

CONVERGENT APPROACH OF LIBERALIZATION AND REGIONAL INEQUALITIES - AN ANALYSIS

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Abstract: *Coherent integration for transformation and structural adjustments in the socio-political, economic and cultural realms of each unit within the framework of social democracy might have appeared to be contributory to market-efficiency and the objectives of neo-liberalization as well as economic growth. In the present dispensation the authors have taken the attempt to analyse scales of normative frameworks in the socio-political, socio-economic and cultural context under various timelines to suggest as alternative means, in addition to policy coherence for the sustainable developmental goals.*

Keywords: *Liberalization, Regional inequalities, Sustainable development*

The 'bail-out incident' of Greece and subsequently 'Brexit' signify that *convergence initiatives* to attain social-equilibrium, economic growth and free-trade beyond the spectrum of geo-political boundaries by the formulation of a uniform and coherent governance policy and formation of European Union has not eventuated to be a unique exemplary model to other sovereigns across the globe. Coherent integration for transformation and structural adjustments in the socio-political, economic and cultural realms of each unit within the framework of *social democracy* might have appeared to be contributory to market-efficiency and the objectives of *neo-liberalization* as well as economic growth. And again, the *global trade policy* within the framework of WTO has also established social contradictions and provisions of *regional free trade agreements* hardly having any objective to contribute towards transformation and structural adjustments in the inter-countries' socio-political, socio-economic and cultural integration.

The relevant universe of redistribution of conditions of *equality* and substantial wealth for *sustainable development* are the operational contents of social policies of the nations; however, the issues of value-conflicts and efficiency-loss which may manifest from region to region should inevitably be designed in strategic manner within the rubric of the regulatory machinery by appreciating safety-net or social-insurance in a developing economy for upholding the worst-off people of the society so that the *disposable income* of such section could be at par with citizens of other regions and temporal characterization of market-oriented society in developed economy to avail of wealth-maximization on cost-consideration. Be it Gini Ratio, or Quintile methods, or Lorenz Curve, or Standard Deviation to surface the true picture of *inequality, poverty* in particular, the appreciation of *disposable income* of the poor people.

In the present dispensation the authors have taken the attempt to analyse scales of normative frameworks in the socio-political, socio-economic and cultural context under various timelines to suggest as alternative means, in addition to policy coherence for the sustainable developmental goals.

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Unrestricted flow of capital (includes private capital as well), goods and commodities and persons; continuous reformulation and review in the policy frameworks in social distribution and redistribution structure of every sovereign accordingly; and movement of individual natural persons, etc. across the globe, have been considered to be the basis of persistent progressive move in evolving multilateral trade policy.

Sustainable Development Goal programmes have been linked to such journey to reduce poverty and income-inequality. Thus evidently the question, evolves out on assembling the founding goals and objectives of such transformative Global Trade Policies, Global Sustainable Developmental Schemes, and the Social Democratic Principles of Transparency and Accountability as effective instrument of Good Global Governance Policy, is, the efficiency in such regulatory frameworks of the nations across the globe to harmonize, or coordinate, or attenuate the objectives of the aforesaid Global Policies and Schemes in bringing into being the sustainable environments and egalitarian societies.

Convergence approach with an aim at social cohesion as endeavoured by European Union to composite various geo-political boundaries has substantiated the inclination towards substantial increasing domestic regional inequalities and poverty.⁴ The economic growth model of Solow⁵ concluded the *convergence approach* that keeping the exogenous factors of technological progress in production if considered to be traded off, the flow of capital moves towards less developed regions, i.e., from richer regions to poorer regions to avoid the diminishing return of capital however, it fails to address the regional income inequality⁶. Again, the *economic geography* theory suggested⁷ that the concentration of economic activities take place due to concentration of industrial production resulting in the migration of workers make such region(s) as potential market(s) thus due to such agglomeration of economic activities in endowed concentration of industrial production may be considered to be the grounds for increasing regional inequality in income and development thereof.

