

INTRODUCTION

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THIS BOOK IS the result of a Workshop organized in Caracas in 2006. It is one of the byproducts of the first phase of a three year academic South/South collaboration project carried out by CLACSO, CODESRIA and APISA during the period 2005-2007, thanks to the generous support of the Swedish International Development Agency.

The project is many sided and quite comprehensive, and it was designed to set up and, in some cases restore, the culture of structured scholarly networking among regional and sub-regional social science research institutions in Latin America, Africa and Asia.

The objective is to improve the reciprocal understanding of these regions and, at the same time, to contribute to the production and dissemination of relevant knowledge in the South, useful to understand and solve regional challenges and encourage the adoption of new policy directions. Through the organization of workshops and Summer Institutes in the three continents the project fosters the circulation of ideas and research findings in the academic media as well as in the public space of the concerned regions. The project also tries to make an

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impact in the scholarly discussion going on in the North, usually very poorly informed about realities and theoretical and methodological approaches being used in the South. The outcome of these collaborative activities is published in the form of books and occasional papers.

During the above-mentioned seminar in Caracas, scholars coming from different regions of the South shared ideas and experiences on common realities and problems, learning about similarities and differences, compatibilities and contradictions on issues concerning mainly with themes related to the international financial architecture and its influence on democratic stability and the prospects of development in the South.

As it was stated during the discussions, the policies of structural adjustment were introduced in the early 1980s as an all-embracing framework for “reform” (“market-friendly” reforms) within which the countries of the South would surely overcome their traditional problems of development. But, rather than helping to solve them the orthodox recipes of stabilization and structural adjustment became major factors in the dynamic of crises and decline experienced, with few exceptions, in most countries of the South, reinforcing existing difficulties and producing new ones of their own.

In this adjustment process a key instrumental role was played by the International Financial Institutions (IFIs). In fact, agencies like the International Monetary Fund (IMF), the World Bank (WB), and the World Trade Organization (WTO) and, in our regions, the Inter-American Development Bank, the Asian Development Bank and the African Development Bank all played a dual role of paramount influence in domestic political processes. On the one hand, an economic role, forcefully promoting and implementing –sometimes even contributing with their own staff to the state bureaucracies in charge– the neoliberal policies in a whole range of markets and economic institutions; and on the other hand, a political role, helping to “discipline and align” resistant national governments within the narrow limits established by the Washington Consensus.

Within this context, these financial institutions became critical avenues for the advancement of an international hegemonic structure –led by global dominant economic and political forces– into the policy-making and the domestic agenda of supposedly sovereign states, determining new forms of subordination and control. This asymmetrical network of social, political and cultural relations has prevented the countries of the periphery from implementing sovereign decisions in crucial areas of governance, with the consequent erosion of their democratic legitimacy. One of the most important consequences

of the policies of the Washington Consensus has been the undermining of the state, an institution that was relentlessly demonized and attacked, and multiple efforts were made to de-legitimise it as a player in the development process. But perhaps even more disturbing were the systematic erosion of effective policy making and policy capacities and the relocation of key macro-economic decision-making levers in the markets and in the hands of foreign international financial institutions, jeopardizing both democratic consolidation and development in the South.

In this regard, a relevant research question from the point of view of our countries relates to the conditions under which the long expected democratization could produce a fairer distribution of resources and promote the dissolution of entrenched dependency structures. Another pertinent issue confronted by the countries of the South and very hard to deal with is the challenge posed by the need to guarantee the state-building process against the background of a generalized, although highly unequal, erosion of sovereignty. A clear understanding of this complex background is absolutely essential to realize the enormous difficulties facing democratic policy making in Third World countries.

That is the reason why the good performance and legitimacy of democratic governments in Africa, Asia and Latin America requires a new thinking and a new theoretical framework. Consequently, if countries are cannot be sovereign in international affairs, they can hardly honor popular sovereignty at home, which is just another name for democracy. On the other hand, the conditionalities of the international financial institutions have led to increasing levels of poverty and exclusion, provoking not only a negative performance in economic terms but also negatively affecting chances of good governance and democratic stability and legitimacy. The quest of overcoming orthodox policies is a relevant matter for the future of democracy and development in the South.

