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Reclaiming the Right to Development[1]

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Introduction

In 1986 the United Nations adopted a declaration on "The Right To Development" as an inalienable human right, embracing "all civil, economic, social, cultural and other human rights enumerated in the Universal Declaration of Human Rights". Since this Declaration was adopted, "globalization" has devalued sovereign equality and stripped states of monetary, fiscals and administrative policy instruments essential to the formulation and implementation of pro-active strategies of economic and social development. .

The authority of the United Nations has declined. Private global capital flows have displaced official development assistance as a major source of external finance. Market criteria of profitability (cost-recovery) have prevailed over egalitarian social criteria in the provision of public goods directly affecting the well being of people. International inequalities have escalated. Domestic disparities have widened in most countries Commodity prices continue to fall. Finance has been privileged at the expense of productive activity and countries open to capital flows have born the full economic, social and human costs of adjustment to ever more frequent and damaging financial and economic crises Primary commodity exporters have always been *price -takers.* They have always been forced to adjust to business cycles in the industrial centers by *pro-cyclical policies*. Thanks to twenty years of "structural adjustment", they have also become *policy takers.* Development as a national and social project supported by the international community is in suspense -. in large regions of the world in regression.

A rising tide of outrage at global inequities has attracted the attention of the world. There is a growing sense that "globalization" is a non territorial form of imperialism, imposed on developing countries by legally binding obligations of compliance with rules favouring capital, enforced by trade sanctions and denial of access to finance Additonal conditionalities relating to "governance", some at the insistence of influential international NGOs . further constrain policy autonomy. Scores of countries have been encouraged - sometimes bullied - into excessive dependence on export earnings and foreign credits by programmes designed by the staffs of the

Bretton Woods Institutions The International Monetary Fund has become a foreign policy instrument of the United States. Crises have been used as opportunities to radically restructure economies - most scandalously in the case of South Korea.

Since the end of the cold war, the only remaining super power has acted as self appointed global policeman. Military interventions targeted at physical and social infrastructure have punished civilian populations for the alleged misdeeds of their leaders. The George W Bush administration has flaunted an extreme posture of unilateralism, with disregard of the views of even the closest allies. The influence of financial and corporate power at the highest levels of government calls for new initiatives to protect populations and societies of the developing world from exploitation and societal collapse.

There is a crying need for creative thinking and new initiatives to protect the gains of development from devastation by financial hurricanes fed by institutional investors who freely move funds in and out of countries at the tap a keyboard. with no responsibility for the impact of their operations .on ‘host" countries. The IMF, BIS, G7, G 20 etc. are captive to the overriding interest of protecting the value of global financial investment; regardless of collateral damage to shattered lives and hopes of millions. Consensus of developing countries in international negotiations with the Bretton Woods institutions and the WTO, is hostage to policies which pit country against country in competition for export markets and foreign investment.

Reclaiming Policy Autonomy

For the past twenty years, the developing world has been adjusting to the agendas of the IMF and the World Bank. It is time to reclaim the right of nations to policy autonomy, the right to "make the best use of ones own resources"(Lewis) , and the right "to engage in the international economy on one’s own terms" (Rodrik). The Right to Development is a citizen right and its realization is a priority obligation of national governments.States - not the IMF or the World Bank - have the right and the duty to formulate appropriate national development policies.

The aspirations to equity and social justice which motivated the call for a new international economic order twenty five years ago, remain a fundamental motivation of all human rights claims, including the right to development. This requires an international rule based regime which permits space for developing countries to follow different and divergent paths to development, according to their own philosophies, institutions, cultures and societal priorities.

1) Subordinating Finance to Production

Finance must be subordinate to the productive economy, globally and nationally. The productive economy must provide the basic needs of the entire population, in an integrated society where there is not one economy for the privileged - and another for the poor. *Poverty alleviation is no substitute for development as a social project of all citizens*. Economic growth must be subordinate to long term sustainable development. Private profitability criteria are inappropriate for the provision of universally available educational, health and other essential public services. All modern economies are mixed economies, combining the private sector, state enterprise, self employment and .diverse forms of cooperative and associational community economic organization. Democracy and pluralism implies diversity of social and economic organization of societies.

