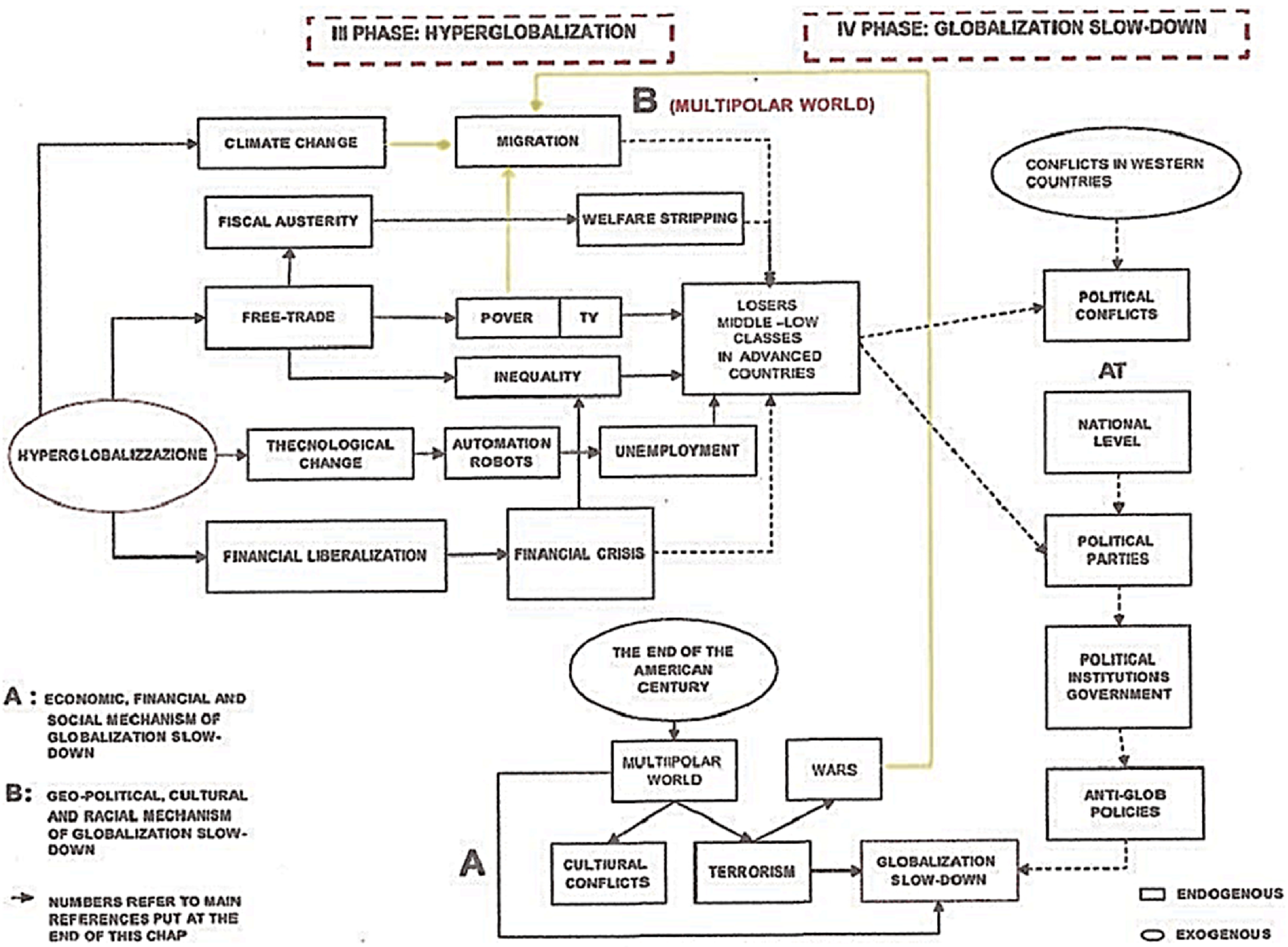
Global integration: economic stability and development?

1. The globalization slowdown thesis (Antimo Verde, 2017)

Presuming that the middle and lower classes are capable of affecting the future of globalization, Verde (2017) claims that globalization will inevitably slow down if the middle classes manage to protect their interests politically. This conclusion follows from the analysis of three questions.

- Which actors would be more interested in limiting the expansion of globalization because they are worse off under globalization? His answer is that middle and lower-middle classes of developed countries (and of some developing countries) are the main losers of globalization. He lists some structural causes for this: skill-biased technological changes; aging; predominance of the financial sector; unfair competition from the developing countries; unfair free trade; delocalization of production activities; diminished role of trade unions; detrimental distributional effects caused by the adoption of national policies forced by the globalization process; globalization itself…
- Which factors would justify an anti-globalization reaction? Immigration, terrorism and rising inequality are presented as non-temporary reasons or problems that would lead the middle classes to oppose and react against globalization.
- How would the losing actors organize an effective reaction against the globalization process? By using their votes to protect their interests: middle and lower classes will elect political parties that propose to adopt anti-globalization national policies. If, as usual, such classes constitute the majority of the electorate, then the political change that will put brakes on globalization seems guaranteed.

Verde, Antimo (2017): *Is globalisation doomed? The economic and political threats to the future of globalisation*, Palgrave Macmillan, Cham, Switzerland.



Antimo's (2017, p. x) mechanism of globalization slowdown

2. Five globalization myths (John Agnew, 2018)

- "The first myth is that the world is 'flat.' Associated above all with the American journalist Thomas Friedman, this perspective sees the world as an increasingly undifferentiated investment surface in which trade and investment flow (or will soon flow) relatively unhindered from place to place. At the same time, the presumption is that this process brings unambiguous benefits to the world as a whole (…) The corollary that Friedman sees as following from this trend in the diffusion of production, the decreased relevance of states to the world order, does not follow. Indeed, China's very economic success has had much to do with its state-organized response to new global opportunities rather than being a simple outcome of increased free trade *tout court*."
- "The second myth is that globalization as we are experiencing it is entirely new."
- "Contemporary globalization is also often merged with the overlapping but hardly analogous idea of liberalization (usually under the label of neoliberalism to distinguish it from classical nineteenth-centuryliberal thought). This third myth is important because it implies that globalization has at root a singular ideological inspiration: to replace states with markets. From this viewpoint, globalization is a political movement rather than a socioeconomic process (…) It is clear that globalization has several aspects to it that have had nothing much to do with neoliberalism (…) globalization, in the sense of increased reliance on markets and consumer capitalism, is not simply an ideological projection invented in the 1970s (…) but the result of US government sponsorship of a 'free-world' economy during the Cold War (…) Globalization has its ideological roots in this process, not just in the neoliberalism of the 1980s."
- "Whatever its precise ideological provenance, however, from this viewpoint globalization must be antithetical to the welfare state. At least this is the typical story told by both its proponents and by its critics. This is the fourth myth of globalization. The presumption here is that under conditions of globalization states will be disciplined by global 'markets' to cut back on their welfare services (pensions, unemployment benefits, etc.) because, if they do not emulate other states that do so they will be left at a competitive disadvantage when it comes to attracting inward investment (…) Yet (…) economic development has always required infrastructure investment and investment in public services to make the private investment pay off at all. Indeed, a case can be made that under conditions of enhanced competition for capital investment, states need to increase their spending on education and infrastructure rather than reduce it."
- "The fifth myth of globalization is that There Is No Alternative (TINA) to it (…) There is no destiny to contemporary globalization. It has appeared under US geopolitical sponsorship and could be attenuated as the United States goes into geopolitical decline. Even if that happens, an invigorated Chinese government shows signs of wanting to pick up the slack in the face of Trump's "America First" campaign. As a consequence, globalization could begin to take on a different form."

Agnew, John (2018): *Globalization and sovereignty. Beyond the territorial trap*, Rowman & Littlefield, Lanham, MA.

3. Further ideas on globalization (John Agnew, 2018)

- "In writing about globalization and sovereignty there has been little commentary on how globalization has been accompanied by a seemingly countervailing process of political-economic fragmentation."
- "What is new about contemporary globalization is the increasingly global dominance of images and practices intimately related to the marketplace society and the speed at which transactions traverse the world."
- "… the global is still intricately interwoven with the local. In one sense there is no such thing as the 'global.' It exists only as an emergent property; the global is made up of webs of interaction, movement, surveillance, and regulation between people and institutions with discrete locations in particular places. What is new is the density and geographical scope of the weave."
- "Much of the sociological hype about globalization sees it as synonymous with homogenization, as if the whole world were becoming alike culturally and economically. The literature on time-space compression might also suggest such a prospect, if only on the distant horizon. In fact, there is considerable evidence that globalization is polarizing the world as a whole between geographical haves and have-nots: between regions and localities tied into the globalizing world economy and those outside it (Internet and all) and

between those who have received a 'leg up' into this economy, on the one hand, and those who may have to remain outside it, on the other."

- "… the globalizing world economy is not an economy of national territories that trade with one another, notwithstanding the tendency of the World Bank and other international organizations to portray it this way. Rather, it is a complex mosaic of interlinked global city-regions, prosperous rural areas, resource sites, and 'dead lands' increasingly cut off from the technologies of timespace compression that fuel globalization. All of these are widely scattered across the globe, even if there is a basic global north-south structure to the world economy as a whole. Some of the prosperous areas, for example, can be found within even the poorest countries."
- "… the major geographical anchors of the new global economy are overwhelmingly located in North America, Europe, and East Asia. For example, during the period 2005–2015, the United States, the EU, Japan, and China accounted for 65 percent of the inflows of foreign direct investment (FDI) and 72 percent of the outflows, and the G-20 group of countries accounts for 58 percent of global FDI stock. Trends suggest, however, that since the 1980s the US has become relatively less important as both a source and a destination for FDI whereas certain poorer countries have become relatively more important as both destinations and as sources; China, Brazil, South Korea, Mexico, and Malaysia are the outstanding cases. This has happened even as American companies and finance still exercise tremendous power over global markets. The 'grotesque sovereignty' represented by Donald Trump's administration in the US from 2017 onward (…) seems unlikely to bring back the jobs in coalmining and steelmaking that he promised, their loss owing much more to the impact of technology than that of globalization."
- "The world of spatial variation in economic potentials and political identities is simply too complex for the binary thinking—globalization versus states, markets versus states, and so on—that characterizes so much discussion of sovereignty under contemporary political-economic conditions. We remain mired in nineteenth-century either/or thinking about territory versus the global. Globalization and sovereignty are tied together in a wide variety of ways across the world. We can expect such pluralism to continue."

Agnew, John (2018): *Globalization and sovereignty. Beyond the territorial trap*, Rowman & Littlefield, Lanham, MA.

4. The misleading view of globalization: The new age of global instability (Chris Harman, 2010)

- "This whole process was baptised 'globalisation' by the 1990s. It was bracketed together with neoliberalism as representing a whole new phase of capitalism –for enthusiasts a phase very different to any previously. They held not only that the world should be organised according to the free flows of capital, without any intervention by governments (…) We lived, it was said, in the age of multinational (or sometimes transnational) capital, of firms moving production at will to wherever it could be done most cheaply. It was (…) a world of 'weightless' production, where computer software and the internet were much more important than 'old fashioned metal-bashing' industries, and where the absolute mobility of capital had completely detached it from any dependence on states."
- "As Suzanne de Brunhoff noted: 'Even though huge financial flows of mobile capital are daily circulating round the globe, a global single market of capital does not exist. There is no single world rate of interest and there are no single world prices for produced goods… Financial assets are denominated in different currencies which are not 'perf ect substitutes'' (…) Not only did the popular globalisation accounts overstate the degree of mobility of capital, they also provided a much distorted view of what that mobility involves. Alan M Rugman pointed out that of the big multinationals 'Very few are 'global' firms, with a 'global' strategy, defined as the ability to sell the same products and/or services around the world' (…) The pattern was not one of capital flowing effortlessly over a homogenous worldwide landscape. It was 'lumpy,' concentrated in some countries and regions (…) 'All that is solid' did 'melt into air' as Marx had put it –but not in the way the crude globalisation theory held. For capital's old companion, the state, entered into the process at every point."
- "The internationalisation of firms' operations, far from leading to less dependence on state support, increases it in one very important respect. They need protection for their global interests. A whole range of things become more important to them than in the early post-war decades: trade negotiations for access to new markets; exchange rates between currencies; the allocation of contracts by foreign governments; protection against expropriation of foreign assets; the defence of intellectual property rights; enforcement of

foreign debt repayments. There is no world state to undertake such tasks. And so the power of any national state to force others to respect the interests of capitals based within it has become more important, not less (…) The successor to the state capitalism of the mid-20th century has not been some non-state capitalism but rather a system in which capitals rely on "their" state as much as ever , but try to spread out beyond it to form links with capitals tied to other states. In the process, the system as a whole has become more chaotic."

- "The interaction between the great powers is not the peaceful concert of nations dreamt of by certain apostles of neoliberalism and free trade. There are contradictory interests, with military force a weapon of last resort for dealing with them. The greatest source of instability has come from the attempts of the US to permanently cement its position at the front of the global pecking order."
- "The growing role of finance had its impact throughout the global economy. Every upturn in the recession-boom cycle after the early 1980s was accompanied by financial speculation, causing massive rises in the US and British stock markets in the mid-1980s and mid-1990s, the huge upsurge of Japanese share and real estate prices in the late 1980s, the dotcom boom of the late 1990s, and the housing booms in the US and much of Europe in the early and mid-2000s. Along with these went successive waves of takeovers and mergers of giant companies."
- "The first big growth of international finance in the 1960s was a result of the way the growth of international trade and investment and US overseas military expenditure associated with the Vietnam War –led to pools of finance ('Euromoney') which had escaped the control of national governments. The next big growth came with the recycling of massively expanded Middle East oil revenues through the US banking system –revenues that were a product of the increased dependence of productive capital on Middle East oil. The restructuring of productive capital took place increasingly (…) across national borders, even if mostly it was regional, not global, in scope (…) But industry could not restructure in this way without having financial connections across borders. It required international financial networks if it was to repatriate profits or establish subsidiaries elsewhere in the world (…) Capitalism internationally went through nearly four decades in which profitability was substantially lower."
- "Globally this meant there was a growing pool of growth of money capital-money in the hands of productive as well as non-productive capitals-searching for outlets that seemed to promise higher levels of profitability. Hence the pressure on firms to deliver short-term rather than long-term profits. So too the succession of speculative bubbles and the repeated 'Minsky' shifts from speculation to Ponzi schemes in which financiers used the money entrusted to them by some investors to pay off other investors and line their own pockets (…) The financial system expanded as a consequence, since it played a key part in collecting together the funds for speculation, and could then use the assets whose value had increased because of speculation as collateral for borrowing more funds. There developed a mass of capital wandering round the world looking for any opportunity where it seemed there might be profits to be made."
- "Capitalism became a global system in the 20th century in a way it had not been before. Not only were there global markets and global finance but capitalist industry and capitalist structures of consumption arose in every region of the globe, although unevenly. As that happened a tendency noted in its embryonic form by only the most far sighted thinkers of the 19th century, including Marx and Engels, developed until by the end of the century it was visible to everyone who cared to look. This was the tendency for the system to undermine the very process of interaction with nature (…) The most dramatic expression of this has been the way the accumulation of certain gases in the atmosphere are raising the global temperature and producing climate change. Capitalist industry and its products always had devastating environmental effects."
- "It is the sort of interaction of the economic, the environmental and the political we should expect to see repeated again and again in the 21st century, producing recurrent, very deep social and political crises that frame the choice between global catastrophe and revolutionary change."

Harman, Chris (2010): *Zombie capitalism. Global crisis and the relevance of Marx*, Haymarket Books, Chicago, Illinois.

5. Globalization and deglobalization (social change in world-historical perspective)

"Global social change did not begin in the late twentieth century with the latest wave of globalization. Social change, of course, has been around for as long as there have been human societies. Some forms of social change began to take on global aspects as early as the sixteenth century. The Age of Discovery, which led to regular European contact with and exploitation of Asia, subSaharan Africa, and the Americas, ushered in massive, global-scale changes in human society and regional ecosystems."

"The pace of global social change accelerated dramatically with the late eighteenth-century Industrial Revolution, culminating in the first wave of what can properly be called 'globalization.' The United Kingdom of Great Britain was the world leader in industrialization, an exporter of the key technologies (railroads, steamships, and telegraph communications), and the advocate of free trade policies and the gold standard (…) The decline of British hegemony was accompanied by a decline of economic globalization from 1880 to 1900 and then by a period of imperial rivalry—two world wars with Germany. The deglobalization of the late nineteenth century and the first half of the twentieth has been called the 'Age of Extremes.'"

"Between the wars was a short wave of economic globalization in the 1920s followed by the stock market crash of 1929 and a retreat to economic nationalism and protectionism during the depression of the 1930s. Fascism was a virulent form of zealous nationalism that spread widely in the second-tier core and the semiperiphery during the Age of Extremes. This was deglobalization. The point here is that globalization is not just a long-term trend. It is also a cycle. Waves of globalization have been followed by waves of deglobalization in the past, and this is also an entirely plausible scenario for the future."

"Whether or not the current wave of globalization continues, it is certain that many important processes of social change will continue to occur primarily at a global level. So long as we live in an integrated world-economy, the competition among the people and countries of the world for scarce resources (…) will continue. Domestic political change within the countries of the world (…) will continue to be influenced by supernational forces. The physical environment we live in (…) will continue to be shared and shaped by all of us. All humans will continue to contribute to—and be affected by—global forces of social change. The continuing decline of U.S. hegemony and emerging challenges to the policies of neoliberalism and neoconservativism that have been the responses of global elites to the contradictions of the most recent wave of globalization are likely to lead to a new period of deglobalization."

