Globalisation and Economic Insecurity

Raphael Kaplinsky

IDS Bulletin Vol 32 No 2 2001

1 Introduction

When the Soviet Union launched its first satellite in 1957, the Americans, who had always assumed their technological superiority, were deeply shocked. They responded with a crash programme of training in science and engineering. Had the rate of increase in training between 1957 and 1962 been sustained until 1992, there would have been two scientists for every man, woman and dog in America. So, we have to be careful not to extrapolate wildly on the basis of events that are temporally bounded.

Much of the discussion on globalisation is in danger of ignoring this caveat. It is guilty of both suggesting that we are witnessing a unique phenomenon of global integration, and in believing that this trajectory is unstoppable. But history tells us something different. In many respects the process of global integration we have witnessed in the last two decades of the twentieth century merely restores the levels of the late nineteenth century (Baldwin and Martin 1999). In the intervening decades, the process of inter-country integration led to the development of political processes which forced a move towards greater inward focus.

In the same way, the current phase of global integration is setting in train tensions which may well slow, stop and even reverse these recent trends. The obvious case is the rise in opposition to the World Trade Organisation (WTO) in the industrially advanced countries, but similar events can be found in other parts of the world (for example, the opposition of Indian farmers to intellectual property rights). The focus in this article is on whether globalisation is associated with rising economic insecurity; if it is, is there a causal link between the two, and might this insecurity threaten its sustainability?

As social actors (since we are not only academic observers) we need to concern ourselves with policies that might lead to the most positive outcome for the most people, and especially for the most vulnerable people. So it is important to restate the obvious: globalisation, which is essentially the global extension of the division of labour that Adam Smith addressed, allows for specialisation and has the potential to enhance the quality of lives of a great many people. In fact, it has done so manifestly over the past two decades, which is one of the reasons why it has deepened so rapidly and pervasively. The policy challenge, therefore, is to fashion these global processes in such a way that the gains (including with respect to increasing security) are spread more widely and, given the concerns of this Bulletin, that this occurs in a framework of greater rather than lesser economic security.[1] The key issue here is to recognise that global processes are constructed and are within our control – they are neither inevitable nor beyond remedial action.

2 Globalisation: a Brief Overview

Globalisation can be defined as the pervasive decline in barriers to the global flow of information, ideas, factors (capital and labour), technology and goods. As we have seen, a similar phenomenon occurred in the last quarter of the nineteenth century. But there are three distinctive features of late twentieth century globalisation which have an impact on *economic security*:

- Although countries were deeply integrated during this earlier period of history, the 'reach' of global processes in terms of the absolute and relative numbers of those affected by global processes is now almost certainly much wider. Argentina and Australia may have been major exporters of commodities and importers of finance in the nineteenth century, but in the current period these flows have considerably more pervasive effects on their populations.

- Related to this, the recent period has seen a much more marked globalisation of ideas, world views and ideology than in the nineteenth century (where the global flows were of people, finance and goods). This affects not just the spread of global advertising and aspirations to remote areas around the globe, but also expectations about consumption powers and human rights.

- In the late nineteenth century, trade flows tended to be in final products, whereas we are now witnessing greater levels of 'functional' integration whereby producers in different locations are involved in increasingly differentiated sub-processes in the production chain. (This difference has led some observers to contrast nineteenth century 'internationalisation' with twentieth century 'globalisation'). A contemporary traded final product, such as a computer or a camera, typically involves globally decomposed production processes involving producers in many countries. Thus, the coordination of global production networks is increasingly complex and provides particular challenges and powers to key firms acting on a global stage.

A second feature of contemporary global processes is that they are both *complex and heterogeneous*. Globalisation has many dimensions and often these will work in contradictory ways. Take, for example, the case of labour. In the current period we are simultaneously witnessing significant reductions in the barriers to the mobility of skilled people, and increases in the barriers to the mobility of the unskilled. Their outcomes are also increasingly complex. For example, as we shall see, it is not just that inter-country income distribution has widened, but that it has become much more complex in nature.

And third, by definition, the economic dimensions of globalisation represent a widening of the sphere of specialisation and the division of labour, in this case between economic actors in different countries. At the same time, globalisation reflects a significant speeding-up of the social division of labour. In other words, *structural change is both pervasive and rapid*, and since all structural change involves adjustment (people moving out of activities with declining returns and those entering activities with expanding horizons), it is inevitable that tensions will rise. Change – especially change which affects livelihoods – is always stressful.

