

PART I

BACKGROUND TO THE GLOBAL FINANCIAL AND ECONOMIC CRISIS



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The Global Financial and Economic Crisis: Origins, Effects and Responses in the Global South – An Overview

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The Global Crisis: Four Reasons and Two Mechanisms of Transmission

Recent economic literature generally converges in the idea that there are four fundamental explanatory variables of the Global Finance and Economic Crisis (GFEC), also known as ‘Great Recession’. The main independent variables of the crisis that officially started in 2008 were: a) scanty regulation of the financial system after the fall of the Bretton Woods monetary order in 1971; b) lack of information and conflict of interest because of incentives and excessive risk-taking and fraudulent behaviour, which in turn is a result of the failure of economic and financial models; c) presence of typical factors linked to financial crises, such as a credit boom and a real state bubble, especially in sub-prime mortgages and toxic credits; and d) ‘spillover’ or ‘contagion effects’ triggered by increasing interdependence in the global financial sphere (Roubini 2008; Stiglitz 2009, 2010; Acharya et al 2009).

Another consensus is that the crisis started in the US but was swiftly transmitted to the rest of the world via two main channels: international trade and the financial system. As noted by Eaton et al (2011), during 2008-2009 trade as a share of global GDP fell 30 per cent. This was due largely to the decline in demand for durable goods, which accounted for over 80 per cent of the global decline in trade relative to GDP in those years. Bagliano and Morana (2010) also highlight the importance of trade as a transmitter of

the recession, particularly in durable goods' manufacturing and exporting. In analyzing a sample of 50 countries, the authors found that the US crisis had a significant impact in decreasing trade from Latin America and Southeast Asia.

Regarding financial contagion, Imbs (2010) argues that global financial integration reached a threshold that makes the system vulnerable to specific impacts. That reflects an interdependent banking system such that any local shock may have a global scope. One factor that made the Great Recession so deep and widespread was the very nature of international banking integration, which led to unprecedented transmission of financial instability. According to the OECD (2012), 'contagion through international banking occurs when banks in a given country respond to deteriorations in their balance sheet by reducing cross-border loans, including vis-à-vis clients in countries that are not directly exposed to the initial financial shock'. The role of spillover effects via the financial channel had also been extensively discussed well before the GFEC by Marxist economists such as Magdoff (1987).

The Great Recession in Historical Perspective: Implications and Future Scope

According to the International Labour Organization (ILO 2010), between 1970 and 2008 the world underwent 124 systemic banking crises, 208 currency crises, 63 sovereign debt crises, 42 twin crises, 10 triple crises and a global economic recession every ten years. In addition, the global economy experienced large shocks in commodity prices (two lofty impacts caused by increased oil prices in the 1970s, and the effects of rising food and energy prices in the early 2000s).

Given this evidence, a key question arises: what has made this crisis different from previous economic turmoil? To answer this question, it seems necessary to clarify the concepts of recession and depression. The limits between one and another are still imprecise, even for economists. While economic literature usually defines recession as two or more quarters of declining real GDP, there is no consensus on this point. For instance, the US National Bureau of Economic Research (NBER) usually supports the above definition, but sometimes includes other variables, such as the performance of real Gross Domestic Income (GDI).

Regarding depressions, the NBER does not identify them separately. Instead, the NBER business cycle chronology recognizes the dates of peaks and troughs in economic activity. Thus they refer to 'the period between a peak and a trough as a contraction or a recession, and the period between the trough and the peak as an expansion. The term depression is often used to refer to a particularly severe period of economic weakness' (NBER 2013).

