JOURNAL OF HUMAN BEHAVIOR AND SOCIETIES (JHBS)

Volume 1 Issue 1 Year 2022

Table of content

S.No.	Topics	Authors	Page #
1	Determinants of inflation in Pakistan, India, Bangladesh and Sri Lanka: A panel data analysis.	Syed Rayhan Bilgrami and Syeda Rabia Maryam	2-11
2	Influence of Aid-for-Trade on exports: A disaggregated analysis for Pakistan	Muhammad Shahid Waheed	12-29
3	Bailout or not bailout during recession	Syed Ahsan Khursheed and Syed Muhammad Affan Qadri	30-42
4	Trade Openness Transmission Channels for Pakistan	Syed Ammad Ali and Faisal Sultan Qadri	43-53
5	The new social movements and capitalist justice	Muhammad Rasheed Arshad	54-70

Determinants of inflation in Pakistan, India, Bangladesh and Sri Lanka: A panel data analysis.

Syed Rayhan Bilgrami

Professor of Economics, Govt. Premier College2, Karachi

bilgramirehan@gmail.com

Syeda Rabia Maryam

Master in Public Administration, Karachi University, Pakistan

rabiamarium15@gmail.com

Abstract

This article examines inflation issues in Pakistan, India, Bangladesh, and Sri Lanka. This study used 1980–2020 World Bank panel data. Diagnostic tests precede model selection, guide us to choose the Robust System GMM model. The finding was significant, showing that trade factors like current account balance and exchange rate favour inflation in such locations. The RIR also affects inflation in those four countries. These insights will help these countries develop inflation-controlling policies.

Keywords*: Inflation, broad money, exchange rate, current account balance, interest rate*

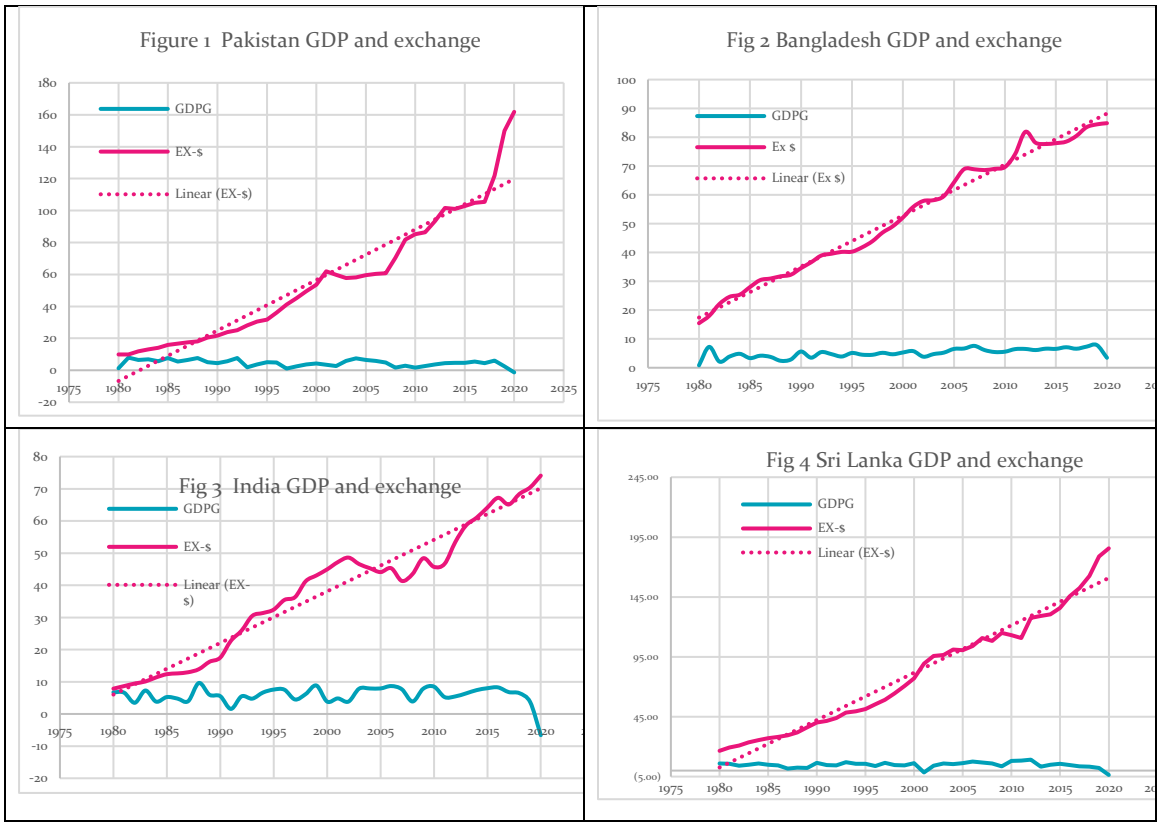
Introduction

Pakistan, India, Sri Lanka, and Bangladesh are historically subcontinents with nearly identical environments, climates, and economic structures. These countries, like others, are dealing with the problem of inflation. It is difficult to obtain a precise estimate of inflation, which is defined as an increase in the general level of prices. There is a lot of price information available, making it simple to maintain track of average price indices such as the Wholesale Price Index, which keeps track of the pricing of commodities traded in wholesale markets. Other indices, such as the Customer Price Index, track the costs that the average consumer spends for various items and services. Other, more thorough indices exist, such as the GDP deflator, which is based on the country's entire gross domestic output. Economists and policymakers disagree on whether inflation is caused by demand-side variables (an increase in economic activity) or supply-side variables (a decline in available resources) (an rise in the cost of production) (Das & Senapati, 2007). Inflation can occur as a result of both an increase in aggregate demand (also known as demand pull inflation) and a decrease in aggregate supply (cost push inflation). Other factors that lead to inflation have been discovered by (Madito & Odhiambo, 2018) and (Mankiw, 2012). Monetary variables (such as an increase in the money supply) and structural issues are among them (such as the degree of independence of the monetary authority). Furthermore, Friedman & Schwartz, 1963 asserted that "inflation is always and everywhere a monetary phenomenon," implying that the primary cause determining inflation is an increase in the supply of money compared to production Das & Senapati, 2007. (A. W. Phillips, 1958) studied for the first time the relationship between changes in money wages and unemployment. Later on, Paul Samuelson and Robert M. Solow popularised the Phillips curve as a trade-off between inflation and unemployment rates. According to the Brunner-Meltzer model (Brunner & Meltzer, 1976), the higher the price level, the bigger the share of government debt in the process of financing the government budget deficit. According to some economists, such as (Harry G, 1963) and (MUNDELL, 1971), balance payment contributes to global inflation and money supply, and so inflation is not just a close economy phenomenon, but also an open economy one. As the rate of inflation is a weighted average of the previous period's actual and projected rates of inflation, the Adaptive Expectations model of Milton Friedman, Keynesian, Monetarists, and Phillips Curve can be interoperated (Birol, 2013). The rational expectancies model of neoclassicism: According to (Muth, 1961), "rational" indicates that the expected rate of inflation is an unbiased predictor of the actual rate of inflation given all prior knowledge. Another economist from the 1980s discovered that inflation is a fiscal issue as well as a monetary one. Following that, several economists proposed various features of inflation, with their own economic and political situations; post and prewar, pandemic, and climate disasters.

This article focuses solely on the factors that contribute to inflation in Pakistan, India, Sri Lanka, and Bangladesh from 1980 to 2020.

Review of literature

From the above-mentioned model detail, which determines the elements impacting global inflation. In this review, we will look at the inflationary factors in India, Pakistan, Bangladesh, and Sri Lanka. According to **Iqbal et al., 2022**, the elements determining inflation (CPI) in Pakistan include GDP growth rate, Money Supply growth rate (in percentage), Oil Price growth rate, and Official Exchange Rate growth. According to **Ajmair et al., 2022**, the money supply, gross domestic product, commerce (import plus export), population, and government spending all have a substantial impact on Pakistan's inflation rate. According to **Ali et al., 2015**, the fiscal deficit and broad money supply in Pakistan were the primary causes of inflation in both the short and long run. **Khan & Gill, 2010** discovered empirically that the exchange rate (Rupees/Dollar), annual interest rate, value of annual imports in rupees, and annual support prices of sugarcane, rice, wheat, and cotton in rupees all had a substantial influence on the inflation rate assessed in CPI, WPI, and SPI. Pakistan's GDP deflator. M2, Wheat Support Price in Rupees/40 Kg, Budget Deficit, and GDP Growth Rate were all insignificant. According to **Ahmed et al., 2014** research, the factors impacting the inflation rate in Pakistan are M2, GDP, government current expenditure, government development spending, and the lag value of CPI. According to Indian study, the deposit rate, exchange rate, GDP, import value, broad money, crude oil prices, prime lending rate, and export value were the determinants of inflation **(Saxena & Archana, 2014)**. **Ratnasiri, 2011** discovered that GDP, money supply (M2), real exchange rate (ER), interest rate (IR), and lagged consumer price index are closely associated to inflation in Bangladesh. **(Colombage, 2005)**. Money supply, exchange rate, monetary sector, GDP (real sector), exports, imports (external sector), government expenditure, and government revenue are the elements that have influenced the shift in inflation in Bangladesh **(Alam, 2018).**. Other studies conducted in other parts of the world, such as (Madito & Odhiambo, 2018), suggested that inflation expectations, real effective exchange rate, final government consumption expenditure, real GDP, import prices, nominal unit labour cost, and money supply are all factors that influence inflation in South Africa. **Moser, 1994** discovered a substantial relationship between M2, oil prices, and rice prices and inflation in Nigeria. In Kenya, the elements that generate inflation are the money supply, central bank rates, exchange rates, wages, food prices, oil prices, political instability, and corruption **(Nkirote, 2014)**.



Figures 1 showing the trend of exchange rate of Pakistan which is moving along the linear trend up to 2015 and after it is moving upward steeply and goes beyond the linear trend. Fig 2 – Fig 4 provide the exchange rate trend of Bangladesh, India and Sri Lanka which are near to the linear trend. Now we will analyse the date first.

Variables	Vari. Obs.	Mean	Std. Dev.	Min	Max	OLS	FE robust	GMM Differ.	GMM System
INF_GDP	164	7.35	5.09	0.15	38.51	Dep.	Dep.	Dep.	Dep.
INF_GDP (L1)	….	…….	……	……	…….	…	…….	0.174 (0.293)	0.193 (0.251)
BM_TRR	163	10.01	6.80	1.11	49.98	-0.017 (0.79)	-0.014 (0.85)	.028 (0.871)	0.025 (0.864)
CAB_GDP	164	-2.23	2.78	-16.28	4.82	0.171 (0.49)	0.188 (0.596)	0.546 (0.072)	0.535 (0.079)
EXG	164	0.05	0.04	-0.05	0.23	12.44 (0.17)	12.157 (0.111)	22.395 (0.050)	20.406 (0.067)
RIR	163	4.61	3.98	-13.64	13.74	-0.828 (0.00)	-0.83 (0.125)	-1.025 (0.018)	-1.007 (0.067)
EXP_GDP	164	14.62	5.50	2.19	25.95	0.076	0.066	0.078	0.0483

Cons.						(0.45)	(0.484)	(0.711)	(0.819)
						9.917 (0.000)	10.09 (0.012)	……	9.430 (0.011)
Number of obs.						78	78	72	75
Number of inst.								45	45
F-stat Prob > F						8.93 0.0000		20.74 0.047	20.74 0.047
R-squared						0.3829	0.3773		
Adj R-squared						0.3400			

Table 1 Source: World Bank. Value in parentheses are P-value

Data and methodology

The World Bank source is used to choose the statistics for Pakistan, India, Bangladesh, and Sri Lanka from 1980 to 2020. Use Stata software to analyse the data for several models after converting the data into panel data. We chose the GDP deflator as the dependent variable based on the literature review. Gross domestic product growth in percentage terms (GDPG) is used as an instrumental variable in GMM analysis. Broad money to total reserves ratio in percentage terms (BM TRR), current account balance in percentage terms of GDP (CAB GDP), and exchange rate growth in percentage terms (EXG) are chosen as independent variables.

Table 1 presents the summary analyses of the data, which demonstrates that the INF_GDP variable indicates that there were 164 observations. In that area, inflation ranged from 15 percent at the lowest point to 38.5 percent at the highest. The money multiplier impact is expressed as the ratio of M2 to total reserve ratio (BM_TRR). BM_TRR had a minimum value of 1.11 percent and a maximum value of 50%. The average capital account balance to GDP ratio (CAB_GDP) is -2.23, indicating that these nations are primarily experiencing current account deficits. The growth of the exchange rate ranged from -5 percent to 23 percent with a mean value of -2.23 percent, indicating that it is advancing gradually. The mean value of 4.61 percent demonstrated that, for the most part, the nominal interest rate was higher than the inflation rate, but the negative minimum value of real interest rate indicated that, at times, the inflation rate was higher than the nominal interest rate.

From the review of literature we have the following hypothesis

Ho: Money supply is +ve to Inflation

Recommended by (Iqbal et al., 2022), (Ajmair et al., 2022), (Ali et al., 2015), (Madito & Odhiambo, 2018), (Khan & Gill, 2010), (Moser, 1994), (Ahmed et al., 2014), (Nkirote, 2014), (Saxena & Archana, 2014), (Ratnasiri, 2011), (Alam, 2018) and (Colombage, 2005).

H1: Trade is +ve to inflation

Recommended by (Ajmair et al., 2022) used trade(Import and export); (Madito & Odhiambo, 2018), (Saxena & Archana, 2014) and (Khan & Gill, 2010) use import price; (Ahmed et al., 2014) used export price as a proxy of trade

H2: Exchange rate is +ve to inflation

Recommended by (Madito & Odhiambo, 2018), (Khan & Gill, 2010), (Nkirote, 2014), (Saxena & Archana, 2014), (Ratnasiri, 2011), (Alam, 2018)

H3: Interest rate is -ve to inflation

(Khan & Gill, 2010), (Saxena & Archana, 2014) use prime interest rate as a proxy of interest rate

The Correlation matrix in table 2 showing that no correlation among the variables

Table 2

	BM_TRR	**CAB_GDP**	**EXG**	**RIR**	**EXP_GDP**	**_cons**
BM_TRR	1.0000					
CAB_GDP	0.5018	1.00				
EXG	-0.0599	0.07	`1.00			
RIR	-0.1237	-0.28	-0.02	1.0000		
EXP_GDP	0.2438	0.41	-0.20	-0.1914	1.0000	
_cons	`-0.4558	-0.25	-0.08	`-0.2731	-0.7367	1.00

Since the value of VIF is less than 5%, there is no multicollinearity among the variables, and table 2 shows the outcome of the presence of multicollinearity. The three tests for heteroscedasticity listed in Table 3 all indicate that the model has heteroscedasticity. Robust regression is what we utilise to get around this issue. The Hausman test indicates

that the robust fixed effect model is preferable when using the fixed effect (FE) and random effect (RE) models. The Durbin (score) and Wu-Hausman diagnostic tests are used to examine the endogeneity of the variables. The results of these tests are shown in Table 2, which reveals that the BM_TRR and EXG variables have endogeneity issues. We employ a one-step system GMM and a one-step difference GMM model to resolve this issue. Equation 1, one step system Robust GMM, will be used to interpret the final model.

INF_GDP = 9.430 + 0.193 INF_GDP (-1)+0.025 BM_TRR + 0.535 CAB_GDP + 20.406 EXG -

*(0.011)**** (0.251) (0.864) (0.079)*** (0.067)***

1.007RIR + 0.0483 EXP_GDP ---------- 1

(0.067)*** (0.819)

Result

The significant value of intercept (constant) indicates that these economies have some positive inflation, which is 9.4 percent, even without the influence of these variables. The leg value of inflation has no effect on current inflation. The insignificant effect of money supply (BM_TRR) is the rejection of H0, which states that broad money supply has no effect on inflation in these countries. As indicated in equation 1 and table 1, trade factors such as current account balance and exchange rate have a significant impact on inflation. Inflation is increased by 0.535 percent for every one percent increase in CAB_GDP. In contrast, a unit rise in the EXG raises inflation by 20.4 percent. Because these data are consistent with hypotheses 1 and 2, we accept H1 and H2. The real interest rate (RIR) is inversely related to inflation; a one-unit increase in RIR reduces inflation by 1.07 percent, in accordance with the H3.

