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SOCIO-ECONOMIC RIGHTS IN THE WORLD MARKET: CHINA,
INDIA, AND THE GANG OF FOUR

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Abstract

The entry of China and India into the global economy involves not only the internal transformation of those two societies, but also a significant step towards what Marx called the ‘completion of the world market’ – the expansion of foreign trade and the transformation of social relations of production, and with that the intensification of competition across the global economy. They represent crucial cases, therefore, for the gang of four international organizations most closely concerned with the governance of labour markets, social policy and trade – the ILO, the OECD, the World Bank, and the WTO. Over the past two decades these organizations have converged, along with the IMF and the multilateral regional banks, on a programme aimed at reshaping socio-economic rights to make them consistent with and supportive of the rule of capital, and competitiveness in the global economy. This paper analyses the manner in which the Gang of Four seek to fit social and economic rights to the exigencies of the world market, and explores in detail the engagement of the OECD with China and India. In terms of the overall project of which this is a part, the objective is to sketch in the background against which regional development banks and emerging economies engage in the wake of the financial crisis.

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SOCIO-ECONOMIC RIGHTS IN THE WORLD MARKET: CHINA, INDIA, AND THE GANG OF FOUR

INTRODUCTION

On the face of it, the prospects for the realization of social and economic rights in China and India are good. Years of high rates of growth, barely diminished even by the ‘global financial crisis’, have made significant inroads into poverty or created the potential for doing so, and the long-term prospects for continued growth seem fair. However, there is a sting in the tale of Chinese and Indian economic success. In world historical terms, it brings much closer a development anticipated by Marx and Engels – the completion of the world market as all nations are compelled, ‘on pain of extinction’, to adopt the bourgeois mode of production. The principal mechanism driving the process, they thought, was the pressure upon states to respond to competition from imports as the world market expanded in the wake of the introduction of ‘big industrial production’, principally by transforming the social relations of production within their own territory, both to produce an exploitable proletariat, and to oblige capitalists to compete with domestic and foreign rivals. Only when all nations were drawn in, Marx and Engels surmised, would the disciplines of global capitalist competition really begin to bite. States would then be obliged to live by the rules of the world market, itself ‘at once the precondition and the result of capitalist production’ (Marx, 1971: 253; Cammack, 2013). Among other things, all states would be compelled to tailor socio-economic rights to the exigencies of global competitiveness. They also thought, of course, that the situation produced would be inherently unstable and contradictory, and prone to overthrow.

The present and future prospects for socio-economic rights in China and India (as elsewhere in the world economy) are best understood within this framework. Such rights are the object of contestation and class struggle in both countries, so outcomes cannot be predicted in advance. I focus here on their framing in policy discourse in the analysis and policy advice provided by leading international and regional organizations who make it their business to further the reform of trade, employment and social protection – the ILO, the OECD, the World Bank, and the WTO. In advance of the ‘completion of the world market’, and with the explicit purpose of bringing it about, they all advocate the interpretation and implementation of socio-economic rights in strict accordance with the logic of globally competitive capital, or, in short, the world market, both in general, and in relation to China and India. In doing so, they position themselves not as agents of other advanced economies, or as unconditional allies of governments, but as the heralds and advance forces of global capital yet to be. Taken together, as we shall see, they are just reaching the position to which Marx and Engels devoted their critique 170 years ago.

THE OECD AND THE EMERGING ECONOMIES

The OECD stands squarely in the tradition of classical political economy associated with Adam Smith, and is wedded to the logic of global capital. It advocates, as it has since its creation in 1961, the expansion of world trade and the integration of all countries into the world market. Strictly within these limits, it is entirely progressive in its outlook, committed to the liberalization of product (goods and services) and labour markets, and not remotely protective of the accumulated privileges of the ‘advanced economies’. Its direct interest in the emerging economies can be traced back for almost two decades, to a couple of documents that anticipated the Millennium Development Goals in calling for a reduction by one half in the proportion of people living in extreme poverty by 2015 and proposing a set of related social targets that would reappear at the UN Summit in 2000 (DAC, 1995, 1996: 2-11). The first of these documents, *Development Partnerships in the New Global Context*, noted that for three decades, ‘the highest rates of economic growth in the world have been achieved among developing countries, notably in Asia and Latin America’, welcoming both ‘expanded trade, capital and technology flows’ and the ‘far-reaching economic and political reforms’ aimed at successful integration into a ‘highly competitive, interdependent world’ (DAC, 1995: 1, in DAC, 2006, Annex: 18). The ‘new global context’, of course, was the massive opening up of the world market over the previous decade. The OECD’s concern with the ‘central challenge’ of global poverty was tied to a particular set of ‘strategies and programmes that will work to enable the poorest to expand their opportunities and improve their lives’, centred upon ‘A sound policy framework encouraging stable, growing economies with full scope for a vigorous private sector and an adequate fiscal base’, and ‘investment in social development, especially education, primary health care, and population activities’ (ibid: 2). This formulation, in turn, echoed that produced by the World Bank from 1990 onwards (Cammack, 2002).

This outline was expanded a year later, in *Shaping the 21st Century*, which looked ahead to a time, well before the mid-century, when ‘the present developing countries will account for half of global economic output’ (DAC, 1996: 5). Again, the goal of ‘a higher quality of life for all people’ was linked to ‘increasing the effectiveness of market economies and the efficiency of government’ (ibid: 8). As would be the case with the Millennium Development Goals themselves, the social and economic targets proposed were tied to a specific set of strategies, central to which was a focus on ‘reinforcing the transformation of institutions and enabling environments to facilitate the emergence of developing economies and transition economies as growing trade and investment partners in the global economy’ (ibid: 13). In turn, the developing countries were called upon to ‘adhere to appropriate macroeconomic policies; commit to basic objectives of social development and increased participation, including gender equality; foster accountable government

and the rule of law; strengthen human and institutional capacity; create a climate favourable to enterprise and the mobilisation of local savings for investment; carry out sound financial management, including efficient tax systems and productive public expenditure; and maintain stable and co-operative relations with neighbours’, while developed countries undertook, *inter alia*, to ‘contribute to international trade and investment systems in ways that permit full opportunities to developing countries’, and to ‘support access to information, technology and know-how’ (ibid: 14-15). The study concluded with a firm commitment to universal development: ‘We should aim for nothing less than to assure that the entire range of relevant industrialised country policies are consistent with and do not undermine development objectives’ (ibid: 18).