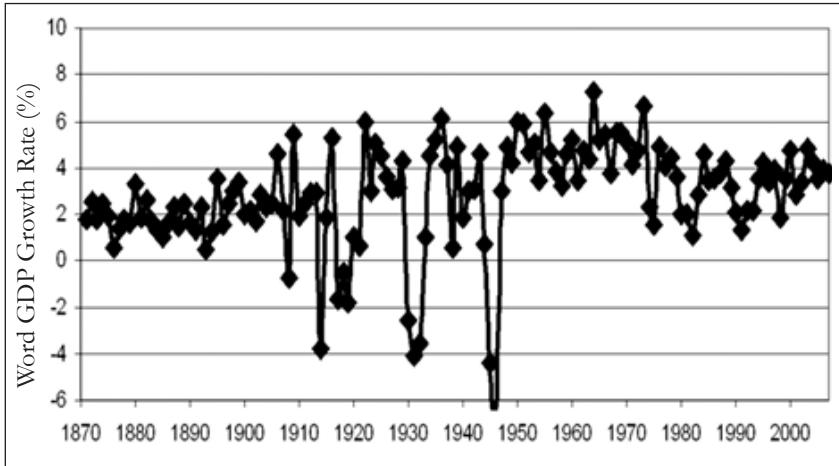
On the basis of the above definitions, at least three specificities of the Great Recession deserve further discussion: 1) its depth and scope with respect to previous crises during the twentieth and twenty-first centuries, 2) its dynamic nature, which has affected different regions and countries in a successive and unequal fashion, and 3) the ability of the Global South to either evade or cushion the worst effects of the GFEC. Let us discuss briefly each of these three points, understanding that this is just a small appetizer within a much larger intellectual feast.

Regarding the first point, Imbs (2010) has conducted research that identifies patterns of synchrony of industrial production cycles with global crises since 1980. He finds a very negative variation in industrial output during this period after 2008. Imbs adds that the cyclic correlation is more pronounced for OECD countries than for emerging and developing economies. It is therefore possible to argue that despite recurring crises in the global economy in the last decades, the GFEC has been the first truly global recession since the end of World War II.

However, as shown in Figures 1.1 and 1.2, the scale of this crisis in terms of GDP growth has been significantly lower than the Great Depression but deeper than any other world crisis after 1945. Figure 1.1 shows clearly that the global economic recovery from 1929 was far from linear. In fact, the worst years were not 1929 and 1930, but those corresponding to the Second World War. As can be seen, the effects of the Great Depression prevailed for a decade and a half. It took a world war and a complex Fordist-Keynesian political and economic agreement to overcome the Great Depression. The new phase of growth and stability would last until the 1970s (Marglin and Shorr 1990).

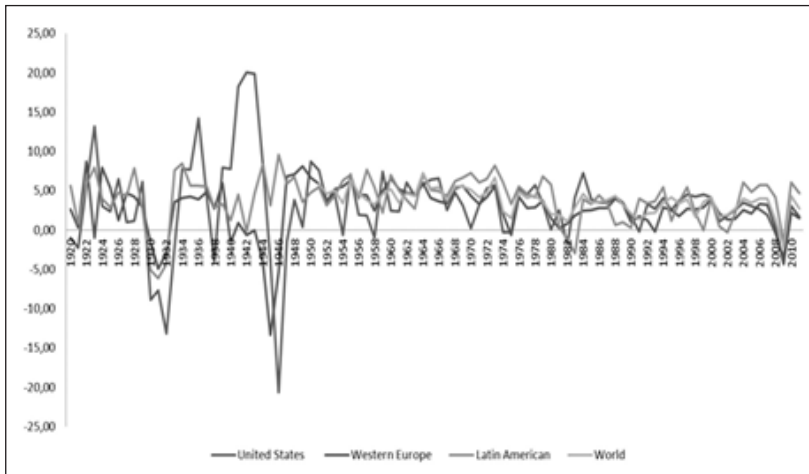
There are many similarities between the Great Depression and the more recent Great Recession, albeit differences are superior. As Almunia et al (2009) emphasize, those two economic upheavals were originated in the United States and became global through financial and trade channels. Authors like Krotayev & Tsirel (2010) put forward an optimistic view, ensuring that the recent recession has not been as severe as the Great Depression. They understand the GFEC as a temporary fall between two peaks of the upswing in the 5th Kondratieff wave, and not as the starting point in the border of a K-wave, just as the 1929 Great Depression was. According to other scholars (Keohane & Nye 1989; Kindleberger & Aliber 2011: 15–18), bounded economic damage has to do with the changing nature of international political economy, which is extremely sensitive to market fluctuations, but still less vulnerable as a result of successive agreements to deal with international crises. The experiences of 1970, 1985, 1994, 1997 and 2001 have created a sort of a collective knowledge, very useful to deal with economic downturns.

Figure 1.1: Evolution of the World's GDP Annual Growth Rates (per cent), 1871-2007



Source: Korotayev and Tsirel 2010: 6

Figure 1.2: Economic Performance in Selected Economies 1920-2011 GDP Growth (per cent)*



* From 1920 to 2000, the data is in 1990 International Geary-Khamis million dollars. From 2000 to 2011, the data is in current US dollars.