Therefore, for sustaining economic development of either '*market-income*' or '*disposable income*' of the citizens for at least median standard of earning, i.e., \$1.90 per day as measured by World Bank⁸ to ensure the object of 2030 Agenda of UN Sustainable Development Goals as well as region-specific equal opportunities within the fold of such developmental scheme would be more meaningful. That the aspirations integrated within the fold of SDG schemes are chiefly economic, social, and environmental. Fact that, while the sustainable developmental schemes are being actuated, poor and arbitrary performances of the enforcement agencies as well as different weightage and variability in implementation conditioned and aligned from region to region, often experienced by the poor communities, mostly in developing economies. Inclusion of the material footprints of input-output analysis of resources to foster the SDG schemes from

⁴ Doran, Justin., and Jordan, Declan., DECOMPOSING EUROPEAN NUTS2 REGIONAL INEQUALITY FROM 1980 to 2009: NATIONAL AND EUROPEAN POLICY IMPLICATIONS, *Journal of Economic Studies*, vol. 40 no. 1, ISSN: 0144-3585 available at <https://doi.org/10.1108/01443581311283484>.

⁵ Solow, R.M., (1956), "A CONTRIBUTION TO THE THEORY OF ECONOMIC GROWTH" *The Quarterly Journal of Economics*, Vol 70, No.1, pp 65-94

⁶ Heidenrich, M. and Wunder, C. (2008), "Patterns of regional inequality in the enlarged Europe", *European Social Review*, Vol. 24 No. 1, pp. 19-36.

⁷ Fujita, M., Krugman, P. and Venables, A. (1999), *The Spatial Economy: Cities, Regions and International Trade*, MIT Press, Cambridge, MA.; Puga, D. (2002), "European regional policy in light of recent location theories", *Journal of Economic Geography*, Vol. 2 No. 4, pp. 373-406.

⁸ Available at <https://data.worldbank.org/topic/poverty>

the recipient's point of view, customizing the operational challenges considering the future of regional economic developments on priority-based layers, and aligning those with the objectives of integrated Public Policy cycle⁹, like foundational - to impel from the economy of survival to accompany in availing of the opportunities as enlarged in *social justice* and *sustainable ecology*; short-term policy - to accentuate the space in laying down the alternative preference of *demand set* at micro-level on coming by above the level of survival economy, that is, *choice economy* for the progressive and valued output towards long-term benefits of the schemes driving towards the substantive contribution to the GDP; and long-term policy - to achieve the inclusive economic gain and integrated vision of the aforesaid global policies of SDG programmes.

Therefore, integration of the objectives of the global policies on '*liberalization of trade*', '*transparency* and *accountability*' in governance pattern of the nations for '*sustainable development*', require restructuring of the preferences considering the 'leverage-points' of development. Such structural policy framework with the institutional and regulatory regimes based upon priority-layers although would appear to be capital-intensive however, to achieve the eventuality as desired in the UN Mission of '*zero-poverty*' within the desired time-period of 2030 focus should be made on such meaningful utilitarianism.

Creation, construction and reconstruction of the economic space with *disposable income* amongst the poor at the micro-level would enable to contribute the preference sets of demand in the market which in turn would incentivize the value chain of supplies. The flow of capital to the poor regions to ensure better 'economic rents' upon investment as suggested in Solow's economic growth model might be affected however, sustaining-support by investors of such diminishing return of capital for the specified time-period of foundational level of development would evolve considerable capacity of purchasing power (what has been mentioned as '*disposable income*') amongst the poor because spending for consumption would positively not only lead the market forward rather it would evolve the socio-cultural practices as well amongst the subjects of sustainable development programmes and in turn, would emerge to be the contributory to appreciate the economic activities and market-potentials in the long run.

The tragic consequences of global pandemic, COVID-19, has already brought the global supply chain, international trade, and tourism into standstill, and almost all nations are on the planning fronts to formulate the emergency support programmes to sustain the economic growth as the said contiguous pandemic has already affected the consumption patterns and sectoral output of the countries across the globe due to direct impact of so many national shutdown measures¹⁰.

