

# States, Markets and Private Power in the Developing World: Problems and Possibilities<sup>1</sup>

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For most LDCs the 1970s and 1980s have been a period of almost continuous recession induced by a combination of external shocks and internal mismanagement. From the start of the 1980s the external context has been almost wholly negative — raw material prices, including oil, have been declining, real interest rates have been very high, protectionism against their manufactures in international markets has increased. Aid has remained stagnant as industrial countries have attempted to restrain public spending, debt repayments on the lavish borrowing of the 1970s when interest rates were negative have increased. Thus, with the terms of trade more hostile than at any point since the Second World War, the LDCs are now involved in a massive net transfer of capital to the industrialised world.

Not surprisingly this situation has exacerbated tendencies towards domestic crisis which were already visible in many places before the worst effects of the external problem were felt. Here strongly protectionist and interventionist ('statist') regimes had taken over from the colonial authorities, absorbed the teachings of an essentially social democratic development economics profession, and attempted to plan their way to prosperity using strong states and bureaucratic apparatuses with monopolistic powers.

By the 1960s many of the Asian countries were facing serious problems induced by balance of payments difficulties (a function of 'import substituting industrialisation' [ISI]) and by bureaucratic overload and corruption. By the 1970s the same problems were clearly visible all over Africa, which had achieved independence a decade or so later. Once the period of external stringency initiated by the first oil price rise in 1974 was superimposed upon these difficulties the post-colonial salad days were clearly over and a long period of difficult and destructive adjustment had to begin.

My concern in this paper will be with the broad intellectual implications of that change; more especially with the way in which it has served to discredit the interventionist paradigm which was so popular in the 1950s and early 1960s, and to substitute a neo-liberal alternative for it in even the most unlikely places. I have dealt with the broad intellectual and

<sup>1</sup> This article is a revised version of a piece which will appear in P. Cook and C. Kirkpatrick, *Privatisation in LDCs* (Wheatsheaf, Brighton, forthcoming).

international institutional implications of this shift elsewhere [Brett 1985]. Here I would merely like to look rather critically at the way in which this paradigm shift has taken place and at the rather dubious credentials of the present consensus.

In the 1940s and 1950s the accepted wisdom in economic policy studies (though less so in the mainstream of economic theory), was an essentially statist one. This, emerging out of the experience of 'market-failure' in the 1930s, and of the war and reconstruction policies of the 1940s and 1950s, asserted the need to put the state in command — to give it responsibility for trade, for macro-economic balance through Keynesian mechanisms, and to accept that its capacity to organise and to plan on a large scale meant that it could do a better job of producing a wide range of goods and services than equivalent agencies in the private sector.

These arguments originally emerged in the developed countries and were dominant everywhere, with the highly significant exception of the United States which was hardly touched by the reconstruction problem. They were then taken up and extended by a number of economic theorists [Myrdal, Singer, Prebisch, Balogh, Seers, Kaldor] and used as the basis for the newly emerging discipline of 'development economics'. This, in effect, became a demonstration of the extent to which the special conditions which existed in LDCs (primary export dependence, limited skills, small markets, underemployment), demanded an even more extensive level of state intervention than that required in the DCs where the arguments had been born.

These views were perhaps especially welcome to the more radical nationalist movements which were fighting for independence during these years, since they could be presented as a model for a reformist socialism based on domestic state power in opposition to the predominantly expatriate interests which controlled the commanding heights of the local economy. But they were not only put forward by radicals like Nkrumah, Sukarno and Nehru; they were also accepted in great measure by states which were organised on a far more conservative basis. Indeed, in Africa their precursor has probably to be the protectionist programme introduced by the first Afrikaner Nationalist government in South Africa in 1924, or perhaps even that of Kruger in the Transvaal

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## Rationality through Markets: The Case for Competition

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By the end of the 1960s a strong literature had emerged dealing with the failures of the 'statist' experiments conducted in countries like Indonesia, India and Pakistan; soon after an equally large literature had recorded the success of the 'liberalisation' experience of the industrialising states of East Asia [Taiwan, South Korea, Hong Kong, Singapore]. The fallacy of 'export pessimism' and statist controls stood clearly exposed, as did the advantages of private ownership and market rationality. Further, the relative success of the statist (or *dirigiste*) programme in the West was itself then presented as a function of the existence of a group of states which had taken 'nearly two centuries' to evolve while 'many developing countries are closer in their official workings to the rapacious and inefficient nation-states of 17th or 18th century Europe, governed as much for the personal aggrandisement of their rulers as for the welfare of the ruled.' [Lal 1983:108] Hence, although 'market failure' was recognised, and also that some forms of intervention might entail a 'welfare improvement', it was argued that those actually adopted 'have often led to outcomes which, by the canons of second-best welfare economics, may have been even worse than *laissez faire*.' [Lal 1983:15,16]

