Открываем рубрику
и представляем персону

Сменив название, наш журнал открывает новую рубрику, которая, как мы надеемся, станет постоянной. В этой рубрике – Persona Grata – мы планируем публиковать, как на языке оригинала, так и в русском переводе, статьи зарубежных авторов, известных своим высоким академическим и/или общественным статусом и специально приглашенных к участию в «Международной аналитике».

Первый такой автор, работы которого мы представляем нашим читателям, – Джомо Кваме Сундарам (Джомо К. С.), известный малазийский экономист, в настоящее время профессор малазийского Института стратегических и международных исследований, в прошлом – помощник Генерального секретаря ООН по экономическому развитию (2005–2012 гг.) и помощник Генерального директора Продовольственной и сельскохозяйственной организации ООН (2012–2015 гг.).

До занятия им этих высоких постов в ООН Джомо, получивший образование в Йельском и Гарвардском университетах, в течение 22 лет работал в Малайском университете, успев побывать также приглашенным профессором Британской академии, приглашенным сотрудником Кембриджского и Корнельского университетов, старшим приглашенным исследователем Азиатского исследовательского института Национального Университета Сингапура. До конца 2004 г. он занимал пост директора независимого Института социального анализа, а с 1996 г. был президентом Малазийской ассоциации общественных наук.

Джомо имеет репутацию неортодоксального интеллектуала. Его взгляды, по его собственным словам, сформировались в значительной степени под воздействием таких экономических авторитетов и наших соотечественников, как Александр Гершенкрон и Василий Леонтьев. А в 2007 г. он был награжден премией Василия Леонтьева за расширение горизонтов экономической мысли.

Джомо по праву считают ведущим экспертом по южноазиатской экономике. Среди самых известных его трудов – *Privatizing Malaysia: Rents, Rhetoric, Realities (1994 г.) и Southeast Asia's Misunderstood Miracle: Industrial Policy and Economic Development* (1998 г., в соавторстве). Всего он опубликовал более 35 монографий, выступил в качестве редактора 50 различных книг и перевел 12 крупных трудов.

Ученый был создателем (в 2001 г.) и первым председателем международной ассоциации экономистов, занимающихся проблемами развития (International Development Economics Associates – IDE[1]. Среди его главных научных достижений – выявление опасностей неконтролируемого международного движения капитала и финансовой либерализации, предсказание азиатского валютного кризиса 1997 г., анализ вклада промышленной политики в экономический рост «азиатских тигров», работы по приватизации, присвоению ренты, коррупции, протекционизму, продовольственной и климатической проблематике и т. д.

Джомо регулярно пишет статьи для научных и популярных изданий. Некоторые из этих небольших по объему статей мы и предлагаем вниманию наших читателей. Они будут опубликованы в трех выпусках журнала. Первая подборка, представленная на страницах настоящего номера, посвящена глобальной проблематике. Статьи публикуются на языке оригинала – английском.

В. В. Попов

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[1] В 2008 г. инициированные Джомо аналитические записки по национальным стратегиям развития были опубликованы ООН в виде книги: National Development Strategies: Policy Notes. – N.Y.: UNO, August 2008. На русском языке этим аналитическим запискам посвящена книга: *Попов В. В.* Стратегии экономического развития. – М.: Издательство ГУ ВШЭ, 2011.

Jomo Kwame Sundaram

Learning from History for Progress

The Chinese character for crisis combines the characters for 'danger' and 'opportunity'. Our ability to improve the human condition depends critically on our ability to recognize and address dangers, but also to seize opportunities made possible by recognizing that crises offer rare opportunities to pursue extraordinary options not normally available.

New Post-War Consensus

World War Two was a case in point. The Bretton Woods Conference in July 1944 committed to create the conditions for enduring peace through post-war reconstruction and post-colonial development through sustained growth, full employment and reducing inequality.