With these challenging topics in mind, scholars belonging to the three regions of the South have discussed in Caracas general issues concerning with the global processes and the role of international financial institutions in shaping the new international structure. They also examined more specific problems related (a) to the impact of the structural adjustment policies on poverty and social exclusion; (b) to the difficult task of bringing about the reconciliation of democracy and development in Africa, Asia and Latin America; and (c), the concrete examples of Mexico, Ethiopia, Mozambique, India, Philippines, China and Taiwan. In the next pages a succinct summary of the different presentations will be given.

In his paper on “Global processes and its effects on Latin America. Polycentric versus Perturbed Worlds”, Marco Gandásegui (jr) refers to the ever expanding capitalist system and its ties with the Nation-State and the possibilities for political organizations in the countries of the South to act independently, with reasonable margins of autonomy. Within this context Gandásegui proposes to delink from capitalist relations and start building alternative strategies for development. For him, delinking implies a political option taken by a leading social class or class alliance to unshackle the economic and ideological bonds imposed by the core capitalist powers and to seek new avenues towards the creation of self-centered national projects. Yet, he wonders whether delinking could be a step towards deepening capitalist relations or the first step in the road towards socialism.

Gandásegui resorts to Samir Amin theories, for whom the only alternative open to countries at the periphery is to delink from a world-system that presents no future to them. If new alternatives appear on the horizon, several centers could then compete with their own dynamic, creating a polycentric world. Amin also considers the possibility of an intermediate road, one that would lead to a new phase of world capitalist expansion based on accelerated accumulation of an integrated periphery. Samir Amin’s theoretical proposals are precisely what worry US strategists the most, as they expect that US could continue controlling events in Latin America as it has done since annexing half of Mexico in 1846. Despite the fact that the US is planning to “redraw” the political boundaries with its Southern neighbors (via extension of its immigration and commercial prerogatives, and so on) it is up to the Latin Americans to build their own alternatives. Gandásegui concludes that this challenge will therefore only be taken up by the Latin American peoples when the necessary popular alliances enable them to delink their development from the demands of transnationalization.

In her presentation on “International Monetary Fund: from stability to instability. The Washington Consensus and structural reforms in Latin America” Alicia Girón’s main assumption is that the Washington Consensus and its consequent reforms have jointly contributed to aggravate the instability in Latin America within a democratic context.

For Girón, the development of capitalism and the economic reforms of the Washington Consensus have deepened the transformation of the economic structures of governments, which have passed from authoritarian and regulated regimes to deregulated, democratic and market-driven systems. However, democracy and its significance in the path of economic, political and social reorganization has not provided opportunities to the majority of the population, which has

not seen the benefits from the reorganization of relations between countries in the process of globalization. This is why it is relevant to highlight the constant dispute between a financial system that seeks equilibrium in its macroeconomic variables and the persistent financial instability of capitalist development.

In her analysis, Girón describes the international monetary system from its creation until the post-Bretton Woods era; the global financial markets and the implications of financial globalization for emerging countries; the Washington Consensus and the transformation from regulated economies to deregulated market systems within democratic regimes, to conclude with some reflections on democracy and the results of the structural reforms.

The problem is that after the “lost decade” of the 1980s these reforms were applied without bearing in mind each country’s specific conditions. Thus, they have weakened public institutions and have failed to strengthen national businesses in the face of the foreign competition that invaded the industrial and financial sector of the peripheral countries. Large international corporations have become the main actors in the post-Bretton Woods era through the acquisition of recently privatized companies. As far as the financial environment is concerned, development policies, reforms and the liberalization of financial systems have initiated the internationalization of financial services, contrary to the interests of any project of national development. The result has been growing inequality in income distribution, unemployment and a decrease in consumption, reaching unprecedented peaks in Latin American history.

Arturo Anguiano in his paper on “Mexico: the contradictions and uncertainties of a truncated democratic process” voices his disillusion for the failure of the government of Vicente Fox Quesada, from the National Action Party (PAN), to eradicate during his presidency (2000-2006) the evils caused by seventy two years of hegemony of the PRI (Partido Revolucionario Institucional).