To substantiate these claims we then generally find five major arguments put forward which do carry considerable weight and thus have to be taken very seriously, having to do with efficiency, political control, information, equity and freedom. These, taken together, make up not merely a recipe for economic reconstruction, but for an overall process of social and political reconstruction. We can only deal with them very briefly here, they are set out in more detail in the original version of this article. [See Cook and Kirkpatrick, forthcoming]

Thus, far from being the wasteful mechanism depicted in the structuralist texts, we now find that it is only through competitive markets that neutral, non-political but binding procedures can be created which will exclude the lazy and inefficient, and enforce the best practices and the adoption of new technology. Where the capacity to allocate resources is put directly into the hands of governments with the power to tax and to enforce economic decisions through state power, on the other hand, the probability of high levels of irrationality and distortion are almost inevitable.

Secondly, although these arguments are pressed most strongly by economists, we can see that they also relate directly to the most central problems confronted by political science. Firstly, the problem of economic inefficiency has ultimately to be confronted as a *policy*

of the 1890s where Friedrich List [1904] was very influential. The 1924 version was highly protectionist and created major state corporations to provide the basis for an industrialisation process which would otherwise not have got under way anything like as quickly. Thus in the 1950s we were all (or almost all) interventionists and the exceptions, like Peter Bauer, had to present their liberal views in the guise of a dissent from an otherwise all-pervasive orthodoxy [Bauer 1971].

But the current crisis has now produced an almost complete reversal of this orthodoxy. It is now widely felt that the level of protection involved in ISI has led to irrational levels of subsidy, while the weakness of the democratic structures to which the state was supposedly accountable had produced massive levels of inefficiency and corruption. Thus the 'fiscal crisis of the state' induced by the recent downturn together with the exposure of this corruption and inefficiency, particularly as a result of the interventions of the World Bank and the IMF, has produced overwhelming pressures to reduce the role of the state. This involves a reassertion of the virtues of free trade (or at least a significant reduction in protection), a substantial reduction in central state controls over the economy, and even the sale of loss-making public corporations into the private sector where it is assumed that they will be rehabilitated by being subjected to the discipline of the market.<sup>2</sup>

In the rest of this paper I would therefore like to review arguments which have produced this transition, firstly in order to identify the weaknesses in the 'social democratic compromise' to which they are a response, secondly to raise some doubts about the current assumption that those who advocate an unconditional return to the market can afford to ignore all of the dangers which the Keynesian and structuralist arguments were developed to overcome. These dangers are not merely related to what are usually seen as essentially *economic* problems, but also to the larger and, in the last analysis, perhaps even more important *political* problems associated with them.

Thus I will be assuming in what follows that we must consider not merely problems of short-term economic rationality in the allocation of resources, but also the long-term political rationality of a system which must be able to sustain the loyalty of enough of its subjects to ensure that it does not suffer the fate of the Shah of Iran, Somoza in Nicaragua or the Americans in Vietnam.

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<sup>2</sup> Perhaps the most influential official text in this area was the Berg Report [World Bank 1979]; the most accessible popularisation of the argument Lal [1983]; the most authoritative, Little [1983]. For a 'radical' version of the same arguments, see Brett 1986.

and therefore *political* problem. Secondly, the existence of an interventionist state puts an immense range of resources at the disposal of the regime and decisively alters its relation to 'civil society'. Indeed, where the state takes over all of the 'commanding heights' it can be argued that civil society, as a sphere of autonomous social organisation, cannot exist in its classic form at all and, if this is so, nor, therefore can democracy — a point to be taken up later. Thirdly, and perhaps most important of all, it creates the basis for the legitimacy of the system as a whole by making it possible, in theory at least, for it to meet John Rawls' principle of justice — that the inequalities stemming from the competitive struggle can be legitimated because the efficiency thus generated does demonstrably contribute to the welfare of the poorest members of the community [1972 Rawls].

