

Book Review: Towards a Better Global Economy: Policy Implications for Citizens Worldwide in the 21st Century by Franklin Allen et al.

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*This collection aims to consider how improvements in official global governance, coupled with and reinforced by rising activism of 'global citizens' can lead to welfare-enhancing and more equitable results for global citizens through better national and international policies. **Michael Bassey** finds that this is an important book that deserves to be widely, and critically, read.*

Towards a Better Global Economy: Policy Implications for Citizens Worldwide in the 21st Century. Franklin Allen, Jere R. Behrman, Nancy Birdsall, Shahrokh Fardoust, Dani Rodrik, Andrew Steer, and Arvind Subramanian. Oxford University Press. 2014.

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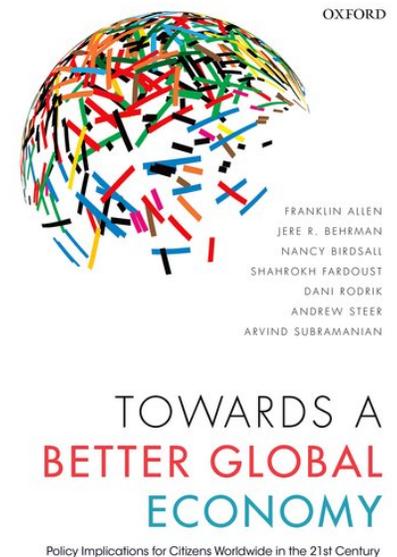
This book sees seven distinguished academic economists and ten commentators examine the factors that are most likely to support beneficial economic growth in low, middle, and high income countries on behalf of the [Global Citizen Foundation](#). Their "Towards a Better Global Economy" policy research project aims to sustain long-term global economic growth. This 521-page volume provides a thinking stimulus for all who worry about the future of the world.

The Overview says, "Climate change is one of the most important risks the world now faces ... Estimates of economic impact from climate change vary greatly, from 2 percent to 10 percent of GDP for a 3°C increase and up to 20 percent for a 5°C increase. Research suggests that about three-quarters of the impact would fall on developing countries." How many millions will die as others strive for industrial economic growth?

Dani Rodrik opens his chapter "The Past, Present, and Future of Economic Growth" with a statement of faith: "Economic growth is a precondition for the improvement of living standards and lifetime possibilities for the 'average' citizen of the developing world." My first challenge is to wonder whether industrial production and international trade are always the best ways of raising living standards in the developing world. Improved sanitation, water wells and effective self-sufficiency in small farming practice may be better, as covered in the [UN Millennium Goals report of 2014](#).

Rodrik gives a fascinating account of the rise (in UK, USA, Germany and Japan) and decline (in China, India, Brazil and Mexico) of industrialization, commodity-production, and trade in the period from 1750 to 1913. At the start, the per capita index of industrialization in all these countries was similar but then cheap manufactures, particularly cotton textiles, from Europe and the USA flooded the markets of the other countries, aided by the political forces of empire and the security of imperial navies. The "developed" nations achieved this because they had sufficient numbers of skilled workers (from schools) and well-functioning legal and political systems and their colonies provided cheap raw materials.

Japan was the first non-Western country to industrialize. It started in the second half of the 19th century and this



became a model for other countries in east and south-east Asia in the last third of the 20th century. They grew their economies through a judicious blend of markets and government policies and began to achieve convergence with the living standards of the west.

But few other countries around the world managed to do likewise. Rodrik explores the reasons for this, citing government failures: “excessive regulation, high taxes, corruption, restrictive labour laws, financial repression, insecure property rights, poor contract enforcement, and macroeconomic instability” and a range of potential market failures.

Speculating on the future of economic growth he becomes gloomy. “The world’s richest economies are hobbled by high levels of public debt... The World Trade Organisation prohibits a range of industrial policies... that Asian countries deployed to good effect in decades past. ...Technological changes are rendering manufacturing more capital- and skill-intensive, reducing the capacity to absorb large volumes of unskilled labor. ...Most African manufacturers today face an onslaught of cheap imports from China and other Asian exporters... Producers everywhere will be under pressure to use technologies that generate less pollution and greenhouse gas emissions.”

So, my second challenge is to wonder why, apart from the above reference to “pollution” Rodrik ignores the link between industrialization and climate change.

Recognising the difficulties posed by climate change, Andrew Steer asks, “Are current patterns of growth sustainable?” in his chapter “Resource Depletion, Climate Change, and Economic Growth”. He notes that energy and resource use will lead to increased costs and decreased productivity and “the bottom half of the income distribution – both across and within countries – will suffer most.” He says that “one quarter of the world’s land surface has been degraded as a result of soil erosion, salinization, nutrient depletion and desertification” and “roughly 60 per cent of the world’s eco-system services are now of a lower quality than they were 50 years ago.” He reports that “the human cost of environmental damage is very high. Some estimates suggest that carbon-intensive growth is already responsible for about 5 million deaths a year.”

Steer argues that it may be possible to “decouple environmental damage from growth” if green policies are demanded by citizens as consumers and business leaders “who recognize that continuation of present behavior is unsustainable”, but he warns that “the stakes are high and time is running out”. Green policies such as low-carbon development and renewable energy projects will depend upon educational policies that produce relevantly skilled workers and financial systems that provide risk capital.

This is an important book that deserves to be widely, and critically, read. In particular Andrew Steer’s chapter needs to be studied because it poses sobering questions about the ambitions for economic growth that several of the other writers seem to ignore. Are they so excited about world markets and the “hyperglobalization of trade” that they miss the writing on the wall?

Michael Bassey is an emeritus professor of Nottingham Trent University and an academician of the Academy of Social Sciences. His methodological text *Case Study Research in Educational Settings* has sold over 5000 copies. [Read more reviews by Michael.](#)

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