Source: World Bank 2013; GGDC 2013

Yet the GFEC is far from over. Although there is not much talk of this, the current global crisis is still an open file. There is no guarantee that the Great Recession will not bring further economic decline in the coming years. This argument is based on Table 1.1 which shows that the global crisis has affected successively different geographical areas and countries. As the epicentre of the crisis, the US was harshly shaken in 2008 and 2009, when it experienced negative growth rates. The US economy resumed growth in the ensuing years, but a complete recovery is far from granted. After GDP growth of -4.3 per cent in 2009, in 2010 and 2011 the EU seemed to restart its sluggish but acceptable growth of recent decades. However, the onset of European sovereign debt crisis, that started in 2010, again brought the EU to negative growth in 2011. Consecutive 'crises within the crisis' have beleaguered countries like Greece, Ireland, Spain, Portugal and Cyprus. The recession is clearly reflected in high unemployment rates, which by February 2013 affected 17.5 per cent of the labour force in Portugal, 23.9 per cent in Spain and 26.4 per cent in Greece (Eurostat 2013).

China and India, two of the three Asian giants (the other being Japan, trapped in a resilient recession since the early 1990s), featured a remarkable performance during the initial phase of the GFEC in 2008 and 2009. The dynamic growth in China contributed to the global economic recovery in those critical years. Hence the PRC was considered a key player in the new global economic architecture (IMF 2009; Lin 2011). Beijing's initiative of trading in local currencies and discarding US dollars in its transactions with Russia, Japan and Brazil was seen by some as a promising sign of an impending reform to the international financial system.

China seemed to be gaining the ability to 'decouple' from the crises in the United States and EU, thus fulfilling a forecast made by *The Economist* (2006). This prediction addressed the changing balance of the global economy and the emergence of the PRC as an alternative engine of the world economy in the following terms:

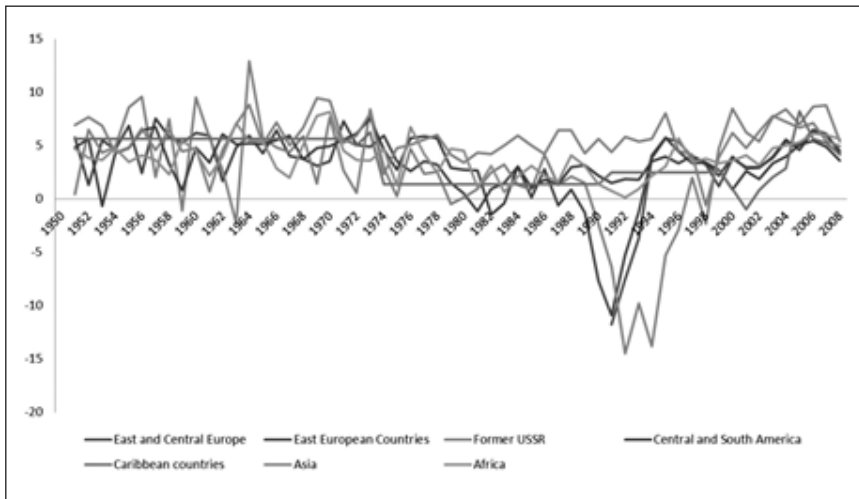
As America's housing boom threatens to turn into a bust, many forecasters expect household spending to stall. A few even worry that America could come perilously close to a recession in 2007. Previous American downturns have usually dragged the rest of the world economy down, too. Yet this time its fate will depend largely upon whether China and the other Asian economies can decouple from the slowing American locomotive.

This possibility appeared imminent until 2011. But as long as economic drought in the United States and the European Union remains, China's exports to these entities have begun to slow and will necessarily affect the PRC's. This reality is readily reckoned by Chinese policy makers. As very few things in China are random, the 12th Five-Year Plan 2011-15, approved in October

2010, foresees that China will reduce its double-digit economic growth to an average of 8 per cent per annum, will lower energy consumption by 16 per cent, and will foster domestic consumption. While nobody expects negative rates for the immediate future, falls in the range of 2-3 per cent in the Chinese GDP would undoubtedly help reduce global demand and raw material prices.