"…the coming period of contestation is also an opportunity to create global democratic cooperative institutions that set up a more sustainable relationship between human society and the natural environment and more humane and just relationships among the peoples of the world. A global democratic and collectively rational commonwealth will probably emerge eventually unless we manage to completely extinguish ourselves."

Chase-Dunn, Christopher; Salvatore J. Babones; eds. (2006): *Global social change: Historical and comparative perspectives*, The Johns Hopkins University Press, Baltimore, Maryland.

6. Globalization cycles: can the future of globalization be seen in its past?

- "Globalization is not only a process that occurs somewhere out there—in an objective and measurable world of trade and money. It also happens in our minds, and that part of globalization is often more difficult to manage. To understand both the process and our reactions to it, we need a historical grounding."
- "All of these previous globalization episodes ended, almost always with wars that were accompanied by highly disruptive and contagious financial crises. Globalization is often thought to produce a universalization of peace, since only in a peaceful world can trade and an interchange of ideas really flourish. But in practice, a globalization of goods, capital, and people often leads to a globalization of violence."
- "It is thus possible to speak of globalization cycles, with long periods of increased interchange of goods, and flows of people and capital. But then something happens. People feel there has been too much interaction; they draw back from the global setting and look instead for protected areas in which they can be safe from global threats and global devastation. The shock or trauma is often connected with financial collapse, especially the profound uncertainty that financial disaster brings."

James, Harold (2009): *The creation and destruction of value. The globalization cycle*, Harvard University Press, Cambridge, MA.

7. Waves of globalization (Fred Spier, 2010)

Spier (2010, pp. 168-183) identifies three waves of globalization.

• First wave. Triggered by the European transatlantic voyages at the end of the 15th century. It was made possible by the exploitation of the energy stored in winds and ocean currents for transportation. Eurasia, Africa and the America became interconnected. A global trade network dominated by European states was established. Modern science was created during the first wave.

• Second wave. The second wave is the outcome of industrialization. The Industrial Revolution (end of the 18th century and beginning of the 19th century) was made possible by the attainment of a new complexity level based on the use of machines and the solar energy stored in fossil fuels (coal and oil). The Goldilocks conditions for industrialization initially favoured a single country: Great Britain. Its example was nonetheless quickly followed by other countries. Those countries that industrialized successfully reached unprecedented wealth levels, that eventually reached most of the population. Apparently, the continuation of the second wave required the elites to share the wealth created by industrialization with the rest of the population. Affluence was no longer a privilege of elites. Modern science and technology spread to businesses and society. A global division of labour also developed.

• Third wave. An ongoing wave associated with the current information technology revolution: electronic computers, global electronic networks, modern data technology… The term 'globalization' was coined during this wave. It is still uncertain whether the third wave will produce global convergence (in standards of living, cultural and political institutions, ideologies, world views, economic structures…).

Spier, Fred (2010): *Big history and the future of humanity*, Wiley-Blackwell, Chichester, UK.

8. The world is broken (Gabor Steingart, 2008)

Globalization is not flattening the world, but mismanaging it.

- The world is not flat for workers. Globalization has created a global labour market dominated by a race to the bottom in salaries and a loss of power of the workers' associations. Jobs migrate to the lowest bidder. Current globalization has for the first time globalized the markets for all the factors of production: capital, labour, energy and raw materials. Many of the unpleasant features of globalization stem from connecting significantly different economies (the West and the Rest). Globalization avoided those features when more similar economies are involved (Europe and North America, 1945-1975).
- The national welfare state is in retreat, leaving people more vulnerable to the adverse effects of globalization and benefiting a few (or a larger part of the population but insufficiently).
- The great knowledge transfer. This transfer is allowing developing countries to move from agriculture to services without going through industry. That means that the rich countries cannot rely on the presumption that only low-paid, unskilled, routine (blue-collar) jobs could go abroad: white-collar workers will be the victims of the next great wave of offshoring.
- Capitalism is not just exploitative of labour, but also the natural resources. "China, the country with the most impressive growth rates in recent years, also tops the list of countries with little respect for their people and environment".
- Benefits are asymmetrically distributed: "It's like being in a crowded lifeboat. Only if one of the passengers jumps into the water can the other nine survive." (Jagdish Bhagwati)

Steingart, Gabor (2008): *The war for wealth. The true story of globalization, or why the flat world is broken*, McGraw-Hill, New York.

9. Seven fallacies of the globalization debate (Gabor Steingart, 2008)

(1) Societies are problem-solving organizations. The natural progression for a developed economy is to move from an industry-based to a service-based economy. In fact, industrial work is merely shifting to Asia.

(2) Economics and morals have nothing in common. The way commodities are produced and services provided is not a merely technical question, but is subject to moral judgment.

(3) The new world is flat. There is a drak side in free trade: when the West imports goods from Asian economies, their labour and environmental unfair practices are imported as well and this endangers jobs in the West. Trade is politics and the political world is not flat.

(4) Globalization is a tide that lifts all boats. Even if this is the long run outcome, globalization is so far delivering asymmetric results: upper classes benefit comparatively more than the rest.

(5) Globalization creates peace. Conflict persists but now the struggle is conducted on the economic field (it can be interpreted that the US won thus the Cold War). Increasing economic interdependence does not prevent military conflict (as the First World War illustrates).

(6) Governments can no longer take care of their people. Politicians tell that globalization is omnipotent, a force of nature that has weakened the power of states, when it is them who have chosen to relinquish or not make use of that power ("Arguing against globalization is like arguing against the laws of gravity", Kofi Annan). The rise of China was a political not a market project: it was the achievement of politicians, not market forces. It is not Big but Smart Government what is needed.

(7) Globalization is a hot issue. Globalization should be subject to anyone's scrutiny, not something outside our comprehension or control. Democracy means taking control of, or at least shaping, history. "The challenge is to figure out how to ensure that globalization serves the people", not the other way round.

10. Optimistic view of globalization

The optimistic view of globalization contends that continued technological progress is possible and that is enough, through permanent economic expansion, to dealth with distributional and stability problems. This view seems to rely on the naïve belief in a benevolent invisible hand: left by itself, humanity unintendedly will take good care of itself. The tenet is that competition (for resources, markets, power…) is always and everywhere good. This view emphasizes the importance of the economic dimension of globalization.

11. Pessimistic view of globalization

(1) All technologies have unforeseen unintended consequences, some of which could be very damaging (devastating even?) and impede the continuation of technological progress (climate change, ecological catastrophe). And despite conceding the viability of an indefinite technological progress, there is the likely possibility that technology will get out of control and become autonomous of humanity.

(2) It remains to be proved that a planet with a finite amount of material resources can sustain technological progress forever.

(3) Even if the adverse effects of possibilities (1) and (2) are neutralized, technological solutions do not operate in a social vacuum: social institutions (social technologies) must be devised, implemented and shown to be durable to deal with the social problems created by new technologies and expanding economic processes.

(4) Even if the technological, environmental and social obstacles in (1), (2) and (3) are overcome, there is a final obstacle: humanity has not so far made the moral progress equivalent to the technological (or even the institutional) progress made so far (the best minds are selected to carry out technological and scientific activities but apparently not to rule people). States and corporations (the main players in globalization) are not in charge of the intellectual more capable nor the morally more virtuous individuals. If globalization is not subject to control, humanity is making a risky bet on its survival (to remain on a run-away train). If the decision is to control the globalization process, it is yet to be proved that the controllers will subordinate personal, national or short-run interests to global and long-run interests. Selfish, myopic and dishonest individuals have shown themselves to be better players in the power game than altruistic and virtuous people. Hence, those more likely to drive the global vehicle are the least capable of driving it safely.

- The pessimistic view regards cooperation as the only strategy for long-run survival at the same time that sadly realizes that we have not yet learned how to cooperate at a global scale (and is unlikely that we will ever do: history shows that divergences are ultimately solved by force not by pact). This view emphasizes the importance of the political dimension of globalization.

12. Globalization as an egg-chicken problem (Lindsey, 2001)

- View 1 (popular view): globalization occurred first and that forced governments to adopt pro-market policies and reforms.
- View 2: globalization has been a deliberately chosen response to failures of centralization. The reaction to the problems caused by those failures was the removal of controls over the economy (economic

liberalization). In this view, governments were not forced to accept market-friendly policies; rather, it was the exploration of the pro-market alternative that has made globalization possible. Causality then runs backwards: pro-market policies and reforms came first and globalization was the consequence.

Lindsey, Brink (2001): *Against the dead hand. The uncertain struggle for global capitalism*.

13. Globalization: key concepts (Thomas Hylland Eriksen, 2014)

"(1) The enrichment of the working class of the core, metropolitan or First World nations within capitalist social structures; (2) the massive and growing income disparity between the people living in advanced capitalist societies and those living in peripheral, economically extraverted or dependent capitalist societies; and (3) the widespread racism, ethnic chauvinism and xenophobia pervading First World society today."

Eriksen, Thomas Hylland (2014): *Globalization. The key concepts*, 2nd edition, Bloomsbury, London.

14. Global markets create global tensions

Global markets are engines of creative destruction, generating progress through cycles of expansion and contraction of economic activity (economic crises) and financial speculation (financial crises). In this global markets resemble national markets. The difference is one of scale: there is no isolated place where to seek protection from the activity of global markets. Global capitalism delivers prosperity by destroying occupations, industries, sectors, countries and ways of life. One of the victims of globalization is the career: middle-class worker can no longer occupy their working lives with a single vocation. Globalization is also a threat to the peace between states: lacking institutions of global governance, states struggle for the control of natural resources.

15. Globalization does not imply homogeneity, uniformity or cultural convergence

Globalization is not an end-state towards which all economies are converging or will converge. The increasing global interconnection of economic activity accentuates the uneveness of international development: developing (peripheral) economies become more dependent on investment from developed (core) economies.

Hierarchical relations between states are not disappearing: they are transformed. There are also dimensions of society that resist the impact of global markets: local realities and cultures are modified by contact with the rest of the world, but not necessarily uniformized or homogeinized. The local has the opportunity to have a global reach rather than the global dissolves the local. Instead of stimulating cultural convergence, globalization makes cultural differences more evident and contributes to reinforce/deepen the differences. The lack of a common global language encourages communications media to focus on specific cultural and linguistic groups, contributing to create barriers between them. Cultures (and religions) are still segmented. New forms of capitalism are created by putting in contact global markets with local business cultures.

16. Us vs them: The failure of globalism (Ian Bremmer, 2018)

"Many people believe that 'globalism' and 'globalization' have failed them. These would-be leaders have a talent for drawing boundaries between people. They offer a compelling vision of division, of 'us vs. them,' of the worthy citizen fighting for his rights against the entitled or grasping thief. Depending on the country and the moment, 'them' may mean rich people or poor people, foreigners or religious, racial, and ethnic minorities."

"Today, the watchword is inequality. We have always known the world remained an unfair place, but most of the world's elites believed, with plenty of evidence, that globalism was the solution, not the problem. But while the elites convene for debate, more people are getting frustrated (…) People are angry. They no longer believe that hard work and education are enough. They don't see a path, and they feel they've been lied to. For decades (…) Are the globalists scared? Absolutely not. The United States and global economies surged in 2017 and 2018, and there is no looming global revolution, no World War III that will force change on us all. Public anger is a chronic condition we've learned to live with."

"This book is about ongoing political, economic, and technological changes around the world and the widening divisions they will create between the next waves of winners and losers. It's about the ways in which people will define these threats as fights for survival that pit various versions of 'us' against various forms of 'them.' It's about the walls governments will build to protect insiders from outsiders and the state from its people."

"'Countries are no longer nations but markets. Borders are erased… Everyone can come to our country, and this has cut our salaries and our social protections. This dilutes our cultural identity.' Marine Le Pen's four sentences capture every important element of the anxiety rising across the Western world. The borders are open, and the foreigners are coming. They will steal your job. They will cost you your pension and your health care by bankrupting your system. They will pollute your culture. Some of them are killers."

"Globalization—the cross-border flow of ideas, information, people, money, goods, and services—has resulted in an interconnected world where national leaders have increasingly limited ability to protect the lives and livelihoods of citizens. In the digital age, borders no longer mean what citizens think they mean. In some ways, they barely exist."

"Globalism—the belief that the interdependence that created globalization is a good thing—is indeed the ideology of the elite. Political leaders of the wealthy West have been globalism's biggest advocates, building a system that has propelled ideas, information, people, money, goods, and services across borders at a speed and on a scale without precedent in human history (…) Sure, more than a billion people have risen from poverty in recent decades, and economies and markets have come a long way from the financial crisis. But along with new opportunities come serious vulnerabilities, and the refusal of the global elite to acknowledge the downsides of the new interdependence confirms the suspicions of those losing their sense of security and standard of living (…) In the United States, the jobs that once lifted generations of Americans into the middle class—and kept them there for life—are vanishing. Crime and drug addiction are rising. While 87 percent of Chinese and 74 percent of Indians told pollsters in 2017 that they believe their country is moving "in the right direction," just 43 percent of Americans said the same."

"Many of the storms creating turmoil in the U.S. and Europe—particularly technological change in the workplace and broader awareness of income inequality—are now headed across borders and into the developing world, where governments and institutions aren't ready."

"It is not rising China, a new Cold War, the future of Europe, or the risk of a global cyberconflict that will define our societies. It's the efforts of the losers not to get 'fucked over,' and the efforts of the winners to keep from losing power. Not just in the United States and Europe, but in the developing world too, there will be a confrontation within each society between winners and losers."

"'Us vs. them' is a message that will be adopted by both the left and the right. Antiglobalists on the left use 'them' to refer to the governing elite, 'big corporations,' and bankers who enable financial elites to exploit the individual worker or investor (…) Antiglobalists on the right use "them" to describe governments that cheat citizens by offering preferential treatment to minorities, immigrants, or any other group that receives explicit protection under the law."

"Human beings want security, opportunity, and prosperity, and governments want to claim credit for providing these things. Both the government and the governed want to believe they have the means to retake control of their circumstances when they believe these things are threatened. This is the battle line between us and them."

Bremmer, Ian (2018): *Us vs them. The failure of globalism*, Portfolio/Penguin, New York.

17. Adverse effects of globalization (Ian Bremmer, 2018)

- **Economic insecurity: globalization creates and shifts wealth**. "Globalization creates new economic efficiency by moving production and supply chains to parts of the world where resources—raw materials and workers—are cheapest. In the developing world, the influx of capital from wealthier nations has created the first truly global middle class. In the developed world, this process bolsters the purchasing power of everyday consumers by putting affordable products on store shelves, but it also disrupts lives by killing livelihoods as corporations gain access to workers in poorer countries who will work for lower wages (…) Trade has not become as toxic a political issue in Europe as in the United States."

  "Beyond trade, globalization boosts technological change by exposing businesses of all kinds to international competition, forcing them to become ever more efficient, which leads to greater investment in game-changing innovations. Advances in automation and artificial intelligence are remaking the workplace for the benefit of efficiency, making the companies that use them more profitable, but workers who lose their jobs and can't be retrained for new ones won't share in the gains (…) As a result, large numbers of U.S. factory jobs have been lost not to Chinese or Mexican factory workers but to robots (…) Broadening the effect, the introduction into the workplace of artificial intelligence is also reducing the number of—and changing the skill sets needed for—a fast-growing number of service sector jobs (…) 'Globalization,' says Le Pen, is "manufacturing by slaves for selling to the unemployed.'"

- **Cultural anxiety**. "The second way in which globalism creates fear centers on identity. Globalization doesn't just move factory-built products. It also moves people, feeding public anxiety by shifting the racial, ethnic, linguistic, and religious makeup of communities, sometimes abruptly. In the United States, as in many European countries, there's an especially strong sense of national identity based on racial, ethnic, and religious affinity. Add the migrant crisis that brought the largest influx of homeless people since World War II, many of them Muslims fleeing violence and oppression in the Middle East and North Africa, and Europeans begin to feel much less secure about the future of their nations (…) Finally, globalism also inspires fear by enabling connectivity. The instantaneous global flow of ideas and information connects more people more quickly than ever before and gives them new opportunities for education, collaboration, and commerce. But it also gives them more to be angry about, new ways to broadcast that anger, and new tools to help them coordinate protest."
- "**The battle of us vs. them will only become more intense.**" (1) "There is little reason to believe that a decades-long trend toward greater inequality and a greater sense of economic unfairness, particularly in the United States, will be reversed anytime soon." (2) "Nor should we expect a sudden narrowing of economic strength between the wealthier countries of Northern Europe, where unemployment is relatively low, and the poorer countries of Southern Europe, where unemployment remains stubbornly high. Resentments over bailouts and austerity will create new opportunities for new politicians to exploit in years to come. In addition, the turn toward identity-driven nationalist politics in Eastern Europe will make it difficult for Germany and France to sell the sorts of EU and eurozone reforms that might make European institutions stronger, more resilient, and more accountable." (3) "The wealthiest companies can continue to use their political clout to push for tax rules that allow them to move money across borders to exploit tax advantages. As Rodrik has written, governments will then depend more heavily for revenue on taxing the wages and consumption of individual citizens. That trend will extend the transfer of wealth and widen inequality further." (4) "Nor is there good reason to believe there will be fewer immigrants in the future." (5) "Terrorism is unlikely to subside." (6) "Cyberspace is another arena in which government will become increasingly less able to provide basic public protection." (7) "Another factor that's likely to exacerbate inequality: next-generation automation (…) The increasing automation of the workplace, advances in machine learning, and the broad introduction into the economy of new forms of artificial intelligence will ensure that jobs of the future will require ever higher levels of education and training. As anyone now paying tuition—for themselves or someone else—knows all too well, the price of higher education in the United States is rising faster than for almost any other service."

Bremmer, Ian (2018): *Us vs them. The failure of globalism*, Portfolio/Penguin, New York.

