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ADDRESS

Globalisation, Equity and Social Development[1]

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I feel privileged to be asked to be with you today to give this keynote address to such gathering of the South African Association of Sociologists here in Pretoria, a most unlikely site less than a decade ago. Globalisation is a much-discussed topic and some would argue that diminishing returns have now set in. Virtually every speaker or writer on globalisation starts off by pointing to how complex the concept is, adding that no attempt will be made to exhaust its myriad meanings and ramifications. Each speaker then proceeds to make incredible simplifications. I will start with the same disclaimer and then proceed in similar simplifying fashion. One source of complexity arises from the fact globalisation refers to both social and material processes and outcomes, on the one hand and ideational representations on the other. Thus while the literature is replete with accounts of what is happening to the material world of production and technology - compression of space, intensification of global movements of goods, labour and finance and greater reach of transnational corporations - it is also suffused with words such as ideology, culture, representation, *weltanschauung*, spirit, ethos, *imaginaire* and so on intended to capture the consciousness or the *zeitgeist* both of which are induced by cultural reflexivity, which itself is said to be an aspect of globalisation, or at least post-modernity. *Voila*. Even in the more solipsistic views of globalisation, in which focus has been entirely on its *imaginaire* or discourses, there is a presumption that changes in the material world are central to what is happening to our minds and spirits. It is ironic that when ideologies that claimed that, in the last instance, material conditions and structures of production constituted the base, while politics, culture, identities were superstructural, have suffered political defeat as a result of the collapse of 'actually existing socialism', the new debates on globalisation are replete with the crudest forms of materialism and technological determinism.

Globalisation apparently not only affects our economic fortunes and ideologies but our libidos as well. In a recent issue of the *Weekly Guardian* a book reviewer writing on two books on sex, globalisation, power and politics asks the questions: 'How Global is Your Sex Life? Do you make love in the bedroom or in the world?' (Brooks 1998: 19). I will not incriminate myself or anyone else by answering this question, at least not now.

But what is happening in the material world to induce new forms of consciousness and identities? We are told trade and financial flows facilitated by technological changes and the political options of the major economic powers, have led to globalisation. This, it is said, is unprecedented and leads to a post-modern world that transcends the enlightenment project of progress. Strangely, although economic theories of free trade and neo-liberalism seem to be at the core of the *zeitgeist*, it is also from economists that one hears the most scepticism about the novelty of globalisation and the sense of *déja vu*. Economic historians remind us that world trade today, estimated at 31 percent of world output, is below the level reached in 1913, which stood at 33 percent, and that the relative shares of developed and developing countries have not changed significantly since the 19th century, despite periodic fluctuations and shifts in intergroup and intragroup trade. For Africa there are reasons to doubt the importance of the changes in the economic sphere. Africa's share of world trade is 2 percent - the same as it was at the beginning of the century. Africa's share of foreign direct investment remains limited and portfolio investment still flows pretty much along the same lines as at the beginning of the century, towards South Africa.

There is one disturbing similarity between the end of the 19th century and today. For Africa the globalisation of the 19th century earlier was characterised by systematic colonisation, partition of the continent and the introduction of a colonial division of labour that assigned the colonies specific tasks. Today African nations are sovereign. However, in the economic sphere today we see a return by African economies to their assigned colonial roles: Ghana is back to gold and cocoa; Zambia is back to a copper belt. And the many conferences on Africa and the normative discourse on good governance are reminiscent of the many conference held in Europe not only to partition Africa but also to launch various *mission civilatrices* through 'good governance', 'capacity building' etc. Once again the development project is couched in the language of *mise en valeur* of the colonial speech.

As I have suggested, the lexicon of globalisation includes the entire alphabet – from *angst* to *zeitgeist*. I will confine myself to issues related to social development if for no other reason than the fact that that is what I leave on. I will also concentrate very much on Africa. In the African case, one unresolved problem is that of 'nation building'.

One of the greatest challenges faced by African countries is the establishment of a state-society nexus that facilitates and promotes economic growth and structural transformation, that derives its legitimacy through popular participation and electoral process. and sustains social policies that ensure equitable entitlements of all its citizens to ensure that their capacities and functionings are adequate for a decent inclusion in societal affairs. I take it that whatever the outcomes of globalisation, many of these outcomes will demand autonomous national spaces and capacities. The nation-state still remains the privileged arena of any project of democratisation and social progress. Whether globalisation is positive or not will ultimately be judged by its compatibility with this project of setting up socially inclusive, democratic development states.

If somehow the dynamics of globalisation and the pursuit of the three objectives were perfectly harmonious, the problem I am addressing would not arise. Indeed, for some of the more Panglossian versions of globalisation in which the current order is the best of all possible worlds, all good things flow from globalisation: it leads to greater economic welfare; rewards 'factors of production' according to their productivity and allows nations and individuals to fully exploit their respective 'comparative advantages' and capabilities. It also frees individuals from the shackles of local tyranny, tradition and provincialism. In the axiomatic schema that informs this perspective, it is not necessary to introduce specific measures to address issues of poverty or inequity.

The point I will be making is that whatever the promise of globalisation, little has been done to equip states or international institutions to assume the weighty obligations on social justice and peace demanded of nation states and enshrined in the many UN resolutions. On the contrary, while globalisation generates serious problems for social harmony and development policy, it reduces the capacities of many states and societies to handle such problems. The reason is that while institutions charged with development policy are still national, the policy options are being narrowed and the effective constituency restricted both by constraints imposed by the new global regime on what is considered prudent and by the erosion of the fiscal capacity of the state.

