MAPPING UK GOVERNMENT THINKING ON GLOBALISATION, AGRICULTURE AND ENVIRONMENT

FINAL REPORT

Prepared for the UK Food Group

By

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Mapping Government Thinking on Globalisation

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EXECUTIVE SUMMARY

1. The UK Government is a strong advocate of globalisation and trade liberalisation, arguing that these processes generate economic growth, thereby helping to eradicate poverty and providing an economic surplus with which to address environmental problems. Such assumptions strongly inform the thinking of DFID (the government's primary advisers on development and poverty in developing countries), MAFF (the key adviser on food and agriculture) and other government departments. These assumptions, however, appear often to be founded on weak or non-existent empirical evidence and appear to rely primarily upon certain key axioms, and their derived models, drawn from neo-classical economic theory. These axioms can in turn be criticised for having only a highly abstract and schematic grasp of the real dynamics of economic development, in general, and of its relationship to the environment (including agriculture) and social equity, in particular. Neo-classical theory is far from abstract in its policy impacts, however, being embodied in the much criticised structural adjustment programmes (SAPs) in the global South and in proposals for the progressive dismantling of agricultural entitlement structures in the global North. Neo-classical theory has also increasingly influenced the content and direction of GATT/WTO agreements, with a future Millennium Round intended further to deepen the process of trade liberalisation. Many development/environment NGOs have taken issue with this doctrine, believing they have good empirical cause to be sceptical of the government's faith in trade liberalisation policies. The purpose of this research is to explore whether there exists a robust foundation for such scepticism by identifying and assessing the sources of influence behind government thinking on globalisation and sustainable development, focussing particularly on agriculture and food. The research is founded on the identification of key assumptions, texts and influences that underlie the government's approach to globalisation and sustainable development. It has relied, firstly, upon a close and critical reading of government, international agency, and academic reports/papers and, secondly, upon interviews with selected key staff from government departments (DFID, MAFF, DTI, DETR) who have been instrumental in the production of such documents and/or the thinking behind them. The analysis suggests that government thinking is dominated by a limited number of

key axioms drawn from neo-classical economic theory, with the theory of comparative advantage constituting its foundation stone. The realisation of comparative advantage, secured through trade liberalisation, is seen to underpin economic growth which in turn constitutes the primary means to alleviate poverty and, derivatively, to achieve social equity and environmental sustainability. Whilst special measures may be required to secure 'pro-poor' growth in the event of 'market failure', poverty alleviation and trade liberalisation are seen essentially to run in the same direction. Economic growth through trade liberalisation is thus seen as the key to sustainable development.

2. The research then proceeds to subject these basic neo-classical assumptions to analytical deconstruction, focussing on the concepts of 'economic growth', 'comparative advantage' and 'competition/efficiency' ('optimal allocation of resources'). Certain key assumptions flow from neo-classical theory's ahistorical conception of society as comprising atomistic individuals brought together only by trade relations: that poverty is an 'original state of being' for humanity that can be alleviated only through a trade based expansion of production and consumption; that economic growth, rather than a wider range of human development criteria, is the best measure of human welfare; that economic growth is best secured through external trade orientation premised on the exploitation of comparative advantage; that social equity, at least in the longer-term, will flow from such growth, as will environmental sustainability (including sustainable agricultural production). The research suggests, to the contrary, that poverty is not an 'original state of being' but tends rather to be induced by unequal power relations in which the poor are excluded from access to traditional resource entitlements; that poverty can be measured adequately only on the basis of a range of human development criteria rather than simply on the basis of monetarised exchanges (GDP, GNP); that these essential human development criteria can be met on the basis of relatively low GDP and therefore within environmental sustainability boundaries where access to resource entitlements are secure; that 'market failure' on which neo-classicists blame environmental degradation and social inequity is actually an endemic rather than a contingent feature of capitalist market structures; that even within its own narrow economistic criteria, trade liberalisation will fail to generate growth with equity since, without addressing current wealth differentials, liberalisation will tend to only reinforce and exacerbate those differentials; that

conventional growth with equity will be secured only by strong government intervention to secure social and sectoral articulation within any one state premised on significant wealth redistribution; that, nevertheless, conventional growth with equity is secured only at very considerable environmental and socio-cultural cost and that, due to planetary environmental constraints at least, is not replicable across the global South; that human development needs must be fulfilled globally in both North and South in a way that is socially equitable and that respects the sustainability boundaries of this planet. This implies that the concept and desirability of 'economic growth' should be demystified. Emphasis should be based on the satisfaction of human development criteria within ecological and resource constraints, requiring, in turn, an emphasis on the redistribution of existing resources and resource entitlements within (e.g. comprehensive land reform) and between countries (reduction in resource consumption in the North). Further 'expansion of the pie' should be countenanced only where this can be demonstrated to be environmentally and socially sustainable.

3. The research then examines critically the empirical basis of support for the claimed benefits of trade liberalisation. It asks to what extent the *a priori* assumptions of neo-classical theory are employed as a substitute for empirical studies, that is, modelling as a substitute for empirical verification. The analysis finds that this is common practice, although its practitioners admit that this is a second best option and one employed only because trade liberalisation policies are only partially implemented or have yet to have a meaningful empirical impact. This may be so in respect of the Uruguay Round GATT agreements but cannot be claimed in the case of structural adjustment policies, many of which have been in force since the late 1970s/early 1980s. Additionally, data appear to be employed in a way that serves to validate *a priori* assumptions, as in the recent Dollar and Kraay paper for the World Bank. Finally, there are suspicions of political manipulation so as to ensure that research reports conform to the so-called 'Washington (trade liberalisation) Consensus', the current draft World Development Report being a good example (it has been criticised for being too market interventionist in tone).

4. The research proceeds to delineate key features of alternative paradigms currently excluded from government thinking that appear better able to explain the dynamics of globalisation/economic

development and its currently contradictory relationship to the environment and social equity. An essential requirement here will be to conceptualise the 'economy' and the 'market' as socially constructed entities (not as somehow 'natural', independent variables) that are the outcome of internally related class/civil society/state interactions. The 'market' is therefore not somehow more 'natural' than the state; 'leaving things to the market' simply means that the state is enabling private capital (through regulation) to act with greater power with regard to its social relations with labour. Similarly, economic development must be seen as something that is internally related to changes in social structure and the environment, including environmental degradation. The latter are not the product, therefore, of 'market failure' and 'externalities' but structural characteristics of the capitalist development process itself. This holistic conceptualisation of the economy and society as internally related may be described as the political economy paradigm; where the environment is integrated as an object of analysis within this framework, the approach may be termed political or social ecology.

5. Finally, drawing on these alternative paradigms, the research delineates alternative and credible policy frameworks that have the capacity to address environmental and social sustainability issues. This entails the identification of normative goals for human development founded on the principle of 'strong sustainability'. Strong sustainability implies that human development needs should be fulfilled in a way that is socially equitable and does not transcend the sustainability boundaries of this planet. It also links this normative proposal with an understanding of, and actions to address, the causal bases of poverty, social inequity and environmental degradation. The analysis developed in this research suggests that these latter are related structurally, not contingently, to the process of global capital accumulation. Strong sustainability holds that social and environmental objectives can and should be complementary, rather than opposed. Weak sustainability, embodied in neo-classical theory, alleges a similar unity of purpose but this is an illusion contrived by means of a semantic sleight of hand. Because the 'market' is defined *a priori* in neo-classical theory as a perfect mechanism for the allocation of resources, by definition the 'market' cannot then be held accountable for any socio-economic or environmental woes. These can then be attributed neatly to external interference in the 'market' (distortions) or to the absence of the 'market' (market failure). It then only remains for this 'market' to be equated with capitalism, for capitalism itself to be held

up as perfect, a system without internal contradictions. But the 'market' constructed in neo-classical theory is a mythological one, a construct that bears little relationship to the real structures of capitalism. Neo-classical theory is in actuality an ideological fig leaf behind which the contradictory realities of capitalism seek to hide. The reality is that capital accumulation, particularly in its neo-liberal guise, runs in the opposite direction to environmental and social sustainability, notwithstanding the assertions of neo-classical theory. This reality is reflected in the increasingly uneasy and contradictory relationship, at both national and international levels, between policies designed, on the one hand, to enhance capital accumulation through trade liberalisation and, on the other, those designed to secure environmental sustainability (e.g. the potential subordination of MEAs to the disciplines of GATT/WTO). The research outlines an alternative model of development that is neither neo-liberal nor 'developmentalist' capitalism but which, through democratic empowerment of the poor, seeks to realise the full range of human development criteria through sustainable utilisation of local and national resources. The key to development on this model is equitable and secure access to, control over, and sustainable use of essential local/national resources by all the people. Trade is undertaken on the basis of a multilateral system of fair rules where such exchange is the outcome of differing natural resource endowments between nations. But international trade is not an essential part of this model of development – the model is founded on endogenous rather than exogenous development. This model will be most easily achieved in the global South, but the greatest sacrifices will be required of the global North where current levels of resource consumption will need to be quite drastically reduced. This will be an integrated model of development in which the economic, social and environmental dimensions are complementary rather than opposed. Integrated, strong sustainable development of this kind will need to be mirrored in the structure of, and relations between, international institutions (with a radically reformed WTO, for example, integrated into the UN family of bodies).

MAPPING GOVERNMENT THINKING ON GLOBALISATION

INTRODUCTION

The economic policy that has become dominant in much of the world during the final decades of the 20th century has given increasing rein to 'unregulated', private decision-making. (In reality it is the more powerful states in the global economy that have consciously re-regulated in favour of private interests and have insisted that weaker states follow this policy line.) This policy calls for a reduction in the economic roles of government in the provision of social welfare, in the management of economic activity at the aggregate and sectoral levels, and in the regulation of international commerce. The ideas that underlie this policy framework are not new, however. They derive directly from the classical economic liberalism that emerged in the 19th century and that proclaimed 'the market' as the proper guiding instrument by which people should organise their economic lives. As a new incarnation of these old ideas, this ascendant economic policy may be termed 'neo-liberalism'. This is a term employed generally by those critical of the policy framework; for its proponents, by contrast, the term 'trade liberalisation' tends to be preferred. If the policy framework may be described as neo-liberalism, then the process by which this framework becomes implemented and dominant (often described as if it were an impersonal force) may be termed 'globalisation'.

Whilst the basic tenets of neo-liberal policy are being applied increasingly in the global North (although here its impacts are mitigated substantially by the legacy of social democratic welfare policies of the post-war era), they have been applied with most stringency to many countries in the global South and in the former Eastern Block. Under conditions of debt dependency, these countries have usually had little option but to implement neo-liberal policies, with influential economic groups within them additionally seeing clear benefits for themselves in this policy orientation. The real political sources of this policy orientation flow from the governments of the global North, particularly the USA, certain trans-national corporations (TNCs) and the international lending agencies, particularly the International Monetary Fund (IMF) and the World Bank. The drive to impose such policies has been described as the 'Washington Consensus', reflecting the role of the USA, the IMF and the World Bank in promulgating and enforcing neo-liberalism in respect of the countries of the global South.

By reducing explicit social regulation of private economic activity and 'leaving things to the market' (that is, state re-regulation in favour of private capital), neo-liberalism prevents the implementation of programmes that would otherwise allow people to exercise political control over their economic affairs, involve people in solving their own economic, social and environmental problems (often problems generated by the accumulation strategies of private capital), and serve the material needs of the great majority rather than of the few. Despite the fact that neo-liberalism obstructs programmes that would meet the basic needs of the majority, the doctrine continues, of course, to define the policy agenda in many countries and internationally. Whilst it can be concluded that the governments of many countries in the South have little interest in promoting the material needs of the majority and that neo-liberalism is often employed as an ideological fig leaf for powerful, elite groups to pursue their own, narrow interests (often in association with Northern interests), it is nevertheless the case that many of the professional economists who advocate this policy framework believe quite genuinely that it will serve the goals of growth with equity and environmental sustainability. They claim with great sincerity that their policies, however much pain and dislocation they may cause in the short-term, will lead to a higher standard of living in the longer-term. This higher standard of living, through economic growth, is the key to social equity, democracy and the sustainable use of natural resources. Their doctrine, founded on key tenets of neo-classical economic theory, holds, moreover, that programmes that might serve the immediate economic, social and environmental needs of the majority, are not viable. Neo-liberal economists claim not simply that their favoured development policies are best, they claim that that there is no viable alternative to these policies.

This claim that there is no alternative is founded in large measure on the argument that the 'globalisation' of economic affairs obliges all nations of the world to embrace the world market if they wish to secure economic development. Globalisation in the current era has involved, firstly, a progressive deregulation of the international movement of goods and capital. Additionally, globalisation is taking place in a world that is more uniformly capitalist. In a homogenising world economy, capital has an enhanced capacity to locate production where profitability is greatest and costs are least. Thus trade liberalisers can argue, with some justification, that where governments seek to regulate private activity to secure some social or environmental goal, the resulting threat to profitability, whether real or perceived, may induce capital to relocate elsewhere – to countries where such constraints do not obtain. (How this view squares with the neo-liberal contention that it is not 'market forces' but rather 'market failure' that underlies social inequity and environmental problems is not seriously addressed.) Alternatively, the argument continues, if a country eliminates both external and internal barriers to commerce, globalisation will allow it to reap the benefits: low-cost goods from abroad, access to foreign markets for its own exports, and higher levels of investment by both foreign and domestic businesses. Neo-liberalism additionally proposes a minimal role for government in economic affairs, although, firstly, strong government is required to enforce re-regulation in favour of private capital; secondly, strong government is required to suppress the social unrest that arises from failure to address social inequities by more direct means and to enforce existing property rights. Symptomatically perhaps, neo-liberalism places very little emphasis on the widespread occurrence of great inequities in wealth and land tenure that are a feature of many developing countries, inequities that trade liberalisation is likely only to reinforce.

Globalisation/neo-liberalism is not a monolithic discourse, however. The advocacy of 'market-friendly' policies assumes various forms, and even within those institutions that are most active in pressing for and implementing neo-liberal policies, caveats, qualifications and modifications of the doctrine have emerged. This has been the case particularly since the East Asian crisis in the late 1990s and in the light of the internationally agreed target to reduce to reduce the incidence of extreme poverty by half by 2015. Both factors, but particularly the second, have given rise to calls from within the establishment for greater emphasis on 'pro-poor' growth. A certain level of dissention, however, has been present since the early 1990s and arose from the difficulties of explaining the economic success of the East Asian NICs on the basis of neo-liberal doctrine. It became difficult to explain away evidence that pointed clearly to the importance of the directing role of the state in promoting economic growth in these countries. In its 1993 report, *The East Asian Miracle*, the World Bank attempted to reconcile its neo-liberalism with the reality of experience in the region. The report attempted to limit the damage by arguing that the East Asian experience was not readily applicable elsewhere and, in any case, the role of these governments was properly characterised as 'market-friendly' (thereby, however, undermining neo-liberalism's own simplistic dichotomy between 'state' and 'market'). The Bank was nonetheless obliged to acknowledge the positive role that an active state can play in economic development.

Further qualifications to neo-liberal fundamentalism have emerged during the course of the 1990s. In its *World Development Report 1997*, for example, the World Bank acknowledges the essential role of the state in the promotion and provision of an appropriate framework for economic development. Furthermore, in 1998 the World Bank's chief economist claimed that 'we have broadened the objectives of development to include [in addition to economic growth] other goals like sustainable development, egalitarian development, and democratic development' (Stiglitz, 1998a). Both World Bank and IMF economists have recognised that a relatively equal distribution of income can be a foundation for economic growth (Stiglitz, 1998a, 1998b; Fischer, 1995). This view receives strong emphasis in the current draft World Development Report of the World Bank. Whilst qualifications such as these are welcome, they appear nevertheless to remain mere adjuncts to the main core of neo-liberal theory. This would appear to be both because of the difficulty of integrating market interventionism into the main body of neo-classical theory, but also because of the nature of the politico-economic agenda that neo-liberalism seems to be employed to justify. The latter would appear to be suggested by the recent resignation from the World Bank of Ravi Kanbur, author of the current draft World Development Report, under alleged pressure from the US Treasury secretary Larry Summers for placing too great an emphasis on redistributive tax and spending policies to alleviate poverty. Additionally, there has recently been a strong re-assertion of neo-liberalism's singular focus upon non-interventionist growth in a paper by Dollar and Kraay (2000). Such recent interventions suggest that neo-liberal tenets will continue to dominate the approach of the World Bank and IMF to economic policy, not least as a result of pressure from the major capitalist economies (members of the G7 group of developed states). As the predominant international lending agencies, the World Bank and the IMF have great influence over policies in many states (currently to a greater degree than the WTO). They have used, and continue to use, this influence consistently to institute policies guided by the central propositions of neo-liberalism, policies that lower government spending and open national economies to international trade and investment. The former tends to reduce social programmes that might otherwise alleviate poverty and constitute the foundation for equitable development. The latter, under the prevailing conditions of highly unequal wealth distribution and access to resources in much of the South, tends to reinforce such inequalities and preclude the genuine social control of economic activity that is likely to be required to promote positive social policies and environmental sustainability. In situations where the World Bank or IMF suggest that specific and targeted measures may be necessary to mitigate extreme poverty or other symptoms of alleged 'market failure', such qualifications are accompanied by a reaffirmation of the central tenets of neo-classical theory (for example Stiglitz, 1998a, 1998b; World Bank 1998, 2000).

This theoretical and policy orientation of the World Bank and IMF is mirrored broadly by the UK government. The assumptions on which this policy orientation is based appear, however, to have only a weak or non-existent empirical foundation. On the contrary, the best data available suggest that neo-liberal policies are widening the gap between rich and poor both within and between countries. Thus the 1999 Human Development Report (UNDP, 1999) indicates that the income gap between the fifth of the world's people living in the richest countries and the fifth in the poorest was 74 to 1 in 1997, an increase on 60 to 1 in 1990 and 30 to 1 in 1960. Within countries, inequality has similarly been rising since 1980 in those countries subject to neo-liberal policies. At the same time, virtually all key environmental indicators suggest an ongoing and usually accelerating process of ecological degradation that can be linked directly or indirectly to the enhanced commercial exploitation of natural resources that economic globalisation encourages (UNEP, 2000). Neo-liberal policy advocacy appears highly impervious to such empirical refutation, however. This is because advocacy appears to rely primarily on certain key axioms, and their derived models, drawn from neo-classical economic theory. It can also be argued that this doctrine supports the sectional interests of certain powerful economic groups both within and between countries, those who gain differentially from growth 'at any price'.

There would appear then to be good empirical grounds for scepticism regarding neo-liberal policy and the process of globalisation that is founded upon it. A more thoroughgoing critique of this doctrine, however, is likely to require a close assessment of its theoretical underpinnings including those characteristics that, while purporting to serve the interests of all, in practice appear to enhance the interests of those with existing economic power. Taking these considerations as a point of departure, this research report proposes to identify, explore and critique key sources of theoretical and policy influence underlying UK government thinking on globalisation, trade liberalisation and sustainable development. Focussing particularly on DFID, but also DTI, MAFF and DETR (FCO?) advice to government and specifically with reference to agriculture, food and the environment, this paper:

- Identifies key texts and assumptions underlying government thinking
- Re-examines key theoretical axioms that these texts/assumptions embody and critically appraises empirical data employed to support such axioms
- Delineates alternative theoretical paradigms that appear to have greater explanatory power in respect of the dynamics of economic development and its environmental/social impacts
- Delineates alternative and credible policy frameworks to address environmental and social sustainability issues, drawing on these non-conventional paradigms

The remainder of this report is structured as follows: Chapter 1 identifies key assumptions, texts and influences shaping the UK government's approach to globalisation/free trade and sustainable development. This relies a) upon a close and critical reading of government and international agency reports and papers and b) upon interviews with selected key staff from government, particularly those instrumental in the production of these documents. Chapter 2 subjects these government/agency documents and their underpinning 'sacred texts' to analytical deconstruction. This critical reading focuses upon certain key axioms of the neo-classical economic theory of globalisation/trade liberalisation, most notably that of 'comparative advantage', 'optimal allocation of resources' and this theory's characteristically 'weak' interpretation of sustainable development. Chapter 3 examines critically the empirical basis of support for the claimed benefits of globalisation/trade liberalisation and asks to what extent the *a priori* assumptions of neo-classical theory are employed as a substitute for empirical studies, that is, the use of modelling as a substitute for empirical verification. Relatedly, it will appraise critically the government's choice and use of economic, environmental and social data and indicators, asking whether these are selected to validate *a priori* assumptions and whether they are structured in such a way as to enable elucidation of empirical trends. Chapter 4 delineates key features of alternative paradigms currently excluded or marginalised in government thinking and assesses whether these are better able to explain the dynamics of economic development and its currently contradictory relationship to the environment and social equity. Chapter 5 delineates alternative and credible policy frameworks that have the capacity to identify real complementarities between economic and social development and the environment within the context of a 'strong' model of sustainability.

