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BOOK REVIEW

Piya Mahtaney, *Globalization and Sustainable Economic Development: Issues, Insights and Inference.* New York: Palgrave Macmillan, 2013. 248pp. $100.00.

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Manette Kaisershot
Human Rights Consortium, School of Advanced Study, University of London

Six years after the financial crisis and the conversations about the effects of the crisis and the instability of the capitalist system have not yielded. It is no surprise, then, that in Piya Mahtaney's treatise titled *Globalization and Sustainable Economic Development* the crisis and its effects in the US and the EU feature substantially. Even though there is a veritable saturation of commentary on the financial crisis of 2008 Mahtaney presents a fresh perspective on the economic situations in the US and the EU, which is achieved by comparing the systemic failings and current challenges of the two largest developed economic areas – the Eurozone and the United States – to the those of the biggest two emerging economies, India and China.

The book flits back and forth between the US, the EU, China, and India; this alone recognizes the dependent, systemic relationship between economies the world over. The dependency and interdependency of nations is a fact that cannot be ignored; the past decades of colonization and imperialism suffered by some nations at the hands of others cannot be undone. 'Globalization' is a term that can initiate heated debate, but whether one is in favor of globalization or against it, one must accept that globalization has happened, that it is happening, and that it will continue to happen. It is with a pragmatic approach that recognizes the prevalence of globalization that Mahtaney provides critical analysis of the present situation vis-à-vis sustainable development and points to the major areas of weakness in the current global regimes that need to be addressed if the world wishes to move forward with a program of sustainable development.

Exploring globalization and sustainable development requires a holistic view of the world, the scope of which is enormous. It seems that Mahtaney recognized this fact and wisely chose to concentrate on the biggest influences on the world's ability to achieve sustainable development and the biggest drivers of the global economy. India, China, the US and the EU own the majority of the world's assets, have most access to the world's capital, and are the world centers for innovation – but the challenges faced by India and China are in stark contrast to those faced by the US and the EU. The US and the EU struggle to keep their position as developed economic powerhouses after a badly managed decade of economic activity while India and China must address the deepening social and political issues if they are to continue on a path of economic growth that will be necessary to sustain their ballooning populations.

Mahtaney provides interesting, succinct, yet fairly thorough information on the current economic situations in China, the US, India, and the EU – though the focus is definitely on China and India as rapidly developing nations. That said, the chapter on the US financial crisis, 'The Great Recession 2008: A Curtain Raiser' provides a brief, but well structured picture of the event while also making some excellent observations. One such observation is on the US federal deficit; Mahtaney points out that the US federal deficit went from nil to 33 percent of GDP during the boom years between 2001 and 2008 and then up to 62 percent of GDP in 2010 (p. 29). Much of the federal debt was as a result of irresponsible spending (i.e. wars) and bad policies, to which the recession added enormously. Mahtaney points out that the US federal debt was obtained by spending on non-developmental 'projects'– i.e. the debt was obtained to finance ventures that had no future economic value for the average US citizen. Another interesting observation made by Mahtaney is that the housing bubble, contrary to popular belief, did not cause the crisis (p. 20). While the housing market certainly was a gigantic contributor to the crisis, a much greater contributing factor was the lack of understanding by financial experts on the fragility of the financial system due to badly managed and, as Mahtaney points out, financial speculation let to run rampant. This is an important distinction to make as blaming the recession on the housing market sort of ascribed the crisis as an unfortunate isolated event while obscuring the true causes – an underlying framework of bad policy and irresponsible behavior – which should not be forgotten as they are likely to be repeated.

Mahtaney focuses on innovation, education, access to capital, and the ownership and distribution of assets as the most important elements to redress the inequality found the world over and as integral components to promote a regime of sustainable development. The lack of attention to promoting equality in these areas has, and will continue to have, detrimental effects on the social, political, and economic wellbeing of states. Mahtaney points to the education lags that the US will face with a predicted shortage of 1.5 million college graduates by 2020. It seems that despite the ever-increasing burden of college loans in the US, which should suggest a correlating increase in people seeking a college-level education; in fact, fewer people will be engaging in post-secondary schooling in the US and this will lead, apparently, to a shortage of an educated workforce necessary for the needs of the US economy. In a country that relies heavily on human capital a shortage of educated and qualified workers is a serious problem.

Looking still at issues with employment Mahtaney is correct when she says '[p]olicy prescription and practice in so far as financial liberalization is concerned became disembodied from the linkages that finance has with the real world of production and employment' (p. 33). The persistent unemployment in the post crisis Eurozone are emblematic of that statement. Eurozone unemployment figures – as of May 2012 – demonstrate that there are still 24.7 million unemployed, with 10.3 million of those people suffering from long-term unemployment. The unemployment in the EU affects each member state differently; unemployment is a light 4 percent in Austria, but it is an enormous 26.4 percent in Spain. Many of the experts on employment are aghast at the unemployment that is affecting the younger work force in the Eurozone – top politicians endeavor to 'rescue an entire generation'[1] – and the figures that Mahtaney presents explain why: overall youth unemployment in the EU is at 22.4 percent, with figures reaching up to 45 percent in Greece and Spain (p. 41). With youth unemployment figures so high it is easy to imagine that this will have some serious social and economic side effects both now and in the future. Young workers, many of whom are college graduates with a mountain of student loans from their college education and unable to find work, will likely become disenfranchised, which, as Mahtaney points out in her final chapter 'The Survival of Democracy', is likely to erode democratic governance. Mahtaney makes the astute observation that '[p]overty limits the access to social infrastructure despite availability' (p. 96). Though in context this statement was directed at China, it is still applicable to the US and the EU as the recent crisis and bad governance has meant that many more people in these economic areas are faced with poverty without means to access the supposed benefits available in these developed nations.