The relevance of this study is that the inflation in South Asian countries is attributable to trade rather than money supply. Because of currency depreciation, they are experiencing imported inflation; the current account balance shortfall is attributed to an increase in import pricing rather than volume. Imports become more expensive as the currency depreciates. The real interest rate is the monetary tool, with a higher interest rate creating inflation in that region. The governments in these regions can reduce inflation by implementing a contractionary monetary policy, which involves raising interest rates. The exchange rate policy is also appropriate for these economies, as it controls the exchange rate and prevents the currency from depreciating against the US dollar.

` Table 3 test of Heteroscedasticity			**Table 4 Test of selection between RE and FE models**
Breusch-Pagan / Cook-Weisberg	White's test	IM-test	Hausman Test
chi2(1) = 32.08 Prob. = 0.0000	chi2(20) = 43.26 Prob. = 0.0019	chi2(20) = 43.26 Prob. = 0.0019	chi2(5) 0.04 prob. 1.0000
Ho: Homoskedasticity			Ho RE model is appropriate

Table2		**Table 5 Tests of endogeneity**	
Variable	**VIF**	**Durbin (score)**	**Wu-Hausman**
CAB_GDP	1.67	chi2 =0.4206 p value = 0.51***	F(1,69)=0.389 p value = 0.53
BM_TRR	1.35	chi2 =5.924 p value = 0.01	F(1,69)=5.918 p value= 0.01
EXP_GDP	1.31	chi2 =0.132 p value = 0.715***	F(1,69)=0.122 p value = 0.727
RIR	1.10	chi2 =0.003 p value = 0.956***	F(1,69)=0.002 p value = 0.957
EXG	1.09	chi2 =10.37 p value = 0.001	F(1,69)=11.08 p value = 0.001
Mean VIF	**1.30**	**Ho: variables are exogenous *** **	

Conclusion

The purpose of this article is to investigate the various factors that have an impact on the rate of inflation in the countries of Pakistan, India, Bangladesh, and Sri Lanka. For the purpose of this study, we decided to use the panel data from the World Bank that covers the years 1980 through 2020. First, we do the diagnostic tests, and only then will we select the suitable model for analysis. The results of the heteroscedasticity tests and the endogeneity tests imply that the model has a problem with heteroscedasticity and endogeneity. The results of the correlation matrix are shown in table 2, and the VIF result of multicollinearity is shown in table 3. We have decided to use the Robust system GMM model in order to get around these diagnostic errors. The finding was quite substantial,

suggesting that trade factors such as current account balance and exchange rate have a favourable influence on inflation rate in those regions. The real interest rate, or RIR, is another element that affects inflation in those four countries. These findings will be of assistance to the governments of these regions as they work to implement policies that can bring inflation under control.

References:

A. W. Phillips. (1958). The Relation Between Unemployment and the Rate of Change of Money Wage Rates in the United Kingdom , 1861-1957. *Economica, N.S.*, *25*(100), 283–299. http://www.jstor.org/stable/2550759

Ahmed, F., Raza, H., Hussain, A., & Lal, I. (2014). Determinant of Inflation in Pakistan : An Econometric Analysis , Using Johansen Co Integration Approach. */Mpra.Ub.Uni-Muenchen.De*, 1–10.

Ajmair, M., KHAN, A. G., & ISHTIAQ, F. (2022). What Determines the Inflation in Pakistan ? *Asian Social Studies and Applied Research (ASSAR)*, *3*(1), 1–11.

Alam, M. M. (2018). The Determinants of CPI Inflation in Bangladesh, 1980-2016. *Asian Journal of Economic Modelling*, *6*(4), 441–461. https://doi.org/10.18488/journal.8.2018.64.441.461

Ali, A., Jan, F. A., & Khan, S. U. (2015). Relationship between Inflation and other Macro Economic Variables in Pakistan. *Journal of Management Info*, *2*(4), 6–15. https://doi.org/10.31580/jmi.v8i1.44

Birol, Ö. H. (2013). “Adaptive Expectations” of Milton Friedman and Monetarists and Phillips Curve; And the Comparison of them with Other Macroeconomic Schools. *GSTF Journal on Business Review (GBR)*, *3*(1). https://doi.org/10.7603/s40706-013-0008-0

Brunner, K., & Meltzer, A. H. (1976). An Aggregatative Theory for a closed Economy. *Monetarism*, 69–182. https://doi.org/10.1184/R1/6703592.v1

Colombage, S. S. (2005). Determinants of Inflation in Sri Lanka: An Econometric Analysis. *Journal of Humanities, Social Sciences & Education -*, *3*(8), 1–15. http://thescholedge.org/index.php/sijmd/article/view/210/319

Das, A., & Senapati, M. (2007). GDP deflator vis-à-vis other price indices in India: an exploratory study. *The Journal of Income and Wealth*, *29*(1). https://www.indianjournals.com/ijor.aspx?target=ijor:jiw&volume=29&issue=1&article=001

Friedman, M., & Schwartz, A. J. (1963). *A Monetary History of the United States, 1867–1960*. Princeton: Princeton University Press for NBER.

Harry G, J. (1963). A SURVEY OF THEORIES OF INFLATION. *Indian Econ. Rev*, *6*(4), 104–142.

Iqbal, M. A., Nadim, N., & Akbar, Z. (2022). Determinants of Recent Inflation in Pakistan and its Relation with Economic Growth: An Econometric Analysis. *Pakistan Journal of Humanities and Social Sciences*, *10*(1), 345–353. https://doi.org/10.52131/pjhss.2022.1001.0202

Khan, R. E. A., & Gill, A. R. (2010). Determinants of Inflation: A Case of Pakistan (1970-2007). *Journal of Economics*, *1*(1), 45–51. https://doi.org/10.1080/09765239.2010.11884923

Madito, O., & Odhiambo, N. M. (2018). The main determinants of inflation in South Africa: An empirical investigation. *Organizations and Markets in Emerging Economies*, *9*(2), 212–232. https://doi.org/10.15388/omee.2018.10.00011

Mankiw, N. G. (2012). *Principles of macroeconomics*. Pearson Education.

Moser, G. (1994). The Main Determinants of Inflation in Nigeria. *IMF Working Papers*, *94*(76), 1. https://doi.org/10.5089/9781451849806.001

MUNDELL, R. A. (1971). *Monetary theory: Inflation, interest and growth in the world economy*. Pacific Palisades, Calif.: Goodyear.

Muth, J. F. (1961). Rational Expectations and the Theory of Price Movements. *Econometrica*, *29*(3), 315. https://doi.org/10.2307/1909635

Nkirote, K. W. (2014). The determinants of inflation in Kenya (1970 – 2013). In *University of Nairobi*.

Ratnasiri, B. P. G. S. (2011). The Main Determinants of Inflation in Sri Lanka A VAR based Analysis. *Staff Studies*, *39*(1 & 2), 1–14. https://doi.org/10.1177/139156141101200204

Saxena, S. P., & Archana, S. (2014). DETERMINANTS OF INFLATION IN INDIA : AN ECONOMETRIC ANALYSIS. *Scholedge R&D Center*, *2*(8), 1–15. http://thescholedge.org

Influence of Aid-for-Trade on exports: A disaggregated analysis for Pakistan

Muhammad Shahid Waheed

Research Assistant at Population Research Centre (PRC) IBA

economaths13@gmail.com

Abstract

The Aid-for-Trade (AfT) though has been widely acknowledged as a reliable source for promoting trade and, in particular, exports in aid recipient developing countries, its effectiveness in this regard has yet to be established. Using panel data of Pakistan's top 60 trade partner nations which is covering 90% of trade flows, and the random-effect panel Gravity model, this study examines whether the subcategories of AfT boost export flows of Pakistan to both AfT-Donor and Non-Donor during the period 2005 to 2017. Overall, Aid-for-Trade has a considerable negative impact on Pakistan's exports, according to the findings. Only help in the sectors of "industry, fishing, and tourism" has had a major and favorable impact on Pakistan's bilateral exports. "The areas of transportation and storage, communication, energy, trade policy and regulations, business and other services, banking and finance, agriculture, forestry, mineral and resource extraction, and tourism have a negative impact on Pakistan's bilateral exports." In comparison to non-donor countries, total trade flows in terms of exports are reduced as a result of aid. As a result, Aid Donor Countries benefit more from the Aid-for-Trade scheme than Pakistan (the Aid-Recipient Country).

***KEYWORDS**: Aid for Trade; Official-development-assistance; Aft initiative; AfT effectiveness; Aid Donors.*

INTRODUCTION

Finding out if aid for trade (AfT) promotes export growth in the recipient nation is the main objective of this study. Furthermore, On the basis of the outcome of the research, recommendations are made as to how better use of AfT resources may improve its effectiveness. While AfT has shown to be a popular technique for increasing a region's exports, its usefulness for a comprehensive country analysis is controversial. This study, which fills this gap, focuses on the impact of AfT's on Pakistan.

Aid for trade aims to support developing economies in boosting their trading capabilities so they can benefit from trade activities. Since it was launched at the 2005 WTO Ministerial Declaration in Hong Kong, the Aid for Trade concept has gained traction as a plan for economic growth through free trade. In any event, there is insufficient evidence that the AfT boosts trade (Vijil& Wagner 2012, Cal&teVelde 2011). Similarly, several studies show that the relationship between aid and development is either positive, negative or effective with certain conditions (Malcolm et al. 2001; Gomanee et al. 2002; Rajan et al 2008; Doucouliagos et al 2009; Burnside et al 2000). Few studies (Cal&teVelde, 2011, Ferro et al. 2014) have attempted to investigate regional export performance after the launch of Aid for Trade in certain regions. However, research focusing on Asian countries is becoming increasingly rare. In its 2017 report, the WTO said that it was important that Asian countries got the most funding out of the five geographical groups from 2006 to 2015. If the Aid for Trade program works to increase Pakistan's exports, it will be defended and recommended to be continued. If it doesn't, it will be recommended that it should be stopped.

This study examines, at a detailed level, the effects of aid for trade on Pakistan's bilateral exports to its trading partners, both aid donors and non-donors. It adds to the body of knowledge by filling a gap in the quantitative assessment of Aid-for-Trade. In addition, the impact of all main categories of AfT is investigated in order to acquire a better understanding of the mechanisms that underpin Aid for Trade effectiveness. The addition of economic factors aims to improve the estimation of the link between AfT and Bilateral Exports.

LITERATURE REVIEW:

The literature on AFT is fast growing in the field of trade facilitation. Most of the AfT-related studies focused on analyzing the effectiveness of AfT as a whole. Few of these research have looked at the impact of explicit AfT instruments. Analysts have focused on AfF policies and regulations, as well as infrastructure aid, among the numerous AfT

categories. Aid to production capacity and trade development, on the other hand, has gotten little attention. Various studies have been conducted in various nations. Some studies include a large number of emerging and developed countries, and some of them concentrate on small developing economies or a single country. Few studies have looked into the disparities in Aid for Trade adequacy between the productive and non-productive sectors. Data accessibility and availability continue to be a major concern in leading studies related to Aid for Trade. The OECD and CRS databases are used in the majority of investigations. Aid for Trade can be effective at both the macro and micro levels, according to the literature, although the results vary substantially depending on the sort of intervention. There are significant policy ramifications of these findings. Unquestionably, empirical data indicates that improving trade performance may be especially possible by focusing on Aid for Trade flows.

The majority of the literature assessed by Cadot et al. (2014) was composed of international research projects. On the other hand, a number of recent studies, including those by AdugnaLemi (2017), Kimm and Roberts (2015), Martnezet al. (2017), Lucy and Nasiri (2015), and Mendez and Velde (2017), suggest that Aid for Trade has a significant negative impact on export. According to a number of studies, including Lehmann et al. (2013) and Lucy and Nasiri (2015), Aid for Trade has no impact on exports. According to Helble et al. (2009), the Aid for Trade programme boosts exports in recipient nations. On the other hand, according to Tuna et al. (2013), rules and help for trade have a detrimental impact on export. Helble et al. (2009) found that AfT development boosts exports in recipient countries. Similarly, Iwanow and Kirkpatrick (2007), Helble at el. (2009), Perez & Wilson's (2010), Cal and TeVelde (2011) Massimiliano et al. (2011), Alberto and Wilson (2012), JE Sohn (2013), Tuna at el. (2013), AdugnaLemi (2017), Martnezet al. (2017), concluded that economic infrastructure aid increases recipient country exports. The aid for administration, training, and education, according to Helble et al. (2009) and AdugnaLemi (2017), increases exports in the recipient nations. The exports of aid recipient countries are positively and significantly impacted by assistance for transportation, ICT, banking, business, and energy, according to Ferro et al. (2014) and Perez & Wilson (2010). The studies by Cal and TeVelde (2011), Massimiliano et al. (2011), Tuna et al. (2013), and Pettersson and Johansson (2013) all came to the same conclusion: aid for the development of productive capacity had a favourable but insignificant effect on recipient nation exports. Only the Martnez et al. (2017) result is noteworthy, and it also has favourable ramifications for exporters. Iwanow and Kirkpatrick (2007) assert that assistance with regulatory reform increases exports from the recipient nation.

Using the Random-Effect approach on a panel of 102 developing nations from 2002 to 2017, Kim, et al. (2020) discovered that AfT had a conditional impact on exports in recipient nations. AfT has a higher impact in countries with better governmental capability and a stable economic environment.

Hoekman, et al. (2020) used the Random-Effect Penal estimate on 35 exporting and 53 importing nations over the period 2002-2015 and found that aft have weak results with total trade. While Aft (given to services, particularly infrastructure), has a favorable impact on recipient nations' bilateral item exports to donor countries.

Gnangnon (2019) employed a two-step GMM approach on an imbalanced panel data sample of 121 developing nations from 2002 to 2015. The findings demonstrate that AfT inflows positively and significantly increase recipient nations' low and high export ratios, but not their medium export ratio. AfT inflows in LDCs affect low levels positively while negatively affecting middle and high levels. The cumulative AfT inflows have a sizable beneficial influence on the three export ratios for both the total sample and LDCs.

Research Design; Data, Model and Methodology

The gravity equation, which was used in the study, is now frequently used to explain the flow of bilateral trade. Neither the Heckscher-Ohlin model nor Ricardo's theory of comparative advantage discuss total bilateral trade flows (especially in the empirical case of more than two countries). The Panel Random-Effect Model, which was previously taken from Cal and teVelde (2011) and altered as needed for this research, was employed in this investigation. We employ the standard gravity model, which considers trade flows in terms of economy size, information, and transportation costs. We employ a panel-dataset of 60 partner countries to examine the influence of Aid-for-Trade on Pakistan's bilateral exports to trade partner nations from 2005 to 2017. It includes aid donor countries and other top export partners. In this analysis, we used the OECD's "Query-Wizard-for-International-Development-Statistics" to get net and disaggregated Aid-for-Trade disbursement statistics for 2016, which are accessible at the "Query-Wizard-for-International-Development-Statistics" website (QWIDS). Appendix-A shows a list of Pakistan’s partners country which bilateral trade is used in this study (which covers 90 percent of Pakistan's exports). Following in the footsteps of its forerunners in analyzing the impact of AfT (Brazys, 2013; Bearce et al., 2013; Osei, Morrissey, and Lloyd, 2004), this study uses data from the AfT and its sectors up to a two-year lag because some sectors require time to see results after the AfT project is implemented.