Thus, every nation with utmost would show its resilience, strength and unity would try to captivate the renewed challenges what in virtual G-20 summit of OECD¹¹ has been expected to be the severe financial recession in some economies of the globe in comparison to financial crisis in 2008-2009. Considering the enormous impact in terms of capital outflows, growing bond

⁹ Integrating the three dimensions of sustainable development: A framework and tools, United Nations 2015 ST/ESCAP/2737, UNESCAP, available at www.unescap.org (last visited on Mar. 27, 2020 at 19:03 IST)

¹⁰ 'Policymakers in the United States, Europe and Asia have slashed interest rates and opened liquidity taps to try to stabilize economies hit by quarantined consumers, broken supply chains, disrupted transport and paralyzed businesses' - <https://www.weforum.org/agenda/2020/03/coronavirus-deaths-italy-china-recession-economy/> (last visited on Mar. 31, 2020 at 13:04 IST)

¹¹ EVALUATING THE INITIAL IMPACT OF COVID-19 CONTAINMENT MEASURES ON ECONOMIC ACTIVITY © OECD 2020 held on March 23, 2020. Available at <http://www.oecd.org/newsroom/oecd-updates-g20-summit-on-outlook-for-global-economy.htm> (last visited on Apr. 3, 2020, 16:13 IST)

spreads, currency depreciations and lost export earnings, including from falling commodity prices and declining tourist revenues from the increasing shock-wave of present pandemic the UN in order to push on with the progressive move of the SDG programmes for the developing countries already calls for \$2.5 trillion coronavirus crisis package.

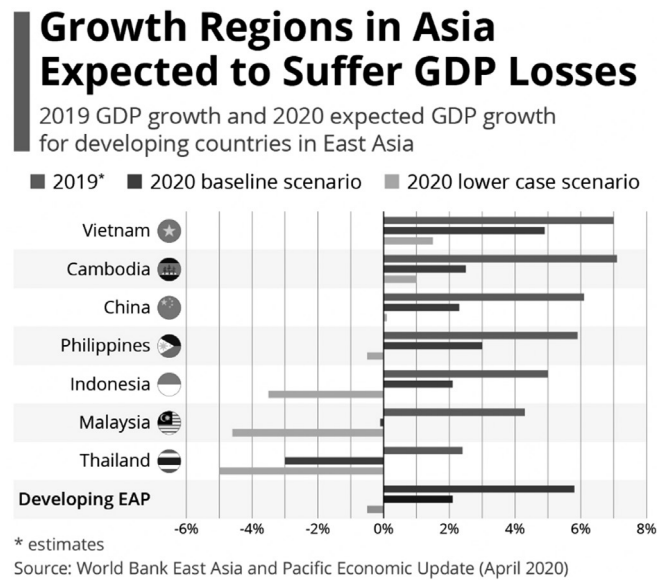


Figure 1.