Thirdly, it was once argued that LDCs could not afford to use the market because the shortage of skills and limited communications meant that centralisation was essential to maximise the use of the resources which were available. Experience has suggested instead that the attempt to place control in the hands of a central bureaucracy tends to intensify problems of waste, delay and error by giving power to structures which have neither the competence nor the access to the information required to make timely and well judged decisions. Instead, following the classic texts, they now emphasise the extent to which markets, by decentralising decisions to local actors, maximise the use of the information which actually exists at the point where crucial decisions actually have to be made.

Fourth, although Marxists tend to associate markets with inequalities, theorists are now more impressed by the extent of the inequalities as well as the inefficiencies created by centralised monopoly power. The politicians and bureaucrats who control the parastatals, foreign exchange allocations, import licences and so on appropriate huge incomes in monopoly rent simply by manipulating access to state power. On the other hand, where productive assets are privately owned by small-scale producers in peasant, trading and craft production, the effect of competition is to direct resources to the middle and even the poorest strata of the commodity. As J. S. Mill pointed out many years ago [Mill 1900], the opposite of markets is not planning but monopoly, and monopoly is the surest agent of parasitism and inequality.

Finally we have the problem of freedom. It is certainly significant that one hears the strongest claims in favour of the market amongst Eastern European intellectuals looking for ways of breaking the bureaucratic controls exercised by the state and reinforced by trade union power. In essence the case for the market depends upon the difficulty of creating a planning mechanism which can in fact give to people

the same degree of control over what they want as can the market.

In the market an immense number of decisions has to be made each day, so many that not even the most complex computer system could possibly keep track of them, let alone make it possible for a democratically elected and politically accountable planning authority to monitor them and ensure that they 'really' responded to people's needs. Production would inevitably have to respond to the preferences of the producers and our 'freedom to choose' would in fact be much less than is the case in a context where every purchase is in effect a vote freely exercised as a means of expressing and implementing our own preferences. And, as such, it is as much a guarantor of our liberty as our right to vote in competitive selections for those who are to be entrusted with control over the state.

Putting these five arguments together therefore gives us a strong case for a policy package which combines tariff reduction, the elimination of internal state monopolies and subsidies, and the privatisation and/or 'marketisation' of as much of the basic infrastructure as is technically possible. What we now have to ask is whether these admittedly very powerful arguments have not left a number of other important issues out of account.

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## Market Failure Revisited

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While there can be little doubt that many of the attempts at state intervention in LDCs since the war have failed, we must be careful not to use this as evidence that a strategy based on *laissez faire* would have succeeded, since the latter cannot be logically inferred from the former. An important aspect of the current orthodoxy is that it tends to assume the possibility of buoyant export sales and almost entirely ignores the contribution of the international recession to the crisis. Thus, although LDCs will have to respond to the recession whether they like it or not, our diagnosis of their problems might have been very different if they had not had to deal with an almost impossible situation.

Further, we also have to be very careful about judgements based upon the supposed Asian success stories, since, as recent work carried out by the IDS at Sussex shows, these, too, were based upon highly *dirigiste* strategies, particularly in the cases of Korea and Taiwan.<sup>3</sup> These strategies involved a different mix of state and market than the classic interventionist model, but remained strongly protectionist and involved direct controls over a wide array of resources generally in the hands of central agencies, and notably the central bank. Before we can dispense with the interventionist case we have therefore to look much

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<sup>3</sup> See in particular White [1987]; Wade (forthcoming); Luedde-Neurath [1984], IDS [1984].

more closely at the case which has long been made against the market. If we do not we might simply find that privatisation is just a prelude to a new era of market failure no better than the one we experienced in the 1930s. Why, then, did the market fall into such disrepute before its recent rehabilitation?

In opposition to market theory I would like to advance one general principle and four specific arguments. The general principle challenges the equilibrium assumptions implicit in competitive market theory, the four arguments then become a case for intervention which depends upon the need to correct the tendency to disequilibrium. From this we can then derive the basis for a rational interventionist strategy (which might include nationalisation and/or direct subsidies to particular industries) which the state *should* adopt. Whether one would actually advise this particular strategy in particular cases would then require a further level of analysis of the competence of the state structures available to implement it. Where these were incapable of doing so for the reasons given by Lal one might still be willing to accept his argument in favour of the market as a 'second best' strategy — a rather different position from the orthodox one which always treats any form of intervention as a function of what Lal calls 'second-best welfare economics'. [Lal 1983:16]

The central weakness of competitive market theory relates to its inability to deal with the problem of internal and external scale economies and the corresponding tendencies towards centralisation and concentration of economic power. Thus where scale economies exist market competition does not constantly reproduce an existing structure of small competitive units, but leads to what Schumpeter calls the process of 'creative destruction' in which the large firms capable of exploiting innovation and cheapening cost of production destroy the market position of small firms and constantly increase their span of control [Schumpeter 1943:Ch.7].