Our estimates are based on conventional factors such the exchange rates, GDP, population, and trade costs of the two trade partner nations, as well as distance between them and concessions on market access such as GSP+. We utilize the log-log model for our estimations to control the variance of the error component; therefore by applying natural log to the general model of export, we get the following regression:

$$lnExport_{ijt} = \beta_0 + \beta_1 lnAfT_{ikt-x} + \beta_2\, ln\, DonorDummy_{jt} + \beta_3 lnGSPP_{ijt} + \beta_4 lnEXR_{it}$$

$$+\beta_4 lnEXR_{jt} + \beta_5 lnGDP_{it} + \beta_6 lnGDP_{jt} + \beta_7 lnDist_{ij} + \beta_9 lnPop_{jt} + \beta_{10} lnCX_{it} + \beta_{13} lnCM_{jt} + \gamma_i + \theta_t + \varepsilon_{ijt} \quad (3.1)$$

The gravity model has been supplemented with the inclusion of AfT, exchange rates of both exporting and importing nations, the costs of export and import in recipient countries of donors, the costs of export and import in donors, and dummy variables like GSP+ and assistance donor countries.

Data Sources

The data came from the OECD, World Bank Doing Business Report, UN COMTRADE, and WDI datasets. The dependent variable was total bilateral exports, and data for these exports came from the UN COMTRADE Database (HS, 2002 commodity classifications). Our primary explanatory variable, Aid-for-Trade (ODA, disbursements), is data from the OECD/DAC creditor reporting system (CRS). The AfT Task Force was established by the World Trade Organization (WTO), and it theoretically divided AfT into six main categories and described the aid for trade as "project and programme aids focusing on trade-related projects and development plans in Aid recipient countries.":

However, AfT is divided into following activities which has been assigned different codes:

1) Code- 210; economic infrastructure Transportation and storage
2) Code-220; communication
3) Code-230; energy generation and supply
4) Code-240: Banking and Financial Services
5) Code-250; Business and other services
6) Code-311; Agriculture
7) Code-312; Forestry
8) Code-313; Fishing
9) Code-322; Mineral Resource and Mining
10) Code-321; Industry
11) Code-332; Tourism

Even if more monies have been pledged from donors, these categories existed prior to the AfT program of 2005. We utilize a dummy variable called "donor-dummy" to represent individual donor country trade flows.

The World Bank's Doing Business project database, which has eleven sub-indicators for the cost of trading across borders, is where the information on transaction costs of trade is

collected. The World Bank determines the costs of product trade by sea transportation for both exports and imports in order to evaluate the data. The fees assessed per 20-foot container in US$ are measured as trading costs, which are referred to as the cost of exports (CX) and the cost of imports (CM) in this study. Their methods attempt to capture the true cost of commerce in the absence of customs charges and tariffs. A dry cargo of (20-foot; fully loaded Container) with no military dangerous objects was required to supply the marketable products. Oonly formal transactions and costs are included for the cost of exports and imports and no trade tax or tariff is included.

The GDP and population (in million) of the country are used to calculate the size of the economy, as well as the exchange rate, which is obtained from the WDI data bank. GDP is expressed in 2010 US dollars. The data for distance between Pakistan and the trading partners countries is procured from the CEPPI-World Economy, while other gravity model related variables are taken from Head and Mayer (2013). If Pakistan receives GSP+ or any other equivalent concession from a partner country, we utilized the GSP+ dummy with the value "0", otherwise "1".

Results

We'll begin by analyzing the effects of aid given in the category of "Building Productive Capacity," where the business and other services component has a much greater impact on exports to non-donor countries while having a negligibly smaller negative impact on exports. The communication sector has a negative but minor impact on Pakistan's exports. With communication aid, the donor-dummy coefficient tells us about the Exports flow, which is higher in Aid-Donor countries. The fishing sector has a favorable and considerable impact on Pakistan's exports. The fishing business exports a higher percentage of its products to aid-donor countries. The AfT given to Forestry has a minor but significant detrimental influence on Pakistan's exports. A 1000 percent increase in this type of aid will only cut exports by 9% at most. Aid for banking and financial services has a negligible negative influence on Pakistan's exports, resulting in a higher proportion of exports to non-donor nations. As a result, Aid-Donors benefit more from this type of aid. The aid-for-trade given to the agriculture sector has a negative and significance effect on Pakistan's exports, the outcome is captured at the first lag, and we discovered that Agriculture-AfT enhanced Pakistan's exports compared to Aid-Donor countries with the use of the donor dummy. Aid to industry has a favorable and considerable impact on Pakistan's exports, with export flows to non-donor nations being relatively higher. Aid to the sectors of "Mineral Resources & Mining" and "Business and other services" has a small but detrimental impact on Pakistan's export growth. Aid-donor countries receive a higher proportion of these sectors' exports.

Following that, we discuss the results of aid given to "economic infrastructure" components, in which aid supplied to communications has a negative impact on exports.

In this type of aid, Aid-Donor countries receive a higher proportion of Pakistan's imports than Non-Donor countries. Aid to the energy sector has a negative and considerable influence on Pakistan's exports. With a first lag, aid supplied to "Transport and Storage" has a major negative influence on Pakistan's exports; export-flows are relatively greater to non-donor countries.

Now we'll talk about the results of the "Trade Policy and Regulation" sector. Its sub-categories are irrelevant to us. According to the findings, this factor for aid has a negative and considerable impact on Pakistan's exports. With this kind of aid, exports are moving more frequently to non-donor nations.

The impact of aggregate AfT is shown in table-3E. According to the research, Pakistan's exports are negatively impacted by AfT, with an average 1.7% decline in exports for every 100% increase in AfT. One the one hand, it has a negligible and detrimental effect on exports by donor nations, as an average 100% increase in AfT will reduce exports by 0.5%, respectively.

The findings demonstrate that Pakistan's exports are significant and favourably correlated with its partners' GDP across all metrics. This implies that a 1% increase in Pakistan's own GDP will not result in a higher increase in exports than a 1% increase in the GDP of its trade partners. The population of a partner country is the productiveness of the masses in that country, which is growing in lockstep with their population, negatively impacting our exports. The distance between Pakistan and its trading partners has a statistically significant negative impact on exports. If the estimation is done by taking variables into account at level, the importing cost of a partner country has a favourable effect on Pakistan's exports, but this impact is minor with the first and second lags. This conclusion can be explained by arguing that Pakistan has a competitive advantage in its partner's markets over its competitors, and that an increase in import costs for its partners discourages exports from other nations more than exports from Pakistan. The findings also demonstrate that GSP+ has a strong favorable influence on Pakistan's exports. Pakistan is increasing its exports to nations where it receives GSP+ status and other benefits.

Conclusion:

AfT, according to several international trade organizations and assistance donor countries, plays a critical role in the development of aid recipient countries through supporting export-related marketing. Despite this, the effectiveness of AfT, particularly in the receiving country of Pakistan, has not been sufficiently demonstrated due to a lack of evidence. To close this gap, the impact of sector-specific AfT on Pakistan's bilateral exports has been explored.

The findings of this study show that aid supplied to different industries has a varying impact on Pakistan's bilateral exports. AfT (as a whole) has a considerable and negative influence on Pakistan's bilateral exports, yet it is regarded as little. Only aid received in the sectors of "Industry, Fishing, and Tourism" has a positive impact on Pakistan's bilateral exports, while aid received in the sectors of "Transport & Storage, Communication, Energy, Trade Policy & Regulations, Business & Other Services, Banking & Finance, Agriculture, Forestry, Mineral & Resources, and Tourism" has a negative impact. Aid to "Energy, Trade Policy and Regulations, Agriculture and Forestry" has had a substantial impact.

When we looked at the sectors rather than the sub-sectors, additional research reached the same conclusions for other domains. The empirical result that aid given to Trade Policy & Regulation has a stronger influence on exports is supported by an Asian Development Bank (ADB) report (2012). Cali and teVelde (2011) discovered that while aid in the subcategory of "energy" had a negative effect on exports in this study, aid in the domain of economic infrastructure was entirely favourable to the development of exports. According to research on low-income nations, only productive capacity is useful for exports. Nevertheless, in our study, it has a detrimental influence on exports to the recipient nation.

Future studies will need to go into further detail regarding the precise efficacy of AfT and the proper distribution of trade-related ODA by sector. In other words, it's important to find out which forms of aid—such as those given to industry, agriculture, fisheries, forestry, and other sectors of the economy—have the biggest effects on Pakistan's trading performance. The most effective AfT policy and regulation for Pakistani exports should also be investigated, such as trade facilitation, trade-related adjustment, and regional trade agreements. It will be easier to determine the best specific sector of AfT that each country requires in order to promote bilateral trade if other countries in the same region are looked at as well. Finally, AfT should be continued, but with a focus on specific sorts of aid adapted to the recipient country's trade performance.

Policy Recommendation:

- The conclusions of this study's analysis suggest that Pakistan's government should coordinate with other nations on trade issues, resulting in a bigger influx of trade aid into the country and an increase in the country's exports.
- The purposeful attempts by recipient nations for help for trade are understandable in light of the current trade tensions between the United States and China, which are limiting donor countries' ability to give resources/funds for aid for trade.

- The findings also imply that efforts to attract trade aid should be highly focused, with a focus on improving help in components such as transportation and storage, communication, fisheries, and industry and trade policy and regulation.
- The government should concentrate its policy on attracting trade aid in order to boost exports. These findings, which can be applied to all developing countries, suggest that developing countries should seek out the largest proportion of available trade aid.

REFERENCES

Ahn, S. J., & Lee, S. H. (2016). Do Donor Countries Benefit from Aid for Trade?. *Journal of International Trade & Commerce*, *12*(6), 37-52.

Awan, A. G., Sarwar, G., & Siddique, K. (2015). THE IMPACT OF GENERALIZED SCHEME OF PREFERENCE (GSP+) ON PAKISTAN'S TEXTILE EXPORTS. *Journal International Journal of Economics, Commerce and Management, United Kingdom*, *3*(1), 1-27.

Bacchetta, M., Beverelli, C., Cadot, O., Fugazza, M., Grether, J. M., Helble, M., ...&Piermartini, R. (2012). *A practical guide to trade policy analysis*. Geneva, CH: World Trade Organization.

Brenton, P., & Von Uexkull, E. (2009). Product specific technical assistance for exports–has it been effective?. *The Journal of International Trade & Economic Development*, *18*(2), 235-254.

Busse, M., Hoekstra, R., &Königer, J. (2012). The impact of aid for trade facilitation on the costs of trading. *Kyklos*, *65*(2), 143-163.

Cali, M., &TeVelde, D. W. (2011). Does aid for trade really improve trade performance?. *World development*, *39*(5), 725-740.

Canavire-Bacarreza, G. J., Neumayer, E., &Nunnenkamp, P. (2015). Why aid is unpredictable: an empirical analysis of the gap between actual and planned aid flows. *Journal of International Development*, *27*(4), 440-463.

Dazoue, D. G. P., Nemb, P. S., &Abessolo, Y. A. (2017). Influence of bilateral aid on Cameroon's bilateral trade performance with respect to OECD donor countries. *EuroEconomica*, *36*(2).

Donaubauer, J., &Nunnenkamp, P. (2016). *Is aid for infrastructure effective? A difference-*

in-difference-in-differences approach (No. 2034). Kiel Working Paper.

Ferro, E., Portugal-Perez, A., & Wilson, J. S. (2014). Aid to the services sector: does it affect manufacturing exports?. *The World Economy*, *37*(4), 530-541.

Fuchs, A., Dreher, A., &Nunnenkamp, P. (2014). Determinants of donor generosity: A survey of the aid budget literature. *World Development*, *56*, 172-199.

Gnangnon, S. K. (2020). Impact of Aid for Trade on Trademarks Applications in Recipient-Countries. *International Economic Journal*, *34*(1), 33-47.

Gnangnon, S. K. (2020). Aid for Trade and Services Export Diversification in Recipient-Countries.

GNANGNON, S. K., &Ramírez, S. D. M. (2020). Aid for Trade flows and Recipient-Countries' Integration into the World Market for Services Exports: Do Merchandises Exports and Foreign Direct Investment Inflows matter?.

Hoekman, B., &Shingal, A. (2020). Aid for trade and international transactions in goods and services. *Review of International Economics*, *28*(2), 320-340.

Han, B. (2017). *Does AID for trade promote exports of recipient countries?* (Doctoral dissertation, KDI School).

Hühne, P., Meyer, B., &Nunnenkamp, P. (2015). Aid for trade: Assessing the effects on recipient exports of manufactures and primary commodities to donors and non-donors. In *Handbook on the economics of foreign aid*. Edward Elgar Publishing.

Hühne, P., Meyer, B., &Nunnenkamp, P. (2014). Who benefits from aid for trade? Comparing the effects on recipient versus donor exports. *The Journal of Development Studies*, *50*(9), 1275-1288.

Janus, T. (2020). Terms of trade volatility, exports, and GDP. *Economic Change and Restructuring*, *53*(1), 25-38.

Kim, C., Chae, J. E., & Oh, J. (2020). Effectiveness of aid-for-trade: Are there strings attached? Empirical evidence and the case of Vietnam. *Post-Communist Economies*, *32*(1), 113-124.

Kim, Y. R. (2019). Does aid for trade diversify the export structure of recipient countries?. *The World Economy*, *42*(9), 2684-2722.

Ly-My, D., Lee, H. H., & Park, D. (2020). Does aid for trade promote import diversification?. *The World Economy*.

Lemi, A. (2017). Aid for trade and Africa's trade performance: Evidence from bilateral trade flows with China and OECD countries. *Journal of African Trade*, *4*(1-2), 37-60.

Lee, H. W., & Kim, Y. (2020). Impacts of tangible and intangible elements of Aid for Trade on the globalisation of developing countries. *The World Economy*.

Martínez-Zarzoso, I., Nowak-Lehmann D, F., &Rehwald, K. (2017). Is aid for trade effective? A panel quantile regression approach. *Review of Development Economics*, *21*(4), e175-e203.

Ojeaga, P. (2012). Foreign Aid and African Exporters: Help or Harm?.

Pettersson, J., & Johansson, L. (2013). Aid, aid for trade, and bilateral trade: An empirical study. *The Journal of International Trade & Economic Development*, *22*(6), 866-894.

Portugal-Perez, A., & Wilson, J. S. (2012). Export performance and trade facilitation reform: Hard and soft infrastructure. *World development*, *40*(7), 1295-1307.

Wilson, J. S., & Portugal-Perez, A. (2010). *Export Performance and Trade Facilitation Reform: Hard and Soft Infrastructure*. The World Bank.

Ramírez, S. D. M. (2020). Aid for Trade flows and Recipient-Countries' Integration into the World Market for Services Exports: Do Merchandises Exports and Foreign Direct Investment Inflows matter?.

Rahman, A. A., &Farooqui, C. N. Effectiveness of Aid for Trade (AfT): Evidence from Bangladesh.

Siyakiya, P. (2017). The impact of technical regulations on trade: Evidence from South Africa. *Journal of Economics Library*, *4*(1), 64-75.

Suwa-Eisenmann, A., &Verdier, T. (2007). Aid and trade. *Oxford Review of Economic Policy*, 23, 481–507.