The author explains how, in a very short time, this supposedly innovative government turned into a grotesque caricature of the strongly criticized former PRI’s administrations, by resorting to the same traditional methods and practices of political manipulation and control, and provoking disenchantment, anger and even polarization and despair in all sectors of the Mexican society. Nevertheless, he admits some advances to improved degrees of transparency, like the fact that the institutional elections of 2006 were carried out under the organization and supervision of electoral bodies (the Federal Electoral Institute and its equivalents in each of the Mexican states) more or less

autonomous from the authorities. This could be considered a first step towards the effective emergence of a sovereign citizenry in Mexico, whose rights have always been usurped by the State and its politico-corporate instruments. Nevertheless, this step fell short of what was expected because enjoyment of freedom continues to be segmented, differentiated, unrestricted at the top while restricted, conditioned and even regimented for those who survive at the bottom layers of society.

The democracy that is supposed to have arrived in Mexico under the modernizing auspices of neoliberal globalization is one in which political parties have become electoral machines without a political soul, stripped of their ideology and programmes. Supported by public funding and mechanisms that guarantee them the monopoly over political participation, the parties appear to be booming, rich thanks to the public money, promoted by the modern media, participants in an increasingly exclusive political society. But on the other hand, this society is disintegrating and becoming segmented under the influence of regressive economic policies that result in a massive loss of jobs and condemn ever broader and more diverse strata of the population to impoverishment, emigration and uncertainty.

Similarly to the case of Latin America is the situation experienced in Africa and the Arab World, as analyzed by the Egyptian scholar Helmi Sharawy, when, in "The American led Globalization as the Main Obstacle to the Development of Democracy in the Arab World and Africa", he analyzes the negative consequences of the US hegemonic project for the countries of the region.

Sharawy argues that US shapes its policies in the Arab/African Region in the context of its global plans, the result of which impacts negatively on the democratic developments in the area. On the other hand, scholars and the civil society of the region, despite being aware of this situation, have so far been unable to organize and produce an appropriate local response. This is the reason why, to cope with US overall unilateral strategy, it is of the utmost importance to resort to South-South cooperation.

Sharawy underlines that by the end of the XXth century, the International Financial Institutions have coerced all Third World countries into adopting structural adjustment policies along with supposedly democratic changes. But in order to safeguard the interests of the US and its imperialist allies and in order to secure the flow of oil from the Gulf, full support was given to the dictatorial regimes in the Middle East. Furthermore, a year after September 11, "The national Security Strategy of the United States" was made known to the general public and in this very important document the aims of the American global domination were disguised in moral terms, glorifying the "de-

mocracy” of the Free Market, the American internationalism and the American way of life.

Some people have argued that the logic of the market economy enhances the chances of liberal democracy in the case of liberal capitalist development. But in a region like the Middle East, where such development is absent because of the supremacy of a rent “tributary” economy (oil rent in many countries) and a long history of despotic rule much nearer to the Asiatic mode of production than to capitalism, such market economy leads to despotism rather than to democracy. In the case of the African Continent, the regimes have tried to justify their despotism by appealing to a discourse on ethnic strife, the burden of foreign debt and the injustice of world trade. In both regions however, the aim is to support regimes loyal to the US and block any attempt for a South/South dialogue.

At the beginning of the XXIst century, under the guise of the world war on terrorism, various forms of regional collectives were promoted by US. After President Bush announced his “Strategic Vision of the US” (September 2002), his Secretary of State, Colin Powell, coined his initiative for “Partnership US / Middle East, for Hope Building” in December 2002, through which the US, irrespective of any discourse about democracy and human rights, imposed its arbitrary right to destroy any regime threatening its hegemony. Two years later, the initiative was renamed the “Broader Middle East”. In this context “The Alexandria Declaration” was adopted in September 2004, with a neo liberal agenda of market economy.