18. The misleading view of globalization: The new age of global instability (Chris Harman, 2010)

"This whole process was baptised 'globalisation' by the 1990s. It was bracketed together with neoliberalism as representing a whole new phase of capitalism –for enthusiasts a phase very different to any previously. They held not only that the world should be organised according to the free flows of capital, without any intervention by governments (…) We lived, it was said, in the age of multinational (or sometimes transnational) capital, of firms moving production at will to wherever it could be done most cheaply. It was (…) a world of 'weightless' production, where computer software and the internet were much more important than 'old fashioned metal-bashing' industries, and where the absolute mobility of capital had completely detached it from any dependence on states."

"As Suzanne de Brunhoff noted: 'Even though huge financial flows of mobile capital are daily circulating round the globe, a global single market of capital does not exist. There is no single world rate of interest and there are no single world prices for produced goods… Financial assets are denominated in different currencies which are not 'perf ect substitutes'' (…) Not only did the popular globalisation accounts overstate the degree of mobility of capital, they also provided a much distorted view of what that mobility involves. Alan M Rugman pointed out that of the big multinationals 'Very few are 'global' firms, with a 'global' strategy, defined as the ability to sell the same products and/or services around the world' (…) The pattern was not one of capital flowing effortlessly over a homogenous worldwide landscape. It was 'lumpy,' concentrated in some countries and regions (…) 'All that is solid' did 'melt into air' as Marx had put it –but not in the way the crude globalisation theory held. For capital's old companion, the state, entered into the process at every point."

"The internationalisation of firms' operations, far from leading to less dependence on state support, increases it in one very important respect. They need protection for their global interests. A whole range of things become more important to them than in the early post-war decades: trade negotiations for access to new markets; exchange rates between currencies; the allocation of contracts by foreign governments; protection against expropriation of foreign assets; the defence of intellectual property rights; enforcement of foreign debt repayments. There is no world state to undertake such tasks. And so the power of any national state to force others to respect the interests of capitals based within it has become more important, not less (…) The successor to the state capitalism of the mid-20th century has not been some non-state capitalism but rather a system in which capitals rely on "their" state as much as ever , but try to spread out beyond it to form links with capitals tied to other states. In the process, the system as a whole has become more chaotic."

"The interaction between the great powers is not the peaceful concert of nations dreamt of by certain apostles of neoliberalism and free trade. There are contradictory interests, with military force a weapon of last resort for dealing with them. The greatest source of instability has come from the attempts of the US to permanently cement its position at the front of the global pecking order."

"The growing role of finance had its impact throughout the global economy. Every upturn in the recession-boom cycle after the early 1980s was accompanied by financial speculation, causing massive rises in the US and British stock markets in the mid-1980s and mid-1990s, the huge upsurge of Japanese share and real estate prices in the late 1980s, the dotcom boom of the late 1990s, and the housing booms in the US and much of Europe in the early and mid-2000s. Along with these went successive waves of takeovers and mergers of giant companies."

"The first big growth of international finance in the 1960s was a result of the way the growth of international trade and investment and US overseas military expenditure associated with the Vietnam War –led to pools of finance ('Euromoney') which had escaped the control of national governments. The next big growth came with the recycling of massively expanded Middle East oil revenues through the US banking system –revenues that were a product of the increased dependence of productive capital on Middle East oil. The restructuring of productive capital took place increasingly (…) across national borders, even if mostly it was regional, not global, in scope (…) But industry could not restructure in this way without having financial connections across borders. It required international financial networks if it was to repatriate profits or establish subsidiaries elsewhere in the world (…) Capitalism internationally went through nearly four decades in which profitability was substantially lower."

"Globally this meant there was a growing pool of growth of money capital-money in the hands of productive as well as non-productive capitals-searching for outlets that seemed to promise higher levels of profitability. Hence the pressure on firms to deliver short-term rather than long-term profits. So too the succession of speculative bubbles and the repeated 'Minsky' shifts from speculation to Ponzi schemes in which financiers used the money entrusted to them by some investors to pay off other investors and line their own pockets (…) The financial system expanded as a consequence, since it played a key part in collecting together the funds for speculation, and could then use the assets whose value had increased because of speculation as collateral for borrowing more funds. There developed a mass of capital wandering round the world looking for any opportunity where it seemed there might be profits to be made."

"Capitalism became a global system in the 20th century in a way it had not been before. Not only were there global markets and global finance but capitalist industry and capitalist structures of consumption arose in every region of the globe, although unevenly. As that happened a tendency noted in its embryonic form by only the most far sighted thinkers of the 19th century, including Marx and Engels, developed until by the end of the century it was visible to everyone who cared to look. This was the tendency for the system to undermine the very process of interaction with nature (…) The most dramatic expression of this has been the way the accumulation of certain gases in the atmosphere are raising the global temperature and producing climate change. Capitalist industry and its products always had devastating environmental effects."

"It is the sort of interaction of the economic, the environmental and the political we should expect to see repeated again and again in the 21st century, producing recurrent, very deep social and political crises that frame the choice between global catastrophe and revolutionary change."

Harman, Chris (2010): *Zombie capitalism. Global crisis and the relevance of Marx*, Haymarket Books, Chicago, Illinois.

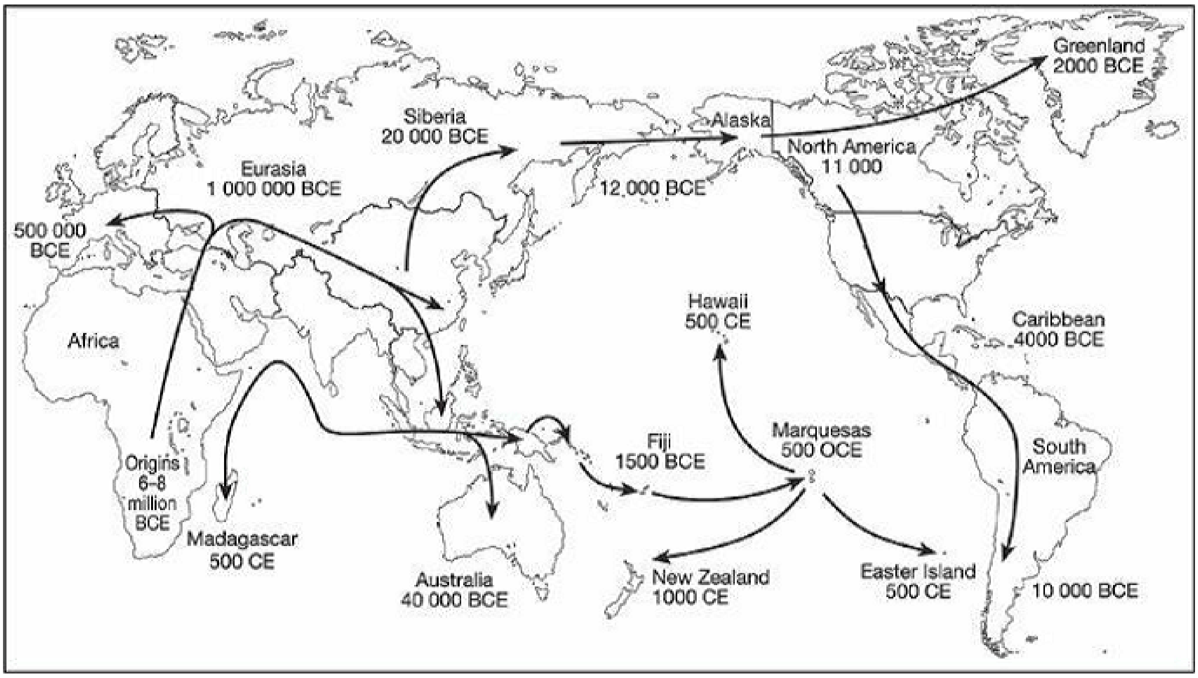
19. Globalization as imperialism

"The obsolete term 'imperialism' has even disappeared from the vocabulary of the Left, to be replaced by the more aseptic 'globalisation', which apparently alludes to a natural and peaceful process of market expansion. The term may have fallen into disuse, but imperialism, conceived as an aggressive intertwining of economic and military powers that enhances the world's inequalities, is very much alive today."

Sapelli, Giulio (2019): *Beyond capitalism. Machines, work and property*, Palgrave Macmillan.

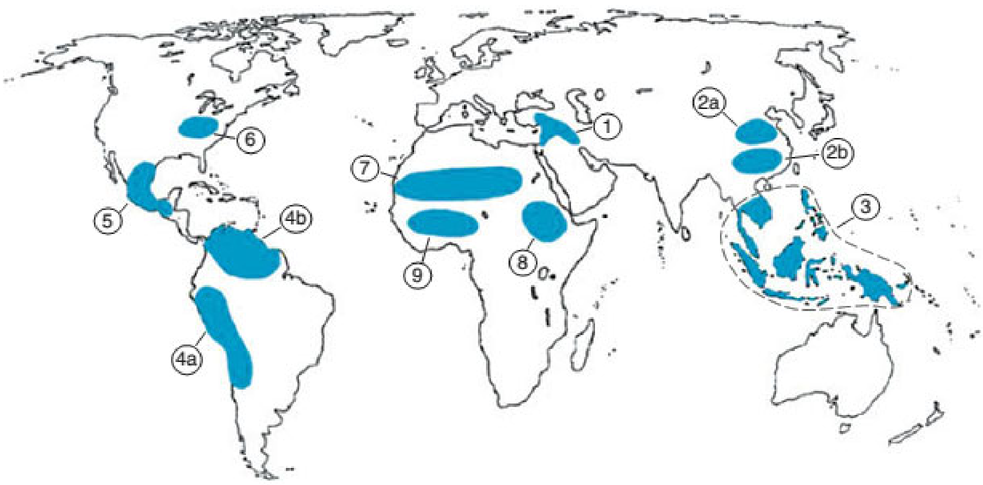
20. Long view of the globalization process (as the intensification of global interdependence)

- Period 1: territorial conquest of the planet. The human species expands over the planet. Migration is the driving force for the global conquest of the land. The unique economy was of the hunter-gatherer type.



Early human migrations, Steger (2013, p. 39)

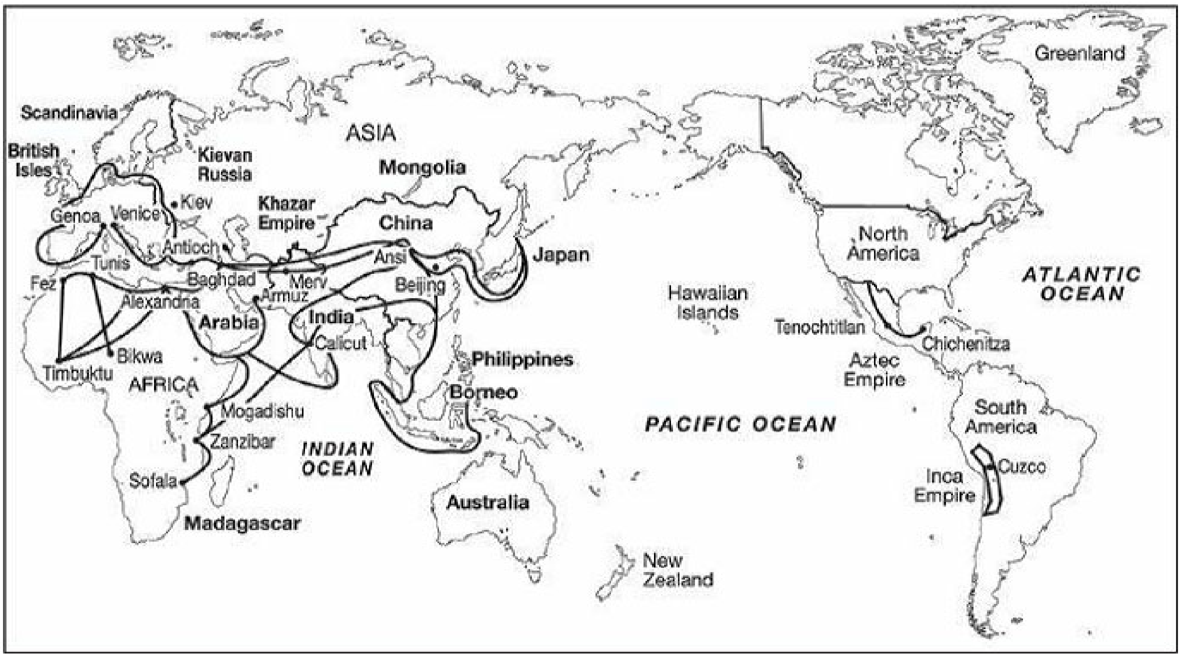
- Period 2: ancient globalization. Initiated with the agricultural revolution (which took millennia to unfold). Transformation from food-collecting to food-producing socities. Agrarian civilizations focused on political expansion, not economic development. Slow technological diffusion. Main environmental problem: keep the soil high in nutrients.



Centres of origin of agriculture. 1 Middle East; 2a northern China; 2b southern China; 3 Southeast Asia; 4a South American highlands; 4b South American lowlands; 5 Central America, 6 arid savannas of northern Africa; 7 eastern North America; 8 highlands of Ethiopia; 9 humid savannas of West Africa (K. Martin; J. Sauerborn

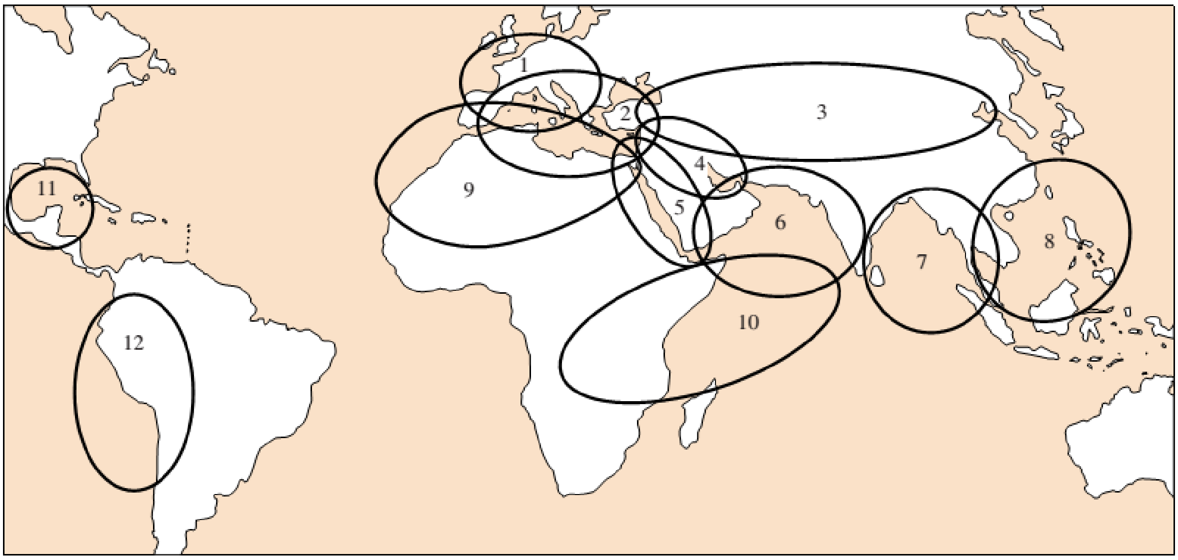
(2013): *Agroeco-logy*, Springer, p. 17)

- Period 3: old globalization. Starts around 1500, when the Old and New Worlds become connected. It is associated with the conquest of the seas: states reconquer the planet. Food globalization. More global trade networks. Faster technological diffusion. Origin of modern states. Emergence of global hegemons. Emergent capitalism. Global economy recurrently shaken by booms and busts.
- Period 4: modern globalization. It is born around 1800 with the Industrial Revolution. Industrialization and representative democracy spread. The expansion of industrialization is measured in centuries rather than millenia. Age of minerals (fossil fuels and mineral resources). Increasing flows of goods and people. Fast technological innovation. Anthropocene: humanity alters the trajectory of the planet. Rise of the West and Great Divergence. Origin of a state-based international political system. Modern states everywhere: political globalization concluded. Political expansion of the centre against the periphery. Unifying force of science. Explosive population growth.



Major world trade networks, 1000-1450, Steger (2013, p. 44)

- Period 5: hyperglobalization. Initiated around 1980, it involves the globalization of information: connections revolution (personal computer, internet, mobile phone). Digital expansion. Accelerated technological innovation. Great acceleration: the period after World War II up the present is the period of human history with the most rapid and pervasive changes (economic growth, resource use, waste generation, disturbance of the Earth System). Origin of a fully globalized economic system (based on multinational firms). Labour market: the less globally integrated. Rise of international finance. Production globalized (outsourcing). Platform companies, platform capitalism. Silent revolution: production at zero marginal cost. Rise of the Rest. Monopolies of the centre: technology, finance, resource exploitation, weapons of mass destruction, and media and communication. New capitalism launch in the 1980s (Samir Amin: generalized-monopoly capitalism). Labour weakened: is capital crushing labour?
- Period 6: future globalization? It could start in a not-too-distant future. Mechanization and automation: the rise of the robots and the end of work? Will artificial intelligence be dangerous? Will humans destabilize the Earth System? Global governance or sovereign national states? Will excessive inequality be tamed? Revolt of the elites or global triumph of democracy? The end of war? Will social pacification be reached? Major social conflicts/tensions (or its sources) eradicated? How sustainable will global economic growth be? Has globalization an expiration date? Population bomb: overpopulation, population collapse, population under control? Conquest of space or trapped on Earth? ("All civilizations become either spacefaring or extinct," Carl Sagan (1994): *Pale blue dot: A vision of the human future in space*) What is the future of the welfare state? How will energy shortages be solved? Will capitalism survive its sources of instability (finance, resource exhaustion, climate change, pollution, inequalities, depopulation)? Will it reinvent itself?