CHAPTER 1: KEY ASSUMPTIONS AND INFLUENCES UNDERLYING GOVERNMENT THINKING ON GLOBALISATION

Introduction

Trade liberalisation has been in the ascendant for the last two or more decades, a trend manifested in the increased adoption of neo-liberal policies nationally and in regional and international trade agreements. Whereas the currently dominant economic policy framework may be described as trade liberalisation or neo-liberalism, the process by which this framework becomes implanted and hegemonic may be termed 'globalisation'. Globalisation is frequently attributed to certain technological changes, most notably in information technology, that are assumed to lend this process certain impersonal, ineluctable and inevitable qualities. Whilst globalisation is without doubt facilitated by such technological advances, there are nonetheless very good reasons to suppose that this process is in actuality more the outcome of conscious policy design on the part particularly of certain hegemonic states within the global economic system, a design prosecuted with or without the willing compliance of weaker states within this system. In reality of course, global interconnections between economies have characterised capitalism as a world system from the outset. If the scale and character of these global linkages are now qualitatively different, it nonetheless remains the case that any new form of globalisation is less a technical fact than a socially and economically contested process. In other words, the phenomenon of globalisation may best be approached not as if it were an uncontrollable juggernaut but rather from the viewpoint of the national economies that are directing it or are subject to it. Globalisation is perhaps best defined initially, therefore, as a matter of enhanced capital export and import primarily by transnational corporations across national boundaries. This definition helps both to clarify the social forces and institutions that are directing and benefiting from globalisation and to point up a key policy issue – how and to what degree can nationally based and (hopefully) democratically grounded forces shape or control globally mobile capital to produce socially and environmentally desirable forms of development? This definition and its policy implications will constitute major concerns of this research.

The UK is one of those states that is a strong advocate of globalisation and trade liberalisation. Its government argues that economic growth is best secured by these means, and since the eradication of poverty and the economic surplus required to address environmental problems are similarly dependent on economic growth, trade liberalisation must also be good for social equity and the conservation of natural resources. Such assumptions strongly inform the thinking of the Department for International Development (DFID) (the government's primary advisers on development and poverty in developing countries), the Ministry of Agriculture, Fisheries and Food (MAFF) (the key adviser on food and agriculture) and other government departments. These assumptions regarding the positive relationship between trade liberalisation, equitable growth and environmental sustainability, however, appear often to be founded on weak, controversial or non-existent empirical evidence and would seem, by strong implication, to rely primarily on certain key axioms, and their derived models, drawn from neo-classical economic theory. It would seem clear, therefore, that an appropriate assessment of the validity of neo-liberalism's claims for the alleged benefits of its policies requires not merely a re-examination of the relevant empirical evidence but, perhaps more importantly, a critical analysis of the theory that undergirds those claims.

The starting point for this research is therefore the identification of the key assumptions, texts and influences that appear to underlie the government's approach to globalisation, trade liberalisation and sustainable development. This first stage of the research relies upon, first, a close and critical reading of government, international agency and academic reports and papers, and second, interviews with key staff from government departments (DFID, MAFF, DTI, DETR) who have been instrumental in the production of these documents and in the thinking that informs them.

Key Texts, Influences and Assumptions in Government Thinking on Globalisation

The key texts employed as a basis for deriving principal assumptions underlying government thinking were: Eliminating World Poverty: A Challenge for the 21st Century (DFID, 1997); International Development Target Strategy Paper on Economic Well-being (DFID, 1999); Strategies for Achieving the International Development Targets – Environmental Sustainability and Eliminating Poverty (DFID, 2000); Consultation Draft of White Paper on International Development – Globalisation and

Development (DFID, 2000); Making the Next Trade Round Work for the World's Poor (DFID, 1999); Future Multilateral Trade Negotiations – a 'Development Round'? (DFID, 1999); Lifting One Billion People Out of Poverty – the Role of Trade and Investment (DFID, 2000); Transcript of Evidence given to the House of Commons International Development Select Committee by D. Batt, J. Roberts and C. Bridge (February, 2000); Evidence given to the House of Commons International Development Select Committee by Clare Short (May, 2000).

Documentary evidence from these texts was complemented by material drawn from a number of face-to-face interviews with key staff from the Department for International Development (DFID), the Ministry of Agriculture, Fisheries and Food (MAFF), the Department for Trade and Industry (DTI), and the Department for the Environment, Transport and the Regions (DETR). These staff were selected because all were involved centrally in the production of, and/or thinking behind, the Globalisation White Paper. The interviews conducted (during June and July 2000) were semi-structured in character and were based around key questions relating to:

- Theoretical/intellectual underpinnings of the government's advocacy of economic globalisation and trade liberalisation
- The relative influence of the different departments on government thinking and the sources of influence on those departments
- The robustness of neo-classical tenets, particularly the theory of comparative advantage, in view of alleged deficiencies relating especially to environmental and social sustainability criteria
- The apparent inconsistency in DFID thinking particularly between the advocacy of growth through trade liberalisation and the stated need to address the causes of environmental degradation and social inequity (identified by DFID as overconsumption and lack of access to key resources)
- The methodology employed by departments to establish the impact in practice of globalisation on development and the environment, and the relative weight assigned to modelling versus empirical studies
- The kinds of social, environmental and economic indicators preferred by government departments in analysing the effects of globalisation on people and the environment

Some of the key responses to these questions by interviewees are presented below:

Globalisation is a fact of life – states must adapt to it

'Clare Short has identified trade liberalisation as beneficial and a fact of life' (John Roberts, DFID)

'States must grasp external market opportunities and participate in and influence globalisation rather than staying out' (John Roberts, DFID)

'Globalisation is with us and economic growth is a necessary condition for poverty alleviation' (Mike Scott, DFID)

'Globalisation is an unstoppable process involving information technology and the globalisation of markets – globalisation is with us' (John Roberts, DFID)

'I think globalisation is happening – the challenge is to ensure that as it happens developing countries benefit from it. Where there is a downside, measures should be taken to try to reduce that downside as much as possible' (Linda Brown, DFID)

The above responses indicate that globalisation is conceived as an impersonal fact driven by certain ineluctable forces. It may have a downside, but disbenefits can be addressed through mitigatory measures.

Comparative advantage should be the basis for trade policy

'We are supportive of trade liberalisation on the basis that it is more resource efficient. Open competitive markets use resources and help meet people's requirements in more resource efficient ways. We have a belief in the power of markets and the power of competition. We do not have a view that trade liberalisation of itself will lead to nirvana nor that it does not throw up lots of issues that need to be addressed...However, there is a general picture of environmental performance that open economies perform better than closed economies. We have a belief that through open competitive markets, you get best practice. Our view is underpinned by belief in open, competitive markets, trade liberalisation, but there need to be safeguards. Yes, it is underpinned by the theory of comparative advantage' (Michael Massey, DTI)

'Globalisation and trade liberalisation are the guiding lights. Liberalisation is based on the theory of comparative advantage – this may be tempered in certain cases and sectors – there is a need to adapt' (Heather Blake, MAFF)

Growth should come before environmental protection

'There is a respectable argument that states that countries have to reach a certain stage of development before they can seriously devote much in the way of resources to environmental protection' (Daryl Brown, DETR)

Models and available empirical evidence point in the same direction

'It is necessary to wait a good many years for empirical evidence. So it is necessary to rely partly on models. The ideal should be empirical evidence. The Dollar and Kraay evidence – evidence on income distribution and efficiency and structural adjustment evidence – all say that trade has long-term benefits and growth on average includes the poor. Intervention is necessary to prevent anti-poor growth and to facilitate pro-poor growth. This should not be redistributionist since growth would then be inhibited – it should take the form of safety nets, etc. – assisting vulnerable groups to cope with trade policy change is important' (John Roberts, DFID)

Trade liberalisation is compatible with sustainable development

'Our approach is set out in the UK Sustainable Development Strategy that trade liberalisation and globalisation, if they are harnessed properly by government, can provide an engine for development which is sustainable' (Daryl Brown, DETR)

'I don't see any fundamental intellectual conflict between trade liberalisation and sustainable development... an important strand in the White Paper [on globalisation] will be to demonstrate how globalisation and sustainable development are not at loggerheads, not incompatible at all' (Daryl Brown, DETR)

The above responses delineate the view that trade liberalisation and open economies, by enabling comparative advantage to operate more freely, enhance economic growth and increase resource efficiency, thereby alleviating poverty, directly improving environmental performance and also generating financial surplus with which to address environmental problems. Environmental sustainability/social equity and globalisation are therefore compatible, with the qualification that mitigatory measures must be in place to address any contingent disbenefits of this process. Broadly, however, globalisation/free trade serves to enhance the likelihood that the 'three legs' of the *sustainable development school run in the same direction. Additionally, the government prefers to rely on empirical evidence, but in its (supposed) absence or deficiency, modelling is the second best option. Empirical 'evidence', as utilised in the Dollar and Kraay paper and suggesting that growth 'is good for the poor', has been influential in reinforcing the neo-liberal tendency within government and the 'Washington consensus' more widely.*

The key external influences are Northern academic and multilateral institutions

'The inter-war depression was a product of protectionism' (John Roberts, DFID)

'There is little contradiction within departments. There is consensus on globalisation between departments. Important external influences are IDS, ODI, Alan Winters at Sussex, Queen Elizabeth House. There is a dialectical process of debate, an iterative process. The draft World Development Report chapter on trade is somewhat Janus-faced – the Dollar and Kraay paper does not present the same views on growth and poverty reduction —but there is still a degree of development consensus – globalisation is a fact of life. There is a need to reinforce supervision – to try to avoid the pitfalls of globalisation.' (John Roberts, DFID)

'We rely on external input a great deal – DFID leads on development issues, on other issues other departments lead. The Dollar and Kraay paper on economic growth has been particularly influential recently. There has been an iterative process over the last three years over globalisation and international markets between departments and external influences' (Mike Scott, DFID)

'ODI and IDS are influential in the UK. IIED and various universities, World Bank, World Resources Institute' (Linda Brown, DFID)

The above responses suggest the recurrence of a similar range of intellectual/theoretical influences, in particular ODI, IDS and the World Bank. There is a neo-classical orientation within these bodies and institutes and individual figures such as Alan Winters are particularly influential. (He was present, for example, to give support at Clare Short's submission of evidence to HoC International Development Select Committee Inquiry into the WTO and Globalisation.) The responses also intimate the recent discomfiture over the draft World Development Report's inclination to question the 'Washington Consensus' orthodoxy and the 'relief' with which the Dollar and Kraay paper has been greeted.

Failures are usually due to Southern governments' inability to take advantage of globalisation

'I do not think that globalisation per se would have much of an effect on Gini coefficients within countries' (Mike Scott, DFID)

'Developing countries don't want to know about incentive measures to foster biodiversity etc. They regard this as interfering with their economic policies. They are suspicious of measures to protect environmental or social standards since they see these as working against them' (Linda Brown, DFID)

'LDCs do have governments. There are now attempts to make them more effective [in internalising environmental costs] – environmental deterioration only happens if regulation is poorly enforced' (John Roberts, DFID)

'No countries have made any structured efforts to internalise costs' (Linda Brown, DFID)

'Not that free trade in itself creates unpalatable externalities but that governments do not or cannot address these externalities' (Daryl Brown, DETR)

'Addressing externalities is dependent on national governments being prepared to introduce sufficient legislation' (Daryl Brown, DETR)

'The answer lies not in preventing trade but in ensuring that mechanisms are in place to address externalities – trade is not a part of production therefore environmental degradation is not a part of trade – policy frameworks need to be in place to address externalities while generating trade' (Heather Blake, MAFF)

The above responses indicate the clear lack of integrated thought characteristic of the neo-classical approach. Thus, trade is treated as an ahistorical, universal characteristic, not as a category that, in its current form, must be conceptualised as dominated by a process of capital accumulation. The state, in the same way, is dichotomised from the process of capital accumulation so that a) the state is assumed to speak and act on behalf of all of its citizens (a dubious assumption, particularly in the South) b) the state is assumed itself not to be actively enmeshed in the globalisation process and c) the effectiveness/willingness of the state to act on behalf of the environment/social equity is assumed not to be constrained by the impact of external forces such as indebtedness, structural adjustment or the coincidence of interests between Northern capital and Southern national elites.

We need to move beyond the Washington Consensus in structural adjustment and agriculture

'Structural adjustment was implemented in a simplistic way. There are people who are going to be losers if you simply rely on the market (e.g. Africa). Policies should be based on the understanding of the livelihoods of poor people' (Mike Scott, DFID)

'In some cases food security is best achieved by producing at home. In other cases by generating income so that food can be purchased. The challenge at the moment is dumping of Western produce. There are certain circumstances when national food self-sufficiency will be appropriate' (Mike Scott, DFID)

'There is beginning to be a realisation of the importance of agriculture in economic growth – this has not been on the agenda for the last ten years and is beginning to come back again. Agriculture is important not only for improving livelihoods of people in rural areas but also as an engine for economic growth. Agrarian reform is coming back on the agenda. It is present in the Economic Well-being paper and beginning to come back in World Bank discussions – Hans Binswanger and Bob Thompson are figures here' (Mike Scott, DFID)

'Capacity building is very important for developing countries to address the opportunities and constraints of globalisation' (John Roberts, DFID)

The above responses indicate the 'post- Keynesian' influences coming into play within DFID and beyond (e.g. the World Bank draft World Development Report) in the wake of the Asian crisis, influences that in some measure challenge neo-liberal orthodoxy, but are still institutionally subordinate to it.

The interviews, as demonstrated in the responses quoted above, and analysis of the key texts (key quotations are supplied below) revealed with considerable clarity that neo-classical economic theory dominates government thinking on the issue of globalisation and trade liberalisation. Its key and hegemonic thesis in respect of economic growth, trade, poverty alleviation and the environment may be summarised thus: Trade liberalisation, by enabling the 'law' of comparative advantage to shine through, enhances economic growth, thereby in turn alleviating poverty and generating funds with which to address environmental problems. In particular, the only viable way long-term to address poverty is through the embrace of the open market. The major international institutions of the IMF, World Bank and WTO do much already to embody these principles so that policy at this level is seen to be heading broadly in the right direction to secure growth, poverty eradication and environmental sustainability. The major obstacles to securing these goals, seen also as the principal causes of economic stagnation, poverty and environmental degradation, are state-generated market distortions and protectionism, and externalities deriving from the lack of properly functioning markets. The primary aim of policy should be the removal of such obstacles and to encourage governments to cost externalities in a way that does not compromise free trade. It is also the principal responsibility of governments to ensure that appropriate environmental and social measures are in place to address any disbenefits that might arise contingently from liberalisation (e.g. through 'market failure' in the area of public good provision). Additionally, it is legitimate for governments to assist their citizens, particularly via pro-poor capacity building, to seize the market opportunities for wealth creation given by globalisation. Finally, a comprehensive 'development' WTO round is required in order to push further forward, and entrench, the benefits that flow from globalisation. A 'post-Keynesian' tendency has emerged in the last few years that in some measure challenges this orthodoxy and reinforces 'pragmatic' approaches that are inclined to more interventionist stances, but it is nevertheless still institutionally subordinate to the dominant neo-liberal position.

The key assumptions informing government thinking can be further detailed as follows (the assumptions are supported by quotes from key documents or from the interviews; the contrary view, as articulated in this report, is stated in *italics* after each item):

- Globalisation is a fact and is driven by ineluctable technological forces that are generally beneficial (see quotes from interviews above)

Globalisation is the product of conscious policy making by powerful states in the global system and technological advance is designed principally to enhance labour productivity

- 'Globalisation is creating new opportunities for continued global economic growth, which should make possible a massive reduction in poverty. Economic theory suggests that the benefits from globalisation arise through greater competition, which – by encouraging countries to specialise according to their comparative advantage – redirects resources to more productive uses' (DFID, Rural Livelihoods Division contribution to White Paper on Globalisation).

Poverty is not an original condition but rather a politically generated phenomenon; competition is part of a process of enhanced resource consumption and externalises environmental and social costs and redirects resources to uses that are more productive for capital, specialisation displaces and *undermines the livelihoods of local producers and is deleterious for biodiversity, resource use and cultural diversity*

- 'Growth will depend on a continuation of market friendly policies which promote investment in the context of low inflation and effective macro-economic management. For many governments this will mean continued commitment to programmes of economic reform and market liberalisation.' (DFID, International Development Target Strategy Paper on Economic Well-being.) Economic growth through expanded trade and investment flows is the best means of alleviating poverty and increasing welfare

It is in fact a very indirect means with highly uncertain economic, and environmentally unsustainable, outcomes from which the already well-off benefit disproportionately.

- 'Where it [capital] can find conditions that generate a steady rate of return, it will bring with it all the benefits of modern technology... The investment needed can only be funded by private capital.' (DFID, Lifting one billion people out of poverty: the role of trade and investment). Multinational capital investment is *the* way to transfer the benefits of globalisation to poorer countries.

Whilst investment of an appropriate kind is important, it should be subject to democratic control by the recipient state and directed towards socially and environmentally sustainable ends rather than generating external dependency, highly selective benefits, unsustainable outcomes, and simply furthering the accumulation strategies of multinational capital.

- 'Some direct measures are possible to improve income distribution, notably through land tenure reform and pro-poor public expenditure strategies. The thrust of the paper, however, is that, for long-term and sustainable poverty reduction, poor people must contribute more effectively to growth' (DFID, International Development Target Strategy Paper on Economic Well-being). The primary focus in development should be upon expanding market opportunities (expanding the pie) rather than upon redistribution, although the latter has a role.

In fact redistribution, and land redistribution in particular, is a very direct and effective means of alleviating poverty, generating a basis for equitable development, and addressing the major cause of social unrest and environmental degradation. Expanding market opportunities has a role, but should be undertaken on the basis of redistribution. A focus on expanding the pie suggests a reluctance to identify and address existing inequalities.

- 'Globalisation creates significant opportunities for poor people but complementary public policies are required to ensure that poor people are protected from adverse shocks and benefit from the opportunities created' (DFID, International Development Target Strategy Paper on Economic Well-being).

This view assumes that globalisation is fundamentally a beneficial process such that only minor mitigation of its impacts is required. A contrary view is well supported by empirical evidence.

- 'More equal countries are able to convert a given level of growth into greater poverty reduction. There is also evidence that reduced inequality is good for growth' (DFID, International Development Target Strategy Paper on Economic Well-being).

These are well justified statements but appear difficult to square with the lack of attention directed to redistributive policies as a prerequisite for equitable growth.

- 'It is hard to reduce inequality directly and such improvements have generally been slow' (DFID, International Development Target Strategy Paper on Economic Well-being).

It is hard to reduce inequality primarily because of political opposition from those with power not because of any inherent difficulties in policy implementation. The benefits of reform in this direction are very substantial as suggested by examples such as Kerala.

- Some direct measures are possible to improve income distribution, notably through land tenure and pro-poor public expenditure strategies. The thrust of policy, however, should be that for long-term and sustainable poverty reduction, poor people must contribute more effectively to growth, utilising their own resources and capabilities. This can be facilitated by improving access to education, health, information, transport and financial services (see quote as above).

The analysis thereby side-steps the causes of poverty, its most direct and sustainable solutions and advocates a market route out – the line of least political resistance. This leaves the poor in effect with nothing but their existing meagre assets with which to attempt to build a better future. Even within its own terms, however, the market root is doomed to failure where inequity is not addressed through redistribution.

- 'The primary source of pro-poor growth is the private sector and, particularly, poor people themselves… The paper stresses the importance of the state in creating a legal and regulatory framework for private sector enterprise and maintaining a commitment to pro-poor economic reform…It also recognises that special measures are needed to address those unable to participate in the market' (DFID, International Development Target Strategy Paper on Economic Well-being).