3 Dimensions of Economic Insecurity: Emerging Trends

Before we consider the link with global processes, it is helpful to briefly unpack what we mean by 'economic insecurity'. In the discussions which follow, we shall distinguish between the following major components and trace their links with recent processes of globalisation:

- Perceptions of insecurity may or may not accurately reflect the incidence of insecurity;
- Volatility and uncertainty are primary components of economic insecurity;
- Economic insecurity is reflected in absolute livelihoods and relative standards of living;
- There are a variety of 'units of analysis' in assessing economic insecurity.

So, how do these different components of economic insecurity look as global processes continue to unfold?

3.1 Perceptions of insecurity may be more important than the incidence of insecurity

In considering economic insecurity, one central concern lies with the nature and quality of perceptions. A story from the Second World War is illustrative here. An attempt was made to gauge the morale of two groups of US military personnel; one was a group of academics specialising in Japan studies who were drafted into the military, earned military incomes and wore military uniforms but were allowed to continue with their professional life as before; the second group comprised a set of infantry soldiers in the Pacific. The surprising outcome was that the morale of the former group was lower than that of the infantry soldiers. The reason for this was to be found in the expectations and reference group of each of the two samples. The Japan specialists compared themselves to their colleagues who were on regular incomes and did not have to wear uniforms; the infantry soldiers compared themselves to their friends and colleagues who had been killed or wounded.

Hence, the first critical point to note about insecurity is that it is inherently subjective. It may not be so much a matter of the absolute levels of insecurity, but the *perception* of insecurity which drives political actors in their response to global processes.

How does this translate into the modern world of globalisation and economic insecurity? Consider first the case of the high income countries. Robert Reich, the former US Secretary for Labour and a distinguished academic, observing the large and growing incidence of poverty in the USA, characterised these victims as being an 'underclass'. On top of all underclasses – by definition – is an 'overclass'. But between these two groups, argued Reich, was a new and growing category, the '*anxious class*', the middle class and professionals formerly in secure employment but now feeling vulnerable to the winds of change allowed into the USA by global integration (Reich 1991). A similar story can be told about the UK where it is widely believed that employment security has declined at a societal level. This is despite the fact that, according to the UK Treasury, studies of employment tenure show virtually no change: people continue to move jobs at the same frequency as in previous periods, across all skill levels.

Hence, at some level, perhaps the most important element of economic insecurity in the modern world is the growing gap between expectations and reality. It may or may not be true that economic insecurity has grown or fallen. Some UK evidence, as we have seen, suggests that in some respects there has been no change; in other cases, and in other measures, it is unquestionable that economic insecurity has grown. But the key factor affecting the response to globalisation is that it is widely believed that globalisation is associated with significantly heightened levels of insecurity. This view not only probably reflects reality, but is one that has been widely spread through the globalisation of ideas and opinions. It is not uncommon, therefore, to find middle classes in developing countries who in reality have a large measure of security, but who believe that they too are victims of heightened economic insecurity.

The point here is not to deny that globalisation has led to greater economic insecurity – in many cases, this is unambiguously the case. At issue is whether people *believe* themselves to be more or less insecure, since this is what affects their responses to global processes. We have no systematic evidence on these perceptions – but casual empiricism suggests that this perception is increasingly widespread, fuelling a growing body of protests against the WTO and other institutional manifestations of globalisation.

3.2 Economic security is undermined by volatility and uncertainty[2]

One of the consequences of openness has been that economic activity is increasingly reliant on external economic events. In recent decades, this external

Table 1: Emerging market economies: external financing (billions of dollars)

	1991	1994	1995	1996	1997	1998
Private flows, net	123.8	152.6	193.3	212.1	149.1	64.3
Net direct equity	31.3	82.7	97.0	115.9	142.7	131.0
Net portfolio investment	36.9	105.6	41.2	80.8	66.8	26.7
Net bank lending	55.6	-35.8	55.0	15.4	-60.4	-103.4
Official flows, net	36.5	1.8	26.1	-0.8	24.4	41.7
Reserves excl. gold		-45.4	-94.8	-85.1	-49.9	-60.7

Source: International Monetary Fund (1999)