Regions of the 15th-century world economy, O'Brien and Williams (2016, p. 42)

O'Brien, Robert; Marc Williams (2016): *Global political economy. Evolution and dynamics*, Palgrave, London.

Steger, Manfred (2013): *Globalization. A very short introduction*, Oxford University Press, Oxford, UK.

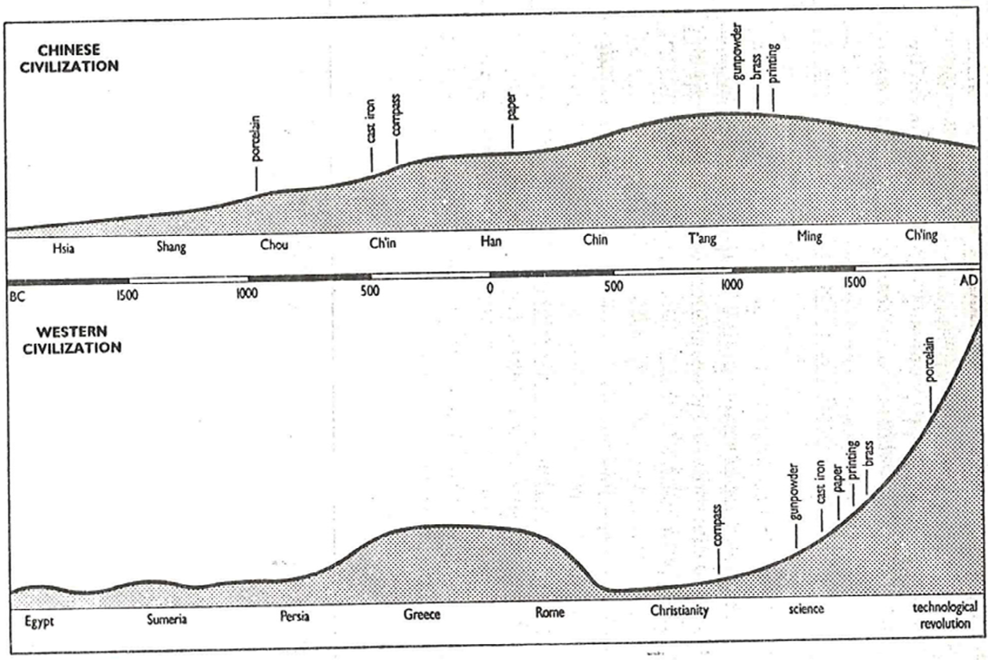
21. Historical race between Europe and Asia?

Goody (2010) claims that, since the Bronze Age Urban Revolution (that created the culture of cities, 'civilization'), there has been an alternation in the leadership of material and informational development between the western side of the Eurasian continent and the eastern side. History does not seem to support the idea of a permanent advantage: all advantage/dominance/superiority is temporary.

22. The Eurasian miracle

There is a common history of the development of civilization between East and West. Development has not been a uniquely or exclusively European phenomenon. The 'European miracle' (that the Industrial Revolution and the sustained growth in the standard of living occurred in Europe) is actually part of a larger 'Eurasian miracle'. There is no radical discontinuity in world development: the societies and urban cultures of Eurasia experienced a continuous development, to a great extent mediated by commercial, mercantile and manufacturing activity. The invention of writing accelerated cultural innovation towards the establishment of a knowledge society.

Goody, Jack (2010): *The Eurasian miracle*, Polity Press, Cambridge, UK.



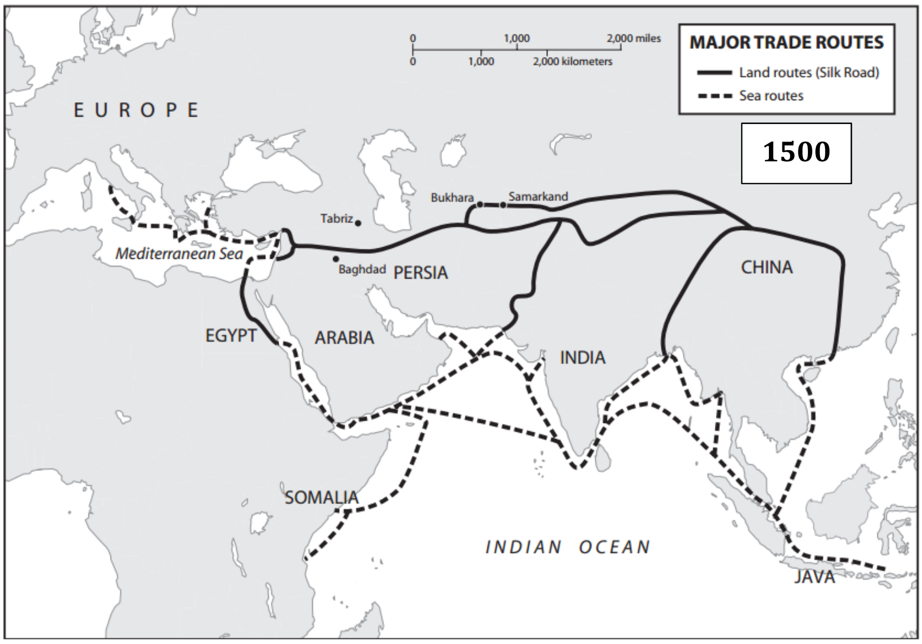
23. The Great Divergence

It is an expression that refers to the prosperity gap (more or less apparent after the Industrial Revolution) between 'the West' (western European countries and its offshoots, US, Canada, Australia and New Zealand) and 'the Rest'. The divergence was created by countries in the West entering before the current regime of modern economic growth in which GDP per capita grows continously to a great extent thanks to continuous technological advances applied in production processes. One explanation of the gap is that the West followed a capital-intensive path of development, whereas the Rest (specifically, East Asian economies) chose instead a labour-intensive path. Pomeranz (2000) attributes the different choice to mere accident: the fact that the West had access to the New World resources. A parallel interpretation is that the members of the West had the chance to globalize their economies first (first mover advantage).

Pomeranz, Kenneth (2000): *The great divergence. China, Europe, and the making of the modern world economy*, Princeton University Press, Princeton, NJ.

24. Explanations for the Great Divergence

General explanations for the Great Divergence (strongly related to the so-called fundamental growth determinants: culture, geography and institutions): (i) access to natural resources (coal); (ii) institutions (those favouring the spread of market activities); (iii) role of the state (promotion of industrialization); (iv) science and technology (cultural and institutional contexts favouring or difficulting their development); (v) the extent of the market for consumer goods (consumer revolution, Industrious Revolution); (vi) de-industrialization of the periphery (mainly during the 19th century).



25. Rise of the West

The 'Rise of the West' refers to the economic and political preeminence achieved globally by Western Europe (and British colonies) after (and thanks to) the Industrial Revolution. The 'Great Divergence' is the counterpart of the Rise of the West: while the West entered the regime of modern economic growth (sustained growth in real income), 'the Rest' diverged in relative terms with the West in income levels. Was the 'Rise of the West' (the European transition from underdevelopment to development through the Industrial Revolution that established the European superiority in wealth and power in the nineteenth century) actually a long rise (that started in the European medieval period) or a sudden (and possibly accidental) divergence from the rest of the world?

26. The traditional view of the Rise of the West

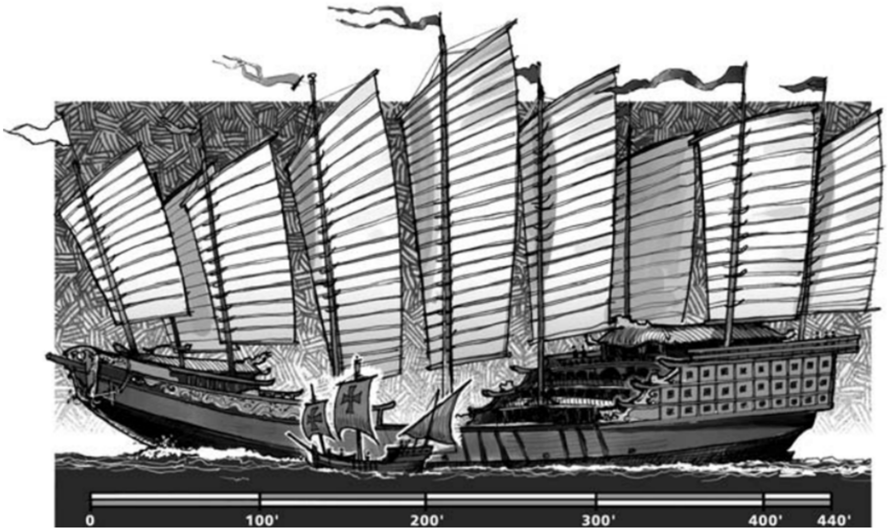
Some features of the European society (a uniquely creative, multipolar, internationally open society?) eventually produced the surge in productivity, technological progress and military power. If this view is correct, does it imply that, to become as developed as European/Western societies, the rest of societies must resemble European/Western? Is there an essentially unique way to become developed and prosperous? If it took a long time European societies to become developed, will non-Western societies also need a long time to match the Western levels of material well-being and techonological progress?

Bennett Peterson, Barbara (1994): "The Ming Voyages of Cheng Ho (Zheng He), 1371-1433", The Great Circle 16(1), 43-51.

Church, Sally K. (2005): "Zheng He: An investigation into the plausibility of 450-ft treasure ships", Monumenta Serica 53, 1-43.

Finlay, Robert (1991): "The treasure-ships of Zheng He: Chinese maritime imperialism in the age of discovery", Terrae Incognitae 23, 1-12.

Goldstone, Jack A. (2009): *Why Europe? The Rise of the West in world history, 1500-1850*, McGraw-Hill, New York.



Columbus's Santa Maria (20 m) vs Admiral Zheng He's (1371-1433, the 'Chinese Columbus') flagship (138.4 m by 56 m or 447 by 183 feet, though it is claimed that rather than 447 it was probably closer to 200-250 feet). Eight expeditions of a rather diplomatic nature were undertaken (1405-1433) to the 'Western Oceans': to impress and build allies, consolidate peace and preserve power at home. The first voyage comprised 312 ships and 27,800 men.

27. A dissenting view: the California School of global historians

Asian economies enjoyed levels of productivity and material well-being similar to the European levels, probably up to 1750-1800. India and China were manufacturing powers even during the 17th century. The European success/superiority arrived late and quickly. It was the accidental result of a resource windfall (the exploitation of the Americas) combined with the decline of the Asian economies. An implication of this view is that non-Western economies could catch up rapidly. Evidence supporting this conclusion: Japan and South Korea have been able to reach Western levels of prosperity and technology; and, in the last decades, China and India (and other Asian economies) have achieved growth rates far larger than the Western rates.

28. The Needham puzzle (Joseph Needham)

Having China made so many fundamental technological innovations (printing, compass, gun powder, paper), why did modern science not first developed in China?

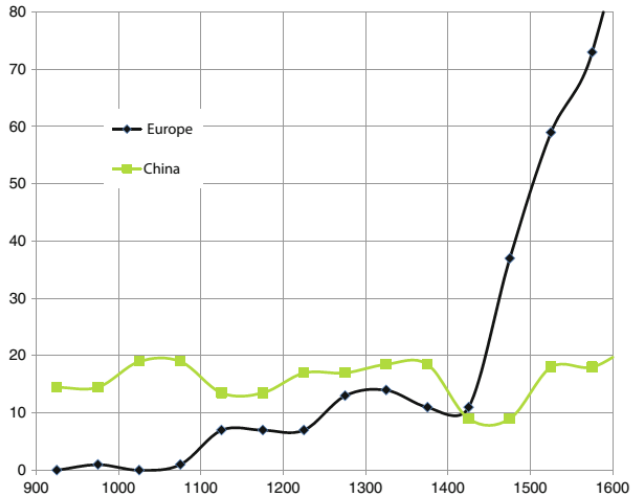
29. Little Divergence

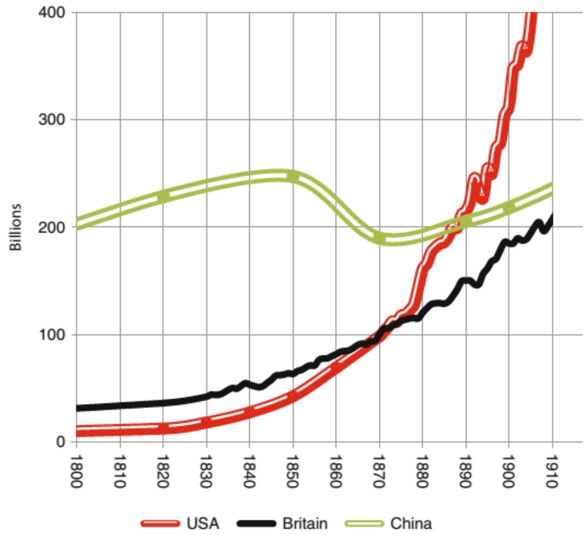
The expression Little Divergence captures an intra-European phenomenon. An older Little Divergence refers to the growing economic divergence (during the 17th and 18th centuries) between the more dynamic and expansionary economies in north-western Europe (Holland, England) and and the comparatively more stagnant southern (Mediterranean) economies in Europe (Spain, Italy, France). A newer Little Divergence is associated with the increasing gap in GDP per capita between north-western (Atlantic) Europe and both Mediterranean and East-Central Europe after around 1750. In short, it is an expression that refers to the divergence in economic development within the Western countries during the nineteenth and early twentieth centuries: a richer European north against a poorer European south.

30. Explaining the Great and the Little Divergences

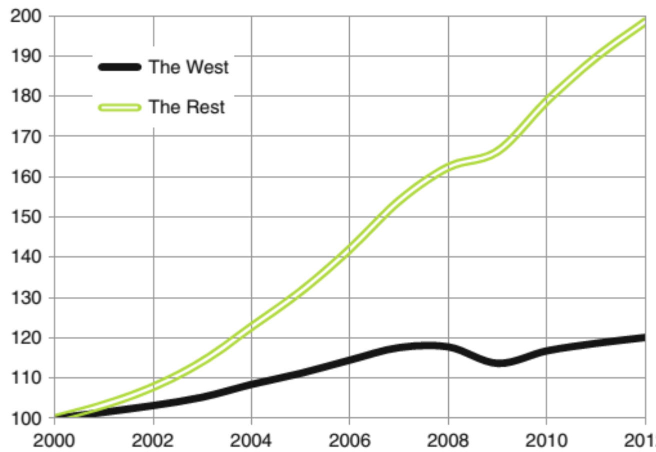
An explanation behind both the Great and Little Divergences (Davids, 2013) emphasizes religion as an important factor in technological change, through the impact of religion on: (i) the formation of knowledge and skills; (ii) the circulation of knowledge; and (iii) technical innovation. The Protestant Reformation is seen as an event that promoted the establishment and development of social and political institutions favourable to economic growth (via incentives to accumulate human capital, increase the supply of labour and adopt more responsible and predictable forms of government).

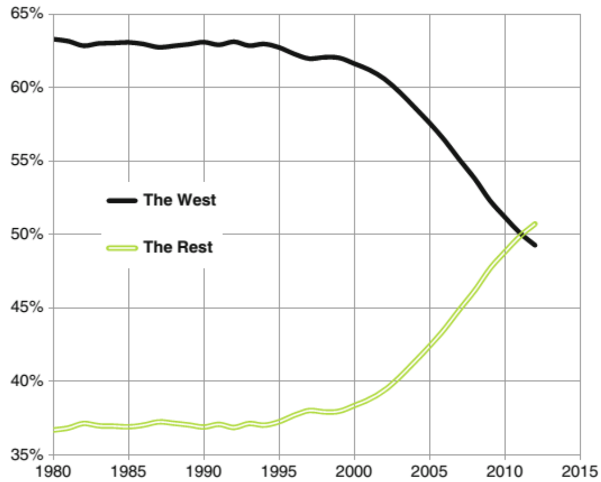
Cappelen, Ådne (2007): "Convergence, divergence and the Kuznets curve", in Erik S. Reinert; ed. (2004): *Globalization, economic development and inequality. An alternative perspective*, Edward Elgar, Cheltenham, UK, 309-325.



