

REVIEWS

STATE, MARKETS, AND JUST GROWTH, DEVELOPMENT IN THE TWENTY-FIRST CENTURY, edited by Atul Kohli, Chung-in Moon and Georg Sorenson, publisher United Nations University Press, Tokyo - New York - Paris, 2003, 295 pages.

The world at the beginning of the new millennium was at a crossroads where the winners of globalisation, liberalisation and technological development were enabled to experience fast economic growth and social development, while the losers fell into a deep crisis from which they had no hope of getting out, and where all their attempts to achieve development were frustrated by the quagmire of underdevelopment, poverty and few prospects. A fine book entitled *State, Markets, and Just Growth, Development in the Twenty-first Century* about the positive and negative experience of assuring economic development and poverty palliation was recently published by the United Nation and University Press. The book, which is edited by Atul Kohli, Chung-in Moon and Georg Sorenson, analyses the common problems and endeavours of developing countries seeking sustainable development, while also underlining the importance of special regional needs.

In a short Introduction **Atul Kohli** explains how globalisation is a very complex process that in the broadest sense includes a shift in social relationships - economic, political, social and cultural - across international borders. The topics of his research are the consequences of globalisation to economic development and particularly to changes in poverty, inequality and democracy. Globalisation also entails new responsibilities on national governments but simultaneously limits their abilities to make independent decisions or influence economic development. The first part of the book consists of three papers dedicated to globalization, democracy and just growth. **Barbara Stallings** writes about the impact of globalization and liberalization on developing countries. She stresses four possible aspect of influence. First is the macroeconomic aspect that is mostly obvious in an increase in trade and financial flows. The second is the microeconomic aspect shown in technological changes and the global production processes. The third is the globalisation of culture and the media that create new middle classes which require general approach to almost equal goods and services as well the entertainment possibilities. The third is the globalisation of culture and the media, creating a new middle class that requires a universal approach producing almost identical goods, services and entertainments. One last aspect is shown in the increased acceptance of liberal values and the Western model of economic and political development.

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One of the editors **Atul Kohli** analyses the complex link between globalisation and democracy. In spite of all the terrible events of the last century, it was characterised by the strengthening of democratic processes and the consolidation of democracy. After a fast beginning of decolonisation processes during the late 1940s, lasting until the beginning of the 1960s, democracy was really reinforced in the majority of developing countries. The subsequent two decades were characterised by advances made by totalitarian systems or at least non-fully democratic governments. In the last 25 years there has been an obvious return to the democratic system and society. This return has been patchy and thus democracy is more powerful in Latin America than it was 50 years ago, but still not enough accepted in some huge countries (like China) or in whole regions like the majority of countries in Africa or South-East Asia. No doubt, further democratic strengthening can be expected in the world at large, but one should also count on resistance to its spread and an unequal speed of democratic consolidation

Economic development is crucial not only for the reinforcement of democracy, but also for the reduction of poverty and inequality. **Mick Moore and Howard White** provide a rather dark picture of current poverty and inequality in the world. The authors divide poverty into income poverty (thus individuals or families do not have an adequate level of revenue or expenditure) and non-income (including famine, under-nutrition or malnutrition, inaccessibility of basic forms of healthcare protection and education). According to their results, only two regions in the world - East Asia and the Pacific, and the Middle East and North Africa - successfully brought about an alleviation of poverty, and therefore in the period of 1987-1998 the number of poor decreased. In the same period, the number of poor increased in Latin America and the Caribbean, South Asia and Sub-Saharan Africa. In Latin America the number of poor increased from 480 million at the beginning of the observed period to 510 million at the end of the period, while the augmentation was even bigger in Sub-Saharan Africa - from 220 to 290 million. A particular problem is under-nutrition, so again South Asia and Pacific have better results and the proportion of undernourished people decreased from 32% in the period 1979-1981, to 17% during 1995-1997. Simultaneously the proportion of undernourished people in the Middle East and North Africa did not change and stayed at around 9%, while the situation even deteriorated in Latin America, the Caribbean and Sub-Saharan Africa. It is especially dire in Sub-Saharan Africa, where one in three children under five years old is undernourished. Also, during the mentioned period, in the majority of the mentioned regions income inequality increased, and the chances of seeing a reduction of it in the foreseeable future are thus remote.

