

BOOK REVIEWS

Faith in a Global Economy

Rob van Drimmelen, Geneva: WCC Publications, 1998.
ISBN 2-8254-1254-6, \$9.95 (paper).

Reviewed by Michael A. Anderson, Washington and Lee University (VA).

This is the right time for Rob van Drimmelen's book, *Faith in a Global Economy: A Primer for Christians*. The international economy has been rocked by currency crises, new and expansive trade agreements, debt problems, rising inequality, and worries about deficits. Many Christians do not have much training in economics, and even those who do may be put off by the professional jargon used to describe these events. And it's at least as difficult to discover what Christianity has to say about these problems as it is to follow the economics. It's the right time, then, for a book that thinks clearly about both the economics behind the problems and about what justice and mercy require. In this text, published in 1998 by the World Council of Churches, van Drimmelen tries to explain recent events in world markets and set out a Christian response to them. The time is right, but this is not the right book. The author so badly mishandles the economics that Christians, heeding his advice, are as likely to advocate harmful as helpful policy proposals.

You can learn a lot about a book by reading the references and endnotes. World Council of Churches' (WCC) documents are, by far, the author's most frequently used sources. Indeed, readers looking to understand WCC positions on debt forgiveness, child labor, structural adjustment, employment policies, and a range of other specific topics would do well to read this book. Readers looking for a careful delineation of the nexus between international economics and the Christian faith, however, will be disappointed. There is no conversation in this book between economics and Christianity because there are only a small number of very-narrowly-drawn references to work by economists. Lester Thurow's work is cited, Jeremy Rifkin is cited several times, Bob Goudzwaard, and Herman Daly and John Cobb each receive notice. The *Monthly Review* Press is here, so is the Pluto Press. But you won't see Paul Krugman, Dani Rodrik, or *The Journal of Economic Perspectives*. These omissions are not by accident. The opening chapter, "Economics as a Science," posts van Drimmelen's objections to economics as a discipline. Yet economists will barely recognize the field he describes. Economics, the author tells us, assumes that individuals "have available

perfect knowledge of all the relevant information necessary to make the decisions which would maximize their gain." The discipline's lack of distinction between wants and needs "explains why mainstream economic theory has long given so little attention to the growing scarcity of 'non-monetary' goods like clean water and clean air." He asks whether economics is "neutral," whether it has discovered "universally valid and applicable laws." Noting that culture and history strongly influence everything from land use to capital accumulation, he concludes that "...economic 'laws' are not in fact neutral or universally valid and applicable." The chapter is five pages long.

The next chapters are on the global economy, international trade, transnational corporations, international finance, labor, land, and markets. The author concludes with chapters on Sabbath and Jubilee, and Signs of Hope. The last chapter offers examples of positive developments (Mondragon cooperatives in Spain, barter clubs in Vermont, etc.) which offset this text's otherwise gloomy appraisal of international markets. The wide range of topics covered and the short length, ten chapters in 156 slim pages, make this book a quick read.

One of the strengths of this text is the accurate attention to historical detail. The discussion of the global economy accurately details the rising earnings inequality within and between nations. The chapter on trade carefully notes the role of the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO) in lowering trade barriers, and the recent Uruguay Round agenda on trade-related property rights and trade-related investment measures (called TRIPs and TRIMs, respectively). Along the way van Drimmelen discusses how environmental and labor concerns in trade negotiations can be used as a ruse to dress up protectionism in more respectable clothing. In his chapter on international finance, readers unfamiliar with recent economic history will benefit from his review of how and why the World Bank and the IMF were created as part of the Bretton Woods agreement. The author notes Harry Dexter White and John Maynard Keynes' influence over the two institutions' mandates, and he accurately explains how the Bank and the Fund have evolved since the collapse of the fixed exchange rate system.