Table 2: Volatility of capital flows and GDP in selected countries

Standard deviation[1]	Latin America Caribbean	Sub Saharan Africa	Middle East & North Africa	East Asian Miracle	Industrial Countries
Capital flows as % of GDP	2.8	4.4	6.1	1.5	1.7
Real GDP growth	4.7	5.3	7.9	3.0	2.2

[1]calculated over the period 70–92

Source: Hausmann and Gavin (1996)

environment has become increasingly volatile. Not only has the pecking order of the world's top companies changed markedly (with Japanese firms recently suffering badly), but financial flows have been especially volatile, particularly those directed towards developing countries (Griffith-Jones 1998). Currency crises have proved to be particularly destabilising. Some indicators of this instability are:

- During the 1990s private capital flows to developing countries increased dramatically (at least until the East Asian crisis in 1997), dwarfing official flows. However, between 1996 and 1998, private flows to the emerging economies fell by $124bn (Table 1), though they recovered somewhat in 1999.
- The volatility of both capital flows and GDP growth was much greater in developing countries than in the industrial countries (Table 2).
- The costs of this volatility were greater for developing than industrialised countries (Table 3). More developing countries experienced currency crises than industrial countries, and with a greater negative impact on output.

Thus, although currency mobility was a characteristic of both nineteenth century internationalisation and twentieth century globalisation, the latter period was characterised by significantly greater volatility. A primary driver of this instability was the development of new technologies which allowed for instantaneous (and often also automated) trading. Allied to this, the march of a gobal policy-agenda has led to the abolition of capital controls and other banking regulations at the behest of globalising institutions (such as the IMF and the World Bank), and this has made recipient countries more open to the volatile flows of finance. Currently, more than the equivalent of $1,500bn is exchanged every day in global currency markets, yet less than 10 per cent of this is required to fuel international trade. The balance represents

Table 3: Costs of crises in lost output relative to trend

	Number of crises	Cumulative loss of output per crisis[1] (in % points)	Crises with output loss[2] (in %)	Cumulative loss of output per crisis with output losses[3] (in % points)
Currency crises	158	4.3	61	7.1
Industrial	42	3.1	55	5.6
Emerging market	116	4.8	64	7.6

[1] Calculated by summing the differences between trend growth and output growth after the crisis began until the time when annual output growth returned to its trend and by averaging over all crises.
[2] Per cent of crises in which output was lower than trend after the crisis began.
[3] Calculated by summing the differences between trend growth and output growth after the crisis began until the time when annual output growth returned to its trend and by averaging over all crises that had output losses.

Source: IMF (1998)

speculative flows, and here currency traders are characterised by herding behaviour. This means that the swings which follow changes of 'market sentiment' (often irrationally based) are very substantial indeed, leading to a succession of currency crises. This is a form of instability which has a major impact on currency rates, economic activity and employment, and hence is a prime driver of insecurity in the current age. Although the Asian Crisis of 1997 also reflected economic fundamentals, the rapid swings of currency out of the region sharpened the economic cycle, and led to very significant falls in output in many of the region's economies.

3.3 Economic insecurity is reflected in both absolute and relative standards of living

An important component of economic insecurity is its impact on poverty, for in its most basic sense, 'security' offers the prospect of sustained survival. The problem here is that 'poverty' is a fuzzy concept – it is simultaneously a measure of absolute standards and one of relative standards of well-being. Here the evidence suggests that recent decades of globalisation have seen an increase in both of these meanings of poverty, and in this sense we can conclude that at least for many of the world's population, economic insecurity has increased. What is this evidence?

Despite high rates of growth in many regions of the world, there has been little dent in the number of people living in absolute poverty (defined as living at below the equivalent of $1 per day, 1985 purchasing power parity). As can be seen from Table 4, the numbers have hovered at around 1.2bn. Some regions, notably sub-Saharan Africa, South Asia and Central Asia have experienced sharp rises in the number of the absolutely poor, just as their participation in the global economy was deepening.

But it is not just absolute levels of poverty that have increased. So, too, has relative poverty. A striking phenomenon of the post-war period has been the development of the so-called 'twin-peaks' distributional pattern. This can be seen from Figure 1 (not that the horizontal axis is on a log-scale), which suggests a significant change, with the development of a more unequal and complex pattern. A cluster of economies has emerged at the bottom end of the scale (with per capita incomes of less than 10 per cent of the US level) and a process of catch-up at the top end of the scale.