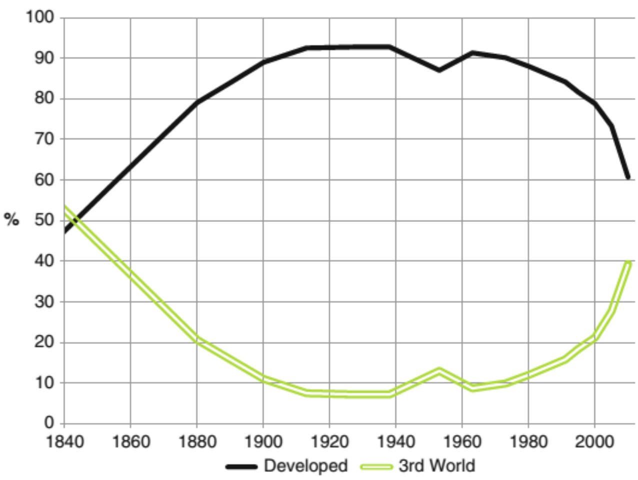


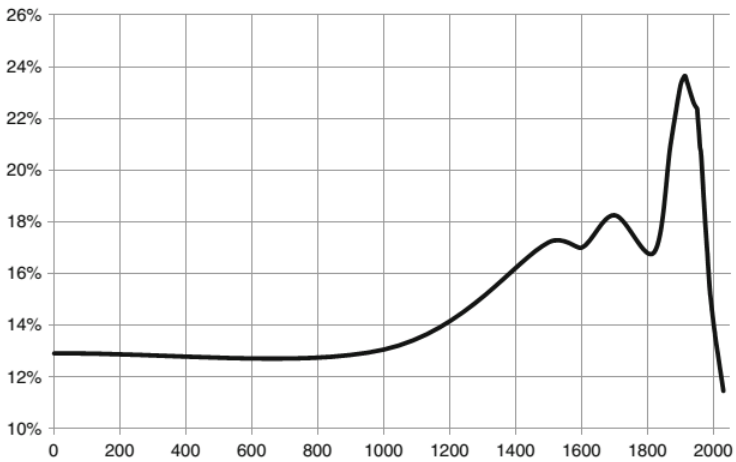
Left: Number of innovations in science and technology, 900–1600, Grinin and Korotayev (2015, p. 46)
Right: GDP dynamics, 1800–1917, Grinin and Korotayev (2015, p. 80)





Left: Relative GDP dynamics between West and Rest, 2000–2012 (2000 = level 100)
Right: Share of the West and the Rest in global GDP, 1980–2012 · Grinin and Korotayev (2015, p. 91)





Left: Western percent share in the world manufacturing, 1840–2010, Grinin and Korotayev (2015, p. 94)

Right: Share of the West in the world population, Grinin and Korotayev (2015, p. 94)

31. A common cause to the Great and the Little Divergences (Jared Rubin, 2016)

"Why shouldn't the Spanish or Ottomans have been able to turn their territorial and trade advantages into a long-run economic advantage? (…) Why did two states that seemed at least as primed for takeoff as, say, England fall behind while Protestant northwestern Europe surged ahead? (…) Underneath the geopolitical expansion of these empires were inherent economic weaknesses traceable to the institutions that propagated political power. It was no coincidence that neither Spain nor the Ottoman Empire experienced a fundamental institutional change akin to those that occurred in Protestant nations. The mechanisms through which the Spanish and Ottoman propagated rule allowed them to ignore the economic elite, and this in turn had a detrimental effect on their long-run economic fortunes (…) The histories of the Spanish and Ottoman Empires provide a telling counter-story to the histories of England and the Dutch Republic. In all four histories, the same message holds: *it matters who propagates political rule*."

"Ironically, the strength of the Spanish monarchs and Ottoman sultans was the long-run undoing of both of their economies. Because these rulers were so strong, they did not have to bring the economic elite to the bargaining table, and they consequently never enacted the types of laws that facilitate long-run economic growth. This was the key similarity between the Spanish and Ottoman Empires that was not present in early modern England or the Dutch Republic: the Spanish monarch and the Ottoman sultan were too legitimate. In other words, there is some optimal middle ground for a ruler's legitimacy: a weak ruler will not have people follow him, and the benefits associated with centralized governance will be lost, while a strong ruler does not have to negotiate with the economic elite in order to propagate rule. Early modern Spain and the Ottoman Empire had the latter problem, while the relatively weak (though not too weak) legitimacy of rulers in England and the Dutch Republic fostered a situation that eventually enabled prosperity."

"In Spain and the Ottoman Empire, a mix of religious authorities, local power brokers, and military elite propagated rule, leaving rulers with little incentive to negotiate with the economic elite. In England and the Dutch Republic, the Reformation provided the death knell to the Church as an agent that could provide religious legitimacy, forcing (in England) the Crown to negotiate with the economic elite or (in the Dutch Republic) propelling the economic elite to a position of political power. The long-run effects of these institutional differences are clear. After the Reformation in England and the Dutch Republic, rulers and parliaments drafted laws and policies conducive to long-run economic success. These included stronger and clearer property rights, new institutions for the provision of public goods, poor relief, and investment in transportation networks. Spanish and Ottoman rulers did not undertake such reforms. Their policies gave their citizens less incentive to invest in productive pursuits, and the bases for sustained economic growth were largely missing."

Rubin, Jared (2016): *Rulers, religion, and riches. Why the West got rich and the Middle East did not*, Cambridge University Press, New York.

32. The puzzle of the Middle East's economic underdevelopment

In the present, the Middle East is considered an economic laggard, a region suffering from a general economic inferiority in comparison with more advanced regions (in terms of life expectancy, energy and resource use, GDP per capita, literacy). Around the year 1000 this was not true: the region was economically advanced. Even around 1750 the inferiority did not appear so evident. The gap between the West and the Middle East was created in the nineteenth century. The twentieth century did not serve to close the gap but to keep it open. In comparison with the West, the Middle East has (at least since 1750) experienced a relative decline: growth has been slower than in the richest countries. Why?

33. Kuran's (2010) explanation of the Middle East's economic underdevelopment

The Middle East fell behind the West because fundamental institutions of a modern economy were adopted late: durable or long-lasting private enterprises, the only ones capable of mobilizing massive amounts of resources for production activities and thereby ensure durable economic transformations. Until too recently firms in the Middle East were too small and short-lived: profit-making enterprises were temporary undertaking and did not outlive their founders. This kind of institution was incapable of mobilizing huge amounts of savings, creating and exploiting new technologies, develop complex organizations, consider long-run planning horizons… Lacking the legal ability to create permanent and bigger private firms (the long divergence in organizational development) explains the lag in living standards and the subordination to western economies (the long divergence in prosperity).

Kuran, Timur (2010): *The Long Divergence. How Islamic law held back the Middle East*, Princeton University Press, Princeton, NJ.

34. The Great Divergence between the West and the Middle East (Jared Rubin, 2016)

"The fundamental difference between Western Europe and the Middle East (…) is that Islamic doctrine is more conducive to legitimizing rule than Christian doctrine is. The reason for this doctrinal difference was the circumstances under which the religions were born. Christianity was born in the Roman Empire, which had well- functioning legal and political institutions. Moreover, early Christians were in no position to legitimize the Roman emperor. Islam, on the other hand, formed initially alongside the expansion of a political state under Muhammad. The corpus of Islamic law grew further under the empires of the First Four Caliphs and the Umayyads– the largest empires the world had ever seen at the time. A natural consequence of this coevolution (…) was the formation of Islamic doctrine supporting the legitimation of rule by Islam (…) The spread of Islamic political rule helped promote trade by providing greater security for merchants, a common social and religious network, a common currency, a common language, and common financial instruments."

"… the strength of early Muslim rulers, due in large part to their ability to derive legitimacy from Islam, allowed Muslim-governed states to support trade in a manner unachievable by the more decentralized states of the pre-Islamic Middle East and post-Roman Europe. But this strength ultimately became a weakness. As trade expanded, new laws and policies were required for further expansion (…) Yet, Middle Eastern rulers had little incentive to adopt such laws and policies. Doing so would have undermined the religious elite, who were the primary interpreters of commercial law and were largely responsible for the rulers' strength in the first place."

"There was nothing predetermined about this outcome. Indeed, it was hardly unthinkable that Muslim rulers circa 1000 could have reformed Islamic law in a manner that would have benefited the economic elite. This book has provided two historical processes (…) that can account for their failure to do so. The static process consists of the 'game' a ruler plays to determine how to best propagate his rule. He considers the costs and benefits of different forms of propagation (…) and chooses some combination of propagating agents that best help him stay in power. These choices have dynamic consequences over the long run, many of which are unforeseeable or occur so far in the future that they are of minimal concern to the ruler in the present. These consequences stem from the fact that propagating agents do not support the ruler for free – they expect some say in laws and policies in return. Their choices can have unintended, path-dependent consequences for future rulers."

35. Great Convergence?

Is the Great Divergence in standards of living between the West and the Rest that resulted from the Rise of the West being cancelled out by an ongoing Great Convergence (through which the Rest is catching up with the West)? Is the globalization of the world economy the means by which the Great Convergence unfolds? Is then the Great Convergence a necessary continuation of the Great Divergence? Are they the two phases of a Global Modernization process?

36. Mahbubani's (2013, p. 1) Great Convergence: 'everything that rises must converge'

Kishore Mahbubani (2013) claims that more change has occurred in the world in the last three years than in the last three centuries. This massive change is creating a new global civilization. The force driving such change is globalization. The problem is that currently the world economy is like a boat without a captain: the institutions of global governance are too weak.

Mahbubani, Kishore (2013): *The great convergence. Asia, the West, and the logic of one world*, PublicAffairs, New York.

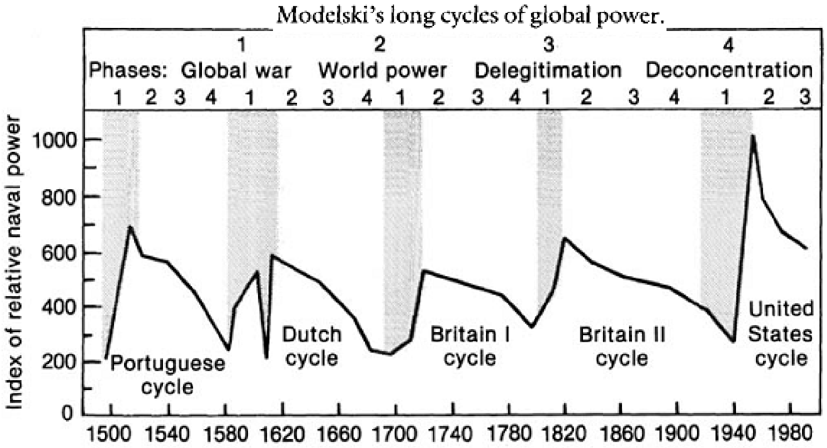
37. Gerschenkron's virtue of backwardness

Gerschenkron's study of the comparative history of industrialization in Europe led him to question the view that development gaps have to be eliminated by having the backward economies follow the path of the pioneering economies. His argument is that, <u>once an outcome exists (industrialization, development) it is not necessarily the best policy to replicate the original way in which the outcome was achieved</u>. The process involved are different from the one experienced by the now rich economies (speed of industrial growth, new organizational structures, novel industrial techniques and technologies…). He claims that themore backward (the less developed) an economy, the faster its industrialization can/will be, the more it will be based on the capital industry (instead of the consumer goods industry), the larger the scale of plants, the less significant the role of agriculture to help industrial development and the more important the institutions in promoting growth. His analysis emphasizes the advantages of the late-comer.

Gerschenkron, Alexander (1962): *Economic backwardness in historical perspective*, Harvard University Press, Cambridge, MA.

38. Has Western dominance ended?

Modelski's long cycles of global power.



After the fall of the Soviet Union it appeared that the Western way (liberal democracy, capitalism and secular nationalism) had no obstacle to become universalized. Kupchan (2012) holds that this is not going to occur, because the Western way is dependent on socio-economic conditions unique to Western countries. He also contends that no other political model or centre is going to displace it. His prediction is that the world will be multipolar (without a clear hegemon) and politically diverse, consisting of major powers with different political conceptions.

39. The (relative) decline of the West

The rise of India and China signals the end of Western dominance, heralded in the recent past by the rise of Japan and the subsequent success of the Four Dragons (Singapore, Hong Kong, Taiwan, and South Korea) and consolidated by the most recent wave of industrializing Asian economies (the Four Tigers: Thailand, Philippines, Indonesia and Malaysia). Globalization is displacing the economic and political focus from the West to the East: Asia's rise is the West's descent. Indicators of this descent are the increasing unemployment and the growing public debt in Europe and, in the US, trade deficits, government debt and consumer debt levels together with bigger risks of an unstable dollar.

40. A global ratchet effect

There are periods of growth of about 300 years, ended by either external or internal shocks, followed by collapse. The civilizations that lead a growth cycle cannot raise the standard of living permanently, but humanity benefits from a <u>ratchet effect</u>: the next growth cycle starts at a higher level (Graeme Snooks, 1993).

41. Parallel historical phenomena: long waves of economic activity and rivalry for economic leadership (Manfred Neumann, 1997)

Growing wealth generates expectations of greater wealth – when the marginal profits of accumulation start to decline, distribution problems become more pressing – when economic policy shifts from wealth creation to wealth distribution the potential for growth creation is undermined and the distribution pressures reinforced.

42. The Buddenbrook syndrome (after Thomas Mann's novel)

The grandfather makes successful the firm founded by this father. The grandfather's son consolidates the business. The grandson fails to maintain success. Inherited wealth changes preferences from capital accumulation to present consumption: the present is perceived as more valuous than the future. Those accustomed to the enjoyment of wealth spend more time and effort in consuming (reducing wealth) than in investing (increasing it).

43. The international Buddenbrook syndrome (Manfred Neumann)

"The economic rise of a country and the achievement of leadership depend on time preference being comparatively low [= savings comparatively high] and the burden of military expenditures being light because of population size (…) Conversely, the decline of once-leading nations can, in all cases, be attributed to a rising rate of time preference (…) Innovative activity diminishes and the ability to cope with the challenges of foreign competition dwindles."

44. Versions of the hypothesis of convergence of GDP per capita

- <u>Absolute convergence</u> (absolute beta-convergence). Regardless of their initial conditions, economies converge in the long run. To test this assumption it must be verified (i) that poorer grow faster than richer countries and (ii) that GDP per capita growth is negatively correlated to the initial level of GDP per capita (the poorer a country at the start of the period under consideration, the faster it grows during that period).
- <u>Conditional convergence</u>. Economies converge in the long run regardless of their initial conditions if they must possess similar structural characteristics. Conditional converge does not imply absolute convergence.
- <u>Club convergence</u>. Economies with similar structural characteristics converge in the long run if they enjoy similar initial conditions. Club converge implies neither absolute nor conditional convergence.

45. Does globalization yield convergence?

The deterministic view of the globalization process is in line with the presumption of historical convergence. The idea is that <u>technological progress forces social changes, that those changes are inevitable and, therefore, that</u> (regardless of history, cultural particularities, national ideologies and practices) <u>societies will become more alike</u> in their basic organization and convergence also in standards of living. The only difference is the speed at which societies reach the common destination.

46. Institutional life cycle (Avner Greif)

Institutions created to sustain cooperation in the end generate the conditions leading to their own demise. Example: Genoa was a thriving commercial center in the 11th century thanks to the cooperation between the ruling commercial clans; with success, the reward from controlling the city overwhelmed the gains from continued cooperation. With the disappearance of the foreign common military threat (the

47. The finance curse (Nicholas Shaxson, 2018)

"The concept of the finance curse is simple: it's the idea that <u>once a financial sector grows above an optimal size and beyond its useful roles, it begins to harm the country that hosts it</u>. Finance turns away from its traditional role serving society and creating wealth, and towards often more profitable activities to extract wealth from other parts of the economy. It also becomes politically powerful, shaping laws and rules and even society to suit it. <u>The results include lower economic growth, steeper inequality, inefficient markets, damage to public services, worse corruption</u>, the hollowing-out of alternative economic sectors, <u>and widespread damage to democracy</u> and to society."

Shaxson, Nicholas (2018): *The finance curse. How global finance is making us all poorer*, The Bodley Head, London.

48. The institutions curse (V. Menaldo, 2016)

"… overreliance on natural resources is simply one symptom of a deeper, underlying disease that afflicts developing countries. This book labels that disorder the institutions curse. Other symptoms include fiscal monopolies that represent hyper-regressive forms of taxation, urban bias that ruins farmers, crony capitalism that erodes consumer surplus, and politicized finance that rations already scarce credit.

Countries cursed by their institutions fail to provide the type of political, legal, and infrastructural ecosystem that fosters broad-based economic development. Most investors outside of extractive industries tend to stay away. Governments therefore lack a revenue base that can be taxed at low cost (…) The government's inability to credibly commit to repaying its debts, exacerbated by a genuine lack of economic growth, domestic revenues, and foreign currency, heightens political risk.

(…) Weak states cursed by their institutions may erect fiscal monopolies on inelastic goods and turn to financial repression. Or they may create marketing boards that siphon money away from the countryside by paying farmers below market prices for the food they produce and then re-exporting it at a substantial profit. They may also indulge in industrialization via crony capitalism and inflationary taxation. Finally, they may erect natural resource sectors from scratch since, unlike their counterparts in industries centered on intangible goods and services, such as intellectual property, foreign investors operating in extractive industries do not really fear political risk. They are too shrewd, powerful, and wealthy to be stopped from striking it rich in the developing world's mines and oil basins."

Menaldo, V. (2016): *The institutions curse: Natural resources, politics, and development*, Cambridge University Press.

49. The resource curse thesis (a paradox of poverty from plenty)

The resource curse thesis holds that economies abundantly endowed with internationally valued resources (oil, gas, diamonds, copper…) tend to be poorer, have more corrupt leaders and be more likely to suffer from war or conflict. Resource-led growth may prove beneficial in the short run (revenue is easily obtained by exporting resources and foreign capital is attracted) but, according to the thesis, the long run effects tend to be negative: economic growth slows down; poverty, inequality and unemployment levels remain high; economic diversification is avorted; social welfare programmes cannot be sustained…

"The resource curse view postulates that natural resource exports–and especially oil–constitute an external, unearned, and 'easily capturable' source of rents. This severs the fiscal link between rulers and the ruled and renders the former unaccountable to the latter. Once rulers are freed from taxing their citizens, they are freed from having to solicit their consent or input. Natural resource revenues therefore bolster the power of executives and the bureaucracy and create countless opportunities for rent-seeking and corruption. Paradoxically, although these rents may prolong the tenure of tyrants, they might also catalyze civil wars in a bid to capture this valuable prize." (V. Menaldo, 2016, p. 2)

Shaxson, Nicholas (2007): "Oil, corruption and the resource curse", International Affairs 83(6), 1123-1140.

Havro, Gøril; Javier Santiso (2011): "Benefiting the resource rich: How can international development policy help tame the resource curse?," IDS Working Paper 355, Institute of Development Studies at the University of Sussex.

