Political Economy and Globalization


“It is not how to achieve still higher growth, but how to impart a greater democratic content to our growth by following a different course of development. Higher economic growth spreading developmental terrorism without democratic content has to be downgraded as meaningless, not even desirable.”

This paper is a critique of the “flawed” development model- indiscriminate and uncritical adherence to the extensive process of globalisation- that has turned perverse and systematically against the poor. The author cites stark examples of this flawed and perverse development model, e.g., more than 9,000 farmers committing suicide between 2001-06 in Andhra, Karnataka, Kerala and Maharashtra, and the Naxal movement as a manifestation of deprived people’s rage, rancour, and resistance. The core concern of the paper, candidly expressed is “a sort of developmental terrorism” at the behest of the IMF and the World Bank, and a self-serving political class of all hues and ideologies.

Despite the anti-poor and pro-corporate leanings of this development model, ironically enough, it has been avidly glorified as the surest instrument of deliverance from poverty by politicians as well as academics.

The author identifies three different variants of this development ideology in the contemporary developing world. Despite the variations in nature and intensity of the variant, the ruling ideological designs of development are remarkably one: “corporations will deliver us from poverty by raising the rate of economic growth”.

John Dryden’s warning, “Beware the fury of the patient man”, is visibly evident in the electoral reversal of political parties by
the poor and marginalised who have been worst affected by the ‘development terrorism’. The author, in the conclusion, observes that we have to shun our uncritical obsession with economic growth at the cost of the poor and the under-privileged. The focus must be on economic growth coupled with the principle of inclusion and social justice.


Children constituting more than 40 percent of India’s population are a distinct disadvantaged group considered from the perspective of numerous outcome indicators. They stand disadvantaged for two more reasons: resources allocated in the union budget for children’s benefit are grossly inadequate; and they constitute a group that cannot assert their entitlement. The paper, therefore, attempts to dissect the union budget in order to identify the magnitude of the total Child Budget. Like ‘gender budgeting’, ‘Child Budgeting’ has increasingly assumed, over the years a greater significance.


The article focuses on the international dimension of the Asian financial crisis (AFC) of 1997-98 i.e., the effect the crisis on both global and regional multilateral institutions. The financial crisis had far reaching effects on global and regional institutions. The global political economy was highly affected by this crisis. The AFC stands as a threshold international event in the post-Cold War era, serving as a milestone in global economic affairs in much the way the 9/11 attack is a milestone in global strategic matters. There was shown immediate concern on basic questions about the global political economy and Asia’s place in it. Proposals were put forth for incremental reforms to avoid the acknowledged flaws exposed by the AFC. But after this flurry of concern by western policy makers and specialists, the AFC is now rarely accorded a high level of importance or addressed in terms of broad, fundamental questions encompassing politics as well as economics. From the western perspective, the AFC was simply a severe debt-serving emergency that created havoc in several Asian nations for a few years, that
momentarily threatened global financial stability, and that severely tested the capacity of the IMF both to manage global capital flows and to serve as a lender of last resort. But from the East Asian viewpoint the perception of the crisis was different from the western perspective. The most visible legacy of the crisis in Asia was the stimulation of efforts to create new multilateral institutions and bilateral free trade agreements (FTAs) to build on the market driven and China centred regionalism. Seen through the prism of American policy, the AFC becomes a preface to the post-cold War global political economy. However, since 2001, there is American inattentiveness to Asia’s growth and its efforts to cultivate regionalism. If the American approach to East Asia during the decade since the crisis is best characterised as strategic inattentiveness, the policy response by East Asian countries is helter-skelter rush to create a web of regional connections. The crisis has both implicitly and explicitly shaped the political as well as economic foreign policies of not only those countries directly impacted by the financial meltdown, but the actions of the two regional superpowers, China and Japan. There was an inverse reaction to the AFC of the United States and East Asia is manifest in the approach taken toward multilateral institutions. However, the China driven rise of Asia to the center of the global political economy, since the Asian Financial Crisis under systems of political economy manifestly different from those of the Washington Consensus poses a challenge that has been met by neither helter-skelter Asian regionalism nor by American strategic inattentiveness of the past decade.


“The biggest lesson from the pitfalls of the social banking policies of the past is that there is a need for a change in the mindset among the formal sector agencies lending to the poor. They have to learn to look at the poor and vulnerable as creditworthy”.

This article covers three aspects: first, concept of financial inclusion; second, difference between financial inclusion and social banking; and third, suggestions for making financial inclusion work for the poor more efficiently and effectively.