Thus, Bretton Woods created the International Bank for Reconstruction and Development (IBRD) and the International Monetary Fund (IMF). The IBRD, better known as the World Bank, was created to support long-term investment and development. The IMF would help countries, not only to overcome balance of payments difficulties, but also "to direct economic and financial policies toward the objective of fostering orderly economic growth with reasonable price stability".

Similar concerns were behind the International Labour Congress two months earlier. On 10th May 1944, the Congress had adopted the historic Philadelphia Declaration which emphasized that "lasting peace can be established only if it is based on social justice".

For decades after the war, labour's share of output and gross income increased as other inequalities declined. This Golden Age also saw greater investment in health, education and public services, including social protection. The underlying post-WW2 consensus endured for over a quarter century before breaking down in the 1970s.

Marshall Plan

As the Cold War began, US Secretary of State General George Marshall announced a re-industrialization plan for war-torn Europe. Politically, the Marshall Plan was intended to create a cordon sanitaire to contain the spread of communism. Generous infusion of US aid and support for national developmental policies ensured the rebirth of modern Europe. For many Europeans, this is still seen as America's finest hour.

In the decades that followed, the Marshall Plan developed into what is probably the most successful economic development assistance programme in history. Similar economic development policies and assistance were introduced in Japan, Taiwan and South Korea, especially following the establishment of the People's Republic of China and the outbreak of the Korean War.

This experience offers valuable lessons today. Europe and Northeast Asia rebuilt quickly, industrialized and achieved sustained and rapid growth through policies including economic interventions such as high duties, quotas and other non-tariff barriers. Free trade was only pursued as international competitiveness was achieved.

Marshall knew that shared economic development is the only way to lasting peace, as Keynes had warned in his criticisms of the impact of the Treaty of Versailles on Germany after the First World War. Marshall also emphasized that aid should be truly developmental, not piecemeal or palliative. National economic capacities and capabilities had to be nurtured to ensure sustainable development.

Counter-Revolution

Each era, no matter how successful, sows the seeds of its own end. The celebration of markets and private property were the major new economic norms invoked from the 1980s to undermine the post-war consensus. Nobel laureate Simon Kuznets' hypothesis – suggesting the inevitability of inequality rising with growth before its eventual decline – was invoked to justify related inequality.

The higher propensity to save of rentiers and profiteers, compared to wage earners, became the pretext for the tolerance, if not deliberate promotion of inequality in favour of the former, ostensibly to accelerate investment and growth. Conversely, progressive redistributive measures were deemed bad for growth, as they allegedly not only lowered savings and investment rates, but also deterred investors.

From the early 1980s, the so-called "Washington Consensus" – the policy consensus on developing countries uniting the American government and the Bretton Woods institutions located in the US capital city — emerged to rationalize the counter-revolutions against development economics, Keynesian economics and progressive state interventions.

Macroeconomic policies became narrowly focused on balancing the annual budget and attaining low inflation — instead of the previous emphasis on sustained growth and full employment with reasonable price stability. A relentless push for deregulation, privatization and economic globalization followed. Such measures were supposed to boost growth, which would trickle down, thus reducing poverty — hence, we were not to worry about inequality.

But the 'neo-liberal' measures largely failed to deliver sustained growth. Instead, financial and banking crises have become more frequent, with more devastating consequences, exacerbated by greater tolerance for inequality and destitution, which have undermined effective demand, in turn forming a vicious cycle, impeding sustained economic recovery and growth.

Global New Deal

The new global priorities from the end of the Second World War remain very relevant today. Empirical evidence has disproved the previous conventional wisdom that progressive redistribution retards growth. Instead, inequality and social exclusion have been shown to be detrimental to development.

After the last three and a half decades of regression, we have to recommit ourselves to the more inclusive and egalitarian ethos of the Philadelphia Declaration, Bretton Woods and the Marshall Plan with a global New Deal for our times.