This is another way of saying that the poor will have to make do with what they have, pull themselves up by their bootstraps on the basis of limited resources, whilst the state enforces pre-existing and usually inequitable property rights and provides a minimal safety net for the infirm and elderly.

- 'Most environmental degradation is underpinned by the consumption patterns of middle and upper income groups and the large, increasingly, globalised production system that meets and shapes their needs. Where the poor do contribute to environmental degradation, such as cutting down forests in the North West of Brazil, it is due to the non-poor controlling the vast majority of cleared land leaving the poor with little alternative.' (DFID, Strategies for Achieving the International Development Targets: Environmental Sustainability and Eliminating Poverty). It is recognised that the main causes of environmental degradation are income inequalities and unsustainable consumption both in developed and developing countries.

This is a strong and accurate statement but sits rather uneasily with advocacy of increased consumption through economic growth and reluctance to address inequality directly.

- 'Market failures can occur where producers and consumers do not bear the full cost of their environmentally damaging actions, or where property rights over natural resources are ill-defined or missing… This creates a role for government intervention to correct market failures and eliminate market distortions' (DFID, Strategies for Achieving the International Development Targets: Environmental Sustainability and Eliminating Poverty). Social inequity and environmental degradation are the result either of market distortions, through government intervention, of failure to cost externalities, or of poorly defined property rights; they are issues that can be solved principally by technical and policy changes, with little requirement to address more fundamental social relational problems.

Governments may well generate disbenefits through 'perverse' subsidies but the assumption that the 'free market' will do better is dubious, since resource consuming growth is an inherent characteristic of capitalism and the latter's competitive structure generates systemic impulses to externalise costs. Defined property rights are demanded by capital to secure uncontested access to resources for accumulation, not to secure sustainability.

- Whilst trade liberalisation, increased welfare, and environmental sustainability run in the same direction, where market failure does occur it is the responsibility of individual governments to ensure that appropriate social security measures and environmental legislation are in force (see quotes from interviews above).

So-called market failure is a systemic rather than contingent feature of capitalism, and free market capitalism in particular. Governments are either reluctant to correct such 'market failures' lest they compromise their comparative advantages, or unable to do so since their financial capacities have been emasculated through the enforcement of neo-liberal policies.

- Trade is not a part of production and environmental degradation is not a part of trade (see quotes from interviews above).

This appears to constitute a denial of the very rationale underlying enhanced trade, that is, to stimulate further production. This statement is symptomatic of a failure on the part of neo-classicism to perceive an internal relationship between capital accumulation and trade, and between increased resource consumption/capitalisation and enhanced environmental degradation.

Detailed Presentation of the Main Assumptions Informing Government Thinking

Government thinking on globalisation is dominated by neo-classical economic theory and by that theory's understanding of trade liberalisation, in particular. Pragmatic concerns do impinge upon and qualify this orthodoxy, but such pragmatism remains in the final analysis subordinate to neo-classical doctrine. Neo-classical theory holds that trade liberalisation will generate economic growth and, derivatively, alleviate poverty and benefit the environment by means of competition and a more efficient allocation of production. The key assumptions underlying this contention are as follows: trade will increase growth; growth will generate economic surpluses with which to address poverty and environmental problems; trade liberalisation and competition will improve the efficiency of resource use (as manifested in comparative advantages), thereby alleviating environmental impacts and increasing human welfare. This can be explained in more detail as follows. Growth will provide the funds (surplus) needed for poverty alleviation through investment and for environmental protection. Rising incomes alleviate poverty/increase social equity and increase demand for environmental quality, increasing both government investment in the environment and private efforts to improve sustainability. Once the immediate pressures of poverty are reduced (the primary objective of growth, at least ostensibly), then efforts and investments can be undertaken to ensure the enhanced sustainability of resource use. Trade liberalisation and the increased role of competition will ensure that, firstly, comparative advantages are realised. According to the tenets of comparative advantage, production will gravitate to the most efficient (that is, least cost) place of production. Countries that are relatively rich in natural resources will become exporters of natural resource-based products and those that are poor in natural resources will specialise in other commodities. Welfare will thus be enhanced and pressure on scarce resources will simultaneously be reduced. Secondly, efficiency of production will be increased and technological innovation will be induced by globally competitive markets, thus increasing the productivity of environmental resources and again reducing pressure on scarce resources. This will simultaneously increase welfare/alleviate poverty.

This line of argument emphasises the environmental benefits of trade liberalisation for the agricultural and industrial sectors. Poverty (defined narrowly in Pigouvian terms as a measure of monetary exchange) is attributed to 'an original state of being', to inappropriate government sectoral policies, and to uncorrected market failures. Similarly, environmental degradation is attributed either to primitive, irrational (that is, non-capitalist) resource use, to inappropriate government policies and to uncorrected market failures. An issue closely related to market failure is that of supposedly undefined property rights over resources – 'tragedy of the commons' arguments are commonly invoked here, relating back in turn to non-capitalistic, irrational use of resources. Neo-classicists discuss environmental problems, in particular, largely in terms of externalities to be addressed by policy remedies (for example, the elimination of government subsidies and the introduction of resource/pollution taxes). Environmental (and social) externalities supposedly occur when the private costs of economic activity do not include the environmental (and social) costs of that activity for society. Such externalities occur because markets and prices fail to 'include information about ecosystem functions, options, existence and bequest functions' (Young, 1994), and thereby encourage economically inefficient use. The neo-classical solution is, firstly, to eliminate market-distorting policies such as subsidies to resource use, and, secondly, to invoke the 'polluter-pays principle' – the introduction of taxes or other economic mechanisms to ensure that all costs are internalised by the actor responsible for, or receiving benefits from, the environmentally (or socially) damaging activity. This approach has applicability to the analysis of trade, agriculture/food security, poverty alleviation, and the environment.

Trade liberalisation, agriculture/food security, and the environment. Agriculture (and therefore much land use) remain the subject of substantial government intervention in the North and, to a lesser extent, the South and, of all productive sectors, remain among the furthest removed from the free trade ideal. Protectionist agriculture is thus frequently the *bete noire* of neo-liberals and they can easily claim (and not without some justification) that much environmental and social damage (the latter through food dumping) can be attributed, as a product of perverse subsidies, to these interventionist policies. Thus, arguments for reducing government intervention are particularly strong in agriculture, since such programmes are both costly to governments, the environment, and to small producers in the South. Trade liberalisation in this sector, initiated at a multilateral level under URAA and already promoted by unilateral and regional reform efforts in developing countries, will generate major restructuring of land-use patterns on a global level and have profound implications for food security and social equity issues.

There is general consensus within neo-classical theory on the impact of trade liberalisation in agriculture as anticipated by the URAA (a position that fundamentally informs UK government thinking and that of the main international organisations). This consensus holds that liberalisation will cause a net shift in agricultural production from North to South. Production will shift from the North, where prices have generally been held high by government protection, to the South, where prices have often been depressed by government efforts to keep food prices low in order to encourage import substituting industrialisation (ISI). Insofar as prices in much of the North have promoted heavy use of agro-chemical inputs, this shift, it is argued, will be environmentally beneficial since it will generate reduced usage of such inputs (as argued below, however, these reductions are likely to be quite marginal). In the South, the shift may bring environmental benefits by increasing agricultural employment in commercial agriculture, thus reducing pressure on the land by subsistence farmers and reducing urban population growth. The resulting economic growth is held to alleviate poverty, increase food security (through increased incomes) and allow for environmental improvements through investment.

In respect of policy induced 'market distortions', neo-classical literature on trade, agriculture and environment has stressed the direct causal role of government intervention in the agriculture sector in generating environmental degradation and poverty. The fundamental problem is seen to be that government subsidies, quotas and other interventions have disguised the comparative advantage and the true cost of resource use in agriculture. These policy distortions have led, therefore, to inefficient or uneconomic use of resources. Most developing countries have used national marketing systems to suppress domestic agricultural prices and transfer income from rural to urban areas. Low prices have prevented farmers from investing in environmental measures such as soil conservation. Subsidies for inputs have led to their overuse, including the over-application of pesticides, mainly in commercial agriculture. Overvalued exchange rates have also served to promote input use. Liberalisation in developing countries, it is maintained, will entail the reduction of government intervention and subsidies, which will lead to better prices and less degrading agricultural practices. Liberalisation in the North will also raise prices and farm incomes in the South by eliminating subsidised competition (food dumping). Improved incomes lead to poverty reduction, food security and investments in conservation and environment, and lead to improvement in related institutions, such as land tenure.

An extreme tenet of this effort to reconcile liberalisation and the environmental/social sustainability holds that most policies that result in disbenefits for the latter are the outcome of protectionism. Free trade secures increases in environmental benefits and social welfare. Perhaps the archetypal example of this line of advocacy is that of the European Common Agricultural Policy (CAP); an additional example commonly cited is that of subsidies for cattle ranching in Latin America (e.g. Yu, 1994). Environmental and social improvements will result immediately from the removal of distortionary policies as production patterns are changed to conform to comparative advantage and as government funds, formerly spent on subsidies, are released for investment in conservation and rural development measures. Environmental and social improvements will also accrue over the longer-term as economic growth leads to increased urbanisation and industrialisation, leading, in turn, to lower population growth and reduced pressure on land resources (Yu, 1994; Southgate, 1994). State intervention therefore is seen not only to constrain economic growth but also to aggravate the impacts of poverty on the environment. In the South, state policies associated with ISI have kept prices artificially low, resulting in depressed commercial agricultural production. Despite this, the poor, it is maintained, continue to farm marginal land and clear forests for agriculture. Poverty, here interpreted as the simple outcome of low prices, is thus seen to generate severe environmental impacts. This paradox occurs, it is maintained, because low prices do not reduce output at the subsistence level since the poor produce to eat rather than for economic gain. Rising prices under liberalisation should release resources for the poor to invest in their land and thereby obviate further forest clearance. Additionally, if input subsidies are abandoned under liberalisation in the South, the argument goes, then commercial agriculture will substitute labour for chemical inputs. Commercial agriculture will therefore absorb surplus agricultural labour, reducing pressure on marginal lands and shifting cultivation practices of the poor that are widely blamed for environmental degradation. Liberalisation in the North, to the extent that it encourages a shift in production to the South, is seen to magnify these beneficial impacts by raising prices and increasing demand for developing country agricultural products. Food security is thus also seen to be enhanced through the increased incomes that accrue to the poor in this scenario.

Government thinking is influenced heavily by studies such as those by Anderson (1992a and 1992b). Based on models for several commodities under liberalisation, he maintains that improvements in welfare will offset any environmental damage. Using a partial equilibrium model in the case of world food markets, he finds that liberalisation in the North alone will increase welfare in both the North and the South and will encourage less chemical-intensive food production. Liberalisation in the North and South simultaneously will generate even greater relocation of production and improved welfare for poor countries. With higher food prices, more chemicals are likely to be used in low-income countries, but such increases would not offset decreases in chemical use in high-income countries. Anderson promotes the optimistic view that, even if environmental (and social) problems are generated by new patterns of trade, low-income countries can simply impose 'optimal environmental [and social] policies'. In common with many neo-classical economists, he attributes blame for adverse environmental and social impacts primarily to poor public sector policies and to poor property rights. As we shall see below, this view fails to understand how the 'market' is structured socio-politically, fails to take into consideration the issue of inequitable land/resource distribution as a determinant of poverty and as a perpetuator of inequity under liberalisation, and fails to understand the relationship of the state to dominant market structures.

Major structural changes resulting from trade liberalisation are viewed by neo-classical economics to play a positive role in allocating economic activity in accordance with the environmental capacities and conditions of different countries and promoting the efficient use of resources. This might be the case in an ideal world in which environmental (and social) assets are properly valued and environmental (and social) costs internalised. The optimistic view is that market distortions created by governments are much more to blame for misallocations of production than market failures. Domestic policy reforms undertaken in the context of well-targeted environmental and social policies to offset market failures will yield the greatest welfare benefits, but policy reforms alone constitute a significant step in the right direction. Thus it is held, by influential reports such that from the OECD (1997), that, on balance, the environmental (and social) impacts of liberalisation will be positive 'provided appropriate environmental policies are in place when liberalisation occurs'. This is something of an heroic assumption. It requires not only that the environmental (and social) impacts of liberalisation be anticipated, which of course they tend not to be under neo-classical tenets, but also that appropriate policies be adopted and enforced to ensure conservation of environmental resources and the provision of social 'safety nets', which tends not to happen because of the reduced capacity of the state under neo-liberal policies and because of the antipathy of powerful class interests tied to the liberalisation process. The common conclusion of such arguments is that, as long as proper environmental controls and social security measures are in place to compensate for externalities, the welfare benefits of free trade can be enjoyed by all countries. This line of argument is summarised well by Anderson and Blackhurst with specific reference to the environment:

> The impact of trade and trade liberalisation on a country's overall welfare depends on whether the country's environmental resources are correctly priced, which in turn depends on whether appropriate environmental policies (from the point of view of the country in question) are in place. If they are, trade and trade liberalisation benefit the environment because the resulting increase in economic growth stimulates the demand for environmental protection and generates additional income to pay for it.
>
> (Anderson and Blackhurst, 1992:19)

The dominant assumptions underlying government thinking on globalisation, development and the environment may be summarised as follows:

- Economic growth is the best means of alleviating poverty and increasing welfare
- The primary focus is therefore upon expanding market opportunities (expanding the pie) rather than upon redistributing existing resources
- Economic growth is best secured through market liberalisation because this facilitates the realisation of comparative advantages
- Enhanced growth is good for social equity and the more efficient use of resources that accompanies comparative advantage is good for the environment
- Social inequity and environmental degradation are the result either of market distortions, through inappropriate government intervention, or of failure to cost externalities
- Government intervention should be confined in the main to enhancing human capital formation, largely through improved health and education provision, and to defining and enforcing property rights
- Whilst trade liberalisation, increased welfare and environmental conservation are seen to run in the same direction, where market failure does occur it is the responsibility of individual governments to ensure that appropriate social security measures and environmental legislation are in force
- The 'market' is conceived as quasi-natural, the outcome of rational interactions between atomistic individuals, rather than a socially constructed entity, the outcome of class/power structures
- Consequently, there is seen to be no internal structural relationship between categories such as market/economy, society/politics, state, environment
- More pragmatic proposals/measures do impinge on and contradict these tenets (e.g. proposals to enhance access to resources by the poor via non-market means) but their efficacy is constrained by the dominance of neo-classical orthodoxy

Whilst the neo-classical tenets identified above still underpin government thinking on globalisation, this neo-liberal consensus has exhibited some signs of fragmenting over the last few years, stimulated by the Asian crisis of 1998, by increasing empirical evidence concerning the inequitable outcomes of neo-liberal policy, and by concern that current rates and patterns of growth will fail to reach agreed International Development Targets (IDTs) (most notably that committing governments to a halving of world poverty by 2015). There is therefore a (re)emerging view that the world needs to become more equal if IDTs are to be achieved, requiring *inter alia* greater intervention by states to engender pro-poor policies. Unfortunately, far from becoming more equal, there is compelling evidence to suggest that inequality is rising both between and within countries (e.g. Cornia, 1999; Lundberg and Milanovic, 2000). The UN Development Programme (UNDP)'s 1999 Human Development Report found a worsening situation in both the transition economies of Eastern Europe and in China, Indonesia and Thailand. The UN Commission for Latin America and the Caribbean (ECLAC)'s Social Panorama of Latin America 1998 found that during the 1990s income distribution had improved in the urban areas of four of the 12 countries analysed, remained constant in one and deteriorated in the other seven. That situation is likely to have deteriorated with the onset of recession in 1999 (CAFOD/Christian Aid, 2000).

At the same time evidence has been emerging of the beneficial impacts of greater equity on growth. Thus the World Bank's draft World Development Report 2000/1 has found that:

> Whether growth translates into significant reductions in poverty depends on a number of factors. The degree of inequality matters. Studies find that the responsiveness of income poverty to growth increases significantly as inequality is lower. Initial levels of inequality in assets (land and education) also determine the poverty impact of growth, as do gender and ethnic inequalities. Addressing these structural inequalities thus becomes a crucial component of a poverty reduction strategy.
>
> For a long time there was concern that greater equality in different dimensions would come at the expense of lower growth. More recently, however, empirical studies have tended to show that more equal societies can actually grow faster. This is true of assets inequality and gender inequality, for example. Thus greater equity in these dimensions has a double impact on poverty reduction – because the impact of any given growth rate on poverty reduction is greater, and because the growth rate will be higher as well.
>
> (World Bank, 2000: Summary, para 13)

The search for a means of combining reasonable levels of economic growth with greater equity is thus emerging as a strong theme as the need to achieve the 2015 targets becomes more urgent. Since the neo-liberal policies of the last two decades appear to be causally related to growing inequity, the implication is one of a serious re-appraisal of the way in which globalisation and liberalisation are managed. For example, existing approaches to globalisation, comprising market liberalisation accompanied by increased attention to human capital formation (largely through improved health and education provision) now appear as insufficiently interventionist and redistributive to reverse the pattern of rising inequity and to make IDTs attainable. The implication is that a more vigorous approach to redistribution is required, one that recognises that the behaviour of the 'market' is determined by how it is constructed socially.

Thus, for example, the initial distribution and subsequent redistribution of assets in society is vital in structuring market behaviour and in determining whether this will be pro- or anti-poor, and indeed, in determining whether there are such categories as 'rich' and 'poor' at all. (Such distribution and redistribution are of course the outcome power/class structures negotiated and contested at the level of the state and beyond.) Initial asset distribution is important since it influences the rest of the development strategy in a variety of ways; for example, more equality leads to more widely spread education, and it may lead to mass markets for labour intensive consumer goods rather than elite goods. The consequent political economy tends to favour more pro-poor economic decisions.

A key related issue in this regard is land reform. Initial land reform laid the foundations for the subsequent economic success stories of South Korea and Taiwan, and (from the perspective of this report) will be central to any attempt to develop a development model founded on social and environmental sustainability in the South. As Binswanger and Lutz have pointed out:

> More than two thirds of the poor in the developing world live in rural areas. The poverty there is not only wider spread, but also deeper, as measured by income and by nutritional status. Ironically, hunger prevails in areas that grow food. Rural growth is necessary for rural poverty reduction, but it is not enough, as Brazil dramatically shows. Growth must generate

> employment on farms and in the rural non-farm sector. This outcome is more likely to occur where family farms dominate, rather than large, capital-intensive commercial farms. (Binswanger and Lutz, 2000)

A closely related issue is therefore the strengthening of the capacity of the state to manage globalisation in the interests of poverty reduction. The impact of the first wave of structural adjustment programmes in the 1980s and early 1990s has been to undermine the capacity of state institutions through reductions in public spending and in the state's role in both macro- and micro-economic management. This has had damaging consequences for the ability of these states to redistribute wealth through processes such as agrarian reform, progressive tax reform or raising the minimum wage (and, relatedly, as we have seen, to enforce environmental legislation). Asian countries such as South Korea, Taiwan and Malaysia that have achieved growth with equity have done so through strong and capable state intervention in the economy to ensure equitable outcomes (CAFOD/Christian Aid, 2000). This line of argument suggests, therefore, that such states provide lessons in achieving high domestic savings and investment rates, effective co-operation between state and private sector over investment and research and development, and the effective timebound nurturing of infant industries. At the same time, they are seen as exemplars of how to combine import substitution and export-led growth at different stages of national development. Progressive tax reform is seen to be central to any attempt to shift to a more pro-growth trajectory since, according to the draft World Bank Report, 'Studies have found that measures of redistribution, such as marginal and average tax rates and different types of social spending, have, if anything, a positive effect on growth rates' (World Bank, 2000: sec. 2.17).