Economic Growth and Development

I start with economic development.
Poverty and/or the fact of relative backwardness in both material well-being and technological mastery and a perception of being engaged in an international order of gross inequality and historical injustice has shaped the development agenda since the end of the Second World War. The quest for 'catching up' or 'bridging the gap' or a new international order was a central characteristic of the debate in the 1970s. More pronounced in the seventies than today, 'development' is still the iconic expression of the 'developing countries', a fact that accounts for the continued existence, at least at the level of rhetoric, of the 'Group of 77', 'Non-aligned movements', 'South-South co-operation', etc. Globalisation, from the developing countries' perspective will be judged by its effects on bridging this gap economic development and the eradication of poverty. Indeed, in the eyes of many policy-makers in developing countries the litmus test for any international order remains whether it facilitates economic development. Such a view can be culled from the many resolutions of 'South-South' conferences, from positions of individual governments and from the common positions expressed by the governments.
I am aware of the more cynical view that governments in the South are cabals of rent-seeking cronies or predatory thugs. And the egregious behaviour of a number of governments in the 'South' gives credence to this view. I am also aware of the severe criticism by post-modernists levelled against the notion of 'development' for its eurocentric premises, its teleologigal and linear trajectories that lead to Washington or Paris and its use as an justification for repression and Western interference in affairs of other countries. The income gap between the first of the world's people living in the richest countries and the fifth in the poorest rose from 30 to 1 in 1960 to 74 to 1 in 1997. Nevertheless, I am convinced that its central message of structural change and eradication of poverty remains valid and is on the agenda of most of the most thoughtful social movements. And in any case, virtually all projections of the eradication of poverty assume fairly high rates of growth.
For those of neoliberal persuasion the greatest promise of globalisation is improvements in economic welfare through more rapid growth. In the more axiomatic presentations open and 'market friendly' policies would lead to rapid growth that was labour intensive and, therefore, poverty reducing. The set of policies needed were said to be now quite well established and were available in the form of stabilisation and structural programs administered by the BWIs (Bretton Woods Institutions). The spectacular performance of East Asian economies has been used to make the case that integration into the global market does indeed lead to better economic performance and that it was domestic policies that must have accounted for the poor performance of many developing countries of Latin America and Africa. Conversely, the poor performance by African and Latin-American countries has been attributed to failure to integrate into the world system. In most developing countries, this message has been driven through structural adjustment programmes (SAPs), which have been the key instrument through which countries are expected to harness the benefits of globalisation by pursuing policies that 'open' their economies to global competition, foreign investment and technology. The last two to three decades have been spent 'opening' up economies through the liberalisation of trade and financial markets.
Although SAPs have yet to show much about development, the BWIs still stridently assert that not only do their policies lead to high growth rates but also that 'growth is good for the poor' (Dollar and Kraay 2000a). This view is that the rising tide lifts all boats except, of course, for those that sink. Even some of critics of globalisation have assumed that the policies intended to integrate developing countries into global markets promote growth and only fault

them for their failure with respect with other objectives such as equity or environmental sustainability. Indeed if governments accepted the Faustian bargain that involved loss of sovereignty as the price for being integrated in world market it was largely because they believed that, in return, they would enjoy increased growth. However as it turns the period over which globalisation is said to have accelerated has witnessed slower growth rates in virtually all regions of the world except Asia and the Pacific, prompting authors of a recent review of the evidence on growth and globalisation to declare that 'The Emperor Has No Growth'. (Weisbrot et al. 2000) Overall GDP growth of the world economics was 1.6 percent lower in the period 1981-96 than in the previous 15 years. The overview further notes that even where high growth rates were achieved, as in Southeast Asia, they were still better in the earlier period. The only regional exception to this trend was East Asia, which grew faster from 1980 to 1998 than in the previous period. But this is due to the quadrupling of GDP, over the last two decades, in China (which has 83 percent of the population of East Asia). For Africa economic growth in the adjustment years is 2.1 percentage points below that in the 1966-80 years.

Unphazed by this evidence, the World Bank's retort is that gains from globalisation can only be enjoyed by embracing its policies. In recent pronouncements, the World Bank compares the economic performance of 'globalisers' (which have cut tariffs significantly and increased trade relative to GDP significantly, with 'non-globalisers' and claims that the former, who presumably are following the advice of the BWIs, have outdone the 'non-globalisers'(Dollar and Kraay 2000b). However, as has happened many times before, the arguments that 'globalisers' have outperformed 'nonglobalisers' have been based on unconscionable play with the data (Rodrik 2000). In later writing, the World Bank has been more circumspect about the causal link and has become more aware of a whole range of reasons that might not make the process of globalisation pro-growth everywhere – for example the problem of 'path dependence' so that economies of scale and conglomeration are enjoyed by those in the lead, the problems of geography and sheer luck. Indeed one World Bank explicitly asks this question.

There are a number of reasons why globalisation might lead to an overall low rate of growth. One is the deflationary policies that it tends to encourage. To attract foreign capital and avoid capital flight, governments play it safe by avoiding anything that might make financial markets nervous. Consequently, governments have assumed a restrictive fiscal and monetary stance by aiming at lower government deficits and keeping interests high even in face of high unemployment, low investments and growth. When such policies are pursued by all countries, there will be an in-built tendency towards depression (Bhaduri 1998). The second is the nature of capital flows. Although gross capital flows are large, at the end of every business day net flows are much less than is suggested by the commotion and little of this is for long-term investments. In addition, the flows have been highly selective with Africa almost completely left out. Furthermore, the flows are highly volatile and their short-termism and speculative character have not made such flows particular suitable for development. The recent Asian experience suggests that such capital flows can undermine development efforts even in situations where the so-called economic fundamentals are good. One should add here that most of these flows have been driven by mergers and acquisitions and have not generated much new productive capacity.