In other words, this was a manifesto for genuinely global capitalism. The policies of the industrialised and developing economies alike were to be aligned with and subordinated to the needs of a fully integrated global capitalist economy – a perspective consistently spelled out in recent years in the annual series *Going for Growth* since it was launched in 2005 (OECD, 2005-2012). This approach presumes that the liberalization of global trade will continue, and insists on the need for the reform of labour markets, welfare and social protection in order to promote competition and productivity. Significantly, because it anticipates that the changes it seeks to promote will be disruptive and contested, it places great emphasis upon ways in which ‘social cohesion’ can be maintained. What we see here, then, is a global project on behalf of ‘capital in general’. Its aim is precisely to develop the social relations of production to their fullest extent, while seeking to embed them in a social order that ensures and reproduces the hegemony of capital. The OECD offers the fullest and most consistent expression of the project and the legitimizing ideology behind it, but, as we shall see, it is developed and shared by partner international organizations. Where the implications for the social and economic rights of present and future workers is concerned, key partners are the World Bank, the ILO, and the WTO – but we begin with the OECD.

LABOUR AND SOCIAL COHESION

The core focus of the OECD is on productive jobs, and a structure of incentives that encourages individuals to prepare for and look for them, the objective being the classic Smithian goal of ‘higher productivity and labour utilisation’ (OECD, 2012a: 18; cf. Smith, [1776] 1999: 104-6). Social and economic rights are consistently addressed in this context. The approach is succinctly summarized in a 2012 volume on ‘social cohesion in a shifting world’, which explicitly addresses these issues in relation to the BRICS and other emerging economies, in an increasingly competitive global economy.

The context is the shift in the centre of economic gravity from West to East, and the

need to treat domestic fiscal, employment and social policies in a holistic manner. Social cohesion is defined in terms of social inclusion, social capital and social mobility, and as ‘both a desirable end and a means to achieve development outcomes like growth’ (ibid: 58); and in introducing the framework that underpins the volume, the OECD comments: ‘The starting point is the transformation of the global economy and the emergence of growth poles in the South and East, spearheaded by the integration of China and India in the world economy’ (ibid: 60). As is the case in all contemporary discussion of the link between social protection and ‘entrepreneurial’ risk-taking (Cammack, 2012), its logic is ‘to finance social risk-sharing arrangements, so helping to cushion people against shocks and *enabling them to take an active part in new opportunities*’ (OECD, 2012b: 61, emphasis mine). In the context of social transformation associated with shifting wealth, structural change is seen as shaping social cohesion outcomes by reallocating the labour force across sectors and from rural to urban areas; and in China and India in particular, it has played an important part in sustaining labour productivity gains (ibid: 67-8). The ‘high road’ of productive jobs in the formal sector, equally open to female and male workers, is greatly preferred to the ‘low road’ of informality and low productivity, and the challenge posed by inequality is to be addressed by a focus on equal opportunity, health, education and training, and increased female labour market participation. Overall, ‘social cohesion will be fostered by holistic social protection systems that avoid reinforcing the dual nature of labour markets’, while the ‘determination of wages and job conditions is key to the distribution of growth’ (ibid:155, 157).

For the OECD, then, a ‘common concern in designing, and especially scaling up, social protection instruments is that they should not have adverse effects on labour market behaviour and undermine growth projects’ – transfers may reduce labour supply, if for example, they are contingent on unemployment and therefore ‘lure job-seekers into informality or tempt them to ease up on the job-hunting efforts’ (ibid: 174). Workers should share (more than they sometimes do) in the benefits of productivity increases, but overall the focus is always on what is most likely to maximize the supply of productive workers. Hence social and economic ‘rights’ are placed within strict limits:

there is scope for labour institutions – minimum wages, collective bargaining, unionisation – to help protect workers with limited or no negative effects on labour market efficiency. However .. institutions need to be carefully designed in order to avoid unintended negative consequences. Labour institutions that severely limit turnover and create obstacles for new entrants into the formal sector – whether they come from the informal sector or are young people trying to break into the job market – can accentuate the duality of labour markets (ibid: 177).

Social policies and the labour market

Social inclusion, then, comes down to a social ‘right’ of access to health and a basic education, in an environment in which macro-level policies foster high levels of labour utilization and productivity, and an economic ‘right’ to compete in the labour market that is created as a result. The policy implications for the BRICs have been systematically addressed – conspicuously in the ‘high-level conference’ organized in Paris in May 2010 by the OECD’s Directorate for Employment, Labour and Social Affairs with the financial support of the European Union Directorate-General for Employment, Social Affairs and Equal Opportunities, on the theme of ‘Inequalities in Emerging Economies: What Role for Labour Market and Social Policies?’. It brought together policy makers from Brazil, China, India and South Africa, and drew policy conclusions published in the same year (OECD, 2010a).

Reflecting the systematic principle-based approach taken by the OECD, the introduction opens with the statement that economic growth ‘depends on productivity improvements and the functioning of labour markets, but well-functioning labour markets rest in turn on a sustained and stable path of economic growth’ (ibid: 14). It then reviews the experience of the four case study countries, with a focus on successful economic reforms from the 1980s on that have favoured productivity increases: ‘Reforms mainly oriented at achieving greater economic stability and liberalisation have increased productivity and favoured trade and foreign capital flows as never before’ (ibid: 17). However, the OECD notes that the case study countries exhibit a number of features that differentiate them from the advanced economies that make up the majority of members of the OECD itself: high if declining proportions of the population in extreme poverty and therefore vulnerable to external shocks, underdeveloped labour market and social policy institutions, widespread informality, and limited administrative capacity:

The business climate is also generally less stable ..., so there is a need to promote broader development policies that affect the production system (i.e. macro-economic stability, development of the domestic market and strong product market competition, improving education and training, etc.). In this context, to be effective and comprehensive, labour market and social policies have to be integrated into the general development agenda on a country-specific base, as their impact may depend very much on past history as well as on the overall existing framework in each country (ibid: 264).

The issue for policy makers is to find a balance between allocating labour to its most productive use and protecting workers. In this context, the tendency in the case study countries to ‘give priority to job security rather than improving labour force skills and employability’ has some negative features. In particular, only the better off workers (generally in the formal sector) enjoy protection and the majority who lose their jobs are

forced into the informal sector. This form of labour reallocation ‘imposes large welfare costs on workers and an inefficient job matching that negatively affects labour productivity’ (ibid: 268). The first conclusion drawn is that income support mechanisms are to be preferred to employment protection. But the concern is equally with the need to persuade workers into retraining and work, and the capacity to do so:

In contrast to many OECD countries, unemployment compensation schemes in BCIS rarely impose strict requirements on the claimants of the benefit, such as to be registered in the employment services or to search actively for a job. When active labour market services are in place (i.e. job intermediation, training, etc.), some requirements or conditionalities can be set for unemployment benefit recipients. But this also requires improving the quality of the employment services offered, which is often an important constraint on implementing more active labour market measures. Indeed, BCIS governments have limited administrative capacities to monitor whether unemployment benefit recipients are searching for a job during the benefit receipt period (ibid: 276).

