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## Book Review of

# Global Sustainability: Social and Environmental Conditions<sup>1</sup>

Simone Borghesi and Alessandro Vercelli  
by Vittorio Valli

The December 2009 Copenhagen Conference, despite its rather dismal results, has focused the world's attention on *sustainable development* and global warming.

Although the concept of sustainable development, introduced in the Brundtland Report (1987), was based upon two conditions: the intra-generational *social condition* (equity within a generation) and the inter-generational *environmental condition*, most of the attention has thereafter been devoted to the second condition, overlooking the social one.

Moreover there have been relatively few attempts to try to elucidate the complex relations between the globalization process and both the social and the environmental conditions of sustainable development.

Borghesi and Vercelli's book is an important contribution which tries to analyze these aspects and to outline possible economic therapies in a comparative perspective.

The main theses of the book are summarized in section 2 of Chapter 1 and in the first section of chapter 9 and carefully detailed in the other chapters.

The authors maintain that "globalization offers important opportunities to participating countries to increase the rate of growth of per capita income." (pp. 206-7). But this happens only in presence of "two main institutional conditions... the rule of law and the necessary regulation of markets". They strongly criticize "the irrational faith on the power of unregulated markets that blurred the necessary awareness of their limits".

As regards *the social condition*, the authors consider two main requisites of sustainable development: inequality and poverty. First, they decompose the index of global inequality of Bourguignon and Morrisson (2002) in two components: inequality between nations and within nations. Then they note that between-country inequality was positively correlated with globalization only in the first wave of globalization, before the First world war, but not in the recent second globalization wave. In fact globalization has tended to decrease the gap between globalizing countries and increase the gap between these nations and all the other countries. In the second globalization wave, very populous countries such as China and India succeeded in entering the globalizing group thereby heavily influencing the overall trend of the between – countries inequality index. Instead, the within- country inequality index show different patterns in different countries and periods. In the last decades there was a marked increase of the index in China, Russia and other transition countries, while in the 1950s, the 1960s and the first part the 1970s there was in several industrialized countries a moderate decrease of the within- country index, but since the late 1970 there was a sharp increase of the index. The empirical validity of the inverted-U Kuznets curve

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<sup>1</sup> Palgrave Macmillan, Houndsmill, Basingstoke, UK and New York, 2008.

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regarding the relation between per capita GDP and within-country inequality (Kuznets, 1955) is therefore doubtful.

As regards poverty, the authors maintain that while the poverty ratio decreased during the second globalization wave “the absolute head-count number of poor people continued to increase for most of the time so that their number is much higher today than it used to be at the beginning of the globalization process..” (p. 209).

The authors thus conclude that “these time patterns of inequality and poverty show that the actual process of growth at the global level is inconsistent with the social requisites of sustainability. In order to avoid these undesired consequences we have to fight poverty within the framework of a more egalitarian kind of growth” (p. 209).

In chapter 5, the authors try to extend their analysis also to the problems of global health stressing the fact that some features of globalization, such as “...factor mobility and financial integration tend to reduce the scope of state intervention that promote health..” (p. 220). So not only a reduction in poverty and in income inequalities which directly impact on health conditions would be necessary, but also a policy in favour of the formation of social capital and of fighting environmental degradation. A wise long-term, not myopic, global health policy would have to consider also a cheaper and easier transmission of health care technologies and pharmaceutical products to developing countries.

As regards *the environmental condition* of sustainability, the authors have focused “on the indirect correlation of globalization, via the effect on per capita income, with a battery of environmental indexes ”(p. 209). In Chapter 3, they have found that the *environmental Kuznets curve*, in which, as per capita GDP increases, pollution increases up to a certain point and then tends to decrease, is valid only for a few pollution indexes, but not for most of them.

In Chapter 4 the authors critically analyze the validity of a *energy intensity Kuznets curve* advocated by some rather optimistic experts. Their conclusion is that for energy too, taking account of the intensity of environmental degradation and of the scale effect induced by the growth of per capita world GDP and population, there is the risk of a future sustainability gap.

The authors also consider, in Chapter 7, the microeconomic conditions for sustainability and discuss the fact that the short-term vision of most top managers and firms risk hampering the possibility of long-term sustainability. The authors advocate instead a policy that takes into account the interest of all the stakeholder in a long-term perspective.

Finally the authors discuss the relations between globalization and the history of economic ideas, stating that the shortcomings of the second globalization wave are strictly associated to the weaknesses of the paradigm of neo-liberalism prevailing in industrialized countries since the late 1970s.

The policy implication suggested by the authors is that globalization may be beneficial only if accompanied “by the establishment of a genuine competitive market at the world level. This may be done only if (i) the conditions of a perfectly competitive market are established or at least approximated in the countries involved, (ii) global markets are regulated in such a way to minimize at the same time, market and state failures” (p. 216).

Most of the analytical and policy aspects of the volume are indeed convincing. I will consider only a few critical aspects.

First there is the problem of institutions. It is hard to say that in today's China, which has experienced an extraordinarily fast economic growth for more than three decades, the rule of law prevails, although there have been significant changes in its legal framework since 1978.

Secondly, globalization has certainly helped China to extend and consolidate the phase of rapid growth from the mid 1990s up to now, but it has also contributed, together with the growth model promoted by the government, to rapidly increase both income inequalities and pollution in the country (Valli and Saccone, 2009).

Thirdly, if we consider the global between-country-inequality index excluding China, we probably find a meaningful increase of the index also in the last three decades.

Finally, the Copenhagen Conference on climate change has demonstrated that several political leaders of the major countries are strongly influenced by the interest groups of their country, so that an environmental policy, a health policy and a social policy like the ones proposed by the authors, although sound and persuasive, are hard to realize in today's international political context.

However, the book is brilliant and full of useful insights and has the merit of critically exploring the complex intersection of important economic and social problems.

## References

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