

Book Review

Kenneth W. Dam (2001). *THE RULES OF THE GLOBAL GAME, A New Look at U.S. International Economic Policy Making*. University of Chicago Press, Chicago, Illinois, xvi+329 pages. Price US\$32.50.

In recent decades, many of the world's developing countries have failed to participate in the global expansion. They have seen economic regress rather than progress in which the former socialist economies for the most part turned away from central planning toward a market oriented approach, there appears to be more agreement on the policies needed to produce growth and economic development. General agreement on the policies needed to produce growth and economic development will remain only if the currently agreed upon policies produce growth and development.

Nations remain poor because of inappropriate policies. The ultimate challenge is to improve the quality of policy making. How can strategies and tactics improve? How can better policies be devised and the process of policy making be made more effective? If policy makers cannot identify the functional relationships between economic and non-economic factors and their quantitative significance, how can they determine whether to operate on economic incentives, attitudes, organizational structure, social relations, or any of the many other factors that connect economic and non-economic change? Knowledge of political conditions and a better understanding of how to achieve social and political transformations is the key to future success of policy making.

Developing countries need emphasis to establish sound economic policies in an environment conducive to encouraging capitalistic sector initiative. There should be an attempt to create a climate mutual by cooperative and respect to encourage the design of effective program benefiting that segment of a developing country's society in creating and strengthening institutional capacity and in developing and adapting appropriate technology to developing country circumstances, particularly the low income countries, where the economic situation is still very serious and many of them will continue to experience difficult economic conditions including severe balance of payments constraints, high unemployment, slow growth and declining per capita income.

In this context, U.S. policy is reinforcing long-standing goal of providing necessary resources to address basic constraints to development. There is general agreement that natural resources, labour, and managerial skills, the drive for technological innovations, and the relative abundance of capital are indispensable in making possible the high productivity of the economy. But opinion is far from unanimous with respect to the proper role and relative importance of another factor -the policies and actions of government.

The book under review is purely informative concentrating on the thinking about policies. It is the combination of three books in one. First it deals with Political Economy; second, it

outlines the Fundamentals of International Economics; and third it explains the Nature of International Economic Agreements. The author, who is a distinguished policy maker and an eminent scholar, seeks to identify how internal politics causes global economic policy to diverge from what it should be. He has attracted the attention toward lobbyists who steer the policy agenda in favour of vested interests. He analyses the nature of the lobbyists, how they have been able to achieve such high status.

Lobbyists, in exercising the right to seek economic changes in their own self-interests, carry a heavy responsibility for distinguishing between socially responsible use and abuse of their economic and political power. A view provided by the author is that U.S. living status would benefit from a more open system of international trade and finance. In scholarly manner, he adds that policy maker should develop legislative and executive procedures that would counteract and deflect pressures from interest groups. Development goals and issues are taken into account in Executive Branch decision-making processes on international finance, investment, trade, technology and other policy areas. U.S. trade policy towards the developing countries is to encourage further integration of the developing countries, particularly the advanced developing countries, into the world trading system by lowering their barriers and opening their economies to imports.

The social, cultural, political and religious factors indigenous to the United States have shaped the development and use of economic resources, the willingness to accept change and technological innovation, and the role of government in the economic process. No doubt, Americans have widely held the conviction that justice demands an equal chance for personal fulfillment; that it is both possible and proper to improve the individual's situation and the conditions of society as a whole; and that the government has a responsibility to foster and assist the people's efforts to improve themselves. There has been deeply rooted American concern for individual freedom; the belief that the government is the silent spectator (state noninterference in economic activities) or the helpmate and not the master of the people; and the conviction that improvements must result primarily from the will and effort of the people themselves

The author after in-depth analysis and clear presentation from trade argues the rules that govern international monetary policies, foreign direct investment, and bank lending and portfolio flows. He reaches a pessimistic conclusion that imperfect and porous as statecraft solutions are in trade, they are necessarily more primitive in the present exploding world of international investment and finance. Global finance, which, he observes, is ever more on the minds of policymakers. An institutional and policy environment that supports the rapid adoption of new information and communications technologies has dramatically increased productivity in the United States.

Consecutive controls on foreign direct investment into the United States reflect interests within regulated sectors that fear competition. The author is against the lobbying efforts of multinational firms, which are often reluctant to face additional competition in their host countries, and also at NGOs, whose "head on attack", he concludes, was largely responsible for the failure of the Multilateral Agreement on Investment proposed by the organization for Economic Cooperation and Development. Perhaps the most significant development in

international economic relations during the past two decades has been the spectacular rise in power and influence of the giant multinational companies. Though the United States believes that government intervention in the private sector decision-making process should be kept to a minimum. The United States works to foster a freer and open climate for trade and investment. This includes wide spread acceptance of the national treatment principle (non-discrimination between foreign owned and domestic enterprises); protection of investors' physical financial and intellectual property; and reduction and eventual elimination of barriers which hamper investment flows.