At the close of this lengthy comparative review (which goes on to consider the related issue of unconditional and conditional cash transfers), the conclusion is emphatic: ‘rather than being oriented to further protect those that they already protect – often workers who are better off – labour market policies should be designed and reinforced to reduce labour market duality’ (ibid: 297). Connecting back to the broader context, the report concludes by recommending the policy framework set out in the OECD *Jobs Strategy*, introduced in 1994 and successively amended since:

Labour market policies need to be integrated and complemented with other policies, ranging from measures to foster entrepreneurship (i.e. reducing barriers to entrepreneurship such as by facilitating access to credit, etc.) to measures that improve human capital accumulation through better quality education for all. To boost incomes and jobs, the four pillars of the OECD Reassessed Jobs Strategy, conveniently adapted on a country-specific base, can also be applied to BCIS [Brazil, China, India, and South Africa]. This means: i) setting an appropriate and solid macroeconomic policy; ii) removing the impediments to labour market participation for groups with more difficulties as well as facilitating the job search; iii) tackling labour and product market obstacles so as to boost labour demand; and, iv) facilitating the development of labour force skills and competencies (ibid: 298).

It is clear, then, that the OECD has continued to develop a detailed policy framework oriented towards achieving policy reform across the developing world in pursuit of a genuinely global capitalist system, and increasingly focused on the leading emerging economies. It has not been alone in doing so. In particular, it works in close partnership with the World Bank, whose commitment to a similar agenda of reform was noted above.

LABOUR MARKETS, PRODUCTIVITY AND RIGHTS AT THE WORLD BANK

In *Tackling Inequality*, the OECD attributes to the World Bank the suggestion that ‘the countries with the most success in poverty reduction encourage patterns of growth that make efficient use of labour and invest in the human capital of the poor’ (World Bank, 1990, cited in OECD 2012b: 70). The reference is to the 1990 World Development Report, *Poverty*, which declared that poverty would be eliminated by a two-pronged strategy of promoting ‘the productive use of the poor’s most abundant asset – labour’, and providing basic social services – primary health care, family planning, nutrition and primary education – to the poor. As I have previously argued, this is patently a strategy to produce an exploitable proletariat on a global scale (Cammack, 2002). The World Bank has returned to the same theme with its 2013 World Development Report, *Jobs* (World Bank, 2012). This volume does not advocate the merciless and unprincipled exploitation of the vulnerable poor across the world on behalf of US or Western capital, nor does it cloak such an intention in honeyed words but intend it all the same. It advocates precisely the approach to employment that a commitment to global capitalism and the future rule of capital on a global scale would lead one to expect – and does so, like the OECD, in an analysis that harks directly back to the 1990 Report, and for that matter to Adam Smith:

Jobs are the cornerstone of economic and social development. Indeed, development happens through jobs. People work their way out of poverty and hardship through better livelihoods. *Economies grow as people get better at what they do, as they move from farms to firms, and as more productive jobs are created and less productive ones disappear* (World Bank, 2012: 2, emphasis mine).

These opening lines immediately disclose the connection that the Bank sees between work on the one hand, and economic and social betterment on the other. As in 1990, it either comes from the productive sale of labour power, or not at all. The Report is upbeat on the dignity of labour and the contribution of the right kind of job creation to social cohesion, although it predictably builds its highly ideological moral arguments on a bedrock to which the efficient working of the labour market on a global scale is central – and with it therefore the prospect, in the long run, of subsistence wages throughout the global economy. Jobs matter, then, but not just any jobs. Beyond their value to the individual, different jobs have different social impacts. Some are beneficial:

Jobs for women can change the way households spend money and invest in the education and health of children. Jobs in cities support greater specialization and the exchange of ideas, making other jobs more productive. Jobs connected to global markets bring home new technological and managerial knowledge. And in turbulent environments, jobs for young men can provide alternatives to violence and help restore peace (ibid: 2-3).

Others, in contrast, can have ‘negative spillovers’:

Jobs supported through transfers or privilege represent a burden to others or undermine their opportunities to find remunerative employment. Jobs damaging the environment take a toll on everybody. Thus it is that some jobs do more for development, while others may do little, even if they are appealing to individuals (ibid).

What matters, then, is what will produce ‘good’ jobs. And as we shall see, the persistent invocation of productivity, living standards, and social cohesion at the heart of the World Bank’s own global capitalist manifesto relates directly to the issue of social and economic rights in India and China as elsewhere.

The connections between productivity and social cohesion are set out in two central chapters (ibid: 98-151). As with the OECD, the focus is on the reallocation of labour from low-productivity to high-productivity jobs. Classically, and entirely in line with the perspective set out at the start of this paper, the World Bank identifies four main forces behind increases in national per capita output:

The first is the use of more capital per unit of labour. The second is an increase in the number of people working, relative to the total population. .. The third mechanism through which output can grow is by making people themselves more productive. The acquisition of skills, also known as human capital accumulation, allows a person to do more using the same amount of capital. The fourth mechanism is technological progress, measured as changes in total factor productivity. Technological progress amounts to combining capital, labour, and skills more efficiently, while applying new knowledge (ibid, Box 3.1, p. 99).

Everything else follows from this. However, the relationship between jobs and social cohesion is not ‘straightforward, immediate, or direct’: rather, the Bank argues, in a telling ideological detour, jobs are positively correlated with social cohesion to the extent that they are ‘empowering, build agency, and provide access to voice’ (ibid: 126):

Insecure jobs or jobs that people find demoralizing can have effects similar to those of unemployment. The lack of status, job security, or voice at work can lead people to feel disempowered and hopeless about the future and to stop participating in social networks (ibid: 132).

Of course, these are not neutral observations, let alone objective statements of fact, but rather highly charged formulations that reflect a strategy aimed at enforcing the hegemony of capital over labour – in this case through encouraging the proletariat around the world to see competitive labour markets and exploitation by capital in its most advanced forms as empowering. To the extent that the human objects of this ideological onslaught reflect the same ideas back, as the Bank suggests they do, this represents success – a situation in which the ruling ideas are those of the ruling class

(Marx and Engels, 1846: B6). However, rather than it being unproblematically the case that jobs *actually* help to manage social tensions, cause trust, provide social identity and connect people, it is the objective of the World Bank that they *should*. For anyone versed in a critical perspective derived from classical Marxism, this is transparent in the self-congratulatory passage that concludes the chapter:

A program in Tunisia uses the process of writing an undergraduate thesis to teach students basic entrepreneurial skills. Students are mentored by professors and private sector coaches to develop business plans. The initial results of the program show that the program motivated students and gave them confidence to take risks. A male participant from Tunis explained, “I have become more independent. My behaviour has changed. I use my new skills, I am more disciplined.” Students also explained that the program expanded their professional networks by giving them opportunities to interact with mentors. “I now have a social network. I know whom to consult,” explained a female participant (ibid: 143-4).

As is the case with the OECD, however, the World Bank is logically and impeccably progressive within its subjection of all social processes to the logic of global capital. It goes on, therefore, to insist (in relation to ‘valuing jobs’) that rights are the foundation of employment policy:

While some jobs may contribute more to development than their individual values suggest, some forms of work are likely bad from any point of view. All countries have subscribed to a set of universal rights. Most governments, as well as international organizations and others, have ratified or endorsed standards seeking to eliminate forced labour, harmful forms of child labour, discrimination, and the suppression of voice among workers. Thus, some work activities are widely viewed as unacceptable and should not be treated as jobs (ibid: 155).