The first requirement to restoring the right to development is the establishment, within a reconstructed United Nations System, of a multilateral World Financial Authority to track, oversee and regulate global financial markets on principles which restore "market risk" to creditors and limit the "socialization" of private (unguaranteed) debt. Global capital markets cannot be permitted to capsize economies or override the social priorities of national societies. The rights of financial investors must be subordinated to the rights of citizens, nationally and internationally. Until such time, developing countries must reclaim policy autonomy yielded in unequal negotiations with official creditors.

2) Accountability of the IMF and the World Bank

The International Monetary Fund should return to its original mandate to provide medium term finance for countries with temporary balance of payments problems to enable them to undertake adjustment without deepening a crisis by restrictive monetary and fiscal measures which have long term effects in eroding social infrastructure - as intended by the architects of the Bretton Woods institutions. The right to impose capital controls should be *re-affirmed* and initiatives to bind countries to capital account liberalization suspended.

All official debt to poor countries should be cancelled, and financial restitution made to Sub Sahara Africa for slavery, colonialism and the imposition of inappropriate programs and policies by the IMF and World Bank in the past two decades. Development assistance should not be conditional on trade and investment liberalization or privatization.of state assets. It should be greatly increased and granted to poor countries on highly concessional terms for physical and social infrastructure, as was the practice prior to the 1980s. The World Bank should be brought under the direction of the Social and Economic Council of the United Nations. Development assistance should be governed by principles of parity between donors and recipients. International funding for "global public goods" and disaster relief should be increased. The United Nations must be strengthened and reformed to accord with the demographic realities of the 21st century, with no permanent seats on an elected Security Council Nothing less can assure peace, which is the ultimate pre-requisite of development.

3) A Development Oriented WTO

Developing countries must have an effective voice in the making and the implementation of the rules of the WTO, which should be restricted to cross border trade in its conventional sense, with no extension into "trade-related" matters which raise questions of the permissible limits of interference in domestic social and cultural norms and institutions. Policy options are reduced. *Indeed this is the explicit purpose*. The intention is to lock states into irreversible commitments to the sanctity of contract. Investor rights prevail over fundamental human rights. Trade enforceable regulations concerning intellectual property right to pharmaceuticals must be amended to permit - and encourage - the production of generic drugs by and for developing countries. The right to health is a sacred right to life. The WTO should support, not frustrate development initiatives of member countries. It has been suggested that the WTO should embrace a development mission. (Helleiner 2000).

4) Regional Co-operation of Developing Countries

Because it is obvious that small countries can only implement developmental policies in the context of larger regional entities, all barriers to regional economic integration of developing countries should be eliminated from the rules of the WTO. Developing countries should become *less* reliant on exports which impoverish the rural economy and the environment, or on destabilizing external financial flows. as a substitute for a high rate of domestic savings and progressive and equitable taxation. Regional monetary arrangements for mutual assistance should be encouraged. Indeed, strong regional institutions not only provide a degree of mutual support to countries with limited power in the international arena, but a network of regional institutions may serve to offset the gross imbalance of power in the international system.

Economy and Democracy

The above is a *minimal agenda* of international reform to enable societies to determined their own economic, political and social goals in accordance with their specific needs and social priorities. It is also an agenda for *democractic accountability* and *popular voice*. Globalization of finance and trade has *reduced* the capacity of states to govern markets at the *national* level, but *enhanced* the capacity of the major capitalist powers to set the rules while govern markets at the *global* level. At the national level, governments are under pressure from productive enterprise, labour and civil society to respond to the real needs of the population - however reluctantly or incompletely. At the global level, capital is insulated from popular pressure and the constraints of democratic accountability.