According to the author, the progress of this Middle East initiative must be linked to the “American Internationalism”, announced several years before. This “Internationalism” held its preparatory meetings in Warsaw and afterwards created the “World Forum for Democracy” in Chile. For Sharawy, this private international organization, more encompassing in its scope than the Davos Forum, or the G-8, is directed against popular activities and the World Social Forum. As it includes many Third World countries, like India, South Africa and Mexico, which have special preponderance among countries in the South, it presents a real obstacle to any South/South dialogue. For all the reasons presented above he proposes to reactivate the three continent’s movement started in 1955, reinvigorating the South-South community of nations and promoting an alternative democratic globalization to replace the current, American-led globalization that caused so many problems all around the world.

In his “The Looting of Africa” Patrick Bond contends that the continent is getting progressively poorer, and that its integration into the world economy has generated not wealth but has rather improved the

mechanisms through which the outflow of wealth is secured. Africa remains disempowered on fronts ranging from trade to direct investment. Not just poverty, but also inequality are Africa's main features, as it hosts some of the world's worst cases. Yet, the looting of Africa is not new and dates back many centuries, to the point at which value transfers began via appropriation of slave labour and the slave trade. Then, precious metals and raw materials were also extracted by forceful colonialist methods. In recent decades, wealth extraction through imperialist relations has intensified, and some of the same kinds of primitive looting tactics are now once again in place throughout the entire continent.

In his paper Bond analyzes the processes of Africa's underdevelopment via trade and extractive-oriented investment, largely through the depletion of natural resources, thus showing the close correlation between trade openness and liberalization, poverty and the worsening of social conditions in general. The 'Marginalization' of Africa occurred, hence, not because of insufficient integration into the world markets, but because other areas of the world –especially East Asia– moved to the exportation of manufactured goods, while Africa's industrial potential declined thanks to excessive deregulation associated with structural adjustment.

Another related problem is the Northern agricultural subsidy system, though this is merely one aspect of the growing rural world inequality. Farm subsidies today mainly reflect agro-corporate campaign contributions and the importance of rural voting blocs in advanced capitalist countries. The crucial strategic question is whether self-reliant development strategies –which were the necessary (if insufficient) condition for most industrialization in the past– can be applied if low-income exporting countries remain mired in the commodity-export trap. The same points must be raised with respect to Africa's mineral exports, where depletion of nonrenewable resources drains the wealth of future generations. In the most brazen case, the oil sector demonstrates how profit and dividend outflows, often lubricated by corruption, have had extremely negative consequences. In all these respects, diverse forces in society have moved away from considering oil merely as a matter of private property, to be negotiated between corporations and governments, and have begun to treat oil as part of a general 'commons' of a national society's natural capital. Ecological debt that the North owes the South, especially in Africa, is also vast. But only some of these factors are incorporated in the alternative accounting systems of the World Bank and other ecological and social indicators such as those proposed by the San Francisco-based Redefining Progress. A final way in which Africa's wealth is depleted is via skilled labour migration as mounting flows of people are producing a veritable brain drain.

For Bond, the challenge will be to establish a different approach to public policy and politics. The solution to the looting of Africa is to be found in the self-activity of progressive Africans themselves, in their campaigns and declarations, their struggles –sometimes victorious but still mainly frustrated– and their expectations for an Africa which can finally throw off the chains of an exploitative world economy and a global power elite who treat the continent with total disrespect.

In his paper on “The Impact of the Washington Consensus on Democratic Stability: the case of Ethiopia”, Mammo Muchie analyzes the implementation of poverty reduction objectives in African states in this period of structural adjustment programs. For the Ethiopian, the main weakness of the structural adjustment approach sponsored by the Washington-based financial institutions is the rupture of the economy from politics and the disembeddedment of the economy from society. In this process, autonomy and accountability, growth and redistribution, and consensus and inclusiveness, moved in opposite or bifurcated directions.