Vijil, M., & Wagner, L. (2012). Does aid for trade enhance export performance? Investigating the infrastructure channel. *The World Economy*, *35*(7), 838-868.

```
Breusch and Pagan Lagrangian multiplier test for random effects

        lnexport[Partner,t] = Xb + u[Partner] + e[Partner,t]

        Estimated results:
                         |       Var     sd = sqrt(Var)
                ---------+-----------------------------
                lnexport |   9.25912        3.04288
                       e |  .1676306       .4094271
                       u |  5.736615       2.395123

        Test:   Var(u) = 0
                             chibar2(01) =  4343.31
                          Prob > chibar2 =   0.0000
```

Appendix

Table 2(A): LM test

Table 2(B): Hausman test

```
. hausman fe re

                 ---- Coefficients ----
             |      (b)          (B)            (b-B)     sqrt(diag(V_b-V_B))
             |       fe           re         Difference          S.E.
-------------+----------------------------------------------------------------
lntotalall~s |   .0092189     .0095918       -.0003729               .
donarcountry |  -.0029354    -.0046535        .0017181               .
      lngdpp |  -.2388089    -.2890374        .0502286        .0069489
      lngdpj |   1.151986     1.066519        .0854661        .0342525
      lnpopj |  -.9634717    -.5932555       -.3702162         .141529
         lner |  -.0580787    -.0503903       -.0076883        .0076743
     lnexr_p |  -.0105177    -.0230093        .0124916               .
     gsp_fta |   .3868033     .3929234       -.0061202               .
       lncxi |  -.0317562    -.0557638        .0240076        .0059157
       lncmj |   .1814453     .1699587        .0114865        .0107824
------------------------------------------------------------------------------
                           b = consistent under Ho and Ha; obtained from xtreg
            B = inconsistent under Ha, efficient under Ho; obtained from xtreg

    Test:  Ho:  difference in coefficients not systematic

                  chi2(10) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                           =        8.97
                 Prob>chi2 =      0.5352
                 (V_b-V_B is not positive definite)
```

Table: 3(A)

Building Productive Capacity									
	LnAgriculture			**LnBanking&Finance**			**Lnbusinessand Others**		
	Level	1st lag	2nd lag	level	1st lag	2nd lag	level	1st lag	2nd lag
	-0.001	-0.062**	-0.059*	-0.002	-0.006	-0.013	-0.013	0	-0.015
DonarDummy	-0.008	-0.005	0.011	-0.008	-0.007	0.005	-0.011	-0.008	0.01
lnGDPi	-0.081	0.11	0.525	-0.105	0.106	0.576*	-0.136	0.158	0.681*
lnGDPj	1.158***	0.941***	0.942***	1.159***	0.943***	0.911***	1.159***	0.953***	0.935***
lnDistance	-1.640***	-1.621***	-1.697***	-1.641***	-1.622***	-1.695***	-1.640***	-1.623***	-1.700***
lnPOPj	-0.970***	-1.659***	-2.276***	-0.975***	-1.666***	-2.181***	-0.979***	-1.663***	-2.247***
lnEXR_j	-0.058*	-0.119**	-0.033	-0.058*	-0.119**	0.004	-0.059*	-0.120**	-0.012
lnEXR_i	-0.127	0.135	-0.026	-0.103	0.013	0.012	-0.141	-0.056	0.104
GSP+	0.395***	0.307***	0.308***	0.393***	0.299***	0.320***	0.389***	0.306***	0.307***
lnCXi	0.014	0.036	0.285	0.007	-0.002	0.418*	-0.048	0.015	0.448
lnCMj	0.171*	0.055	0.101	0.171*	0.059	0.119	0.174**	0.06	0.117
_cons	6.089	9.497**	8.706*	6.096	9.837**	9.933**	6.171	9.688**	8.520*

Obs.	780	720	660	780	720	660	780	720	660
R-squared	0.983	0.984	0.986	0.983	0.984	0.986	0.983	0.984	0.986

Source: Author's Calculations ***Notes: significance (*** p<0.01, ** p<0.05, * p<0.1)***

Table: 3(B)

Building Productive Capacity									
	LnFishing			**LnForestry**			**LnIndustry**		
	level	1st lag	2nd lag	level	1st lag	2nd lag	level	1st lag	2nd lag
	-0.001	0.004	0.009***	-0.001	-0.009***	0	0.01	-0.021	0.035*
DonarDummy	-0.007	-0.009	0.009	-0.007	-0.008	0.006	-0.009	-0.005	0.007
lnGDPi	-0.155	0.048	0.479	-0.133	0.137	0.545	-0.073	0.194	0.445
lnGDPj	1.158***	0.936***	0.918***	1.154***	0.885***	0.944***	1.167***	0.937***	0.942***
lnDistance	-1.642***	-1.621***	-1.699***	-1.640***	-1.603***	-1.699***	-1.644***	-1.616***	-1.698***
lnPOPj	-0.968***	-1.637***	-2.187***	-0.959***	-1.587***	-2.268***	-1.000***	-1.668***	-2.268***
lnEXR_j	-0.057*	-0.115**	0.007	-0.057*	-0.107*	-0.03	-0.061*	-0.119**	-0.028
lnEXR_i	-0.11	0.049	-0.078	-0.08	-0.011	-0.047	-0.184	0.02	0.018
GSP+	0.400***	0.316***	0.315***	0.400***	0.306***	0.310***	0.391***	0.286***	0.309***

lnCXi	-0.024	-0.014	0.22	0.006	0.013	0.285	-0.017	0.062	0.231
lnCMj	0.167*	0.054	0.12	0.169*	0.057	0.103	0.171*	0.068	0.105
_cons	6.071	10.041**	9.902**	6.084	10.773**	9.419**	6.072	9.863**	9.072**
Obs.	780	720	660	780	720	660	780	720	660
R-squared	0.983	0.984	0.986	0.983	0.985	0.986	0.983	0.984	0.986

Source: Author's Calculations ***Notes: significance (*** p<0.01, ** p<0.05, * p<0.1)***

Table: 3(C)

Building Productive Capacity						
	LnMineralResources			**LnTourism**		
	level	1st lag	2nd lag	level	1st lag	2nd lag
	0.004	-0.002	-0.009	0.004	-0.002	0
DonarDummy	-0.008	-0.008	0.003	-0.003	-0.008	0.006
lnGDPi	-0.108	0.101	0.591*	-0.111	0.009	0.789**
lnGDPj	1.159***	0.948***	0.946***	1.158***	0.924***	0.923***
lnDistance	-1.641***	-1.623***	-1.701***	-1.641***	-1.616***	-1.705***
lnPOPj	-0.974***	-1.667***	-2.253***	-0.972***	-1.648***	-2.172***
lnEXR_j	-0.058*	-0.120**	-0.023	-0.058*	-0.114**	0.017
lnEXR_i	-0.101	0.007	-0.126	-0.109	0.08	-0.078
GSP+	0.394***	0.303***	0.315***	0.394***	0.297***	0.320***
lnCXi	0.006	-0.005	0.269	0.001	-0.014	0.575*
lnCMj	0.171*	0.057	0.105	0.171*	0.061	0.12
_cons	6.114	9.744**	9.211**	6.076	9.942**	9.454**
Obs.	780	720	660	780	720	660

R-squared	0.983	0.984	0.986	0.983	0.984	0.986

Source: Author's Calculations ***Notes: significance (*** p<0.01, ** p<0.05, * p<0.1)***

Table: 3(D)

Economic Infrastructure									
	LnCommunications			**LnEnergy**			**LnTransportation& Storage**		
	Level	1st lag	2nd lag	level	1st lag	2nd lag	level	1st lag	2nd lag
	-0.007	0.001	-0.002	-0.015	-0.033*	-0.055***	0.009	-0.027*	0.004
DonarDummy	-0.006	-0.008	0.005	-0.007	-0.006	0.022	-0.009	-0.01	0.005
lnGDPi	-0.106	0.063	0.422	-0.057	0.089	0.538	-0.151	0.066	0.736**
lnGDPj	1.159***	0.948***	0.948***	1.156***	0.943***	0.937***	1.141***	0.949***	0.916***
lnDistance	-1.641***	-1.622***	-1.699***	-1.639***	-1.621***	-1.699***	-1.632***	-1.620***	-1.690***
lnPOPj	-0.974***	-1.672***	-2.263***	-0.966***	-1.669***	-2.245***	-0.911***	-1.678***	-2.221***
lnEXR_j	-0.058*	-0.121**	-0.031	-0.057*	-0.120**	-0.017	-0.052	-0.123**	-0.007
lnEXR_i	-0.103	0.02	-0.027	-0.131	0.072	0.055	-0.16	0.055	-0.236
GSP+	0.394***	0.297***	0.313***	0.394***	0.300***	0.306***	0.404***	0.295***	0.309***
lnCXi	0.006	-0.03	0.21	0.039	-0.009	0.277	-0.028	-0.049	0.437*

lnCMj	0.171*	0.06	0.103	0.172*	0.06	0.11	0.172*	0.065	0.127
_cons	6.072	9.678**	9.536**	6.208	9.014**	7.495	6.038	8.956**	9.531**
Obs.	780	720	660	780	720	660	780	720	660
R-squared	0.983	0.984	0.986	0.983	0.984	0.986	0.983	0.984	0.986

Source: Author's Calculations ***Notes: significance (*** p<0.01, ** p<0.05, * p<0.1)***

Table: 3(E)

Trade Policy & Regulation , Total AfT						
	LnTradePolicy and Regulations			LnTotalallSectors		
	level	1st lag	2nd lag	level	1st lag	2nd lag
	-0.017**	-0.016**	-0.009	0.005	-0.004	-0.017***
DonarDummy	-0.007	0	0.013	-0.01	-0.01	0.003
lnGDPi	-0.125	0.092	0.427	-0.239	0.146	0.033
lnGDPj	1.159***	0.945***	0.946***	1.152***	0.950***	0.932***
lnDistance	-1.641***	-1.621***	-1.699***	-1.634***	-1.623***	-1.701***
lnPOPj	-0.975***	-1.665***	-2.268***	-0.963***	-1.675***	-2.238***
lnEXR_j	-0.058*	-0.119**	-0.03	-0.058*	-0.121**	-0.014
lnEXR_i	-0.075	0.065	-0.048	-0.011	-0.039	0.097
GSP+	0.394***	0.297***	0.312***	0.387***	0.300***	0.312***
lnCXi	-0.004	-0.013	0.218	-0.032	-0.008	-0.087
lnCMj	0.171*	0.062	0.104	0.181**	0.06	0.104
_cons	6.22	8.309*	8.454*	6.046	9.635**	9.863**
Obs.	780	720	660	780	720	660

R-squared	0.983	0.984	0.986	0.983	0.984	0.986

Source: Author's Calculations ***Notes: significance (*** p<0.01, ** p<0.05, * p<0.1)***

Table 4: Matrix of correlation

Variables	Trade	Import	Export	GDPj	GDPi	Distance	POPj	POPi	CXi	CMi	CXj	CMj	ERj	ERi	Total AfT
Trade	1														
Import	0.944	1													
Export	0.96	0.852	1												
GDPj	0.587	0.633	0.555	1											
GDPi	0.034	0.032	0.036	0.079	1										
Distance	-0.194	-0.177	-0.177	0.227	0	1									
POPj	0.257	0.307	0.244	0.53	0.031	0.043	1								
POPi	0.032	0.03	0.033	0.076	0.982	0	0.032	1							
CXi	-0.036	-0.03	-0.038	-0.08	-0.949	0	-0.029	-0.924	1						
CMi	-0.009	-0.018	-0.007	-0.027	-0.507	0	-0.022	-0.607	0.312	1					
CXj	-0.208	-0.235	-0.155	-0.186	-0.155	-0.11	0.128	-0.156	0.154	0.081	1				
CMj	-0.234	-0.261	-0.188	-0.199	-0.166	-0.08	0.199	-0.165	0.167	0.08	0.961	1			
ERj	-0.11	-0.185	-0.074	-0.162	0.015	-0.124	0.257	0.021	-0.009	-0.037	0.168	0.223	1		
ERi	0.033	0.029	0.037	0.081	0.942	0	0.032	0.957	-0.903	-0.513	-0.155	-0.166	0.016	1	
Total AfT	0.084	0.071	0.115	0.171	0.311	0.083	0.042	0.334	-0.291	-0.28	-0.174	-0.201	-0.234	0.304	1

Source: Author's Calculations

Notes: significance (p<0.01, ** p<0.05, * p<0.1)***

Bailout or not bailout during recession

Syed Ahsan Khursheed
Associate Professor of Economics
syedahsankhursheed@gmail.com

Syed Muhammad Affan Qadri
Student of BBA, IoBM, Karachi
affansyed10@gmail.com

Abstract:

This paper is written to present the shortcoming of capitalism to stabilize the economy from recession and Covid -19 pandemic. The capitalist economy is on the brink of its collapse is the main argument of this article. After establishing this argument and the reason behind this collapse, which is the debt-oriented economy and domination of the financial sector over the non-financial sector. I present my alternative Islamic solution for Pakistan under this pandemic condition. My fundamental demand is that the GOP immediately repudiate all its financial contracts, both bilateral and multilateral. All the policies regarding the liberalization of the economy immediately stop and domestic policies for our national interest should be implemented.

Key words: recession, bailout, capitalist economy, liberalization, Keynesian Economy, classical economy

Introduction:

In the catastrophic event for the economy, such as the recent recession and pandemic of coronavirus, the only viable option for the market economy is the bailout. Why is this the only option available within the framework of a capitalist economy? The evolution of the capitalist economy from the classical period into the neoclassical period is the key to understanding the response.

Classical economy assumption and the role of government

The classical economy is a market economy main thinkers are Adam Smith, Ricardo, Mills. **(Brien, 2004)** The goal as determined is freedom, equality, and progress, which is postulated by **(Smith, 1853)**, **(Malhotra, 2009).** The concept of self-interest was driven by smith, not from the Christian concept of sympathy but drove the meaning of sympathy from Hobbes and Locke (17th-century philosophers), both believed that human nature allowed people to be selfish **(Lloyd, Sharon A., and Sreedhar, 2019)**. Robbins stated that although human desire is limitless, there are only so many resources available to satiate it. Therefore, microeconomics focuses specifically with maximising utility under the constraints of limited resources (Brien, 2004). Maximization of desire is nothing more than capital accumulation. The law of nature is nothing more than the law of capital, and capital is desire for its own sake, so the accumulation of capital is the actualization of Liberty or freedom. The producer's goal is to maximise profit or capital accumulation, but in the product market, investment is first converted into a product before being transferred into profit. Because profit is very uncertain and fragile, the capitalist market transforms into a financial market where capital is accumulated due to interest even when there is no production. The primary financial markets are the money and capital markets. Because the financial market accumulates capital quickly, the product market will become subordinate to the financial market. All decisions are based on the financial market or capital accumulation. (Ansari, 2017). The classicalist

Keynesian Economy after 1930 Great Depression.

The classical economist claims that the government will not intervene in the market and that the market will immediately stabilise with the help of the Invisible hand, which is self-interest. The government's role in this free market is not to stabilise the economy, but to pass legislation that benefits the market. During the Great Depression of 1930, the market was unable to stabilise itself, and the self-correcting monetary policy theory was proven false. During that time, Keynesianism emerged and correctly predicted that automatic stabilisation would not occur because another market, the speculative financial market, was emerging. During that time, he suggested that the government play a critical role in preventing the economy from falling into recession. Fiscal policy, rather than monetary policy, will be crucial. The government will spend more, and as a result, the private sector will gain confidence and invest more in the economy, causing the economy to stabilise. Market speculators will gain confidence, and market speculation will turn positive. Because of government spending, private investment will rise, boosting growth. Keynes employs the adaptive expectation approach and proposed that the market is never in equilibrium. Unemployment and an inflationary gap will result from economic disequilibrium. The Keynesian economy remained very strong, particularly after WWII. The entire government is free to decide on fiscal and monetary policies, as well as the exchange rate. The exchange rate is determined by gold reserves, a fixed exchange rate, but after World War II, an institution called the Britain Wood institution emerged to allow for centralised monetary policy, as a result of the Bretton Woods conference. It was proposed at this conference that all currencies be pegged to the US dollar rather than gold. Two institutions were established as a result of this system. The first is the IMF, and the second is the World Bank. When the US economy went into recession in the 1970s, the Bretton Woods system imploded.

Neoclassical assumption and role of government.

After 70 years, the Keynesian economy is unable to provide a solution to the American recession. Following that, the government's role shifted. Instead of having a fixed exchange rate, the rate becomes floating. The exchange rate is linked to the baskets of some powerful

currencies. This is known as the neoclassical period of economics, during which the economy was completely liberalised and decentralised. All governments are no longer sovereign; monetary, fiscal, and trade policies are determined by international organisations and the United States. The International Financial Institutions and corporations ruled this market economy. Financial institutions are becoming more liberated and dominant. Instead of adaptive expectation, rational expectation takes precedence. Rationality is nothing more than the pursuit of liberty and capital accumulation. (Simon Clarke, 1988)

Recession and the role of government.

