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ECONOMIC DEVELOPMENT IN A CHANGING GLOBALIZED ECONOMY

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Abstract: This introductory article provides an overview of the Development Studies Association's 2003 annual conference, the theme of which was *Globalization and Development*. A brief summary of the articles that have been based on three plenary addresses follows the overview, together with outlines of the contents of the seven other articles included in this special issue of the *Journal of International Development*. Opposing views about the role of globalization in international development, particularly as it relates to developing countries, are then summarized within in a broad historical context. Some of the published evidence concerning the economic impact of globalization is then presented, continuing the adversarial standpoints of opposing 'camps'. The introduction is concluded with some discussion about future prospects for a 'globalized' world. Copyright © 2004 John Wiley & Sons, Ltd.

1 INTRODUCTION

This article introduces the special issue of the *JID* covering the DSA Annual Conference held at Strathclyde University, 10–12 September 2003, the theme for which was *Globalization and Development*. The conference attracted a large number of papers not only on this particular theme, but also on related issues, so for this special issue we decided on a broad coverage, although retaining the focus on the main theme.

The phenomenon of 'globalization' has wide dimensions, and more than half of the papers included in this special issue focus on the chosen theme of the conference. However, we would also like to dwell on some of the issues associated with the debates over globalization and development that were found to be of great interest to many of the participants of the conference. We feel that the analysis is of particular relevance to the developing world, which is currently being actively encouraged to implement the 'globalization' strategy.

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In addition to this special issue of the *JID* at least three other publications will be based substantially on papers presented at the 2003 DSA annual conference. A special issue of the *International Journal of Technology Management and Sustainable Development* (Volume 3, No 3, 2004) entitled 'Globalization and Technology Development' has been guest edited by Mozammel Huq, with some input from the journal's editor, Girma Zawdie, both of the University of Strathclyde. Six papers relating to 'Wellbeing' were presented at the conference in sessions organized by Sarah White of the University of Bath, and these are to be gathered together for publication in an appropriate form.

The third publication is a book edited by Alberto Paloni and Maurizio Zanardi of the University of Glasgow entitled *The IMF, the World Bank and Policy Reforms* (Paloni and Zanardi, 2005). The book offers a contribution to the debate over whether the IMF and the World Bank and their intervention strategies can fulfil their stated objectives of stimulating growth and promoting poverty reduction on a significant scale. The focus is therefore on the present and future roles of these institutions in a world where the process of globalization is leading to a major re-thinking of the nature of development and of development policy. The chapters are grouped around three main themes: the ideology of the institutions; how the institutions intend to fulfil their mandate concerning the achievement of the Millennium Development Goals relative to poverty reduction; and how the methodology of the institutions' intervention through 'conditionality' affects the outcomes.

The order of presentation in the remainder of this introduction is as follows. In the next section we present an overview of the papers presented at the conference in general and, in particular, those included in this special issue. This is followed by a section briefly reviewing conflicting development policy prescriptions that have emerged over time, and also discussing opposing views on globalization. Then we present some evidence, which is rapidly emerging in the published literature, on the impact of globalization. Finally, some conclusions are drawn as a way forward.

