

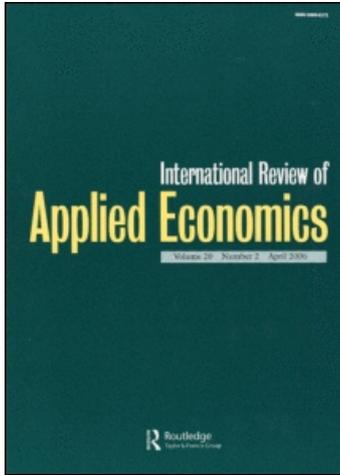
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REVIEW ARTICLE

Contesting Neoliberal Globalisation: an egalitarian perspective

ESRA ERDEN & PHILIP KOZEL

George DeMartino (2000) *Global Justice, Global Economy* (London and New York, Routledge) 279 pp. Hardback ISBN 0-415-12427-1 £75.00, \$105.00 Paperback ISBN 0-415-12427-2 £21.99, \$34.95.

The literature concerning 'globalisation' has been centred to a large extent upon a protracted debate between neoliberal and heterodox economists over the success or failure of the current form of international economic integration. The driving question motivating *Global Economy, Global Justice* is how to structure international economic integration to promote a more just and fair world than currently exists. While heterodox economists have focused much of their attention upon the design of policies to promote international competitiveness, *Global Economy, Global Justice* argues for a more fundamental shift in the debate. DeMartino claims that all economic policy is guided by a normative vision (e.g. specific notions of fairness) and that these normative commitments are fundamental in guiding policy design and in evaluating economic outcomes. The author also avers that all economies, including all forms of international economic integration, are historically contingent, socially constructed, and hence amenable to even radical reform. Based on this vision, the main contribution of *Global Economy, Global Justice* rests in its ability to pair a powerful normative critique of the current, neoliberal form of international economic integration with a range of innovative policies designed to promote an egalitarian alternative.

Global Economy, Global Justice is divided into three discrete sections structured around the three primary objectives of the text. To begin with, it provides a detailed elucidation and critique of the neoliberal 'vision' of policy success, paying particular attention to the normative foundations upon which this vision is based. Secondly, it surveys a number of prominent theories of justice as potential alternatives both to measure the success or failure of existing policy and to guide an alternative global strategy of economic integration. DeMartino settles upon a modified form of Sen's 'capabilities equality' as a better option to neoliberal 'welfarism' because this ideal is underpinned by a commitment to international egalitarianism. After an explication of this alternative, DeMartino proceeds to use it as a benchmark to evaluate a variety of heterodox policy regimes being put forth today by opponents

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of neoliberalism. Finally, the text concludes by outlining an innovative and extensive economic policy framework specifically designed to promote a more just version of global integration in line with the author's commitment to international egalitarianism.

Normative Matters

In the preface of the book, DeMartino asks the reader 'to consider the criterion (or set of criteria) that you think ought to be brought to bear when assessing economic policies and the economic outcomes they generate. What purposes should economic policy serve, and/or what outcomes should it promote?' (p. ix). Throughout the book, DeMartino demonstrates that far from being objective and value-free, all economic theories are infused with normative commitments. These commitments are rendered visible in the criteria they use to assess the impact of economic policies. The implications of starting a normative debate over policy are enormous because once 'we acknowledge the rightful place of value judgments within economics, then we are forced to consider more carefully possible criteria for assessing economic outcomes, and this process is apt to yield better criteria than those which arise out of a mistaken sense of what economics can and should do' (pp. 89–90).

In the first two chapters of the book, DeMartino offers a brilliant discussion of how neoclassical theory and its normative commitment to 'welfarism' underpin neoliberal policy decisions. The highly mathematical mode of expression in neoclassical theory often gives the impression of scientificity, objectivity, and value-freeness, but as *Global Economy, Global Justice* points out, the value judgements inherent in the notion of welfarism play a crucial role in every aspect of neoliberal economic analysis. Welfarism is predicated upon a notion of allocative efficiency captured in the concept of Pareto optimality and is achieved through the expression of individual preferences in market transactions. This explains the centrality of 'free-markets' to the neoliberal vision. However, as DeMartino shows, the normative commitment behind this understanding of efficiency relegates issues of distributional fairness outside of the scope of economic policy. This exclusion is exemplified in the tacit acceptance of market outcomes as fair and just rewards for all the economic actors concerned. Further, those with larger 'endowments' are better equipped to take advantage of market opportunities that do exist, perpetuating income maldistributions among individuals and between nations.

This ostracism of distributional justice from economic analysis in the current international policy regime is deeply troubling to DeMartino, but he forcefully argues that we are not limited to this normative commitment whatsoever. The rejection of welfarism as a normative principle to guide international economic integration allows DeMartino to consider a number of potential alternatives, including the theories of justice developed by Rawls, Walzer, Institutionalists, Marx and Sen. What emerges as DeMartino's own normative criteria to assess economic outcomes is a hybrid position that relies heavily (but not uncritically) on Sen's 'capabilities approach'. In juxtaposition to the neoclassical concept of individual preferences that are satisfied through the market, Sen defines a person's capabilities as the 'full set of functionings that a person can achieve, owing to her mental and physical capacities, but also to her social, economic, cultural and other circumstances' (p. 107).