This does not deny that counter-tendencies to this process exist, particularly resulting from the reduction in the cost of capital induced by new technology (notably recently through the development of 'flexible manufacturing systems') with corresponding shifts in location and the emergence of new sectors (like personal computers), but it does claim that this will be less significant than the tendency towards concentration. These tendencies then produce 'market failure' and a corresponding policy case for intervention based on at least four strong arguments — to protect infant industries, to control private monopoly power, to cross-subsidise to offset the tendency to concentration, and to protect employment and welfare and maintain macro-balance.

Thus, where 'latecomers' enter the world market with a commitment to industrialisation as the continental

countries did in the nineteenth century and the LDCs after the Second World War, they confront a situation in which their capital base, markets and skills are simply insufficient to produce firms capable of competing on equal terms. Barriers to entry thus operate on an international basis and only state intervention in the form of protection and possibly other forms of subsidy as well, can overcome the effects of market competition which will otherwise exclude them as viable locations for investment by either domestic or foreign firms.

Further, given the small scale of local and the highly competitive nature of international markets, protection is bound to bestow a high degree of monopoly power on the domestic firms, whether they are private or remain in the public sector. Since this power derives from the state, the mere fact of privatisation will not solve the problem of control over its exploitation, it may do no more than transfer monopoly rents from the bureaucrats to the private capitalists who succeed them. Thus since free trade is excluded, the liberal solution of increased international competition is as well.

Secondly, market theory assumes a multitude of suppliers and thus a significant degree of competition. But in the case of many manufacturing and service industries, and most public utilities, such competition cannot exist because the domestic market is too small. It is also important to note that a very large number of the firms which do exist are also likely to be foreign, since it is only they who can provide the technology needed to produce competitively. This will further strengthen their monopoly power and increase the leakage of foreign exchange associated with high domestic profits. At present the negative political implications of this problem are being discounted because of the foreign currency shortage, but they could be very serious in the future.

Thus the central question which should be exercising those advocating liberalisation should perhaps be less with the need to reduce the level of state ownership, and more the problem of developing effective sanctions over both bureaucrats and private sector monopolists where there is insufficient local competition for the market to do the job for them. The way forward might be to subject state structures to market forces by challenging the traditional assumptions which few people have questioned up to now about the structure of bureaucracies and of the people who run them.

Where the Weberian assumptions about accountability and security of tenure of civil servants are accepted, and, more especially, where losses will automatically be made good out of taxes, state corporations cannot be subjected to the kinds of pressures which confront private sector firms which can be bankrupted by failure. But there is no necessary reason why state

apparatuses have to be organised in this way — they, too, can be subjected to market controls; they, too, can be rewarded for finding new and innovative ways of providing services, organising labour and relating to customers.

Further, the failure of the state to control its own servants should not simply be seen as an economic problem to be resolved by privatisation (i.e. by dismembering the state) but also as a political problem to be resolved by improving the political and administrative mechanisms which have failed. An indication of the lack of attention to this possibility in the international agencies can be obtained by comparing the number of economists as opposed to political scientists which they employ.

Thirdly, if one effect of centralisation and concentration is to give monopoly powers to established firms and regions, another must be to subject the weak to structural disabilities. Where, for example, a poor government can only build one road into the hinterland, the farmers along its route will prosper, their less fortunate neighbours will fail; where a firm benefits from a subsidy it will bring employment and demand to a region and attract resources away from others. The end result will be a process of uneven development which will become cumulative once the new region has consolidated its position as the dominant producer in the market. The case for a subsidy to the deprived areas derived from taxes on the prosperous then becomes overwhelming on moral and political grounds, as anyone who looks seriously at the underlying causes of the endemic regional and 'ethnic' problems in an immense number of countries will agree.