2 A BRIEF OVERVIEW

All three keynote plenary speakers were invited to relate their presentations to the main theme of the Conference. Sakiko Fukuda-Parr chose to base her address on the analysis of global development contained within the UNDP's *Human Development Report 2003* (UNDP, 2003), for the preparation of which she had considerable responsibility. She emphasizes substantial progress in moving towards the achievement of the Millenium Development Goals in some parts of the world, while in others recent changes have represented a reversal of the achievements of previous decades. Particularly notable has been the impact of the HIV/AIDS pandemic on average life expectancy in sub-Saharan Africa—of which more below—and falling real incomes in some of the transition countries of Eastern Europe. In his brief article based on the main points in his presentation, Adrian Wood reviews evidence relating to the relationship between globalization/international liberalization on the one hand and economic growth/poverty reduction on the other. International liberalization can be characterized as 'increased openness' to global economic factors. He makes the key point that at the time of the preparation of the UK government's 2000 White Paper on International Development—*Making Globalization Work for the Poor* (DFID, 2000)—many economists tended to accept a conventional wisdom that increased openness had a favourable impact on economic growth and on poverty reduction with little question. He explains that more recent evidence has cast some doubt on this relationship, so that there are now many more doubts whether increased openness is so fundamentally essential for both growth and poverty reduction—effectively the jury is continuing its deliberations. Simon Maxwell, the DSA's current president, provides some thought-provoking reflections following Adrian's plenary address at the conference, and he extends them here in a brief contribution for this issue of the journal. Tony Barnett is widely accepted as an international authority on the characteristics and impacts of the HIV/AIDS pandemic, which has had such a major impact on socio-economic development in both fragile and robust economies in the developing world. He outlines some of the major features of the pandemic, and presents evidence of some of the more recent ramifications in his article.

While these keynote addresses helped set the tone on the key issues and, in particular, on the main theme selected for the conference, a major element of the three-day event consisted of parallel sessions, some of which focussed on globalization, while others were oriented towards other concerns of members of the Development Studies Association—particularly through its study groups. As editors, our main concern has been to make a selection of papers that is relevant to the overall globalization theme, that represents the international nature of the participation in the conference and that is also indicative of the breadth of the issues addressed by the conference.

Andrew Sumner's paper concentrates on the controversies surrounding globalization. Not only are there disagreements about the extent to which the increasing degree of 'globalization' has been a beneficial or detrimental factor in international development, but there are also disagreements about the definition and nature of globalization. In a stimulating discussion, Sumner particularly distinguishes between globalization as 'economic liberalization' and as increased 'internationalization'.

Fletcher Tembo focuses on the potential role of non-governmental development organizations (NGDOs) in (a) articulating the perceptions and interests of the poor in developing countries where they diverge from those of the international development institutions, and (b) mediating between conflicting perceptions and interests of these two groups. Although Tembo's paper is, in many senses, adversarial, it is also based on original research and is highly representative of developing country and NGDO perceptions.

Sanae Ito's paper contains a detailed discussion of the development of crustacean production, financing, marketing and international trading—linking elements of globalization to small scale shrimp/prawn enterprises in Bangladesh. In a fascinating discussion she demonstrates the dynamic nature of this industry, including the significance of food regulations enforced by the European Union and United States for poverty reduction in one of the poorest countries.

John Henley undertakes a comprehensive review of experience with foreign direct investment (FDI) in China and India, both of which have had significant success in attracting FDI in recent years. However, China has liberalized trade to a greater extent than India, and in a number of other respects China has had more success than India in pursuing a development strategy involving greater integration into the global economy. In developing his comparison, Henley concludes that there is considerable scope for reform of the Indian approach to FDI.

Jonathan Kydd and Andrew Dorward explore the complex inter-relationships between the broad concept of 'liberalization', as conceived by neo-classical/neo-liberal economists and policy makers, and the application of the concept to agricultural development in the least developed countries. Their discussion hinges on the well established phenomenon of 'market failure', and includes a substantial literature review. They investigate the three explanations for the comparative lack of success of 'liberalization' in the agricultural sector of the least developed countries—that liberalization has been only partial, that market institutions are 'weak' and that liberalization is conceptually flawed in circumstances of significant market failure. These explanations are systematically explored within a comprehensive theoretical framework, and the conclusion by Kydd and Dorward casts further doubt on the globalized 'one size fits all' approach to economic policy design for the least developed countries, particularly for the agricultural sector.