Another measure of inter-country income distribution is provided by the United Nations Development Program (UNDP) *Human Development Report*. This suggests a striking increase in inter-country inequality over the past 180 years (Table 3), particularly after the Second World War (when, as we can see from Table 5, globalisation advanced rapidly).

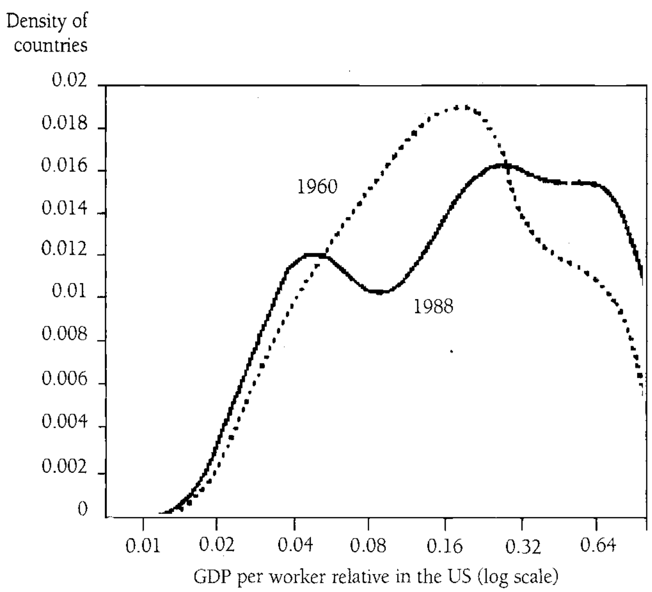
These widely quoted inter-country distributional figures must, however, be treated with a 'health-

Table 4: Population living below $1 a day (PPP 1985 prices)

	1987	1990	1993	1998
East Asia and Pacific	415	452	432	278
China	306	376	365	223
Excluding China	109	76	66	56
Europe and Central Asia	1	7	18	24
Latin America and Caribbean	64	74	71	78
Middle East and North Africa	25	22	22	21
South Asia	474	495	505	522
Sub-Saharan Africa	217	242	273	291
Total	1,197	1,293	1,321	1,214

Source: World Bank: Poverty Reduction and the World Bank (1996); Global Economic Prospects and the Developing Countries (2000).

Figure 1: World income distribution, 1960 and 1988



Source: Jones 1997

Table 5: Gap in per capita incomes between richest and poorest countries (top and bottom quintiles)

Period	Ratio of incomes
1820	3:1
1870	7:1
1913	11:1
◻ Rising controls over migration ◻ Rising protectionism ◻ Two world wars ◻ One depression	
1960	30:1
1990	60:1
1997	74:1

Source: Data from 1999 Human Development Report

warning' since they are calculated at official exchange rates rather than by taking account of the actual purchasing power of currencies (that is using PPP rates). Consequently there has been a debate recently on whether global income distribution has indeed become more unequal. On the one hand, it is argued that the rapid growth of China and India in recent years has led to a narrowing of inter-country income differentials, that is, to an improvement in inter-country income distribution (Wolf 2000). This is because these two countries, which have seen a significant rise in average per capita incomes, account for a very large share of global population. Therefore, comparing income differentials between countries on the basis of population-weighted average incomes produces an equalising trend.[3]

But, global income inequality can also be measured in relation to individual incomes, rather than to inter-country average incomes. That is, although average per capita income in China may have risen, worsening income inequality means that very large numbers of the Chinese population have either been excluded from the gains from growth, or may even be worse off (Khan 1999). If this is factored into the analysis, then the share of global income going to individuals has indeed become more unequal during the past two decades.

The growth of global inter-country inequality has been mirrored by the growth of inequality within countries, both in the high- and low-income worlds:

- In high income economies in general, income distribution has tended to become more unequal (Streeten 1998), particularly in the Anglo-Saxon economies (Dunford 1994).

- In the Netherlands real wages fell between 1979 and 1997 (Hartog 1999).

- In the USA, real wages were lower in the mid-1990s than they were in the late 1960s, and family incomes only held up as a consequence of longer working hours and more working members of the family (Kaplinsky 1998). Between 1970 and 1992, the proportion of national income received by the bottom quintile was broadly stable (in fact it fell from 5 to 4 per cent), whilst that of the top quartile rose from 41 to 45 per cent (and that of the top 5 per cent rose from 16 to 18 per cent) (Cline 1997).

