reason behind the declining minimum wages is the deliberate policy to abandon minimum wage legislation for the sake of stabilization and adjustment (Tokman, 1992). In Africa, real wages became downwardly flexible (Collier, 1995). The inequality in income within the countries and across the countries have increased drastically. The wage ratio between developed and developing countries stood at 70 to 1 in 1990. The share of the poorest 50 percent of the world population in the global income decreased from 7.3 percent in 1960 to 6.3 percent in 1986 while the richest 20 percent of the world improved their share from 71.3 percent to that of 74.1 percent.

Increasing unemployment as a consequence of globalization has been one of the major causes for concern all over the world. Among the Latin American countries, there was a surge in unemployment towards two-digit level by 1994-95. Though there is a problem of direct data on unemployment in Africa and parts of Asia, the indications are that there has been persistence of underemployment and poverty in many of these countries (ILO, 1996). A review of the employment effects of economic reforms in South Asia (Islam,

1996) shows that except for Sri Lanka, the entire South Asian region experienced declining employment growth, especially in the organized private sector, during 1980s and 1990s. Textile, garment, shoe and electronic plants that have spearheaded the 'economic miracle' of Taiwan began to shut down one by one in the 1980s when globalization took off and capital shifted abroad. Between 1993 and 1995, more than 1,74,000 companies and plants ceased to operate, many leaving their workers without jobs, severance pay or even back wages. More than half of them were women, and due to age-sex discrimination, had to seek low wage work further down the 'flexible' work or remain unemployed (Cheng, 1999). There is no wonder that one of the major evaluations of the impact of SAP on the Third World, comes to a very caustic conclusion that it has resulted in growth which is "jobless, ruthless, voiceless, rootless and futureless" (UNDP, 1996).

III

TOWARDS CORRECTIVES

The present gloom cast by the growing celebration of death of 'Development Economics', role of State that is, and the accompanying market-led globalization and structural adjustment may create an atmosphere of despondency about the prospects of salvaging 'development'. But there are clear indications of alternative voices. The brazen WTO regime and the 'Washington Consensus' have sown the seeds of a 'Southern Consensus' (Gore, 2000), as could be evidenced by the Annual Reports of the UNCTAD. The trampling on the rights of the tribal population and destruction of environment has shaped the thinking on the need for rights-based approach to development (WCD, 2000). The efforts of Samir Amin to provide general criteria for constructing alternative development orders within the capitalist world economy in terms of auto-centric accumulation, though viewed skeptically, has sparked-off rethinking development in terms of cycles in comparative advantage (Frank, 1996).

There are more concrete evidences of the emergence of a salvaged theory and practice of

development. It may sound ironical, but nonetheless, apparent that 'Counter Revolution', the very paradigm that imposed itself with echoes of 'end of history' and the din of 'there is no alternative' (TINA), should hold in its womb the embryo of hope for an alternative, a development alternative. There are two clear indications of this prospect. First, and more significant, is that by denying that there are no 'developed' countries and 'underdeveloped' countries, and by asserting that there are only 'efficient' economies and 'inefficient' economies, 'Counter Revolution' has unwittingly elevated 'development' problem from the geographical space to economic space. This metamorphosis has, in a sense, globalized the 'development' problem. This is quite different from the single world economy notions of Frank and others. Let me elaborate a bit. The developed 'us' and the underdeveloped 'they' are no longer divided between the North and South but the privileged 'us' and the underprivileged 'they' cohabit within the North as much as within the South. This paradigm shift has an immense potential of shifting focus to the 'underdevelopment' and the 'underprivileged' wherever they exist and holds a bright prospect of emergence of an entirely rethought out development strategies. Only the development space will be different but it will acquire space much beyond narrow disciplinary confines of economics alone. A beginning in this direction could be seen in the recent work of Amartya Sen (1999). The significance could be observed from the following passage in the 'introduction': "If development analysis is relevant even for richer countries (*it is argued in this work that this is indeed so*), the presence of such intergroup contrasts within the richer countries can be seen to be an important aspect of the understanding of development and underdevelopment" (Sen, 1999, emphasis added, p. 6).

Second, the outcome of the misery of the Third World that is attributed to the failure of strategies flowing from 'Development Economics', meaning State interventionism, if at all could be seen as a result *dirigisme*, took decades to unfold. But the structural adjustment programme (SAP), under the Counter Revolution, has unleashed within a very

short span, a market-driven growth which is "jobless, ruthless, voiceless, rootless and futureless". It seems to be true that SAP is space-neutral but not class neutral. For instance, in the United States of America, during the period of the so-called 'golden age' of 1947-1973, the incomes of all the quintiles of the workers increased by more or less by the same level but the incomes of fourth to sixth quintile, the middle classes, rose a little higher. This is heralded as the age of growing equality or even the 'period of blue collar'. But during the age of SAP of various hues during 1974-1994, the family incomes of the poorest 20 percent declined by 40 percent, while the incomes of the richest 20 percent rose fastest and at the end, was 3.6 times higher than the average of 1947-73 (Krugman, 1999). True, the growing inequality in the USA is not the same as in less-developed countries and 'make no mistake' (sorry for the language and allusion), it could be worse! If it sounds unbelievable, here is the evidence: "... the point is often made that African Americans in the United States are relatively poor compared with American whites, though much richer than people in the third world. It is, however, important to recognize that African Americans have an *absolutely* lower chance of reaching mature ages than do people of many third world societies, such as China, or Sri Lanka or parts of India...." (Sen, 1999).

There is need for nation-state to serve as the focus of identity and help communities to realize their aspirations. Globalization indeed has undermined the autonomy of nation-state but the promised spread of unbundled post-Fordist decentralized development is nowhere in sight. On the contrary with the erosion of state regulatory authority, the influence of other global actors like the multinational corporations, the international financial institutions and the powerful capitalist countries like the G-7 have been increasingly affecting the social, economic and cultural rights. These agencies are the active promoters of globalization. Global accumulation in all its aspects undermines the value of local diversity and legitimizes the dominant liberal agenda, presenting it as universal, natural and common sense. Yet it is rooted in a different kind of local, essentially Western,

capitalist world view (Thomas, 1998). The game of globalization in a world of unequal partners and asymmetrical rules has been accentuating uneven development all over. The need is for nation-states to undertake appropriate policy correctives. The importance of the role of the State lies more as a guarantor of social contracts but *not* as much as a monopoly law-maker with monopoly of means of violence. Under the globalization the role of upholding rule of law is relatively independent of those other elements of authoritarian traits that go with it. There are no signs at all of the development of global or local social contracts. Protection of legitimate rights of the citizens and ensuring of equitable development needs states intervention.

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