

## Handbook on the Globalization of the World Economy

Edited by Amnon Levy-Livermore, Edward Elgar (U.K.), 748 pages, £125

Globalization has costs and consequences, advantages and disadvantages. The advantages are: freer access to technology, inputs, goods, and the range of human tastes, beliefs and customs. On the other hand, societies are reluctant to adjust to changing circumstances and expanding horizons, do not like increased insecurity of employment and income, and do not take swiftly to weakening of cultural and national identity. And there is, of course, the question of the increase in poverty and inequality worldwide at the same time as worldwide wealth has gone through its largest increase in history. Such conflicts between economic liberalization and its social costs are only one of the subjects explored in this Handbook from the viewpoint of hard economics.

The Handbook has five main themes: 1. global growth, including savings, direct foreign investment, external debt and multinational corporations; 2. regionalization and globalization of trade (specifically, the role of international institutions, external economies of scale and trading blocs); 3. transition to market economies in Central and Eastern Europe, the former Soviet Union and East Asia; 4. internationalization and integration of markets in finance, capital, labor and agriculture; 5. global environmental and resource problems, including transboundary pollution, the implication of trade for natural resource depletion and environmental degradation, and the effect of energy markets on growth, pollution and economic stability.

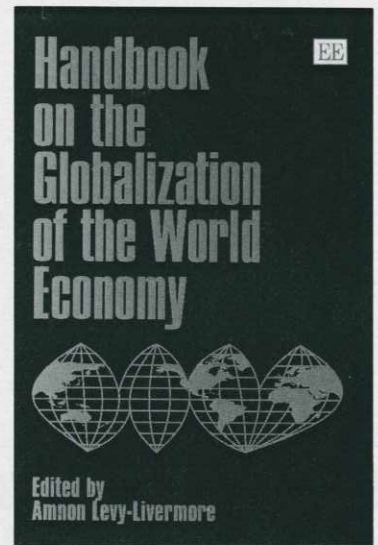
These themes are explored in twenty six chapters contributed by economists from around the world. I have picked two topics for description and comment, which in my view are most likely to interest readers of this journal.

The first theme is the impact of global development on the environment. The key question is: can we reconcile global free trade with global conservation objectives? What is the balance between the two desirable objectives of economic growth and conservation? Environmental economics is concerned with analyzing optimal rates of usage for environmental resources. A relatively new sub-discipline is global environmental economics, developed in response to an improved understanding of the mutual environmental interdependence between nations. As yet, the new discipline has produced only a few generally accepted optimal solutions.

The second theme of the book which I have picked is: the main factors for national economic progress. These factors are clear both from international experience since the Industrial Revolution and from the current experience of countries trying to make the transition from centrally-planned to market-led economies.

It is fascinating that the ratio of per capita income of the average more-advanced country to the average less-advanced traditional society was 2.8 to 1 at the start of the Industrial Revolution; by 1913, this ratio had quadrupled to 10.4 to 1; and by 1950 it had mushroomed to 18 to 1. In 1950, the per capita income of the ten richest industrialized countries was forty-eight times that of the ten poorest countries (at official exchange rates); by 1975, the income multiple had increased to seventy-one.

History shows clearly that the theoretically equal opportunity for industrialization in all countries is limited in practice by the ability of a country's political institutions to enable economic growth. But the critical question is: which economic interests do the political institutions



reflect?

Despite unprecedentedly rapid economic growth worldwide, poverty in developing countries continues to be massive due to the lack of attention to rural development, capital-intensity of growth, urban bias in the provision of education and social services, institutions biased against the poor, and deteriorating income distribution.

None of the contributors says so, but the conclusion is clear: national backwardness is the result of specific choices made by the rich and powerful, partly out of their fear about a decrease in the gap between themselves and the poor and disadvantaged, and partly out of the greed of those who are rich and powerful, for more and yet more, even where that increases the poverty and disadvantage of others in their country. The roots of poverty are not technological or economic, but spiritual, emotional and psychological.

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