Economic Slowdown Threatening Progress

Slower economic growth since 2008, and especially with the commodity price collapse since the end of last year, threatens to reverse the exceptional half decade before the financial crash when growth in the South stayed ahead of the North. From 2002, many developing countries — including some of the poorest— had been growing much faster after a quarter century of stagnation in Africa, for example.

But this has not been their delayed reward for sticking to policies prescribed by conventional wisdom as claimed by some latter-day apologists for the structural adjustment programmes of the last two decades of the 20th century. Instead, a more favourable international environment, including higher commodity prices, low interest rates and renewed aid flows, along with accelerated growth in China and India, have been the main reasons.

Recent trends need to be seen in longer historical context if the right lessons are to be drawn. Economic growth in the 1980s and 1990s was generally slower than in the preceding two decades. But despite the spectacular growth of several developing countries, mainly in Asia, sub-Saharan Africa lost a quarter century from the late 1970s and Latin America lost at least the 1980s to stagnation.

Government policies from the 1980s — ostensibly to conform to 'market expectations' — often cut public spending, primarily social expenditures. As national-level inequalities grew in most countries from the 1980s, inter-national inequalities among countries continued to grow. Economic welfare in developing countries has been further squeezed by demographic pressures including rapid urbanization.

Nascent industrialization in many countries was aborted by structural adjustment and economic liberalization. Premature trade liberalization has thus exacerbated de-industrialization, unemployment and fiscal deficits without generating alternative sources of economic growth. Hence, low income countries as well as failed and failing states are generally characterized by modest industrialization which, in turn, retards structural transformation and more inclusive sustainable development.

The negative developmental implications of policies and programmes forced on developing countries, regardless of historical circumstance and economic context, are now well known. There is a world of difference between measured liberalization from a position of economic strength, as in newly industrialized East Asia from the 1980s, and their forced adoption, to meet World Trade Organization or loan obligations. Despite pious official rhetoric claiming the contrary, multilateral rules are far from supportive of sustainable development and need to be reformed accordingly.

Since the late 19th century, adverse terms of trade movements — favouring manufactures over primary commodities, temperate compared to tropical agricultural products, or manufactures from developed countries against those from developed countries — have meant that many developing countries have been producing and exporting much more, but earning relatively less from doing so.

International financial liberalization was supposed to attract private capital to fill financing gaps. But instead, it has resulted in net capital flows from the 'capital poor' to the 'capital rich', increased financial volatility and slower economic growth. Bitter experience has also shown that 'shock therapy' — often involving financial system 'big bangs' — has generally caused more harm than good.

Considering their greater vulnerability to external vicissitudes, developing countries must have greater fiscal space to ensure countercyclical capacity as well as sustained public spending for needed investments in physical and social infrastructure and human resources. Strengthening the tax base, ensuring more reliable sources of international finance and channelling aid through national budgets can be crucial.

Instead of the current fetish with eliminating fiscal deficits, a more balanced and appropriate approach to macroeconomic stabilization is needed, to minimize disruptive swings in economic activity and external balances, while fostering a virtuous cycle of greater macroeconomic stability, investment, growth and employment generation. Developing countries need to strengthen their capacities and capabilities and to ensure sufficient 'policy space' in order to pursue appropriate reforms favouring sustainable development.

It has often been claimed that development could only be attained through retrenchment of the state. In much of the developing world, however, this has left choice-less illiberal democracies and frustrated disenfranchised citizens. Instead, democratically accountable governments should consult widely among their citizens to promote investments for structural transformation and better employment.

The global economy now risks continuing its downward spiral into protracted stagnation. The International Monetary Fund's improved surveillance mechanisms have not led to better international macroeconomic coordination, as touted. Instead, the path to sustainable development remains blocked by self-imposed deflationary policy constraints and a refusal to provide needed aid or to cooperate to increase taxation for all.