In the second part of the book, five chapters give an account of regional perspectives on the impact of globalisation and democracy on the alleviation of poverty and income inequality. **Robert Kaufman** elucidates macroeconomic policy, social welfare, and political democracy in Latin America. According to his view macroeconomic stability is necessary for poverty alleviation - because it is very hard to obtain crucial economic growth without it - but not in itself enough. It is necessary to ensure growth that will take account of social investment, or the issue of welfare of the whole population. In everything mentioned, the institutional preconditions for democracy must be laid

down - particularly of the party system - for it has a key role in the creation of incentives for achieving compromise and political co-ordination. That will not be easy to accomplish particularly having in mind the pervasive reform fatigue and saturation in Latin America and the obvious citizen's alienation from political themes.

South Asian countries passed through deep economic changes and in a relatively short period they became the driving force of the world economy. **Yun-han Chu**, the author of a paper about this region, states that in the last twenty years South Asian countries experienced powerful economic growth partially as a result of the impact of globalisation, but have also been jeopardised by inadequate regulation and the weak performance of state in circumstances of financial crises and flights of speculative capital - which happened in the second part of the 1990s. Thus, after the finishing the first phase of development - the acceptance of modern technology, modern organisational forms and the achievement of high level of human resource development - it is necessary to direct attention to the second phase, which includes an adequate mix of liberalisation of the capital market, development of the domestic capital market, improvement and empowering of banks and financial institutions, and efficient financial market regulation and control. In South Asia globalisation led to a digital division of society into two groups: unequal levels of knowledge and skills, and hence of employability and the ability to make money led to an increase in income inequality and intensified the problems of social justice. China, due to the size of its output, really deserves particular attention. In the period from 1978 to 1988 China accomplished an average yearly growth rate of more than 10%, and its share in total international trade in the world increased from 1 to 4.6%. Approximately one third of all direct foreign investments were directed to China. Thanks to all this, China successfully reduced the absolute number of poor people and the percentage of poor in the total population. But there has been an obvious increase in inter-region, age and gender income and asset differences, which is particularly dangerous in circumstances of the dismantling of social security nets, widespread corruption and an authoritative government that obviously is not inclined to allow the development of democracy in country.

The countries in the Middle East realised economic growth and development in different ways. While the oil-exporting countries accomplished very high rates of economic growth, *agro-poor* countries like Sudan and the Yemen were captured into underdevelopment and very high political instability. Some countries like Jordan and Lebanon tried to obtain economic development by improving human resources. Only a small group of Middle Eastern countries - primarily Turkey, Egypt and Morocco - were successful enough to enter the *select company* of newly industrialized countries. **Ziya Öniş** writes about their experiences. The author underlines that regional economic problems are mostly linked with structural characteristics like dependency on oil-exports, the widening of *rentier states*, insufficient domestic saving of the population and weak institutional development possibility, and permanent political tensions linked with bad neighbours. All these bring about huge military expenditures and the great importance of the military lobby, which causes investment insecurity and limits economic development. Generally, Öniş° believes that the problems of these regions are caused by their

being insufficiently involved in world economic trends, and are not the consequence of economic globalisation. The three mentioned relatively successful countries undoubtedly showed that increased economic and political openness has a positive impact on economic growth, which mostly enables the creation of political stability, the diminution of authoritarian elements in society and the empowering of democracy.

