Editorial

Mark Esposito* and Patrick O'Sullivan

Dept. of People, Organizations and Society,
Grenoble Ecole de Management,
12, rue Semard, F-38000, Grenoble, France
Email: mark.esposito@grenoble-em.com
Email: patrick.osullivan@grenoble-em.com
*Corresponding author

Biographical notes: Mark Esposito is an Associate Professor of Business and Society in the Department of People, Organizations and Society at Grenoble Ecole de Management in France and a member of the faculty at Harvard University since 2011. He is the founding director of the Lab-Center for Competitiveness, a think-tank affiliated with the microeconomics of competitiveness network of Prof. Michael Porter at Harvard Business School. He is the author and co-author of eight books and more than 20 published case studies, and is a regular guest editor on academic journals. His academic work appears regularly in the *Academy of Management*, as well as in *Harvard Business Review*.

Patrick O'Sullivan, was appointed as full Professor and Director of Studies at Grenoble Graduate School of Business within Grenoble Ecole de Management (GEM) in September 2006. Since September 2009 he is Head of Department of People, Organizations and Society in GEM heading up a diverse team of colleagues across a range of disciplines including Organisational Behaviour, Human Resource Management, Economics, Politics and Ethics. He has extensive experience in teaching at all levels and in academic administration. His teaching specialties include business ethics, critical scientific methodology, and political economy of the European Union as well as managerial economics. His publications include classic academic articles, including some case-study work, a methodological monograph (book) and a custom textbook for Cardiff University.

Some alternative perspectives on the economic framework of growth and development

The 1990s and the early 2000s up to 2008 were characterised by a remarkable degree of consensus at least in the developed world and in the international economic institutions, which it dominated on the question of what was the most effective way for poorer economies to grow and develop. Essentially the consensus view was that less developed countries needed to put into place a capitalist free market system with minimal state intervention and maximum openness to the rest of the world. Salvation lay along the road of export-led growth with a maximum openness to inward flows of loanable funds (FDI etc). What was presumed but rarely said quite so bluntly was that the specifically Anglosaxon model of free market capitalism was indeed the exemplar for poorer countries to follow. Entirely appropriately this view came to be known as the "Washington Consensus".[1]

In the heady days of breakneck growth of the 1990s and early 2000s when people, politicians and even some economists seemed to think that the business cycle had finally been laid to rest and many US and British diplomats spoke rashly of a Pax Americana it was easy to forget the highly ideological and culturally insensitive character of this consensus. By ideological we mean that the consensus harbored within it some decidedly normative political judgements or points of view of which the most obvious was the judgement that privatisation of state enterprises is an indispensable ingredient for strong economic growth and the escape from poverty. By culturally insensitive we mean that the consensus sought to foist on other parts of the world with very different philosophical and religious traditions a set of practices or ways of doing business that were nothing more than a thinly disguised Puritanism so characteristic of the US dream: hard work, little holiday time, the accumulation of ever more material wealth as an end in itself, just to name some of its foundational characteristics etc. Not to mention that of course the Washington Consensus could not even begin to imagine that a banking and financial system could function without interest on moans.

This special issue of the *International Journal of Trade and Global Markets* has sought to bring together some reflections from authors both in advanced economies than in a range of developing countries from around the world on some of the alternative paths which may be trodden in the way to economic development and on the pitfalls which may lie in waiting for international businesses and multinational companies (MNCs) which seek to enter developing country markets without taking detailed account of the distinctive local economic political and cultural factors. The collection does not in any way claim to be exhaustive: the point is rather through looking at certain development and foreign direct investment experiences and economic practices in a range of countries to show that there can be alternative paths and practices in economic development. Perhaps China is the clearest example of an alternative approach to free market capitalism. It is a one party "democratic" state with many dynamic enterprises still very much in public ownership (state capitalism) in sharp contrast with the multi-party "democratic"[2] USA where private sector firms used to predominate and recent decades have seen if anything a significant increase in the power of the private sector as ever wider ranges of public services are privatised (prisons, state security etc.), whose model has worryingly extended outside of the US boundaries and it has become a recurrent pseudo-developmental practice in other parts of the world. But this example is so well known and researched by now that we did not seek to include it here. Instead we have taken contributions regarding the distinctive internal economic development and market entry experience of businesses in a range of other less developed countries: India, Malaysia, the Mahgreb and South America. In addition, we have included a brief paper on the theoretical concepts of Islamic finance. This paper does not claim originality but it is a useful addition to a collection looking at alternative models of development since one key factor that differentiates the economic development trajectory of a growing number of emergent economies from the dogmas of the Washington Consensus is the presence of an Islamic finance system in which the taking of interest on loans is forbidden. In particular this is a characteristic of Malaysia (discussed in this collection) as well as of Iran, Indonesia, the Persian Gulf states and increasingly of North Africa.

If a broad picture emerges from the studies in this special issue of the *International Journal of Trade and Global Markets*, it is that there are indeed alternatives to the Washington Consensus and indeed that in respect of foreign direct investment when MNCs seek to enter new markets in less developed parts of the world it may be seriously damaging for MNCs to follow slavishly a Western or US capitalist approach. As the papers on India testify MNCs seeking to enter this potentially huge but seriously impoverished market must pay detailed attention to a variety of local factors not least of which is the ubiquitousness of an extreme poverty. Also emerging from the paper on "base of pyramid" medical care is the indispensability of what we would today in the West describe as a high level of moral commitment and integrity for the success of that business, a contrast perhaps with the jaded cynicisms of the shareholder wealth maximisation model so beloved of Strategic Management textbooks. The study on market entry strategies in North Africa emphasises how important the choice of the "right" local partner with an in-depth understanding of local culture and expectations is for success and a similar message is reechoed in the South American study. Finally, the study on Malaysia as well as showing that dramatic economic growth can be achieved within a financial system based on Islamic principles it also shows how a concerted effort can be made to insure that growth at least in the early stages of development is all inclusive in the sense of being shared throughout the population although the paper also shows how that model of *Bumiputra* inclusion through "positive" discrimination is reaching the limits of its effectiveness today and is possibly becoming counterproductive.

If as Karl Popper so regularly reminded us[3] one clear-cut and replicable falsification of a scientific theory is enough to falsify a general theory then the paper of this volume assuredly falsify the Washington Consensus view on the prerequisites for effective and fast economic development.

Notes

1 The term derives from the remarkable convergence on a set of politico-economic not to say ideological views that were shared among two of the most influential international agencies/organisations concerned with economic development and both based in Washington: the International Monetary Fund and the World Bank. The term was first used by John Williamson to describe the set of effectively ultraliberal principles which these Washington institutions tended to impose on less developed states as prerequisites to IMF rescue packages or World Bank development aid. See Williamson, J. (1989) 'What Washington means by policy reform', in Williamson, J. (Ed.): *Latin American Readjustment: How Much has Happened*, Institute for International Economics, Washington. One of the most well-known critics of the consensus ironically is Joseph Stiglitz who became seriously disenchanted with it after his stint at the World Bank. See Stiglitz, J. (2002) *Globalization and Its Discontents*, W.W. Norton, New York and London.

2 We put democratic in quotation marks in both cases because of course democratic means strictly speaking rule by the people. Well in China the Communist Party claims to represent the interests of the whole people…while a critic of the US system might well say that today it is plutocracy in view of the huge sums any candidate for the Presidency must have at their disposal.

3 Karl Popper was of course the great Austrian philosopher of science and scientific method of the 20th century. Perhaps his most famous work is Popper, K. (1963) *Conjectures and Refutations*, Routledge and Kegan Paul, London.