From Inequality to Inclusion

Recent years have seen a remarkable resurgence of interest in economic inequality, thanks primarily to growing recognition of some of its economic, social, cultural and political consequences in the wake of Western economic stagnation. The unexpectedly enthusiastic reception for last year's publication of Thomas Piketty's *Capital in the Twenty First Century* underscores this sea change.

Piketty has correctly renewed attention to the connections between the functional and household/individual distributions of income as well as to wealth inequality. Clearly, the distribution of wealth (capital, real property) is the major determinant of the functional distribution of income.

And by textbook economics' definition, profit maximization involves capturing economic rents of some kind – from finance, monopolistic intellectual property rights (IPRs), 'competitive advantage', producer surplus, etc., presumably thanks to successful rent-seeking, by influencing legislation, regulation, public policy, public opinion and consumer preferences.

As is understandable and the norm, Piketty's focus is on inequality at the national level, rather than at the global level. But Branko Milanović and others have shown that about two thirds of overall world interpersonal or inter-household inequality is accounted for by inter-country inequality, with the remaining third due to what may be termed class and other intra-national inequalities.

International inequality

There are many competing explanations for international inequalities. Historical differences in capital accumulation, including public investments, and productivity are commonly invoked to explain different economic capacities, capabilities and incomes.

But frequently unsustainable foreign investments also lead to significant net outflows, greatly diminishing the net benefits from additional economic capacities. Financial flows to the settler colonies from the late 19th century were exceptional in this regard. Generally, a small share of foreign direct investment actually enhances economic capacities, instead mainly contributing to acquisitions and mergers.

Financial globalization in recent decades, especially capital market flows, have not ensured sustained net flows from capital-rich to capital-poor economies, but has instead worsened financial volatility and instability, increasing the frequency of crises with traumatic effects for the real economy, and growth sustainability.

Contrary to the conventional wisdom that international trade lifts all boats, it has generally favoured the richer countries at the expense of their poorer counterparts. For well over a century, except during some notable periods and some rare minerals more recently, the prices of primary commodities have declined against manufactures. This has been especially true of tropical agriculture compared to temperate products, as productivity gains have accrued to consumers more than to producers. In recent decades, cut-throat competition has meant a similar fate for developing country manufactured exports compared to the large marketing margins of manufactures from developed economies.

Social protection

As the deadline for the Millennium Development Goals approaches, the call to address inequality as a crucial challenge for development has emerged as an issue to be addressed in the post-2015 development framework. Inequality gradually came back into development debates after the United Nations, the World Bank and the IMF focused flagship publications on this issue a decade ago, with the publication of the UN 2005 *Report on the World Social Situation entitled The Inequality Predicament, the World Development Report 2006,* and the 2007 *World Economic Outlook* on Globalization and Inequality.

The ongoing effects of the global financial and economic crisis since 2008 have reinforced recognition that inequality has been slowing not only human development, but also economic recovery. But this has not led to any fundamental change in economic policy thinking or a major commitment to redress inequality at the global or even national level, except perhaps by improving taxation.

Instead, it has led to a consensus to establish a global social protection floor, recognizing not only that poverty and hunger in the world will not be eliminated by more of the same economic policies, especially with the currently dim prospects for sustained economic and employment recovery and growth.

Historically, the welfare state emerged in developed countries to address deprivations in the formal economy – retirees, retrenched workers, military veterans and mothers among others. Social protection and other fiscal interventions do not fundamentally challenge wealth or income distribution, and current thinking is mindful of the potentially unsustainable burden of a welfare state.

New thinking on social protection recognizes that most of the poor and vulnerable in developing countries are outside the formal economy, with almost four-fifths of the poor living in the countryside. The new interventions thus seek to accelerate the transition from protection to production, for greater resilience and self-reliance.

Is Good Governance Good for Development?

Many well-meaning people who would like better governance have been misled into insisting on so-called ‘good governance’ reforms, with the expectation that this would lead to development.