Like inclusion in its broadest connotation, financial inclusion is
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intended to ensure access to timely and adequate credit and financial services by vulnerable groups at an affordable cost. Simply put, it works towards making the credit system pro-poor and poor-friendly and enhancing their credit worthiness. However, evidence and experience suggest that the social banking policies since 1950s have not been fully successful for their inherent deficiencies. The poor still take recourse to informal sector borrowing. Learning from other credit-giving schemes needs to inform the social banking policies. The entire methodology needs to change to avoid the pitfalls that make the borrowers hesitant in approaching the formal sector for loans.

Financial inclusion has to go beyond creation of new formal institutions or framing newer rules. In essence, it should explore for innovation and creativity. Lessons, the author suggests, could be learnt from the working of NABARD, Garmin Bank and even the informal sector. Sheer competition with pressure on profit margins is likely to exacerbate the issue of financial exclusion.

Lending system through formal sector needs to strive to go beyond agriculture in rural areas to rural non-farm sector, an emerging formidable area. Financial inclusion has to take account of this forgotten and non-residual sector. If agricultural credit policy has to become inclusive, it has to shed its preoccupation with food grain production to varied post-harvest activities. The viability of loan depends not only on credit but also on a series of complementary activities like financial counseling, insurance, savings and other extension activities provided to the borrowers.

Greater financial inclusion calls for a paradigm shift in the existing formal sector agencies and in the mindset of its functionaries.


Over the last several years, a striking new feature of the US economy has emerged: real income growth has been extremely skewed, with relatively few high earners doing well while incomes for most workers have stagnated or, in many cases, fallen. Advocates of engagement with the world economy are now warning of a protectionist drift in public policy. This drift is commonly blamed on narrow industry concerns or a failure to explain globalization’s
benefits or the war on terrorism. These explanations miss a more basic point: U.S. policy is becoming more protectionists because the American public is becoming more protectionist, and this shift in attitude is a result of stagnant falling incomes.

Given that globalization delivers tremendous benefits to the US economy as a whole, the rise in protectionism brings many economic dangers. In order to avert them, U.S. policy makers must recognise and then address the fundamental cause of opposition to free trade and investment. They must also recognise that the two most commonly proposed responses - more investment in education and more trade adjustment assistance for dissolved workers - are nowhere near adequate. Significant payoffs educational investment will take decades to be realized, and trade adjustment assistance is too small and too narrowly targeted on specific industries to have much effect.

Therefore, the best way to avert the rise in protectionism is by instituting a New Deal for globalization that links engagement with the world economy to a substantial redistribution of income. In the United States, that would mean adopting a fundamentally more progressive federal tax system. The notion of more aggressively redistributing income may sound radical, but ensuring that more American workers are benefitting is best way of saving globalization from a protectionist backlash.


This paper is a review of “Globalization and Egalitarian Distribution, the latest in a series of studies of persistent inequality in a competitive world. The review briefly brings to focus the arguments of enthusiasts, mostly mainstream economists in favour of globalization as well as counter-arguments against globalization. The editors of this rare volume – economist Pranab Bardhan and Samuel Bowles as well as political scientist Michael Wallerstein – however, have different perspectives. The editors, contrary to the view points of many leftist, suggest that it is possible to achieve the efficiency and growth benefits of globalization simultaneously reducing inequality and enhancing social protection.

The following key propositions have been argued by various
contributors: (i) an expanded international flow of goods, capital and labour creates significant opportunities for improving the material welfare of the most disadvantaged people in the poorer countries, (ii) globalization reduces government’s ability to tax or otherwise limit the return to internationally mobile factors of production but it does not constrain a variety of redistributive policies that raise efficiency, (iii) the overall effect of globalization on policy convergence is both theoretically and empirically uncertain, (iv) globalization is likely to generate significant political cleavages between “cosmopolitans” and “provincials”, (v) generous social protection programmes may well be politically essential for the adoption of free trade policies, and (vi) the possibility of promoting economic growth by reducing wage inequality among similar workers in different industries and enterprises is enhanced, not diminished by international economic integration.

The contributors conclude that: “redistributive policies that are compatible with international openness are both needed to protect the poor.” It is essential to identify the kind of redistributive policies that could combine equity with efficiency. Measures such as redistribution of assets, subsidization of access to credit by the poor, promotion of producer co-operatives and co-operative work teams, greater provision of public goods like education and health care etc. have been suggested by the editors.