The emergence of rights in work is traced from the 1948 UN Declaration of Human Rights (‘everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment’) to the ILO’s core labour standards of 1998. The conclusion drawn is that the best way to eliminate unacceptable forms of work and eliminate gaps between rights on paper and in practice is to extend the formal sector and subject it to regulation through legal or voluntary codes, with direct reference to the ILO’s Decent Work Agenda (ibid:158). As we move from the World bank to the ILO, then, we may note the way in which the Bank depicts the centrality for development of productive jobs connected to the world market, and connects this at the same time to instrumentally effective moral and social values and the building of appropriate forms of social capital (Figure 1, below).

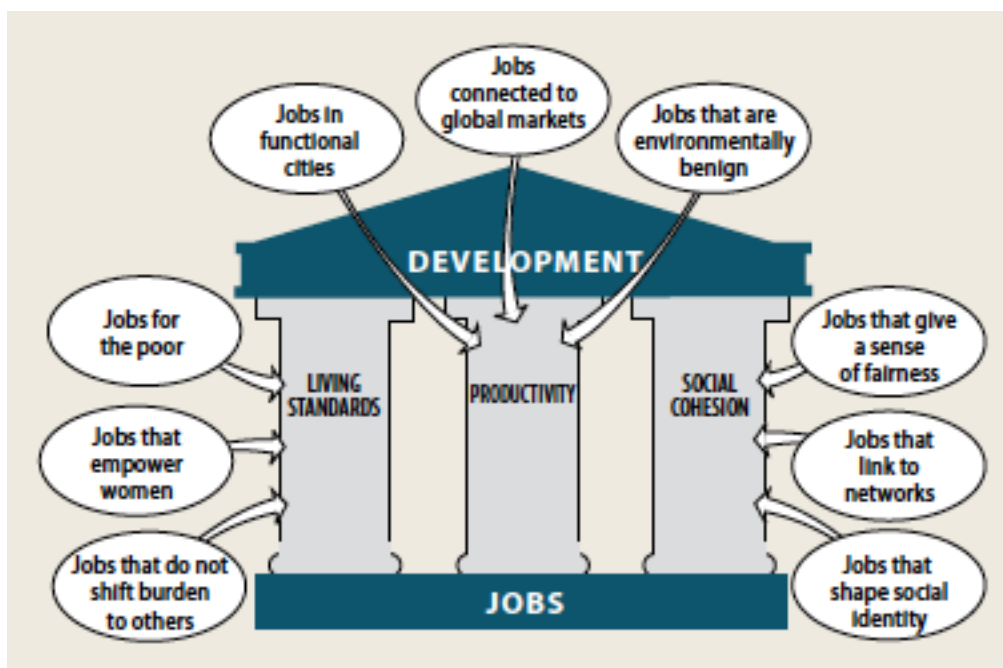


Figure 1: Some jobs do more for development
 (Source: World Bank, 2012, Figure 5.2, p. 160)

‘DECENT WORK’ AT THE ILO

In a fairly clearly established division of labour among the international organizations discussed here, the ILO promotes ‘decent’ productive jobs that can both promote social cohesion and sustain a national and global consensus around the benefits of a capitalist order. This is reflected not only in the Decent Work agenda (ILO, 1999), but also in the associated recent initiative to promote a ‘social protection floor’ (ILO: 2011). From the perspective advanced in this paper, this represents an attempt to promote the real subsumption of labour to capital on an expanding and sustainable basis, and to define ‘social justice’ in terms compatible with inclusion in the world market. Because appropriately framed regulations push employers towards the ‘high’ road of greater investment in the labour process and higher productivity, they can provide the basis for narratives of both growth and social justice. It is significant in this respect that the ‘global crisis’ prompted the ILO to reassert its commitment to the formalization of labour (Lee and McCann, 2011). Thoroughly in accord with the current World Bank approach to risk and social protection (though for the same reason critical of some earlier calls for the deregulation of labour in the *Doing Business* series), Lee and McCann argue (as do others – see pp. 14-15 below) that labour inputs and productivity are suboptimal in the absence of comprehensive insurance, and that ‘the integration of a national economy into the global economy will be facilitated, rather than discouraged, by the introduction of more effective worker protection mechanisms,’ since ‘economic

developments of increasing complexity and sophistication (such as globalization) require corresponding mechanisms that evolve to address new and increasing risks' (ibid: 10-11; see also p. 3). Hence, the 'introduction of minimum wages ... can encourage employers to offer good jobs and improve the composition of jobs in order to achieve productivity gains' (ibid: 13). The proposal for a 'social protection floor' carries the same agenda forward. Among the justificatory considerations advanced in the policy document presented to the 101st session of the organization in 2012, these two followed consecutively:

Recognizing that social security is an important tool to prevent and reduce poverty, inequality, social exclusion and social insecurity, to promote equal opportunity and gender and racial equality, and to support the transition from informal to formal employment, and

Considering that social security is an investment in people that empowers them to adjust to changes in the economy and in the labour market, and that social security systems act as automatic social and economic stabilizers, help stimulate aggregate demand in times of crisis and beyond, and help support a transition to a more sustainable economy (ILO, 2012: 2).

In short, there is a common logic running through the policy prescriptions of the OECD, the World Bank and the ILO, geared towards the extension of markets on a global scale, and the transformation of the social relations of production in order to enhance capital intensity and productivity – these being the two aspects of the 'completion of the world market' as theorized by Marx and Engels. That said, the final piece of the puzzle – the relationship of these issues to foreign trade – remains to be explored. And to do that we need to turn to the fourth of the Gang of Four, the WTO.

THE WTO, THE ILO, AND 'CREATIVE DESTRUCTION'

The WTO is primarily concerned with trade, as its name suggests. Classically liberal in orientation, it is committed to 'open trade for the benefit of all' – the opening of all national markets to international trade, on the grounds that this will 'encourage and contribute to sustainable development, raise people's welfare, reduce poverty, and foster peace and stability' (http://www.wto.org/english/thewto_e/whatis_e/wto_dg_stat_e.htm, accessed 13 February 2013). The WTO's view is that so long as safeguards ('justifiable exceptions' or 'adequate flexibilities') are observed, social and economic advancement will best be secured by the widest possible rules-based and non-discriminatory opening of trade. In support and defence of this view, it concerns itself not only with narrow or technical issues to do with tariffs, but also with non-tariff barriers, other public policies that may truly or ostensibly be directed towards other legitimate policy purposes but still impact adversely upon trade, and appropriate policy responses to apparently adverse

consequences of opening and expanding trade.