Anthony Clunies-Ross addresses a complex set of issues associated with the funding of global public goods in the context of developing countries. Global public goods are of two kinds. The first are clearly associated with mutual international interest (analogous to part of the discussion in the Brandt Commission Report (Brandt, 1980, p. 35)) such as global environmental issues and conditions that lead directly to international conflict. The second are associated with more general interest, such as in the achievement of the Millennium Development Goals. In both cases, developing countries have a case for expecting significant funding from the international community, and such funding could take a number of innovative forms (some of which are quite controversial). The paper reviews these issues in a comprehensive and authoritative manner.

Sushil Mohan and James Love undertake a sophisticated statistical analysis of the global coffee market, specifically focussing on the London International Futures Exchange (LIFFE) and the New York Board of Trade (NYBOT) futures markets. They locate their analysis within the context of wide fluctuations in international coffee prices, and the problem that this instability represents for the production plans of coffee producers. They conclude that coffee futures markets do not provide a realistic basis for production, storage and marketing decisions, and are therefore not relevant to policy making with respect to pricing and production planning in coffee producing countries.

3 THE DEBATE OVER ECONOMIC DEVELOPMENT AND GLOBALIZATION

Concern for economic development of what we now know as the Third World countries can be considered to be a relatively recent phenomenon, although the quest for development has long been a matter of general interest. Adam Smith's *Wealth of Nations* (1776/1982), which is considered to mark the emergence of economics as an intellectual discipline, specifically aimed to understand the nature and causes of economic development. Further well known contributions to a theoretical framework for the understanding of the dynamics of the economy were made by David Ricardo (1951) and Thomas Malthus (1970). Karl Marx (1990), another major classical economist, also examined in depth the issues of economic development. However, for many decades after the classical era interest in economic growth lapsed and, as far as the Third World countries are concerned, the debate appears to have restarted sharply following the Keynesian revolution and the emergence in the post-war era of concern with economic development of these societies which had been failing to grow. The interventionist role of the state was considered vital to the achievement of their economic stability, employment growth and output expansion (see for example Rosenstein-Rodan, 1943; Prebisch,1950; Singer, 1950; Nurkse, 1953; Scitovsky, 1954; Lewis, 1955; Myrdal, 1957; and Myint, 1964). Thus emerged a new school of thought, called 'development economics', with its concern for economic development of Third World countries.

The new advocacy demanded an understanding of the forces of development, and argued for the design of appropriate strategies and policies to support these forces. The viewpoint also showed similarities with the old growth viewpoint of classical economists (Smith, Malthus and Ricardo in particular) as it was concerned with the variables of capital, population and the objective of what Adam Smith termed the 'progress of opulence' in the progressive state. Capital formation, viewed as the engine of development, became the focus of policy attention. However, the new ideology differed from the classical approach in that it emphasized an activist role for the state, arguing that in developing countries the free market would generate less investment than was socially desirable and allocate it in less than socially desirable ways. Development economics thus restored to prominence capital formation, which, according to Wade (1990, p. 9), 'having been at the heart of economic theory from the eighteenth century to the First World War had then been displaced by issues of efficient resource allocation'. Development economics thus combined a focus on capital formation with an activist view of the state that was absent from classical economics.

In the 1960s and 1970s the activist view of the state faced strong criticism. In the context of developing countries, the arguments of the critics fell under three main headings (Wade, 1990): (a) the use of the state to promote import-substituting industrialization during the 1950s and 1960s had resulted in inefficient industries requiring permanent subsidization, with little prospect of achieving international competitiveness; (b) extensive government intervention tended to generate 'rent-seeking' on a significant scale, that is, to divert the energies of economic agents away from production and into lobbying for increased allocation of government subsidies and protection; and (c) some of the most successful developing countries—including Taiwan, South Korea, Hong Kong and Singapore—had achieved extraordinary industrial growth by using an outward-oriented model driven by market incentives and a strong private sector.