Critics of structural adjustment policies have over the years pointed to the fact that short-term adjustment policies are undermining long-term development prospects by destroying the social capacities of the affected societies, by undermining the legitimacy of the state, by reduction in social and physical investment and by worsening income distribution thus accentuating conflict (Stewart 1994). Their excessive focus on stabilisation and their neglect of many other development fundamentals such as investment, human capital and political stability had exposed orthodox stabilisation and adjustment programmes to widespread criticism.

Partly in response to this criticism and the obvious failure of adjustment to address problems of poverty and to place economies on a long-term growth path, the World Bank has begun to shift its focus towards poverty alleviation and has began to give support to social sectors on developmental grounds. Indeed it has gone as far as to propose a 'comprehensive development framework' which takes on board 'structural, social and human aspects' (Wolfensohn 1999). This in a way presupposes something reminiscent of 'developmental states' that the BWIs have spent years dismantling. The question that immediately arises is not whether globalisation allows replication of the quintessential 'developmental states' of East Asia. Rather it is whether globalisation will allow the emergence or survival of states that can sustain internal political and social arrangements that ensure social cohesion and improvement in well-being while meeting the exigencies of globalisation. Does globalisation allow the state in poor countries to play the entrepreneurial and mobilisational role that it has clearly played in virtually all cases of 'late industrialisation'? The lessons from the adjustment debacle would seem to suggest that 'opening up' the markets without an investment or development strategy can bring upon countries all the deleterious effects of globalisation with few of the advantages.

Democratisation

The second side of the triad is democracy and human rights. Does globalisation facilitate democratisation? One outstanding feature of the era in which attempts at democratisation are taking place is, of course, globalisation. There are different views as to what globalisation entails for democracy in the developing countries. Here again there are sharp divisions ranging from those which conflate economic liberalisation and political liberalisation to those who see the exigencies of globalisation as undermining democratic governance. In one view, the simultaneous occurrence of globalisation and Samuel Huntington's 'Third Wave' of democratisation would seem to suggest not only compatibility but also synergy between the two processes. The 'opening up' of economies and societies, the political conditionalities transmitted through global institutions. and the solidarity from movements encapsulated in the notion of 'global civil society' are generally supportive of efforts at democratisation in many countries. Globalisation lets a thousand flowers bloom. Since it is presumably predicated on hybridity, it breaks down the totalising tendencies of nationalism and promises endless choice in both political and economic markets. Those who hold to this view as the dominant effect of globalisation consider democracy and economic liberalisation as simply two sides of the same coin: the edification of a liberal order, a natural convergence of processes that mark the triumph of liberal capitalist order, and 'the end of history' (Fukuyama 1992) - an end-state towards which teleology has painstakingly moved us all along and which so much of humanity has foolishly and futilely resisted. This 'good-things-go-together' approach is often derived from first principles where liberal democracy and free markets always go hand in hand since both processes entail the dispersion of power and the emergence of a bourgeoisie or 'middle class' both of which are said to be good for democracy.

In the other view, the demands of globalisation, especially the erosion of national sovereignty and the uniformalisation of what are considered as 'fundamentals' in economic policy, limit the range of options for democratic régimes. Liberal democracy is premised on the sovereignty of nation-states and assumes that the state has control over its own fate, subject only to compromises it must make and to the limits imposed upon it by other actors. Democracy was not only premised on national sovereignty but even getting there was determined by patterns of national path dependence, as suggested in Barrington Moore's classical work. By eroding national sovereignty globalisation undermines a central tenet of liberal democracy (Held 1991: 141) Globalisation has not only challenged this national space but has also unscrambled the paths through which nations could, given their past, move towards democracy (Ross 2000): This phenomenon is, of course, not confined to the developing world. Europeans talk about the 'democracy deficit' to describe similar situations: Ross argues:

> It is difficult to avoid the observation that in Europe, where the most propitious circumstances exist for democratic resolution of such difficult problems, responses to globalisation have involved a flight away from democratic responsibilities and procedures. Major matters concerning the daily lives and security of European citizens are now decided at the European level without these citizens being fully consulted. One frightening implication can be drawn. Globalisation, if it is a new stage in the evolution of capitalism, could constitute a significant threat to liberal democracy. (p. 254)

Globalisation as it has manifested itself in Africa tends to extrude the state from its local moorings, producing states that are not beholden to local interests and that are autonomous, not with respect to the global, but with respect to local politics and interest articulation. States seeking to signal foreign capital are tempted to assign maintaining functions to institutions immune to liberal democratic political control. Central banks are good examples of state institutions that pursue essentially 'gate-keeping' activities beyond the reach of democratic control. (Maxfield 1997) Politicians have been quick to exploit these features and exigencies of globalisation to shirk their responsibilities to the citizens by transferring all the blame to outsiders.

Although all international financial organisations now swear by democracy and insist on 'popular participation', 'transparency', and 'accountability', it is part of their conventional economic wisdom that the general public, including the elected political leaders, cannot understand the counterintuitive nature of good economic advice. Indeed until the recent wave of democratisation, it was assumed that the adjustment of economies from inward to outward looking ones would be best carried out by authoritarian regimes, which could ride roughshod over interest groups. A number of strategies were proposed to overcome the supposedly irrational political choices and resistance of organised urban interests to rational economic policies and/or the patron-client nexus underpinning state dirigisme. Solutions have included outright authoritarian methods à la Pinochet (Bienen 1990; Callaghy 1990) or stratagems that, by stealth or suddenness, would catch these groups unawares and generate policies that, by the time opposition is able to mobilise, will have become irreversible. (Waterbury 1989) Where democratic regimes already exist, the challenge for those who pursued this kind of analysis has been on how to circumvent the democratic process by strengthening the 'autonomy' of the bureaucracy or by creating what has been referred to as 'authoritarian enclaves' within the economy. The Central Bank has been a main candidate for such insulation, as have ministries of finance or teams of technocrats in key ministries. In some cases, nationals on the payroll of international organisations are attached to these ministries -- all to ensure their insulation and, one might add, their loyalty.