On tariffs, its position is straightforward – reductions in tariffs promote trade and strengthen competition, and are wholly desirable. Whatever other measures might be used in order to promote social and economic rights, then, protection through tariffs is not one. On non-tariff measures or NTMs, addressed in detail in the 2012 *World Trade Report* (WTO, 2012), it identifies a ‘basic policy challenge – how to ensure that NTMs do not restrict or distort trade, and at the same time ensure that they can be used for necessary and legitimate policy goals’ (ibid: 39; cf. 50). As this suggests, restricting or distorting trade *per se* not legitimate. At the same time, it recognises the right of states to protect their citizens from threats to their health and safety, and from damage to the environment. Where they claim to do so, it is predictably zealous in seeking out and condemning any hint of disguised protectionism, or any special interests lurking in the shadows behind the measures proposed. In terms of rights, the outcome is clear cut, in principle at least: individuals have a right to be protected from harm to their health or safety, or damage to the environment, but not from the impact of competition arising from further integration of global markets – and where there are alternative means to protecting the former, those that have no negative impact on the latter are to be preferred (ibid: Box B.2, p. 53). While the ILO does not refer back directly to the post-war ‘embedded liberal compromise’ that allowed social purpose to moderate free trade and pro-market policies (cf. Ruggie, 1982), it clearly contests the idea of such a social purpose as legitimate today.

Its position on the appropriate policy response to any tensions or short-term negative consequences to opening trade is spelled out in full in an earlier *World Trade Report*, that of 2008 – the production of which preceded recognition of the full extent of the ‘global financial crisis’ (WTO 2008). Sub-titled *Trade in a Globalizing World*, this volume set out to challenge ‘prejudice and populist opportunism’ (ibid: xi), and itself recalled as relevant background the argument of a previous report, that of 2004:

In the context of relatively open trade policies, the massive global challenge of pulling people out of poverty raises issues that go far beyond a country’s trade regime. Mounting evidence suggests that factors such as the quality of infrastructure, education, the effectiveness of technological development, the ability of domestic markets to function properly and the quality of the institutional framework are crucial for successful growth and development (ibid: xii)

Its remit, then, went explicitly beyond issues of trade narrowly conceived. And it added, in relation to the scope the WTO had for addressing the implications of global economic integration, that ‘international initiatives play a role, but these are no substitute for action taken by individual governments. In many instances, domestic policies determine

more than anything else a government's capacity to benefit from international cooperation' (ibid). As much as the other organizations reviewed here, then, it focuses upon domestic policies in a number of areas. What these are becomes clear in the ensuing discussion, which is aimed at countering rising opposition to the agenda of promoting deeper integration of all countries into the global economy, in the advanced countries in particular. As the long-term benefits of trade liberalization in terms of improved resource allocation and efficiency are clear, governments should increase public investment in relevant infrastructure, remove regulatory burdens, incentivize private investment, introduce trade-specific adjustment and temporary assistance programmes, reform the educational and regulatory environment, and enforce property rights in order to encourage innovation (ibid: xxiv-xxvi) – in other words, promote trade liberalization and adapt to it. So when the *Report* turned to the issue of 'dealing with the social consequences of liberalization' (ibid: 151), it cited Olivier Blanchard:

Modern economies need to constantly reallocate resources, including labour, from old to new products, from bad to good firms (Blanchard, 2005). At the same time, workers value security and insurance against job loss. In response to this, economies have used different tools to provide a buffer against the most negative consequences of job loss. These tools include job-security regulation that makes it harder for employers to lay off workers and unemployment benefits that provide workers with a certain level of income during periods of unemployment. *However, both types of policies may negatively affect the reallocation process, i.e. the process of job loss inherent in the growth process and also the adjustment process following trade liberalization. The question therefore arises whether a trade-off between efficiency and insurance exists and how far this should go* (ibid, emphasis mine).

The WTO concerns itself with the social and economic policies that countries should pursue, as well as with appropriate trade regimes, and in doing so it aligns itself with and contributed to the emerging consensus among international organizations. Here it follows Blanchard, then Professor of Economics at MIT and currently Chief Economist at the IMF, in arguing for 'generous unemployment insurance .. conditional on the willingness of the unemployed to train for and accept jobs if available' (ibid), and endorses the call from André Sapir, long-time economic adviser to the European Commission and lead author of the 2004 *Agenda for a Growing Europe* (Sapir, 2004) for 'systems whereby the unemployed continue to have incentives to look for jobs, ensuring that generous social protection systems do not introduce significant inefficiencies', active labour market policies being 'a preferable alternative to passive income support to the unemployed' (ibid: 152, citing Sapir, 2006).

Of equal significance for the argument proposed here – that the perspective offered by Marx and Engels regarding the disciplinary effect of competition in the world market gives the key to the potential for the realization of social and economic rights in the

contemporary world – is the striking fact that the WTO, on the basis of the ‘new’ and ‘new new’ trade theory, adopts the same view. It notes that ‘the “new-new” trade theory in particular stresses the attractiveness of reciprocal trade opening, as productivity improvements are driven by additional exports, and lower profit margins lead to the exit of low-productivity firms (ibid: 147). This echoes the discussion in *The German Ideology* (Marx and Engels, 1846) of the development of the world market, initially on the basis of English manufacture, and the resulting endogenous pressure for productivity-enhancing innovation in importing economies (Cammack, 2013). As the WTO outlines the case, current thinking has moved away from the Ricardian focus on comparative advantage (largely because so much trade takes place between *similar* economies) to place the emphasis upon the dynamic effects of trade – trade, in other words, as the driving force behind continuous productivity gains arising from competition. Key findings, anticipated by Marx and Engels nearly 170 years ago, are that the rate of increase of trade and growth are closely correlated, that rising levels of trade are associated with rising productivity, and that rising imports in particular prompt a set of reactions that improve productivity – innovation from some firms and closure of others due to the competition effect (WTO 2008: 64-75, esp. p. 69, citing Aghion (2005) on situations where ‘firms may choose to invest more in R&D in an effort to escape competition’). The simple model advanced by Marx and Engels – in which massively increased productivity initially prompts industrialists to seek overseas markets, while at a later stage local producers invest to compete, or disappear – offers exactly this ‘dynamic view’ as the driving force of world history, no less – the difference being that in the critique advanced by Marx and Engels it represents not an (indirect) gain from trade but on the contrary the principal mechanism behind global proletarianization, and the means by which workers are alienated in and enslaved to the world market.

Two of the principal authors of the 2008 WTO *Report*, Marc Bacchetta and Marion Jansen, subsequently edited a volume jointly produced by the WTO and the ILO, *Making Globalization Socially Sustainable*, which shows the direction in which the integration of trade, employment, labour market and social protection policies has moved. Its focus is on ‘the social aspects of economic creative destruction encouraged by trade reform and openness, and the uncertainty these processes can create for persons and communities’ (Bacchetta and Jansen, 2011: xi). The conclusions, as should be expected, are fully in line with the current consensus, and speak directly to the theme of this essay:

While globalization is seen as a potential source of growth and poverty reduction, a range of conditions need to be in place to maximize its benefits and ensure that those affected negatively are compensated. This suggests an important role for governments in investing in public goods and in

strengthening the functioning of different markets that are crucial for smooth and growth-enhancing reallocation processes. The important role of social protection in open economies is emphasized and the discussion highlights the need to adjust social protection systems to local conditions (ibid: xii).