The U.S. Government recognizes the unique contribution made by private investment, both as a substantial supplement to other forms of resource flows, as well as a source of new technologies, marketing, management and distribution skill, and organizational structures needed to spur development. The author points the finger at the U.S. government for its failure to counteract NGO pressures. In recent years, a puzzling array of interest groups has emerged and the author claims, have more influence on economic policymaking than the electoral process itself. The state is seen to be pushed and pulled by lobbies and interest groups that are mostly interested in redistribution. As evidence, he points to the strong support offered by these groups to all incumbent lawmakers without distinction along party lines.

The author notes, in particular, the growth of NGOs. These citizens groups came into existence in the seventies and, by eighties, made up more than one-fifth of all interest groups active in influencing congressional law making. Though representing social, environmental, and consumer interests, as distinct from private business interests, they are no different from traditional business lobbyists in their methods and funding operations. The sustained growth of the lobbying industry is deeply rooted in the decision making system, characterized by checks and balances. This system encourages some interest groups to seek profits from the congressional appropriation process. The relationship between the congress and executive agencies (regulators) and the various interest groups (regulated) has existed as symbolic.

In the final analysis, there are undoubtedly realities to Dam's book. It lays out an astonishing range of economic rationality to guide decision making. The book provides an informative and at times insightful view of the U.S. politics and policymaking. Dam is to be congratulated on bringing out this very useful study, which provides policy makers, government agencies and other interested in this phenomenon with facts and analysis for more active coalition building as urgent in the economic as in the political field. But with his strong emphasis on U.S. politics and policymaking, there is one challenge that Dam does not take into account. Dam would have benefited if he had focused on how to move toward globally cooperative policymaking process.

The readers around the world will find the book an invaluable resource. The style of presentation is straight forward without compromising on the depth of knowledge and rigour of analysis. This is a book that very much needed to be written. To the writer and the publisher, congratulations and thanks.

CEDECON, T.U.,
Kirtipur

Dr. Sohan Kumar Karna
Lecturer

About the Journal

- *The Economic Journal of Nepal* is a quarterly publication of the Central Department of Economics (CEDECON), Tribhuvan University, Kirtipur, Kathmandu, Nepal.
- The primary objective of this Journal is to publish articles and research papers on economic and social problems facing Nepal and other countries of the world as well.
- The Journal is designed to serve as an outlet for an intellectual forum for the communication of ideas among economists and other social scientists in the areas of economic and social development in general and with special reference to Nepal in particular.

Submission Information

- Articles, Research Papers, and Book Reviews are welcome. Papers submitted to the Journal should be in English.
- The submission of an article to this Journal assumes that the article has not been published and it is not submitted elsewhere for publication.
- Articles should be typed on one side of the paper, double-spaced, and with generous margins. The article should be of reasonable length.
- Every article or research paper must be accompanied by an abstract (of about 150 words), giving a brief description of the content of the paper.
- A virus-free electronic version on a 3.5" diskette (using Windows Microsoft Word 97 version) should be submitted along with the print copy of the article. If the electronic version of the paper cannot be submitted, two printed or typed copies of the paper may be submitted instead. Papers may also be sent as attachments by email at cedecon@mail.com.np
- Each submission should also include a brief note about its author, including the name and address of the institution he/she belongs to and his/her position, notable publications and other achievements, email address, and the fax/telephone number.
- The opinions expressed in the articles are those of the authors and do not necessarily reflect the views of the Executive Editor(s) or the publisher.
- Articles are accepted on the understanding that they are subject to editorial changes and revisions.
- Mathematical and other formulas and symbols should be clearly typed/written. Diagrams should be clearly drawn on separate page(s).
- A complete list of references arranged alphabetically by author should be included at the end of each paper. The list should include the name(s) of the author(s) followed by publication year, the title and sub-title of book(s), indication of edition, name(s) of editor(s), place of publication, and the name of the publisher. A complete list of footnotes numbered serially may be given on a separate page at the end of the paper.
- All communications should be addressed to: The Executive Editors, *The Economic Journal of Nepal*, Post Box No. 3821, Kathmandu, NEPAL.

The Economic Journal of Nepal

Vol 25, No. 4, October-December 2002, CEDECON-TU

Issue No. 100

Regd. No. 54/035 K.D.O.

Printed at:

Modern Printing Press

Kantipath

Tel: 253195

e-mail: modprint@infoclub.com.np