The analysis in these chapters, however, is not of the same, consistent, high quality. Each section suffers from the same problems: errors in logic, ignorance of the relevant literature, and questionable policy proposals. Consider a few examples from his chapter "The Global Economy." The author makes sensible comments about trends in taxation

and how countries are offering tax concessions to attract business. This, van Drimmelen suggests, means that the social welfare state is threatening to break down. He then approvingly quotes Paul Craig Roberts, former assistant secretary to the U.S. Treasury, "If the United States...is to survive it must privatize Social Security and health care, abolish welfare and cease to tax human and physical capital." The author doesn't share Roberts' policy prescription, but does share his view of the tension between mobile capital and social welfare provision. But Roberts' claim is nonsense on a number of levels! Since there is no bottom line for a country, as there is for a corporation, there is no meaningful sense to the idea that the U.S. is in competition for its survival with other countries. And countries can choose different levels of social insurance, though the more generous must be willing to pay with a currency devaluation.

In the same chapter the author claims that globalization "is creating a two-tier labor market: a shrinking stable and skilled workforce and a growth in the number of temporary and precarious jobs, mainly occupied by women." He gets the facts of rising inequality right, but doesn't explain why globalization is the cause. Is it trade? Mobile capital? There's not a single reference here to the voluminous literature suggesting that technological change, not international trade, is behind recent trends in wages and employment. The reader of *Faith in a Global Economy* will remain ignorant of this literature, and will instead be left with the notion that a decision to engage world markets is a decision to threaten your low-wage neighbor with even lower wages and uncertain employment.

The policy suggestions are familiar. Economic growth must be limited; even a three percent growth rate in output implies unsustainable use of non-renewable resources. One the facing page he places the elimination of poverty and inequality as a primary task. Population growth must be controlled. And so on. The problem here is not so much the policies themselves, though some are certainly open to question, but the lack of critical analysis. What level of growth is sustainable? What are the tradeoffs between controlling growth and diminishing poverty? Why are primary-product prices falling even in the face of a rising world population and strong economic growth?

This book could have been done right. The author has paid careful attention to historical detail, he knows what the most vexing problems are, and he's associated with an ecumenical organization that allows him to speak for a large constituency. But there's no substitute for careful analysis. ■

Unintended Consequences: The Impact of Factor Endowments, Culture, and Politics on Long-Run Economic Performance

Deepak Lal, Cambridge, MA: The MIT Press, 1998. ISBN 0-262-12210-3, \$39.95 (cloth).

Reviewed by Stephen L. S. Smith, Gordon College (MA).

We live in something of a golden age for theories of long-term growth and development. Even a selective list of the most recent and most prominent examples of such works is long, including at least Rosenberg and Birdzell (1986), Jones (1988), Mokyr (1990), Fukuyama (1995), Diamond (1997), and Landes (1998). Not all of these researchers are economists, but all of them brazenly think across times, continents and cultures to attempt explanations of the great economic questions of wealth and poverty. And why not? The late twentieth century—roughly half a century after the end of colonialism, decades into seemingly secure growth in East Asian prosperity—offers an irresistible vantage point from which to assess things. How indeed can we explain the divergent paths of "the West and the Rest"? Can India become prosperous within the next century? Will Asian wealth result in the same kind of social dislocation and anomie so bemoaned in the West, particularly by Christian observers? Pressing questions such as these require scholarship which is at once grandly ambitious and meticulously careful, rooted in economics but interdisciplinary in scope: a tall order, to be sure, but one which an increasing number of scholars have attempted to fill.

Unintended Consequences, based on the author's 1995 Ohlin Lectures, is Deepak Lal's entry into this field. Professor of International Development Studies at UCLA, Lal is perhaps best known for his trenchant criticism of "statist" development policy long before the neoclassical counter-revolution in development economics and the Washington Consensus made this anything like a popular position. (See his 1994 volume of collected essays, *Against Dirigisme*.) He also authored the definitive study of Indian economic history and culture, *The Hindu Equilibrium* (1988, 1989). This present work is enormously accomplished. It encompasses, as it must, all economic history from the beginning of human records and is appropriately (but nevertheless breathtakingly) inter-disciplinary: from Augustine to Robert Lucas it's almost all here. And he almost pulls it off.

As suggested by the subtitle, Lal aims to explain long-run economic growth in terms of factor endowments, cul-