

STRENGTHENING THE LOCAL

Relevant for: Indian Economy | Topic: Effects of Liberalization on the economy, changes in industrial policy and their effects on industrial growth incl. Economic Reforms

The World is Flat, Thomas Friedman's paean to globalisation, begins with a golf game in Bengaluru with the CEO of a global Indian IT firm. When he saw billboards of European and Japanese MNCs around the golf-course, Friedman had a "eureka" moment. He called his wife in the US on his cellphone, and said, "The world is flat". When Friedman launched his book in New Delhi in 2005, India's Minister for Panchayati Raj, Mani Shankar Aiyar, disagreed with his view. Jetsetters may be connected with the rest of the world, he said. However, they don't know what is happening in villages just 50km from where they live.

The sub-title of Friedman's book was, A Brief History of the 21st Century. The history of the globalisation he was celebrating has turned out to be very brief. In 2020, the global [COVID-19 pandemic](#) has forced millions of Indians to return to their villages. Jetsetters have been locked in their gated communities. Global supply chains have been broken apart. People are scrambling for essentials from local suppliers. The ideology of globalisation has hit realities on the ground.

Recovery from COVID-19 is an opportunity to create economies that are more resilient and fair. Three architectural principles must apply.

The first principle is, economies of "scale" should be replaced by economies of "scope". A complex global economy in which local producers obtain scale (and lower costs) by supplying products for global markets is vulnerable to shutdowns anywhere. Local economies that have a variety of capabilities within them, albeit on smaller scales, are more resilient. Therefore, local economic webs must be strengthened, in preference to global supply-chains.

COVID-19 has settled, for now, the debate between free-trade evangelists and advocates of industrial policy. "Make in India," which was dismissed by free traders as a reversion to pre-1991 economic policies, has become a necessity — to maintain supplies of essentials and to create employment for the hundreds of millions of Indians with fragile incomes who have been badly shaken by the lock-down of the Indian economy.

The second principle is, local systems solutions are essential for global systemic problems. Garrett Hardin had coined the expression, "The Tragedy of the Commons", in 1968, for the proposition that a resource that belongs to everybody will not be cared for by anybody. This supported policies to privatise public property, ostensibly for the benefit of everybody and became the dominant school of economics from the 1970s onwards. "Capitalists" often cite Hardin in their quarrel with "socialists".

Elinor Ostrom, who was awarded the Nobel Prize for economics in 2008 (the first woman economics laureate, after 62 men), offered a different explanation for the tragedy of the commons. She argued that common resources are well-managed when those who benefit from such resources the most are in close proximity to them. For her, the tragedy occurred when external groups exerted their power (politically, economically or socially) to gain a personal advantage. She was greatly supportive of the "bottom-up" approach to issues: Government intervention could not be effective unless supported by individuals and communities, she asserted.

The world is facing challenges of ecological sustainability and persistent inequalities, which seem to get worse with the prevailing paradigm of economic growth. These challenges are

described in the 17 Sustainable Development Goals (SDGs). They cut across national boundaries. They also span several domains of expertise and institutional mandates. The final, 17th goal states the principle by which all the goals will be achieved — “partnerships”.

Effective action to address multiple challenges together requires “systems thinking” — that is, a systemic vision spanning across the problems. In contrast, the prevalent action theory, used by governments, businesses and philanthropic organisations to solve complex problems, focuses on breaking complex problems into components and then tackling the components in separate silos. Indeed, this widely prevalent theory of action has contributed greatly to causing the systemic, interconnected problems the SDGs now aim to address.

Systems thinking is essential, amongst experts at the top and amongst partners on the ground. Several organisations are promoting collaborative action with systems thinking on the ground in India. Kudumbashree in Kerala has proven the power of community action. The Foundation for Ecological Security, guided by Elinor Ostrom’s ideas, is working in many Indian states. Dainik Bhaskar is promoting “SDG chaupals” in Indian villages.

The third principle for the new economy is, empower the people, the fundamental requirement for genuine democracy. Countering Friedman’s celebration of globalisation, Aiyar mentioned India’s constitutional requirements for self-governance in India’s towns and villages. These are not being implemented by governments and policy experts who do not want to give up power to the people.

India lives in its villages, [Mahatma Gandhi](#) had said. Most of India still does. And many, who had migrated to cities looking for jobs, are returning, shaken by the pandemic. Gandhi was a systems thinker. He also had a vision for a just world. For Gandhi, the global village was an abstract concept. This cannot be realised until local villages and towns become harmonious communities, where people live in harmony with each other and with nature around them.

COVID-19 marks the end of the economics’ paradigm of the Washington Consensus. New models of economies, and new rules of global governance, must be bottom-up, not top-down. That’s how the whole world can move from relief, to recovery, and into resilience.

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