During this time, two recessions occurred: the 2008-9 recession and the current corona virus-related recession. In both cases, all governments have only one solution: a bailout programme to protect multinational corporations and financial institutions. Governments bailed out those industries in a $500 bailout package approved by the US government in 2008. Due to the Coronavirus, the US government recently approved a $2 trillion bailout package. All developed and developing countries will bail out international financial corporations. IMF During this period, the World Bank and other multilateral and bilateral agencies forced the local government to bailout instead of stabilising the national economy. International financial corporations will make decisions based on their own interests, and all nations must follow them. The IMF predicted in its October 2019 annual meeting that the global economy would be on the verge of a major recession in the next two years. The recovery from the 2008-9 crisis has been exceptionally slow, and regulatory regimes have not been designed to prevent another such crisis from occurring. Growth rates have slowed across the developing world, and systemic vulnerabilities have grown. Real wages are steadily declining. The debt load has risen dramatically. Exports are falling. Developing countries' competitiveness in global markets has eroded, and trade deficits have grown (Simon Clarke, 1988). The Troubled Asset Relief Program (TARP) was established in October 2008 to alleviate the financial crisis. A $ 700 billion fund was established to purchase the troubled assets. These funds were used to inject equity into those troubled institutions. These funds were primarily used to save financial institutions as well as large

capitalist corporations such as GM and Chrysler. ALAN, S, BLINDER; MARK, 2010 correctly identified that automatic stabilisation is not possible during a depression and that the government should step in. The capital purchase programme (CPP), which is an equity infusions programme, has also been very successful in conjunction with the TARP programme. Alan 2010 provided some statistical evidence that the US economy is recovering as a result of the infusion of these programmes and some fiscal relief. (ALAN, S, BLINDER; MARK, 2010) as a supporter of policies stated that Keynesian policies are still applicable. The financial sector has a speculative problem during the recession period, and when the public speculates that companies and financial institutions are going bankrupt, everyone demands liquid assets, which is referred to as the liquidity problem. As a result, when the entire public follows the same path, liquidity quickly evaporates. The financial market has no liquid; they have invested or landed more than they have in liquid; thus, this crisis is a liquidity crisis. The Capital Purchase Program, which provides liquidity to the financial market, appears to be the only solution for the capitalist world. According to them, the bailout will not solve the problem because banks are unwilling to lend and businesses and consumers can't or won't borrow. The problem is that this has no effect on hoarding, and the nominal interest rate cannot be effectively negative; this is known as the liquidity trap. This bailout may save the corporations, but it does not guarantee the recovery of the economy as a whole.

Policies of the Government under recession and covid-19 pandemic

COVID-19 triggered a new phase of the recession. The US government approved a $2 trillion rescue package. $1.8 trillion for the private sector, $62 billion for the airline industry, $17 billion for "national security industries," $659 billion for the Small Business Administration's (SBA) Payment Protection Program (PPP), $500 billion for the Primary Market Corporate Credit Facility, and $600 billion for the Main Street New Loan Facility, Main Street Priority Loan Facility, and Main Street Expanded Loan Facility. Some of the bailouts are grants, while others are loans; the airline received half grants and half loans, while PPP received all grants. These bailout programmes' debt components do not have market interest rates. This policy response is currently being debated. The difference

between this Covid-19 and 2008/9 is that banks and other financial institutions were the primary recipients in 2008/9. The Keynesian solution to the Great Depression of the 1930s is not a bailout; rather, he recommended fiscal policy rather than money as a solution; his solution is accelerator or multiplier work as a visible hand (government) rather than the invisible hand of the market. The government must stabilise the economy by providing relief to the private sector in the form of tax breaks/subsidies and increasing government spending. This increased private sector confidence, resulting in increased investment and an improvement in the economic business cycle, resulting in an overall boost to the economy (Meier & Smith, 2020).

Government of Pakistan's policies before and after Corona-19 pandemic.

Prior to the Corona pandemic, Pakistan's economy was forced by the IMF to participate in the Extended Fund Facility (EFF) programme, which resulted in a massive devaluation of its currency. This devaluation was carried out in order to increase exports and thus reduce the current account deficit. However, studies have shown that our exports are price inelastic, so exports will not increase, but import goods will become more expensive, and our debt burden will rise. GDP growth, on the other hand, has slowed from 5.6 percent in 2018 to 3.3 percent in 2019. Without accounting for the pandemic, it was expected to fall to 2.4 percent in 2020. Meanwhile, due to revenue shortfalls, the fiscal deficit problem persists, and the government reduced developmental expenditure to achieve a positive primary balance, which was one of the IMF program's conditions. (Sareen, 2020)

Pakistan's economy is suffering as a result of the coronavirus outbreak. Experts predict that the growth rate will fall from 2.4 percent (FY 2020) to 1.1 percent, or even be negative. The fiscal deficit will be reduced to 10%. According to the PIDE study, poverty has increased by 59 percent, with 125 million people living below the poverty line. According to the IMF, the federal government's debt has increased from 80.4 percent of GDP before the pandemic to 85.4 percent afterward. Government policy is based not only on obtaining debt relief from external debt, totaling US $ 107 billion, but also on anticipating bailouts from bilateral and multilateral agencies; already in 2019, Pakistan has received US$ 9 billion in bailouts from countries such as China, Saudi Arabia, the United Arab Emirates,

and Qatar. In March 2020, the GOP announced a PKR 1.2 trillion package from these funds. PKR 150 billion was allocated to the most vulnerable families, PKR 100 billion to SMEs and agricultural loans for deferred payments, PKR 280 billion to wheat procurement, PKR 200 billion to labour, PKR 75 billion to lower petroleum product prices, and PKR 100 billion to the export sector. In addition to these benefits, the SBP reduced the benchmark policy rate from 13.25 percent to 9 percent. However, the problem with Pakistan is that the government is heavily reliant on outside assistance, but because the pandemic is widespread, donor countries are also providing massive packages to their economies, leaving little room to assist other countries. The IMF's EFF programme is currently on hold, and the PTI government is attempting to renegotiate it. Instead of relying on its policy to combat the Pandemic, Pakistan is acting like a bagger, completely reliant on foreign funding.

The primary source of the recession in the capitalist economy is financial speculative local and global institutions. As previously stated, these institutions are no longer subject to any government regulations. They are not governed by any state other than the United States. The most popular slogan in developing economies is financialization of the economy, which is defined as deregulation of financial markets, liberalisation of capital transfers, and privatisation of the banking system. The financial system's role has gradually shifted from loan-based financing of non-financial corporations to more market-based activities and speculative operations, while non-financial corporations have become more involved in financial activities. This will result in artificial asset bubbles and debt-driven economic growth. Consumer financing provides loans for household consumptions, and the developed financial market has captured every market. Debt-income ratios and corporate debt-equity ratios are rapidly increasing, making the economy financially fragile and potentially unstable. The result is the severe financial and economic crises that began in the developed economy in 2007. The main cause of the crisis, financialization, has yet to be addressed by either the developed or developing economies. If the economies are unable to address this problem, the capitalist economy will collapse, and the Covid-19 crisis will hasten the process. (Grilli et al., 2017)

1. An alternative solution for Pakistan under the current prevailing situation.

- Immediately repudiate all the IMF programs particularly the EFF program and immediately demand the fair and free audit of all the IMF programs as done by many African and Latin American Countries.
- Growth of the domestic economy by enhancing the domestic demand rather than external sector demand.
- Immediate cut down of the government administrative expenditure and focussed on productivity growth, reduction of the public bureaucracy by 50 percent at the federal and provincial levels,
- Promotion of the halal economy which should be completely direct tax-exempt and not subject to state surveillance, promotion of non-usurious and non-gharar financing, the prohibition of mall construction and entertainment business
- Enhancing import substitution in the capital goods and service sectors, identification of export champion firms, targeting technology-intensive goods in the 'right' markets – Iran, Turkey, Malaysia, Africa and their incentivization, promotion of joint ventures and bilateral supply chains with partners in targeted countries, construction of a targeted protectionist regime, selective tariff escalation and strategic use of NTBs.
- Maintenance of a fixed exchange rate regime, the imposition of strict capital controls on both the current and capital accounts.
- Abandonment of market-based monetary policy and introduction of credit planning, nationalization of all banks and NBFs, implementation of the recommendation of the 1979 Tanzeel-ur-Rahman commission, imposition of restrictions on money market operations, recreation of the Pakistan Banking Council and end to the subservience of SBP to imperialist finance, development of a mass-based tamveeli system
- Government borrowings from SBP to be costless. Borrowings from commercial banks /NBFs to be restructured based on musharka contracts, elimination of commercial bank financing of government current expenditure. NSS (national

saving schemes) funds also to be linked to public sector profitability and the CPI involving sustainable subsidization of the NSS program.

2. **The suggestion was made by the Committee for the Abolition of Illegitimate Debt CAID).**

- The cancellation of external debts of the countries of the region would enable them to free vital resources for rebuilding public healthcare infrastructure, as well as other urgent needs in this economic environment, threatened by sharp drops in income, loss of taxes and revenues, and increased expenditure.
- Permanently cancel all illegitimate debt which should include all bilateral, multilateral, and private debt for all the countries of South Asia especially those under heavy-debt burden with low economic growth forecast.
- Form a citizens' debt audit committee to ascertain the illegitimate part of the debts.
- Citizens should be provided the necessary information on spending for better monitoring and engage them in setting priorities.
- Governments in South Asia must use the additional resources earned through debt relief to strengthen the health system and protecting livelihoods. The resources should not be diverted for other purposes.
- Suspend the payment of household loans and micro-credits until countries are totally out of the grips of coronavirus;
- Replace microcredit institutions by self-managed cooperatives of local populations and by a public credit service granting loans at zero or very low-*interest rates*;
- End privatization of public services and the promotion of Public-Private Partnerships (PPPs) whose ultimate aim is to mobilize public money to nourish the private sector;
- Use this opportunity to mobilize domestic revenue through progressive taxation on large wealth;
- The international financial institutions including the IMF, the World Bank, and other informal groups that essentially feed North/South asymmetries should drastically change the current policies of the lending

- Provide emergency additional finance to the South - excluding *Official Development Assistance* - using zero-interest loans, repayable in whole or in part in the currency desired by the debtor countries;
- Expropriate "ill-gotten wealth" by the elite, the rich, and dominant classes and retrocede them to the populations concerned and under their control;
- Replace the current Official Development Assistance in its current form with an unconditional form of obligations of the developed country as part of the reparation and solidarity.
- Adopt policies for a just transition. (Grilli et al., 2017)

By comparing both the suggestion made by us and by the CAID are seems as same. The difference is that our goal is different, we believe that capitalism is the main evil and against our Islamic values. The goal of capitalism as mentioned above is liberty, equality, and progress (capital accumulation) which is totally against Islamic values. Ansari rightly said that capitalism is a complete way of life and Islamic is also a complete way of life. Capital is sovereign and accumulation of capital is the ultimate goal as defined by capitalist thinkers like Smith, Locke, etc. (Ansari, 2017). In Islam Allah, the only sovereign authority and the ultimate goal is success in the Akhra (day of judgment/ hereafter). Therefore both Islam and capitalism are contradictory to each other. My aim is the domination of Islam, not capitalism therefore my point of view in principle is different from CAID. CAID consists of social democrats although they are critical of the policies of IMF and World Bank that these policies are against social issues like health, poverty, environment but they are not against capitalism. So we took the criticism to form them but not the goal. The purpose to present both points of view is to show that polices originating from the capitalist institution are not only harmful to us but is toxic for all the humanity, these policies are meant for the hegemony of capitalist institution or corporations.

Conclusion:

World in the post-Keynesian era are facing the recession intermittently and they have only one way out, to provide the bailout to the financial sector. This solution is like a ventilator to the economy but not the permanent cure. This is happen in the developed countries because their economy is over-burden with the financial speculative market. The share of broad money to GDP all over the world was 143.46 percent in 2020, which was only 50 percent in 1990. Decenterlization and liberalization of the economy The challenges posed by the recession and pandemic should be addressed by the thinkers in such a way as to have a long-lasting solution. The bandwagon situation for the underdeveloped economy particularly Pakistan's economy is no longer bearable. Debt and financial sector oriented policies imposed by the capitalist world are challenging by world leaders. Pakistan should immediately withdraw itself from all financial sector agreements. Implement self-reliance and self-sufficient domestic policies which enhance the growth, employment, and other macroeconomic indicators.

References

ALAN, S, BLINDER; MARK, Z. (2010). *How the Great Recession Was Brought to an End*.

Ansari, J. A. (2017). *Rejecting Freedom and Progress*.

Brien, D. P. O. (2004). *Classical Economist Revisited*. Prienceton University Press. https://books.google.com.pk/books?hl=en&lr=&id=g3KYDwAAQBAJ&oi=fnd&pg=PR13&dq=classical+economics&ots=mBUUStBr9K&sig=Gse7JaucgWMMmY3fqdpmWaGjHLI&redir_esc=y#v=onepage&q&f=true

Elahi, M. (2014). Summary of Social Contract Theory by Hobbes, Locke and Rousseau. *SSRN Electronic Journal*, *October 2017*. https://doi.org/10.2139/ssrn.2410525

Grilli, R., Iori, G., Stamboglis, N., & Tedeschi, G. (2017). A Networked Economy: A Survey on the Effect of Interaction in Credit Markets. In *Introduction to Agent-Based Economics* (1st ed.). Elsevier Inc. https://doi.org/10.1016/B978-0-12-803834-5.00013-8

Hobbes, T. (1651). Leviathan. In *Andrew Crooke*. https://doi.org/10.4324/9781912282166

John Locke. (1823). Two treatises of government. In R. Hay (Ed.), *McMaster University Archive* (5th ed.). https://doi.org/10.4324/9781912282234

Lloyd, Sharon A. and Sreedhar, S. (2019). *Hobbes's Moral and Political Philosophy*. The Stanford Encyclopedia of Philosophy. https://plato.stanford.edu/archives/spr2019/entries/hobbes-moral/%3E

Malhotra, R. (2009). *To Bailout or Not to Bailout: Is Free Market Economics Sustainable?* Inspired Economist. https://inspiredeconomist.com/2008/09/22/to-bailout-or-not-to-bailout-is-free-market-economics-sustainable/

Meier, J.-M. A., & Smith, J. (2020). The COVID-19 Bailouts. *SSRN Electronic Journal*, 1–58. https://doi.org/10.2139/ssrn.3585515

Morabia, A. (2013). Hume, mill, hill, and the sui generis epidemiologic approach to causal inference. *American Journal of Epidemiology*, *178*(10), 1526–1532. https://doi.org/10.1093/aje/kwt223

Rawls, J. (1971). A Theroy of Justice. In *harvard university press* (Revised). Harvard University Press.

Sareen, S. (2020). *COVID19 and Pakistan: The Economic Fallout | ORF* (Issue June). https://www.orfonline.org/research/covid19-and-pakistan-the-economic-fallout-67296/

Simon Clarke. (1988). *Keynesianism, Monetarism and the Crisis of the State*. Edward Elgar Publishing Company Limited Gower.

Smith, A. (1853). *The theory of moral sentimennts*. http://oll-resources.s3.amazonaws.com/titles/2620/Smith_TMS-Languages1648_Bk.pdf

Trade Openness Transmission Channels for Pakistan

Syed Ammad Ali
Assistant Professor, Applied Economics Research Centre, University of Karachi
mr.ammad@gmail.com

Faisal Sultan Qadri
Assistant Professor, Applied Economics Research Centre, University of Karachi
faysalsultan@yahoo.com

Abstract

Trade openness is a very popular economic policy among developing countries. At the moment over 95% of the world trade is being done among the members of the World Trade Organization (WTO 2013). Trade liberalization is not only related to the trade of goods and services but liberalization of the entire economy. There are a number of studies which investigate the effect of trade openness, however, research on the transmission mechanism between trade openness and Economic growth is very rear. The objective of the paper is to check that trade liberalization policy affects GDP growth through some channel variables. The study assumes five-channel variables, i.e., Budget Deficit, Foreign Direct Investment, Gross Fixed Capital Formation, Exchange Rate and Manufactured Exports. First trade openness policy affects these variables, which then affect GDP growth. For this purpose, we have taken the case of Pakistan and use data for the period 1978 to 2018 and check the hypothesis through VAR methodology. The granger causality confirms that there is no channel variable involve in the trade liberalization policy which affects growth.

