

CLIMBING A HIGH LADDER - DEVELOPMENT IN THE GLOBAL ECONOMY

Otaviano Canuto

Climbing a High Ladder - **Development in the Global Economy**

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ISBN : 978-9920-633-10-9

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Introduction

Economic development analysis must inevitably rely on a double methodological standpoint. On the one hand, it needs to search for common features, those general attributes that might be present in all national experiences of wealth accumulation, poverty reduction, and moving up the income ladder. On the other, in order to be meaningful, it must reckon with time and space. It must consider that those universal development traits will play out in specific historical and geographical circumstances that will condition their unfolding.

Development economics has always combined the search for stylized common ‘stages of growth’ with the taking into consideration of the historical and geographical context in which those ‘stages’ are crossed. For instance, it makes a huge difference if a country starts to industrialize as a single unit, like England in its original experience, or at a moment in which a fully-fledged industrialized global economy is the environment. Circumstances matter as they bring different challenges and opportunities when passing through the stages of growth.

In this book, we try to follow that dual approach. Although each chapter is written in a way that makes it readable as a standalone piece, there is a tentative common thread: we attempt to understand what has meant to climb the income ladder in the context of the global economy prior to and after the 2007-08 global financial crisis.

We start in chapter 1 with a revisiting of the growth performance of emerging markets and developing economies before and since the global financial crisis. As well as frustrating expectations that they might become the new growth pole in the global economy, their convergence to the per-capita incomes of advanced economies has suffered a setback. We call attention to policies and reforms that remain applicable to deal with that.

Part I of the book deals with the global macro-financial context after the crisis. In addition to sketching out some of the hypotheses about ‘secular stagnation’ in advanced economies (chapter 2) and the role played by asset price dynamics in macroeconomics (chapter 4), we approach changes in global financial flows (chapter 3) and in central bank policies (chapter 5). We also lay out those conditions that may define whether large financial sectors are benign or malign for economic growth (chapter 6). Updated views of global current-account imbalances (chapter 7), and how to matchmake finance and infrastructure (chapter 8), are also included.

Part II turns to technology and trade globalization as enablers—with preconditions—of growth in developing countries. While chapters 9, 10, and 12 lay out the opportunities and challenges posed by technological changes in the recent past and ahead, chapter 11 highlights domestic preconditions for getting the biggest ‘bang for the buck’. The growth-cum-rebalancing of China’s economy, with its systemic implications, is included (chapter 13 and others). A stocktaking exercise regarding trade wars completes part II (chapter 14).

Part III presents our take on stages of growth. After approaching the case of natural resource-rich countries (chapter 15), we deal with middle-income growth traps (chapter 16). Appropriate fiscal and monetary-prudential policies are summarized in chapters 17 and 18. An additional special focus on climate change and central banks (chapter 19), and on gender equality as a development factor (chapter 20), is also included.

Finally, part IV offer country case studies. Brazil’s difficulties in overcoming the middle-income trap (chapter 21) are followed by an examination of how sub-Saharan Africa has dealt with natural resource wealth (chapter 22).

The book ends with a chapter on the coronavirus crisis and its impact on the global economy (chapter 23). Emerging markets and developing countries, in addition to facing difficulties in dealing with their own coronavirus outbreaks, have suffered additional shocks from abroad. For them, the new coronavirus has brought a perfect storm. Some possible implications from the coronavirus crisis on globalization are also pointed out.

The overall message of our dual analytical-and-historic approach is single: historic and geographical conditions matter, but ultimately the adoption of appropriate country-specific policies and reforms is what makes the difference.

CLIMBING A HIGH LADDER - **DEVELOPMENT IN THE GLOBAL ECONOMY**

This book approaches the opportunities and challenges faced by developing countries to raise their per capita income levels during the recent phase of globalization. After dealing with the post-global financial crisis economic landscape in advanced economies, the book deals with the windows of opportunity opened by trade and financial globalization for developing countries to climb the income ladder. Domestic preconditions for a developing country to benefit from those windows are then pointed out. China, Brazil, and Sub-Saharan Africa are presented as case studies. The book ends with an assessment of the impact of the coronavirus crisis on the global economy.

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ISBN : 978-9920-633-10-9



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