This more interventionist, post-Keynesian line of thinking is also associated with advocacy of deepened democratic decision-making processes. Thus at their 1999 annual meetings, the IMF and World Bank announced the introduction of a new 'Poverty Reduction Strategy Paper' (PRSP), the intention being that an inclusive national debate should enable governments to draw up a genuinely 'owned' national poverty reduction plan. Discussing this issue, the draft World Development Report 2000/1 concludes:

> How well states take on the interests of the poor depends on the participation of the poor in political processes and on the quality and orientation of organisations in political and civil society, especially the extent to which they mediate the voice of the poor to the state. Empowerment of the poor with respect to institutions of the state is thus both good in itself and instrumentally, as a way of ensuring that state institutions do indeed become pro-poor. (World Bank, 2000: Summary, para 31)

This 'post-Keynesian' position occupies an important but still subordinate position within government thinking. If crises of neo-liberalism and indicators of inequality persist, then doubtless this pro-poor interventionist tendency will grow commensurately. Post-Keynesianism does not, however, concern itself in any fundamental sense with environmental or indeed socio-cultural sustainability. Whilst, unlike neo-liberalism, securing increased welfare according to economistic criteria, it retains an uncritical adherence to 'economic growth' as the essential means to alleviate poverty.

CHAPTER 2: ANALYTICAL DECONSTRUCTION OF KEY ASSUMPTIONS

In exploring the linkages between globalisation/trade liberalisation and social equity/environment issues, it appears necessary to critique neo-classical economic assumptions in two fundamental and related ways. The first is to question its understanding of economic growth and poverty by the need to define a wider conception of welfare premised on human development criteria. The second is to question fundamentally its ontological assumptions regarding the 'economy' and economic agency, in particular neo-classicism's 'disintegrated' and mechanistic understanding of relations between the categories 'economy', 'politics/society', 'state', and 'environment'.

In respect of the first issue, traditionally, neo-classical economics has defined human welfare narrowly in terms of economic welfare, identified as 'that part of social welfare that can be brought directly or indirectly into relation with the measuring rod of money' (Pigou, 1932). Shorn of Pigou's original caveats concerning the need to take into account other aspects of social welfare, this narrower definition has been employed to legitimate a singular focus upon economic growth as the key to poverty alleviation. This approach would seem to be flawed in three respects. First, a singular focus upon the 'measuring rod of money' as a measure of welfare enables neo-classicism to define poverty as an 'original state of being' of human kind, since by definition consumption in pre- and non-capitalist societies does not take place principally through the medium of money. Thus non- or partially-monetarised societies or populations which may well satisfy wider criteria of human development are automatically defined by neo-classical economics as living in poverty, thereby legitimating the commoditisation of those societies/populations through a change to capitalist relations of production and consumption. Second, this definition of poverty as an 'original state of being' enables neo-classical theory to deflect attention away from the political origins of poverty as defined according to a wider range of criteria. In other theoretical approaches, however, poverty can be demonstrated to derive from unequal relations of power that deprive the poor of traditional access to essential resource entitlements, entitlements that, in the absence of countervailing power relations, would enable such populations to satisfy sustainably a broad range of (if not all) human development criteria. Third, money should be employed at best only as a proxy measure of the ability to secure material necessities, perhaps best defined non-monetarily in terms of consumption. Additionally, however, adequate definitions of welfare/poverty need to be widened to incorporate new criteria. As Amartya Sen has argued, 'there is a strong case for judging individual advantage in terms of the capabilities that person has, that is the substantive freedoms he or she has reason to value. In this perspective, poverty must be seen as the deprivation of basic capabilities rather than merely as low incomes, which is the standard criterion of poverty' (Sen, 1999). In its draft World Development Report, the World Bank has now accepted the need to incorporate additional criteria as the basis for defining poverty. Thus the Bank 'accepts the now traditional view of poverty as encompassing not only low monetary income and consumption, but also low human development, such as education, health, and nutrition. It also goes beyond these dimensions to include risk and vulnerability, and voicelessness and powerlessness. This broader concept is supported by the voices of the poor themselves and by philosophical and analytical arguments for viewing poverty and the experience of poverty in its social context. And driving this broadening is the prospect of new lines of inquiry that will expand our understanding of the causes of poverty and therefore of actions to fight it' (World Bank, 2000: 1.2).

An essential criterion not explicitly identified in this expanded definition of human development/poverty is that referring to the need for development to be environmentally sustainable. Appropriate human development must equate to sustainable development. Sustainable development is not a luxury optional extra but an unavoidable necessity. To qualify as sustainable development, development needs to satisfy a number of criteria which may be identified as follows:

- Satisfaction of basic human needs in nutrition, health and education
- Satisfaction of social equity criteria including equality of access to resources, assets and political decision-making and non-discrimination on the basis of ethnic/racial origin, gender or class
- Satisfaction of socio-cultural sustainability criteria such as nurturing of family and community structures, cultural traditions, etc (where these conform to the above)
- Satisfaction of environmental sustainability criteria entailing the need to utilise sustainably (according to objective, non-economic criteria) natural resources – fisheries, forests, minerals, soils, etc – and natural services – e.g. climate regulation and pollutant dispersal

These criteria for sustainability have profound implications for manner in which development is prosecuted since they mean, *inter alia*, that no longer can a singular and uncritical focus on economic growth, even growth with equity, be sustained. Indeed, growth itself may compromise in many instances other sustainability criteria. However, this paper does not conceive this to be a fundamental problem since a focus on growth, it will be argued, is to misidentify the causes of, and solutions to, the twin issues of poverty and environmental sustainability. Neo-classical theory, for its part, denies of course the possibility of a contradiction between growth and environmental/social sustainability so long as markets function properly to internalise costs. That this denial is the result of a misunderstanding of the character of the market in capitalism, and of a failure to conceive of the internal relationship of the market to socio-political structures, leads us now to the second issue, a critique of the ontological foundations of neo-classical theory.

The theoretical bases of neo-classicism's optimism regarding globalisation/trade liberalisation and its relationship to poverty alleviation and the environment appear deeply flawed. Most fundamentally, its failure to conceive of the market as structured by socio-political relations enables this theory to neglect, and/or to misidentify the causes of, important structural issues such as widespread poverty and inequality of access to land. This leads to a greatly reduced capacity to predict, let alone to address, the environment and socio-economic impacts of trade liberalisation. In order properly to conceptualise the relationship between trade liberalisation, the environment and poverty there is a need to understand the *internal* (not mechanistic) relations between socio-political and economic structures as determinants of changing market configurations. This alternative conceptualisation requires us to refer to an alternative theoretical paradigm which can be identified as political economy. This holds firstly that environmental degradation associated with increased production and consumption or relocation of production and consumption should be viewed as integral, not contingent, features of capitalism and capitalist trade. Thus environmental degradation cannot be viewed as an externality readily corrected through policy change. Neo-classicism fails to consider resource consumption and degradation as an integral part of capitalist development; the structural and scale changes induced by accumulation, of which enhanced trade is a part, are largely ignored. However, as the benefits to capital accumulation of trade liberalisation arise precisely from its reallocation of production and the increase in consumption that it facilitates, so do the environmental disbenefits.

Secondly, political economy holds that varying levels of social inequity are necessary structural, not contingent, features of capitalism and that these levels of inequality will tend to be greatest where neo-liberal, rather than state interventionist, policies predominate (strictly speaking, neo-liberalism implies state regulation in favour of certain, particularly multi-national, capitalist interests). Rather than comprising a system made up of individuals with relatively equal power and assets as portrayed by neo-classical theory, capitalism arose as, and remains, a class system. Capitalism is therefore characterised by inherent tensions regarding the generation and distribution of economic surplus and, in particular, regarding the determination of profit versus wage levels. It is also characterised by tensions between capitalists as they compete over the appropriation of the means of production and of effective demand. Competition and the consequent search for higher profits imply to sets of reactions at the level of individual capitalists that are contradictory at the level of social capital (i.e. capitalism as a whole). First, the introduction of new technologies and new rationalisations of the work process in order to increase the productivity of labour. Second, the suppression of labour costs by restricting wages to the minimum allowed by prevailing political norms or power. Increased labour productivity implies that the production capacity of the economic system increases, that there is more product per employed worker. Restricted wages and labour-saving technology imply that development of consumption tends to lag behind the development of productive capacity. There is therefore a basic internal contradiction in the capitalist system: the labour force as a buyer of commodities is important for the market. But as a seller of its own commodity – labour power – capitalist society tends to keep the labour force down to the minimum price possible. Capitalists and capital are therefore in tension. To each capitalist, the total labour force, with the exception of his/her own workers, appear not as workers but as consumers. One of the main features of the capitalist system is the fact that what is to the advantage of the individual capitalist does not necessarily benefit all capitalists as a class. If one reduces wages he/she is able, *ceteris paribus*, to expand production; but once all do the same thing, the result will be entirely different. This contradictory relationship in capitalism results in periodic, alternating 'demand-side' and 'supply-side' crises. The current round of globalisation and pursuit of trade liberalisation can be identified as a response to the 'supply-side' crisis that came to a head in the 1970s, a response that has also included the rapid development of information technology as a means to increase labour productivity.

Capitalism may thus be described as a structural process of open-ended accumulation through commodity production and consumption, the contradictions of which constitute the motive force behind capitalist transformation. Capital accumulation is premised upon the realisation of surplus value, dependent in turn upon the exploitation of labour and, through this, upon the environment as the conditions of production. Capitalism therefore not only implies a systemic increase in the consumption of resources through time, it also implies, under competitive conditions, the systemic drive to externalise environmental and social costs. The freer capital is to compete, the greater will be this urge to externalise costs.

Additionally, the process of capital accumulation occurs in a world economic system that is structurally heterogeneous. This heterogeneity is the product of uneven development whereby some areas of the system, the 'developed countries' or the North have become to a considerable degree socially and sectorally articulated, whilst others, the 'developing countries' or the South, in part through subordination to the North, remain to a considerable degree socially and sectorally disarticulated. Overtime, accumulation occurs through a sequence of periods of expansion or cycles of growth interrupted by periods of stagnation and crisis. The macroeconomic foundations of such periods of expansion may be characterised as 'regimes of accumulation' (Lipietz, 1987). Capital accumulation, because of its crisis prone and contradictory character, actually *requires*, in marked contrast to the claims of neo-classicism, state institutional and support systems that attempt to resolve such contradictions and stabilise regimes of accumulation. This alternative conceptualisation of capitalism immediately throws up the need to make internal theoretical linkages between the 'economy' and 'politics', the 'market' and the 'state'.

In order to understand the character and origins of the current round of globalisation, which may be described as a neo-liberal regime of accumulation, we need to refer to the rise and demise of the regime that preceded it, which we may describe as a Keynesian regime of 'regulated capitalism' (Lash and Urry, 1987). Regulated capitalism arose in the 1930s as a response to the demand-side contradictions of an earlier liberal regime of accumulation. The development of regulated capitalism was founded on mass consumption realised through the growth of disposable incomes and increasingly global markets, managed through the Bretton Woods institutions in the post-war era. A critical set of norms and policies maintained a congruent relationship between the growth of production and consumption, thereby helping to sustain and legitimate high levels of economic growth. These comprised such monopolistic forms of regulation as Keynesian economic management, the welfare state and collective bargaining, achieving a sectoral and social articulation between production and consumption. This regime of accumulation achieved its fullest development in the countries of the North, whilst being realised at best only partially in the South, where entrenched elite interests and subordination to the North precluded full implantation. The mode of political regulation associated with this regime may be described as social democracy which, through its commitment to growth with equity, for a time successfully reconciled the demands of socialism with those of capital accumulation. This regime was additionally facilitated by the geo-political interests of the USA in building bastions of economic prosperity around the communist block, an ideological conjuncture that enabled growth with equity to be implanted in Japan, South Korea and Taiwan in addition to Western Europe. (It is perhaps no accident that the demise of communism has ushered in an era of intensified neo-liberalism, that is growth with inequity.)

From the 1970s, however, the regulated capitalist regime became increasingly crisis ridden. Increasing competition between the now highly capitalised economies of Germany and Japan and the older capitalist economies of the USA and Britain meant that, increasingly, rising wages, declines in productivity growth, over-capacity and over-production were highlighted as structural problems in these latter two countries. Under conditions of increased competition, Keynesian instruments tended to become inflationary and the nationally based model of sectoral and social articulation came under increasing pressure. For US and UK capital particularly, there arose a strong imperative to reinvigorate productivity and profitability and this was sought increasingly through new production locations, markets and products and modifications to labour conditions. Increased 'flexibility' of work practices was sought at home whilst enhanced accumulation opportunities abroad were demanded through reductions in tariff and non-tariff barriers to trade and through the removal of constraints to capital investment. In this way, an era of greatly increased capital mobility was ushered in, legitimated under this new neo-liberal regime of accumulation by the neo-classical theory of comparative advantage.

Unfortunately, globalisation as neo-liberalism tends to generate capital accumulation with inequity. This is particularly the case in the South, where it has a tendency to reinforce, rather than to remove, pre-existing socio-economic inequalities. In short, neo-liberalism/trade liberalisation, in failing to address such inequities, has the effect of perpetuating, some would say deliberately, a form of capitalism which may be described as disarticulated, or socially non-inclusive, accumulation. This may be explained as a result of the key difference between social disarticulation and articulation, the latter characteristic, as we have noted, of the countries of the North. This key difference originates in the sphere of circulation of commodities, that is, in the geographical and social location of the market for capitalist production. Under social articulation, market expansion, as we have seen, originates principally in rising national wages; under conditions of social disarticulation, however, it originates either abroad (that is, principally in the North) or in profits or rents. This key difference derives from the divergent class structures characteristic of these two broad categories of economy, together with the subordination and dependence of disarticulated upon articulated economies within the system of global accumulation. Since, under conditions of disarticulation, labour represents only a 'loss' or cost for capital, the exercise of individual capitalist rationality in the context of competition implies the perpetuation of low wages. The contradiction between individual capitalists and social capital concerning the level of wages present in articulated economies does not occur therefore. In other words, the development of both production and consumption capacities is maximised by minimising labour costs. Under these conditions in which there is a very limited internal market, the production of commodities becomes heavily dependent upon a limited number of middle and upper class consumers and the external market. The political impact of this economic and class configuration is a reduced capacity on the part of national capital to tolerate reform projects designed to achieve higher levels of social inclusion, even of a mildly redistributive kind. Capital views economic concessions to the national labour force as a source of increased costs to it, not as a necessary vehicle for internal market expansion. Social disarticulation therefore provides a rationale for the perpetuation of regressive and repressive labour policies. This rationale is the outcome of the, often highly, asymmetrical power relations that characterise state class structure in the South, relations which Northern multi-national capital exploits and seeks to perpetuate under the guise of comparative advantage. This relationship has been further reinforced with the advent of debt crises and structural adjustment policies during the course of the 1980s and 90s, in which cuts in pro-poor government spending and an enhanced emphasis on export-orientation have served to strengthen the position of those with economic and political power and weaken those without. In short, neo-liberalism could be said to represent a symbiotic relationship between the interests of Northern multi-national capital and those of economic elites in the South.

A political economy approach therefore identifies the trend towards loss of national control over resources to multi-national capital under free trade, and the role of historical class relations and inequalities within and between states, both of which tend to promote social inequity and environmental degradation. This alternative understanding of the forces underlying globalisation and trade liberalisation provide us with a basis from which to undertake a more detailed critique of neo-classical assumptions with particular reference to agriculture, food security and the environment. As we saw in Chapter 1, neo-classical economics takes an optimistic view of the relationship between trade liberalisation and the environment/food security because of the three key tenets on which it is based – growth, comparative advantage and competition/efficient allocation of resources.

First, with regard to growth, the assumption that it will generate environmental benefits is fundamentally flawed since there is an internal relationship between growth and resource consumption. Although resource-use patterns will change with increasing GDP and incomes, growth necessarily entails more resource use. A simple comparison of consumption patterns across countries of the North and those of the South suffices to show that growth increases resource use dramatically. For example, a conservative estimate suggests that, per capita, the USA consumes resources at 100 times the rate of India – in other words the USA has a resource equivalent population of 25 billion Indians. There is clearly no way in which that level of resource consumption can be replicated across the planet either from the point of view of resource supply or from pollution and waste assimilation capacity. Neo-classicism simply points optimistically to the slight improvements in pollution control and efficiencies in resource use characteristic of some Northern countries and assumes that growth equates with greater environmental quality. These, however, are cosmetic improvements that simply reduce marginally the rate at which resources are consumed. Since capitalism is premised upon open-ended growth, and since growth cannot be decoupled from resource consumption beyond a certain point, any increases in efficiency will sooner or later be cancelled out by continued growth. Neo-classicism fails to appreciate that developed countries have not reduced their absolute reliance on natural resources (merely their share in GDP), that their absolute rate of consumption of such resources continues to increase, and that imported natural resources are crucial to Northern economies. These facts have a number of fundamental implications for understanding development and for development policy. The first is that the North is increasingly parasitic on the South for its supply of natural resources and, by the same token, is depriving the latter of the bases for environmentally sustainable development, let alone growth. The second is that growth is premised very largely on increased labour productivity achieved through the use of non-renewable energy sources, principally hydrocarbons. Such sources are not available in quantities that would enable Northern production/consumption levels to be widely replicated. Even if such replication were possible on the basis of hydrocarbons, the implications for pollution and climate change would be unsustainable. Current consumption and emission levels are already unsustainable (very largely as a result of Northern consumption) and the latter will need to be reduced to at least 80% of 1990 levels to stabilise climate change. The third is that, consequently, the notion of poverty alleviation through growth is largely illusory. Human development goals will need of necessity to be secured by redistribution of assets in the means of production both within and between countries. Human development goals, and any growth that does occur, will need essentially to be founded on the sustainable use of renewable resources. Scarcity, pollution, climate change, and the degradation of resources, and of the natural systems underlying them, present real limits to continued orthodox growth whether of a neo-liberal or more interventionist kind. Already, many ecosystems have been degraded to the point where they can no longer fulfil their functions in recycling soil nutrients, flood prevention, erosion control, maintaining the stock of biodiversity, and replenishment of the atmosphere.

Trade liberalisation does not, contra neo-classical theory, lead to a proper valuation of the environment. Rather it exacerbates the inequitable and unsustainable character of capitalist growth. The internal growth dynamic of capitalism and its competitive character forbid any appropriate valuation or conservation of environmental goods and services. Indeed any appropriate valuation, as suggested above, would bring growth to a halt. Rather, neo-liberalism, in its studied neglect of differential power and access to resources in the South, appears designed to secure for Northern multinationals enhanced access to those resources and to the poor as labour sources. In other words, the logic of neo-liberalism is actually about enhanced accumulation through the *externalisation* of environmental and social costs.

Neo-liberalism entails the enhanced shaping of markets, policies and institutions by the politically and economically powerful to promote consumption primarily in the North and the displacement of environmental and social costs primarily onto the poor in the South.

Second, in respect of comparative advantage, there is a need to identify the real determinants of this theoretical construct. Neo-classical economic theory states that countries will export those products that they produce relatively efficiently. This means that countries will export those products that are intensive in their relatively abundant factors of production. For many countries in the South these factors are labour and natural resources. The key term here, however, is *relative*. Comparative advantage in natural resource-intensive products may not reflect an absolute abundance in those factors but rather a relative scarcity of capital, including investment, human and technological capital. The relative efficiency of the commodity sectors in the South reflects the inefficiency, or non-existence, of an industrial or technological sector. It does not therefore reflect an absolute, or even a relatively strong, environmental capacity for commodity production. Trading patterns, as we have suggested, tend not to be determined solely or even principally by traditionally understood comparative advantage in factors of production, that is, the assumed innate characteristics of countries. What is understood as comparative advantage tends actually to derive from a conjunction of historical and macroeconomic conditions rather than from resource abundance patterns or environmental suitability. Successful development of primary export industries depends not merely upon underlying differences in resources but also on historical specialisation, government policies, infrastructure, market imperfections, and exploitation of economies of scale. What appears as a comparative advantage in the marketplace is actually a competitive advantage rooted not only in the factors of production but also in such historical developments as infrastructure investment, accumulated knowledge, and established marketing networks. Contra proponents of trade liberalisation, patterns of specialisation that exist today, for example the 'developed' status of the North, are not the product of a free trade system, but rather the product of interventions in the logic of capitalist competition to secure particular patterns of investment and heightened levels of social inclusion. Political economy holds therefore that it is crucial to look to the historical, state and class determination of trade patterns in order to understand actual and proposed configurations of resource use rather than to neo-classical theory.