This dilemma can be well illustrated by taking the issue of governance. Only democratic governance and not what is often sold as ‘good governance’ provides the necessary conditions for tackling poverty at the root. For Muchie, the difference between democratic governance and good governance is significant. The donors invented what they call ‘good governance’ and meant by it anything but democratic participation and empowerment of citizens. By good governance they very often stress authoritarian, pro-market, managerial ability. In the case of Africa, the so-called ‘new generation leaders’ have been selected in accordance to how ‘good’ and receptive they are to the donors, and not on how democratic they are to their people. On the contrary, in democratic governance, legitimacy comes from the people and the society and not from external donors. Democracy is based on people’s choice, empowering the citizen and the society by making the state’s authorities accountable.

In the case of Ethiopia the World Bank officials claim that the present regime is committed to poverty reduction and is meeting the Millenium Development Goals while the country is a food dependent economy and there is not any commitment to democracy from the part of the government. For Muchie, profound democracy is the necessary foundation for the eradication of poverty in Ethiopia, by creating the legitimacy to undertake the much overdue green (agricultural food production), blue (water production) and white (milk production) revolutions. The donors should not disassociate democracy from poverty reduction if they wish to be politically, morally and intellectually sensitive and consistent.

Beluce Bellucci in "All and Nothing: Capital's Wager in Mozambique" analyses the possibilities and limitations of two economic bets proposed to reduce misery in Mozambique, showing the complete schizophrenia between them: capital on one side and labor on the other, with capital being the beneficiary, as always. For the author, the present social and institutional violence is the fruit of the normal process of capital accumulation between the haves and have-nots, with police and private militias imposing order.

The modernization of Mozambique, including the establishment of a national state and the implementation of socialism, occurred belatedly in the world context, in the mid 1970s, just when nation-states began to lose weight in international relations and found their margin for maneuver and sovereignty constrained. With independence, socialist modernization was imposed, conceived of as a system to produce manufactured goods supported by a strong state, formally different from capitalist models. But in 1992, a capitalist, democratic and liberal system was instituted. The legal system was adjusted accordingly, readying the country for its new international insertion, to the liking of big investors. However, never before did the country face such misery with so little autonomy.

Foreign direct investment (FDI) as one of the pillars of economic policy is proposed in the case of Mozambique, through the Mozal Project, which started to operate in 2000, and is considered relevant by the government because, being export oriented, will bring benefits by linking Mozambique to the international economy. Mozal, together with other mega-projects which are still on the drawing board, will have a large impact on the country's GDP and trade balance, but not on the national income, the balance of payments and the creation of local jobs.

Another alternative for a "pro-poor" development strategy to the above-mentioned mega projects has been to attract investments through labor-intensive manufactured exports (LIME) industries, which will create more jobs than the mega projects. But according to Bellucci, this process based on individual and family labor, implies acute and intensified exploitation, and experience teaches that this model is also responsible for the exclusion of various countries and regions. From a novel perspective, the mega-projects act in the old Mozambican picture with "much dead labor and nearly no live labor; while the LIME initiatives act with much live labor and nearly no dead labor".

Mozambique's exclusion is social, political and economic. Mozambique has unconditionally adhered to all the letters of intention to the IMF and has obeyed the impositions established by international lenders. It established the peace process with Renamo,

democratized the country with direct elections, freedom of political parties, the press and circulation of capital, and above all, it brought good governance, permitting high profits and their repatriation. The proposal of the IMF, World Bank and big international investors, endorsed by the government, to attract mega-projects and LIME –in a country with 70% of the population living in abject misery– puts a new face on exploitation, but according with the author, everything is in line with the same colonial political objectives of despoiling the Mozambican people. This is the essence of the current economic policy, which takes advantage of the reigning misery to increase the gains of big capital, borne on the bandwagon of democracy, peace, security and good governance.

In “The Global Crisis of Legitimacy of Liberal Democracy” Walden Bello deals with the present crisis of Lockean democracy, the model of democratic rule that the US has promoted as the system of self-rule, both in the North and in the South. This model is now in crisis in the United States, as well as in the countries of the South, as the author shows through various examples, mainly in the Philippines.

Although two decades ago “People power” used to be synonymous with the Philippines, recent developments have shown that everyone is becoming increasingly disillusioned with the political system established in the Philippines since 1986. This system has increasingly encouraged maximum factional competition within the elite, while allowing them to close ranks against any proposal of change in the social and economic structure. Elections have made voters active participants in legitimizing the social and economic status quo, creating the great Philippine paradox: an extremely lively play of electoral politics unfolding above a class structure that is one of the most immobile in Asia.