Source: World Bank East Asia and Pacific Economy Update (April 2020)¹²

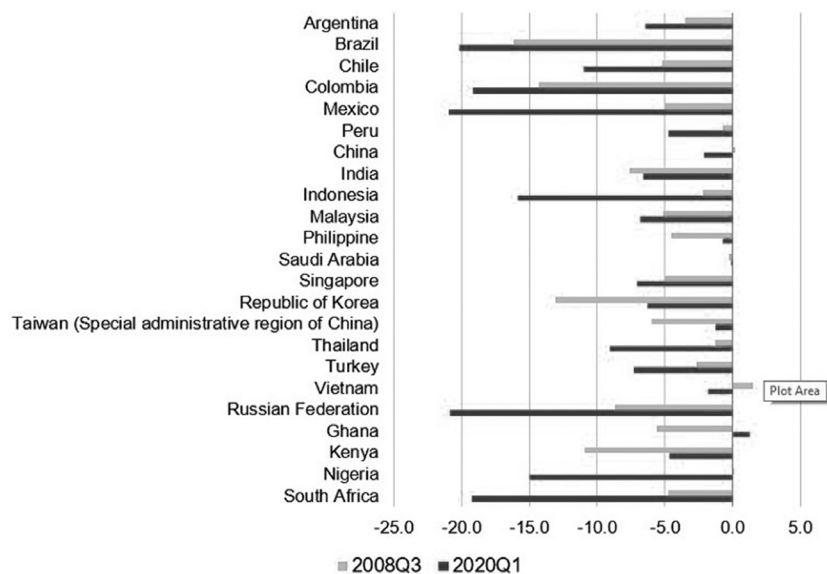


Figure 2. Currency movements against the dollar 2008Q3 vs 2020Q1 (percentage)

Source: UNCTAD secretariat calculations based on Thomson Reuters Eikon database¹³

Plausibility of layoff to the tune of 25 million has also been forewarned by ILO¹⁴ and such cases of rising unemployment, if surfaces, would not only put pressure upon the concerned

¹² <https://www.statista.com/chart/21293/projected-change-gdp-growth-coronavirus-developing-countries-asia/> (last visited on Apr 2, 2020 at 21:34 IST)

¹³ Available at <https://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=2315> (Last visited on Apr. 3, 2020 at 21:23 IST)

¹⁴ <https://economictimes.indiatimes.com/news/economy/indicators/jobs-destroyed-worldwide-as-coronavirus-sparks-recession/articleshow/74978068.cms?from=mdr> (last visited on Apr 5, 2020 at 22:10 IST)

governments for the increased possibilities of falling back into poverty, even in some developed and industrialized economies of the globe, rather would annex burden upon the governments relating to social protection in implementing the beneficial schemes of SDG to accomplish ‘zero poverty’ within its time frame of 2030.

ILO has also apprehended, considering the temporary employment, the scope of gender inequality (Fig 3) as an eventuality of such global pandemic. To foster synergies between reshaping the economic vibrancy into the markets (mostly the shocks in labor productivity, factor productivity and trade as shown in Fig 4) in tandem with cycle of growth in pursuant to SDG programmes require to identify the ‘trade-offs’ of certain incentives to disparate stakeholders of the societies and explicit focus by the governments in its policy frameworks.

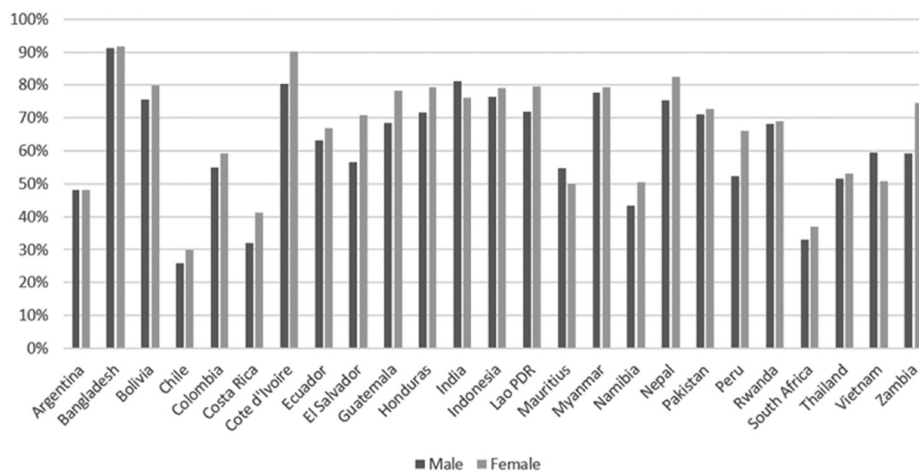


Figure 3. Part time employment (as % of total employment)

Source: ILOStat. Part time employment refers to regular employment in which working time is substantially less than normal¹⁵