50. Maladaptation (maladaptive beliefs and practices)

"All societies are sick, but some are sicker than others (…) Even populations that appear to be well-adapted to their environments maintain some beliefs or practices that unnecessarily imperil their well-being or, in some instances, their survival. Populations the world over have not been well served by some of their beliefs such as, for example, those concerning witchcraft, the need for revenge, or male supremacy, and many of their traditional practices involving nutrition, health care, and the treatment of children have been harmful as well. Slavery, infanticide, human sacrifice, torture, female genital mutilation, rape, homicide, feuding, suicide, and environmental pollution have sometimes been needlessly harmful to some or all members of a society and under some circumstances they can threaten social survival."

"Some populations have failed to survive or have lost their culture, language, or social institutions because they were not able to cope with the demands that their environments made on them. This failure to thrive is the most calamitous form of maladaptation, but it is not the only one. A few people in all societies, and many people in others, feel alienated, become depressed, or attempt suicide. Others withdraw from social life or emigrate, and it is not uncommon for people to protest or rebel (…) Beliefs or practices that leave a population seriously discontented or rebellious are, under most circumstances, maladaptive because they threaten the survival of that sociocultural system and endanger the physical and emotional wellbeing of the people in it."

"Much of what we have learned about human history and human nature suggests a picture of human accomplishment, not discord, failure, or pathology. Throughout the world, people have developed effective techniques of hunting, gathering, herding, and gardening, domesticated plants and animals, built houses, developed trade, established meaningful religions, and learned to govern themselves. They have also created moving forms of music and dance and dazzling works of art."

"Counterintuitive though it may seem after an exposure to this compelling record of human ingenuity, it must nevertheless be acknowledged that populations have not always gotten things right. Inefficiency, folly, venality, cruelty, and misery were and are also a part of human history. Human suffering is one result (…) Incredible folly followed by incredible heroism is not a rare occurrence in human history."

"Some (…) believe that the prime mover of evolution has not been competition among species but environmental change that creates opportunities for some species more than others to proliferate (…) These two evolutionary phenomena are sure to continue into the future, when the already great interconnectedness of peoples and their societies will no doubt increase still further (…) Yet, paradoxically, if recent experience is any guide, neither these developments nor the increased power of regional or worldwide forms of governance will put an end to ethnic and religious factionalism, xenophobia, and strife. Instead, one form of irredentism or another can be expected to flourish virtually everywhere on earth. These ethnic and religious revivalisms, these passionate strivings for lost autonomy and misplaced meaning, will likely bring about ever more intense valorization of traditional beliefs, rituals, and customs."

Edgerton, Robert B. (1992): *Sick societies: Challenging the myth of primitive harmony*, The Free Press, New York.

51. Two roads to modernity (John Micklethwait and Adrian Wooldridge, 2009)

"Ever since the Enlightenment there has been a schism in Western thought over the relationship between religion and modernity. Europeans, on the whole, have assumed that modernity would marginalize religion; Americans, in the main, have assumed that the two things can thrive together.

This schism goes back to the modern world's two founding revolutions. The French and American Revolutions were both the offspring of the Enlightenment, but with very different views of the role that religion should play in reason's glorious republic. In France the *révolutionnaires* despised religion as a tool of the ancien régime. By contrast, America's Founding Fathers took a more benign view of religion. They divided church from state not least to protect the former from the latter (…)

It now seems that it is the American model that is spreading around the world: religion and modernity are going hand in hand, not just in China but throughout much of Asia, Africa, Arabia and Latin America. It is not just that religion is thriving in many modernizing countries; it is also that religion is succeeding in harnessing the tools of modernity to propagate its message. The very things that were supposed to destroy religion—democracy and markets, technology and reason—are combining to make it stronger."

Micklethwait, John; Adrian Wooldridge (2009): *God is back. How the global revival of faith is changing the world*, Penguin Press, New York.

52. Mineral wealth may be a curse

"… the dominance of oil and gas in the Russian economy has helped to weaken democracy in that country, and seems likely to keep things that way. And it is no coincidence that the four longest-serving rulers in Africa, all autocrats, are in oil zones. Their governments do little more than keep themselves in power, being frequently embroiled in armed conflict, and certainly deliver very little to their citizens."

"Minerals do not just help prolong civil wars, they also attract unwelcome attention from outside. One of the misfortunes of the beleaguered Democratic Republic of Congo (…) is to have deposits of coltan, a mineral used in the manufacture of mobile phones. It also has diamonds, copper, and gold. Several countries, including

Uganda, were widely reported as having sent troops over the border to plunder the resources during the DRC's civil war between 1997 and 2003 (…) Another useful, and hence disastrous, aspect of minerals is that governments with them find it easier to borrow (…) Many developing countries have built up spectacular debt burdens from borrowing recklessly from reckless lenders, but it is hard to top the oil producers. By the time Saddam Hussein's regime fell, in 2003, Iraq had accumulated, and defaulted on, debt somewhere between two and four times the size of the entire economy, estimated to equal around $6,000 for each Iraqi."

"The peculiarity of Botswana has attracted a lot of attention from political scientists and economists, who wonder why it is such a success, and why its success is such an anomaly (…) Its government made a whole string of good decisions where other countries made bad ones. Sound political institutions, including the rule of law, if not multiparty democracy, managed to develop alongside the exploitation of diamond wealth (rather than existing before it). Seretse Khama, Botswana's first president, and his associates made a series of textbook moves. They created a national fund for the diamond wealth, thus avoiding the ethnic divisions that would have followed had tribes been allowed to appropriate the proceeds for themselves. They mined the diamonds slowly, in order to match the capacity of the country to spend the proceeds wisely. (De Beers actually wanted to dig them out faster.) They chose projects for the fund in strict order of what economic return they were likely to produce (…) If every African country with a mineral resource exploited it as well as has Botswana, the continent would be vastly better off."

"Two problems arise in trying to replicate Botswana's success. One, most governments simply refuse to bind themselves to the mast. Two, particularly in a continent like Africa with recent memories of domination by colonial powers, it is close to impossible for an outsider to come in and force them to do so. To know what the right policies are does not mean it is straightforward to ensure they are implemented."

Beattie, Alan (2009): *False economy. A surprising economic history of the world*, Riverhead Books, New York.

53. The role of the state in the rise of the West

"For a period of more than a thousand years after the fall of the Roman Empire, East Asia was probably the most advanced part of the world, with a larger population, more intensive agriculture, larger and better organized cities and stronger states and empires. This changed at some stage in the early modern period, and during the last 200 years, Europe and the USA have dominated the world in a way that has never occurred before (…) The organization and technological innovations in the military field were clearly results of the competition between the European states. The great scientific discoveries from the sixteenth century onwards have been explained in different ways but at least from the time when they had practical applications, the importance of the state must have been great (…) Thus, despite the many deficiencies of the European state of the Old Regime, it seems to have been based more on support from at least a portion of its subjects than most kingdoms and empires in other parts of the world, which in turn forms part of the explanation for later Western dominance."

Bagge, Sverre Håkon (2019): *State formation in Europe, 843-1789. A divided world*, Routledge, London and New York.

54. Development traps

The existence of development traps is denied by the right: good policies allow any country to escape poverty. The left consider these traps a by-product of global capitalism. Collier (2007) identifies four such traps: the conflict trap (civil war and coups), the natural resources trap, the trap of being landlocked with bad neighbors, and the trap of bad governance in a small country. No trap is inescapable but globalization has made it more difficult to use the global market to escape from them: to take advantage of globalization, an economy should be sufficiently developed ("strong") and the problem of the economies trapped is that they are insufficiently developed ("weak"). There is then a vicious circle: a country is underdeveloped by some trap because it cannot join properly the globalization process, and it cannot join the process because of the country is underveloped. In 2006, according to Collier (2007), there were 58 trapped countries, with around 980 million people living there. The typical feature of these countries is being small.

Collier, Paul (2007): *The bottom billion. Why the poorest countries are failing and what can be done about it*, Oxford University Press, New York.

Reinert, Erik S. (2011): "Review of The bottom billion by Paul Collier", Journal of Global History 6(1), 156-158.

55. Why is not all the world developed?

Easterlin (1981) views the spread of modern economic growth as depending on the diffusion of knowledge of new production techniques, whose acquisition and application of this knowlege has depended on the extent to which the population has acquired the traits and motivations that formal schooling provides. In turn, political conditions and ideological influences seem to have determined in the past the implementation of modern education systems. Easterlin (1988) attributes the insufficient diffusion of technology to the lack of appropriate institutions (social capabilities).

- **Will all the world become developed?** "This, then, is the future to which the epoch of modern economic growth is leading us: a world in which ever-growing abundance is always outpaced by material aspirations, a world of increasing cultural uniformity. (…) The proximate roots of the epoch of modern economic growth lie in the growth of science and diffusion of modern education".

56. The Easterlin (happiness-income) paradox

The paradox is that empirical studies indicate that happiness (subjective well-being) increases with income at a point in time but, over time, this relationship disappears: the average level of happiness is unrelated to economic development. Easterlin's (1988) explanation is that happiness is positively related to one's income but negatively related to the income of the rest: you feel better off if your income rises when, for the rest, income remains constant; and you feel worse off if it is your income that remains constant while that of the rest goes up.

Easterlin, Richard A. (1981): "Why isn't the whole world developed?", Journal of Economic History 41(1), 1-19.

Easterlin, Richard A. (1988): *Growth triumphant. The twenty-first century in historical perspective*, The University of Michigan Press, Michigan, IL.

Stevenson, Betsey; Justin Wolfers (2008): "Economic growth and subjective well-being: Reassessing the Easterlin paradox", Brookings Papers on Economic Activity 2008, 1-87.

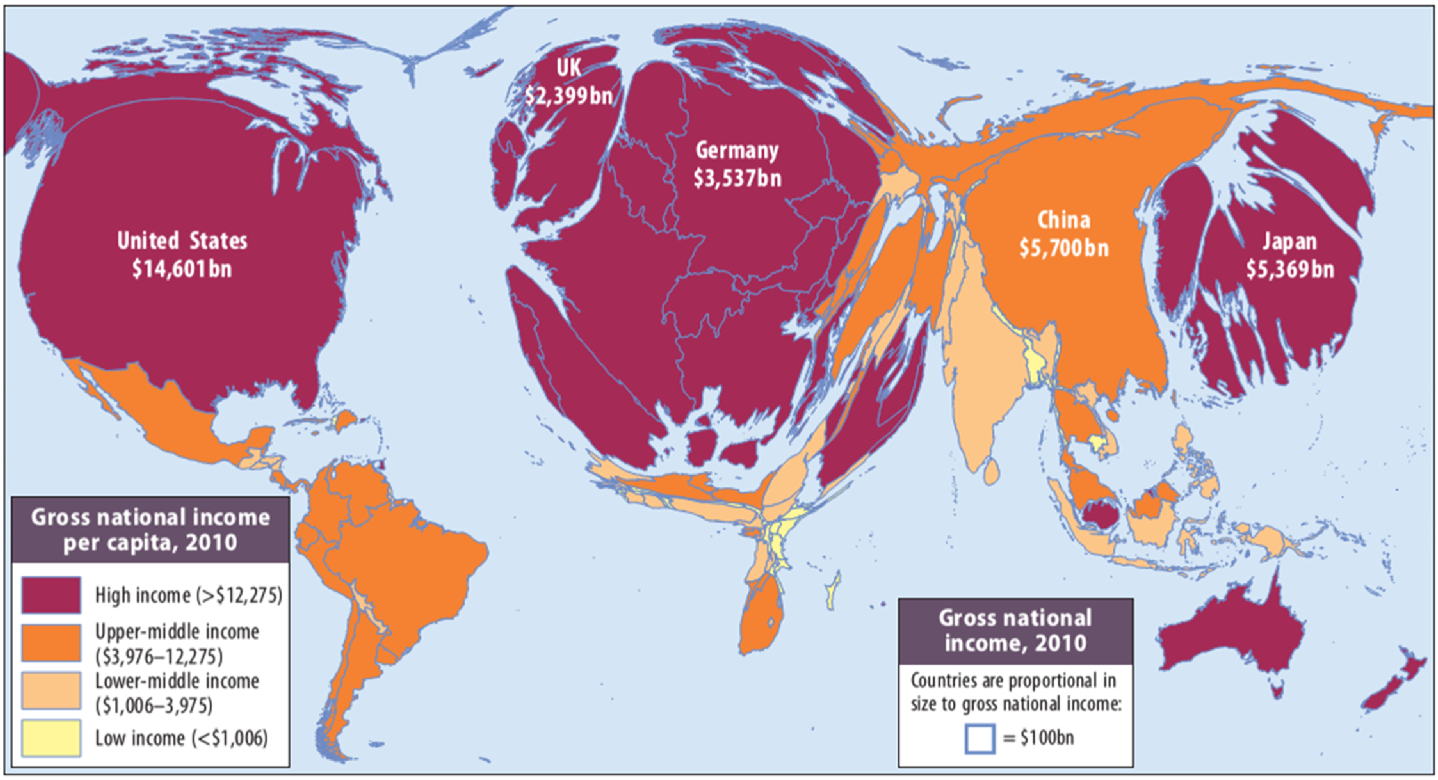
57. The paradox of prosperity (Todd G. Buchholz, 2016)

Buchholz suggests the following 'paradox of prosperity': "It is a common and dangerous mistake to think that societies are less vulnerable when they are relatively prosperous (…) even relatively prosperous societies have a tendency to come apart." He identifies five "potent forces that can shatter even a rich nation: (1) falling birthrates, (2) globalized trade, (3) rising debt loads, (4) eroding work ethics, and (5) the challenge of patriotism in a multicultural country." As regards (1):

> "As countries grow rich, their birthrates fall and the average age of the population climbs. In order to keep up a lofty standard of living, citizens need workers to serve them, whether as neurosurgeons in hospitals, waiters in restaurants, or manicurists in nail salons. This requires an influx of new workers, which means opening up the gates to more immigrants. Unless a country has strong cultural and civic institutions, new immigrants can splinter the dominant culture. Thus countries face either (1) declining relative wealth or (2) fraying cultural fabric. Prosperous nations cannot enjoy their prosperity without becoming multicultural. But if they become multicultural, they struggle to pursue unified, national goals."

Buchholz derives the following general rule from his research: the fertility rate falls to 2.5 children per women when GDP grows above 2.5 percent for two generations (some 50 years). A third generation of growth and the rate falls below 2.1.

Buchholz, Todd G. (2016): *The price of prosperity. Why rich nations fail and how to renew them*, Harper, New York.



Dicken, Peter (2015): *Global shift: Mapping the changing contours of the world economy*

58. The developmental state

"The twentieth-century developmental state pursued an industrialization-led approach to economic growth. Indeed, economic growth in the nineteenth and twentieth centuries was marked by the shift from predominantly agricultural economies to manufacturing-based economies (…) Thus a class compromise orchestrated and sustained by democratically elected governments became pervasive in advanced capitalist economies in the period after the Second World War. Powerful states could justifiably promote industrial development in the pursuit of a national economic growth that benefited the majority of citizens. Theorization of the state and development has thus far been predicated on a machine production-based, manufacturing-driven economy."

"However, by the late twentieth century, manufacturing was shrinking and incapable of sustaining a working class sizable and prosperous enough to create a general increase in well-being (…). Deindustrialization is not just a historical tendency in the Global North (…) The Global South has gone down the same path of deindustrialization. China and India have both seen jobs in manufacturing falling (…) Growth has become increasingly 'bit driven'. That is, value-added activities consist of new ways of arranging bits of information in formulas, software code and images or of delivering intangible, often poorly paid services rather than the physical manipulation of materials to make tangible goods (…) This restructuring of the world economy requires a new kind of state action and embeddedness. In his chapter in this book, Evans makes a theoretical case for the twenty-first-century developmental state to retain the bureaucratic capacity and embeddedness that was the hallmark of the twentieth century but to go beyond the latter by assuming greater responsibilities. His premise is that growth in the twenty-first-century bit-driven knowledge economy depends on the expansion of human capabilities—ideas, education and health."

"The tripartite alliance of the classic developmental state—between the national state, domestic capital and international capital—is no longer the primary relationship that states have to nurture (…) Social developmentalism requires webs of relations between a wide range of social classes and the state at various levels. While intrastate and state–civil society relations are vital for twenty-firstcentury developmental states, the global economy also poses serious challenges for states (…) Developmental states often face hard choices between protecting policy autonomy, maintaining democratic accountability and ensuring national responsiveness to local pressures on the one hand and integrating with the global economy and the concomitant loss of state decision making in the economy on the other."

Williams, Michelle (2014): "Rethinking the developmental state in the twenty-first century", in Williams, Michelle; eds. (2014): *The end of the developmental state?*, Routledge, New York.

59. The paradox of development (Morris, 2010)

"Rising social development generates the very forces that undermine further social development." An unintended consequence of success is new the emergence of new problems, whose solutions lead to additional (probably, more serious) problems. Social development stagnates or declines when the challenge of temporary success is not met: every society races against itself under an unstoppable Red Queen effect.

60. Shirky principle (Clay Shirky)

"Institutions will try to preserve the problem to which they are the solution." Institutions tend to develop a self-preservation instinct.

61. The Lee hypothesis (Lee Kuan Yew, 1923-2015; president of Singapore, 1959-1990)

The Lee hypothesis holds that nondemocratic systems are better at bringing about economic development.

62. The bottom billion

"The real challenge of development is that there is a group of countries at the bottom that are falling behind, and often falling apart. The countries at the bottom coexist with the twenty-first century, but their reality is the fourteenth century: civil war, plague, ignorance. They are concentrated in Africa and Central Asia, with a scattering elsewhere".

63. The Malthusian view (Thomas Malthus)

Assuming that population tends to grow if unchecked and that there is a limit to the increase in agricultural productivity, it is not possible for an economy to enjoy population growth and increasing per capita wealth.

64. The modern Malthusian view

Rather than by the availability of food, all economies are ultimately constrained by the carrying capacity of planet Earth.