Once this fundamental qualification to our understanding of comparative advantage is accepted, any argument for a strong correlation between absolute resource abundance and development of export industries becomes suspect. Much of the trade-environment policy literature assumes, misguidedly, either that there is such a correlation or that so-called relative environmental capacity or tolerance of environmental degradation is more important than absolute capacity. From a global perspective, however, absolute or objective environmental limits and capacity are crucial. A particular habitat type, for example, may be locally abundant but if it exists nowhere else in the world, it is globally scarce. This absolute global limit will not be taken into account when local resource use decisions are made based on the perceived abundance of a habitat type. Relatedly, the subordinate position and structural limits faced by the South in the global economic system, in combination with inequitable class structures, have profound implications for the environment and agriculture. Markets for commodities are formed by the shape of the global capitalist system described above, with articulated development determining the location of most markets in the North and disarticulated development/unequal power relations in the South structuring a willingness to satisfy demand on the basis of unsustainable resource exploitation and cheap labour. These global economic characteristics structure international terms of trade, foreign exchange shortages and constraints on imports and exports for countries of the South. Exacerbated by debt crisis and structural adjustment programmes, the latter are struggling to obtain badly needed foreign exchange in the face of demand-side limitations on export earnings. For countries facing such foreign exchange constraints and characterised by economic elites with the power to appropriate resources from their traditional owners/users, natural resources often have much higher value as exports than they have in the production of non-traded, domestically consumed products. Natural resource use in the South reflects therefore, not necessarily a particular abundance of such resources, but rather the opportunity, and necessity imposed by the North, to exploit them.

Natural resources provide a cheap means of obtaining valuable foreign exchange because their market value (exchange value) reflects only the costs of extraction, payable in domestic currency, not the real use value of the resource either to local people who may traditionally have used it or in terms of its environmental service function. Additionally, poor terms of trade for commodities mean that foreign exchange is very costly from an environmental viewpoint. For example, devaluation, as required by structural adjustment policy, helps a country to expand exports by lowering the foreign currency price of its products. This is a means of manipulating demand abroad, or at least its share of demand. Whilst more production is then required to earn the same amount of foreign exchange, demand also expands. If production is to meet expanded demand, physical production growth, through expansion of natural resource use, must exceed the change in exchange rate value. Domestic opportunities that are lost in consequence include not only production for domestic use, but also the conservation of resources.

These comparative advantage issues are linked closely to land use. The trade-agriculture-environment debate has largely ignored the fact that countries of the South hold a comparative advantage in agriculture not solely or even primarily because they have a relative abundance (much less an absolute abundance) of agricultural resources (productive soil, sufficient water, suitable climate) in comparison with the North. That capitalist agricultural production may shift increasingly to the South under a neo-liberal scenario in no way implies that the natural resource base there is better suited to support agricultural 'development'. Rather, as a result of a history of disarticulated development and subordinacy to the North, these countries have relatively small industrial sectors and large agricultural sectors (often dominated by powerful landowners happy to compete globally by externalising costs), pressing needs for foreign exchange, and little control over prices or markets.

Third, in respect of competition and efficiency, it is claimed that that the latter, in terms of resource use and poverty alleviation, gains from the former. Capital, however, measures efficiency only through increasing labour productivity, and through this, reductions in the cost of resource use. As we have seen, capitalism has an in-built need to expand resource use to feed production and, while competition may entail attempts to increase efficiency per unit of resource used, growth itself, of which competition is a key component, will cancel out such efficiency gains. Additionally, resource efficiency is of interest to capital only in so far as it is reflected in cost, and competitive pressures may equally drive capital to seek efficiencies through externalising environmental and social costs. Indeed, only a limited share of the putative gains in consumption under trade liberalisation derive from increased efficiency of production; the remainder flow from increased production. In terms of resource use, therefore, the impact of increases in production will tend to outweigh the impact any efficiency improvements and increases in productivity of resources. From an environmental perspective, it is the actual objective levels of extraction and production, not economistic measures of productivity or efficiency, that are the decisive determinants of sustainability. Whilst trade liberalisation in the South may reduce some industrial forms of environmental degradation by reducing the level of capital- and pollution-intensive industry (through the removal of perverse subsidy and/or elimination by Northern competition), growth under liberalisation is predicated on expansion of production, particularly in the primary sectors. Resulting extensification and intensification of production, principally by capitalist producers, will entail environmental degradation and further marginalisation of small farmers.

The particular character of capitalist production in agriculture in combination with the peculiar class characteristics of disarticulated accumulation, have clear adverse impacts for the environment and poverty/food security in the South. As we have noted, trade liberalisation has a tendency to reinforce these characteristics. The capitalist dynamic, manifested in globalisation, tends to induce uniformity of production, increased concentration or scale of production and, in part as a result of uniformity and concentration, increased volatility.

The growth of large, often global markets, has changed the configuration of production. Globalisation, generated and facilitated by the growth of multinational corporations, promotes standardisation of products and production processes. The uniformity of products facilitates trade under capitalism but also permits rapid shifts in production from one source to another as prices and markets change, with minimal disruption to capital. Such commoditisation of all production promotes competition and 'efficiency' (that is, low costs), key desiderata of neo-liberalism. It also reduces economic and environmental stability for producer countries and, in the case of agriculture, uniformity of production leads to specialisation and homogenisation of ecosystems. Neo-classical theory treats the resource base as an exogenous variable, but the shape of economic activity has fundamental implications for resource use. Thus agricultural specialisation leads to substantial alteration or destruction of ecosystems and landscapes, for example, the replacement of the diversity, stability and sustainability of ecosystems and traditional agricultural systems with monocropping.

Capitalism and the creation of international markets generate pressures for large-scale production. As a result, monocropping, mechanisation, and increased use of chemical inputs (dependent on the use of external and non-renewable resources), often a prerequisite for participation in global agricultural markets, replace more diverse ecosystems and small-scale farming methods (dependent primarily on the use of internal, recycled renewable resources). These changes alone may cause substantial environmental changes, as small-scale subsistence farms are replaced by large modern operations, producing for export. There tend, additionally, to be equally important indirect environmental effects. The spread of large-scale agriculture has greatly reduced the availability of good agricultural land for small farmers while mechanisation has often reduced the labour requirements of large farms. Liberalisation therefore tends to benefit medium and large producers at the expense of the mass of smallholders. Small farmers are often unable to produce sufficient food to meet family subsistence requirements, let alone produce for international markets, due to lack of adequate access to fertile land, whilst farm labourers are left under- or unemployed. This results in environmentally destructive migration often to fragile tropical rainforest areas and/or increased use of marginal lands.

We can examine in more detail the poverty and food security aspects of such inequitable growth in agriculture, by reference to Latin America. Latin America is characterised by marked inequalities in access to land, in which the privileged and powerful have sought to retain control over assets and to exploit enhanced opportunities for accumulation under neo-liberalism. Opposition by Latin American oligarchies to effective land reform and to a model of socially inclusive development has meant that large producers have tended to shift production away from traditional food staples into non-traditional products for export to the global North. This trend, and the consequent benefits to large landowners, has been substantially reinforced under neo-liberal policies of the 1980s and 90s as the debt crisis has forced a focus on the maximal generation of foreign exchange earnings. This differential development of the capitalist agricultural sector vis-à-vis the peasant sector has generated a number of closely linked contradictory effects. Neo-liberalism, in combination with disarticulated accumulation, constrains the price of wage foods more severely than exportables and luxury consumption foods. Development in the capitalist sector tends therefore to be biased towards these latter, in this way easing balance of payments crises but worsening deficits in the production of wage foods. Since the 1970s, coinciding with the introduction of neo-liberal policies, Latin America has experienced a major agricultural revolution in the production of exports and high-income oriented commodities. Such production, undertaken by large landowners, occupies the most productive land and pushes peasant production, primarily of wage foods, onto the more marginal and ecologically fragile lands. The production of wage foods has thus fallen behind effective demand and the deficit, within the constraints imposed by structural adjustment policies, has been met by cheap food imports, primarily from the USA. Such imports undercut peasant production, encourage a shift in diet towards wheat-based products and foods of lower nutritional value and consequently, to a further marginalisation of smallholder agriculture involving traditional staples. The result is increased food insecurity both in terms of supply of local staples and in terms of the purchasing power of the peasantry.

In Latin America, the development of the capitalist sector under neo-liberal policies has tended to entail the monopolisation of the most productive land and the marginalisation of the majority of the peasantry to small plots on thinner soils and less favourable topography. The result has tended to be semi-proletarianisation for the majority of the peasantry and outright dispossession for the least fortunate. The basic parameters of the resulting linked crisis of poverty, food security and environment has been outlined by de Janvry et al:

> The Latin American peasantry has been the victim of a 'double (under)development squeeze... On the one side, the peasantry has been unable to protect access to land and average farm size has been declining, forcing peasant households to seek sources of income outside the farm... At the same time, employment opportunities...have grown slowly, permanent workers have been increasingly replaced by seasonal workers...Peasants become increasingly dependent on wage earnings as a component of household income-but without becoming landless as they maintain continued access to a plot of land, however small. With peasants thus existing as a residual category, with insufficient access to either land or employment, they account for the bulk of poverty in Latin America.
> (de Janvry et al., 1989: 396-397)

The end result of this squeeze is that peasants resort to increasingly disparate and desperate livelihood strategies. These include local agricultural labour within the community or region, migrant agricultural labour in the export sector, and cyclical urban and even international migration, all of which divert productive labour from household agriculture, making efforts to undertake sustainable increases of production more problematic (even if this were feasible given limited access to land). This 'double squeeze' of declining land and employment opportunities is occurring within a neo-liberal context of shrinking government resources and/or willingness to address the contradictions arising from these multiple and inter-related economic, social and ecological crises. Indeed, new agrarian legislation enacted in countries such as Ecuador and Mexico during the 1990s has been designed and implemented in ways that actually weaken further peasant land entitlements and strengthen the position of larger, capitalist producers.

Finally, the liberalisation of trade and exchange rates does not change the volatile nature of international commodity and capital markets. Producers are subject to rapid price fluctuations, and severe competition, conditions worsened by the withdrawal of government support systems under structural adjustment. These conditions further exacerbate the short-term view and extensive use of resources characteristic of disarticulated development and export-orientation. Farmers may well respond to higher product prices with more short-term production, causing environmental degradation, rather than with long-term investments in conservation. The volatility of international markets contributes to a further concentration of holdings as instability and fierce competition drive out small producers. Given this instability, most economies dependent on commodity markets have little hope of achieving sustainable economic growth, let alone development, through exploitation of natural resources.

In conclusion, neo-classical discussions of trade, agriculture, environment and poverty have failed to address, because they have failed to understand, the substance of and relations between, several critical issues. We have seen that neo-classical theory has an inadequate definition and understanding of the causes of poverty and growth. Additionally, it has no understanding of the embeddedness of trade and growth within the process of capital accumulation, a process that is contradictory in terms of poverty generation and environmental degradation. Neo-classical theory propounds only a mechanistic and exogenous relationship between variables that are in reality internally related. Thus, transformations of social structure and the environment are intrinsic features of capitalism of which trade is an inherent part. These social and environmental consequences are not therefore externalities of international trade and capitalism; they are rather its direct products. Neo-liberal globalisation is a particular model of capitalism that accords greater economic power to private capital. The deregulated play of such 'market forces' not only ignores pre-existing wealth and power differentials in its operation and policy formulation, but actually exacerbates them. Thus, those who already have, gain more; those who have not, lose even more. Such politico-economic differentials are assumed by neo-classicism not to have politico-economic origins but are described and attributed euphemistically to innate 'comparative advantages'. The argument here is that poverty (not a political but a quasi-natural phenomenon) can be alleviated best by exploiting such comparative advantages through trade. This is illusory not only because the poor have no market power either as producers or consumers, but more importantly because it conveniently side-steps the thorny but crucial issue of inequitable access to productive resources and assets throughout much of the South. Without redistribution of productive means, any benefits that might accrue through 'expansion of the pie' will flow overwhelmingly to the already well-off. But neo-liberalism prohibits such redistribution both at the national level, through emasculation of the state and reinforcement of the status of the already powerful, and at the international level. As we shall examine further in Chapter 5, global institutions such as the WTO threaten to fix pre-existing differentials and inequities, thereby entrenching the power of capital both within and between countries. This will tend to preclude both the possibility of articulated development (on which the 'developed' status of the North is premised), as advocated by post-Keynesian theorists, and environmentally sustainable development, as proposed by political ecologists.

CHAPTER 3: CRITICAL APPRAISAL OF THE EMPIRICAL EVIDENCE FOR THE CLAIMED BENEFITS OF GLOBALISATION

Neo-classical theory maintains that trade and trade liberalisation generate growth and efficiency gains, gains that are said to alleviate poverty and improve the environment. By adopting an alternative body of theory, political economy, we have been able to deconstruct neo-classicism and to suggest that its key axioms are deeply flawed. At base, these flaws flow from neo-classicism's assumption that what is good for capital accumulation is also good for the population at large and for the environment. Its conceptual categories are designed to deny non-capitalistic rationalities, whether social or environmental, by asserting that these categories are universal. Thus, what is taken to be 'efficient' for capital is extrapolated uncritically, or perhaps deliberately, as the appropriate efficiency measure for society and the environment. We should be very aware, however, that what is efficient or sustainable for capital and what is efficient or sustainable for society/environment are two rather different things. Political economy suggests that trade and trade liberalisation are embedded within the expansionary and contradictory dynamic of capital accumulation as outlined in the previous chapter. The politico-economic relations within and between states affect fundamentally the distribution of gains and losses from trade liberalisation. The politico-economic power of actors is central in determining who has access to resources and who shapes resource use.

Political economy, however, is not simply founded on theory. It proposes an iterative relationship between empirical study-theory-empirical study. Empirical studies of trade liberalisation by political economy have found the following results. Exports have increased, often at an environmental cost. Poverty and inequity have worsened in many countries, in part because of cuts in social services and safety nets that have been central to budget-cutting efforts, but also because of changing trade and production patterns. Worsening poverty has increased short-term and probably long-term pressure on marginal lands. Capitalist sector production has sought to increase competitive advantage by externalising environmental and social costs, whilst governments' capacity and willingness to intervene on behalf of the poor has been reduced. Economic growth and export growth are central to government policy and are portrayed as the only way to alleviate poverty. Redistributive policies have largely been written off the political agenda as the symbiotic relationship between Southern exporters and Northern capital is strengthened. The unsustainable exploitation of natural resources offers a cheap way to support the twin goals of economic growth and the increase in exports.

We will first seek to substantiate these empirical conclusions with respect to the trade liberalisation/agriculture/environment relationship. We will then examine the empirical evidence of the relationship between trade and poverty alleviation. With regard to the first, it will be shown that neo-classical conclusions are founded almost entirely on *a priori* assumptions and that little or no empirical research has been undertaken to substantiate such conclusions. With regard to the second, it will be suggested that the data either do not support, or support at best only ambiguously, the assumed beneficial relationship between trade liberalisation and poverty alleviation. The latter suggest again that neo-classical policy proposals are predicated largely on *a priori* assumptions and/or evidence that the well-off benefit differentially from trade liberalisation. The latter, in fact, appear to lend support to the thesis that neo-liberal policies are designed to enhance accumulation for certain elements of capital rather than to generalise the assumed benefits of such growth. Moreover, of course, the criterion of economic growth fails to capture the wider dimensions of poverty/human development disbenefits generated in the process of neo-liberal accumulation.

Empirical studies employing the political economy paradigm have demonstrated that the expansion of export crops under neo-liberal policies since the 1970s has been at the expense of the peasantry and subsistence farmers. The latter's limited access to resources has generated both a food crisis in the production of food staples and environmental degradation. The displacement of the peasantry onto marginal lands is the corollary of expansion and growth in the commercial export sector. It should be evident that the environmental and social disbenefits of this process of disarticulated development are not the product of 'market failures' or of distortionary policies. They are, rather, inherent features of politico-economic structures that serve sectional interests. Neo-liberal policies are tending to reinforce pre-existing inequities in wealth and access to land. Thus internationally, current reforms accord global markets and international companies an unprecedented role in determining local resource-use patterns. These reforms are likely to exacerbate, hardly reverse, the bias that allows wealthy producers to undervalue natural resources, oblige the poor to exploit marginal environments and enhance rural poverty. International markets as currently constituted favour the concentration of resource holdings and uniformity of production and cannot, therefore, be expected to play a significant role in poverty reduction or conservation. Large-scale producers, especially those able to produce a standardised product demanded by international agro-industries, are best placed to participate in international markets. In the absence of government intervention, moreover, markets do not provide the stability required for long-term environmental protection and social sustainability. As trade and investment laws are liberalised capital becomes increasingly able to shift production from one crop to another or from one location to another as prices change or resources become degraded. These shifts generate social disruptions and a short-term perspective in resource use.

Many countries in the South are particularly vulnerable to environmental degradation and its accompanying impacts due to their heavy reliance on natural resources. This reliance on primary products for economic growth aggravates problems of dependence on unstable markets, pressure from foreign exchange demand, and poor or worsening terms of trade for commodities, as primary products fail to promote development of other economic sectors. Moreover, cutbacks in the role of the state, which have been central to neo-liberal reform programmes, have greatly reduced the capacity of the state to moderate the impacts of globalisation on national and local communities and environmental resources. As we have seen, the state has a crucial environmental and social role to play in planning, regulation, and enforcement. The nature of the impacts of trade liberalisation on the environment and society are fundamentally contingent on the nature of the regulations and institutions governing resource access and use. Of particular importance in the mediation of the impact of international markets on environment/society are tenure and use rights over resources. The prevalence of 'market failures' in respect of the environment and society, structured by national class patterns and international trade, requires government intervention to address these externalities. This should involve not only state intervention to 'get prices right' by implementing taxes and other instruments to ensure full pricing of externalised costs, but more importantly, to ensure that resources and access to resources are more equitably distributed in society. Institutions, regulations and frameworks for political choices related to the environment and social equity are required at local, national, and international levels of government. Unfortunately, many reform programmes have not only left such institutions severely weakened and under-funded but have compromised their willingness to engage in the counter reforms necessary to address environmental degradation and social inequity.

By contrast to the empirical-theoretical-empirical dialectic espoused by a political economy approach, neo-classical economics has been largely theoretical where it has chosen to address the trade liberalisation, agriculture, environment debate. As we have noted, neo-classical theory is grounded in a mechanistic and 'disintegrated' understanding of the relationship between trade, agriculture and environment, in which there is a highly uncritical approach to key categories employed as variables in analysis. The use of empirical data for measuring changes in trade and agriculture has been limited, and has been virtually non-existent for measuring changes in the environment. Model building has been, therefore, the primary tool employed to explore these relationships. Environmental impacts have been extrapolated from the results of partial equilibrium models and general equilibrium models focused on agricultural price and production effects. Whilst it is generally recognised that these models need to be tested with empirical data, this has not been undertaken either because of the paucity of data or, in other cases, because, in the circular logic of these models, the assumptions prove the hypotheses.

Empirical data are, for example, supposed to form the basis for monitoring the effectiveness of IDTs relating to sustainable development. The relevant IDT in this regard states that 'there should be a current national strategy for sustainable development (nssd) on the process of implementation in every country by 2005, so as to ensure that current trends in the losses of environmental resources are effectively revised at both the global and national levels by 2015'. DFID (2000a) admits that there are some particular difficulties in relation to indicators for the environment IDT which make measuring performance problematic. UNEP's 2000 Global Environment Outlook (UNEP, 2000) provides an assessment of this problem. It notes that much data on which it and governments rely are incomplete and sometimes non-existent whilst the quality of the data is of equal concern. There are problems of reliability and consistency between subject area and countries. Trend detection requires time-series data but many data comprise one-off collections of figures. Assessments at regional and global levels require the aggregation of data relating to smaller areas but this is only possible if the data measure the same variable in the same way and with the same precision. Available data, however, fail frequently to match such requirements. UNEP conclude that these shortcomings make integrated, cross-sectoral global assessment and trend analysis always difficult and sometimes impossible. Collection of data at official level is only just beginning, with the result that it will be some time before trends can be determined. GIS and other data systems could potentially play a useful role but have often failed because the public sector organisations responsible for using and maintaining such data bases lack capacity and resources (often because of the attenuated character of state services exacerbated by structural adjustment policies).