Despite some institutional and cultural variations, one can say that the dynamics of democratic politics in countries such as Brazil, Argentina, Mexico, Ecuador, and Thailand are similar to those in the Philippines. In all these cases, dictatorships lost credibility in the 1980s, for they could neither implement nor support the “structural adjustment” programs which external actors demanded. But the new democratic governments soon confronted their own dilemma as multilateral agencies wanted them to use their democratic legitimacy to impose the economic reforms the military failed to carry out. Thus, electoral democracy became the prime mechanism for the imposition of stabilization or structural adjustment programs in Jamaica, Haiti, the Philippines, Peru, and Pakistan, among others. From the mid eighties to the 2002, a series of governments eroded the credibility of democracy by undertaking unsuccessful efforts to impose the economic stabilization desired by Washington and the IMF.

Bello's main point is that democracy is nowadays suffering a process of erosion due to many threats, both in the North and in the South. To respond to these threats he finds it necessary to enter into a process of reconceptualization or fundamental revision of what democracy is at various levels, as for too long democracy has been identified with elections, irrespective of either Rousseau's or Michels' warnings. This is why it is necessary to move to more direct and participatory methods of democratic governance, taking into account the anti-globalization movement with its emphasis on direct democratic methods of decision-making. Equality must be restored, as one of the key dimensions of democracy, achieving a more equitable distribution of assets and income.

But, above all, we must face the fact that capitalism and democratic deepening are no longer compatible, and that the challenge lies in the nature and degree of the restraints that we put on the market while we restructure the system of production and consumption around the satisfaction of the needs of people and the community rather than around the profitability of the firms. This is a very complex task, which needs a multidimensional approach to tackle the various dimensions of the problem with ideas and institutional solutions appropriate for the present times, so that democracy will not become a thing of the past.

In line with the above contribution, Virginia Miralao in "Globalization, Democracy and Development: Some Asian Patterns and the Philippines' Experience", describes the impact of the globalization over democracy and development in Asia, with especial attention to the case of Philippines.

In the first place, Miralao highlights some relevant patterns of globalization, democracy and development in Asia. She briefly analyzes the cases of India, the Philippines, Singapore, Malaysia, South Korea, Taiwan, China and Vietnam to show the difference between the concepts of democracy and development in the countries of the region, and hence, the way they are related to the notions of development and economic growth. In general, country experiences in the region lend support to the proposition that the opening up of national economies to global market forces puts pressure on societies to also liberalize their political systems. But in the case of the ASEAN members, the alliance has not been successful in enjoining fellow-members, like Myanmar, to democratize and allow its citizens greater political freedoms.

Then, she focuses on the Philippines current development situation. Since the mid-1990s, the Philippines has been trying to open up its economy and pursue various "free market" reforms as well as sociopolitical ones, to make the country so-called "globally competitive". She has particularly analyzed the consequences of globalization on

the educational levels and profiles and on the employment structure. And she finds reasons to expect that ongoing globalization may be further worsening the state of the Philippine socioeconomic inequalities. Finally she concludes that despite the fact that there are emerging trends that seem to be uplifting the national economy, this appears to be taking place in ways that do not adequately address issues like poverty and inequalities

In her paper “Theorizing poverty and food security in the era of economic reforms”, Utsa Patnaik analyzes the impact of the neoliberal economic policies on issues related to food security and poverty in India during the last fifteen years, criticizing the prevalent analysis and prescriptions.

The author remarks that the very serious and widespread agrarian crisis that currently affects India was generated by deflationary public policies and trade liberalization, in a moment when the international prices of primary goods were declining. This is reflected in falling foodgrains absorption and falling energy intake in the Indian population. She criticizes, then, the estimation procedure to calculate poverty used by the government and a great number of academics when they arrive at the conclusion that poverty in India is declining, without understanding that the adverse unemployment effects of deflation can swamp out any benefit from falling food prices.