This brings us to the third and final portion of our appetizer. The aforementioned Table 1.1. and Figure 1.3 show that, with the exception of Japan, Asia has recorded very high growth rates since 2008. Latin America, in turn, was much less affected than during the external debt crisis in 1982-1983 – let alone the Great Depression. While in 2009 the region recorded a growth rate of -1.5 per cent, large economies like Argentina and Brazil were above that average. Africa, meanwhile, did not experience an immediate drop, but falling demand in China and the Eurozone precipitated a slight negative growth in 2011.

Figure 1.3 : World Economic Performance in Selected Regions, 1950-2008 GDP Growth (per cent)*



* In million 1990 International Geary-Khamis dollars

Source: GGDC (2013)

Table 1.1: World Economic Performance 2000-13

Selected regions and countries

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*
United States	4.2	1.1	1.8	2.6	3.5	3.1	2.7	1.9	-0.4	-3.5	3.0	1.7	2.2	1.7
Asia ⁺	5.9	5.5	5.9	8.1	8.3	9.2	9.8	10.6	6.2	7.4	9.2	7.4	5.4	4.8
East Asia & the Pacific	7.5	6.7	7.9	8.8	9.0	9.8	10.9	12.3	8.5	7.5	9.7	8.3	7.5	6.2
South Asia	4.2	4.4	3.8	7.3	7.6	8.7	8.7	9.0	3.9	7.4	8.6	6.5	3.3	3.3
China	8.4	8.3	9.1	10	10.1	11.3	12.7	14.2	9.6	9.2	10.4	9.3	7.7	7.9
Japan	2.3	0.4	0.3	1.7	2.4	1.3	1.7	2.2	-1.0	-5.5	4.4	-0.7	2.0	0.6
European Union	3.9	2.1	1.3	1.5	2.5	2.1	3.3	3.2	0.3	-4.3	2.2	1.5	-0.3	0.6
Eurozone	3.8	2.0	0.9	0.7	2.2	1.7	3.2	3.0	0.4	-4.4	2.1	1.5	-0.6	0.3
Latin America and the Caribbean	4.0	0.3	-0.4	2.1	6.1	5.0	5.8	6.0	4.3	-1.5	6.2	4.7	3.1	3.9
Africa	3.5	3.1	3.3	3.8	6.1	5.1	5.8	6.0	4.8	2.9	4.7	-0.7	5.7	4.7
Middle East and North Africa	3.4	2.6	3.3	3.5	6.2	4.7	5.5	5.9	4.7	3.6	4.2	-6	7.5	4.4
Sub-Saharan Africa	3.6	3.6	3.2	4.1	5.9	5.5	6.1	6.1	4.8	2.2	5.1	4.7	3.9	5

* Forecast. ⁺ Average of East Asia and the Pacific and South Asia ~ Average of North and Sub-Saharan Africa (includes the Middle East)

Source: World Bank (2013); European Commission (2012); DESA (2013)

The ability of many of the Global South economies to cushion the negative effects of the crisis in 2009 was due largely to the economic performance of China and India, whose growth was around 9.6 per cent and 5.7 per cent respectively. As has already been mentioned, China made a special contribution to the recovery of world trade in 2009-10, insofar as its imports grew 22 per cent. By contrast, US imports fell 16.5 per cent and European imports plummeted 14.5 per cent in the same *annus horribilis* (WTO 2010, 2011).

If the scenario of a substantial decline in Chinese growth finally materializes, it will affect, to varying degrees, those countries in Africa, Latin America and Southeast Asia that had benefited from the boom in commodity prices in the 2000s (León-Manríquez 2011). If the economies of the US and the EU do not resume substantial growth in the coming years, and if GDP in China and India falls further than official forecasts predict, one can expect a considerable impact on the Global South – that would lead to the possibility of a deepest and most synchronized phase of the GFEC. If that is indeed the case, the thesis of ‘decoupling’ will be discarded. Overwhelming global economic links will not allow any country or region to eschew the new crunch. Soon we will know how plausible this scenario is.

Keynes to the Rescue: Worldwide Responses to the Great Recession

The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist.

