

## Comments

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What I want to emphasize first is that we have to take note not only of the commission but also of the omission of the market economy, the most essential element of the process of globalization. As is well presented in Dr. Basu's paper, development economists with much reason guard against possible marginalization caused by globalization. I would say this is the commission aspect of the globalization, which I will address again later. What may often be overlooked is that globalization leaves many important and urgent policy agenda untouched. Dr. Basu in his paper refers to this aspect, too. Please refer to Dr. Basu's paper, where he states that "markets can be good instruments for generating greater productivity and efficiency, but they do not have any in-built mechanism for distributing the spoils of progress better." I have a slight reservation in the implied dichotomy between productivity and distribution. But this statement is very plausible against the backdrop of Indian reform experience.

I'll give you one example. Poor administration at the grass-roots level has long been blamed as a basic cause of inefficiency and ineffectiveness of the poverty-reduction programs. Economic reforms initiated in the 1990s addressed this issue, mainly from the point of financial discipline and targeting. Excepting a few states with well-organized grass-roots institutions, this objective largely faltered due to the very inability of many state governments to identify the target itself. This failure is lately brought to light by the Indian Supreme Court's verdict ordering the state governments last November to identify below-poverty-line families by the first week of January this year. I don't know whether this has been done or not. How far economic liberalization can bring this issue and its agenda is a real question. This is an omission aspect that needs more attention, since much, sometimes excessive, attention is being paid in India to pursue economic liberalization as part of globalization.

Again, Dr. Basu put a very persuasive case in analyzing the constraints faced by labor legislation in developing countries. No doubt, globalization sets new constraints through social policy in the developing world. My next remark is related to this aspect. Let me pose a rather extreme question. If uniform labor or taxation regulation, if not at the zero level, prevails in the developing world, what other factors would guide the capital

inflow? This may certainly be an extreme and improbable case—I myself think so—but it could be useful to remind us of the importance of other factors than the regulatory frameworks in promoting capital inflows. Other factors include technology, worker skills, infrastructure, among others, on which hinge the improvement of production. I believe that this is not a novel remark at all for economists, as this is the starting point for any economic enquiry. As a matter of fact, it can often be observed that the regulatory framework is not a sign of rich factor endowment but a sign of a poor production environment.

This must be the point where a comparison of India with China, say, with respect to the striking difference in the level of foreign investment inflow may be very beneficial. And here I can refer again to the Indian experience, the example of West Bengal state. A leftist coalition led by a Marxist communist party and strong labor unionism are not regarded as a barrier to capital investment, domestic or foreign. The state also has the most stable government, ruling over a quarter of a century without a break. Due to this political stability, workers' discipline at the factory level has been better maintained than in many other states and many other industrialized cities, including Bombay. The state has lower incidence of communal or religious strife, which we tend to associate with Indian social malady, sickness.

Finally, I will deal with the issue of democracy in a globalized world. Dr. Basu presented us with a rather gloomy picture of democracy, where the leaders of one nation develop more and more instruments for influencing the lives of the people in other nations. Here, too, globalization offers opportunities as well as dangers. Without falling into the pitfall of determinism, we can safely envision a somewhat different course of global democracy through which not only the leaders but also the public exert mutual influences on other nations or other people's choice, even holding no entitlement to a franchise. This latter course, in my opinion, is possible only when the public across the borders is adequately informed. I conclude that three lie opportunities of information technology, the nerve system of globalization, as it would with appropriate use serve as an instrument to develop an informed public.