- In China, in the context of a very rapid pace of economic growth and integration into the global economy – the export/GDP ratio rose from 10.5

Table 6: Gini co-efficients, 1987/8 and 1993/5

	1987/8	1993/5	Increase
Ukraine	0.23	0.47	0.24
Russia	0.24	0.48	0.24
Lithuania	0.23	0.37	0.14
Hungary	0.21	0.23	0.02
Poland	0.26	0.28	0.02

Source: 1999 Human Development Report

per cent in 1985 to 21.3 per cent in 1995 – there was a sharp rise in inequality. This was between urban and rural areas, coastal and interior provinces, and within urban and rural areas (Khan 1999).[4]

- In Chile, often thought to be the paradigmatic gainer from globalisation, the gini-coefficient increased from 0.46 in 1971 to 0.58 in 1989 (Rodrik 1999).

- Inequality has grown markedly in the transition economies (Table 6).

- Inequality between skilled and unskilled wage earners has tended to increase in the industrially advanced countries (Wood 1994) and in Latin America over the past decade (Wood 1997)

There are two ways in which these developments – both with regard to absolute and relative levels of poverty – square up with the issue of insecurity. First, in its most fundamental sense, security is the right to sustained livelihoods; if this right diminishes, then by definition, security falls. Absolute poverty unambiguously falls into this category. But, second, 'livelihoods' are also partially socially defined. What might have seemed acceptable or even a privilege during the nineteenth century in Europe – for example, heating in very cold climates – may be seen to be a necessity in the twenty-first century. Hence, relative poverty too can be seen as a component of economic security. It is here that expectations become an important component of the discussion of economic insecurity. People feel insecure in relation to what they have come to expect as 'normality'; the distance between social groups is also part of this 'normality', so when it increases, people feel more insecure. And it is possible, as we shall discuss below, that it is this feeling of insecurity, rather than the reality of insecurity, which determines social action.

3.4 What is the 'unit of analysis' in assessing economic insecurity?

Whose security is at issue? At the highest level of disaggregation we are concerned with individuals and head counts – how many people are affected by global processes, and in what ways. But humans are also parts of groups, including the family. For example, in the USA, real wages of unskilled labour (one measure of economic security) fell for over two decades and only regained their 1973 levels in 1998; yet family incomes increased because in general the participation rate increased and people worked longer hours. In other cases, the 'family' has little meaning, since in large parts of the world (the Caribbean, parts of Africa and increasingly in rich countries such as the UK) the 'family' is not a stable unit.

Another unit of measurement is the producing institution; the firm or the farm. Here the spread of globalisation has been associated with substantial volatility, especially in poor countries, since one of the primary characteristics of import substituting industrialisation was that it was underspecialised. Trade liberalisation has meant that even when overall output has been maintained or even

Table 7: Output, productivity and employment growth in globalising Latin American economies during the 1990s.

(in percentages)

	Industrial production		Employment		Labour productivity	
	1970–1996	1990–1996	1970–1996	1990–1996	1970–1996	1990–1996
Argentina	1.18	4.87	-2.62	-3.15	3.80	8.02
Brazil	2.81	2.26	0.95	-6.41	1.86	8.67
Chile	2.76	6.40	1.51	3.49	1.25	2.91
Colombia	3.98	3.52	1.24	-0.22	2.74	3.74
Costa Rica	4.39	n.a.	4.83	n.a.	-0.44	n.a.
Jamaica	0.11	n.a.	1.66	n.a.	-1.55	n.a.
Mexico	3.79	2.27	0.91	-0.03	2.88	2.30
Peru	1.17	5.09	2.85	1.97	-1.68	3.12
Uruguay	0.61	-1.46	0.37	-8.58	0.24	7.12
United States	2.39	5.04	0.35	0.30	2.04	4.74

Source: Katz (1999)

increased, labour productivity has increased and firm-mortality and labour retrenchment has been high. This has meant massive insecurity for employed labour, often with dire consequences for real wages. For example, as the South African economy has liberalised, production and exports in the garments industry have expanded. But in the KwaZulu Natal region, for example, whilst recorded formal sector employment (with relatively high wages and job protection) has declined from 45,000 to 16,000 over the past four years, so employment in the informal sector (with lesser security and lower wages) has grown by more than 16,000. In Latin America, too, trade liberalisation during the 1990s was associated with falling employment and hence economic insecurity for the formal sector labour force (Table 7). As a general rule, therefore, we can conclude that liberalising low income countries have experienced significant volatility in terms of the population of firms and that this has almost certainly had a disproportionate impact on labour.