Thus, 'in the neo-classical view, the engine of development is not so much capital formation as efficient allocation of resources. Once institutional arrangements are in place to generate an efficient allocation of resources investment can be left to take care of itself' (Wade, 1990, p. 10). The government should, therefore, limit its activities to (a) improving the functioning of markets and (b) providing only those goods and services where the government has a clear comparative advantage relative to the private sector. Assuming that prices reflect social opportunity costs, the underlying argument runs, profit incentives based on market prices would drive the economy to its maximum production potential.

A number of economists including Alice Amsden (1989), Robert Wade (1990), Paul Krugman (1986, 1992) and Brian Arthur (1989) have tried to reinstate development theory. Around 1990, two major studies—one on South Korea (Amsden, 1989) and the other on East Asia in general and Taiwan in particular (Wade, 1990) called into question the conventional wisdom of market liberalism. This was a time when Krugman was already attacking the classical case for free trade as a means of higher growth: 'the idealized theoretical model on which the classical case for free trade is based will not serve us any more. The world is more complex than that, and there is no question that the complexities do open, in principle, the possibility of successful activist trade or industrial policy' (Krugman, 1986, p. 15).

The attempts to reinstate high development theories appear, however, to have been overshadowed by other attempts, begun in the 1980s, to revive market liberalism. It was during the 1990s that the neo-liberal approach was particularly sharpened with serious attempts to push 'globalization'. Although there is some confusion over the precise meaning of the term, it can be observed that globalization refers to '... the closer integration of the countries and peoples of the world ... brought about by the enormous reduction in costs of transportation and communication, and the breaking down of artificial barriers to the flows of goods, services, capital, knowledge, and (to a lesser extent) people across borders' (Stiglitz, 2002, p. 9). In other words, it is a process of increasing integration of national economies into an inter-dependent global economy.

As observed in a recent OECD study, the move towards globalization has involved the adoption, by many developing countries, of 'policies of liberalising trade and capital account flows combined with domestic privatization and deregulation .... These reforms have been based on a fundamental shift in strategy from state-led import substitution philosophy to a market-oriented, export-led approach to development, often in the context of stabilization and structural adjustment programmes under the pressure of the IMF and the World Bank. Thus questions about the effects of globalization itself have called into question the role of these institutions in developing countries, and indeed the whole nature of the existing system of global governance, and whose interests it serves' (Kohl, 2003).

Henley and Kirkpatrick (2001) have noted several key features of the globalization phenomenon. Increasing integration has led to growth of world trade, expansion of foreign direct investment (FDI), global integration of firms' production processes, transnational technology innovation and increased technology transfer across nations. This process of integration can have a tremendous impact upon economic growth in developing countries: increased participation in the global economy can expand the range of growth opportunities available to developing economies.

Proponents of globalization assert benefits that include the following:

- the private sector has been shown to be more effective in allocating resources, meeting consumer demand and encouraging and facilitating growth than the state;
- the liberalization of trade lowers protection and helps equalize price incentives across national economies, generating static and dynamic benefits;
- the deregulation of financial markets promotes competition in financial services, while free flowing capital equalizes interest rates across the globe and increases overall world income;
- liberalized capital flows also help reduce the cost of capital to firms in developing countries, increase their access to new technology and management techniques, enable firms to diversify their sources of investment and allow firms access to new export markets.

There is, however, considerable debate over the reforms the Third World countries need to undertake in order to participate effectively in the world economy. The main debate is between those who support the 'Washington Consensus' (Williamson, 1994), and those who doubt whether it represents an effective basis for overall development strategy in developing countries. There is also a growing concern in academic and other circles that the belief in the beneficial effects of globalization is based upon political ideology (or as Stiglitz has put it 'based on ideology and rhetoric') rather than being based on sound economics. According to Cross and Strachan, the supporters of globalization tend 'to ignore, dismiss or underplay the role played by activist government interventions in successful growth and development strategies. This tendency was evident in the World Bank's assessment of the East Asian Miracle' (Cross and Strachan, 2001, p. 182).