The normative complexities involved in economic policy choices are exemplified in the book through a discussion on the enhancement of capabilities. Although

DeMartino endorses Sen's commitment to the promotion of global equality in basic functionings, he rejects Sen's augmentation of it through a 'difference principle' that would allow for unequal distribution of capabilities if it is argued that those with the smallest capabilities are made better off as a result. DeMartino notes that the motivation to devise self-serving defences of inequality will always be present and hence sees an advocacy of the difference principle as rife for misuse. For example, the regressive redistribution of income under Reaganomics was justified with the assertion that it would help the poor through the 'trickle down' effect. Furthermore, income inequality not only affects what goods people can buy but also their ability to participate effectively in various aspects of social and political life, and these latter aspects are essential to the notion of capability equality.

The Policy Critique

In the second part of the book, DeMartino applies the normative criteria embedded in the 'capabilities approach' to an evaluation of policy options that have featured prominently in the debates around global neoliberalism. Three perspectives are examined in detail: (1) the 'free (global) market' position associated with neoliberalism; (2) the 'progressive competitiveness-enhancing' position embraced by many critics of neoliberalism; and finally, (3) the 'competition-reducing' approach put forth by DeMartino. It is no surprise that DeMartino's egalitarian commitments lead him to reject the free market position associated with neoliberalism, but he goes on to indict the 'progressive competitiveness-enhancing' position on normative grounds as well. Policy prescriptions that are centred on 'flexible specialization', 'corporate governance' and 'human capital' enhancement all aim at improving competitiveness in the international economic arena. Although there are many nuances within these positions, what they share is the nationalist commitment to improving the domestic economy at the expense of other nations. As such, these approaches all run counter, therefore, to an agenda of international egalitarianism. Further, the various policies advocated under this rubric have little, if anything, to say about egalitarian economic outcomes even domestically.

An Alternative Policy Regime

The 'competition-reducing' position advocated by DeMartino is an alternative that commits itself to the normative position of international egalitarianism by promoting global capabilities equality. In terms of economic policy, this would mean 'reducing the social gains and losses of competition; and constraining the terms on which competition may unfold so as to promote its socially beneficial, and to minimize its social adverse, consequences' (p. 184). A policy regime consistent with DeMartino's 'competition-reducing' approach is developed in the final section of the book, 'Rethinking global policy regimes'. DeMartino emphasises that the goal of explicating an alternative is not to provide a blueprint for a 'new world order', but to put forward some concrete proposals which, hopefully, will serve as a starting point in rethinking and debating different potential forms of international economic integration. DeMartino envisions a highly integrated global economy, but one guided by principles of international egalitarianism rather than today's welfarism. For example, while currently there are economic incentives for corporations to take advantage of cheap labour and lax environmental protections, this new regime would provide just the opposite.

DeMartino's alternative economic policy proposals are wide ranging, encompassing various aspects of international economic integration such as international trade, capital and labour mobility. The motivations behind his suggested policies are to reward countries that make improvements in social life by promoting capability equality and to punish those that do not. In practice, policy-based incentives to promote such improvement will necessitate creating some standard of measurement to quantify when such improvements occur. For this, DeMartino proposes the development of a democratically negotiated index and, as a starting point for this, suggests the United Nations Human Development Index, adjusted for gender and income inequality as well as labour's share in manufacturing value added.

Measuring capabilities equality and internationally negotiating the contents of global guidelines such as those outlined in *Global Economy, Global Justice* will, however, be far from easy. As DeMartino points out himself, the extent to which any index can reflect the complexity of economic relationships that capability equality exhorts is highly questionable and will be very contentious. Further, given how few people truly participate in economic, or even political, decision-making today, the difficulties in constructing a meaningful, democratically negotiated standard (such as for use in any index) are immense for nations in isolation, let alone across national borders. No country can credibly claim that its citizens effectively participate in economic policy decisions today, and therefore the difficulties in participation go beyond merely procedural processes. Effective participation in economic policy decisions will require viewing the economy as a politically contested arena and this itself will be quite a challenge to the existing *status quo*. Nevertheless, for people concerned with issues of social justice, to develop alternative tools to assess the impact of global integration is vital, even if the construction of such a measure will be difficult both economically and politically.

Secondly, even though activists, academics and policy makers may be in disagreement with global neoliberalism, they still may *not* favour the policy regime proposed by DeMartino owing to its international egalitarian ethos. If economic policy is opened up for evaluation based upon normative principles, there will surely be a plethora of ethical values and commitments being championed besides international egalitarianism. Nevertheless, this potential ethical debate over policy in general is vastly preferable to the existing controversy over the ability of neoliberal policy to achieve its stated objectives, which after all presumes that the ethical debate is settled. In fact, if the *only* thing this book accomplishes is to force a debate on the normative commitments underpinning economic policy it would be a great leap forward in the globalisation debates.

This is a relatively thin volume, but it still manages to cover an enormous amount of ground while remaining highly accessible. The three self-contained sections should prove invaluable as teaching supplements in courses ranging from ethics to economics. Taken as a whole, *Global Economy, Global Justice* makes a strong case for international egalitarianism and goes further by suggesting a wide range of policies designed to promote it. What *Global Economy, Global Justice* achieves is an invaluable theoretical and practical contribution to the cause of global social justice and it will certainly inspire activists and academics around the world both in their struggles against global neoliberalism and in thinking about more humane alternatives.