Against this background, there has been much discussion, so far inconclusive, on how to measure progress towards the environmental IDT. In 1998, a working set of core indicators for the environment was presented by a working group chaired by the World Bank. These indicators were as follows:

- Existence of nssds
- Percentage of population with access to safe water
- Intensity of fresh water use
- Land area protected
- GDP per unit of energy use
- CO2 emissions per capita and per country

These have not been formally agreed. A further four indicators have also been suggested:

- Urban air quality/ambient concentrations of particles
- Forest area
- Mangrove area
- Percentage of national area subject to desertification

There is a significant number of countries in the South which have no relevant data for many of these indicators. Where data are said to exist, they often derive from a modelling relationship rather than from direct measurement of observation (DFID, 2000a). Not only are many of the data employed at official level unavailable or deficient, therefore, the indicators themselves embody a conception of 'development' that assumes the non-integration of environmental sustainability into mainstream land use. Thus, for example, the indicator referring to 'land area protected' implicitly suggests a development model in which biodiversity conservation is to be 'secured' by sequestering limited areas of land outside the accumulation process, a process which is itself taken to be axiomatically environmentally destructive. Thus development models, and indicators, that might be premised on traditional land uses that generate biodiversity as a by-product of human use, as is commonly the case in non-capitalist systems, clearly have little place in this official framework. Thus, even were data available to support these official indicators, they would do little to elucidate whether progress was being made towards real or 'strong' sustainability.

Given inadequate official data and the highly selective manner in which indicators are chosen, any putative link between globalisation and positive environmental outcomes must be based on a series of truly heroic assumptions. In fact Government statements on this putative link are little more than assumptions, based overwhelmingly on modelling that employs a priori neo-classical axioms. Where empirical data are employed, they are accomodated to uncritically deployed neo-classical categories, thus serving simply to legitimate those same conceptual categories. Additionally in this regard, it is quite essential to appreciate that poverty generation and environmental destruction did not begin with neo-liberal globalisation. Rather, they have been features of the South since the colonial era and have been perpetuated in the post-colonial era by national elites in collaboration with Northern interests. What neo-liberal globalisation has done is to enhance the occurrence and intensity of these features, often by considerable margins. The key issue here then is that poverty and environmental degradation are centrally matters of power and access to land, matters in which both the state and capital are focally embroiled. Simplistic oppositions between 'state' and 'market' characteristic of neo-classical discourse do little therefore to illuminate the politico-economic origins of the social and environmental crises in the South. The real point is that globalisation exacerbates and strengthens the pre-existing, unequal power relations that underlie environmental and social exploitation.

Since many quantitative models of environment-economic 'interaction' are constructed without data (models on which Government and international agency thinking is reliant), their results necessarily reflect the assumptions of the model rather than the actual events. As a consequence, 'empirical' work, as we have noted, often supports the theoretical findings. The characteristic response to such limitations is to call for more complex models and the enhanced quantification of variables in order to establish 'causal' links with economic policy (cf. Panayotou and Hupe, 1996). Such a response is flawed in three crucial senses. Firstly, the variables employed by neo-classical theory would need to be subject to critical appraisal to establish their real ontological significance; secondly, whilst the need for more empirical data is undoubted, these data are not necessarily amenable to quantification, and certainly not to econometric quantification; thirdly, and linking importantly to the first requirement, understanding must be premised on causality, not on mere correlation. The uncritical deployment of variables, and failure to assess their ontological status and causal relationships, allows crude correlations between them to be misconstrued as causality.

Thus, for example, it is commonly found that there is a correlation between poverty and environmental degradation since poor countries exhibit more indices of the latter than rich countries. This correlation is taken as evidence that, as countries grow richer, they will improve their environmental policies. This conclusion is founded on the initial theoretical assumption that the relationship should hold, and not on proof of causality. In order properly to make such a connection, we would need to understand what it is that comprises poverty, what it is that causes poverty and its assumed relationship to environmental degradation (it may actually be the rich in poor countries that are primarily responsible), and whether in fact economic growth actually decreases overall environmental degradation (which it does not, as we have seen), other than in a cosmetic sense. Again, to employ another example, the assumed positive correlation between trade liberalisation, growth and poverty alleviation tends to be exaggerated in part because of the uncritical neo-classical definition of poverty purely in monetary terms. This relationship may simply be a function of the fact that neo-liberal policies encourage increased monetarisation of economies, and particularly of the peasant sector. Thus when more subsistence-oriented production is replaced by cash crops, production on such land may enter GDP for the first time. Similarly, the marginalisation (semi-proletarianisation) of peasant producers may oblige them to enter the labour market for the first time, a change that for the first time registers in GDP. The assumption, however, that such changes have alleviated poverty or improved the environment is likely to be misplaced. Thus, although GDP may have risen, the real environmental costs to agriculture and the wider environment are likely to have increased commensurately, but the latter will be externalised due to inequitable power structures. Similarly, the commoditisation of peasant labour will register as an increase in GDP, but for the peasantry this may represent no net benefit since previously needs may have been met through non-monetarised self-provisioning. The need to sell labour, either on a seasonal or permanent basis, may entail additional disbenefits that remain uncaptured by a narrow monetary definition of poverty/growth. Such disbenefits are likely to include socio-cultural and environmental variables as communities and families are placed under increasing strain and traditional agricultural practices are increasingly compromised. The most important deficiency in neo-classical analysis is its failure to understand the political character of market relations and therefore of poverty/environmental degradation, a failure with fundamental implications for its policy recommendations.

Whilst some limitations of neo-classical theory are recognised, its proponents generally hold that, with enough information, a multi-sectoral computable general equilibrium model could be created that would accurately predict the results of trade liberalisation. Failing this, partial equilibrium models are held to offer a second best option. These models are highly abstract and, in addition to the deficiencies outlined above, necessarily fail to incorporate uncertainty and the irreversibility of some environmental and social changes (for example, gradual change in resource use may have sudden effects that are unpredictable and irreversible). In a review of efforts to analyse the environmental impacts of structural adjustment programmes, it has been concluded that most of these efforts have failed because they have not seen natural and social systems as open and non-linear (Mearns, 1991). The neo-classical approach sees relationships as simplistically causal, linear and intrinsically measurable, a conceptual structure that dictates an analysis of systems as if they were closed. In addressing the case of structural adjustment in Malawi, this author finds that the results, which were identified *ex ante* by the neo-classical model, are very different from those revealed by an *ex post* analysis. Mearns therefore promotes a systemic or 'soft' approach that he considers would be more appropriate to these complex problems and the available data, rather than relying predominantly on theory.

In a similar vein, other authors such as Panayotou and Hupe (1996) arrive at the conclusion that accurate determination of impacts may require consideration of an array of historical, supposedly exogenous/external factors not formally addressed in a given analysis. These authors suggest that conclusions should draw from different models, historical and other quantitative analysis, and balance the insights drawn therefrom. The implication here seems to be that we should employ an integrated interdisciplinary analysis to understand the complexity of trade, agriculture and environment relations. Whilst such an approach certainly takes us beyond the reductionism of neo-classical theory, there remains the risk that analysis of this type will become little more than eclecticism, hoping that by throwing various approaches together something will come out 'in the wash'. Such eclecticism is in fact unnecessary, since we have already identified a body of theory that has as a basic premise the integration of apparently exogenous/external factors into its main analytical body through critical engagement with theoretical categories. This body of theory is political economy.

Political economy employs a critical realist methodology (cf. Drummond and Marsden, 1999; Tilzey, 2000), that delves beneath surface level appearances to provide a multi-layered and powerful basis for understanding social systems and the causality of un/sustainable practices and events. This realist mode of explanation provides an interpretation of un/sustainable events and practices that extends beyond that provided by positivist frameworks such as neo-classicism. It is thus one that can begin to elucidate how sustainable development might be addressed in ways that transcend the limits of 'environmental managerialism' (symptom management). Political economy/realism explains events in terms of conjunctures between structurally defined causal mechanisms and contingent factors. Most current approaches to sustainability attempt to influence the causality of unsustainable events at the level of contingency. This is clearly inadequate. Political economy affords the opportunity to explain and to address the causal processes underlying contingency. Allied to regulation theory, which is centrally concerned with the contradictions and crises that emerge within capitalist economies, political economy/realism can throw considerable light on the causes of unsustainability. Potentially effective policy formulation requires a thorough understanding of how the dynamic and volatile nature of development is itself premised on the adoption of practices that involve unsustainable forms of exploitation of the environment and society and how these are able to achieve their own socio-political legitimacy. Political economy, realism and regulation theory supply us then with an historically and spatially grounded causal explanation of socio-economic change, with particular reference to the dynamics of capital accumulation. Political economy also recognises that economic accumulation is predicated upon the exploitation of material resources, such that economic change is conjoined to change, usually unsustainable change, in the environment. Economic change has an irreducible social rationality but its impacts on the environment should be measured only in objective environmental terms and in relation to environmental sustainability boundaries. In this way, environmental (and social) indicators should be defined in such a way as to elucidate meaningful empirical trends, meaningful in the sense that they reflect causal processes and enable causal processes to be addressed in policy.

Case studies undertaken within the conceptual framework of political economy now constitute a substantial body of literature documenting the adverse impacts of colonial, post-colonial and now neo-liberal policies upon agrarian populations and their environments in the South. Colonialism, of course, was itself a response to the continuing demand by Northern industrial capitalism for cheap raw materials (and to a lesser extent for markets). Colonialism, representing an earlier, liberal form of globalisation, re-organised agriculture in the South to supply Northern industries and consumers (McMichael, 1996). In this way, plantations and other kinds of cash-cropping arrangements emerged across the colonial world dedicated to specialised tropical exports ranging from bananas to peanuts, depending on local agro-ecologies. In India, for example, the production of commercial crops such as jute, tea, peanuts, and sugar cane grew by 85 per cent between the 1890s and the 1940s (ibid.). Colonial exports provided the raw materials for Northern capitalism, whilst colonial labour was severed from its traditional agricultural patterns as the colonists induced their subjects to work in cash cropping by means of a variety of forcible methods such as enslavement, taxation, land grabbing, and recruitment for indentured labour contracts. The introduction of cash cropping induced a fundamental restructuring in the productive and management practices of populations now subject to colonial rule. In the majority of pre-colonial societies, production (entailing environmental management as an integral part of the production process) was directed towards subsistence needs, which in the absence of politico-economic exploitation were relatively easily met, and surpluses were directed towards local markets. Integration into the global capitalist economy transformed this relationship fundamentally, since production now became progressively directed towards economic accumulation both by smallholders and by large capitalist firms such as the Bombay-Burmah Trading Corporation or the United Fruit Company, precursors of today's TNCs (Wolf, 1982; Rush, 1991; Bryant, 1997). In this way, colonialism not only resulted in massive environmental change, it also disrupted pre-existing patterns of productive and more sustainable manipulations of the environment.

The patterns of social and environmental exploitation that were initiated during the colonial era have been perpetuated throughout much of the South, albeit with a few notable but often brief exceptions, down to the present day. Neo-liberal globalisation has witnessed a reinforcement of these relations of exploitation both within countries and between the North and the South. Guatemala, for example, represents, in somewhat extreme form, a situation prevalent in much of Latin America. An oligarchic land-owning elite has retained its virtual monopoly of power in collusion with the military and with the assistance of foreign companies and US interventions. An export-oriented agricultural development model that favours large mechanised farms has further limited peasant opportunities for sustainable development. Attempts by an impoverished peasantry to seek change have been met with extreme violence by the oligarchy and the state. The erosion of peasant livelihoods and massive deforestation have been the inevitable results as *campesinos* have been obliged to cultivate steeper slopes in the highlands or to migrate to the tropical rainforests of the *Peten* (Colchester, 1993; Utting, 1993).

In Honduras, the cattle boom of the 1960s and 70s was funded in part by international investment, including funding from the World Bank intended to boost regional exports. Cotton lands and forests were converted to pasture as cattle stock rose rapidly. Large commercial farms became more capital intensive, while expanding the land-extensive system of cattle ranching. The low-labour, extensive production systems increased the number of rural landless and rural poor through marginalisation, forcing more intensive use of small-holdings and promoting further migration to marginal or tropical rainforest areas. The production of traditional food staples fell dramatically, threatening food security and the diversity of local crop varieties. Clearance of marginal land continued, contributing to deforestation, soil erosion, and watershed degradation. The latest export booms in the region are in shrimp and melons, both supported by policies favouring 'non-traditional' exports. Coastal land, including mangrove ecosystems and communally held resources, have been appropriated for shrimp farming by large companies, undermining traditional livelihoods of local people. Expansion of the industry is destroying habitats, blocking estuaries, and re-channelling rivers. At the same time, melon farming appears to be contributing further to the concentration of landholdings, to contamination of land and water resources through heavy pesticide use, and to depletion of the coastal aquifer. In every boom, the uneven growth of exports, supported by the state and international development organisations and determined largely by Northern demand, has created large-scale producers with superior access to natural and financial resources. Small producers are continually displaced and impoverished. Intensive use of resources by the poor, and extensive, capital-intensive use of resources by large-scale producers are both contributing to environmental degradation. Both are driven, directly and indirectly, by the interests of large local producers in servicing the markets of the North (Stonich, 1995). Similar findings for other parts of Central America are found in Thrupp (1995) and elsewhere in Latin America in Kay (1995, 1999), Gouveia (1998), Raynolds (1998) and Tilzey (in press). Brazil represents one of the most extreme cases of inequitable land distribution where 2 per cent of rural properties with more than 1,000 ha. occupy 57 per cent of agricultural land (Hall, 1990). Much of the environmental destruction and peasant marginalisation in this country is attributable to the behaviour of the landed oligarchy in response both to national policy and to external market demand. The expropriation of peasant holdings in the south of the country by large landowners for soybean production for export has displaced large numbers of people into the Amazonian rainforest. Large scale production of soybeans undertaken by large landowners for export has also extended into the ecologically fragile *Cerrado* (savannah), where some 70 per cent of this unique habitat has now been destroyed (Lima Pufal and Torres Goncalves, 1999).

The pattern of land concentration, resistance and repression in the Philippines is very similar to that in Latin America, being a reflection of the agrarian and political structures that were implanted under Spanish and US colonial rule. Imposed legal notions from Europe have been substituted for traditional systems of land ownership, control and management, thereby undermining not only practical traditions of land use but also the delicate balance of power between community leaders and those who work the land. The new legal structures were introduced because they favoured the interests of the land owning elite that expropriated large areas of land for export. This export-oriented agricultural model has deepened during the current globalisation era, with the result that landlessness, poverty and migration to forested frontiers have become critical problems. Land reform has been a central political issue for a long time, but despite agreements concerning the need for reform and strong pressure from peasant movements, attempts to redistribute land more equitably and to secure the lands of upland indigenous groups have been strongly resisted by the land-owning elite who remain dominant in Philippine politics (Putzel, 1992a, 1992b; Leonen, 1993).

Land concentration and its ramifying effects on agrarian systems, poverty and environmental degradation are a common problem in South Asia. In Bangladesh, for example, some 12 per cent of rural households own 56 per cent of all land, whilst the top 25 per cent own 79 per cent. Despite the small size of most holdings, the country is characterised by an extremely hierarchical system in which rights in land are secured in very few hands. The latter do not farm but live from exorbitant rents paid by the mass of rural tenants and sharecroppers, who pay for all inputs to land but must share 50 per cent of the output with the owners (Tomasson, Januzzi and Peach, 1991). Chronic landlessness and insecurity contribute to the massive out-migrations into the surrounding forested areas of central and northern Bangladesh, the Chittagong Hill Tracts and neighbouring north-east India.

In Thailand, the issues of agriculture, food security and environment take on a somewhat different configuration. Here, the problems of the peasantry inhere not so much in their lack of access to land or in land concentration as in their lack of land security and control. Millions of farmers are vulnerable to dispossession by the forestry bureaucracy and the military. Clientelistic political structures dominate the agrarian economy, forcing peasants into exploitative patron-client relations that deny them initiative or real decision-making power. These hierarchical patterns of control, which evolved under conditions of labour scarcity, have intensified as Thailand has integrated itself into the world market and become a major primary product exporter. While the state arrogated all forest lands to itself for logging, cash cropping increased massively. Export crops such as kenaf, sugar cane, maize pineapple, coffee, prawns and cassava have expanded exponentially, extending the agricultural frontier far beyond the traditional wet rice area. Lacking land security and political autonomy, peasants have been unable to resist heavy pressures to 'modernise' and expand their farms. Even those who have been drawn onto marginal and forested land are pursued by land speculators, developers and creditors (Lohmann, 1993). This situation is not dissimilar to that obtaining in Indonesia (see Peluso, 1992; Kiddell-Monroe, 1993) where government agencies and parastatals, often in collaboration with foreign capital, have increasingly monopolised agrarian marketing systems for their own ends and undermined peasant traditions of self-management and communal farming.

In Africa, agrarian systems have been subject to great disturbance and even collapse since the sudden and late intrusion of the colonial powers and the very extensive politico-economic and environmental changes that they set in train. In the Sahelian zone, the problems have arisen principally from the imposition of policies that favour the cultivation of export crops such as groundnuts and cotton. The result has been over-intensive land use, shortening fallows and gradual ecological decline. Barraclough (1991) has demonstrated that it is cash-cropping, not rising populations, that is the principal cause of

ecological degradation in West African drylands. Programmes to develop cash cropping have squeezed farmers off the more fertile lands into marginal, low rainfall zones unsuited to dryland agriculture. This has accelerated land degradation and 'desertification', with yields per hectare and per farmer falling drastically. It is these processes, coupled with drought, that underlie widespread famines (Timberlake, 1987; Peet and Watts, 1996). Many displaced farmers have moved south into the high rainfall, forest belt along the coast, where these migrants, moving along recently created logging roads, have contributed to some of the most rapid rates of deforestation on the planet (Myers, 1989).
The current situation in the Congo (formerly Zaire) suggests that similar processes are now occurring in Central Africa. While Northern companies are exploiting the forests for their best timber, growing disparities in wealth and in access to land threaten to engender a wave of destructive forest colonisation. Witte (1993) has identified the problem of an emerging African, urban and land-owning elite that is expropriating large areas of land for cash cropping, generating local landlessness and poverty in the process.

Landlessness is an even more serious problem in those parts of Africa that have experienced white colonisation. In the colonial era, the expropriation of Africans' lands by white planters and ranchers provoked frequent rebellions and, since independence, have led to Africa's few faltering experiments with land reform (Pakenham, 1991). For example, land reforms were initiated in Kenya after independence but were very limited in their extent. The reforms subject to severe constraints because the interests of an emerging African entrepreneurial and land-owning elite coincided with externally imposed agricultural development priorities, which favoured the promotion of export-oriented cash cropping. Zimbabwe now faces a very similar political impasse. At independence the Mugabe government inherited a country divided by race and with a highly skewed land ownership pattern. Some 6,000 white farms accounting for only 0.1 per cent of total holdings covered 15.3 million ha. of the best agricultural land concentrated in the fertile north-eastern highlands – 39 per cent of the total land area. At the other extreme, 750,000 black households were pushed onto 'communal areas' in the marginal and arid lands to the south and west – only 42 per cent of the land (Bratton, 1990). Agrarian reform was a high priority of the independence government and a significant land distribution did occur, although the beneficiaries were not granted secure rights to land on which they were resettled. This impetus towards land reform has progressively lost momentum, however, only recently revived as a result of political expediency. As in Kenya, an emerging bureaucratic elite of black Africans has secured substantial land holdings, biasing land policies in favour of larger and export-oriented farmers, which include the remaining 4,400 white farms and their powerful Commercial Farmers Union (Bratton, 1990; Ivor, 1992; Moore, 1996).

Despite the diversity of the preceding case studies in political economy, three common themes can be identified. Firstly, the welfare of peasants is being steadily undermined by their rapid integration into the global market and their domination by local elites (whether state or private) eager to appropriate wealth through supplying Northern markets. Secondly, peasants lack land, or clear rights to land. Agrarian reform has the potential to help resolve these problems, not only by providing land security but also by shifting the balance of power in favour of the peasantry. For precisely this reason, however, agrarian reform has, and continues to be, strongly resisted. Thirdly, these studies demonstrate clearly that any sharp conceptual division between the 'state' and the 'market'/ private sector is largely a spurious one in the South, thereby directly vitiating any simplistic notion that all ills can be attributed to 'state' policies, and that a bright and brave new world lies ahead with a turn to the global 'market'.