JEL Classification: F14, F59, C32

***Key words**: international trade, WTO, trade openness, Exchange Rate, Foreign Direct Investment, Channel Variables, Vector Auto Regression, Granger Causality test*

Introduction

Trade liberalization is very much common policy initiative of the developing countries. Through this policy, they are trying to achieve the objective of high growth. Over 95% of the world trade is being done among the members of the World Trade Organization (WTO 2013). The objective of the WTO is to have liberalized trade all over the world. The non-members of the WTO have already applied for WTO membership and following the commitments of trade openness for getting the membership. Trade liberalization is not only related to the trade of goods and services but liberalization of the entire economy. There are many studies which investigate the effect of trade openness, however research on the transmission mechanism between trade openness and Economic growth is very rear, some of them are Siddiqui (2012), Rattso (2012), Wacziarg (2001) and Tavares (2001). All these studies have used the 3SLS technique only. The limited research and econometric technique has encouraged us to investigate the trade openness transmission mechanism for a single country (Pakistan).Keeping this view, it is needed to check whether trade liberalization affects economic growth directly or through some channel variables.

Objective:

As mentioned above trade liberalization is not just related to trade openness, this covers the entire economy. The members of the WTO also have various commitments related to subsidies, trade facilitation, environment, etc.. All the members of the WTO, either developed or developing countries have to follow the WTO commitments. Therefore, trade liberalization affects growth through some channel variables (Wacziarg 2001; Siddiqui 2012). It implies that trade openness first affect a particular economic variable, a channel, and that variable effect GDP or economic growth.

Research Question:

The research question of our study is whether trade openness affects economic growth through channel variables or not, in the case of Pakistan.

Hypothesis:

The hypothesis of the study is that trade openness affects GDP growth through the following channel variables:

1. Exchange rate
2. FDI
3. Fiscal Deficit
4. Manufactured Exports
5. Gross Fixed Capital Formation

Based on the above the study is allocated in the following sections; (1) Introduction, (2) Literature review, which also includes, theoretical framework, (3) Data (4) Methodology, (5) estimation results and (6) conclusion and policy suggestion.

Literature Review:

Theoretical background: The first known theory of international trade is named as Mercantilist Theory. The theory states that the purpose of the export is to earn gold and precious items which are used for financing import and the development of the nation. Therefore a nation should export more and import less.

However, Adam Smith rejected this theory and stated that gold and precious items are not wealth. Production of goods and services is the wealth of the nation. Further, he stated that the export of a country is the import of another country. If every country tries to import less no country can export more. Therefore there should be no barrier to import and export. The problem is that which products a country should produce and export and which should import. For this purpose, he gave the concept of absolute advantage. A country should produce the products in which it has absolute advantage and trade freely with other nations. Through this, the country will specialize in the products wherein it has an advantage and would produce more goods at a lower price which will benefit the consumers. He stated that specialization will be achieved through an efficient division of labour and other factors of production. This division of labour will not be utilized in producing those products which have a lower advantage. If each country has an efficient division of labour, then it will produce and export those commodities having higher production advantage and import those which have lower production advantage.

David Ricardointroduced the idea of comparative advantage and stated that a country can produce and export even that product where it has a lower advantage, by employing the resources on producing the products which have a greater comparative advantage. This can be explained through the following table.

Number of units produced by Labour Unit		
	Country-A	Country-B
Product-X	6	1
Product-Y	4	3

Above table shows that County-A has absolute advantage over Country-B in production of both products "X" and "Y". According to the theory of Absolute advantage of Adam Smith these two countries cannot trade because Country-A has absolute advantage in producing both commodities. However, according to Ricardo both countries can trade and specialize in production of one commodity. In Country-A the product X is produced more than product Y employing same labour input, which implies that the county has higher comparative advantage in producing X. therefore Country-A should specialize in production of X and leave the production of Y for other country. Similar position exists in the country-B, which has comparative advantage in production of commodity Y. Both countries should produce only those products wherein they have higher comparative advantage and import the product wherein they have lesser comparative advantage.

The theory further developed by Heckscher and Ohlin. The traditional trade theories of absolute and comparative advantage assume labour as the only input. While Heckscher-Ohlin trade model deals with the factor abundance and its relative prices in different countries.

All these theories explain why a country produces and exports a particular commodity. This is, in fact, explaining that free trade effect production level through the channel of specialization. This is the simplest view of two-countries, two-products and two-factors production model. However, in the modern age of globalized economy there involve several channels through which free trade affects production level and economic growth.

Empirical studies: As mentioned above that there is no rich empirical material is available on the transmission mechanism of trade liberalization and economic growth. Our literature review, therefore, focuses on the channel between trade ad growth and the methodologies of estimating transmission mechanism.

Wacziarg, Romian (2001) investigated the channels involved between Trade liberalization and Economic Growth. He selected 57 developing countries and divided the period into 4 different periods. In his structured model, there were 6 channel variables. The model

consisted of 7 different equations. All six-channel variables have trade liberalization as an independent variable, while the equation which has dependent variable GDP does not have trade liberalization as an independent variable but involves all 6 channel variables. He has created an index of trade liberalization consists of three different variables; trade as a share of GDP, Non-Tariff Barriers Coverage and Such & Varner dummy of trade liberalization date. For addressing the econometric issues he also used various instrument variables to overcome the problem of Identification. The 3SLS estimate shows that liberalization affected all 6 channel variables and these variables further effected GDP growth.

Tavares J. and Wacziarg R. (2001) in another study investigated the channels for effect of Democracy on GDP growth. The authors adopted the same methodology adopted by Wacziarg (2001). The 3SLS estimation confirmed that democratic institution enhance the human capital accumulation which then increase the Economic growth.

Siddiqui (2012) adopted the structured model to research the channel variables in trade liberalization policy and growth nexus for Pakistan. The author used time-series data for six-channel variables and GDP growth. While for trade liberalization an index (through principal component approach) is created, which involves export plus import as % of GDP, import duty collection as a share of import and import duty collection as a share of total government revenue. The structured model consists of seven equations, where the trade policy index was included in the GDP growth equation. The trade policy index was included in all 6 channel variable equations as an independent variable. The 3SLS estimate confirmed that all 5 out of 6 channel variables were affected by trade liberalization; however, all of the 6 channels were affecting GDP growth.

Bjørnland and Jacobsen (2010) investigated the transmission mechanism of monetary policy in housing prices. The transmission mechanism was calculated through impulse response function and variance decomposition for the monetary policy. This is done through a structured Vector Auto Regressive model. The scholars choose 3 countries, UK, Norway and Sweden and used time series quarterly data for the period 1983 to 2006. The study confirmed that the monetary policy changes the interest rate which then changes the housing price.

Baig (2011) examined the effectiveness of market based monetary mechanism and involvement of 4 traditional channels of MTM for Pakistan during the period 1993 to 2009. The channels were interest rate, credit, exchange rate and asset price channel. The author used Granger Causality, Vector Auto Regression (VAR) impulse response function and variance decomposition to check the involvement of these Channel in the effectiveness of

the Monetary Policy. For the estimation of these four channels, the author employed VAR methodology. He estimated these four channels of monetary policy transmission with and without interest as monetary policy instruments. The author has further taken the interest rate and broad money as monetary shock to check the four-channel variable for monetary transmission mechanism. The findings of the study were that all traditional channels were ineffective largely but interest rate and asset price channels were more ineffective than the other two channels.

Ludvigson S., Steindel C., and Lettau M. (2001) investigated Channels through which Monetary Policy affects real economic variables like consumption. Their study suggests that wealth channel has a very minor role, while the interest rate plays a more strong role which affects private consumption. The authors used VAR technique, and through impulse response functions they determined the channel involvement of Monetary Policy on Private Consumption.

However, there are various literature discusses link between trade liberalization and economic growth. Some very latest studies are follows. Manwa (2019) investigated the potential association between trade liberalization and economic growth for South African Customs Union member countries – Swaziland, South Africa, Namibia, Lesotho and Botswana. The authors used a panel data for 30 years. They introduce various indicators for estimating liberalization, these were tariffs, real effective exchange rates (REER), and adjusted trade ratios. The fixed effect regression models showed a positive impact of trade liberalization on economic growth for all member countries.

Erkisi and Ceyhan (2019) examined both long-term and short-term relationships between economic growth and trade liberalization for 13 selected Europe countries. Their data set consist of various economic variables, including GDP, trade, gross capital formation, FDI, and human capital. The Granger Panel causality and Panel Cointegration estimation showed mixed results of uni-directional and bi-directional causality both in short run and long run. The main drawback of their study is that did not take any proxy variable for trade liberalization and took export and import separately. Sehrawat and Giri (2017) constructed a financial development index and alongwith trade openness the study sought its impact on economic growth for Indian economy. The results of the Auto Regressive Distributed lag approach confirmed long run relationship trade openness and economic growth, however, the variance decomposition shows a larger influence on economic growth. Keho (2017) analyzed a link between trade openness and economic growth for Cote d'Ivoire in a multivariate framework. The author used ARDL and Granger causality test for finding the

relationship. The estimation results show a positive effect of trade openness on economic growth for both in the long run and the short run.

The above literature review shows that mostly two methodologies have been used to analyze the involvement of the Channel variables. These are 3 staged least square estimation, which suggests that a variable which affects channel variables appears only channel equation, and these channel variable appears as the independent variable in the main equation which explains the dependent variable. The other methodology is of Vector Auto Regression (VAR) which explains every variable as an independent variable. Through VAR we can calculate impulse response function and lag structure of the variables. After the determination of optimal lag length, we can test the causality through the Granger Causality test.

This study would apply the Vector Auto-Regressive (VAR) approach to check whether trade openness affects the GDP growth of Pakistan. Wacziarg (2001) employ 3SLS technique covering 56 developing countries, while Siddiqui (2012) also used 3SLS for Pakistan only, covering the period from 1972 to 2011. The VAR technique has not been used by any researcher for this issue.

Data and Methodology

The study would take Annual data from 1978 to 2018, of Pakistan. Data sources are State Bank of Pakistan and Economic Surveys. Data of Gross Domestic Products (GDP), Gross Fixed Capital Formation (GFCF), Budget Deficit (BD), Foreign Direct Investment (FDI), Manufactured Export (MFEXP) and Openness (OPEN), which is measured as Export plus Imports, are in billion Pakistani Rupees,while Exchange Rate (EXCN) is measured as Pak Rupees per US$. We have taken the log of every variable and renamed the variable as:

GDP = lgdp

GFCF = lgfcf

BD = lbd

FDI = lfdi

MFEXP= lmfexp

OPEN = lopen

EXCN = lexcn

In this paper, we will use granger causality to check our hypothesis. It is already mentioned that Siddiqui (2012) has used the 3SLS approach to test the hypothesis. The main difference of this study is the time period and methodology. The period is taken from 1978 to 2018. The reason for the selection of this period is that before this Government has implemented the policy of nationalization. Most of the economic unit was nationalized during the period 1973 to 1977. However, after 1977 policymakers changed the policy and started the liberalization of the economy. Another difference is the methodology. Siddiqui (2012) used 3SLS technique, however, we have used the VAR approach for this study.

Since our objective of the paper is to check that trade openness first affects channel variable, therefore we first see which channel variable is affected by openness. Then after we check which channel variables are affecting GDP. This causal relationship would be checked through Granger Causality test.

Estimation Results

First stationarity is checked for satisfying the time-series properties and to run Vector Auto-Regressive (VAR) system. First, we started our analysis by checking stationarity by employing Augmented Dicky Fuller (ADF) test. All the variables were found significant at first difference 1% level of significance. The result of the ADF test is given in the following table. This is a basic requirement for employing VAR.

ADF unit rate test

(Automatic SIC criterion using maximum lag length 9

Variable	T-statistics	Order of integration	Probability
lgdp	-5.66482*	I(1)	0.00
lbd	-5.966949*	I(1)	0.00
lfdi	-5.672144*	I(1)	0.00
lgfcf	-4.74405*	I(1)	0.00
lexcn	-5.210616*	I(1)	0.00

lmfexp	-6.02852*	I(1)	0.00
lopen	-6.733917*	I(1)	0.00
* means significant at 1% level of significance			

Further selected optimal lag through the lag length criteria, which result is given the following table:

VAR Lag Order Selection Criteria

Endogenous variables: LBD LEXCN LFDI LGDP LGFCF LMFEXP LOPEN

Exogenous variables: C

Lag	LogL	LR	FPE	AIC	SC	HQ
0	62.47948	NA	9.02E-11	-3.263499	-2.949248	-3.15633
1	274.0625	323.5976*	6.75e-15*	-12.82721	-10.31320*	-11.96986*
2	325.3143	57.28137	8.75E-15	-12.95966*	-8.245902	-11.3521

* indicates lag order selected by the criterion

LR: sequential modified LR test statistic (each test at 5% level)

FPE: Final prediction error

AIC: Akaike information criterion

SC: Schwarz information criterion

HQ: Hannan-Quinn information criterion

Result shows that all lag criteria suggesting 1 lag except AIC which suggest 2 lag of the time period. Therefore we selected Lag 1 for testing the Granger causality. Result of the Granger Causality is given under:

Pairwise Granger Causality Tests

Sample: 1978 – 2018

Lags: 1			
Null Hypothesis:	Obs	F-Statistic	Prob.
LOPEN does not Granger Cause LBD	35	4.04482	0.0528
LOPEN does not Granger Cause LEXCN	35	4.53375	0.0410
LGFCF does not Granger Cause LOPEN	35	5.59586	0.0242
LGDP does not Granger Cause LBD	35	3.30635	0.0784
LGDP does not Granger Cause LEXCN	35	4.20778	0.0485
LGDP does not Granger Cause LOPEN	35	7.11755	0.0119

Granger Causality shows that only Openness granger causes Gross Fixed Capital Formation, however, this variable has no causality effect with GDP. Budget Deficit and Exchange rate granger cause GDP, and at the same time these two variables granger cause openness. Importantly Openness granger causes GDP.

The above results suggest that there is no variable, out of five-channel variables, which first caused by openness and then cause GDP. Therefore it can be concluded that there is no channel variable involve in openness and GDP. However, there is significant evidence that Openness granger cause GDP. This result is very much opposite of the result found in Siddiqui (2012) study where 3SLS methodology was adopted.

Conclusion:

The objective of the paper is to check that trade liberalization policy affects GDP growth through some channel variables. For this purpose, the study assumes that trade liberalization first affects five-channel variables, i.e., Budget Deficit, Foreign Direct Investment, Gross Fixed Capital Formation, Exchange Rate and Manufactured Exports. These variables then affect GDP growth. For this purpose, we use data for the period 1978 to 2018 and use VAR methodology. The granger causality confirms that there is no channel variable involve in trade liberalization policy which affects growth

References

SBP, Annual Reports of State Bank of Pakistan, various issues

Baig, Mirza Aqeel (2011) "The effectiveness of market-based monetary transmission mechanism in Pakistan", Pakistan Business Review April 2011.

Economic Survey of Pakistan, various issues

Erkisi, K., & Ceyhan, T. (2019). Trade Liberalization And Economic Growth: A Panel Data Analysis For Transition Economies In Europe. *Journal of Economics Finance and Accounting*, *6*(2), 82-94.

Hilde C. Bjørnland, Dag Henning Jacobsen (2010) "The role of house prices in the monetary policy transmission mechanism in small open economies", Journal of Financial Stability Vol.6, Issue.4 December 2010:218-229

Keho, Y. (2017). The impact of trade openness on economic growth: The case of Cote d'Ivoire. *Cogent Economics & Finance*, *5*(1), 1332820.

Ludvigson S., Steindel C., and Lettau M. (2001) "Monetary Policy Transmissionthrough the Consumption-Wealth Channel" FRBNY Economic Policy Review / May 2002, pp 117-135.

Manwa, F., Wijeweera, A., &Kortt, M. A. (2019). Trade and growth in SACU countries: A panel data analysis. *Economic Analysis and Policy*, *63*, 107-118.