At the domestic level, many governments now seem to be leaning on technocrats much more heavily than their predecessors. The attraction to technocrats can be attributed to a number of factors. First, given their highly personalised rule and patrimonial-clientalist politics, some nments had an aversion towards technocrats and tended to alienate or marginalis them. This tended to undermine the public service by sidestepping bureaucratic demands for meritocratic criteria in promotions and job-assignments. The natural response of the new leaders has been to reverse that trend. Second, IFIs often insist on greater empowerment of certain key ministries. Third, the devastation created by the economic crisis has legitimised the role for ‘conomic doctors’. Finally, social movements have had little capacity or interest in building up policy analytical capabilities within their own structures[2]. Few movements, including those in the opposition, have been able to articulate technically sound policy alternatives.

This quest for insulated technocracies poses the danger of encouraging the exclusionary exercise of political influence on the basis of technical knowledge. It is also likely to produce a Janus-faced polity in which politics are democratic but government is not. Admittedly, the role that technocrats can play and their impact on political choices is not unambiguous, there being significant variations in the performance of technocratic roles. There is, however, the distinct danger that the technocrats’ professional instincts may persuade them to seek to circumvent politics and generate solutions that are politically irresponsible. Technocrats may narrow the choices of politicians by either being part of a transnational technocratic alliance, or by identifying themselves with particular international models of crisis management such as orthodox structural adjustment programmes. This is most likely to happen where such technocrats are nurtured and shielded by international financial institutions and therefore feel more accountable to these institutions than to the national constituencies. This exclusiveness is enhanced by the intellectual and ideological transnationalisation of key parts of the bureaucracy through admission into ‘epistemic communities’ in which economic orthodox prevails and also the perks that go with it. This goes counter to the creation of culture of consultation and compromise, as technocrats assert, with Thatcherite certitude, that there is no alternative.

These remarks may seem contradicted by the new emphasis by the international community on good governance, transparency and participation. Indeed, it is now argued that the preference by foreign direct investors for authoritarian regimes which could produce docile labour and keep away populist pressures for redistribution or, worse, nationalisation, is a thing of the past. Today’s more mobile capital, so the argument goes, prefers transparency and presumably democratic governance. But much of this has more to do with the hollowing out of democratic institutions and the existence of an ‘exit option’ for capital which makes capitalists disinterested in dialogue and social contracts, and even less with commitment to democratic values and respect for outcomes of democratic decision-making.

If effective policy-making is being removed from national institutions, it matters little if they are democratic or not. What emerges from all this is that while globalisation may have undermined various forms of authoritarianism, it has also tended to hollow democracy and severely limit its reach, producing what has been referred to as ‘low intensity democracy’ or what I have elsewhere called ‘choiceless democracies’. (Mkandawire 1999a)

Social Equity

The third side of the triad is social equity. Neo-liberal economic theory argues that in liberalised markets, economies will tend to converge. At the national level poor countries will become more egalitarian in the face of globalisation. These expectations are drawn from the axiomatic scheme of factor price equalisation which has little to do with historical experience or real economies of economies of scale, imperfect markets and structural rigidities. There has been a slew of studies on globalisation and inequality, with some measuring between-country income distribution, while others measure within-country inequality and still others measure income inequality among individuals. The general conclusion of all these studies is that t that global inequality has risen during the last three decades, mainly because of the increase in between-country inequality but also because of greater within-country inequality (Cornia 2000). In the first study to examine inequality among individuals on a world scale, Branko Milanovic (1999), comes out with some revealing data on the degree of inequality:

- The incomes of the bottom 5 percent declined while the richest quintile gained 12 percent in real terms, i.e. more than twice as much as mean world income (5.7 percent)
- The ratio of the average income of income of the top 5 percent to the bottom 5 per cent rose from 88:1 to 114:1 in 1993.
- The top decile of the US population had an aggregate income of the poorest 43 percent of the world's poor. In other words the total income of 25 million Americans was equal to that of two billion people.
- The richest one percent of people in the world receive as much as the bottom 57 percent.
- The global GINI coefficient is equivalent to that of South Africa's - over 60. In other words the distribution of income produced by apartheid in South has emerged naturally elsewhere. You didn't have to go through the whole hassle of apartheid to get the same GINI coefficient as the world has today.

Within-country income distribution has become worse virtually everywhere. All OECD countries, including the Nordic countries and Japan, experienced increases in GINI coefficients, with Japan's GINI coefficient jumping by 14 points from 0.30 in the 1980s to 0.44 in the 1990s. In much of the Soviet Union not only do we see sharp increases in income distribution but also a sharp reversal in such indicators as child mortality and life expectancy. The Asian Tiger economies, whose growth with equity was cited as evidence that there was no trade-off between the two, also witnessed reversals in trends towards growing equality. Latin America, already marked by high-income inequality, suffered a further decline. China, which enjoyed spectacular growth, saw its GINI coefficient rise from 0.28 in 1983 to .43 in 1995. This was largely due the re-widening of the urban-rural income gap. For Africa, it had been hoped that the end of 'urban bias' through structural adjustment programmes that putatively favoured the rural sector would reduce inequality. In the event, income inequality has increased due to increased income distribution with both rural and urban sectors.