Another related measure of insecurity has been its impact on sub-national regions. We have come to recognise recently that a significant element of economic activity is its spatial specificity. It is not so much Brazil that exports leather shoes, but the Sinos Valley (Schmitz 1995); Pakistan's surgical instrument industry is located in Sialkot (Nadvi 1999), and India's knitting industry in Tirapur (Tiwari 1999). So, when sectors suffer due to political developments (for example, changes in trade preferences) and economic developments (changes in exchange rates), so too do the fates of whole regions. The incidence of currency crisis has indeed meant significant realignments in currencies, and globalisation has been associated with changing trade preferences. In these cases, globalisation has furthered this particular form of economic insecurity.

Finally, there are issues of gender and ethnicity. Here the evidence is uncertain, suggesting considerable scope for further enquiry. For example, it is often asserted and widely believed that women have suffered disproportionately from globalisation. Yet much of the evidence does not support this assertion. Participation rates in the formal sector for women have risen (in one sense an increase in security, in another leading to a double burden, which increases insecurity), and there is considerable evidence that women working in export processing zones earn more than those working in the domestically-oriented economy.

In summary, therefore, we have witnessed profound processes of structural change as countries participate more deeply in the global economy. The point here is that this structural change generally affects different groups within countries disproportionately. The functional distribution of income has become more unequal, with profits and the incomes of skilled labour rising sharply, whilst those of unskilled labour have fallen, particularly in the high income countries. Changing specialisations have meant that particular sub-national regions have often suffered particularly badly, whilst firm and farm mortality has been marked. All these downsides to the rapid structural change which has resulted from globalisation are examples of enhanced economic insecurity.

4 Conclusions: Causality and Sustainability

We have observed an increase in different measures of economic insecurity as global processes have deepened in recent decades. Insofar as this heightened insecurity has resulted from volatility, there are clear causal links between the two. The reduction in barriers to the inter-country flow of finance, banking deregulation and the abolition of capital controls, and the development and utilisation of new technologies, can be seen as primary causal drivers of volatility. Less obvious is the causal link between globalisation and poverty (in both its absolute and relative senses). One driver here is the growth of global competition, particularly in labour intensive activities. This has led to a bidding down of wage rates for unskilled work. Often this low-road is furthered by competitive currency devaluations.[5] With regard to poverty and income distribution, the same opening up, which has allowed the holders of scarce skills and resources to benefit from globalisation, has exposed those less fortunate to enhanced competition. They have suffered, both in absolute and relative terms, and in this sense globalisation can be seen to have directly increased their economic insecurity.

What might be the outcome of these global processes? In the second half of the nineteenth century, although there was a process of catch-up in average living standards between Europe and the USA, the consequence of large-scale migration saw rising inequality in both the USA and in parts of Europe. The consequence was the growth of immigration controls in the USA and of protectionism in Europe. Thus, as Williamson points out:

> immigration policy in labor-scarce parts of the global economy became increasingly less generous and more restrictive prior to 1914, and much of this retreat from open immigration policies was driven by a defence of the deteriorating relative economic position of the working poor. In addition ... liberal attitudes towards trade were brief, and ... protection rose sharply almost everywhere on the European Continent from the 1870s onwards. (Williamson 1998: 69)

Are we going to witness a similar process in the twenty-first century? That is, is the growing economic insecurity which we are observing likely to fuel a reaction against globalisation? We already see signs of this in the protests against the WTO, many of which are pitched in defence of 'labour', invoking calls to the solidarity of global labour interests, but in fact often reflecting the interests of a particular fraction of global labour, that is, the unskilled in an American economy without access to substantial social security. Similarly, we can witness a growing call in many developing countries, not just from groups whose economic security is clearly being eroded by global processes, but also from groups who believe that they are similarly threatened.

The realm of perception and belief is probably crucial here. One of the lessons to be drawn from history is that populations do not revolt when they are suffering from absolute levels of poverty, but when their expectations are out of synch with their real experience. Both the French and Russian revolutions occurred after periods of relative prosperity, followed by drought and war respectively, which lowered the capacity of the system to satisfy these rising expectations. Globalisation in the twenty-first century is no longer just the global extension of consumption patterns or factors; increasingly it also reflects the global extension of expectations. Growing perceptions of economic insecurity, as much as the reality of growing economic insecurity, may well be the Achilles' heel of contemporary globalisation.