There is no clear or systematic evidence that good governance – as an approach -- is necessary for development. However, the evidence favours the converse: governance improves with development.

No one is advocating bad governance, or corruption, or however one wants to define whatever good governance is supposed to address. Nor is anyone saying that governance does not matter.

Clearly, no one is opposed to good governance in the sense of governance that is good. On the contrary, everyone wants to improve governance in many aspects of human affairs.

Good governance?

When the policy prescriptions of the conventional wisdom of the last three decades did not result in sustained development, good governance reforms became the great hope. After all, the statistical correlation between good governance indicators and economic performance has long fuelled hope that good governance would bring development.

Thus, good governance became a convenient way to explain away the failure of the development economics orthodoxy of the last two decades of the 20th century -- when Latin America lost more than a decade, and Sub-Saharan Africa a quarter century due to enforcement of the so-called ‘Washington Consensus’!

Market liberalization was supposed to be the necessary complement of freedom and democracy -- following the late Friedrich Hayek and Milton Friedman, both Nobel laureates in economics with considerable name recognition.

Thus, good governance was touted as the great miracle cure for development failure and corruption, usually simplistically attributed to big government. After all, who favours corruption, red-tape or ineptitude?

These were easy targets, and when conventional analysis could not explain development failures and corruption, bureaucracy, bad governance and governance failure could conveniently be blamed.

But unfortunately, all good things in life do not necessarily go together. And while most people want democracy, or to be rid of corruption, development does not necessarily follow. And that is the problem.

Unfortunately, unrealistic expectations have been created by presuming that good governance reforms are necessary for development. When good governance reforms are imposed as aid conditionalities, recipient developing country governments often end up mimicking donor expectations.

And when you have well over a hundred good governance indicators, reforms become so wide-ranging, impossible to achieve, beyond the means of most developing countries and, worst of all, a major distraction from needed development efforts.

To make things worse, many ostensible good governance solutions favour particular vested interests, with grossly unfair consequences. Also, many good governance reforms have had unexpected, if not perverse outcomes, sometimes worsening governance problems, e.g. when decentralization and devolution have led to powerful local political patrons -- which some call cacique democracy.

Developmental governance

So, let us improve governance by all means. But let us not overload the governance reform agenda unnecessarily. As Harvard Professor Merilee Grindle has put it, we need 'good enough' governance -- meaning we must prioritize, and strategically.

There is no systematic evidence that the much touted good governance reforms are necessary for development. We cannot presume that the advocates of good governance have been right about how best to improve governance.

Take the claims about the ostensible necessity to strengthen property rights.

In reality, the tragedy of the commons is not inevitable, and strengthened property rights are not the only solution. The late, much maligned Nobel laureate Elinor Ostrom showed that human societies have long coped with ecological, resource and other constraints with a variety of arrangements other than by strengthening property rights.

As governance improves with development, let us prioritize development-enhancing governance reforms, or developmental governance. A pragmatic approach to improving governance cannot be dogmatic, pre-conceived, and one-size-fits-all, where one has the solution even before one knows the problem.

Identify the major constraints, analyse, then address them, perhaps sequentially. Draw from relevant experiences, lessons learned. Do not presume there are best practices regardless of context. We need to be humble, not presumptuous, and that is never easy for those of us deemed experts.

Rebuilding Trust Necessary to Address Climate Change

Climate change impacts are already upon us. We cannot afford to wait. Extreme weather events of various types have become much more frequent and extreme. Fresh water supplies have become less secure in many parts of the world, threatening life itself.

People in poor countries are struggling to cope and to adapt. Even rich countries are already facing consequences, taxing their own adaptive capacities, ranging from flooding to drought and fire.

Climate change is already severely compromising development prospects, especially in developing countries. The Stern Review warned that failure to act on climate change could reduce the size of the world economy by up to a quarter by mid-century.

