

## Economic Growth and the Common Good

### Towards a New Vision on Markets and Finance in the Age of Globalisation

In development circles, neo-liberalism has become a dirty word. Twenty years ago, economic planning and protectionism were held responsible for poverty and stagnation. Nowadays it is the market that is blamed, not only for increased poverty and income inequality, but also for the dismantling of public services and ecological destruction. Yesterday's solutions have become today's problems. Liberalisation and privatisation have left people and environment at the mercy of the free market. The mightiest are reaping the benefits, the weakest are footing the bill. Meanwhile the global economy is being hit by one crisis after another: financial crises, an energy crisis, a food crisis - and of course the poorest countries and people are affected the most.

The other side of the story is that those countries that have liberalised their economy and substituted inward-looking strategies for export-orientation have achieved the highest annual growth rates. They have been able to attract foreign direct investment, to make use of new technologies and to capture a strong competitive position in the world market. In the last twenty years they have not only multiplied the size of their share in the world economy, but reduced poverty drastically - sometimes by more than 50 percent - within their borders.

***So, where do we stand now? Can economic growth be (made) inclusive? Can capitalism (be made to) serve the common good? What roles are there for the market and for the state?***

***In the 2008-2009 SID Lecture Series these questions will be further explored. Current insights and sticky policy dilemmas will be identified, and their implications assessed for the policies of organisations and institutions in the field of international cooperation.***

Without aspiring to foreclose the debate, we can say that:

1. Without economic growth, poverty alleviation is not feasible
2. It is illusory to think that economic growth can occur without the market playing its role
3. Economic growth cannot be achieved where there is no connection with the world market: *disengagement is no option.*

What then can national governments do to promote economic growth? As the situation is different in each country, so also is the ideal policy mix. Useful measures fall into three categories.

*First*, certain measures on the part of the state are necessary to make markets work. There is a need for a framework for the provision of property rights, contract security, free access, and a level playing field, as well as protection against arbitrary action by the state itself. In addition, governments should maintain macro-economic stability and monetary and fiscal discipline, for instance with the help of institutional checks and balances such as an independent Central Bank and a General Accounting Office. Economic growth also requires social and political security and stability. Governments, finally, should take care of public services like education and health care, and provide infrastructure for energy, transport and communication

*Second*, governments should take measures to enhance the competitiveness of national enterprises vis-à-vis foreign companies, both at home and abroad. This is controversial because it raises the spectre of protectionism and mercantilism. But many countries have successfully practised nationalistic interventions to promote catch-up growth and niche specialisation, including an infant industry policy.

*Third*, governments should cater for societal needs that are not addressed by markets. The market fosters economic efficiency and growth (*profit*), but is blind to the biophysical environment, to climate change and biodiversity (*planet*), and to employment and cohesion (*people*). Nor does it contribute directly to democracy, security, or law and order (*power*). The way in which business and the economy are run has a tremendous impact on the biophysical, social and governmental spheres. Conversely, *planet*, *people* and *power* have a decisive influence on the economy, and on the possibilities for sustained economic growth, the achievement of which depends on continuous monitoring and correction in the ecological, social and political spheres.

### **Society for International Development - Netherlands Chapter (SID NL)**

SID NL is one of the 65 national subdivisions of SID International, which is an international non-governmental association of individuals and organisation founded in 1957 to promote social justice and foster democratic participation ([www.sidint.org](http://www.sidint.org)).

SID NL is an independent platform organisation, which contributes to a sustainable and peaceful world through stimulating, renewing and broadening the international cooperation debate in the Netherlands, and subsequently influencing the policy discussion.

The philosophy of SID NL is that development and social change can only occur if multidisciplinary, multi-stakeholder and multi-track approach is applied. SID NL is one of a few organisations in the Netherlands which applies this approach by creating strategic partnerships with other relevant initiatives and organisations.

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