Fourthly, for reasons too complex to detail here<sup>4</sup> we can establish that the tendencies to uneven development implicit in the exploitation of scale economies also undermines the simplistic Say's Law assumptions which equate supply and demand with full employment, provided that there are no 'exogenous' interferences with market adjustment in the form of rigid wages, protection, subsidies, etc. Where the capital/labour ratio is by no means fixed but constantly being revised upward through technological transformation (I believe that wages now constitute only some five per cent of costs in the northern car industry, where each worker can produce 40 cars each year) there is no guarantee that *laissez faire* will lead to more employment, even where wage rates are below the minimum cost of reproducing the labour force. These considerations, of course, operate far more powerfully in LDCs, where existing technologies are so far behind those available from abroad, where underemployment is almost endemic, and where foreign direct investment by Multinational Corporations using the most cost effective modern

technology is likely to displace more labour than it employs.

What this means, of course, is that we cannot take the orthodox full-employment assumption as our starting point and, as a result, we cannot use a pure market-determined yardstick in our cost-benefit evaluation of the social utility of firms in either the state or the private sector. The debate was fully aired during the British miner's strike when the case for a subsidy to 'uneconomic pits' was never fully answered. In LDCs it leads to the case for a very high 'shadow price of labour' to serve as the basis for subsidy to otherwise uneconomic activities, and for at least some provision of welfare benefits to overcome the insecurity and inequality which results from the uncontrolled effect of competition.

Hence we would seem to have here another set of very robust arguments which suggest that the market is being asked to bear a much larger weight than it is actually capable of doing. Instead it would seem that the neo-liberals are returning to the recipes of the past not because they have been tried and succeeded, but because other nostrums have been tried and failed and no-one can think of any alternative. In the final section of this article we will therefore reflect a little on this anomalous situation.

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## Conclusion

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We have now presented the states vs markets case and concluded that strong arguments exist on both sides. From this we could easily draw the anodyne conclusion that policy must eschew either extreme and attempt to adapt pragmatically to circumstances on a case by case basis. If the analysis does give either statist or marketeers cause to stop and think it will, indeed have served a useful purpose, but it was in fact intended to do rather more than that. By examining the problems implicit in each of the dominant paradigms we can therefore attempt to discover whether more complex principles can be established which will enable us to transcend their limitations and thus operate more effectively in the real world. There will clearly not be time here to draw out all of these implications, merely to point towards some of the central principles involved.

Central to the concerns of both market and statist theorising is the problem of *monopoly* — that is, the concentration of control over resources (including most importantly, control over the ability of individuals to exercise preferences in both production and consumption) in the hands of minorities. Both regard such control as problematic, but attribute it to different sources and attempt to deal with it through different processes.

Thus liberals postulate the market as a sphere of individual freedom with open access and rewards

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<sup>4</sup> I have attempted to go through them in Brett [1983:ch 4].

accruing only through effective performance; they see the state as the sphere of centralised compulsion where personal choice must give way to social control. *Laissez faire* must be the logical response to this conceptualisation, although with a considerable variance possible in relation to the extent of state power required to secure the necessary conditions under which stable market relations can be reproduced.

Yet we have seen in the second part of this article that the conditions of modern industry produce an inevitable tendency to the concentration of economic power and a corresponding growth of monopoly within the private sphere. It is this process which leads to the formation of a working class with interests *structurally* differentiated from those of capital. It also generates in 'civil society' concentrations of power which can be every bit as coercive over individuals as those exercised by the state, and which can also exercise a degree of influence over the state which must threaten the logic of the pluralistic democratic theory on which the legitimacy of the political order depends. To maintain the classical assumption of diminishing returns to scale, full employment, freedom of entry, and perfect competition in these circumstances then bears little relation to reality and must be a dangerous basis on which to ground policy.

The response of socialist and social democratic theorists to this problem has then traditionally been to counterpose an image of an irresponsible and monopolistic private economic sphere to one of democratic social control exercised through the state, and to use this as the justification of the demand for the 'socialisation of the commanding heights' of industry. This, in essence, is the intellectual rationale for the nationalisation process which has, in turn, generated the contemporary privatisation response. It depends, of course upon a series of assumptions about the democratic nature of the political process which gives everyone an equal vote and therefore should guarantee greater access for the expression of individual and social preferences and needs than the monopolistic private sphere.