Giovanni Cornia (Cornia 2000) argues that the traditional causes of inequality - land concentration, the 'resource curse', unequal access to education, urban bias - while explaining levels of inequality do not explain the recent increases. Instead, it is the new trends associated with globalisation that are responsible – technological change and the skill mix in labour use, the growing power of capital vis-à-vis labour and greater informalisation of labour markers, deflationary fiscal and monetary policies and the regressive incidence of costs and benefits, trade liberalisation and the greater gains of skilled labour, rising financial rents, the 'race to the bottom' policies adopted by countries to gain 'competitively' through an erosion of labour and welfare rights,. and significantly, through the erosion of the role the state.

Among the many constraints imposed by globalisation, the politically most salient relate to equity issues and social welfare in general. In the developing countries the first victim of globalisation has been the claims by states that they would intervene in the economy not only to ensure economic performance but also to bring about certain social outcomes such as equity and poverty alleviation. The rudimentary 'welfare states' that post-colonial regimes had instituted became objects of both ideological and fiscal attack. On the ideological plane, whatever gains had been accrued to the workers in the formal sector were now seen as 'distortions' in labour markets brought about by the activities of rent-seeking urban coalitions. Social expenditures were seen as straining the fiscus and as a source of financial instability. Attempts at basic needs or 'growth with equity' strategies of the 1970s were abandoned. Together with the disappearance of poverty from the policy agenda came the disappearance of 'development' as something that state policies deliberately pursued beyond simply overseeing the spontaneous market processes. Earlier 'developmentalist' arguments for social policy as one of the key instruments of development simply disappeared.

In addition, there has been an ideological assault on pro-active state policies. This is perhaps the most insidious effect of global triumphalism. The ideological twist given to globalisation has tended to denigrate national ideologies and endeavours towards social change and to underrate social equity. More specifically, it has tended to suggest that notions of equity and social justice are hopelessly old fashioned, 'ideological', or simply doomed to be swept aside by the brute fact of globalisation. In this sense globalisation has either provided an excuse for those who would want to set aside the agenda for equity and justice, or has served to demoralise or disarm those who have sought to use national policies to address these issues. Even more significant is that policy-makers at the national level are at great pains to conceal whatever egalitarian inclinations they might have had. One has simply ceased talking about equity and poverty as this might scare 'markets'. The need to 'signal' foreign capital further re-inforces the persuasiveness of this ideological posture.

At the national level, social policy is not exclusively a state activity. But because the nation-state has been the focus of citizenship and to the extent that social policy is the outcome of struggles for inclusion and citizenship, the state will remain the prime site at which key aspects of social policy are constructed. However, with *state interventionism* under assault there are enormous pressures for states to leave social policy in the hands of NGOs. There is here an unintended convergence between the agenda of some of these networks interested in democracy and equality through 'strengthening of civil society' and the agenda of neo-liberal institutions interested in reining in the state to facilitate the 'free flow' of capital and other transnationalised resources. Laudable though the interventions of NGOs have been in these hard times, it is important to recall that experience thus far clearly demonstrates that the state has played a central role in social development and in none of the more recent successes of poverty alleviation have NGOs played a major role. The political message here is that NGOs should avoid becoming merely service organisations and should lobby for an increased enhancement of state capacity to deliver social services with a firm political commitment.

In any case the minimalist view of the state goes against all experiences of rapid development, social change and poverty eradication. History suggests that 'late industrialisers' have been successful only when they have *strategically* sought adhesion to the global order. This has happened through the inducement by the states for actors to undertake activities that captured benefits of dynamic comparative advantage and externalities. Among 'late industrialisers' social policy has had a dual function: to enhance the social capabilities to harness technology and new knowledge, and to give social direction to economic change. Both roles are of critical importance to 'late industrialisers'. This may partly explain why among the institutions that were adapted for such late industrialisation were those dealing with social policy. It was these very same 'late comers' that were also among the 'pioneers' of the welfare state.

At first sight, the experiences of the late Asian NICs would seem too diverse from this model tying up the two "externalities". By comparison with Western countries, East Asian governments are relatively low spenders on welfare and non-state agencies. However it is a bad measure since it underestimates the role of the state as a regulator which enforces welfare programmes without providing direct finance. The assumption of the social roles by the private sector was underwritten by the state, which provided a wide range of incentives favourable to this particular form of corporate governance. Nevertheless, the point remains that in every policy of economic development, there has been an explicit or implicit social policy, which has acted as an important lever in the process. On can go further and argue that for late industrialisers, social policy is the flip side of the open economy (1997a; Rodrik 1997b). To the extent, therefore, that globalisation undermines the nation-state - the quintessential space for social policy formation - it attacks one of the major pillars of industrialisation among 'latecomers'. We already see this in the collapse of investment in human capital in countries undergoing adjustment and the increasing inability to manage social