As this suggests, the implications for social and economic rights are clearest in the chapter on social protection ‘in labour markets exposed to external shocks’ (Devashish and Ranjan, 2011). Leaving aside ‘poverty alleviation measures which help people who are born poor or who lack the productive assets or skills to get out of poverty’, it proposes to focus on ‘social insurance programmes or other labour market interventions that allow people to deal with labour market risk’ exactly the focus of recent work at the World Bank (Cammack, 2012). Four reasons are given for ‘the need for .. social protection when workers are vulnerable to shocks, especially in a more globalized world’:

(1) for various reasons, the market for private unemployment insurance is missing, making it imperative for the government to step in to fill this void; (2) social protection increases efficiency by addressing market failures stemming from externalities such as labour-market crowding; (3) social protection promotes distributional equity by aiding displaced workers facing long unemployment spells or moving costs; and (4) finally, and very importantly, by addressing the above concerns social protection also makes globalization more palatable politically (ibid: 199).

The analysis that follows is straightforward, and is based upon the assumption that trade liberalization is a deliberate policy choice, and therefore one whose consequences governments must address: ‘insurance against labour market risk can increase efficiency by promoting the emergence or expansion of more risky jobs and industries’ (ibid: 201); lay-offs in a sector facing import competition may ‘crowd’ the labour market, but this congestion can be eased by an adjustment subsidy; subsidies also mitigate the effect of unions seeking to bargain for higher wages in exchange for reduction in employment (ibid: 203); jobs lost to import competition due to trade liberalization will not be immediately replaced by jobs in expanding export sectors, so there is a case for short-term protection for workers displaced (ibid: 204); and a ‘tiny bit’ of protection may deter workers from blocking reform:

The question is whether compensation of workers (where they are made just a tiny bit better off than their pre-reform situation), say through some kind of lump sum redistribution, by capitalists can lead to a vote for reforms. It is important to note that if we take as given that compensation will take place, then everyone will vote for reforms as nobody now loses from reforms. Now, if there is a vote on whether workers should be compensated or not by capitalists, the majority will always vote for it, irrespective of the order in which the two votes

(the one on reforms and other on compensation) take place. Thus with this economic structure, we are going to get reforms if both reforms and compensation are democratically determined (ibid: 205).

It is of course refreshing to see the case that ‘social protection makes globalization more palatable politically’ put with such candour, albeit in this rather recondite source. From the perspective of the case argued here, it confirms both that the specific context is the expectation that import competition will both lead to the closure of ‘inefficient’ firms, and lead to the emergence of new exporting firms, and that the logic deployed, and governing the definition of the social and economic rights of workers, is the logic of capital. It brings us full circle, then, and is a suitable point at which to review the particular manner in which the OECD treats the cases of China and India in this broader context.

OECD ENGAGEMENT WITH INDIA AND CHINA

On 18 December 2006 OECD Chief Economist Jean Philippe Cotis was in New Delhi to address the Federation of Indian Chambers of Commerce and Industry (FICCI) in the run-up to the production of the first (2007) *Economic Survey of India*. His message – that the OECD was interested in promoting liberal reform on a global scale, and facilitating the integration of emerging economies into the global market – was accompanied by an outspoken attack on OECD member countries in continental Europe. Drawing on the recently revised OECD *Jobs Strategy* (OECD 2006) mentioned above, he insisted that the high labour taxes ‘typically found in continental OECD countries’ discouraged entry to labour markets; their early retirement benefits encouraged early departure from it; and high unemployment benefits reduced employment – ‘Especially when the unemployed do not have a strong obligation to look for jobs’ (Cotis, 2006: 5). He went on to outline the specific lessons that would be identified for India in the forthcoming *Survey*: public expenditure should be restructured to provide more investment in roads, electric power and primary education, and labour and business regulation should be radically reformed (Cammack, 2006: 3-4).

He was inviting his listeners – present and future competitors with European firms – to push for liberal reforms that would enable them to out-compete the latter. In principle, this would then force European producers to undertake similar reforms, despite their reluctance, with the consequence that the level of competitiveness would be raised, and local and global rule of capital over labour would be enhanced. In other words, this was not an isolated or chance intervention, but a key component of the OECD’s long-term global strategy. In addition, it reflected precisely the logic identified by Marx and Engels in the *German Ideology*, in which as noted above they elaborate on the significance of foreign trade as the mechanism that forces a response to more efficient production in

the world market, and thereby institutes the rule of capital on a global scale, and furthers the process of proletarianization. So there was a deeper logic behind this encounter than might at first sight have been apparent – Cotis was engaged in promoting the capital relation on a global scale.

In fact the OECD has now been engaged for over a decade with non-OECD emerging economies, and has begun to produce periodic *Economic Surveys* on China and India as well as on other emerging economies. These surveys conform to a common pattern, and promote a set of ideas that also inform such general publications as the *Going for Growth* series inaugurated in 2004. The first of the *Economic Surveys* on India appeared in 2007, and the second in 2011; the first on China appeared in 2005, and the second in 2010. A third is due in March 2013. At the core of the OECD approach, whether for its members or for non-members with whom it engages, is the perspective that socio-economic entitlements must conform to the logic of global competitiveness, or in other words that they should take a form which is compatible with and ideally positively supportive of the maximum development of the forces of production. In the case of India and China, this results in the promotion of ‘inclusive growth’ – with specific implications for the scope for recognition of social and economic rights, and the form they might ideally take.¹

As we shall see, the OECD offers sharply contrasting analyses of China and India respectively. The perspective is the same in each case, and some factors are common, but the characteristics of the two countries are found to be sharply different, as can be seen in the comparative discussion in *Tackling Inequalities* (OECD 2010a). They hinge upon the character and significance of the reallocation of labour, industrial production, and productivity. In China, ‘economic reforms that started in the early 1980s promoted important structural changes and an export-led growth pattern that rests on labour shifts from low-productivity agriculture to higher-productivity industry and services’, while in India the failure of manufacturing firms to exploit the comparative advantage of low labour costs means that they have remained small, with ‘limited productivity gains and weak job creation’ (OECD 2010a: 17-8). India’s success in relatively high-skill service activities notwithstanding, labour force participation rates are some 25 per cent higher in China (ibid: Figure 1.6, p. 23). Informal sector work is significant in each case (though not always linked with inequality), and in each case, too, inequality is increasing (ibid: 31, 37). In both China and India, in the OECD’s view, regulation of individual dismissal is too restrictive, requiring ‘excessive notification or time-consuming requirements that make it extremely difficult to lay workers off’. Severance payments are high, especially in

¹ OECD policy advice for specific countries may be compared with the engagement of the IMF with each country, through Article Four consultations – the annual process of economic surveillance which constitutes its principal direct engagement with its member countries. Brief reference will be made below as appropriate.