Democracy *per se* is not a guarantee of economic growth and poverty alleviation, which can be clearly shown in the case of India, the oldest democratic state among the developing countries. Despite democratic conditions during 50 years of independence, economic growth in India was very weak, and the number of poor people was not significantly reduced. Thus, according to estimates more than 300 million persons are under the official poverty line. **Atul Kohli** and **Rani Mullen** in their paper believe that India's biggest problems could in the greatest part be attributed to the mismatch between the ambition of state and its capabilities. Political leaders very eagerly advocated the realisation of economic development and poverty alleviation mostly through a redistribution policy, which led to fears among domestic and foreign investors and in reality was an encumbrance on economic development. However, the recent adoption of policies more oriented to providing incentives to economic activities and the enhancement of the entrepreneurial climate have partially redirected this unfavourable trend. But still almost nothing has been done for poverty reduction due to the incapacity and/or unwillingness of the state to create the long-term preconditions for economic development and propose and implement adequate measures really empowering and incorporating the poor citizens in main economic trends.

It seems that the worst situation in the whole world is in Sub-Saharan Africa, which is characterised low level of economic development, non-realisation of growth and even a negative rate of GDP increase, widespread poverty, non-existence of democratic institutions and traditions and a general lack of prospects. **Dickson Eyoh** and **Richard Sandbrook**, writing about this region, emphasize weak and inefficient states that often rely on a sponsor relationship with selected groups and patron-client networks. For the majority of elite governmental groups the most important goal of their activity was not the national establishment and achievement of economic development but rather the ruthless plundering of society as well as of foreign humanitarian aid (which comes in smaller amounts). An improvement in the situation could be obtained only through a multi-ethnic approach to nation-building that separates the sense of citizenship from that of nationality. According to the authors' opinion, the second precondition is the creation of an institutional environment with the adjusted and balanced expression of political values and local communities' traditions on one hand, against universal political and civil rights on the other. This could contribute to the realisation of a state with the rule of law, investment incentives and the enabling of human capital improvement. These are the factors that currently do not exist in the analysed region and are a serious hindrance to its ability to emerge from underdevelopment and poverty.

Editors **Moon** and **Sørensen** in *Conclusion* try to sum up the lessons from the previous parts of book. They emphasize that the (non)-realisation of economic development depends on a mix of domestic and international conditions. An examination of situations

in five regions in the world discloses very interesting patterns of convergence and divergence. First, it would seem that the spread of globalisation and its impact are not uniform in all regions. While some parts of the world - particularly East Asia - were very exposed to globalisation, others - like India, the Middle East and Sub-Saharan Africa - were under a very weak influence from globalisation. The second conclusion is related to the adverse impact of globalisation on most of the developing countries. The regional differences can be attributed to a number of factors - resource endowment and historical and social initial conditions, trajectory of development sequences, the level of globalisation, state capacity patterns of interaction between the state and market. Thirdly, there seems to be close correlation between open politics and distributional patterns. Whereas countries with democratic governance tend to perform better in providing social equality, those with authoritarian or illiberal democracy have turned out to be poor performers in poverty reduction and social equality. However, this does not mean that democracy surely leads to social and economic equality. The positive result of the achievement of equality and the satisfaction of basic human needs depends on political institutional arrangements that enhance the social empowerment of the poor through their effective organisation and fully participation in political decision making. Finally, all contributions have accentuated the significance of state capacity clearly indicating that neither state nor market alone can insure just growth, empowering of democracy and poverty alleviation.

Concerning the very interesting *States, Markets, and Just Growth* we could succinctly remark that it provides a view of many of the events, determinants and characteristics of economic development with the aim of poverty palliation and the reduction of income and asset inequality. Democracy is an important but not a sufficient precondition for the improvement of general welfare. Despite the successes of scientific and technological progress, stronger democratic forces and movements in the world, and the downfall of totalitarian regimes, the increase in global economic and political co-operation and mutual dependence has not been able significantly to reduce the problem of poverty in the world. With adequate state policy the position of the most vulnerable social groups could be alleviated. The attention of policy should be more directed towards the creation of the conditions for economic development, not to worsening the business and entrepreneurial climate. In other words, the state should as much as possible try directly to solve the problems of poverty, and not endanger corporate and international co-operation in the economy by the introduction of trade barriers and restrictions. With an adequate inclusion in globalisation processes it is possible to stimulate economic development and bring about a significant reduction of poverty, but hasty or wrong policies could lead to deterioration even in the current situation.

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