For Patnaik the data shows that the depth of poverty has increased considerably during the fifteen years of neoliberal reforms, with more people being pushed down into a poorer nutritional status than before in most Indian states. Thus, there is not over supply of food grains, but a decline in food grain supply and an even more drastic decline of effective demand for food grains especially in rural India, owing to an abnormally fast loss of purchasing power of the lower strata during the last years.

Her proposal offers an alternative to cutting back food grain output. For her, the correct policy is to raise purchasing power of the popular sectors and restore effective demand and access to affordable food grains through a combination of a universal, and non targeted, employment guarantee scheme.

Patnaik evaluates the relevance of a proper analysis of this situation as the incorrect theorizing in academic and government circles is leading to policy formulations and measures which will only worsen mass welfare and plunge even larger sections of the rural population in particular into higher unemployment and food deprivation. The official calculation uses a particular indirect method of estimation, which completely de-links poverty from nutrition norms by ignoring current data which shows the rising nutritional deprivation and in-

creasing depth of poverty. It refuses to recognize that, while in developed societies consumers can be separated from a minority who are agricultural producers, in a poor country like India the majority of consumers are themselves rural and directly involved in production as cultivators and labourers, so deflationary policies hit them hard in both these roles of producers and consumers. Price deflation does not benefit even landless labourers since it is part of a process of income deflation which raises unemployment faster than prices fall. The economists' estimation of poverty by the indirect method are still caught in the old conceptual trap of equating relative food price decline with declining poverty, without understanding that the adverse unemployment effects of deflation can swamp out any benefit of food price fall.

With current rural poverty as high as nearly four-fifths of the population, and poverty depth increasing with a higher proportion of people being pushed down into lower nutritional levels, Utsa Patnaik concludes by arguing that there is no economic rationale for continuing with a targeted public distribution system.

Romer Cornejo demonstrates that there is not an inevitable relationship between economic liberalism and democracy. In his paper "Political Participation and Challenges of New Democracies: Remarks on China and Taiwan", he exposes how in China the endogenous factors along with the prevalence of the authoritarian state outweigh the internationalization of the economy; in Taiwan, on the other hand, the democratic process can be linked to the search for international legitimacy.

The changes in the Chinese political system during the reforms can be summarized as the transition from a totalitarian regime to a single party authoritarianism. This last form has required the decentralization of decisions and the introduction of innovative ways of political participation, while continually preserving the hegemonic position of the Communist Party, which is endorsed by the Constitution and other related laws. Therefore, the changes in the political system (and the local direct elections as the main example) cannot be considered as mechanisms traditionally linked to a democratic system but rather as instruments to help the survival of an authoritarian regime. The local elections have been utilized by the new leadership to face the threats to governability and the generalized discontent of the population caused by the corruption of local officials.

According to Cornejo, thanks to its political system, Taiwan has been recognised worldwide as one of the most liberal and democratic countries. The transition from a single party dictatorship to an electoral democracy began in the 1980's, together with a Taiwanisation

process of the government. Since 1991 the Constitution has been amended several times with the purpose of changing some foundations of the government structure and the electoral mechanisms. All these reforms have implied a redefinition of the relations with China, as the new ascending Taiwanese elite wanted to move away from the reunification project and begin constructing an all-Taiwanese political structure and a new form of nationalism. The current opening process was not only a product of the island's domestic social forces but, also, of the relationship within the international context and with China. At the moment, the intensification of the economic relationship has made the island highly dependent on its commerce with the continent. Beijing, for its part, has played its cards to influence Taiwan's elections through different means. Another relevant aspect pointed out by Cornejo is the existence of a society with dynamic class mobility resulting from accelerated development, economic opportunities, and effective state policies (efficient land reform, strong investment on education, industrial development and infrastructure construction).

Having analyzed the current political system and the local elections, Cornejo states that nowadays one of the problems in Taiwan is the increasing lack of trust in political parties among voters, because of the growing corruption and the "new pop electoral culture". He concludes that democracy is more than copying procedures and institutions; political culture is particularly important and new democracies still need to go through political education in order to create real citizenships.