

***Book Review:***

**Biplab Dasgupta.** *Structural Adjustment Global Trade and the New Political Economy of Development.* New Delhi. Sage Publications. 1998. Price Indian Rupees 450 (hardback).

The author has written a very topical book the relevance of which cannot be understated. At the core of the book the author discusses the concept of the new political economy of development which forms the theoretical underpinnings that lie behind the structural adjustment/stabilisation programmes of the international financial institutions such as the World Bank and the International Monetary Fund.

Biplab Dasgupta has very concisely and succinctly analysed the new political economy of development which has, as its centre-piece, a blind faith in the operation of free-market forces. This can be traced back to the Reagan and Thatcher years, which saw a shift away from interventionist policies to allowing the markets to decide.

The implicit assumption behind letting the market decide was that of Pareto-optimality which, in theory, is very intellectually appealing, but, in actual practice, extremely difficult to apply. However, for Pareto-optimality to be achieved a number of very strict conditions have to be met for both commodities as well as factors of production, in the domestic economy as well as when that economy engages in international trade. Once all the conditions have been satisfied the economy is perceived to be operating at maximum efficiency. And it is the conventional wisdom that such efficiency can only be gained by letting the markets operate freely and without hindrance, whether these markets are commodity oriented, labour-oriented or markets for financial capital. The unfettered operation of such markets it is felt, is beneficial for the economy as resources would be allocated efficiently and growth rates enhanced and sustained.

In addition to a free market philosophy a long list of other conditionalities are appended/incorporated in the new political economy of development. These include privatisation of public sector corporations, freely floating exchange rates, low tariff barriers and a periodic raise in fuel charges; e.g. electricity, gas, oil prices etc., to highlight some of the common conditionalities. To put it rather simplistically, these packages usually involve raising tax rates (direct and indirect) on the one hand, and reducing government expenditure on the other. What happens in practice then is that such policies lead to a further decline in the purchasing power of the consumers which, in turn, has a depressing effect on the domestic

economy, largely aggravating the macroeconomic indicators. Also, the most likely of government expenditures that are easily axed are those spent for education and health, particularly in developing countries. All in all the new political economy of development is extremely retrogressive and functional only within extremely limited economic parameters.

Some of the specific issues that are discussed in detail by Biplab Dasgupta are those of conditionalities, which form the core of any structural adjustment programme the working of the GATT and the WTO, restrictive trade practices, for example, voluntary export restraints, the Multi-fibre agreement and super 301; the way multinational companies operate and their impact on third world countries and, finally, the emerging relationship between structural adjustment and environmental issues. Case studies of countries in East and South East Asia, Sub-Saharan Africa and Latin America are given. Finally the author presents India as a case study of structural adjustment.

The book, therefore is reasonably global in its coverage of the new political economy of development with its centre-piece of structural adjustment. The irony is that these policies were introduced some twenty years ago as a short-term corrective for the external and internal imbalances of the developing countries. To date their impact has been adverse in the main, particularly on the less advantaged strata of society. On the whole what is needed is an alternative development paradigm that does not rely on economists sitting in The world Bank or the International Monetary Fund for implementation. However, for such a paradigm to develop would require a shift in economic and political power to the less developed countries as in the world of today whoever controls the purse strings also controls the mind and, thus, independent intellectual development. Therefore, as long as the World Bank/IMF have the economic power of the western developed world behind them, they will be controlling the global economy both physically as well as intellectually. Biplab Dasgupta has done well in writing a book on the new political economy of development. His presentation is concise and convincing with a useful select bibliography. To conclude, all economic ills are not necessarily cured by blindly following free-market economies.