In so far as economic measures of growth can be employed to assess welfare and the degree of equity in society, we can now turn our attention to the empirical evidence for claims that trade liberalisation not only increases growth, but does so with equity. Despite a very substantial volume of literature on the subject, the claim that trade liberalisation has a positive effect on both growth and poverty alleviation has less empirical evidence than is often asserted. It has recently been suggested that there is a significant gap between the message that the consumers of this literature have derived and the 'facts' that the literature has actually demonstrated (Rodriguez and Rodrik, 1999:3). Following a review of several influential papers that investigate the relationship between trade liberalisation and economic growth, the authors conclude that 'there has been a tendency in academic and policy discussion to greatly overstate the systematic evidence in favour of trade openness' (ibid. :39). These authors also suggest that

> ...the nature of the relationship between trade policy and economic growth remains very much an open question. The issue is far from having been settled on empirical grounds. We are in

> fact sceptical that there is a general, unambiguous relationship between trade openness and growth waiting to be discovered. We suspect that the relationship is a contingent one, dependent on a host of country and external characteristics. Research aimed at ascertaining the circumstances under which open trade policies are conducive to growth (as well as those under which they might not be) and at scrutinising the channels through which trade policies influence economic performance is likely to prove more productive.
> (ibid.:4)

This statement bears out the contention of political economy that trade liberalisation/openness is not an independent variable but is itself dependent, and its effects on growth and the distribution of that growth also dependent, on the configuration of national and international politico-economic forces. Trade liberalisation is a policy tool designed to secure selective benefits for capital and the degree to which the fruits of enhanced accumulation are generalised in a society will depend crucially upon pre-existing wealth differentials. The greater the pre-existing wealth differentials, the greater these differentials are likely to become under non-interventionist trade liberalisation. Thus, on an aggregate level, in addition to the micro-level as documented by development agencies, empirical research suggests that the costs of trade reform might be higher than had previously been supposed. A recent study on the impact of trade policy on poverty and inequality has found that:

> Openness is correlated negatively with growth [in incomes] among the poorest 40 per cent (of the population) but strongly and positively with growth among the middle 60 per cent and wealthiest 40 per cent. While greater openness benefits the majority, it harms the poorest. These results show, in fact, that the costs of adjusting to greater openness are borne exclusively by the poor, regardless of how long the adjustment takes. In addition, the consequences of terms of trade changes are far greater for the poor than for the middle or wealthy classes. The poor are far more vulnerable to shifts in relative international prices, and this vulnerability is magnified by the country's openness to trade. Considering that the terms of trade have been falling on average for the countries in this sample, this bodes ill for the poor, and suggests that much more needs to be done to compensate those who lose from liberalisation.

(Lundberg and Squire, 1999:27)

The authors proceed to argue that a different kind of trade policy might be needed in order to minimise the costs to poor people and increase incomes in the long run. They suggest that, at least in the short-term, globalisation appears to increase poverty and inequality, with economic costs of exogenous shocks being magnified by distributional conflicts. Thus, terms of trade shocks exacerbate social divisions, leading in turn to greater volatility, which can further reinforce and widen distributional differences. They indicate that the adoption of policies to minimise the adverse consequences of shocks to the poor is essential not only to enhance welfare but also to boost growth in an increasingly independent world economy.

Additionally, studies from a number of countries including Brazil, Ecuador, Mexico, Zambia and Zimbabwe that have addressed the differential impacts of trade liberalisation measures on agriculture have indicated that it is primarily large farmers who benefit. For small farmers, and particularly those in remoter areas, incomes have actually decreased. Since poverty tends already to be concentrated in remoter rural areas, this situation will exacerbate poverty and income inequality still further. These and other studies, including those at the aggregate level, caste strong doubt on the supposed short-term poverty reducing impacts of trade liberalisation. However, at least since the Kuznets 'U' hypothesis, neo-classicists have argued that, if not in the short-term, then in the long-term, liberalisation would generate poverty alleviating growth. New evidence suggests increasingly that, in addition to the costs of trade liberalisation being higher than was previously thought, the benefits are also less than predicted, the implication being that neo-liberal policies may not deliver poverty reduction even in the long-term. There is considerable debate even within neo-classical theory concerning this issue, with two recent papers from within the World Bank reaching almost diametrically opposed conclusions concerning the relationship between openness, growth and poverty (Lundberg and Squire, 1999; Dollar and Kraay, 2000). The latter paper appears to rely on very weak empirical evidence and uses percentage rate changes to argue that the incomes of the poor rise or fall at the same rate as the remainder of the population and argues that trade liberalisation does not change this relationship. However, both papers are likely to be flawed, as with neo-classical theory generally, in their use of crude correlations between uncritically employed conceptual categories. As we have previously suggested, research would be better directed towards understanding the politico-economic forces that structure markets and that determine whether trade liberalisation is likely to generate poverty reduction.

In addition to the mounting evidence for the extent of the short-term costs of liberalisation, sectoral level studies indicate that the long-term impact of trade liberalisation on the incomes of the poorest groups may be less than was anticipated by its advocates, and less than is needed to meet IDTs. Thus, evidence from countries that have implemented trade liberalisation suggests that this policy did not lead necessarily to significant poverty reduction. In India, for example, although the economy grew at over 7.5 per cent in the mid-1990s, the percentage of Indians living in poverty fell by only one per cent between 1993 and 1997. The kind of growth resulting from trade liberalisation in countries such as India is clearly insufficient on its own to generate significant increases in the incomes of poor people. The assumed relationship in neo-classical theory between trade liberalisation and poverty is that as trade is liberalised, the use of capital and labour will become more efficient, foreign investment will lead to the introduction of new technologies, and productivity will increase. This will then increase the rate of growth, which will lead to generalised benefits, including for the poor. If the link between trade liberalisation and growth is now subject to increasing doubt, then the assumed link between trade liberalisation and poverty alleviation is being demonstrated to be even less robust.

This is partly a function of the fact that the type of growth resulting from trade liberalisation appears to occur in sectors of the economy that are of least importance to the poorest communities. The main sectors on which poor people depend for their livelihoods include the urban informal sector, agriculture, and low-skilled wage work in the formal sector. For example, more than two thirds of the world's poor people live in rural areas. Although agricultural producers were expected to be among the beneficiaries of both domestic liberalisation and increased openness to international trade, the benefits have been less than expected. Even where trade liberalisation has led to growth, this has not necessarily generated growth in the incomes of poor people. The reason for this is that the peasant sector is already highly efficient in its use of both capital and labour, but limited land resources available to smaller producers mean that any further investment, even if it were forthcoming, could not be utilised productively. The decline in the consumption of traditional staples means that markets for peasant production are dwindling, whilst this same market is being captured by cheap imports of non-traditional staples from the North. The more lucrative middle and upper income markets (and foreign markets) no longer generate demand for traditional staples, and these markets have been captured by larger agricultural holdings, which can realise economies of scale. The result is a vicious downward spiral for small producers of declining markets-declining incomes-declining markets. Because many smallholders are semi-proletarianised and rely upon off-farm income for household survival, urban informal sector activities are commonly a corollary of inadequate access to land. As a consequence the latter exhibits a similar degree of marginalisation under neo-liberalism as small-holder agriculture.

This example indicates that in looking at the differential sectoral impacts of liberalisation, we are looking actually at distributional and class issues. To address poverty amongst the mass of rural poor will unavoidably require that distributional issues be tackled. But even growth in other sectors of the economy is unlikely to be stable or sustainable economically, socially or environmentally. Economically, it takes the form increasingly of dependent development, dependent upon foreign inward investment seeking the cheapest labour and natural resources and upon the volatility of Northern markets. Countries increasingly sacrifice a vision of democratically controlled, articulated national development in the favour of the countervailing power of international capital. Socially it is unsustainable, because it is inequitable and it is destroying traditional, sustainable livelihoods through appropriation of resources and through the disruption of communities and families. Environmentally it is unsustainable because it is premised on the increased and inequitable consumption/destruction of non-renewable and renewable resources, destroying biodiversity and foreclosing on the possibility of future generations' options in sustainable development. These considerations require us to address the empirical evidence relating to a wider range of human development variables if we are to consider comprehensively the desirability or otherwise of globalisation and trade liberalisation.

Data from the UNDP Human Development Report are of relevance in this respect. The UNDP measures human development on the basis of a human development index (HDI). The measures employed in the definition of this index are: Life expectancy at birth; adult literacy; gross primary, secondary and tertiary enrolment; and GDP per capita. By focusing on areas beyond income and treating income in its proper context as a proxy for a decent standard of living, the HDI (together with the Human Poverty Index) provide a more comprehensive measure of human well-being than income or its lack. The HDR admits that the composite indices of human development do not, by themselves, provide a complete picture. They must be supplemented by other indicators of human development. Environmental sustainability is one such key indicator and, as we have suggested, clearly compromises the viability of any singular focus on growth. However, growth is not as essential to human development as is often maintained. Thus the link between economic prosperity and human development is neither automatic nor obvious since two countries with similar incomes can have very different HDI values, whilst countries with similar HDI values can have very different incomes. Where growth occurs, the key to human development, including poverty alleviation, must be the effective conversion of such increased income into enhanced HDI values. It is the pattern of growth, the way in which the market is structured by politico-economic interests, that is the key determinant of whether such growth is directed towards human development goals and poverty eradication. Whether openness to trade brings such benefits will depend crucially upon these politico-economic determinants. Unfortunately, neo-classical theory and neo-liberalism, in treating these determinants as 'exogenous', mandates existing inequities and undermines the possibility of addressing them. Because of this neglect of market determinants, and the concomitant refusal to countenance serious intervention in these determinants, trade liberalisation in the current context tends to be, as the HDR puts it, ruthless, leaving losers to abject poverty, jobless, creating little employment, voiceless, failing to ensure participation of people, futureless, destroying the environment for future generations, and rootless, destroying cultural traditions and history.

CHAPTER 4: ALTERNATIVE PARADIGMS FOR UNDERSTANDING GLOBALISATION AND SUPPORTING SUSTAINABLE DEVELOPMENT

The argument thus far has identified clear deficiencies, indeed fundamental flaws, in the neo-classical theory of trade liberalisation and globalisation. Neo-classical theory is predisposed to a neglect of the real politico-economic determinants of market patterns, with the result that trade liberalisation policies, enacted on the basis of pre-existing inequities, serve only to exacerbate such inequities. This critique of the neo-classical position appears to be supported by an increasing body of empirical data relating to the highly selective benefits of neo-liberal policies and their general failure to engender pro-poor development. Despite the internal theoretical weaknesses of neo-classicism and the increasing emergence of empirical data that challenge its claims for growth with (at least eventual) equity, neo-classical theory remains dominant within government and international development agency thinking. It is nevertheless subject to challenge from two alternative paradigms. The first, which exists as a sub-theme within the establishment, may be termed 'post-Keynesian'; the second, which has little purchase within the establishment but is well established at grass roots level, amongst development/environment NGOs and within academia, may be termed political economy/ecology. This report has already done much in the preceding chapters to define the theoretical/policy content of these alternative paradigms. This chapter will therefore be quite brief and present, in the main, the essence of 'post-Keynesianism' and political economy.

The conventional wisdom embodied in the neo-classical position on distribution and growth thus continues to be very powerful. It plays an important role in justifying much of the activity of the IMF and the World Bank and it is a buttress for much of Northern, and particularly US, foreign economic policy, especially with regard to foreign aid programmes. In recent years, as we have previously noted, cracks have begun to appear in the foundation of the neo-liberal edifice. Evidence that neo-liberal policies are bad for equity and that income equality is actually good for economic growth, the evidence from the East Asian NICs being influential here, has been especially disruptive to conventional thinking. Confronted by the fact that relative equality often provides a sound foundation for economic growth, some neo-classicists have attempted to maintain the essence of their position by arguing that glaring inequalities in low-income countries are the result of government distortions, and that the solution is to give even greater scope to the 'market'. Others, however, have begun to look to alternative models that recognise a legitimate role for governments to intervene in existing market (i.e politico-economic) relations in order to achieve greater equity and growth. In so doing, Post-Keynesian economics attaches considerable importance to demand. It points out that while neo-classical views of growth are, in a trivial sense, true (that output is a function of input) the basic question remains 'why are resources input differentially?'. Thus, land may be fixed but labour is not and its mobilisation and that of capital have to be stimulated. In conditions of uncertainty (that is where expectations are crucial to economic outcomes), and where economic and political institutions play a crucial role in shaping economic events, post-Keynesians, unlike neo-classical economists, give prominence in their explanations of economic growth to the role of demand, to increasing returns (and associated cumulative causation), and to dynamic differences between sectors of the economy. Following Kaldor (1957;1961), this school of thinking places heavy emphasis on the special role of the manufacturing sector as the engine of growth and on the tendency for a fast rate of growth of exports and output to set up a cumulative process, or virtuous circuit of growth, through the link between output growth and productivity growth. In this way, post-Keynesian theory has become highly sensitive to the possibilities of self-sustaining, in addition to endogenously generated, economic growth.

At the heart of a post-Keynesian understanding of economic growth stand notions of cumulative causation and unequal exchange. For this school, economies, once weakened and if left to themselves, weaken further still. This is because their poor profit levels generate low investment, low investment produces diminished competitiveness, and diminished competitiveness guarantees poor profits. The resulting balance of payments deficits require high interest rates in order to hold in foreign capital. High interest rates in turn deter domestic investment, eventually producing further balance of payments deficits of a progressively more serious kind. In this argument, and quite contrary to neo-classical growth theory, 'market forces' on their own will not break cumulatively self-sustaining cycles of under-performance and, therefore, will not automatically trigger either economic growth or economic convergence. Greater equality is key to breaking out of this vicious circle in Keynesian theory because it spurs stronger consumer demand, reduces the severity of short-term instability, and thus encourages investment and longer-term growth. Failure to address inequality as a prior condition for growth is an important issue, since inequality can undermine a country's economic expansion through its adverse impact on the structure of demand. In low-income countries, a relatively large proportion of consumption expenditures by the rich is directed towards imported luxury goods. If income were more equally distributed, the structure of demand would change commensurately and create a stronger market for mass-produced industrial goods. A larger market for mass-produced goods could create a basis for a wider development of domestic industry because firms could produce in sufficient volume to take advantage of economies of scale. The development of industry can hasten, in turn, the pace of technological change in a country both directly and through its longer-term impacts on the skills and general qualities of the labour force.

The substantial inequalities that exist in many Latin American countries, for example, have often been cited as a limit to economic expansion based on import substitution. Because inequality limits the size of the domestic market for many manufactured goods, import substituting manufacturers operate at relatively inefficient levels, and they cannot compete with foreign producers (or survive only because of import restrictions). As the costs of inefficiency become increasingly burdensome, economic expansion can be maintained only by an income redistribution that enlarges the domestic market or by an enlargement of export markets. The structure of political power in this disarticulated model of accumulation has tended to rule out the first option with the result that many governments have turned to export promotion as a means to maintain economic expansion. The success of export promotion, however, depends frequently on the suppression of wages, and thus a policy born of inequality can generate worsening inequality. Unfortunately, this is precisely the result that neo-liberal policies have engendered or reinforced throughout much of Latin America and elsewhere. Murphy et al. (1989) cite the experience of Colombia with coffee production around the beginning of this century to illustrate the potentially positive impact of equality on growth. Colombian coffee production in that era was undertaken on small family farms, and thus the rising income from the coffee boom was relatively widely distributed. The resulting impact on Colombian industrialisation was substantial. Fifty years earlier, however, a boom in Colombian tobacco production had generated minimal impact on domestic industry. Tobacco production had been concentrated on large plantations, and the income gains from the boom had accrued only to a small segment of the population.

Unfortunately, the promise of post-Keynesian theory and policy is dampened by certain realisations. The first is that this framework remains wedded to a capitalist dynamic that ultimately appears to outgrow its national foundations in articulated economies and generates the global structures of competitive capitalism that we now term globalisation (cf. Brenner, 1998). The second is that it remains wedded to an uncritical adherence to economic growth, albeit for ostensibly good social reasons, and fails to appreciate that its model of growth is founded on extensive proletarianisation of national populations with attendant profound transformations in social structure. The third is that this model is environmentally unsustainable. The advocacy of mass production on which it is premised has profound implications for resource consumption and pollution, rendering this model non-viable as a development solution for the mass of the world's poor.

Political economy, our second alternative paradigm, holds that particular configurations of politico-economic power underlie social (including economic) change and the use of, and access to, resources that underpin such change. It holds that capital accumulation represents the dominant force currently driving socio-economic change and resource use, with trade liberalisation in turn dominating the present globalising regime of accumulation. Power relations associated with global capital accumulation and its mediations at national level are seen principally to underlie the social and environmental dimensions of unsustainable development. This is because capitalism is predicated on open-ended resource consumption and the development pattern it generates is highly uneven and inequitable both within and between countries. The questions that political economy seeks to ask are: who holds power?; who controls natural and economic resources?; what trading and power relations exist among countries?; who gains and who loses economically, politically and socially from changing patterns of trade? Sustainable development is therefore seen to depend crucially in the first instance upon identifying and addressing the politico-economic causes of unsustainability. Political ecology constitutes a sub-field of political economy and examines power relations specifically in relation to the use and distribution of natural resources in society. Bryant (1992) and Bryant and Bailey (1997) have described political ecology usefully as an inquiry into the 'political sources, conditions and ramifications of environmental change' in which the role of power in the mediation of relations between actors over environmental matters becomes of paramount importance. Such power is reflected variously in the ability of certain actors to control access to material resources and to direct these differentially to groups within society and, through the generation and control of hegemonic discourses, to regulate the representations of social and environmental change. Power relations are thus inscribed in society-nature relations (the environment) and in discursive representations of those relations. Typically, political ecology has addressed how patterns of decision making are shaped at the farm or community level. It tends to take as its focus the local resource user but seeks to understand decision making not only within the local context but also within the wider setting of national and international politico-economic forces. Since many environmental impacts and resource use decisions are location specific, political ecology provides a very useful tool not only for understanding economic-environment interactions but also for generating proposals through which to address unsustainable development and enhance sustainability. Normatively, this body of theory proposes a development model founded on the sustainability criteria identified in chapter 3. We shall address the character of this alternative development model more substantively in the next chapter.

CHAPTER 5: ALTERNATIVE AND CREDIBLE POLICY FRAMEWORKS FOR SOCIAL AND ENVIRONMENTAL SUSTAINABILITY

Drawing on the basic proposition of political economy that the principal causes of poverty and environmental degradation lie in power relations that have ensured highly unequal access to land and resources in much of the South, this chapter will develop the proposal that redistributive policies in general, and agrarian reform in particular, constitute the most direct and effective route to poverty relief and environmental sustainability. In so doing, this chapter will reaffirm the importance of classic agrarian reform in its dual contributions to direct relief of poverty and in its democratising effects that enable other pro-poor reforms to work more efficiently. The surest way to poverty reduction, increased food security, and environmental sustainability in most rural societies is therefore seen to be reformation of the property system. This proposal will be substantiated by reference to processes of agrarian change drawn principally from Latin America.

Rural poverty and environmental degradation in Latin America derive in large measure from agricultural modernisation in a neo-liberal context that has marginalised the bulk of the peasantry. Rural poverty remains a persistent and intractable problem. Structural adjustment programmes and stabilisation policies of the 1980s have had a detrimental impact on poverty, although this impact has been greater on the urban than the rural sector (Altimir, 1994). Adjustment policies have exacerbated poverty as government expenditure on social welfare, subsidies to basic foods and other essential services have been reduced. Whilst poverty appears to be shifting to urban areas as a result of continuing high rates of rural out-migration (and is therefore still a rurally generated problem), the proportion of people in poverty still remains higher in rural areas. The incidence of rural poverty is particularly high in Haiti, Bolivia, Guatemala, Honduras, Nicaragua, El Salvador, the Dominican Republic, Brazil, Mexico, Peru, Ecuador, Paraguay and Venezuela where over half of the rural population lives in poverty (Mejias and Vos, 1997). Within countries, indigenous communities and rural women are particularly vulnerable to poverty.