	Base Value, bn USD 2011	LABOR PRODUCTIVITY SCENARIO	TOTAL FACTOR PRODUCTIVITY SCENARIO	TRADE COSTS SCENARIO
		Percent Change		
REAL GDP				
WORLD	111,387	-1.0	-1.0	-1.0
DEVELOPED COUNTRIES	66,362	-1.0	-1.0	-0.7
DEVELOPING COUNTRIES	45,024	-1.0	-1.0	-1.5
HOUSEHOLD REAL CONSUMPTION				
WORLD	46,746	-1.1	-1.0	-0.9
DEVELOPED COUNTRIES	30,268	-1.2	-1.0	-0.7
DEVELOPING COUNTRIES	16,477	-1.0	-1.0	-1.4
REAL VALUE ADDED				
ALL GOODS				
WORLD	36,924	-1.0	-1.0	-1.1
DEVELOPED COUNTRIES	16,778	-1.1	-0.9	-1.1
DEVELOPING COUNTRIES	20,145	-1.0	-1.0	-0.8
AGRIFOOD PRODUCTS				
WORLD	7,967	-0.9	-0.8	-0.9
DEVELOPED COUNTRIES	2,986	-0.9	-0.7	-0.8
DEVELOPING COUNTRIES	4,980	-0.9	-0.9	-0.6
EXPORTS, CONSTANT DOLLARS				
ALL GOODS				
WORLD	17,849	-1.1	-1.0	-13.8
DEVELOPED COUNTRIES	9,524	-1.1	-1.0	-12.4
DEVELOPING COUNTRIES	8,325	-1.1	-1.0	-15.4
AGRIFOOD PRODUCTS				
WORLD	1,498	-0.9	-0.8	-18.6
DEVELOPED COUNTRIES	849	-0.9	-0.8	-14.9
DEVELOPING COUNTRIES	649	-0.9	-0.8	-23.4

Figure 4. Macro-economic impacts of a 1% reduction in global economic growth

Source: MIRAGRODEP Simulations, IFPRI¹⁶

¹⁵ Available at <https://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=2319> (last visited on Apr. 5, 2020 at 21:13 IST)

¹⁶ Available at <https://www.ifpri.org/blog/how-much-will-global-poverty-increase-because-covid-19> (last visited on Apr 2, 2020 at 09:23 IST)

The synergic approach of both institutional and market to support the poor to enable them to come out from the 'poverty-trap' for, mere subsidized aid might affect the inherent potential and urge to find out survival and prosperity amongst the poor communities in their livelihoods as well as encourages the implementing agencies to be the breeding ground of corruption and nepotism¹⁷ and distorting to smooth market functioning also.

Recent research to address the global poverty made by Nobel Laureate Banerjee and Duflo¹⁸ have come up with the recommendation to initiate the innovative tool of *micro-credit* amongst the poor for ensuring predictable and dependable income for, the majority of poor community experience the harsh realities and functional financial distress between the 'aid ideology' of sustainable developmental programmes and 'free market economy'.