crisis and also in the political conflicts that have brought all development to a halt.
A number of social policy questions related to globalisation and financial flows should be highlighted. Premised as they were on state non-intervention in their allocation and on guarantees by governments or the IMF, these flows had some worrisome attributes. First, they weakened the fiscal capacity of the state and, consequently, the ability to finance social policy. High mobility of assets has led to low taxation. Moreover, there is strong evidence that as globalisation advances the tax burden of social insurance programmes is shifted from capital to labour (Rodrik 1997c). This has had obvious implications for social service provision, which depends on the fiscal health of the state.
Second, greater reliance on markets entails greater economic volatility. Available evidence suggests that developing countries have experienced higher volatility than industrial countries and within individual countries. In the current order, the costs of such volatility are unequally borne. The boom-bust recovery cycles tend to be regressive in terms of income distribution and poverty. Economic fluctuations have tended to affect the poor disproportionately. While most of the developed countries have maintained key features of the welfare system, which has provided some measure of security for the poor, most developing countries have been pushed towards austerity measures that provide only tattered safety nets, unlikely to hold more than a handful of affected citizens. As a consequence the social problems that retrenchment causes have arisen at precisely the time when the fiscal capacity of the state has not been commensurate with the demands for social provision. Thirdly, the need to 'signal' to foreign capital that a country is pursuing the right policies has often meant that social policy must be downplayed in public discourse. It is this policy stance that has induced fears of 'beggar thy neighbour' policies which can unleash a 'race to the bottom', as states seek to attract private investments and private investors playoff one state against another (Crotty et al. 1998).
While globalisation is accompanied by convergence at one level (e.g. patterns of consumption, incomes of skilled labour), it also unleashes greater domestic divergence, which heavily burdens social policies and political energies. All this at a time when both ideological shifts and fiscal crunch militate against proactive social policies. Globalisation based on social disarmament is likely to provoke conflict and backlash that may feed on the most reactionary and chauvinistic sentiments. Jeffery Williamson argues that it was this inequality produced by global economic forces before the First World War that was responsible for the retreat from globalisation after the War.
It is in recognition of this vulnerability that current understanding of poverty attaches some importance to security[3]. The key instruments proposed by both the IMF and the World Bank have included social safety nets which were introduced to address the adverse effects of SAPs and 'targeting the poor'. Initially, most of these measures were viewed as only temporary since their need would be diminished by the high employment elasticity of the growth promised by pursuance of structural adjustment programs. In the 'second generation' SAP, social policy was intended to enhance the efficiency of allocation of resources or to make the reform more palatable. The macro-economic model itself remained unquestioned although it is now increasingly seen to be failing as a developmental model.

National Sovereignty and Nation-building

Let me return to the question of nation-building.
In a world enamoured by the global interconnections and the imperatives of the global market, it is easy to forget that globalisation is constructed in and through territorially bound communities – the nation states. Indeed the hard architecture of globalisation is founded on the soft imagination of communities. Nations-states and localities within them continue to be

salient as sites of identities, and of social and economic struggles. Globalisation rests on the shoulders of nation states and while national spaces are denigrated, in reality nations retain a considerable degree of isolation from each other and national policymakers enjoy much more autonomy than is often asserted. And much of the talk of the demise of the nation-state largely refers to the weak and subordinate states. Different countries become globalised differently. Some take the lead others follow; some stumble into global markets while others strategise; some are dismembered by the process while others adopt measures that ensure social cohesion even as they go global. Consequently, the expectations that different countries entertain about globalisation and the agenda they seek to address in the context of globalisation will differ.
Ever since Dante's *De Monarchia*, the project of a global order has been pushed by a *hegemon* which has sought to give a moral gloss to its grandiose project of a borderless world dominated by its ethos and interests. Today the USA has assumed the role of the hegemon with its ethos and interests represented by global corporations and finance. Global corporations know that for all their high mobility, 'capital and technology must eventually touch down in distinct places' (Mittelman 19XX). Hence their interests in 'good governance', and the policing role of the US government, whose withering away would be a disaster for them.
As Sassen has aptly noted 'the global economy needs to be produced, reproduced, serviced and financed. It cannot be taken simply as given, or merely as a function of multinational corporations and financial markets'. We do not as yet have any global institutions that mobilise collective action against the disruptive externalities of globalisation or that channel processes of globalisation towards what we all collectively deem desirable. The result is that it is the nation-state that bears the cost and at the level of the nation One set of costs comes from the volatility of the financial flows and its effect on domestic financial institutions. Resolving the bank crises associated associated with such volatility can be extremely costly, taking as much as 41 and 55 percent of GDP in Chile and Argentina, respectively. It is the most vulnerable that bear the costs while the rich are protected by expensive bailouts by a financial system designed in their favour. Some of the measures introduced at the national level to stabilise the national currency involve holding reserves at levels far beyond what is required. Complete capital account liberalisation demands high interest rates that discourage investment and compels countries to cut down their import capacity by holding much larger foreign reserves than would is necessary. The losses in income due to foregone growth are part of the costs of globalisation. It has been estimated that for most poor countries, just maintaining the patent regime demanded by developed countries would cost one million dollars – equivalent to the cost of research in most national universities.
Now whether the teleology of the 'withering away of the state' ultimately holds, it should be borne in mind that, until then, for better or for worse, the state will be a key player in the lives of much of mankind. And, although states can and do foment internal conflict, often by omission rather than commission, they still remain the single most important mediating institution. Thus, the forced incapacitation of states is dangerously premature. The failure of states to perform their functions almost invariably leads to bloody conflicts as anomic violence and general lawlessness assume ethnic dimensions. This is not merely a speculative conjecture on my part. The collapse of the state has occurred in a number of African countries.
The point I am making is not that globalisation in its current incarnation is the source of the crisis of nation-building. Even in its more familiar neo-colonial form, the nation-building project faced many internal problems. It is important to recall some of the weaknesses partly because unless they are fully resolved, Africa's integration will remain problematic, to say the least. And here I can only discuss them telegraphically. The first problem has been the gross mismanagement of the 'nation building project' due to internal struggles, especially among the