John Maynard Keynes (2003 [1936])

For the sake of analytical simplicity, some economic publications characterized responses to the GFEC with phrases like ‘we are all Keynesians now’ (The Economist 2009). Yet, there was a division in the orthodox quarters between The Economist’s almost Taoist acceptance of Keynes’ rebirth and the reluctance of die-hard neoliberal economists to undertake any expansionary strategy to circumvent it. In an open letter to the then new US President Barack Obama (published in the New York Times on 28 January 2009 and financed by the libertarian Cato Institute), dozens of orthodox US economists, including some Nobel prizewinners, insisted on implementing the old recipes of Reaganomics and Thatcherism to overcome the crisis:

Notwithstanding reports that all economists are now Keynesians and that we all support a big increase in the burden of government, we the undersigned do not believe that more government spending is a way to improve economic performance... To improve the economy, policymakers should focus on reforms that

remove impediments to work, saving, investment and production. Lower tax rates and a reduction in the burden of government are the best ways of using fiscal policy to boost growth.

The old separation of Cambridge versus Chicago reappeared. Who won this round in the North? What kind of anti-crisis policies were implemented in the Global South? To answer these questions, there is no better resource than reality itself. The International Labour Organization (ILO 2010) investigated the kind of policies implemented by different governments to mitigate the effects of the crisis. Unlike the 1980s and 1990s, Keynesian Cambridge won this time, as the bulk of economic strategies were countercyclical, designed to mitigate the effects of the unavoidable downturns of the capitalist system. However, the ILO found that mixed and even liberal policies were also implemented, although in a less ambitious fashion. Policy choices varied in different countries or regions depending on the GFEC's scope as well as the specific sectors affected by it.

Those countries that resorted to Keynesian countercyclical measures did so by implementing three kinds of actions: a) monetary bailouts and injections into the financial system aimed at re-establishing credit flows, b) interest rate cuts to stimulate investment and loans, and c) additional public expenditure to shore up aggregate demand. A sample of 20 low- and middle-income countries (ILO 2010) found that the most common policies were the support for small and medium enterprises (70 per cent of the countries did this), the reduction of interest rates (75 per cent), the implementation of deposit warranty schemes or other measures to protect the financial sector (75 per cent), and the increase of public investment in infrastructure (100 per cent). Such measures prevailed over the creation of public employment (20 per cent), support of migrant workers (30 per cent) or the provision of 'green jobs' (10 per cent). Tax cuts were also universally applied.

All in all, countercyclical policies were implemented in most countries. The US, epicentre of the crisis, undertook remarkable Keynesian measures. Perhaps more by necessity than by choice, the United States nationalized financial institutions like Fannie Mae and Freddie Mac, recapitalized banks and devoted significant resources to boost infrastructure, science, health, energy, education, training the workforce and protection to the most vulnerable social groups. Between 2008 and 2010 the amount of successive fiscal stimulus packages amounted to almost 5 per cent of GDP, despite Republican opposition and the open letters of neoliberal think-tanks'.

The G-20 and emerging countries also dressed in countercyclical clothes. As Paul Krugman (2010) wrote, Asia went Keynesian. Together with India and South Korea, the PRC was a quintessential example of aggressive fiscal policies. By late 2008 and early 2009, analysts were concerned that the plummeting

demand from the US and EU would affect Chinese exports and growth. In March 2009 the World Bank forecast China's annual growth at 6.5 per cent, while Morgan Stanley estimated 5.5 per cent. Despite such 'gloomy' prognoses, China deployed a vigorous strategy, mostly based on the promotion of its huge internal market. Taking advantage of abundant reserves, China's policymakers designed a comprehensive stimulus package. The Chinese fiscal policy included both existing and new economic initiatives, rolling out massive infrastructure projects, tax breaks, green energy programmes, and the promotion of spending in the countryside. State-owned banks issued loans amounting to a stunning US\$ 660 billion just in the first three months of 2009. The stimulus strategies bore fruits promptly: by June 2009, IFI and consulting firms had raised their forecasts for the Chinese economy. At the end of the year, GDP grew 9.2 per cent, less than the 9.6 per cent of 2008, one of the highest growth rates in the world. In 2010 annual growth returned to double digits.