Critics also disagree about the emphasis on the private ownership of industry, saying that efficiency comes more from competition, from incentives, and from a regulatory structure which encourages firms to compete, rather than from private ownership *per se*. Evidence has been presented in support of this view. For example, Monbiot compares Chinese and Russian economic performance in the 1990s, emphasizing the significance of competition. Russia's state-owned enterprises were privatized without much thought being given to competition, while China's state-owned enterprises were made to compete in the domestic marketplace. The result has been that China's growth rates have been significantly higher than those of Russia. The success of state-owned East Asian firms *vis-à-vis* their private sector Western rivals, especially in steel and shipbuilding, is another example. It has also been observed that there is great potential for corruption and abuses of monopoly power if state enterprises are sold off without adequate regulatory structures being put in place beforehand. These opportunities are often greater than those open to the managers of state-owned industries (Monbiot, 2003).

There are also significant objections to the idea that trade liberalization is in itself an effective route to growth (Baldwin, 2003; Yanikkaya, 2003). Liberalizing a nation's trade regime only leads to higher growth if the country is in a position to take advantage of the new opportunities open to it. In order to benefit from opening its markets, a country must possess an adequate infrastructure and technological capability, its workers must be sufficiently trained and have skills relevant to the modern economy and it must have proper logistical systems in place. If this is not the case, trade liberalization may destroy more jobs than it creates when inefficient national firms are forced to compete with their better prepared international counterparts. The Washington Consensus's preference for liberalized capital and financial markets has been the subject of sustained criticism, especially in the aftermath of the East Asian crisis of 1997 (see Klein, 2003). The reforms that have been advocated increase the vulnerability of countries to rapid inflows of short run investments (so-called 'hot money'). This increases the host economy's vulnerability to sudden capital movements, which can seriously undermine its long run growth prospects. In addition to this, the increase in FDI made possible by liberalized capital markets has tended to flow to those economies further down the path to economic development. As Henley and Kirkpatrick (2001, p. 74) put it, 'Higher risk, underdeveloped financial markets, limited effective market demand and differences in production relations combine to limit the flow of new capital to low income countries'. They provide startling figures relating to the increased concentration of FDI in larger developing economies, which attracted 75 per cent of the total FDI flow during 1993–95, up from 69 per cent during 1990–92. Furthermore, as Stiglitz points out, FDI has not been shown to be the unambiguous factor leading to higher levels of investment and to faster growth in recipient economies (Stiglitz, 2002, p. 66).

The critics are particularly suspicious of the way that globalization is being advocated. As already mentioned, Soros (2002) is convinced that globalization is nothing more than 'market fundamentalism' alternatively packaged, and that it has been shown to be seriously flawed: and he is emphatic in saying that it is 'dangerous' to place excessive reliance on the market mechanism. Stiglitz (2002) also believes that 'ideology and politics' are the main factors leading the Washington establishment to emphasize the globalization strategy, and that there is serious failure on the part of the IMF in neglecting to recognize that markets, by themselves, cannot lead to efficient outcomes. Shapiro and Taylor (1990) are also highly critical of the whole approach along similar lines of argument.

This sceptical view of globalization has been expressed in a broader context in several publications, notably by Ha-Joon Chang (2002) and in a collection of papers edited by

Chang (2003)[1] and very recently Andrew Glyn has contributed an overview paper to a major review of globalization published in the *Oxford Review of Economic Policy* (2004).

4 EVIDENCE ON THE IMPACT OF GLOBALIZATION

Given the prominence of globalization and liberalization as an issue in the international economy it has attracted strong interest from researchers. However, it has been difficult to draw clear conclusions. First, there is the problem of defining the 'counterfactual' for the 'with–without' incremental methodology that is logically required for rigorous evaluative analysis of the impact of liberalization. Another difficulty lies in the statistics: their reliability has often been questioned, and in addition the time-lag between policy changes, impacts and the availability of research data relevant to an impact evaluation raises serious problems. In testing the effectiveness of the liberalization strategy, researchers used various indicators, including growth of GDP, domestic savings, capital formation and exports, and the findings have been rather mixed. Of the five studies listed in Table 1, only one, conducted by Mosley *et al.* (1995), used a combination of methods for their testing, while the remainder mainly relied on the 'with–without' approach. The variation in the time-periods used for the analyses makes proper comparison problematical.