As we have seen, the main cause of rural poverty is structural, being related to the unequal distribution of land and the increasing proportion of semi-proletarian and landless peasants. The process of sem-proletarianisation is the predominant tendency currently impacting upon the Latin American peasantry. It is possible to characterise the small peasantry as semi-proletarian since between two-fifths and three-fifths of their household income is derived from off-farm sources, either from seasonal agricultural wage employment on large commercial farms/estates or from work in the urban informal sector. Since the small peasantry constitutes the most numerous agrarian socio-economic category in Latin America, it is possible to argue that the process of semi-proletarianisation is dominant in this region. Significantly, however, it is less pronounced in the small minority of Latin American countries where land reforms have substantially increased peasant access to land. The peasant sector has increasingly become a refuge for those rural labourers unable or unwilling to migrate to urban areas and unable to find permanent employment in the capitalist farm sector. Moreover, rapid capitalisation of larger farms/estates and insufficient land and capital resources in the peasant farm sector (together with competition from cheap food staple imports from the global North) make inevitable a decline in the peasantry's role as agricultural commodity producers in the absence of corrective measures undertaken by the state. The state, however, is disinclined to take such corrective measures not only because of its weakened condition under neo-liberal policies, but also because it is dominated by powerful interests, for example large agro-exporters, who benefit directly from the currently highly skewed distribution of land.

In short, Latin America's peasantry appears to be trapped in a permanent process of semi-proletarianisation and structural poverty. Their access to off-farm sources of income, generally seasonal wage labour, enables them to cling to the land, thereby blocking their full proletarianisation. Full proletarianisation is in any case not a viable strategy due to the lack of permanent employment opportunities off-farm, a result in turn of disarticulated development. It is also not a desirable strategy due to the longer-term economic and environmental constraints that accompany articulated, developmentalist capitalism. Semi-proletarianisation, however, favours rural capitalist since it eliminates small peasants as competitors in agricultural production and transforms them into cheap labour. It is, however, the only option open to those peasants who wish to retain access to land for reasons of security, survival and cultural tradition or who simply cannot find alternative permanent employment in either the rural or urban sectors.

Addressing the root causes of rural (and much urban) poverty will require major land redistribution and rural investments involving, *inter alia*, improved but sustainable agricultural productivity in relation particularly to the production of food staples. It appears increasingly that only policies directed towards redistributive measures will alleviate poverty significantly, since Latin America's poverty is related directly to the unresolved agrarian question. For how long government and international neglect of the rural poor will remain viable is an imponderable, but if concrete international targets for poverty targets are to be met, and met sustainably, then more direct and redistributive policies will be required. Certainly, neither the more state-driven (but class compromised) ISI development strategy (1950s to 1970s) nor the neo-liberal policies of the 1980s and 1990s have resolved the peasant question, mainly because both have refused to address the issue with a view to securing pro-peasant outcomes. As a consequence, rural poverty and unequal rural development are still pervasive. It was only during the brief land reform interlude, which brought in its wake major peasant organisations and mobilisations, that sections of the peasantry began to emerge from their marginalised condition only to see their hopes for a better future dashed with the counter reforms and neo-liberal project in the 1980s. The reasons why comprehensive land reform has not generally been undertaken are, of course politico-economic. As Herring (1999) has noted, land confers power in agrarian systems so that reform policy must then work through a system of power to overthrow its base. Given that land ownership and power are highly skewed in Latin America in favour of oligarchies, it comes as little surprise that relatively little reform policy and even less implementation have been characteristic. Moreover, as we have seen, the commercialisation of agriculture within a wider neo-liberal context on land owned by these oligarchies renders the proposition of comprehensive land reform even more contentious. It is for these reasons, legitimated by the abstractions of neo-classical theory, that poverty discourse within powerful institutions nationally and internationally, has focused on 'expanding the pie' rather than redistributing it. This report has already demonstrated the illegitimacy, infeasibility and unsustainability of the notion the 'expanding pie', particularly when the only likely 'benefits' for the poor will be slightly larger crumbs. Redistribution through agrarian reform is the surest way to poverty elimination in rural societies and has clear advantages over other strategies in terms of the sustainability criteria identified earlier in this report. The overriding impediment to the adoption of such redistributive policies lies in political opposition, nationally and internationally, by those who stand to gain from neo-liberal policies.

What then are the prospects for a peasant path, *una via campesina*, to rural development? And what form should it take? In addressing the latter question, it is evident that a peasant path to rural development will depend unavoidably on thoroughgoing land reform in combination with national policies that foster, rather than discourage, food security and sustainable production. Land redistribution might include creative land policy initiatives such as progressive land taxes, land settlements, land titling and the provision of special arrangements for smallholders and landless groups to secure access to land through land markets. The now largely neglected alternative of food import substitution (FIS) might well be a central plank of this peasant path of rural development. As we noted earlier, an increasing proportion of staple foods has been imported over the past few decades to the detriment not only of domestic, primarily peasant, producers, but also of national diets and nutrition. FIS has the advantage not only of saving valuable foreign exchange but also, given that peasants would constitute the main beneficiaries of this policy, of enhancing food security, employment, and more equitable distribution of income. Environmental sustainability would need to be a central tenet of this policy framework and would be enhanced through the encouragement of integrated crop management/organic production, involving the re-adoption/adoption of both traditional and new agro-ecological and social forestry practices. For an 'endogenous' development strategy such as this to succeed, major supportive policies by the state are required, including the possibility of selectively targeted protectionist measures to counteract the import of cheaper, but cost externalising, imports from the North. (Relevance of the Indian Kerala 'model' here – achieving high human development gains whilst respecting key sustainability, including environmental, criteria)

With respect to the second question, it is true that, as suggested, such policy reforms have little chance of being implemented without fundamental shifts in the balance of power in most countries. Peasant and indigenous organisations are aware that it is only through the construction of countervailing power and through the exertion of constant pressure that they will be able to shape the future to their advantage rather than being obliged to accept continually the disadvantages of the past and present.

Although the shift from (a compromised) inward-directed development process to a neo-liberal, export-oriented model has weakened the power of traditional peasant organisations through the fractioning of rural labour, new social conflicts have erupted in the Latin American countryside during the 1990s. A new peasant and indigenous movement has now emerged in countries such as Mexico, Ecuador, Peru, Colombia, Bolivia and Brazil such that it will be difficult to continue to impose the neo-liberal model upon the peasantry irrespective of its consequences. It is even possible that rural conflicts might even become more violent than in the past since the state, its mediating and incorporating capacities weakened by structural adjustments, has a reduced ability to address the effects of the current inequitable and socially exclusive pattern of rural modernisation. A radical shift to a post-liberal and pro-poor development strategy is required. This change should be shaped by the creative interaction of civil society and an activist but democratic state, in which the new peasant and indigenous movement must have a crucial role so as to ensure that redistributed resources and a restructured market are harnessed for a participatory, inclusionary and egalitarian development process. (From the presentation of case studies in Chapter 3, it should be evident that the preceding discussion has relevance to many parts of the global South, with due sensitivity to regional and local conditions and circumstances.)

Participatory, inclusionary and egalitarian development would seek to fulfil the sustainability criteria identified earlier in this report, thereby conforming to strong sustainable development. Poverty alleviation, food security, and environmental sustainability would be key objectives of this development, to be secured by the most direct and appropriate means – agrarian redistribution and investment (including international aid) to raise production sustainably. This alternative strategy may be described as endogenous or self reliant development, to be distinguished as such from autarky or self-sufficiency. Endogeneity is key not because of adherence to any high principle, but because, pragmatically, it would appear to be the most effective way (political constraints notwithstanding) to address both the causal roots of poverty and environmental degradation and to institute policies that alleviate poverty and inequality directly. Endogenous development seeks to empower people, democratically and economically, to maximise the sustainable utilisation of natural and social resources at local, regional, and national levels for the realisation of human development objectives. It also eschews a heavy dependence on trade in respect of key capital, consumer, food, energy, or socio-cultural requirements not only because trade dependency is seen as relatively inessential and environmentally unsustainable, but also because trade, under current politico-economic relations, is seen to compromise deeply this model of sustainable development. Endogenous development is directly empowering therefore, enabling the poor, with appropriate assistance, to take control of their own resources and future and freeing them from dependency on an unsustainable process of capital accumulation with its uncertain, marginal and short-term benefits. Development economists indeed concede that it is easy and practical enough for a society to be largely self-reliant when its principal requirements are food, handicrafts and light industry, precisely the desiderata for the elimination of the mass of current poverty in the South. Even today, the bulk of internationally traded items are those inessential to the realisation of human development goals such as sophisticated, differentiated consumer and capital goods, high technology, and luxuries – indeed, production and trade in such commodities serve to compromise the sustainable realisation of human development objectives. Neo-classicists themselves maintain that trade (and free trade, in particular) is best only where a society wants the maximum possible consumption or income. This report has demonstrated not only that neo-liberal policies are less than successful according to this criterion (and particularly so where poverty reduction is a major objective), but that poverty and poverty alleviation need to be defined and instituted according to a wider range of sustainability objectives, objectives that neo-liberalism actively undermines.

Changes in development strategy such as these require not only an appropriate politico-economic context at national level, but also the support of an appropriate policy and institutional framework at the international level. IMF and World Bank policies, for example, require serious reform not only to take account of, but also to foster, egalitarian and environmentally sustainable development. Currently, these bodies, together with the WTO, impose important constraints on the prosecution of a sustainable development strategy. These constraints are likely to deepen if, as is commonly proposed by neo-liberal advocates, the future agenda of the WTO is to entail a process of global 'deep integration' embodied in a 'comprehensive' Millennium Round. This agenda will comprise the completion of the task of full trade and investment liberalisation, a process that hitherto has been proceeding faster within Regional Trade Agreements than multilaterally. The concern in respect of this process is that not only will it tend to deepen existing adverse impacts and power structures, but that it will also tend to forestall at least some measures that might be required to foster endogenous development. (Such measures might entail import restrictions on, and the identification, through labelling, of goods that fail to meet certain environmental sustainability criteria.) Appropriate changes to the WTO might include:

- Disputes panels that are more flexible and more widely representative, with adoption of their rulings and action thereon requiring a simple or two-thirds majority rather than, as at present, being automatically adopted unless there is unanimity to the contrary
- The recognition of alternative trade regimes, such as that associated with endogenous development, as the legitimate right of sovereign states and acceptance of the concomitant right to trade interventionism. Such rights would need to be accompanied with a proviso stipulating their reliance primarily on transparent tariff-subsidy measures, not upon hidden non-tariff barriers. There is a good case for the elimination of the less justifiable non-tariff barriers, thereby leaving in place a system of both downwardly and upwardly flexible tariffs and subsidies, both still legal under GATT but likely to be the subject of attack under a 'comprehensive' round.
- The extension of Article XX exemptions to allow trade intervention for a wider range of purposes, reflecting the sustainability criteria identified in this report: 'green tariffs' for the maintenance of environmental, food, health and related standards; 'red tariffs' for the enforcement of labour rights and other 'social clause' issues; community development, particularly to facilitate regional and endogenous development.
- To forestall criticisms of 'disguised' protectionism, such exemptions should be founded on the submission of well researched and justified rationales comprising detailed goals and plans of the proposed alternative development strategy. These would either require waivers or presuppose a change in the remit of the WTO to foster more explicitly all the dimensions of sustainable development (i.e. founded on basic rules that would legitimate action against products that failed to conform to accepted environmental and social sustainability criteria).
- The above would require the WTO to seek and take full account of additional sources of advice from, for example, the International Labour Office (ILO) for labour standards, UNEP for environmental issues and other appropriate UN bodies for cultural and human rights issues. A greater role for NGOs might also be anticipated.

Underpinning such reforms would be a changed remit for the WTO explicitly to foster trade that enhances all the dimensions of sustainable development. Such reforms are likely to be accompanied by changed institutional arrangements in which, for example, the WTO might be placed under the general supervision of the UN Economic and Social Council. This might logically entail the WTO being, like the ILO, an independent body within the UN and receiving advice from various UN agencies (as proposed above) rather than escaping UN social disciplines as the IMF and World Bank have done from the outset. This institutional change might well be complemented by others. An international central bank, for example, replacing the IMF, would function much as Keynes had proposed by providing a world trading currency, partially re-regulating exchange rates, and exercising mechanisms for reducing national trade surpluses (and perhaps levying an international tax on speculative capital). Additionally, a development body, in place of the World Bank, would make provision for modest development programmes, encourage alternative 'green' and endogenous strategies, conduct research on appropriate technologies, and arrange commodity price stabilisation schemes as required. Further, another body might be an environmental authority, perhaps an extended version of UNEP, that would monitor environmental change and identify problems, formulate appropriate policies, supervise international treaties, arrange trade sanctions in conjunction with the WTO, advise governments and international bodies and perhaps levy world-wide environmental taxes where feasible/appropriate.

This reformed structure of international governance would both mirror and support national regimes designed to foment democratic, egalitarian and environmentally sustainable development. This would be a model not of globalisation, but of internationalism. Endogenous development would entail a presumption against international trade for reasons already detailed; trade conducted would be founded not on the spurious foundations of comparative advantage, but on the basis of internationally accepted rules to internalise criteria for economic, social and environmental sustainability. This would represent an alternative world order centred around non-growth goals, substantial redistribution of assets and resource entitlements within and between countries, and a reformed, UN-linked group of trade/development/monetary institutions to nurture equitable and sustainable development. It would thereby deny the need for 'deep integrated' globalisation of the kind that currently threatens to jeopardise the sovereignty of nations and the diversity of societies and environments.

CHAPTER 6: CONCLUSIONS

This report has taken as its basic premise the need to identify normative goals for human development founded on the principle of 'strong sustainability'. Strong sustainability implies that human development needs should be fulfilled in a way that is socially equitable and does not transcend the sustainability boundaries of this planet. It also links this normative proposal with an understanding of, and action to address, the causal bases of poverty, social inequity and environmental degradation. The analysis developed in this research suggests that these issues are related structurally, not contingently, to a process of globalisation dominated by capital accumulation. Strong sustainability holds that social and environmental objectives can, and should be, complementary rather than opposed as they presently appear to be. UK Government thinking, however, is premised on 'weak sustainability'. This alleges a similar unity of purpose but this proposition, it is maintained, is an illusion. This illusion is maintained on the basis of the neo-classical construct 'the market', an entity built within theory as perfect, without internal contradiction. But this construct bears little relationship to the real structures of capitalism. The reality appears increasingly to be that globalising capital accumulation runs in the opposite direction to environmental and social sustainability, as suggested by a growing array of empirical data. The research has outlined alternative paradigms both for understanding capital accumulation (and its relationship to poverty and environment) and for generating policy alternatives. On the basis of a political economy/ecology approach, the research delineates an alternative model of development that is neither neo-liberal nor 'developmentalist' capitalism. Rather, this model, through democratic and economic empowerment of the poor, seeks to realise the full range of human development criteria through sustainable utilisation of local and national resources. A key component of this model is agrarian redistribution so as to ensure equitable and secure access to, and sustainable use of, essential resources by the poor. Trade in this model is undertaken on the basis of a multilateral system of fair rules, where such exchange is not the result of neo-classical 'comparative advantage' but rather the outcome of naturally given differences in resource endowments between nations. But international trade is seen as a contingent, not an essential, part of this model – the model is founded on endogenous not exogenous development. This model will be achieved most easily in the global South, but the greatest sacrifices will be required of the North, where current levels of resource consumption and pollution are unsustainable and increasingly parasitic on the South. This will be an integrated model for rural poverty alleviation, food security and environmental sustainability in which the economic, social and ecological dimensions are complementary rather than opposed. Integrated, strong sustainable development of this kind at the local and national levels will need to be mirrored in the structure of, and relations between, the major international development and trade institutions.

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Glossary of Terms

Bretton Woods: the founding site of the international economic system established in 1944 to disburse long-term World Bank development project loans and short-term International Monetary Fund monies to correct national imbalances of payments.

Campesino: Latin American peasant.

Comparative Advantage: the theorem that holds that countries specialise, or should specialise, in producing and trading those goods in which they excel supposedly by virtue of their human and natural resources.

Dependency: a concept depicting the structural linkages – embedded in class, productive, and market relations – between the core capitalist states of the North and the peripheral states of the South that interrupt or retard development possibilities in the latter.

Developmentalism: an organised strategy of national economic growth, including an international system of alliances and assistance, involving some measure of wealth redistribution, land reform, and the adoption of Keynesian policies, within the competitive and militarised terms of the Cold War.

Endogenous development: development that seeks to achieve economic, environmental and social sustainability through the empowerment of local people to utilise their local resources in pursuit of their own, democratically determined, objectives, within a wider framework of national and international assistance and cooperation.

Exogenous development: development that is dependent upon external capital investment that largely ignores the wishes of local people, erodes their livelihoods, and seeks primarily to exploit their environment and resources, usually with the collusion of local and national elites.

North: the Western capitalist nations of the post-SWW world (the former colonial powers plus those countries where developmentalist policies were fully implanted).

General Agreement on Tariffs and Trade (GATT): agreement signed in 1944 in Havana by the United Nations and implemented in 1947 to monitor and reduce obstacles to free trade among member nations.

Globalisation: a process and a policy in which national economies and their resources are to become globally organised and managed principally by private capital on the basis of minimally constrained investment and trade, pursued by a largely unaccountable political and economic elite.

Import-substituting Industrialisation (ISI): a strategy of protecting domestic industry through tariff and other barriers pursued initially to overcome the specialising effects of the 19th C and early 20th C liberal/colonial division of labour.

International Monetary Fund (IMF): fund established under the Bretton Woods agreement of 1944 to correct balance of payments difficulties; more recently an agent of structural adjustment.

Monetarisation: the transformation or resources and social relations into objects or exchanges priced for sale on the market (commodities).

Neo-classical Economics: the currently dominant school of economic thinking that assumes the 'market' to be self-equilibrating and the outcome of the actions of rational, self-seeking individuals whose actions are impartially reconciled into social optimality by the 'invisible hand' of this market. Social relations are reduced to relationships through things in the process of exchange. It creates the norm of a world of social harmonies where, in the context of 'free trade', each individual (each factor) is remunerated according to his or her participation in production. In this way the relevance of social classes and power relations in understanding economic phenomena is negated. Social and political problems are confined to the irrational category of 'distortions' or attributed to ignorance and mistakes. The state is reduced to an institution that is presumed to arbitrate impartially the conflicts among individuals and interest groups rather than one that is embroiled in power relations and in the social construction of the market. Western capitalism is accepted as the unique norm, and all countries are thrown on the same axis of 'normal patterns of growth, although temporally located at different stages. 'Development' is seen to have no relation to 'underdevelopment', and poverty is rationalised as an original condition, a quasi-natural phenomenon rather than the product politico-economic relations.

Neo-liberalism: The theory and policy framework, based on neo-classical economics, that holds that national management and public expenditure interfere with market efficiencies and that economic growth will be most rapid when the movement of goods, services and capital is unimpeded by national regulations.

Newly Industrialising Countries (NICs): middle-income countries that industrialised rapidly and substantially beginning in the late 1960s.

Parastatals: regional and local organisations implementing and administering central state policies.

Political Economy: a body of theory that holds that particular configurations of politico-economic and discursive power underlie social change together with the use of, and access to, resources that underpin such change. It also holds that the development dynamic/globalisation is dominated by processes of capital accumulation and that the power relations associated with capital accumulation, and its mediations at national and regional levels, principally underlie the environmental and social dimensions of unsustainable development, including poverty.

South: a designation for that set of countries belonging to the Non-Aligned Movement and/or the ex-colonies.

Structural Adjustment: the reallocation of economic resources by the state, typically under conditions laid down by the Bretton Woods institutions, to pursue efficiency in the global economy by shrinking government expenditure, reducing wages, removing barriers to investment and trade, and devaluing the national currency.

Sustainable Development: development practices that meet present needs without compromising the needs of future generations through erosion of the natural resource base. 'Weak' sustainable development attempts to balance economic growth against environmental and social dimensions on the basis neo-classical econometric criteria and typically addresses only the symptoms, not the causes, of unsustainability. 'Strong' sustainable development holds that economic, environmental and social aims are compatible so long as they are directed to meeting real human development needs rather than capital accumulation – it seeks to address the causes, not merely the symptoms, of unsustainability.

Terms of Trade: the purchasing power of primary exports in terms of manufactured imports.

World Bank: known officially as the International Bank for Reconstruction and Development (IBRD). Formed in 1944 to channel public funds into large development projects, including infrastructural and energy loans, cash cropping, and more recently extractive reserve projects; key debt manager via structural adjustment and governance conditions.

World Trade Organisation (WTO): organisation established in 1994 to replace GATT to regulate global trade and investment according to the principles of freedom of trade and investment.