China. On the other hand, many workers are not covered at all (ibid: 269). As regards income support, it is virtually non-existent in India, and is restricted to formal sector urban workers in China, covering 47 per cent of locally registered workers but only 6.5 per cent of migrant workers as of 2010, with benefits low (ibid: 273). There is clearly scope in both cases, for the OECD, for some improvement in the circumstances of workers. But in structural terms, they stand in different relationships to the world market, and this is strongly to the fore in the most recent *Economic Surveys* of each with direct implications for the policy recommendations made. Both the analysis and the recommendations, then, confirm the interpretation offered of the more general policy statements from the OECD, and the consensus across the international organizations reviewed as regards the imperative of integration into the world market through increased productivity and attendant reforms to labour markets and social protection.

China

The 2010 OECD *Economic Survey* of China (OECD, 2010b) notes the significance of rapidly rising living standards, and falling incidence of poverty, and is optimistic that there is potential for continuing gains to be made. Analysis is focused on productive labour, and addresses social and economic rights in relation to it. The OECD notes that the Chinese manufacturing sector is highly integrated into world markets, highlights the part played in rising productivity over recent years by the re-allocation of labour from agriculture towards services and manufacturing, and suggests that in the future further productivity increases will depend heavily on R&D and innovation (ibid: 24).

Underpinning this position is a stylized analysis that contrasts sharply, as noted, with that offered for India. In China, in relative terms, an industrial revolution has taken place, producing large factories using modern production techniques, fed by a supply of relatively skilled and educated workers from the countryside and the provinces; the ‘transition from a centrally-controlled economic system to a competitive environment driven by the private sector has been nothing short of extraordinary’ (ibid: 102). At the same time, massive investment in health, housing, education and production-related infrastructure has held off the emergence of serious bottlenecks. At the same time, inefficiencies abound, especially in the state sector, and there are still substantial productivity gains to be made (ibid: 26-8). In short, ‘Although the elements of a competitive market-based economy are becoming increasingly well established ... the transition is far from complete and .. the reduction in the extent of government intervention lags behind China’s impressive economic development’ (ibid: 102). In addition, the OECD argues, as do many others, that China is in sight of the end of its capacity to grow on the basis of adding new workers into an industrial sector that still relies heavily on relatively low-skilled assembly operations that are highly productive in

comparison with agriculture, but not in comparison with industrial sectors elsewhere in the world. The principal reason for this is demographic, in that labour reserves in the countryside are approaching the point of exhaustion, not least because of the effects of the ‘one child’ policy, and the proportion of citizens in retirement is steadily increasing.² But there are institutional factors too – the principal one being the absence of a nationwide social security system due to the persistence of rights related to one’s place of registration rather than location (the *hukou* system):

Medical benefits, in particular, are often linked to the area of registration, while pensions are rarely portable. Hence, people moving from one town to another typically lose the right to many benefits. Rural-to-urban migrants fare even worse, as they generally have no labour contract, are not affiliated to the social security system and are not paid the hourly minimum wage. Finally, rural residents do not have the same property rights as urban residents and may lose the right to use their land if they move. Population movement is essential to urbanisation as the existing natural growth of urban areas is very limited due to the one-child policy (ibid: 29).

In the short term, then, China should rebalance its economy, the OECD argues, towards the internal market. But its primary area of focus is what it terms the ‘social policy challenge’:

The government wishes to continue the rapid transformation of China from a largely rural society to an urbanised one. At present, half of the population lives in cities but society remains divided as people whose parents were born in the countryside and those whose parents were born in urban areas have very different rights. This division was introduced at a time when the government felt it needed to ensure food production by keeping people on the land, but income per head has soared since and food shortages have disappeared. Moreover, differences in rights become more noticeable when the two groups live together in towns and cities, and may become unsustainable when those with fewer rights come to dominate the population of urban areas. By 2005, 39% of the urban population were not registered locally as urban residents and so had fewer social rights, notably in the area of pensions and health care. They had little opportunity to work for the government or SOEs. Moving towards more equal rights will be key to sustaining the flow of people to urban areas and ensuring longer-term social harmony, particularly in urban areas. (ibid: 40).

As this shows, the analytical framework within which the OECD works is a powerful one, with ample room for addressing the question of rights in both conceptual and practical terms. It does so however, as the ensuing analysis demonstrates at length, in

² The OECD’s reading of the demographic date persuades it to locate the Lewis turning point a decade further into the future than Cai et al (2009); see OECD, 2010b: 162-3. See also Das and N’Diaye (2013), an IMF Working Paper that locates it in the early 2020s.

accordance with the logic of the world market. The key here (in sharp contrast to India) is that ‘informal employment is low in China and most urban workers are employed by firms’ (ibid). In this context, the OECD welcomes the formalisation of labour law represented by legislation enacted in 2008. It wants the retirement age raised, to keep more people in work, and pension schemes unified (at present they may differ even from town to town), as ‘different degrees of generosity and lack of portability hinder labour mobility and lead to substantial differences in wages across relatively small distances’ (ibid: 41) – in short, the ‘extremely decentralised nature of the pension system is a major problem and a national system is needed’ (ibid: 42). To further reduce barriers to labour mobility, equal access to housing, health insurance and education for migrants and their children is also needed, as is a developed market for land rights. Beyond this, the Minimum Living Allowance first introduced in Shanghai in the early 1990s and extended on a national basis in 1999 should be rationalised in accordance with the needs of the labour market:

For people who are neither orphans, disabled nor elderly, the MLA needs to be accompanied by advice and help to return them to the labour market. This needs to be backed up by a greatly improved administration system capable of verifying individuals’ income and identity in order to avoid fraud (ibid: 148).

The OECD addresses social and economic rights in China, then, in relation to what it describes as a ‘labour market in transition’ (ibid: Ch. 6), and in the context of incipient reforms in all relevant areas (with more announced by the new leadership in February 2013). In other words, its prescriptions as regards appropriate rights are both consistent with its overall orientation to the desirability of a genuinely global capitalist economy, and attuned to the specific areas in which China lacks the necessary institutional framework to advance within it.³

India

The 2011 *Economic Survey* of India (OECD, 2011) welcomes India’s strong macro-economic performance and high rate of growth, but notes at the same time the gap between India’s (modestly rising) level of productivity and the OECD average. All its policy recommendations flow from this perspective, and specifically from its diagnosis of the poor record of modernization of industry. The general prescription is a familiar one – improve the business climate for local and international firms alike, reduce barriers to

³ Compare the verdict of the IMF in its latest Article IV Consultation: ‘Directors encouraged the authorities to accelerate the transformation of China’s economy as envisaged under the 12th Five-Year Plan. Directors considered that the agenda should include further financial sector liberalization, expanding the services sector, strengthening the social safety net, raising factor prices, and exchange rate flexibility. Together, this reform package will raise living standards, achieve the desired rebalancing of growth, and distribute its benefits more widely (IMF, 2012).

trade and investment, shift from state to private investment for core infrastructure, and reduce the fiscal deficit within an institutional framework imposing fiscal discipline. But the persistent theme is specific to India – that it has failed to develop a modern and competitive industrial sector – and this leads in turn to specific prescriptions for the reform of labour and product markets and of social protection. Characteristically, these aspects are linked in a single analytical perspective, which sees the capacity for welfare gains for rural and urban populations alike, but at the same time insists that they can only be sustainably realized through enhanced productivity.