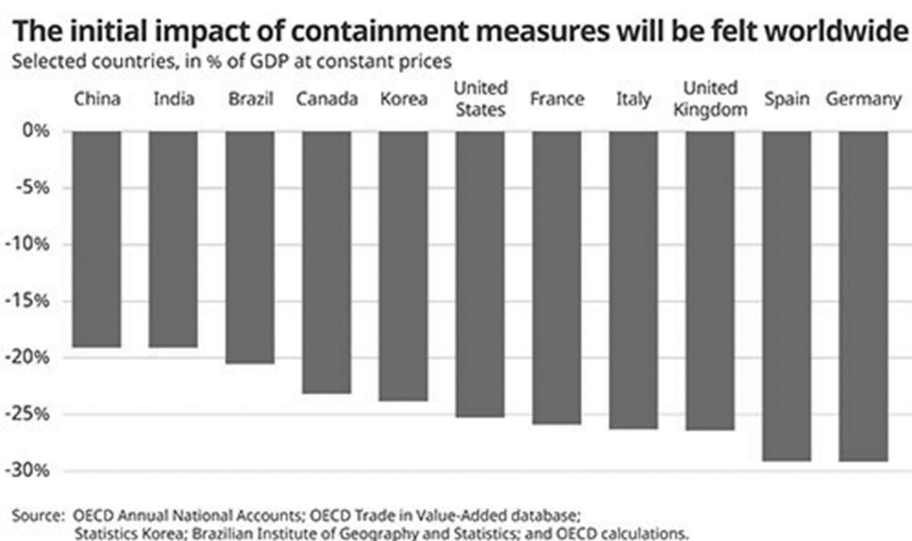


Figure 5.

Source: OECD Annual National Accounts; OECD Trade in Value-Added database; Statistics Korea; Brazilian Institute of Geography and Statistics; and OECF Calculations¹⁹

Therefore, market-driven direction in the policy formulation aligning thereof the allocation of subsidies to each individual member of such vulnerable communities through strict compliance of institutional and normative frameworks would not only insist smooth functioning of the markets rather would motivate the poor communities to come up with own solutions to get rid of poverty. And again, the possible downturn in economy and GDP of both the developed and developing countries as estimated in Fig. 5 could be reduced to greater extent.

The increasing trends of democratization of norms with multidimensional challenges, immediacy in priorities, decay in value-based governance, political imperative-conflicts lack of integrity in accomplishing commitments, conflicts amongst disparate stakeholders in inclusive growth in participatory model of governance, poor implementation, are to mention a few. Inclination mostly upon cost-cutting governance mechanism and market-driven policy formulations raised most conflicts in smooth operationalization of beneficial goals of SDG programmes also. Such

¹⁷ Moyo, Dambisa., *Dead Aid: Why Aid is Not Working and How There is a Better Way for Africa*, Penguin Books Ltd., London, U.K. 2010: ISBN 9780141031187

¹⁸ Banerjee & Duflo, *POOR ECONOMICS: A RADICAL RETHINKING OF THE WAY TO FIGHT GLOBAL POVERTY*, BBS PUBLICAFFAIRS, NEW YORK

¹⁹ <http://www.oecd.org/newsroom/oecd-updates-g20-summit-on-outlook-for-global-economy.htm> (last visited on Apr 5, 2020 at 13:23 IST)

convergence with cooperative-collaboration amongst the regulatory bodies should be coherent in order to achieve the multidimensionality of developmental schemes. Such attempts necessitate the focus upon the re-balancing of the right-liability correlations afresh in the context of new trend of market-driven policies of the State. The evolution of normative frameworks right through the civilized human civilizations traverse from *capitalism* to *mercantile capitalism*, then from *mercantile capitalism* to *state capitalism*, and now from *state capitalism* to *state-sponsored capitalism* and the singular character of *state-sponsored capitalism* is to embrace the private capital for the scales of economic growth and in participatory pattern of governance model.

Such encompass of diverse stakeholders within the framework of governance model has not only been giving some distinctly motivated stakeholders to thumb up to put unnecessary blockades either to cause delay and enjoy some benefits and advantages at individual end (including ‘economic rents’) or to dismantle the image of gradual successive progress. And such resistance at the policy making process or at implementation process are being asserted out of the conditions enlarged by the State when *state capitalism* was in force. Thus a revisit upon the existing right-duty correlations, enlarged by the State following the *state capitalism* as the economic model for the social progress are necessary and modifications of the same, i.e., rights-duties from the perspective of *state-sponsored capitalism* with specific focus upon the validation of responsibilities of the stakeholders both in policy as well as in institutional and normative frameworks, be it related to individual in the governance mechanism or as a contributor to the total GDP or GVA of the State, and any constraint made thereof in accomplishing the commitment made by the State before the international organizations would be made judicial intervention. In short, the institutional and normative frameworks should be responsibility-driven rather than right-driven one for the attainment of objectives of SDG programmes and regional inequalities and poverty.

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