The argument that popular voice (democracy) is incompatible with unlimited open-ness to global trade and finance has been presented by Rodrik (2000) in an elegant transposition of the familiar trilema A similar view regarding respect for diversity, .space for policy autonomy and democracy was expressed by the Executive Director of the United nations Economic Commission for Latin America: "Weaker actors should continue to demand national autonomy in crucial areas . particularly in the choice of the social and economic development strategy. Moreover, national autonomy is the only system that is consistent with the promotion of democracy at the world level. There is indeed no sense in promoting democracy if the representative and participatory processes at the national level are given no role in determining economic and social development strategies. This is also consistent with the view that institution building, social cohesion, and the accumulation of human capital and technological capabilities (knowledge capital) are essentially *endogenous* processes. To borrow a term from Latin American structuralism, development can only come "from within"(Sunkel

1993)" Support for these endogenous processes , respect for diversity, and the design of rules that allow it to flourish are essential rules of a democratic, development-oriented world order." (Ocampo 2000)

For peoples and nations as for individuals, the right to development is ultimately the right to be autonomous, the right to be free, the right to the fruits of individual and collective work and the right to live in harmony in a society of peace and mutual support and respect . The revolution in communication and information has diminished distance and speeded time. We know more about what is happening to other people in other countries, In that sense "globalization" is not menacing. What is menacing is the tide of global finance which is sloshing in and out of currency and securities markets, in search of short term gains, with no responsibility for the fate of the majority of people who gain no benefits but pay the costs of this "casino capitalism". There is no limit to the damage that international finance can inflict on small - and not so small - economies. Even the most successful countries have been brought to their knees by changes in "market sentiment".

Global markets in bonds and equities are undermining "stakeholder" capitalism even in major capitalist countries of western Europe and Asia. Shareholder profitability trumps social security, social justice, redustributive equity and fundamental human rights. Exit trumps Voice. Global capital mobility is subverting democracy even where formal institutions of representative government are deeply rooted in the political culture. The provenance of this virulent style of predatory accumulation is Anglo-American, and the permissive condition was the destruction of an orderly international monetary system in the early 1970s, when Washington, New York and London co-operated in freeing capital from the constraints of the Bretton Woods System.

Reclaiming Development Economics

Development economics emerged in the late 1940s and 1950s as a Third World was forming from the shambles of disintegrating European colonial empires. Its pioneers were independent scholars who addressed the problem of "underdevelopment" from their respective experiences, regions and intellectual formations. They came from India, Latin America, Asia, the Caribbean, and continental Europe and its diasporas in Britain and the United States. Keynes was an important influence, but so was Marx and other continental European schools of economics. The nineteenth century late industrializers, Soviet economic planning, and the management of the British war economy were among the historical experienced which informed their work. They addressed the central problem of the role of the state in economic development.

"Trade and Development" "Market and State"and "Growth and Equity" have been the three grand themes of development economics. For the peripheral export economies emerging from colonialism, and for the Latin American republics, "trade and development" have been primary issues. In these commodity exporting countries, which constituted the majority of post colonial states, industrialization did not progress from craft to modern production, but by the encouragement of import substitution and by nationalizations and other measures to increase "national value added" from export activities. These developmental strategies were never accepted by mainstream trade theorists. Raul Prebisch was considered a dangerous heretic.

In the early 1960s development economics became institutionalized, giving rise to specialized journals, academic teaching programmes and textbooks. Research became increasingly empirical and quantitative, in the service of national development agencies and the international donor community. In the 1970s, the World Bank assumed increasing importance in policy analysis and prescription. Themes which occupied the attention of Bank researchers included "developmentalist" issues of structural transformation, income distribution, employment and unemployment, redistribution with growth, and basic human needs. Although conditions were favourable to high growth, income disparities widened and employment failed to increase as expected.- a condition known as "growth without development". In the 1970s, the bloc of developing countries within the UN (G 77) and the non aligned movement of Asian and African states raised the demand for a more equitable New International Economic Order.(NIEO). In retrospect, much energy was wasted in interminable negotiations with the North. The reaction of the United States to the upsurge of radicalism on a world scale was political intervention by counter insurgency, as in support of the military coup in Chile in 1973. The master minds of the neoliberal policies introduced by the Pinochet dictatorship were Milton Friedman and Friedrich Hayek.