A comparison with Brazil (where conditional cash transfers were pioneered), says the OECD, ‘calls into question the effectiveness of existing welfare safety nets and the provision of essential social services’. Spending is relatively high, but the system is fragmented, coverage is patchy, and the poor are ‘vulnerable to economic shocks and reliant on family and other networks’; workfare schemes are ineffective, and the use of conditional cash transfers is limited (ibid: 34). Better provision of basic education would improve the capacity of the poor to command higher wages, and improvements in health care would have direct impact on productivity, as ‘improvements in health status have a direct impact on welfare and can also boost economic growth through higher worker productivity and by supporting capital formation’ (ibid). However, the fundamental problems lie in the labour market and the industrial sector – excessive state and central regulation restricts labour market dynamism and job creation, particularly by the larger firms (over 100 employees) to which employment protection rules generally apply:

The fact that employment protection rules, and the Industrial Disputes Act more generally, apply only to firms with more than 100 employees provides incentives for firms to stay small or to hide the full extent of their employment. As a result, compared with other large emerging economies, India’s employment is dominated by small firms; Hasan and Jandoc (2010) report that 84% of manufacturing employment in India is in firms with less than 50 employees, compared with 25% in China. As well as providing less protection and training to workers, smaller firms often have greater difficulties gaining access to credit and tend to be less productive, which ultimately reduces the scope for higher wages. *To promote job creation and poverty reduction, the government should reduce the administrative burden for dismissal faced by larger firms* (ibid: 38, emphasis mine).

It goes on immediately to add the following:

Restrictive labour market policies also encourage informal employment, which can impose significant costs on both firms and workers. Informal firms are less productive, smaller and so less likely to be able to take advantage of economies of scale and tend to have limited access to credit (Perry et al., 2007). Informal workers tend to be paid less than their formal counterparts, are less likely to receive training and more likely to lose their jobs in the event of an economic

downturn (OECD, 2008). Few are covered by social protection schemes, such as unemployment insurance and pension schemes. Over a lifetime, this disadvantage can dramatically increase the risk of poverty, particularly in retirement. India's very high rate of informality also creates additional problems when trying to implement a comprehensive social insurance scheme (ibid: 38-9).

The first thing to note here is the evidence of connected research networks across the international organizations – the Hasan and Jandoc paper mentioned above is from the Asian Development Bank, while Perry's group is at the World Bank, and the third source is from the OECD itself. The second thing to note is the scale of the contrast between India and China. The 84 per cent of workers in firms employing under fifty workers is the *highest* in the region, while China's 25 per cent is the *lowest* (Hasan and Jandoc, 2010: Figure 1, p. 7). A complementary analysis of product markets points to the need to promote competition and enhanced productivity by lowering barriers to entry and levelling the playing field for different types of firm, though here levels of regulation (a key one being 'state control') are deemed to be higher in China (ibid: 40-41). The OECD then argues at length that investment in infrastructure is seriously inadequate, despite attempts to address the issue since it was highlighted in the 2007 *Economic Survey*, and concludes by drawing attention to the large number of workers still in agriculture:

The proportion of labour still engaged in agriculture is high and so the prospect for productivity gains as labour moves out of the sector are good. Indeed, the percentage point decline in the share of the labour force in agriculture has been the same in India in the past decade as in China in the decade to 2001, the year in which its income level was the same as that of India in 2010. Acceleration in the movement of labour out of agriculture, as happened in China over the past decade, would help raise growth (ibid: 52).⁴

This is the specific context in which social and economic rights are discussed throughout. So a potential strength of the National Rural Employment Guarantee Scheme (NREGS) 'is that the requirement to work at a low wage may encourage the self-selection of the neediest and discourage those who have a higher reservation wage' (ibid: 69); a problem with subsidies is that they are not efficiently targeted, so they tend to accrue to the relatively well off, when targeted conditional cash transfers would be better (ibid: 78-9); fossil fuel subsidies are a universal benefit, with multiple negative consequences, and should be replaced by targeted cash transfers, a policy shift to be

⁴ Compare the verdict of the IMF in its latest Article IV Consultation: 'Directors noted that strengthening growth and ensuring its inclusiveness would require tackling structural impediments to investment. They considered that removing obstacles to investment and addressing issues in energy and natural resources would be vital to boost growth. Directors suggested that easing restrictive labour laws, improving agricultural productivity, improving health and education outcomes, and addressing skills mismatches, would make growth more inclusive and would support formal job creation' (IMF, 2013).

embarked upon in 2012 (ibid: 97, 114). In sum, in India as in China there is scope for significant gains in welfare. But it is to be achieved, if at all, by reforms which drive the country towards successful integration into the global economy on the basis of higher productivity, especially in the industrial sector.

CONCLUSION

At the heart of the struggle over social and economic rights in China and India is the unfortunate circumstance that the emergence of each as major players in the global economy coincides with and indeed may be said to *constitute* the completion of the world market, in the double sense understood by Marx and Engels of the spread of global exchange, and the intensification of the process of proletarianization on a global scale. It coincides, in other words, with the first intimations of the genuinely global rule of capital imagined by Marx and Engels over 150 years ago. There is a fundamental contradiction between the aspirations of the populations of the two countries for socio-economic rights, and the global rule of capital, reflected above all in the pressures towards competitiveness in global labour and product markets. Firstly, this paper has shown that the four leading international organizations concerned with trade, employment, labour markets and social protection have converged on a set of policy prescriptions which centre on the imperative to reallocate labour towards higher productivity activity, and to tailor social and economic rights to that end. This does not mean that gains in income and welfare and improvements in social provision is impossible. On the contrary, there is justifiable expectation of improvement in both cases. What it does mean, however, that the form they take, if the policies promoted by these organizations are pursued with success, is that such social and economic enhancement as occurs will be shaped by and subject to the world market. Secondly, the paper shows that the political economies of China and India differ sharply, with the development of large-scale exporting industry in China, along with attendant changes to the class structure, contrasting with the conspicuous lack of such development in India. The challenges faced by each and the prescriptions of the international organizations analysed vary accordingly – but always in relation to the character and demands of the world market.

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