Notes

1. The IDS Globalisation Team focuses its work on the exploration of policies designed to better spread the gains of globalisation – see www.ids.ac.uk/global/
2. The discussion on volatility is informed by the work of my colleague Stephany Griffith-Jones.
3. However, Wolf's conclusions have been questioned as resulting from a small sample of countries, and Lundberg and Milanovic cite studies using larger samples, which estimate that inter-country income inequality has indeed increased (Lundberg and Milanovic 2000).
4. '...until about 1985, China achieved a remarkable reduction in the incidence of poverty. [But] [a]fter the mid-980s the rate of reduction in poverty drastically slowed down and arguably was halted or even reversed' (Khan 1999: 2).
5. Here, the international financial institutions have played a harmful role in the structural adjustment programmes forced on poor countries. The advice to devalue may make sense to an individual country, but there is a fallacy of composition when the same advice is simultaneously offered to a number of countries, as happened in Central America and the Caribbean in the early 1990s (Kaplinsky 1993).

References

Baldwin, R.E. and P. Martin (1999) 'Two waves of globalization: superficial similarities, fundamental differences', in H. Siebert (ed.), *Globalization and Labour*, Tubingen: Mohr Siebeck.

Cline, W. (1997) *Trade and Income Distribution*, Washington, DC: Institute for International Economics.

Dunford, M. (1994) 'Winners and losers: the new map of economic inequality in the European Union', *European Urban and Regional Studies*, Vol. 1, No. 2: 95–114.

Griffith-Jones, S. (1998) *Global Capital Flows: Should They be Regulated?*, Basingstoke and London: Macmillan.

Hartog, J. (1999) 'Country employment policy reviews: the Netherlands', *Social Dialogue and Employment Success*, ILO Symposium 2–3 March, Geneva: ILO.

Hausmann, R. and M. Gavin (1996) 'Securing stability and growth in a shock-prone region: the policy challenge for Latin America', *IADB Working Paper Series*, 315, Washington, DC.

International Monetary Fund (1998) *World Economic Outlook*, May, Washington, DC.

Kaplinsky, R (1993) 'Export processing zones in the Dominican Republic: transforming manufactures into commodities', *World Development*, Vol. 22, No. 3: 1851–65.

Kaplinsky, R. (1998), 'Globalisation, industrialisation and sustainable growth: the pursuit of the Nth rent', *Discussion Paper*, 365, Brighton: Institute of Development Studies.

Katz, J. (1999) *Pasado y presente del comportamiento tecnologico de America Latina*, Santiago: CEPAL.

Khan, A.R. (1999), 'Poverty in China in the period of globalization: new evidence on trend and pattern', *Issues in Development Discussion Paper*, 22, Geneva: ILO.

Lundberg, M. and B. Milanovic (2000), 'The truth about global inequality', *Financial Times*, 25 February.

Nadvi, K. (1999), 'Collective efficiency and collective failure: the response of the Sialkot surgical instrument cluster to global quality pressures', *World Development Special Issue on Industrial Clusters in Developing Countries*, Vol. 27, No. 9: 1605–26.

Reich, R.B. (1991), *The Work of Nations: Preparing Ourselves for 21st-Century Capitalism*, New York: Simon and Schuster.

Rodrik, D. (1999) 'The new global economy and developing countries: making openness work', *Policy Essay*, No. 24, Washington: Overseas Development Council.

Schmitz, H. (1995), 'Small shoemakers and Fordist giants: tales of a supercluster', *World Development*, Vol. 23, No. 1: 9–28.

Streeten, P. (1998) 'Globalization: threat or salvation', in A.S. Bhalla (ed.) *Globalization, Growth and Marginalization*, New York: Macmillan and IDRC.

Wolf, M. (2000) 'The big lie of global inequality', *Financial Times*, 9 February.

Wood, A. (1994) *North–South Trade, Employment and Inequality: Changing Fortunes in a Skill-driven World*, Oxford: Clarendon Press.

Wood, A. (1997) 'Openness and wage inequality in developing countries: the Latin American challenge to East Asian conventional wisdom', *World Bank Economic Review*, Vol. 11, No. 1: 33–57.

World Bank (2000) *Global Economic Prospects and the Developing Countries*, Washington: IBRD.