

works of inter-connected suppliers and customers, instability that disrupts parts of local networks can undermine the viability of whole networks. Difficulty and/or outright failure to organize export-oriented production severely constrains the ability to import, effectively sidelining the country from the perspective of the global economy.

Meanwhile, there are obvious social implications of instability in incomes that have implications of engagement in the market economy and by extension in the global market economy. At the core of all human social structures is the household. Formation of households, child-rearing and caring for elderly are all long-term processes that require a good deal of stability. For most households, the relationship to the wider society is mediated by income from economic activity. For households, instability in this relationship translates into risk. This risk is higher the lower the level of incomes and savings and the higher the debt. If prices and incomes in the international economy are more volatile than in the domestic economy, as appears to be the case, engagement in the globalized economy is riskier—and for those least able to weather sharp fluctuations in incomes, too risky.

The result would be transactions being largely between locals and at prices that move independently of global prices—the puzzlingly high “border effects” that characterize the global economy. The flip side of these effects in the poorest countries would be the observed “marginalization” of populations and “sidelining” of economies.

A significant amount of noise in the international price would seem a logical candidate as a systemic reason for the frustrating developmental failures of the past several decades. Indeed, the failure to invest in the specialized skills and capital required to participate in the global division of labour in the context of highly uncertain returns to such investment is directly analogous to the short-term structure of savings in countries with a history of high and variable inflation.