Now this view is itself subject to considerable criticism from the left within the DCs where the state is often simply seen as the 'instrument' of monopoly capitalist interests, thus producing very real contradictions within the left debates themselves about the role of the state in any socialist strategy. These problems, of course, are greatly magnified in LDCs where not even the limited degree of democracy, responsiveness and accountability achieved in the DCs has yet been achieved. As a result, the naive faith in the competence and representativeness of the 'new states' of Asia and Africa displayed by the structuralist theorists of the 1940s and 1950s has become the Achilles heel which has weakened their whole position, and with it the

valid criticisms which they were making of the equally naive belief in the market of their neo-classical predecessors.

Given that the new classical analysis has simply failed to confront seriously the problems outlined in the second part of this article, we can confidently predict a new phase during which market failure will again become the dominant problem and the state will come back into vogue. More interesting is to ask how we can take account of the valid insights in both paradigms and thus transcend the sterility of the current debate.

If, indeed, monopoly is the central problem then it would seem that we can only make progress by trying to develop methods of dealing with it wherever it exists, whether in the public or private sectors. For those still committed to the state this means a fundamental re-evaluation of the bureaucratic structures which have served as the basis for state intervention and production up to now, with the purpose of making them as or more responsive and accountable than equivalent organisations in the private sector. Many of these have, indeed, responded to new conditions with far more originality and openness than have their bureaucratised counterparts in the state sector. This is why there is so little public support for the political campaigns mounted to defend threatened state structures, and more often an active willingness to take part in the privatisation process.

Here an urgent need is a fundamental re-evaluation of the discipline of public administration, long associated with the mechanistic and formalistic development of the classical Weberian principles of formally rational bureaucratic organisation. Instead we need a radical analysis of the way in which public authority can be organised in order to eliminate the barriers behind which officialdom has always been able to hide, to ensure that they are rewarded for performance and not simply for occupying positions and doing what they are told, and to guarantee that they will not use the monopoly power derived from the state to exclude creative alternatives which might threaten their readiness to go on doing the things that they find most easy and comfortable.

In some cases, and this would particularly be so where the state apparatus was incompetent or corrupt, this might include either privatisation or an elimination of monopoly rights and access for private entrants into sectors previously closed to them. In others, where monopoly was unavoidable, it would require the development of effective mechanisms of continuous review and supervision involving not just other officials, but also clients as well. Crucial to these processes having any real effect would also be full access to information both by those directly involved and by an independent press.

On the other hand, those committed to the private sector and the market would have to come to terms

with the full implications of limits on individual freedom implicit in the real structure of modern market systems, and to recognise that the state is the only institution in society which is even potentially capable of controlling private power and ensuring that it is exercised in a manner which safeguards the integrity of the community as a whole. Lal frankly recognises the reality of market failure, but then simply ignores it by arguing that in LDCs political/bureaucratic failure is almost bound to be worse. Many of his colleagues do not demonstrate even this level of sophistication.

The problem is in fact even more difficult than this, since *without adequate political intervention market forces are bound to generate inequalities, dislocations and exploitation which will have devastating effects on the integrity of society as a whole*. We cannot simply make a choice between state and market — any project for the Third World which is concerned with 'adjustment' broadly defined must start and finish with the political element in the process of social reconstruction. Separating the two produces not only inadequate social science, but disastrous policy prescriptions in the real world.

Ultimately therefore, what has to be understood is the fact that there is no independent sphere of economic rationality bounded by market exchange and fully explicable through a series of equilibrium equations based upon assumptions of individualistic exchange relations. However remote the apparent connection, the new prescriptions in favour of a return to *laissez faire* still rest firmly upon this classical theoretical base. Instead we have to insist that the viability of a potentially open market sphere is itself a function of the state system within which it must operate, and that the integrity of that system cannot be seen as a mere reflection of an underlying production structure. It is because economics has to be understood as a sub-discipline of political philosophy that the kind of interventions organised by the IMF and World Bank on purely technical and 'economic' grounds are necessarily so inadequate.

One of the most important reasons why this fundamental truth has tended to be ignored is because the major agencies in which the debate about the need for 'adjustment' has taken place are in fact the IMF and World Bank, both of which have to present themselves to the world as neutral technical agencies which do not take stances with respect to the internal political configurations of the countries which they advise. It is, of course, common knowledge that they do pay very close attention to such 'political' factors,

and that their policy prescriptions favour certain kinds of regime and disfavour others. But they cannot be seen to be taking sides, and their prescriptions then inevitably predispose the whole debate in a wholly economic direction. Until we recognise that problems will not be solved until the right kind of politics is in command, we will continue to replace one set of inadequate policies with another equally lacking in conviction.

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