The worldwide heterodox responses to the GFEC have brought healthy consequences for economics as a discipline. In the 1970s and 1980s, this field began to be dominated by the theses of Hayek (1944), Friedman (1980), and other liberal and even libertarian thinkers such as Nozick (1974). Under the motto 'governs best who governs least', they claimed that the political modality more suited to economic prosperity was a minimal state. Such a state should only fulfil certain functions essential for growth: adjudication of justice, enforcement of private property rights, and provision of public goods. These assumptions, applied in the economic reforms in developing countries, were the backbone of the 10 points of the Washington Consensus, which included privatization, trade openness and de-regulation, among other measures of economic policy (Williamson 1990).

The Great Recession may not be the end of capitalism, but it certainly has affected neoliberal hegemony within economic theory. The late development economist Albert O. Hirschman (1981) coined the term 'mono-economics' to criticize the belief that there is only one economics (just as there is only one chemistry), applicable to all countries and at all times. That very idea is now under stress. Fortunately for the social sciences, schools of economic thought that had been declared extinct by the neoclassical tsunami have gained new legitimacy. Not only has Keynesianism performed a vigorous comeback, but Marxism, neo-Marxism, dependency, development economics and structuralism are being seriously discussed again. An unexpected gift from the GFEC has been 'letting a hundred flowers bloom and a hundred schools of thought contend', as the Maoist dictum requested (not too successfully, however) in 1956.

Impacts and Responses in the Global South: Overview of this Book

What have been the consequences of the GFEC in the South? There is a large body of literature on the causes and responses to the global crisis in the North. Inasmuch as the crisis started in the US and later affected the EU, plenty of publications and conferences have been devoted to studying these actors. Economic agencies of the UN system have also published abundant analyses of the effects of the crisis in Africa, Asia and Latin America. There is also a generous amount of works on specific national cases, both in the North and South. Less attention, however, has been set on the comparative discussion of the effects of the crisis upon the Global South. This is precisely the main goal of this book.

The bulk of the chapters included herein examine the crisis, its effects and responses within the traditional chasm between neoliberals and Keynesians. Only a few works apply, implicitly or explicitly, Marxist approaches and dependency theories. As Theresa Moyo's concluding chapter contends, the empirical studies in this book show a significant heterogeneity in the Global South. Case studies include a diversity of developmental trajectories: the sample encompasses G-20 members, middle-income countries with high shares of manufacturing exports and outstanding penetration in the world market; economies based on the export of commodities, and post-war societies whose main source of income is development aid. In order to organize the discussion, and bearing in mind this diversity, the editors have chosen an approach predominantly based on geographic, political and social similarities.

The book is divided into five parts which, in turn, comprise a total of 13 chapters. After this introduction, the next three sections are devoted to analysing the impacts and responses to the global crisis in Latin America, Asia and Africa, respectively. The last part includes an overview of policy alternatives to the crisis, as well as a discussion of the main findings, lessons and proposals derived from reading the book. It should be noted that, like many other phenomena in the social sciences, the division of the world into continents and sub-continents is a construct. To that extent, it is unavoidable that the countries and regions studied here will feature very different characteristics. Yet, this diversity is also a source of the richness, as long as it entails a possibility of disciplinary and geographic cross-fertilization. This was the spirit of the South-South Conference and the publication of this book, both sponsored by CODESRIA. The following paragraphs explain, in some detail, the hypotheses, contents and main findings of each chapter.

The second part of the book is focused on discussing the GFEC and its scope in Latin America and the Caribbean. Starting the discussion, the late Gastón J. Beltrán criticizes what he considers a fallacy of *secundum quid* or hasty generalization. Beltrán argues that the Great Recession, far from being a process

with the same roots and impacts throughout the global economic and financial system, was actually a crisis bred in the North with several implications for developing countries. After providing an operational concept of globalization, the author explores the political and economic effects of the economic recession in Latin America. In his multilevel analysis, Beltran identifies three different trajectories of the crisis in the region. According to him, Central America and Mexico suffered more the effects of the crisis than South American countries, due to overdependence on a faltering US economy. He also posits that state capacity seems to be an important instrument for dealing with the crisis.

In Chapter 3, José Luis León-Manríquez undertakes a comparative study of the diverging responses of Mexico and the Republic of Korea (ROK) to the GFEC. The two economies share such similarities as their rank in the world economy, parallel experiences in trade liberalization and a generous share of manufacturing exports. Their top technocrats attended the same graduate schools of economics in the US. These coincidences notwithstanding, the ROK and Mexico embarked on opposite responses and outcomes. While the former underwent a rapid recovery from the negative effects of the turmoil, the latter recorded its deepest economic decline since the Great Depression. According to the author, the diverging performances can be explained by two main factors: the coherence and drive of monetary and fiscal policies and the broader context of economic integration. Mexico's overdependence on the US market and half-hearted implementation of stimulus packages contrast with Korea's trade diversification in East Asia and vigorous fiscal policies.