65. Malthusian instability (Layzer, 1988)

Systems that can reproduce themselves (living beings, economies) and operate in favourable conditions tend to surpass the carrying capacity of the environment. This creates the need and incentive for the system to adapt and mutate into something else.

66. The Boserupian view (Ester Boserup)

Population growth causes improvements in agricultural productivity, agricultural technology, land use and land tenure: an increasing population leads to the intensification (more labour invested) in the use of existing resources (land). Boserup holds that population growth does not depend on food supply.

67. The Brenner view (Reuven Brenner, 1983)

Many features of modern societies (emergence of agriculture, literacy, market institutions, the government, legal system) can be viewed as adaptations to an increase in population. A population increase reduces per capita wealth and changes wealth distribution. This induces those at the lower scale of wealth distribution to take more risks (bet on novel, revolutionary, innovative ideas; engage in illegal acts; become more creative; gamble more). The more envious individuals are more prone to gamble more as a way to try to improve their relative position. Those succeeding in the bet for novel ideas create a positive externality on the rest: innovations eventually spread.

Brenner, Reuven (1983): ***History. The human gamble*, The University of Chicago Press, Chicago.**

68. The Olson hypothesis (Mancur Olson, 1984)

The Olson hypothesis holds that political stability, in the long run, is likely to be economically dysfunctional, as it prone to hamper or retard economic performance through the rent-seeking activities of consolidated interest groups. The argument is as follows: (i) in stable societies, the number of collusions and organizations for collective action tend to grow and accumulate; (ii) most of these organizations are distributional coalitions: rent- and self-seking interest groups; (iii) the activity of these distributional coalitions cause a decline in economic growth by slowing down change and innovation, since these coalitions do not in general welcome the adoption of new technologies nor significant reallocations of resources that may be needed to address economic changes and shocks. Conversely, faster growth could be promoted through shocks to the socio-political order that dismantle powerful interest groups

Olson, Mancur (1984): ***The rise and decline of nations. Economic growth, stagflation, and social rigidities*.**

Goldsmith, Arthur A. (1987): "Does political stability hinder economic development? Mancur Olson's theory and the Third World", Comparative Politics 19(4), 471-480.

Quiggin, John (1992): "Testing the implications of the Olson Hypothesis", Economica 59(235), 261-277.

69. People is the ultimate resource (Simon, 1996)

- **More people, good.** "Adding more people to any community causes problems, but people are also the means to solve these problems. The main fuel to speed the world's progress is our stock of knowledge, and the brake is our lack of imagination. The ultimate resource is people —skilled, spirited, hopeful people— who will exert their wills and imaginations for their own benefit as well as in a spirit of faith and social concern. Inevitably they will benefit not only themselves but the poor and the rest of us as well." Having more people creates more problems but people are the means to solve them.
- **Natural resources.** "…our supplies of natural resources are not finite in any economic sense. Nor does past experience give reason to expect natural resources to become more scarce. Rather, if history is any guide, natural resources will progressively become less costly, hence less scarce, and will constitute a smaller proportion of our expenses in future years." The same conclusion is said to apply to energy: more people will speed the development of cheap energy supplies.
- **Doomsters.** "The doomsters reply that because there are more of us, we are eroding the basis of existence, and rendering more likely a 'crash' due to population 'overshoot'; that is, they say that our present or greater numbers are not sustainable. But the signs of incipient catastrophe are absent. Length of life and health are increasing, supplies of food and other natural resources are becoming ever more abundant, and pollutants in our environment are decreasing."
- **The world's problem.** "The world's problem is not too many people, but lack of political and economic freedom. Powerful evidence comes from pairs of countries that had the same culture and history and much the same standard of living when they split apan after World War II —East and West Germany, North and South Korea, Taiwan and China."
- **Simon's view: there are no limits.** "In the short run, all resources are limited. An example of such a finite resource is the amount of attention that you will devote to what I write. The longer run, however, is a different story. The standard of living has risen along with the size of the world's population since the beginning of recorded time. There is no convincing economic reason why these trends toward a better life should not continue indefinitely."
- **The economic mechanism behind the bright future: the dynamics that has worked in the past projected in the future *ad infinitum* (what has happened is not a fortuitous chain of circumstances).** "Greater consumption due to an increase in population and growth of income heightens scarcity and induces price run-ups. A higher price represents an opportunity that leads inventors and business people to seek new ways to satisfy the shortages. Some fail, at cost to themselves. A few succeed, and the final result is that we end up better off than if the original shortage problems had never arisen. (…) The most important benefit of population size and growth is the increase it brings to the stock of useful knowledge. (…) Progress is limited largely by the availability of trained workers. <u>In the long run the basic forces influencing the state of humanity and its progress are (a) the number of people who are alive to consume, but also to produce goods and knowledge; and (b) the level of wealth</u>. Those are the great variables which control the advance of civilization."
- **What is new.** What differentiates our age from previous ages is the fall in mortality and the rise of life expectation. What is common is the desire for improvement, the continuous search for betterment. To achieve this, complacency must be avoided: improvement needs effort.

Simon, Julian Lincoln (1996): *The ultimate resource 2*, Princeton University Press, Princeton, NJ.

70. Why poor countries do not escape poverty

The prevalent view seems to be that poor countries do not escape poverty because they fail to absorb the technologies of rich countries (by lack of education, management skill, entrepreneurial tradition, appropriate institutinon, economies of scale necessary to implement advanced technologies…). Clark (1987) attributes poverty to the "inefficiency of low-wage labour" in poor countries. He explains that labour be comparatively less efficient in poor than in rich countries in terms of local culture and environment (sociological factors). This view would question the importance of technological change to explain development and high incomes.

Clark, Gregory (1987): "Why isn't the whole world developed? Lessons from the Cotton Mills", Journal of Economic History 47(1), 141-173.

Hanson II, John R. (1988): "Why isn't the whole world developed? A traditional view", Journal of Economic History 48(3), 668-672.

71. The extra factor

Hidalgo (2015) adds to the conventional factors with which economics textbooks describe an economy (capital, labour) and to those in natural science textbooks (energy, matter, information) another factor that links physical quantities with social processes: economic complexity. Economic complexity refers to the knowhow and knowledge accumulated at the aggregate level and which is expressed in the diversity and sophistication of economic activities.

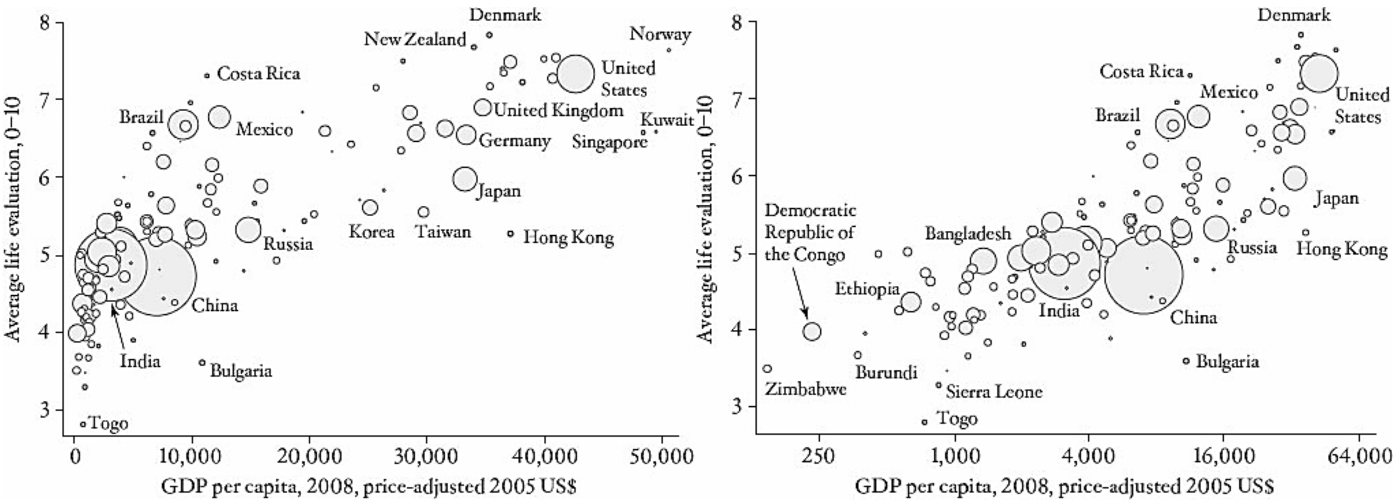
Hidalgo, César (2015): *Why information grows. The evolution of order, from atoms to economies.*

72. The Great Escape (Angus Deaton)

The expression, taken from the movie about prisoners of war in World War II (directed by John Sturges, 1960), refers to the fact that, thanks to the material progress initiated in the Industrial Revolution, large parts of humanity have escaped from poverty, disease and deprivation. But episodes of progress are simultaneously episodes of growing inequality. "The greatest escape in human history is the escape from poverty and death."

73. Life evaluation and GDP per capita

The two charts below shows average life evaluation against GDP per capita (average income). The left chart shows the positive correlation between life satisfaction and income levels. It may give the wrong impression that, after around $10,000, additional income does not help to improve much one's life. The same information is presented on the right chart on a log scale for GDP per capita (each tick on the horizontal axis multiplies income by four: equal distances are not equal amount increases in income but equal percentage increases in income). Now it appears that income always matters: equal percentage differences in income are correlated with equal absolute changes in life evaluation.



Deaton, Angus (2013): *The Great Escape. Health, wealth, and the origins of inequality.*

74. The resource curse thesis (paradox of plenty)

The resource curse thesis is based on the observation that many resource-rich countries have become development-poor. More specifically, the evidence indicates that (i) resource-rich countries fail to benefit from a favourable endowment and (ii) that they may actually perform worse than less well-endowed countries. The discovery of natural resources (minerals, oil, natural gas) in a developing country is both potentially beneficial and potentially calamitous. The curse is that, for low- and mid-income levels of development, having a rich natural resource endowment may not be beneficial for the country as a whole. The revenue obtained by selling the resources (windfall income) tends to be misused or appropriated by the political or economic elites instead of delivering a better life to the majority. The discovery naturally generates in the general population expectations of improvement; when these expectation are not satisfied, social instability is the most likely outcome. Examples of countries faring well the extraction of minerals and hydrocarbons are Australia, Botswana, Canada, Chile, Norway: high-income countries appear to be less affected by the curse. Examples of the opposite, Bolivia, Chad, Equatorial Guinea, Gabon, Libya, Mongolia, Nigeria and Venezuela.

75. Empty/uselessness analysis?

The fashionable reply (by economists) to the question of why a poor country does not develop (or why a developing country does not make good use of a sudden windfall) is that "good institutions" are lacked. This analysis is unhelpful: it is like recommending a student that failed to pass an exam that he should get higher marks (the problem is rephrased and presented as its own solution).

Acar, Sevil (2017): *The curse of natural resources. A developmental analysis in a comparative context*, Palgrave Macmillan, New York.

Auty, Richard M. (1993): *Sustaining development in mineral economies. The resource curse*, Routledge, London.

Moss, Todd; Caroline Lambert; Stephanie Majerowicz (2015): *Oil to cash. Fighting the resource curse through cash transfers*, Center for Global Development, Washington DC.

van der Ploeg, Frederick (2011): "Natural resources: Curse or blessing?", Journal of Economic Literature 49(2), 366-420.

76. Does divergence accompany growth?

There appears to be no middle road: if there is no convergence, then there is divergence (<u>Red Queen effect</u>). When some economy starts growing the default response should be replicate that; otherwise, you lag behind (diverge).

- **Example of Red Queen races: all pay auctions**. A €50 banknote is sold in an English auction. The highest bid gets the banknote and pays the bid, but the non-winning bids must also be paid. Suppose there are two bidders. One offers €20; knowing this, the second, offers €21. In this case, the first bidder has an incentive to overbid the second offer: by raising the bid to €22, there is a chance of winning and making a profit of €28; by not increasing the bid, the auction is lost and €20 must be paid in exchange for nothing. But when the opponent raises the bid from €20 to €22, the second bidder faces the same situation, and has an incentive to also raise the bid. And the incentive remains even with bids higher than €50…

77. Abundance paradox (Herbert Simon, Nobel Prize in Economics in 1978)

Abundance may be harmful: "A wealth of information creates a poverty of attention".

78. Is free trade the future of humanity?

"It is true that the various subsidies and barriers to competition, which are the essence of protectionist policies, have a very bad press today. On both the right and the liberal left, they are taboo (…) <u>Prescriptive discourses that seek to extend free trade are based on extremely questionable normative bases. The assumption that competition is ever and everywhere beneficial for all is neither theoretically nor in practice grounded</u>."

"Economically, <u>free trade is not the best solution and carries risks of crises and increases in inequalities</u> that are considerable. It puts different territories in competition, not on the basis of the human activities deployed in them, but on that of social and fiscal choices themselves very debatable. <u>Trade liberalization has not benefited the poorest countries</u>, as shown by the most recent studies. A comparison of benefits and costs, particularly with regard to the collapse of public investment capacity in health and education following the collapse of fiscal resources, suggests that the balance is negative. <u>Politically, free trade is dangerous</u>. It is an attack on democracy and the freedom to choose one's social and economic institutions."

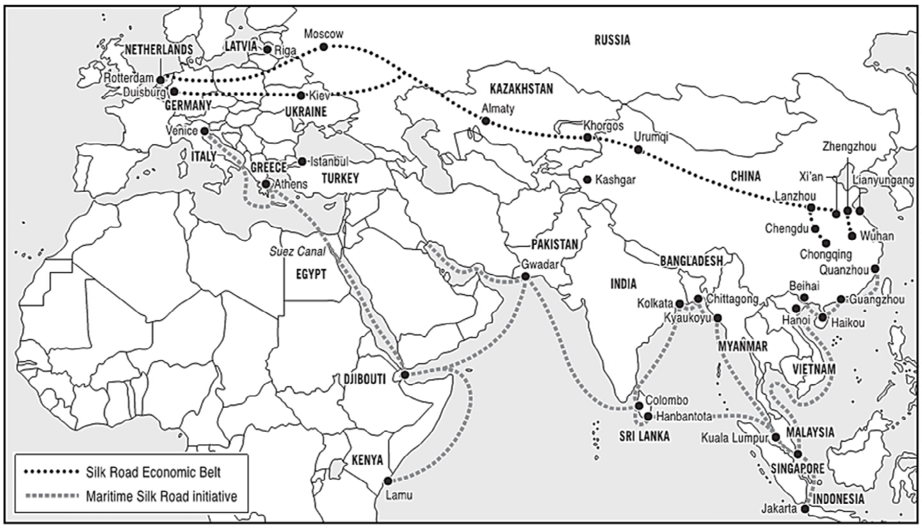
79. Does trade create wealth?

"It is mainstream wisdom that over the past three decades, international trade has largely driven economic development. This thesis has been popularized by some economists, but on closer inspection appears false. In 2008 and 2009, international trade declined in proportion to the decline in production in the major industrialized countries. Trade, therefore, does not create value by itself, an old error of mercantilists that reappears in the form of the belief in growth driven only by trade. On the contrary, growth in the main countries draws trade (…)

In fact, globalization is synonymous with growth only when it can be based on a national development project, often articulated to a nationalist ideology. Merchant globalization only yields results if one does not play its game but while others do. The case of China is exemplary here, because it is through the combination of a National policy and the openness of development over the last 25 years. But even in this case, the rise of social inequalities and ecological destruction makes the continuation of this model problematic (…) Basically, the idea that we would have from the end of the 'short 20th century' regained a tendency to integration by trade thus proves to be a myth."

Sapir, Jacques (2017): "President Trump and free trade", Real-world Economics Review 79.

80. Rise of the global South



"For much of the post-war period the drivers of the global economy and the trustees of international development were unproblematically seen as the wealthy countries of Europe and North America whilst historically much of the theory and practice of development has been focused around North–South relations and interactions. Yet over the past few decades the order of international development has fundamentally changed with (re)emerging or 'rising' powers from the global South taking a greater role in the global economy and international politics."

81. Seoul Development Consensus

"South Korea's economic transformation from a war-destroyed and largely agricultural country with a per capita income of US$67 in 1953 to membership of the OECD in 1996 is often hailed as a remarkable 'rags to riches' success story, one that is now being offered as a "model" for other states of the global South (…). Founded on a 'development first, democracy later' philosophy, this story is said to have particular appeal to many authoritarian and hybrid regimes in Africa (…) The G20 summit in Seoul in 2010 was regarded as belated international recognition of the country's success story. The formulation of the 'Seoul Development Consensus' on how to tackle global poverty and volatile markets through the establishment of financial stability nets along with the 'Seoul action plan' were seen as a huge success for Korea as an emerging player and 'issue leader' in the field of development cooperation."

82. Failure of development?

"Development has, since the earliest days of decolonisation, promised to slay the dragon of backwardness and underdevelopment but the regularly promised annulment of global poverty that this has rested upon has proven elusive."

"If development can be seen as a formula for sharing the world with others, in its present configuration many seem destined to die before their time, while others are able to live beyond their means." (M Duffield)

"… the winds of war are blowing in our world and an outdated model of development continues to produce human, societal and environmental decline." (Pope Francis, Christmas message, December 2017)

Power, Marcus (2019): *Geopolitics and development*, Routledge.

Duffield, M. (2010): "The liberal way of development and the development-security impasse: Exploring the global life-chance divide", Security Dialogue 41(1), 53-76.