Taking action to address climate change will be costly, but not nearly as costly as inaction. We have waited too long to take serious action, and the delay has been costly, both in terms of impacts already being suffered, and the pace at which carbon-based energy is being replaced by renewable energy.

Climate Change and Development

To address climate change, the international community needs to ensure the success of sustainable development. We must find a way to eliminate poverty and hunger, improve living conditions for the vast majority and address climate change together. This is the only approach which is ethically defensible and politically feasible.

Thus, for example, developing countries can only meet their people's basic energy needs and ensure low carbon development if their renewable energy generation is subsidized. Hence, effectively linking climate change and development will require a big investment push, particularly for renewable energy, with a strong public sector role, supported by international financial and technology transfers.

Public investments need to be 'front-loaded' to shape developing countries' long-term energy infrastructure and development pathways. As the most vulnerable are already suffering the impacts of climate change, there is an urgent need for developed country governments to greatly increase fast-track and front-load financial and technology support for adaptation measures.

Responsibilities

Developing countries do not see much evidence that developed countries are willing to bear a fair share of responsibility for mitigation and adaptation, despite their cumulative historical contribution to the problem, especially since the Industrial Revolution. Existing commitments by developed countries so far are simply not enough to achieve what is needed to keep the temperature rise this century below two degrees Celsius.

Some developed countries want to see quantified commitments from big developing countries like China and India to replace the Kyoto Protocol and UNFCCC. Developing countries have long resisted assuming quantified emission targets, insisting on the Kyoto Protocol distinction between Annex 1 (developed) and non-Annex 1 countries, and the agreed principle of 'common but differentiated responsibility' (CBDR).

Nevertheless, several large developing countries have recently announced domestic policies to slow their emissions growth in the coming years, and have invested heavily in renewable energy and other low-carbon energy sources, accelerating the desired reduction in unit costs of renewable energy.

Developing countries also insist that any actions to which they might commit should be matched by commitments from Annex 1 countries to provide the relevant financial and technological support. But instead of encouraging developing country efforts, protectionist measures have been introduced to frustrate their progress.

Key Role for Public Finance

Rather than rely on market forces and the profit motive to address a problem of 'market failure', much greater importance must be urgently given to public finance — compared to carbon markets and private finance — to address the climate challenge, especially to ensure a big 'front-loaded' public investment push to induce private investment.

Renewable energy is not affordable to most in poor countries, so there is little incentive for private sector investment. Hence, international transfers are needed to undertake some public investment in certain key infrastructure to provide incentives for desired private investment.

Feed-in tariffs offering guaranteed prices to renewable power generators have worked well in Europe and elsewhere. Consumers effectively pay this subsidy in developed countries, but this will not be feasible in most developing countries where electricity for all, including the poor, is a public policy development objective.

In such circumstances, international financial transfers for feed-in tariff programs could quickly induce renewable energy investments in developing countries. Cost reduction will come with increased scale, while greater ability to pay will come with increased incomes. In time, the currently needed subsidies can decline and eventually become unnecessary.

Key Priorities

Key elements of such a climate action plan should include:

- International technology cooperation and knowledge-sharing on climate change adaptation and mitigation to ensure easy and affordable access to needed technology.
- A global program of support for renewable energy in developing countries, including support for feed-in tariffs, to enable developing countries to 'leapfrog' or by-pass the fossil-fuel energy stage in their electrification efforts.
- A global program of support to reduce emissions from deforestation and land degradation, by promoting sustainable forestry and rewarding forest-dependent communities for sustainable forest management.
- An adequately funded program of support for adaptation measures in developing countries.

There is broad recognition of and support for all these priority interventions, and progress on such a global program of cooperation is eminently feasible. 'Learning by doing' has shown and will show what works best, proving that stronger action is possible and affordable. This will also help rebuild trust through collaborative action between Annex 1 and non-Annex 1 countries before the Paris Conference of Parties.