

Comments on The Outline of WDR 1997

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1- What State ?

The document leaves perplex any careful leader. It is no where clear as of scope of the report : is it state in general or the contemporary Nation-State? Nobody would call for a historical digression. Yet it remains necessary to put unequivocally that the report addresses the Nation-State's role in present times and foreseeable future. It would be useful to outline the birth and evolution of this type of state as compared with its immediate predecessor namely the dynastic monarchy. In fact the last three decades of the 18th century produced at least three major events that played important roles in shaping modern times. The first was the use of steam (derived from fossil energy) to run machines replacing manpower in several industrial processes. i.e. the "Industrial Revolution". The second event was the emergence of the first nation-state in man's history: the USA ; a few years later the French Republic was born. Last and not least the founding of Economics as an independent discipline : the publication of "the Wealth of Nations" more or less concomitant with works of French physiocrats .

II. The Nation-State in the imperial period :

This type of state was indispensable to the birth, consolidation and growth of capitalism, or the market economy if the reader prefers. In short it was instrumental in the following :

- Unifying the internal market by the removal of any tax or other barriers to insure freedom of movement of people, goods and capital all over the "National territory"
- The use of armies in redesigning the political map of Europe; wars tending to enlarge national territories. This ended by two World wars in

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the first half of the 20th century.

- The policing of the society not only against criminal activities but also against political dissidence and social unrest.

- Allowing the peaceful change of government despite the continuity and growth of the socio-economic base i.e. parliamentary democracy.

- The conquest and repartition among the Great Powers of the Americas, Africa, Australia and most of Asia. Both conquest and repartition were achieved through violence and "Colonial Wars".

III Globalization and the demeaning of Nation-States:

Transnational Corporations (TNC') are already doing without the Nation-State in some of the most important areas . Some examples:

- For the TNC's, the only use of armed forces is that of an outlet for some of their products .(usually large, lucrative and marked often by corruption, contracts) and as means of using taxpayers money to finance R&D. Major wars are forever excluded. On the other hand TNC's can plant their subsidiaries and affiliates almost in any place they wish across the Globe.

- Within countries, TNC's rely increasingly for security on private services more than the official police force .

- TNC's do not usually resort to Courts of Law, they prefer private arbitration.

- Longtime considered as an attribute of the State Sovereignty the right to issue money is today grossly violated . Who authorizes the creation and circulation of Euro-currencies? What State or Central Bank is responsible in the last resort for my credit cards ? What is the share, in the one trillion a day exchanged in money markets of currencies materialized only by computer bits ?

- Avoiding social unrest in a given country is not among the priorities of TNC's . Hence the erosion of welfare state originally imagined as anti-social

revolution devise before the realization of the importance of enlarging the market and increasing domestic consumption.

- The impact of globalization on the definition and implementation of macro-economic policies is adequately addressed in the outline.

Finally the cry for "Smaller government", very loud in USA and gaining momentum in Europe is not without link to globalization. As for decentralization, I have a mitigated view. On one hand it is hoped to achieve more democracy and greater people participation. On the other, its coincidence with external demeaning of the state is disquieting .

IV. The State in the Third World :

It is not untrue that people in Western countries believe that what is good for them is good for all the peoples of the World , the well known and often denounced "Euro-Centrism". R. Prelish identified the other side of the story when he wrote: "Western capitalism was inventive and prepheral capitalism is imitative". The convergence of both defects leads to gross underestimation of the necessary role of the state in development . Because what is at stake is not the management of developed economy and society; it is precisely how to get ours to a level where only good management is needed. We are facing building-up modern economy and Society and not only "running the show". Development needs driving forces. Entrepreneurs are essential, but they need a State to secure the socio-economic and political environment conducive to success. Exactly as western entrepreneurs needed historically the nation-state.