Chapter 4 is the last chapter in the Latin American section. Written by Pablo Alejandro Nacht, its title is, 'The global crisis and the arrival of the Dragon in Latin America and the Caribbean'. Nacht frames the discussion of current Sino-Latin American relations in the global division of labour. The author argues that, although many Latin American countries (LAC) with nationalist or left-wing ideologies prefer the so-called 'Beijing Consensus' over the familiar 'Washington Consensus', LAC will barely benefit from a hypothetical consolidation of the first. Accordingly, the reemergence of China induces countries like Argentina, Brazil and Chile opting for neo-extractive economies based on commodity exports. For Mexico, the Central American countries, and the industrial sectors in South America, China's industrial clout means fierce competition in manufacturing of low and medium technological intensity. This asymmetry between the PRC and LAC makes it difficult to think about 'South-South' cooperation between both parties.

The third part of the book deals with the national and sectoral effects of the GFEC in some African countries. In Chapter 5, Terfa Williams Abraham analyses the degree of integration of African stock exchanges with those in the North and the South. Responding to the general survey question: 'Would the consequences of the 2007-2009 Global Financial Crisis be minor if the

integration of African stock markets were tilted towards countries of the global South?', the author criticizes the lack of empirical evidence to measure the susceptibility of African countries to external shocks via stock markets. Abraham investigates the integration among stock exchanges in Nigeria, Tunisia, Egypt and South Africa with the United States, the United Kingdom and Japan. Contrary to the 'conventional wisdom' on the issue, Abraham finds that some countries would be better off integrating with the Global South, but some others would strengthen their economies by increasing integration with the Global North. Both possibilities would certainly entail a degree of vulnerability to external shocks.

In Chapter 6, Theresa Moyo takes the discussion away from the financial markets to the real economy. Her contribution scrutinizes the impacts of the GFEC on South Africa and its response to the crisis. In so far as South Africa is one of the most industrialized countries in Africa, Moyo studies three key manufacturing sectors: automobiles, textiles and mining. After a thorough statistical research, the author makes it evident that the recession affected all of the three sectors equally, in so far as they are closely linked to global production chains and markets. The author acknowledges that the South African government's response to the crisis was resolute and comprehensive. Gathered under the umbrella of a 'Framework Agreement', the wide panoply of responses included countercyclical fiscal and monetary policies as well as industrial and trade policies. Moyo ends her text with a set of recommendations for improving the South African economy; she strongly advocates increasing the technological intensity of exports.

In yet another comparative case study, Bertrand Mafouta's Chapter 7 assesses the effects of the GFEC on the timber industry of three African countries: Congo, Cameroon and Gabon. The author states that gold aside, the terms of trade of African commodities have been facing a major deterioration. Although China's purchases of Central African timber have been growing continuously since 1994, European countries still account for 60 per cent of these countries' wood exports. Hence, decreasing demand from the EU precipitated a crisis in Africa's timber industry. There were massive job losses, tropical plywood prices dropped 20 per cent at the end of 2008 and timber firms underwent serious financial troubles. Mafouta analyses the measures taken by African governments to offset the worst effects of the crisis. He posits that these measures may have been effective in the short term, but will be useless if demand of wood keeps on declining. The chapter closes with some recommendations aimed at enhancing this sector's productivity.

In Chapter 8, Maxwell Chanakira studies the influence of the Great Recession upon the African telecommunications industry. The general opinion that Africa would be 'decoupled' from the crisis, because of its limited integration to the global financial system, proved to be incorrect.

Chanakira contends that the telecommunications sector is an increasingly important sector of the continent's economy. The author explains the nature of the African crisis in an attempt to debunk it from general overviews; he finds that Africa's GDP suffered a 2 per cent drop in 2008. Then he illustrates the increasing importance of the telecommunications industry and conducts an investigation through the annual reports of five transnational telecommunications operators in Africa in order to evaluate the impacts of the GFEC. Chanakira concludes that the most harmful effects took place in 2009, suggesting a time lag between the effects of the global crisis in the advanced economies and Africa. Chanakira advocates further regulation and improved services in this sector.