RattsøJørn and Hildegunn E. Stokke (2012) "Trade policy in a growth model with technology gap dynamics and simulations for South Africa", Journal of Economic Dynamics and Control, Vol.36, Issue.7 July (2012): 1042-1056

Sehrawat, M., &Giri, A. K. (2017). Financial structure, interest rate, trade openness and growth: Time series analysis of Indian economy. *Global Business Review*, *18*(5), 1278-1290.

Siddiqui, Aamir Hussain (2012); "Trade Openness and Growth: A transmission n mechanism in Pakistan", Pakistan Business Review" Vol. 14, Issue (2), 259-290,

Tavares Jose, and Wacziarg, Romain (2001), "How democracy affects growth", European Economic Review 45, pp 1341-1378

Wacziarg, Romain (2001); "Measuring the dynamic Gains from Trade", The World Bank Econ Rev (2001) 15(3): 393-429.

World Trade Review (2019), World Trade Organization.

The new social movements and capitalist justice

Muhammad Rasheed Arshad
Assistant Professor, Department of Philosophy, University of the Punjab;
rasheedarshad.phil@pu.edu.pk

ABSTRACT

Since 1991, New Social Movements (NSMs) of what Hardt and Negri called 'the maultitude' have emerged in several major capitalist countries. This paper investigates the potential of major NSMs for restructuring capitalist order. It argues that their potential for doing this is limited since they presume that reducing micro political dominance will automatically deconstruct capitalist macro power. Major NSM's endorse postmodern subjectivity as depicted by Foucault and Deleuze and do not seek to construct an antagonistic capitalist subjectivity. Therefore, while they can succeed in reducing racism, environmental regulation etc, they are gradually absorbed within capitalist civil society and the existing capitalist macro political regime (neoliberalism)

Keywords: New Social Movements, Capitalism, Neoliberalism, Capitalist subjectivity

Introduction

Capitalist order is a relatively new episode in the history of mankind. Its continued global dominance depends upon its ability to ensure capitalist justice among other things (such as ensuring environmental sustainability and avoiding nuclear holocaust). In periods of crises - the 1890s, the 1930s - and during periods of relative stagnation such as what we are experiencing today providing capitalist justice becomes problematic for capitalist markets and states. At such times mass movements seeking enhanced capitalist justice emerge. These movements challenge incumbent capitalist authorities and seek a fundamental restructuring of capitalist market and state relationships to promote a "fairer" distribution of Rawls "primary goods", - income, wealth, power authority. Traditionally these movements were organized by the proletariat led by trade unions and social democrat and communist parties seeking a subordination of market mechanism by state planning and collective bargaining. Currently, the main challenge seems to be posed by the so-called Neo Social Movement (NSM).

This paper will attempt to address the question; will the NSM succeed in enhancing capital justice. Section 1 elaborates the concept of capitalist justice, section 2 attempts to identify the typical characteristics of the NSM and section 3 evaluates their potential as against that of the proletarian movements for promoting capitalist justice. We conclude that this potential is somewhat limited.

I Capitalist Justice:

Capitalist order - both system and life world - is a product of the Enlightenment movement perhaps its most successful project along with science. A fundamental premise of Enlightenment is human autonomy and capitalism is a project for articulating this premise - its ultimate aim is to continuously maximize freedom through accumulation. Given this

premise[1]. Enlightenment rationality is universal in its application. The capitalist order is built upon protestant roots (Weber 1965) but it posits that there is

> "a generic faculty incarnate and latent in all men … the assumption that there is such a faculty is tantamount to the denial of privileged knowers, privileged location (and) ….. Revelation (all men are).

The assumption that such a faculty exists amounts to the claim that in a cognitive sense are equal and subject to criteria which can be applied to anyone. There is a deep leveling quality about Reason[2]. It does not allow any person to be special (Gellner 1993, p52-53)[3]

Gellner also notes "the world as a whole or the manner in which it is known may be sacred but there is no privileged sacred within it (Gellner (1993, p57)." This illustrates "this worldliness" of capitalist order. It seeks "transcendence from within". Its project is to build heaven on earth by providing equal access to all men to Rawls' primary goods. As Dourlein has often stressed equality is the essence of both capitalist retributive and distributive justice. Equality is to be promoted through the provision of constitutionally guaranteed human rights, the rule of law, the enforcement of voluntary contracts, the institutionalization of democratic processes and the construction of welfare support systems. Capitalism claims (at least formally) to equalize the opportunities of all its subjects in their quest for liberty. Marx argues that this is a false claim - the accumulative process focussed on the extraction of surplus value necessarily equalizes - liberty is the prerogative of the bourgeoisie. (Marx (1971), Rawls (1971) and Sen (2001) suggest principles for synthesizing the institutionalization of procedures for promoting social equality (of opportunities or capabilities) through liberal democratic systems. Nozick

[1] The premise that rationality is the maximization of freedom/autonomy is of course not universal in that throughout recorded history must men have not accepted this premise. Faith in autonomy/freedom is as meta rational as faith in God.
[2] That is the enlightenment conception of reasons.
[3] Gellner also notes "The potential equality of all inquiries also objects of all investigations "(Gellner 1993, p53) but of course the premise of Enlightenment - the assumption of individual autonomy and the quest for freedom - should not be investigated. Post modernists - especially Jacques Derrida and his school - have investigated these premises and found them to be unjustifiable.

(1976) argues that the quest for capitalist justice should be restricted to the sphere of the state for extending it to the markets restricts capital accumulation and liberty.

Thus, a capitalist order may be deemed to be just (on its own terms) to the extent to which it provides equalizing opportunities for the autonomous pursuit of liberty through ever expanding capital accumulation. Harvey (2014) argues that capitalist order is unjust because the pursuit of the idea of freedom leads to the denial of freedom to the masses in terms of restricted access to both liberties and wealth. It is this, he argues, which produces other inequalities - between sexes, races and countries - within capitalist order. Inequalities are driven by the "engine" of accumulation. But continued capital accumulation is necessary - not sufficient - to satisfy "the demand for cheaper and more effective housing, education, health care and social services" (Harvey 2014, p68). The provision of capitalist justice though entails both a continuous expansion of economic surplus as well as its equitable appropriation.

Enlightenment rationality commits its adherents to an unending quest for both the growth and equitable distribution of material resources - capitalist order is deemed to be just when it satisfies both these ends. But both growth and equality have come under stress in recent times. Roberts argues that the recession which began in 2008 has morphed into a long depression similar to the long depression of 1873-97 (Roberts 2015, p45)[4]. Authors such as Krugman (2010) expect that growth will remain anemic for several decades and multilateral institutes such as the IMF and the World Bank have been downgrading growth prospects for the key capitalist economies and the global economy as a whole much before the 2020 pandemic. The US Congressional Budget Office (CBO) Forecast in 2013 argued that the US real GDP will never return to the pre-2007 growth trajectory. CBO believes that the US GDP trend growth will never be above 2 percent a year for the foreseeable future[5]. The 'recovery' such as it that occurred during (2012-14) has been confined to

[4] Periods of long depressions include short period of recovery (such as that of 2010-12) but these recoveries are not long-lasting and pre recession (pre-2012) rates of GDP trend growth are not achieved (http;//thenextrecession.wordpress.com) globally or in the major capitalist economies.
[5] http://cbo.gov/sites/default/files/cbd/filesattachment/49850-GDPprojections.pdf)

America while in much of the world employment and investment remained low and public and private debt is soaring, global debt exceeded 200 trillion - about 290 percent of global GDP (Dobbs et al 2015; McKinsey Global Institute data base). During the first decade and a half of the twenty-first century productivity growth was low in the major capitalist economies despite the widespread information technology revolution (Gordon 2012, p164).

The standard response to relatively permanent growth deceleration has been Quantitative Easing (QE) near zero interest rates and 'austerity' measures cutting back government social expenditure and depressing real wages. But both fiscal and monetary policy initiatives have been ineffective and investment and profitability growth remains sluggish (Roberts 2015, p65)[6]. What investment there is often takes the firm of financialization - not only trading stock but also buy back of own stock and dividend payouts encouraging further financialization. Hence, the real economy stagnates, employment growth is low and income inequality growth is widespread.

Justice claims of capitalist order are undermined by falling economic growth and rising distributional inequalities. A 2014 Oxfam report claims that 85 billionaires own more than the poorest half of the world's population (Oxfam 2014 p2). Piketty[7] has famously argued capitalism generates unsustainable inequalities that undermine the meritocratic values on which democratic societies are based (Piketty 2014, p12). He discredits Marginal Productivity theory and rejects the view that technological growth and higher education enhance the income of the poor or promote equitable distribution. Piketty's second principle implies that low growth if accompanied by a high saving rate will generate a higher capital income ratio[8]. If growth is low and savings high (as in the case in the

[6] According to Roberts 2015, p071, Fig-12 profits were at all-time low in 2014 since 2000 in the United States.

[7] In Pickarty's view the notion of individual marginal productivity becomes hard to define in relation to top income earners and becomes something close to an ideological construct on the basis of which a justification for higher status can be elaborated (Piketty 2013, p333)

8 Formally Piketty writes b=s/g where b is the capital income ratio, s is saving rate, g is the growth rate. Thus, if the growth rate is 3% and the saving rate is 15 percent, the capital income ratio would be 500 percent (Piketty 2014, p166)

developed capitalist countries today) there is according to Piketty an inherent tendency for the pattern of income distribution to worsen[9]. Piketty's main argument is that if the ratio of return on capital is higher than the rate of growth of GDP, income distributional inequalities will rise. In his view the rate of return on capital was 4 to 5 percent in the late 1990s and the early twenty-first century (Piketty 2014 p200) and currently no major developed capitalist economy has achieved (or is likely to achieve) GDP growth at this rate. Hence, distributional inequalities are continuing to rise. One may justifiably conclude that though growing inequality may not be a cause of the periodic crises (2008-2009, 2020-....) that capitalism experiences it is a necessary consequence of the subsequent upturns which are invariably triggered by a rise in profit rates. As growth rates fall (or remain low) the share of "inherited wealth" increases exacerbating distribution inequalities[10].

II Characteristics of the New Social Movement:

Our main argument in this paper is that the NSM was a response to capitalist injustice and not an attempt to transform capitalist order. As argued above we regard capitalist Justice as a capitalist state's ability and willingness to provide its subjects increasing access to Rawls' primary goods' - income, wealth, power, authority. Faltering growth and exacerbating distributional inequalities undermine the ability of capitalist states to do so[11].

This becomes clear when we identify the main characteristics of the NSM. Most importantly these are mass movements temporarily uniting a broad coalition of social segments the "precariat", trade unions those motivated by the quest for "climate" justice and feminist activities and students and public intellectuals. From time to time they organize demonstration in urban centers which mobilize millions (Davey et al 2014). Participants in such demonstrations are described as typically "young, vibrant, diverse and

[9] Given that the distribution of wealth (capital) is much more unequal than the distribution of income.

[10] Hence Piketty's major proposal of imposing the highest taxes on inherited fortunes to redress distributional inequalities (Piketty 2014 p515, 517)

[11] Some mainly Marxist critics have argued that this also undermines capitalist states' willingness to provide its citizens with increasing access to the "primary goods". Neo liberals may not recognize an obligation to foster growth or reduce inequalities - at least in principle - and equate capitalist justice with this provision of legal, procedural, constitutional rights alone (Callinicos 2015, Chp 3, 11)

radicals" (Jeffery 2015, p33). The organizers of such movements are usually large NGOs and grass root activists. Slogans such as "Another world in possible" and "Jobs, Justice and Climate action" sum up their demands. They sometimes succeed in inducing major multinationals to abandon or redesign projects (Ansar et al 2013)[12]. They have also contributed to government and international policy reforms such as multilateral financial support on poverty alleviation and global climate accords. The anti fracking divestment campaign uses pro market arguments - warning companies that investment in fossil fuel industries will become "stranded assets" as government and markets succumb to pressure for the switch to renewable energy sources (Jeffery 2015, p34).

This shows that many ideological trends combine somewhat awkwardly in the NSM - they cannot unambiguously be described as "subaltern" or "liberal" or "green" or "social democrat" or "marxist" or "anarchist". System change is certainly not on the agenda of most factors within the NSM, which seem mainly concerned with lobbying corporations, politicians and World Bank officials rather than overthrowing governments. Even the minority that argues for 'system change' does not articulate a unified policy and strategy. Differences between and within ideological groups remain large despite this common struggle against capitalist injustices.

As we argued that capitalist justice requires a continuing increase in living standards (through growth) and an equalization of opportunities through access to Rawls' 'primary goods' (i.e., improvements in distributional patterns). This is reflected in the heavy emphasis laid by almost all NSM on fighting 'austerity' policies, unemployment and distributional inequities - thus in the global climate justice movement the campaign for promoting millions of 'climate jobs' is among the most prominent causes and trade union support throughout Europe and America is focussed on the employment issue (Campaign Against Climate Change 2014). Trade unions supporting climate NSM's stress that solutions can be found within the existing political economic order - they are not arguing

[12] Klein (2014, p71) reports Oxford university research which shows that the movement for divestment from the fossil fuel industries is growing more rapidly than divestment campaigns against the tobacco industry.

for system change, fossil based industries see climate jobs as a threat to their own members. In a seminal contribution, George Marshall (2014) states that avoiding focus on institutionalizing climate justice is necessary for the growth of mass movements and that this is becoming a preferred NSM strategy. Zero growth is not and cannot be an explicit goal of the NSM - not even 'climate justice NSMs' (Smith 2014, Morris 2014). If NSMs are a response to growing insecurity and deprivation within capitalist order, they are unlikely to mobilize the masses on an anti growth platform[13] NSM remain committed to "anti austerity",

The demonstrations sponsored by the NSMs have famously been called "the multitude" in a classic work by Hardt and Negn (Hard and Negri 2004). The multitude has no common purpose. It jealously guards the innumerable singularities it combines. It constitutes a "new social subject" only in that it is a process of communicating and collaboration among singularities. They redefine democracy by struggling against its institutional forms class, party, parliament, ideology. They are an expression of desire to step out of the disciplines of modernity. Their common project is "liberating desire" - freeing desire by open ended communication celebrating "differences".

Giles Deleuze interprets the actions of the multitude challenging the disciplines of modernity as expressing a micro-politics of desire (Deleuze and Guattari, 1987, p205). Unlike the earlier capitalist antagonist movements - socialism fascism - the multitude is not focused on directly challenging the capitalist state. The movements of the multitude are decentered and disorganized. They express a micro-politics of desire, a need to burst forth in an infinite multiplicity of becomings. These multiple becomings challenge the right forms of modernist subjectivity. But as Deleuze stresses this is not a rejection of capitalist subjectivity as such. According to Deleuze, being is "univocal". Being is differentiated by differences in the intensity of desire (Deleuze 1994, p35-42). The difference between being is not qualitative, capitalist order as structured in modernity provides an institutional

[13] That is why marxist's such as Suzanne Jeffery describe Naomi Klein's (2014) anti growth position as 'idealist' (Jeffery 2015, p42)

framework for the expression of desire - superior to all previous historical frameworks - but it limits differences. The micropolitics of the NSM are experiments for "liberating desire" by loosening some capitalist discipline at the micro level not a transcendence of being (Deleuze and Guattari 1987)[14]. Production according to Deleuze is the "immanent principle of desire". Desire is created through production (Deleuze and Guattari 1987, p154). NSMs reflect Deleuze's insight that desire though anarchic (a) must always be organized and (b) there is no "pure" or "optimum" way for organizing desire - hence the quest for "liberating desire" is endless. hence , desire has not purpose except freedom - a fearless experimental expressiveness.

These experiments for "liberating desire" challenge specific forms of dominance not power as such. Domination is a distorted form of power. As Foucault writes "power relations are not something that is bad in itself that we have to break free of" (instead we must learn) "to play the games with as little domination as possible" (Foucault 1996, p446). Struggles against domination are usually "micro-political" challenging not regime or state but some specific aspect of capitalist governance. That is why they are often seen as coalition of single issue movements[15]. That is why it has been possible for multinationals and international organizations (such as the World Bank and the IMF to institutionalize dialogue with some NSMs and for corporations to respond creatively to some of their demands.