However, the findings do provide some important signals. First, the success of the programme is more apparent in export growth than in other areas, perhaps understandable, as the strategy strongly focuses on outward orientation. Second, the success with respect to encouraging savings and capital formation is disappointing. Third, and this is particularly relevant for the assessment of globalization, a positive economic growth effect is observed in five of the nine cases summarized in Table 1. This last observation, despite the poor capital formation performance, is highly relevant, since considerable emphasis is given by the proponents of liberalization and globalization to productivity growth arising from better resource allocation.

More recently, however, there has been a change in approach and in particular in the methodology used for analysing the impact of globalization. Rigorous statistical tools are being used taking advantage of the longer data series which are now available (see for example Dollar and Kraay, 2001, 2004; Nye *et al.*, 2002; World Bank, 2002; Kohl, 2003; Winters, 2004; and Santos-Paulino and Thirlwall, 2004), although as will be shown strong controversies still surround the findings.

A recent World Bank (2002) study presents three main findings that are very relevant to the controversies over the impact of globalization on developing countries, and the main findings are presented here.

First, over the last 20 years developing countries have significantly increased their exports of manufactures and services. The study claims that this 'integration' of developing countries into the global economy has had a positive effect on poverty reduction. The international dimension of this change has been supported by significant 'domestic reforms covering governance, the investment climate, and social service provision'. Experience from, for example, China, India, Bangladesh and Vietnam is cited in support of this finding.

[1]The collection of essays edited by Ha-Joon Chang as *Rethinking Development Economics* (2003) contains contributions by Nayyar, Ocampo, Lall, Cornia and Khor expressing this sceptical, or agnostic, view of globalization.

Table 1. Effects of World Bank structural adjustment programmes: summary of results

The studies				Performance indicators[a]				
Authorship	Nature	Country coverage	Period	Economic growth[b] (A)	Domestic saving (B)	Capital formation[c] (C)	Exports (D)	Inflation (E)
Corbo and	With-without	All	1985–88 compared with:	*Positive*	None	Negative	*Positive*	
Rojas, 1992			(i) 1970–80					
			(ii) 1981–84	*Positive*	*Positive*	None	Positive	
Faini *et al.*, 1992	With-without	(i) Middle-income	mid-1980s	Positive		Negative	None	Slowed
		(ii) Low-income		None		None	Positive	Accelerated
Mosley *et al.*, 1995	Various methods[d]	All	1980s	None		Negative	*Positive*	
World Bank, 2002	With-without[e]	(i) Middle-income	1986–90 compared with 1971–80	*Positive*	*Positive*	Positive	*Positive*	
		(ii) Low-income		*Positive*	Positive	Negative	*Positive*	

Sources: As indicated in the table.
Notes: [a]Variables tested are usually defined in first differences. Statistically significant results at the 95 per cent level or better are underlined. [b]Generally, changes in constant-price GDP. [c]Generally, changes in ratio of capital formation to GDP. [d]Since multiple methods were employed, the entries here attempt to summarise the authors' overall results. [e]Results after correcting for the degree of programme implementation.

Second, in contrast to the positive finding outlined in the first point, as much as 40 per cent of the world's population lives in countries that are in danger of becoming seriously marginalized from the global economy. These countries are characterized as 'failed states' and include, for example, Afghanistan and the Democratic Republic of the Congo. This outcome of globalization is seen as a major challenge within the context of international developmental policy formulation.

Third, it has to be recognized that globalization creates both winners and losers, so domestic policies need to recognize this in terms of enabling the type of flexible economy, and socially supportive measures, providing the means of transition for 'losers' to a more secure economic future.