The fourth part deals with the impacts of the global crisis in Central, South and Southeast Asia. In Chapter 9, Rolando Talampas expounds the experiences of the Philippines in the Asian crisis of 1997 and the recession of 2008. His hypothesis is that both economic and financial uncertainties have undermined Philippines' state capacities. As long as policymakers have not learned the lessons of recurring crises, he states that yet another crisis of even greater magnitude may hit his country. While the author acknowledges that the Philippines were able to overcome the worse effects of the Thai baht devaluation in 1997, the country's conditions deteriorated afterwards. Something similar happened in 2008. Despite the tax reforms and social policies pushed by President Gloria Arroyo in the 2000s, in the end the Philippine government relied too much on remittances from migrant labour. Talampas identifies 'roller coaster' cycles caused by the perverse interaction between economy and politics. The outcomes have been stagnant employment, bad income distribution and resilient inflation.

As argued above, the studies of the impacts of the recession focus primarily on developed countries and developing ones. Very few studies have dealt with GFEC effects on less developed states in a post-conflict situation. In Chapter 10, Hidayet Siddikoglu reviews three countries in South and Central Asia. Due to the US war on terror after 9/11, Afghanistan, Pakistan and Tajikistan acquired a central role in global security. These countries' political instability, extremist movements, poor governance, rampant drug-trafficking and enduring geopolitical tensions have been boosted by the global recession. Siddikoglu argues that, while other countries of the Global South have undergone economic turmoil as a result of decreasing exports or financial contagion from the North, this Asian 'triangle' has suffered from plummeting economic aid from the developed countries. This fact has undermined the limited gains that had been made in the construction of enhanced political governance and stronger economies.

Chapter 11, written by Tanvir Aejaz, addresses a strategy that some countries have launched for streamlining the provision of social services, curbing fiscal crises and avoiding privatization. In Public-Private Partnerships (PPPs), the governments transfer part of their responsibility for the provision of public goods to private companies. As a case study, the author uses the emerging structure of PPPs in the public health system in India. He focuses on the potential clash between private initiative's primary goal of capital accumulation versus the distribution and efficient use of wealth pursued by the government. Aejaz argues that PPPs may be useful if enough accountability is ensured. The author observes that India has been one of the least affected countries by growth deceleration, and adds that its fiscal package has been one of the largest, as a percentage of GDP, within the G-20. Despite such developments, Aejaz argues, in its 11th Five-Year Plan (2007-12) India has pressed hard to push PPPs as the new face of development.

The book's closing section contains two articles on political and economic alternatives to the global crisis. In Chapter 12, Horace G. Campbell focuses on China's social transformations and their implications for global change. The author argues that, for decades, the West has been attempting to undermine any social progress in the South. The economic institutions of the Bretton Woods system have brought new forms of colonialism and imperialism. Campbell states that China, the Association of Southeast Asian Nations (ASEAN), the BRICS and the Bolivarian Alternative for Latin America (ALBA) are facing the same adverse attitude from the West. The author gives the example of China's relations with Africa, which have been labelled as 'new colonialism'. But in China and African quarters, Campbell argues, that relation is appreciated as a form of South-South cooperation that still represents the spirit of Bandung. Thus, Campbell is optimistic about the potential scope of the Bank of the South and the Chiang Mai Initiative.

In Chapter 13, Theresa Moyo recalls the original logic of the book and beefs up its main convergences, divergences and findings. Issues include the deep causes of the crisis and its effects on the different regions and economies of the Global South; the transmission channels of the GFEC to emerging and developing countries, and the implications of the crisis in terms of present and future strategies and policies in the South. Moyo identifies some common characteristics of the crisis. At the same time, she finds variations in the mechanisms of transmission, affected sectors and countries' responses. The explanatory factors of these differences have to do with the extent of integration with the US and Europe, the diversification and composition of exports, state strength to buffer external shocks, the shape of economies prior to the onset of the GCEC, and the diverging countries' economic policies. At

the end of her chapter, Moyo recommends reducing the external vulnerability of the Global South, strengthening state capacity for running the economy and providing social services, and enhancing South-South cooperation.

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