Thus NSM challenge, not order as such - they do not seek transcendence - but aspect of orders that dominate capitalism today, i.e. neoliberalism. As Foucault writes "in the future we must separate ourselves from the society of discipline of today" (Foucault quoted in Hardt 1995 p41) while recognizing the necessity of disciplining/ordering desire[16]. Neoliberalism extends market rationality to evaluation of all spheres of existence - personal, social, political, ecological - and non market 'spheres of justice' are collapsing

[14] In other words there is no qualitative difference between precapitalist, capitalist or post capitalist order. They merely structure/limit the articulation of one and the same being in different ways. We interpret this to mean that Deleuze rejects the notion of transcendence.
[15] The movement for climate justice has often been called "a movement of movements"
[16] As argued above

into the market through communicative 'wiring' networks and through networks of debt. NSM mount resistance against some globalized neoliberal network seeking to free the liberated individual from the domination of the market for the market rationality inhibits the full flourishing of the creative productive power of desire. It does so by exclusion of the many from full participation in the process of accumulation through increased unemployment and the exacerbation of distributional inequalities.

This critique of market rationality does not lead the NSM to a rejection of what Danial Bell has called the "theological presumptions of capitalism" (Bell 2012 Chp.4). NSM's endorse --autonomy, voluntary constructed interest orientedness, self creation, unlimited choice, the inherent insatiability of desire[17] human rights, the eradication of poverty, consumers participation in the society of the spectacle and unity in diversity. NSMs seek to liberate capitalism from some aspect of market dominance to enhance the flourishing of desire. NSMs reject the view that capitalist justice is merely 'commutative' - a matter of fulfilling contractual obligations.

Some authors have sometimes seen NSM as "anti-political" (Callinicos 2015) - reflecting a mass disillusionment with representative democracy in advanced capitalist countries (Mair 2013). Some NSM claim to erode capitalist order's social base - The "15.M" Indignados movement of Spain for example which mobilized millions of people was explicitly "anti-political"[18], but this movement has provided the social base for the emergence of Podermos as a major player within the Spanish political elite. These NSMs may be anti-political but not "non-political". They seek to seize power at the "micropolitical level" in the hope that such social action will deconstruct the micropolitical order. These "autonomist" NSMs mobilize the multitude "to serve the interest of the great mass of people through social struggle". (Tietze and Humphrys 2014, p194) expecting that this will lead to the eventual "withering way" of the state. "Autonomous" theorists recognize however that "it is possible that this wave of anti politics will end with 'the

[17] As reflected in the increasing struggle for growth.
[18] 15-M refused to all political parties and trade unions to participate in its demonstrations in 2010 and 2011

political' reasserting in a new form on some quite new social base without overcoming capitalism (Tietze and Humphrys 2014, p194)

III The Systemic Transformation Potential of NSMs

This section seeks to evaluate the system transformative potential of the NSMs. Historically such transformation has been achieved by proletarian movements led by Social Democrats and /or Communist parties. This transformation lies in the complete or partial subordination of the market to a national plan, such transformation has involved regime change with the social democrat and communist parties taking power at the macro political level. Are NSM capable of achieving a similar transformation involving a reconstitution of capitalist governmentality. The question is do they weaken the dominance of the state over capitalist society by subjecting the market to a new form of social control (without planning).

NSMs typically attract disillusioned members and would be members of social democrat and communist parties who detach themselves from these parties. Sometimes this leads to the formation of "far left parties - Syrzia Podermus" MAS etc. NSMs have often shown themselves capable of creating what Gramsai called "a crisis of hegemony, a crisis of the state (Gramsci 1971, p210) reflecting a distancing of the ruling elite's preferred policy options from the aspirations of the multitude - a weakening of elite social hegemony. But in Gramsci's view this weakening of ruling elites hegemony has often been exploited by "charismatic men of destiny" (Gramsci 1971, p212) who seize power. It does not lead to a dissolution of macro-political structures of power. If nothing is provided to fill the macro-political vacuum created by the NSMs the multitude tends to relapse into apathy and disillusion, as has happened after the Arab-Spring, the anti war movement, the climate justice movement and the 'occupy' uprisings.

As against this major mass struggles against capitalist injustice in the 1880s and 1890s, and at the end of the First World War and during 1945-49 in China did lead to desired regime change - the rise of social democrats and communism as forces contesting (and often capturing) state power. The lesson seems to be that the struggles of the multitude (NSMs)

are less robust than the mass struggles of the proletariat[19] and this is because of a lack of strategy (or strategies) to overwhelm macro political power. NSMs do not succeed in institutionalizing the power that has been seized even at the more political level let alone developing a capacity to challenge the macro organization of power Within a few years, after the upsurge the social base formed by an NSM are reabsorbed within capitalist social and state structures. NGOs usually play an important role in negotiating such reabsorption.

As noted above NSMs do sometimes provide a social base for parties - such as Syrzia, Podeaemos MAS etc. – but these too are usually rulsumbed within capitalist state structures, as the Greek 2015 debt crises resolution and the 2016 and subsequent Spanish election have shown. "Far left" and NSM mass mobilization since Seattle 1999 have not led to a destruction of capitalist state structure or a transformation of liberal democracy. The mass mobilization of the "Arab Spring" in 2011 and the Ukraine uprising of 2014 have neither transformed society nor led to the coming into power of non-neoliberal regimes[20].

NSMs do not typically contest capitalist hegemony at the macro political level explicitly "Multitudinous" movements usually fail to construct a collective subjectivity and "no strategy without strategist" emerges from such a struggle. The multitude today – including the proletariat – represents a 'precariat' which because of the precariousness of its constituents lacks the potential will for collective coherence and even at the micro-political level.

NSMs reject the party form as an organizational structure. This rejection of both the Leninist and the open broad based Social Democratic organizational structure - is based on the assumption that movements of the multitude will spontaneously generates resources for reordering social and political relationships and overcoming capitalist dominance.

[19] Recently, proletarian movements - the French pension strikes, the Chicago teachers strike, the British The lead strikes of 2014-15 have been modeled on the LSM and have typically been the one day strike to articulate protest. They have also not led to regime change.
[20] And in the Arab World the dominance of the state over civil society has increased.

Again this expectation has not been validated by historical experience anywhere in the world.

Actually this re-absorption process reflects the influence NSMs have within capitalist societies and state. Both, the environmental and feminist NSMs have been socially and politically influential. Thus neoliberalism has promoted the objectification of women's bodies (through the media and advertising industries) as evidence of women's liberation (Orr 2007). Women have been liberated from domestic life by increased subordination to capitalist enterprise especially in the rapidly growing entertainment industry. Female empowerment is empowerment as subjects of capital Feminism is a typical NSM which fragments the multitude through intersectionality; it cannot effectively challenge capitalist power at the micro or macro political level. Undermining patriarchy and the socio-cultural role of the family (specially the joint family system) has not seriously dented capitalist power (Harman 1980, p221).

On the other hand there is little doubt that feminist and environmentalist NSMs have reduced capitalist injustices. In most developed countries women's income share and their access to the labour market have improved and steps are being taken in national and international policy making to reduce carbon emission and avoid other forms of environmental degradation. Despite this feminist and environmental movements are no instruments for transforming capitalist relations of production (Zizek 2006,361-364)

As Bensaid has shown system hegemony cannot be achieved by ignoring macro political struggle (Bensaid 2013, p106). NSM theorists are called "autonomists" because they postulate macro power dissolution to occur as an unintended consequence of social mobilization and therefore the constitution of an antagonistic capitalist collectivity through well articulated social engineering is not seen as required.

NSMs fail to recognise that Neoliberalism has remodelled capitalist subjectivity in a manner which subverts collective consciousness. The postmodern subject of capital rejects grand narrative and is a decentered fragmented "entrepreneur of the self" awkwardly at home in "a society of the spectacle" (Dardot and Laval 2014). Alienation is attempted to

be overcome by the identification of the individual with the enterprise through the elimination of difference between capitalist subjectivity and the enterprise through which capital is served (Dardot and Laval 2014, Kindle location 103.6088.6261.6276). Neo liberalism has transformed the individual into "human capital". It is true that Neoliberalism's transformation of subjectivity is incomplete and inherently unstable[21] but NSMs seem to lack any coherent strategy for exploiting the weaknesses.

The inability of NSMs to transform New liberal order reflects its inability to transform neoliberal capitalist subjectivity. The postmodern subject of capital struggles against neoliberal - discipline austerity, globalization nuclear war - but remains committed to the life style it fosters - individualism autonomy, consumerism - Foucault, Deleuze, Derrida - celebrate the emergence of this subjectivity and its reconstitution is not an any NSM agenda with rare and questionable exceptions[22]. Teitze and Humphireys are right when they assert that in NSMs "ordinary people take action to change society in their own interests" (Teitze and Humphreys 2015, p192) but these 'interests' are on the one hand the interests of neoliberal capitalist subjects and on the other they are not sustainably collectivised through multitudinous mobilization. Neoliberal order is therefore not politically or socially undermined and NSMs remain rooted in the postmodern neoliberal life world and system.

When avowedly "anti-political" NSMs abstain from struggles against the state, they endorse Foucault's conception of the positivity of power presuming that its reconfiguration will occur automatically from macro political struggles against specific forms of capitalist dominance. But when specific dominances are reduced lean Management taken the place of Taylorist management for example, macro political capitalist power is strengthened in its existing neoliberal form (Boltanske and Chiappelo 2007) not despite but because of the fragmentation of neoliberal capitalist society which the NSMs reflect and their ideologues celebrate. The state remains 'fetishirect' (Halloway 2002) and subject to commodified

[21] As reflected for example in the Brexit vote which illustrated differences between elite and mass perspectives. Arguably the majority did not vote as enterprise men.
[22] Such transformation has been achieved in some Latin American countries - Venezuela, Ecuador, Peru - but it appears that a relapse into neoliberalism remains on the cards. In any case the movement which brought Chavez to power was not a typical NSM but was organized an insurectionist lines making effective use of armed struggle (Gonzalez 2014)

exchange. NSMs do not challenge capitalism macro power and remain in Marxist's words "a plaything in (its) hands" (Marx 2005, p259). That Syrzia and Podermos and Die Lenke and MAS have succumbed to representative democracy and subsequent compromises with neoliberal order represents NSMs intrinsic inability to subvert neoliberalism's macro-political power Even when NSMs abandon "anti-politics" and provide a mass base for genuine radical political movements of the multitude they are gradually absorbed into neoliberal macro political structures (Garganas 2015). NSMs create and temporarily sustain the illusion that this power will deconstruct or reconfigure itself within postmodern society without the appearance of a new collective subject.

NSMs protest (against specific forms of capitalist injustice without delegitimizing capitalist rationality to which the overwhelming majority of the postmodern subjects of capital remain committed and to which Syrzia and Podermos have to submit. As a consequence of such struggles neoliberal order is not transformed into social democracy or communism.

Conclusion

As we have stressed throughout this paper this does not mean that NSMs cannot redress specific capitalist injustices - expressed in specific capitalist dominance. Capitalism promises to deliver equalizing freedom to all its subject, neoliberal order's enduring weaknesses is as its critics from John Rawls to Istavan Merzaros to Paul Krugman reiterate - in its continuing generation of inequalities in the market in civil society (sexism, racism) and in the political sphere. These inequalities have today created an existential risk for mankind by fuelling multi-dimensional environmental crises.

NSMs protest against capitalist injustice - neoliberalism's inability to generate and sustain equalizing abundance. This is also true for social democrat and proletarian movements but unlike them NSMs cannot produce an antagonistic capitalist subjectivity. NSms can effectively resist specific forms of capitalist dominances - environmental depletion racism, denial of human rights to LEBTQs - but they cannot prove the way for a dissolution of

neoliberal capitalist order or for its systemic re-structuring by the subordination of the market to a 'dictatorship of the proletariat' or a 'communitarian' state which escapes or subverses the discipline of the globalisect capitalist political economy.

REFERENCES:

Ansar, A., Caldecott, B. L., & Tilbury, J. (2013). Stranded assets and the fossil fuel divestment campaign: what does divestment mean for the valuation of fossil fuel assets?.

Bell D. Jr. (2012). The Economy of Desire, Baker Academic, Michigan

Boltanski, L., and Chiapello, E., (2007). The New Spirit of Capitalism, London Verso

Bensaïd, D. (2013). An Impatient Life: A Memoir, translated by David Fernbach. London Verso

Callinicos, A. (2014). Thunder on the Left. International Socialism, 143., p123

Callinicos, A. (2015). Britain and the Crisis of the Neoliberal State. International Socialism, 145.

Dardot, P., & Laval, C. (2014). The new way of the world: On neoliberal society. Verso Trade.

Davey M. et al (2014) "Popole's climiate March demand action around the world" Gaurdian 29th September

Deleuze, G. (1987). Difference and Repetition, New York Colombia University Press

Deleuze, G. (1993). The fold: Leibniz and the Baroque. U of Minnesota Press.

Deleuze, G., & Guattari, F. (1987). A thousand plateaus: Capitalism and schizophrenia. Minneapolis, University of Minnesota Press

Dobbs, R., Lund, S., Woetzel, J., & Mutafchieva, M. (2015). Debt and (not much) deleveraging. McKinsey Global Institute, 136.

Foucault, M. (1996). Foucalt Live. S. Laminger New York, Semoitext.

Garganas, P. (2015). Why did Syriza fail. International Socialism Journal, 148., http://isj.org.uk/why-did-syriza-fail/

Gellner. E (1993) Reason and Culture, Oxford Blackwell

Gonzalez, M. (2014). The reckoning: the future of the Venezuelan Revolution. International Socialism Journal, 143, http://isj.org.uk/why-did-syriza-fail

Gordon, RJ (2012) Is US Economic Growth Over? Faltering Innovation Confronts the Six Headwinds. NBER Working Paper: No. 18315

Gramsci, A., (1971). Selections from the prison notebooks London: Lawrence and Wishart.

Harvey, D. (2014). Seventeen contradictions and the end of capitalism. Oxford University Press, USA.

Hardt, M. (1995). The withering of civil society. Social Text, (45), 27-44.

Hardt, M. and Negri, A. (2004) Multitude: War and Democracy in the Age of Empire. Penguin Books, New York

Harman, C. (1984). Women's liberation and revolutionary socialism. International Socialism, 23, p3-41.

Holloway, J. (2002), Change the World Without Taking Power, Pluto Press, Cambridge

Jeffery, S. (2015). Up Against the Clock: Climate, Social Movements and Marxism. International Socialism, 148.

Krugman, P. (2010). The third depression. The New York Times, 27 June 2010

Mair, P. (2013). Ruling the void: The hollowing of Western democracy. Verso London.

Marshall, G. (2015). Don't even think about it: Why our brains are wired to ignore climate change. Bloomsbury Publishing USA, New York

Marx K. and Engels, F. (2005) Collected Works Vol. 44, Lawrence & Wishart, London

Marx, K. (1971) Wages, Prices and Profit. Moscow Progress Publishers

Morris, B. (2015). Anthropology, ecology, and anarchism: a Brian Morris reader. PM Press, London

Nozick, R. (1976) Anarchy, State and Utopia. Cambridge MIT Press

Orr, J. (2007). Sexism and the System: A Rebel's Guide to Women's Liberation. Bookmarks, London

Oxfam. (2014). Working for the few: political capture and economic inequality. Oxfam International, London

Piketty, T. (2013). Capital in the Twenty-First Century. Cambridge: Harvard University Press.

Rawls, J. (1971) A theory of Justice, Oxford Blackwell

Roberts, M. (2015). The global crawl continues. International Socialism, 147, 45-74.

Sen, A. (2001) The Idea of Justice. Penguin, Harmandsworth

Smith, R. (2014). 'Climate crisis, the deindustrialization imperative and the jobs vs. environment dilemma.

Taylor, C. (1984). Foucault on freedom and truth. Political theory, 12(2), 152-183.

Tietze, T., & Humphrys, E. (2015). Anti-politics" and the Return of the Social: A Reply to Alex Callinicos. International Socialism, 144.

Weber, M. (1965), The Protestant Ethic and the Spirit of Capitalism London, Allen & Unwin

Zizek, S. (2006) The Parallax View, Cambridge, MIT Press