A study by Dollar and Kraay that is summarized in a *Finance and Development* article (2001) concludes that (a) post-1980 'globalizers', or developing countries that undertook greater shifts in favour of a more open trade regime than others in the period from the early 1980s to the late 1990s, have experienced greater increases in growth of per capita incomes than others; (b) growth in the ratio of trade to GDP is positively associated with faster growth in average incomes and (c) the share of national income received by the lowest 20 per cent of the income distribution tends to remain about the same as per capita income increase.

The first two conclusions by Dollar and Kraay support the view that trade liberalization tends to result in faster growth of per capita incomes, and the third supports their familiar view that income group is neutral with respect to income distribution and, by extension, with respect to 'poverty'.

These conclusions have been seriously challenged by Nye *et al.*, who argue that 'both the findings of Dollar and Kraay as well as their interpretation of their results are suspect for a variety of reasons' (2002: 2), and whose detailed comments may be summarized in the following terms.

(i) 'Globalizers' were selected by Dollar and Kraay on the basis of their reductions in average tariffs over the period 1985–89 to 1995–97, and actually performed slightly *worse* in terms of economic growth than non-globalizers over this period. If globalizers are selected on the basis of changes in trade volumes (which are not necessarily directly related to trade policy) then the conclusions of Dollar and Kraay would be supported. Countries experiencing rapid growth in trade volumes have often started from low ratios of trade to GDP, leading to questions over whether they can realistically be labelled as 'globalizers'.

(ii) The cross-country regression by Dollar and Kraay relating changes in economic growth to changes in trade volumes fails to isolate the effects of trade liberalization on growth. Trade volumes are affected by many factors other than trade policy.

(iii) The positive connection between liberalization of trade policy (i.e. globalization), economic growth, income distribution and poverty reduction that is claimed by Dollar and Kraay is logically flawed.

5 THE WAY FORWARD

The controversy over the precise nature of the impact of globalization on economic growth and poverty reduction, and the logical connections between the respective economic variables, has—perhaps inevitably—been partially based on diametrically opposed ideological viewpoints, but a confrontational approach does not offer the best context for a balanced view. The principal issue is not one of a clear choice between opposites: a liberalized operation of the market mechanism against systematic government intervention. Rather it is a question of determining how best government and civil society (the conventional 'private sector' together with a range of other non-governmental institutions) can work together in a cooperative and complementary manner. Emphasis on the benefits of trade liberalization and globalization, without acknowledging the role of 'market failure' and of corrective government intervention, is arguably unbalanced (Tribe, 2005). Shapiro and Taylor (1990) make the significant point that '[h]istorically, no country has entered into modern economic growth without the state's targeted intervention or collaboration with large-scale private sector entities'. Angus Maddison (1964) draws on his extensive study of the advanced industrial countries of Western Europe and North America covering a period of about 100 years from the later part of the 19th century. He finds that while the liberalized commercial policies of these countries have been important, the approach adopted by these economically very successful countries can best be termed as a 'managed market economy'.

Defenders of globalization have emphasized the need to develop a 'human face' (see, for example, Bhagwati, 2004), suggesting parallels with the 'human face' of structural adjustment (Cornia *et al.*, 1987). A study published by the Development Centre of the OECD articulates the issues involved very clearly:

> For globalization to be pro-poor, it needs to be combined with policies which create a more equal distribution of, or access to, productive assets and resources and which build the capacity of vulnerable groups to face successfully increased competition which comes with globalization. Creating a more equal distribution of human capital through education, training and labour market policies is particularly important. The speed and sequencing of external and domestic liberalization must be tailored to the particular circumstances of individual countries, based on their institutional capacity to transform the economy. Where institutions and governance are weak, they must be reinforced so that the benefits of globalization can benefit even the vulnerable parts of populations and the least developed countries (Kohl, 2003, p. 8).

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