It would be difficult to find a more striking illustration of the close relationship between economic theory and the policy prescriptions of the major powers than the concerted attack on development economics in the early 1980s. The ground work was laid earlier, by Little, Scitovsky and Scott (1970), who drew on mainstream trade theory to attack ."inward-oriented" development.. Balassa and Krueger are other names associated with the advocacy of "out-ward-oriented" development. But the axe directed against the entire body of development economics was first wielded by Deepak Lal, then occupying a senior position in the Bank. "The demise of development economics following its repeated trouncings is likely to be conducive to the health of both economics and the economies of developing countries" (Lal 1983). Respectability was enhanced by Little (1982) and Swedish economist Lindbeck , chair of the Nobel Prize committee on economics, . who was engaged as a consultant to prepare a new research agenda for the World Bank in 1984.

The pioneers of development economics were paraded before the court of ‘mainstream economics" and charged with "structuralism". Little identified Ragnar Nurkse, Rosenstein Rodan, Arthur Lewis, Raul Prebisch, Hans Singer and Gunnar Myrdal as "formulators of the initial set of structuralist hypotheses " which sees the world as inhibited by bottlenecks and constraints requiring transformation of production structures by administrative means. The structuralists, , according to Little, shared with socialism a distrust of the market. To the above list of heretics and heresies, Lindbeck added Alexander Gerschenkron’s "big spurt’, Hirschman’s "backward and forward linkages" and Chenery’s " two gap theory of savings and balance of payments constraints" He pronounced that "standard economic theory as developed in the west over some two centuries is highly relevant to developing countries as well (1984). "Policy induced distortions and incentives" were deemed to be responsible for the Latin American debt crisis. (Basic human needs were consigned to the back burner, or the trash can).

Underlying the attack on development economics was the attack on Keynesian theory, with its social democratic redistributionist implications. "In some senses Keynes was the real creator of development economics , in so far as he broke with "monoeconomics"". (Singer, 1984). The 1970s spawned a counter-revolution in economic theory which continues to dominate university curricula. Economic history and the history of economic thought are no longer required subjects in most honours or graduate programs. Development economics survived as a special field of study - although impoverished by excessive econometric empiricism.

In the 1990s, issues pushed off the agenda in the 1980s, resurfaced, like archeological finds in the intellectual desert. Work on measurement of the "quality of life" and "basic human needs" was resumed by the authors of the Human Development Reports(UNDP 1990). At the initiative of Mabub Ul Haq, with help from Amartya Sen and others, a Human Development Indicator (HDI) based on social statistics was constructed as a measure of human welfare to challenge the productionist bias of GDP per capita. Critiques of "growth without development" and "growth without employment" raised by Myrdal, Seers and others in the mid 1960s, returned to the discourse (Copenhagen Social Summit, 1995). The World Bank initiated annual conferences on development economics and the World Development Report 1997 adopted a more socially and environmentally sensitive definition of development, and returned the state to the development discourse. .

But the moment of truth came with the Asian Crisis of 1997 which capsized some of the most successful economies of East Asia and raised a storm of controversy about the competence and the motives of the IMF and the US Treasury . . The chief economist of the World Bank broke protocol by a stinging public critique of ideological ."market fundamentalism" , including "shock therapy"' and "asset stripping" in Russia. Debates concerning "miracle growth" and crisis in East Asia, and the consequences of financial and capital account liberalization raged in the corridors of power and the pages of journals and newspapers. For a while it appeared that the Asian Crisis could precipitate the first general world recession since the 1930s. Instead, it fed the stock market boom in the United States. But a creeping world recession is casting a long shadow over developing countries