

Book Review: The Rise and Fall of an Economic Empire, With Lessons for Aspiring Economies

Dec 5 2010

Colin Read presents an engaging and informative portrait of four economic empires, as reviewed by *Natacha Postel-Vinay*.

The Rise and Fall of an Economic Empire, With Lessons for Aspiring Economies. By Colin Read. Palgrave. September 2010.

As its subtitle makes clear, *The Rise and Fall of an Economic Empire, With Lessons for Aspiring Economies* does not aim just to give an exposé of how an “economic empire” crumbles. Its author also claims to give economies advice on how not to crumble by learning from the past. Last year Colin Read published *The Global Financial Meltdown: How We Can Avoid the Next Economic Crisis*; however this time he is not teaching us about short-run financial booms and busts. Rather, his goal is to help readers draw lessons from the causes of an empire’s decade-long rise to prosperity and subsequent demise. One of his main pieces of advice turns out to be that governments should fight consumerism and unbuckle the “straitjacket of debt,” which may ring a bell to some readers of this blog.

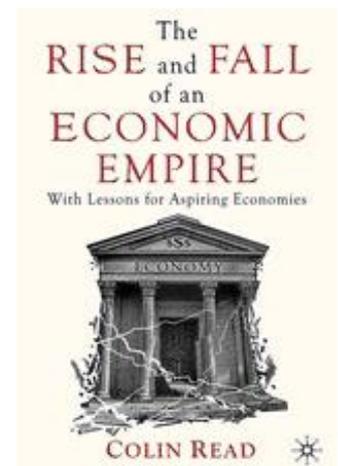
On the whole, the book seems pessimistic about an empire’s ability to avoid its downfall. Although only four “economic empires” (a term left undefined) are mentioned in the whole book (China, Britain, the US, and “China again”), Read judges each of their major economic experiences as “inevitable.” In Britain, economic development led to geographic expansion, which led to the alienation of the hinterland from the heartland. Free-market based empires (of which the US seems to be the only example) are prone to similar excesses, albeit not of the same nature. In their case, common diseases are rent-seeking, diminishing returns to capital, and an ageing population. More importantly he argues that technological progress has limits, since “there can only be so much economic creativity.”

But the main reason why a liberal empire will lose its superiority is in fact, for Read, the rise of consumerism, which is inevitable in a wealthy nation. Indeed, conspicuous consumption is in every man’s nature. It is bad in itself since it doesn’t create wealth and is often fuelled by debt. Rent-seeking accentuates this problem as renewed calls for redistribution of wealth give rise to the welfare state with massive budget deficits. He writes, “a country that initially rallied around a growing economic pie increasingly began to focus on how the pie was sliced.” In other words, consumption replaced productive investment.

The consequences of this analysis (drawn from the US experience) are clear: the basis for the welfare state should be broadly put into question, and more effort should be put towards investment. This may sound like a very good lesson for debt-ridden countries. However the highly deterministic approach of the book often leads the reader to the conclusion that whatever a nation does it will never be enough. Why should an economy increase investment when technological progress is limited? How does one fight man’s nature to consume? And does the welfare state need to be completely abandoned in order to fight deficits and man’s propensity to ask for a bigger share of the pie? As extreme as these questions may sound, they are important for a book with such a general approach and the author fails to raise them.

The central criticism of this book is that at times it warns that one should not fall into the trap of focusing solely on GDP itself but should also take into account the issue of equity. By setting himself against the welfare state and consumerism, the author himself falls into the trap. Moreover, it often looks as if he is trying to provide a recipe for remaining ahead of other countries; for example, he warns that technological transfer and the internet will make it easier for other nations (such as China) to catch up with the US. The idea of worldwide convergence does not seem to particularly please him.

Readers fed a diet of academic articles will find this book nourishing in its breadth. It surely raises interesting questions about problems economies face in the very long run. Moreover, though it was written before the new coalition’s spending plan, many will find the conclusions timely. However the question of how in practice



to remedy our diseases, aside from transcending our natures, remains largely unanswered. Overall, a broad-brushed but engaging portrait of four economic empires.

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