

Contemporary Issues in Globalization: An Introduction to Theory and Policy in India by Soumyen Sikdar, Oxford University Press, New Delhi, 2003 pp.201 (Hb.), Rs. 395.

For more than a decade now, the adoption of neo-liberal economic policies and their impact on our economy has been the subject of intense scholarly debate and a rich body of research has built up in this area. However, till now there is no single source which summarizes this debate and makes it available in a form accessible to the student. The present work is an attempt to bridge this gap.

In a welcome innovation, Sikdar begins his study of the process of globalization with a discussion of the link between economic activity and the environment. He shows how the market mechanism can lead to sub-optimal environmental outcomes and discusses the different policy responses that are possible. The discussion of international environmental treaties and the attempts to link up environmental standards with international trade is particularly pertinent in the present times when environmental issues have become a significant source of contention between advanced and developing countries. The chapter with its discussion of externalities and the Coase Theorem also sets the tone for the more general treatment of market failure in the next chapter.

Chapter Three on the 'Role of the State in the Economy' is the central chapter of the book and demonstrates both its outstanding merit and a crucial weakness. The merit is that unlike many other texts in this area, Sikdar does not confine himself to providing a mere compendium of facts. Rather, there is a continuous attempt to link up policy debates and concrete economic facts with the theory that the student is likely to learn simultaneously in other courses. This provides a much needed corrective to the situation where the study of the 'Indian Economy' takes place in isolation from the study of economic theory. Moreover, the author succeeds in doing this without compromising on the richness of the factual material.

However, this achievement is somewhat offset by the fact that the only economic theory that the author makes use of to any significant extent is neoclassical microeconomic theory of a particularly simple kind – thus imposing severe constraints on the problems that can be discussed. Thus, the efficiency of the market

mechanism is discussed with static competitive equilibrium as the implicit benchmark. From this standpoint, there is a lucid exposition in this chapter of the various sources of market failure like imperfect competition, externalities, public goods etc. and the different welfare improving policies that can be pursued in their presence. However, it is well known that in the dynamic case, which is the proper setting for a discussion of growth, the Pareto efficiency of competitive equilibria generally requires the existence of a complete set of future markets¹ – an assumption that is evidently unrealistic. Of course, formally one can subsume the non-existence of these markets under the rubric of ‘externalities’, but then these ‘failures’ are so fundamental that one cannot correct them without essentially altering the character of a market economy. Given these results, the defenders of the market have fallen back on two arguments. One argument, following Schumpeter, is that despite its failure in ensuring allocative efficiency, the market is superior to other institutions in fostering growth and innovation. While this argument, and the related notion of X-efficiency, finds incidental mention in many places in the book, it has no place in its essentially static theoretical structure.

Another argument that is often given in favour of the market is that it is ‘second-best’ i.e., it is better than the alternative, the State. The new political economy theory of ‘state failure’ that forms the basis of such arguments is also reviewed in this chapter. However, here again the theory is pressed into the narrow neoclassical mold of imperfect information, and the extensive work by economists like Sukhamoy Chakravarty, Pranab Bardhan or Amartya Sen into the political economy of the pre-liberalisation regime, is not reviewed at all. This lack is even more sharply felt because the same chapter contains insightful and detailed analyses by Sikdar of concrete situations like public sector reforms and telecom licencing – analyses that call out for a theoretical generalization.

After concluding the discussion on the role of the state on the level-headed note that both the state and the market are necessary for development, Sikdar devotes the remaining chapters to the issues arising out of the process of external liberalization. Chapter Four deals with multinational corporations and foreign direct

¹ Or equivalently, perfect foresight or its stochastic counterpart rational expectations

investment. After examining the changes in the global economic scenario that have led to the growing importance of MNCs, the various arguments given in favour of FDI flows are critically examined. It is shown how the various benefits claimed for FDI – inflow of foreign exchange, greater access to export markets, greater domestic competition – may fail to materialize in practice. On the contrary, FDI that caters primarily to the domestic market may lead to deindustrialization and in the presence of tariffs, FDI can actually lead to immiserisation. Moreover, it is shown how MNC's can evade domestic economic policy and can, in fact, pose a threat to national sovereignty by their intervention in domestic politics.

Consideration of the financial sector has been explicitly kept out of the scope of this book. However, this constraint is relaxed in Chapter Five which is devoted to the issues arising out of capital mobility. The volatility of exchange rates and the resulting economic instability that follows the opening up of economies to the depredations of footloose finance is discussed together with the concrete example of the East Asian crisis. While the author correctly notes the role that expectations about future exchange rates play in the portfolio decision of investors, the self-fulfilling character this gives to exchange rate determination is not sufficiently emphasized, and the discussion of exchange rate determination in terms of a standard demand-supply diagram perhaps oversimplifies a question that is still a matter of debate among economic theorists. Nevertheless, given the fact that the present era of globalization is set apart from earlier periods of increased international trade and interdependence precisely because of the importance of international financial flows, this chapter plays a crucial role in the argument of the whole book. It is hoped that in future editions, the discussion will be expanded to cover the process of domestic financial liberalization as well as the constraints imposed on domestic economic policy by international capital mobility.

The last two chapters discuss the process of trade liberalization including the free-trade vs. protectionism debate, the evolution of the regional trading blocs as well as multilateral arrangements systems like the WTO. Issues of intense contemporary debate like the agricultural subsidies in advanced countries, expansion of WTO to include government procurement and trade in services or the question of intellectual property rights are discussed in detail. As in the rest of the book, these chapters are

rich in painstakingly collated information that would be otherwise inaccessible to a vast majority of students.

To sum up, the book under review presents a balanced and informed introduction to many of the ongoing debates around the process of globalization. With its in depth coverage of the process of external liberalization, it will be a useful complement to studies of the process of internal liberalization and its impact. At the same time, it will continue to serve as a valuable source of reference for quite some time to come.

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Negotiated Change – Collective Bargaining, Liberalization and Restructuring in India by C. S. Venkata Ratnam, Response Books, 2003

The objective of this study has been to present a comprehensive account of the way labour management relations are being shaped in the post liberalized period. Thus it reviews the response of collective bargaining to the challenges of globalization and the restructuring of enterprises. It may be mentioned that collective bargaining is the most common, preferred and prevalent method of resolving industrial disputes both in the public and the private sector in India. The industrial relations climate of an organisation can be assessed by the smooth functioning and signing of the agreement. About 2% of the total workforce or over 30% of the workers in the organized sector participate in collective bargaining. The book is divided into two parts. Part I contains the main text and Part II deals with the agreements. Altogether, there are eight chapters and the introduction starts with the overview of literature, the context, the purpose, the method and materials. The study is based on a trend analysis of 215 agreements signed in last the ten years following economic restructuring.

The second chapter deals with the legal framework and explains the provisions and coverage of collective bargaining under the Indian constitution, in the ILO

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