elite. This has contributed to the erosion of legitimisation of the 'national project'. The second was the failure to manager the multiethnic character of African nation states. Confronted with the social pluralism of their countries, the nationalists had two options. They could either ride roughshod over social pluralism and produce political uniformity or they could design structures that produced a political pluralism congruent with that of the social pluralism of their societies. In the event, most chose the former option. African nationalism became a totalising ideology to combat real and imagined fissiparous forces such as the 'divide and rule' strategies of the erstwhile colonial masters and the 'tribalism' of some of the leaders. This choice, combined with the centralisation of power that it entailed, has meant that issues that could easily be sorted out at the local level have acquired a menacing national importance by leading to an overloading of the decision-making process. It has also meant that there are no local level governmental institutions to absorb some of the blows inflicted by globalisation. Furthermore, the elites tended to equate nation building with state building and over the years the latter completely overshadowed the former. Thirdly, the abuse and mytificatory deployment of nationalist ideologies have undermined them as ideas around which to rally Africa's young population. The rhetoric of the nationalists has become increasingly hollow and less convincing if for no other reason than the demographic changes that have taken place during the last 30 years. Seventy percent of the African population was born after independence, leading to 'national unity' being taken for granted, and its rhetoric is scoffed at because it has been used in a mystifying manner. Fourthly there has been the authoritarian turn in nationalist politics which has alienated significant segments of society. And finally there has been the weakening of much of the scaffolding for nation building in the process of adjustment to what is purveyed by the Bretton Woods Institutions (BWIs) as the exigencies of the global system.

Given the egregious failure of African nationalism, it is now argued that in this 'post-colonial' era Africa should embrace and even celebrate globalisation. It has been assumed by some that the demise of nationalism would open room for multiple voices. And in any case, so it is argued, existing identities are socially constructed and have no inherent value. In some of the writing it is suggested that we are witnessing the separation of governance and territory reminiscent of the medieval period. It has become quite common to portray responses to globalisation as guided by fundamentally reactionary impulses driven by either chauvinism, or religious fundamentalism or the greed of rent-seekers - those who benefited from the old order of interventionism.

The response is not necessarily from feudal patriarchies whose hold on power is suddenly threatened by globalisation or of rent-seekers scared of competition. It is often from the downtrodden whose bearings are disturbed by processes that are much more distant and less amenable to the 'every day forms of resistance'. Social equilibrium is not valued only by the powerful but also by the weak. It is this that makes revolutions so particularly difficult since they invariably involve transcending the 'common sense' of prevailing equilibria. In any case, one of the effects of such localism is the weakening of nation states further, being 'hollowed out' by globalisation and contested by local forces.

In response to this crisis of legitimation, we have witnessed intensified struggles for democratisation. One of the effects of patterns of post-colonial development has been increased social differentiation along class or income lines. The current crisis and the patterns of adjustment adopted to address them have exacerbated these fissiparous pressures of inequality, especially with the indiscriminate rejection of the redistributive elements of nationalist policies mentioned above. This has increased the potential for ethnic conflict by intensifying intra-ethnic differentiation. The paradoxical consequence of such intra-ethnic differentiation is the placement of a premium on ethnic cohesion through intra-ethnic competition in ethnic chauvinism as élites opportunistically harp on their ethnic ties with the poor. And so in the crisis years we have seen devastating ethnic conflicts in Africa. With one ideology that has so far provided some modicum of political stability severely eroded, claims of sub-nationalism have reared their heads. And hanging as a Damocles sword over the processes of both nation building and globalisation is ethnic conflict, real or imagined. In this era of globalisation even democratisation raises a whole range of issues about identities, some of which may have been concealed under pall of authoritarian rule. Some of the problems arise naturally, as it were. Liberal democracy is still largely premised on the existence of the nation state. It is this that spells out the boundaries of the rights and responsibilities of citizenship to a particular nation-state. It is perhaps not surprising that it is precisely during the current phase of democratisation that we see greater xenophobia. When the sovereignty of the nation-state is threatened at the same time as the rights of the citizens are widely recognised two questions immediately arise: who is the citizen with the right to enjoy the fruits of democratisation and who are the enemies of the nation? The most visible enemy is of course the migrant worker. All the talk about the end of the nation-state notwithstanding, there are yet no global instances that can assume its role. What we have instead is that, in the absence of efficacious nation-states, there is a revitalisation of localisms that pose enormous problems not only for the nation state but also for the global system as a whole. This erosion of state capacity accounts for some of the social conflicts that we witness today. Reconciliation of the nation state as a political order, as social order or 'imagined community' and as an economic entity is problematic enough even within a 'closed' model. Societies seek to address inequalities at these different levels – at the level of political rights, at the level of social and cultural rights and at the level of economic rights. Globalisation, too, has thus become entangled in its own contradictions. For, while its key actors demand political stability, its reach is extremely disruptive of social cohesion. What globalisation seems to have done is to make the reconciliation more complex and, some might say, futile. In the latter view the uneven operation of globalisation on each of these components produces crises of all sorts. Even worse, globalisation may obviate the need for reconciliation by simply negating the validity of the nation space within which the reconciliation is supposed to take place. The unraveling of social contracts that secured national peace partly explains why all kinds of localisms are increasing to challenge the national authorities, which have become too big for and too remote from local problems and too small and too weak to address global problems. Globalisation in its fundamentalism form of neo-liberalism turns out to be quite self-threatening. A fetishisized globalisation will bring to life other fetishes. It is true that the internal and external have become so deeply intertwined that it is difficult to tell which of these factors are more binding. Indeed it is a major feature of globalisation to seek to obliterate the distinction. It is also in the nature of nationalism to assert its real or imagined specificities in the face of such pressures.