Mahtaney points out the importance of research and development to the realization of sustainable development. Providing the space and subsidies for intellectuals and innovators to research and develop new technologies (p. 147) is essential for society and the economy. It is essential for progression that the government allocates resources to allow this process to occur. However, it seems that the US, the EU, India, and China are all failing to properly promote regimes that support adequate research and development. In the US and the EU austerity means governments have cut funding to research and development projects and, again, in economies heavily reliant on human capital this will greatly impact the abilities of these states to develop the new innovations and technologies required to support the economy. Austerity measures are likely to prolong the effects of recession as they usually cut public expenditure in a way that stems innovation, education, and health – the very essentials for growing an economy.

The challenges faced by India and China are much different than those faced by the US and the EU, but the effects, should the problem not be redressed, will be similar –India and China will also face economic hardship should intellectuals and innovators not be given the space and support to pursue the development of new technologies (p. 173). Between China and India the difference in the potential to innovate might rest with the difference in the freedom of thought and speech; India's particular form of democracy will perhaps allow for innovation that will outstrip that of China. India's quite recent pharmaceutical and IT developments are a tribute the potential of India to innovate, but going forward India must deal with government corruption and other political and social problems if they are to become successful innovators. Institutional reform is the challenge faced by both India and China, but Mahtaney feels that India, being more flexible politically and socially, will be better equipped to meet the challenges of development in this uncertain period. China's reliance on manufacturing – or the reliance on an economy based on the demands of others – will cause it a great deal of trouble in the future should it not find a way to incorporate its own regime of research and development into its governance.

1 Neate, R. and Wearden, G. 'Euro leaders unite to tackle soaring youth unemployment rates', The Guardian, 28 May 2013, available at http://www.theguardian.com/business/2013/may/28/european-youth-unemployment-francois-hollande (accessed May 15 2014).

Mahtaney avoids being polemic or nihilistic by sticking to the facts. The rich getting richer while the poor get the short end of the stick is neither a new point, nor one that most readers will be oblivious to; by presenting a neutral, factual argument of the need for a sustainable approach to globalization and development the book tends toward a clinical analysis, free from sensational language that is much to its credit. However, while its tone is overtly academic, it still manages to be engaging; especially interesting are the alarming statistics and analysis in relation to growth, education, and unemployment. That said, Mahtaney's measured tone changes when her systematic look at the policy failings of development seem to finally wear away her patience with politics and her writing becomes peppered with a passion for her subject that is refreshing. Perhaps Mahtaney's palpable frustration comes from having to state what seems blindingly obvious: the model of capitalism is not working to alleviate world hunger; it is in fact intensifying the effect. Speculation of food prices in the commodities market, for example, creates a seriously unbalanced and destructive environment. To treat agriculture as an investment vehicle is damaging – especially in developing countries like India and China – as agriculture is the means of subsistence for a large percentage of the world population.

According to Mahtaney '[t]he large-scale capital-intensive model of agriculture production is clearly unsuited to the conditions and requirements of the agrarian economy in poorer nations. The few beneficiaries of the gains that arise from this are outweighed considerably by the employment that it hardly creates, the poverty that it does not mitigate and even worsens, and the corrupt rent-seeking political class that it fosters' (p. 190). As an example, between 2008 and 2011 rising prices of food drove the increasing costs of food imports, pushing 126 million people below the poverty line (in this case the poverty line is defined as living with less than \$2 a day). The strain caused by increasing food prices on the poor can be explained by the estimated price elasticity for cereals and oils (or fat) demand. Amongst those living in poverty the demand is -0.5, which is in stark contrast to the most affluent – who have a price elasticity of 0 for those same goods (p. 182–183). When demand for a good is more than -1, but less than 0, as it is with the poor (at -0.5), then the price is considered to be perfectly inelastic; or, in other words, the change in price does not change the demand. Goods that are necessary for living often fall under the category of 'perfectly inelastic' as one must have those goods in order to live (such as water and food), so even when the price of food rises – as it did according to Mahtaney in 2008–2011 – the demand remains the same, but the portion of income allocated to obtaining those essentials increases, as does revenue. For the poor these rises in prices affected hugely their income distribution, while for the rich it did not. Mahtaney reports that when the prices dropped after the period (2008–2011) that the food prices in low income, food deficit countries did not experience a subsequent drop in food prices. What can be surmised here is that the drop in prices must have benefited those who could easily afford to purchase life's essentials (particularly the world's most affluent class of people) while the poorest and most vulnerable continued to struggle, thereby wiping out any advancements made in this area prior to 2008. As just one example of how the global capitalist economy seems to fail the most vulnerable populations in the most fundamental ways, the frustration that Mahtaney expresses is understandable.

There is very convincing evidence that supports the benefits of investment aimed at the struggling population of agricultural workers, but despite this no significant changes seem to have been made. Increases in investment into the agricultural industry in poorer nations put development where it needs to be: benefiting those at the bottom of the ladder. This type of development plan proves extremely effective, especially in Africa where '1 percent of GDP growth that originated in the agriculture increased the expenditures of the three poorest deciles by at least 2.5 times as much as growth in the rest of the economy' (p. 187). Inequality erodes democracy, as Mahtaney aptly concludes. It is only when effective measures are taken to promote equality in innovation, education, access to capital, and the ownership and distribution of assets that global development can be said to be sustainable and fair. The current state of the world means that globalization, liberalization, and economic growth are neither sustainable nor fair; a great many challenges, as outlined by Mahtaney, need to be overcome if the world is to continue to make strides in eradicating poverty, inequality, and environmental destruction.