

Abstract:
Radical Restructuring of Neo-liberalism for Inclusive Growth

Indira Hirway¹

Globalization is a process associated with increasing economic openness, growing economic interdependence, and deepening integration of countries with the world economy. ‘Washington Consensus’ or neo-liberal policy framework is a version of globalization recommended by international organizations, such as, IMF and the World Bank in Washington and by the EU and the US. It is a development strategy for developing countries that focuses on privatization, liberalization and macroeconomic stability including price stability. It has a strong faith in markets and it aims at reducing or even minimizing the role of the government.

It needs to be noted that the global organizations, i.e. IMF and the World Bank, which are dominated by industrialized countries and which have almost no representation from developing countries, have designed this policy package without any proper consultation with developing countries. The IMF and the WB also enjoy power to surveillance and to influence domestic policies of these countries when the global economy is highly asymmetrical and when the developing countries depend on industrialized countries much more than what industrialized countries depend on them. In addition, the policy framework is ‘the one-size-fits-all’ which does not take care of the specific needs and constraints of different economics.

The proposed paper argues that unless the global organizations, particularly IMF and the World Bank, are represented adequately by developing countries and unless the policy framework changes radically to take care of the priorities of developing countries and also becomes flexible to suit the specific needs of countries, no policy package imposed on developing countries would suit their specific needs and address their specific constraints. In other words, the global organizations, mainly the IMF and the World Bank need radical restructuring so as to design strategy of development for the developing countries.

The paper also focuses on the constraints put on the domestic policies in developing countries and highlights their inadequacies. Using the case study of India, the paper shows how the narrow goals of the neo-liberal policy framework have affected adversely the goal of inclusive and sustainable development in the Indian Economy. The paper, by examining the domestic policies and analyzing the data of the Indian economy, shows that macro-economic and sectoral policies, (i.e. fiscal policy, monetary policy, industrial and international trade policy and technology policy as well as wages and incomes policy, labour and employment policy, environment policy and social policy) designed under the economic reforms have failed to create productive employment on a massive scale and raised inequalities of incomes and wealth to highly unacceptable levels.

The paper also shows that the prevailing lop-sided political economy in India has accentuated the crisis by undermining further the development goals of inclusive, equitable and sustainable development in India. That is, the political vested interests in India have prevented the Indian government from designing those inclusive policies that are within the power of the government even under the neo-liberal policies.

The paper concludes that in the final analysis, a radical restructuring is needed in the global economic architecture so that a different policy package is designed in favour of equitable and sustainable development of developing countries.

¹ Professor of Economics and Director, Centre for Development Alternatives, Ahmedabad, India