83. The China paradox

"Since Mao's demise, China has given birth to *the China paradox*, which has proved so far to be a winning formula. China's hybrid developmental model has worked well since the forces of change, of entrepreneurialism, of innovation have enjoyed a productive equilibrium with the ruling CCP, which, while not abandoning its autocratic instincts, has displayed remarkable pragmatism in leading the economic reforms. Incompatible forces unexpectedly became mutually supportive and aligned. Hence, *the China paradox* (…) The fundamental goal of the CCP is to stay in power. When we acknowledge that simple but core fact, then China is less puzzling. Things fall into place. People ask why a ruling autocratic communist party would provide the business class room to grow. The answer is that wealth creation underpins the longevity of CCP rule. What seems a paradox is perfectly logical."

"*The China paradox* emerged as a hybrid model with a mixture of spontaneous economic activity and bureaucratic guidance (…) While *the China paradox* proved successful in kick-starting the economy, there has been a heavy cost to this model, resulting in China actually turning out to be an underperformer. Unbridled development has left China with a serious hangover. Unprecedented wealth creation is a mixed blessing since it opened the door to corruption on a grand scale that amounts to nationwide kleptocracy. While hundreds of millions of Chinese have indeed been pulled out of (or have pulled themselves out of) poverty, much of the wealth has gone missing, siphoned off into the families of top leaders, salted away in real estate in London or New York (…) But the risks all track back to the CCP (…) Having reaped the benefits of the reforms, the CCP is revealing its longer-term vision on how it plans to rule. Its goal is to restore more of its central authority and play a stronger coordinating role in the economy."

Clifford, Paul G. (2017): *The China paradox. At the front line of economic transformation*, de Gruyter.

84. The myth of development?

- The myth of development. The greater part of humankind continues to exist with low incomes, in poverty, technologically backward and governed by authoritarian regimes or, at best, in low-powered democracies. Recipe for development: modernize exports and limit fertility. Poverty stems from the opposite: exports insufficiently processed, demographic explosion.
- Two processes appear to generate a power vacuum: emergence of a new and powerful non-state world aristocracy and decline of the old aristocracy of nation-states. Governments cannot on their own solve global problems and transnational enterprises are not interested in taking that responsibility.
- A contemporary explanation for Spain's economic backwardness in the 17th century: "Those who can, will not; those who will, cannot." (González de Cellorigo)
- Is political development inseparable from economic development? Nation-state necessary for development? Western experience: the creation of a middle class together with the integration of the national market lead to the emergence of the modern nation-state. The other way round (having first the modern state and then try to generate a middle class and articulate a domestic market) does not seem to have worked (Latin America).
- "The crude reality is that today nobody knows how to reach El Dorado. The rich are getting richer and the poor poorer, in all countries." **Oswaldo de Rivero, *The myth of development*.**

85. The Sustainable Development Goals

www.un.org/sustainabledevelopment/sustainable-development-goals/

"Seventeen Sustainable Development Goals, together with integrated 169 targets and 304 indicators, eventually emerged from the mammoth intergovernmental dialogic process that involved 194 member states of the United Nations and a significant number of global civil society organizations. These goals were published as an essential element of the UN's 2015 Development Agenda which was formally adapted in New York at the UN Sustainable Development Summit in September 2015 and published as *Transforming our World: The 2030 Agenda for Sustainable Development*. The goals came into effect on 1 January 2016 with the intention of guiding decision making across the world until 2030."

"Human beings are political as well as social animals and sustainable development is ultimately a political act – or, more precisely, a series of political acts (...) For many (...) the most appropriate direction to follow is one that involves extensive democratization and participation in decision making at all levels from the global to the local levels of the neighbourhood and the workplace. Strong democracy and green reason may become married to other concepts too, such as ecological citizenship, eco-welfare and the Right to the City. The idea that sustainable development encompasses all of humanity can, and perhaps should, be taken further still to embrace a less anthropocentric and a more ecocentric philosophy and practice. After all, human beings are not the only creatures who inhabit this planet."

John Blewitt (2018): *Understanding sustainable development*, 3rd edition, Routledge.

86. Economic theories of development

"To understand development requires knowledge of how this subject has evolved as well as the major theoretical approaches that have defined it." [The expression 'North-South divide' conceptualizes development geographically.]

- Economic growth theory. "Keynesianism is the approach most associated with economic growth theory, and it came to exert an enormous influence upon governments throughout the world after 1945. Named after the British economist John Maynard Keynes (1883–1946), it emerged from the crisis of confidence in the market following the Great Depression of the early 1930s (...) Keynes emphasized the positive role that governments could play in stimulating economic growth through investment in new infrastructure projects and the like, even if this meant them having to borrow money to do so".
- Modernization theory. "The common theme running through the various modernization theories is a linear conception of history, which sees countries moving from traditional to modern societies (...) Different modernization theorists have had their own remedies for enabling developing countries to 'take off'. It could require: increased savings and investment; the West providing its expertise; the formation of westernizing elites or simply the dissemination of liberal capitalist values."
- Structuralism. "Structuralism gained influence in the 1950s, particularly among Latin American governments, and was so named because its exponents focused upon the structures of the international economy in accounting for patterns of development and underdevelopment (...) Structuralism was often presented by its advocates as an alternative paradigm –devised by social scientists from the South– to the modernization paradigm of the North, although it never challenged either capitalism or the capitalist route to development and merely sought reform of the capitalist trade system (...) Drawing on the work of

Keynes, structuralists also viewed governmental intervention as a means of stimulating economic development (…) First, the governments of developing countries should actively encourage industrialization through measures such as planning and providing financial and infrastructural support because they could not rely upon the free market to achieve this end. Structuralism therefore shares with modernization theory a faith in industrialization. Second, governments should adopt protectionist policies."

- Import-substitution industrialization (ISI). "During the 1950s and 1960s, many governments in the developing world believed the most effective way of breaking out of unequal trading relationships with the West was by becoming more self-reliant and pursuing a policy of ISI. Consequently, there was an attempt to end reliance upon imports and to concentrate on developing domestic manufacturing and creating more employment. This approach was intended to facilitate industrialization to the extent that products could be manufactured with export value. In practice, ISI entailed the state driving economic development through a combination of measures such as susbsidizing industries, nationalization, the discouragement of FDI and protectionist trade policies (…) The recurring charge raised against structuralists and all those who advocated statist theories of development was that they had unrealistic expectations of the state, ignoring the bureaucracy, incompetence and corruption that have plagued many states throughout the world. For many of the preceding reasons, most developing countries from the late 1970s onwards became more geared towards export-oriented industrialization."
- Dependency theory. "The origins of this approach can in part be traced to dissatisfaction with many of the claims made by modernization theorists, with critics noting the dearth of evidence that modernization theory was actually working. By the 1960s, the lack of economic development in the South and the persistence of global inequality meant that attention was increasingly directed towards explaining this state of affairs, especially among radical and neo-Marxist critics, some of whose writings came to constitute what became known as dependency theory. Their general position is that international capitalism increases disparities in levels of development because it is based upon a series of imperialistic and exploitative relationships which enables the North to extract wealth from the South (…) Following decolonization, the ex-colonies entered an international economy that had already been shaped by their former colonial masters, and they had to do so on their terms. As a result, the levels of debt of countries in the South has continued to grow, ensuring that they remain dependent upon western countries for loans and have to accept their terms and conditions (…) In sum, radical and neo-Marxist writings, especially during the 1960s and 1970s, were dominated by the idea that international capitalism blocks development by ensuring that countries of the South remain dependent upon the industrialized North."
- World-systems theory. "While still part of the radical tradition, world-systems theory nevertheless sought to refine the sense within dependency theory that capitalism perpetuated a permanent core–periphery dualism. In this regard, Immanuel Wallerstein (1974, 1979), who first developed world-systems analysis, offers a more fluid conception of international economic and spatial divisions under capitalism, identifying 'core', 'periphery' and 'semi-periphery' categories, with the latter made up of the NICs of East Asia and Latin America. Most importantly, from his perspective, it is possible for countries to move in and out of these categories as they develop or suffer relative economic decline as other countries catch up with or overtake them. This also means the fate of countries is not simply determined by global economic patterns and structures and can in fact be influenced by internal dynamics."
- Neo-liberalism. "At the heart of neo-liberalism lies a particular conception of the state, one that performs a minimum of functions but also facilitates entrepreneurial freedom, private ownership, free markets and free trade (…). From a development viewpoint, the purpose of establishing such conditions is that they encourage the free operation of global markets, which in turn is seen as an essential tool for development. Ultimately, from the neo-liberal perspective, even the particular characteristics of societies are relatively unimportant in the development process as what is more relevant is that countries operate under market conditions and allow for individual freedom, both of which entail the role of the state being kept to a minimum (…) As well as trade liberalization, other neo-liberal themes like privatization, deregulation, fiscal austerity, financial liberalization and currency devaluation are seen as a means of achieving economic growth and attracting more FDI. Neo-liberals argue that such a policy shift would lead to increased employment and poverty reduction within developing countries."

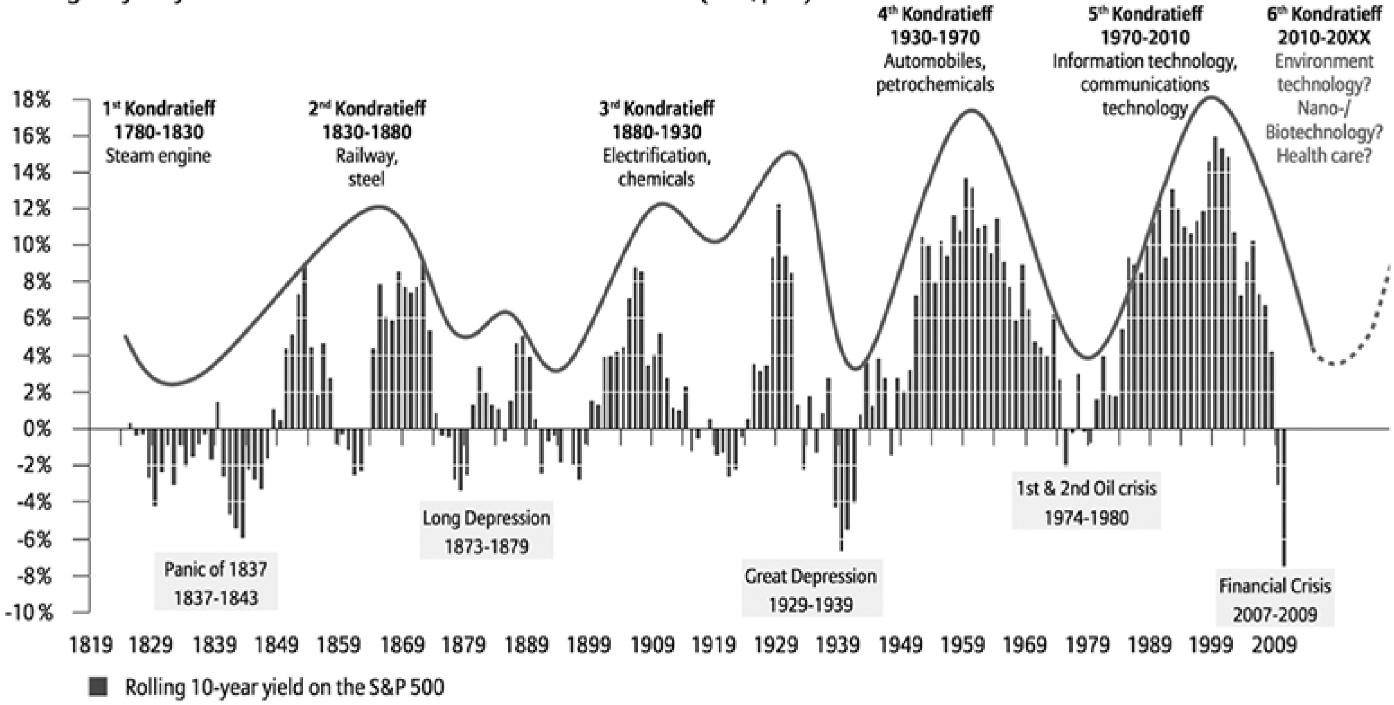
Hopper, Paul (2018): *Understanding development. Issues and debates*, 2nd edition, Polity Press.

87. Long waves of prosperity and the need of a new Glorious Revolution

"How automation reshapes our economy and society therefore depends on the choices we make, the policies we adopt, and the institutions we create. While we have one group constantly working on what we *could* do, it's separate from those who decide what we *should* do. Automation managed for the common good could enable the creation of a society where an abundance of essential goods is generated sustainably, shared widely, and economic power distributed evenly and not just concentrated in the hands of a few. Yet there is every possibility that this new power could amplify existing inequalities within the economy, enabling those who own and control the machines and the data to also control the population."

"Many recognise how rare and hard-earned these freedoms are, and will not let go of them willingly, nor forgive any attempts to retract them. The lack of courage shown by our leaders to defend these freedoms needs to be addressed, for they are priceless things that, once lost, will be difficult to recover. As in Rome, the elites have once again become fixated on their short-term needs and have forgotten the rights, aspirations and desires of those who built these countries, and whose votes and bloodshed provided them with this power (…) In times of great disruption we need to provide stability and order, not more chaos. The question is whether that order is obtained through a re-establishment of foundational principles such as liberty, democracy and freedom, or via more centralised, authoritarian means."

Figure 1: Kondratieff cycles – long waves of prosperity.
Rolling 10-year yield on the S&P 500 since 1814 till March 2009 (in %, p. a.)



"I believe that to help ensure the future is positive, we will need a new Glorious Revolution. A bloodless revolution designed to protect the fundamentals of Western society (…) We will once again need to ensure that the rights and freedoms of the individual are protected; the power and reach of those in power is limited, property is protected, technological bounty distributed, and responsibilities restated. The human must take priority over the machine, and sustainability over short-term profits. Business leadership needs to evolve to focus on wider stakeholders and society, not just immediate shareholders; and engage the talents of their people to determine how to use technology to provide long-term value for consumers, customers and communities. Our education systems need updating to allow people to create bespoke curriculums based around uniquely human skills such as creativity, empathy, reason, enquiry, responsibility and happiness, rather than forcing them to learn out-of-date industrial age skills. If we educate people simply to compete against machines, then we are educating them to lose. We need to recalibrate our economies to ensure that they provide equality of both opportunity and responsibility, while also supporting those affected by disruption. We also need to ensure that the development of artificial intelligence and other existential risks such as nanotechnology and genetic engineering is undertaken with extreme caution (…) A new AI Magna Carta needs to be composed, one fit for the digital age. One designed to ensure that the power of the sixth wave's technological windfall benefits the majority, not the minority."

"People need to be viewed as more than just economic agents of production, for that is easily automated. Instead, they need to be seen as value generators, rewarded for the quality of their output to society, not just to themselves. Capitalism and socialism should be seen not as opposites, but complements (...) Finally, we need to build societies and cultures that are strong and clear about their values and protect them in these disruptive times. And here lies the challenge. Creating smart machines is easy. Creating an equitable and aspirational society for over seven billion humans in a world of smart machines is not. One of the biggest lessons from the research behind this book has been the fact that culture matters. Enormously."

	Wave 1	**Wave 2**	**Wave 3**	**Wave 4**	**Wave 5**	**Wave 6**
	First Industrial Revolution	The Age of Steam and Rail	Second Industrial Revolution	*The age of the auto-mobile*	*The Computer Age*	*Third Industrial Revolution*
Time Period	1760-1820	1820-1870	1870-1908	1908-1970	1971-2008	2008-2040
Length	60 years	50 years	40 years	62 years (two world wars)	37 years	32 years
Country/Regions affected	Great Britain	Great Britain	UK, USA, Gemany	USA, Japan	USA, Western Europe, Japan	Global (Asia and India main benefactors)
Power source	Steam engine, coal	Steam	Electricity	Electricity, petro-chemicals	Digital Communications	Renewable energy, especially solar
Transport Mechanism	Canals, sailing ships	Rail, steamships	Rail (especially in US), bicycle, transatlantic shipping	Road, rail, plane, ships	Road, plane, shipping containers	Autonomous vehicles, Internet of Everything
Communication Mechanism	Printing press	Telegraph	Telephone	Radio, TV	TV, video, mobile telephone, Internet	Global internet, 56 and 6G mobile telecommunications
Industry	Coal mining, cotton, pottery	Steam-powered factories, iron bridges and constructions	Steel-heavy engineering (civil, chemical, electrical and naval)	Mass produced automobile, consumer white goods	Computer hardware and software, smartphones, e-commerce, service	Mobile digitisation, VR, Internet of Things (IoT), robotics, autonomous, electric vehicles, solar power, vertical farming

Culey, Sean A. (2019): *Transition point. From steam to the singularity*, Matador.

88. Quality. Not quantity

"The answer the book comes up with is: one law. It is not the quantum of growth that explains per capita incomes or their change over time. It is en fait the composition of this growth that explains per capita incomes and their change over time quite well. This law is based on three regularities observed to hold for these 140-plus countries over the past third of a century. One regularity holds in GDP growth. It is not the quantum of GDP growth that explains per capita incomes of a country. It is the composition of GDP growth that explains per capita incomes and their change over time. Specifically, it is the classical and Kaldorian emphasis on manufacturing which is vindicated (...) A second regularity holds in the labour market. It is not the quantum of job growth or unemployment that explains per capita incomes or their change over time (...) it is job quality that is seen to explain per capita incomes and change in them quite well. Further, job quality emerges not just as a residual spillover from GDP growth, but as a policy lever to leverage growth through higher-productivity forms of employment. The third regularity holds in the macro drivers of growth and jobs. It is not just the quantum of accumulation that drives growth and jobs to determine the level of per capita incomes. It is the composition of the accumulation of capital which comes to explain per capita incomes across DCs. Specifically, accumulation in physical capital is observed to be as important as the accumulation in human capital, both coming to explain per capita incomes better than either one."

Moazam Mahmood (2018): *The three regularities in development. Growth, jobs and macro policy in developing countries*, Palgrave Macmillan.