Conclusion

There is no suggestion here that governments have been entirely deprived of the capacity to act on social issues. Rather the point here is that both the 'spontaneous' global processes and the absence of global institutions to manage these processes set enormous hurdles on the process of equitable development and democratisation in the 'developing countries'. Globalisation, thus far, has been singularly insensitive to these burdens and needs.
Whether one embraces globalisation enthusiastically or fatalistically, there are a number of things that need to be sorted out if some of the concerns of the 'developing countries' are to be addressed. At the international level there are frequent references to the need for institutional innovations to deal with globalisation. There is the feeling that the volatility of the

system not only poses serious economic threatens but overtaxes the political arrangements and social fabric of many countries. Consequently, following the financial crisis much has been said about the need for a new 'financial architecture'. However most of these debates have been confined to issues of the *stability* of the system and have eschewed addressing issues central to development. There is thus complete silence on the 'social developmental architecture' expected to accompany the restructuring of the financial system even though globalisation has led to volatility not only in financial markets but in product and labour markets as well. If so much time has been spent adjusting economies to the dictates of globalisation, we have to beginning to think of adjusting globalisation itself so that it meets social needs and is democratically anchored. This immediately raises issues of political power and capacities. Citizens of this major producer of gold must surely know that the true 'Golden Rule' is the one that says that the one who has the gold makes the rules!

In global discourse, there is an increasing tendency to formulate social claims as enforceable claims on the delivery of goods, services, or protections by specific others. This presupposes institutions that can act to enforce (or at least not hinder) their delivery. The commitment to poverty alleviation by the international community, its adhesion to a 'rights based' approach to development and the recognition of the existence of 'global public goods' presuppose the existence of supranational bodies that have the financial wherewithal for pursuing the global agenda. Neither the financial architecture nor the system of global governance has been reformed to address to address this new agenda. An important task therefore relates to the creation of global institutions that would ensure that the commitments to justice, equality and democracy are translatable into global and national policies. It is important that these values also permeate these institutions to avoid the bizarre situation where fundamentally undemocratic global institutions claim to be promoting democracy in the 'developing countries'.

The second task involves intellectually and ideologically challenging the view and discursive practices that too often fetishize globalisation into some exogenous force that ineluctably imposes its laws on the human race. Although globalisation is often treated as a mechanical unfolding of history which has come to rest in the present order of things, it is important to underscore the human agency behind it. It is the result of the hegemony of the USA and its use of its enormous political and economic muscle to open markets; it is the result of laborious rule making and institutional design to change the regulatory regimes in different countries; it is the result of ideological shifts away from nationalistic interventionist states towards more market friendly economics orders. The technology that undergirds it, the institutions that facilitate the movements of resources and the ideologies that sanction it, are all human. Globalisation is ultimately a human construct and perfectly amenable to human governance. As such, ideologies that inform the *zeitgeist* matter enormously for they shape our visions and the things we are willing to do to realise our visions.

If the promise of globalisation is not to produce the dystopia of 'clashes of civilisations', or nourish heightened senses of murderous ethnic, religious or local identities, or produce 'disposable people', then it is essential that the process of globalisation be deliberately and consciously harnessed to the achievements of poverty eradication, development and equity. While some talk of a new 'financial architecture' to manage the nominal world of finance, it is incumbent upon those interested in these objectives to insist upon a 'developmental architecture' which can manage the 'real world' economic relations at the global level, ensure democratic participation at the national level, and nurture systems of social welfare and security. We have all learned from Karl Polanyi that markets - local, national, or global - are sustainable only to the extent that they are embedded in political and social institutions Globalisation as the final arbiter of what is produced and who gets what sharply contradicts

our collective presupposition that the good life would involve meaningful choice, diversity and democracy We have to avoid a global order that is dominated by a Social Darwinism that rewards greed and produces disposable people.
It is probably the case that shared circumstances and immediate concerns will generate transnational movements as counterweight to capital. There is still controversy as to what form such movements will take. The inchoate movements that gathered last year to produce what is now known as the 'Seattle Debacle' may be far from reflective of this uncrystalised response to globalisation. But the message that has been echoed elsewhere is that the *invisible* hand can only function within *visible* social arrangements. Ultimately it will be struggles by people within spaces of the greatest affectivity that will dictate the course of events. These struggles may be local, national, regional or global. All this may sound utopian, but then who needs a map which shows where this Utopia is?

Notes

1. This paper draws on a number of papers I have written on globalisation especially (Mkandawire 1999b; Mkandawire and Rodriques 2000).
2. Monteciros (1993). 'Probably one of the most serious threats to the consolidation of Latin American democracies stems from the lack of institutionalised forms of communication between the newer, technical and the more traditional political elites' (p. 27).
3. The World Bank's recent report on poverty argues that *empowerment, participation* and *security* should be the cornerstones of the new anti-poverty approach.
4. As James Mittleman notes: 'Movements based in religion have reacted sharply to the trauma of globalisation, partly a recognition of the anomie associated with the ways that globalising tendencies are undermining the values of community and ripping the social fabric. So too religion embraces a shared a sense of transcendence, which is deemed compromised by the globalisation process. What is valuable is this script is the philosophical questioning about the lack of a spiritual dimension in economic integration, a concern implicit in the global resurgence of Islamic movements as well. As a secular paradigm, globalisation is faulted for being deficient in its moral foundation. In the West and perhaps elsewhere, this position is sometimes employed by political and economic groups who will not tolerate, and attempt to extinguish, the claims of others.' (Mittelman 1997: 20)
5.As John Gray points out: 'Economic inefficiencies of restrictions on free trade are so nearly self-evident that anyone who is critical of unregulated global free trade is easily convicted of economic ignorance. But the economic argument for unregulated global free trade involves a wild abstraction from social realities. It is true that restraints on global free trade will not enhance productivity, but maximal productivity at the cost of social desolation and human misery is an anomalous and dangerous social ideal'. (Gray 1998)
6. This is the central message of the report of the United Nations Research Institute on Social Development *Visible Hands* (UNRISD 2000).

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