I am not deifying an abstract concept of the STATE similar to what one can find in Hegel's philosophy. The State power is always in hands of very concrete humans . Therefore, in my opinion the failure of many Third World states was due to bad governance. Greed and coercion in the hands of ignorant, inefficient and corrupt "elites" led to accumulation of wealth of rulers and their clients leaving the majority of the people victims of repression and poverty. There is obviously a case for radical reforms of those states who failed in nation building . But here is no case for dispensing with the Nation-

State. No one can claim that Somalia or Liberia are better off without state and national government. At this juncture, Economics alone is helpless. Both sociology and political science are to be called upon. The right combination of economic growth, social equity and democracy is the only solid base for Nation building and good governance. This should not be considered as a kind of utopia. The majority of the Third World population (excluding China which is a big power) practise presently more and more democracy, respecting human rights and organizing free and fair elections. The notion of strong government supposed necessary for at least the first decades of development is widely discredited. Finally, it is worth mentioning in this respect that the Report of the South Commission "The challenge to the South" (1992) devoted a section to "The Modernization of the State".

V. State and Bureaucracy:

State should not be equated automatically with bureaucracy. It can use its proactive intervention with more persuasion and less command. It can rely more on incentives and disincentives than on coercion. It can promote contractual relations with less enforceable regulations. It should abandon the use of arbitrary and ill-conceived executive orders and consolidate the rule of law. It can further the free development of the civil society and its organizations. Instead of controlling media, it should insure free access to information in order to improve the quantity and quality of information available to decision makers and thus secure a high degree of rationality for governmental action. There should be more reliance on people control than on bureaucratic hierarchy.

In Egypt we have the oldest bureaucracy in the World. For 5000 years this country has been run by a central bureaucracy. All those who conquered and ruled Egypt were unable of shaking it. Moreover, there always has been a certain ambivalence concerning the relation of people and government. The latter is not only a tax collector, it is also water provider in a country with a single water source: the river Nile. Hence the objective need for a central power to ensure that its flow benefits the maximum of agricultural

land and all inhabitants. We know very well the characteristics of our bureaucracy. Let us just briefly mention the more salient among them:

- Steady growth and spread.
- A source of personal enrichment through savings, corruption or the gray area in between.
- Predilection for paperwork needing multiple signatures . And the belief that once solved on paper a problem is really settled .
- The trend to invade civil society and private life.
- The capacity of misinterpretation of laws and regulations to do favour to some people often to the detriment of others.
- The maze of rules and regulations and orders of implementation that puzzle the citizens and put them at the mercy of bureaucrats.

Nonwithstanding repetitive complaints against bureaucracy, it is part of social culture. One can easily see bureaucratic attitudes in the private sector as well as in NGO's: associations, trade unions ... etc. Therefore we need badly a kind of "cultural revolution" to establish the rule of law, the basic political freedoms, free and fair elections (even within NGO,s), people participation in decision-making at all levels, a true local administration ... etc. In such a context government could be a driving force for development. It should establish and submit to national debate a long term development strategy. Consensus around national major targets will be of great importance for private enterprises in making their choices. It also motivates the people and achieve better performance as well as consent to needed sacrifices. On the other hand, the State should secure conditions of almost perfect competition and rid the market of any thing that is against the right working of market forces, proactive State actions should basically be through effect on supply, demand and price. As examples: lower taxation to encourage investment in some projects of national priority, higher taxation on alcohols and tobacco in order to reduce consumption ... etc.

Yet, in any developing country a mixed economy is an objective necessi-

ty and not an ideological choice. The general rule in this respect is public investment whenever private investment for some major project of national interest is lacking. But public ownership does not need to be always 100%. The partial participation should be sought. It does not need to be permanent. When a public enterprise is successful, sales of shares to the public are advisable. On the other hand, public enterprises must be managed under the same rules and conditions as private enterprises.

Last, but not least, in the light of the widely accepted concept of growth with equity, the State bears the main responsibility in protecting all vulnerable groups, alleviating poverty and a deriving human development.

One cannot "rethink the role of the state" without raising the above mentioned issues.