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BOOK REVIEW: THE DEVELOPMENT AND PERSPECTIVES OF THE WORLD ECONOMY: FINDING POSSIBLE WAYS OF ECONOMIC RECOVERY AT THE TIME OF THE PERSISTING CRISIS OF TRUST

Lívia Krempaská*

OBADI, S. M. a kol.: *Vývoj a perspektívy svetovej ekonomiky: hľadanie možných ciest oživenia v čase pretrvávajúcej krízy dôvery (The Development and Perspectives of the World Economy: Finding Possible Ways of Economic Recovery at the Time of the Persisting Crisis of Trust)*. Bratislava : VEDA, vydavateľstvo Slovenskej akadémie vied, 2013. 401 p. ISBN 978-80-224-1311-4.

At the beginning of the 21st Century, as indicated by the author in the introduction of the monograph, the world economy cannot be viewed otherwise than a turbulent and dramatic. Despite the adopted anti-crisis measures, changes and actions of individual regional actors, path to global economic recovery is still full of obstacles and challenges. The world economy in this period continues to face economic and financial crisis, high unemployment, stagnation and notional increase in the gap between rich and poor. The question of searching for possible ways of recovery in the current period of the persisting financial crisis is analysed in the monograph entitled "Development and Perspectives of the World Economy". The main aim of the monograph is to get closer to economic world events from multiple points of view (national, regional, global). The monograph is structurally divided into five sections consisting of twelve chapters.

In each section author deals with an analysis of development and perspectives of the world economy, world trade, international financial markets and potential pathways to their recovery, as well as with an analysis of the

* Mgr. Lívia Krempaská is a PhD. student at the International Relations and Diplomacy Department of the Faculty of Political Science and International Relations, Matej Bel University in Banská Bystrica, Kuzmányho 1, 974 01 Banská Bystrica, Slovak Republic, e-mail: livia.krempaska@umb.sk

economic situation in the BRIC countries. The final section is a space devoted to the theoretical reflections on globalisation in the economic crisis. The subject of the opening section, as indicated by the book title, is to deal with the world economy and possible ways of recovery of the global economy. In next four chapters the attention is given mainly to the global dynamics in global output, persistent fiscal problems, and global imbalances. The final part of the chapter, building upon the previous observations, elaborates on possible prospects of the global economy. Chapter examines global and regional development, economic growth and other macroeconomics indicator. Situation of the world economy, according to author's analysis, is more or less sceptical. Despite the gradual improvement of the situation in individual regions, it still cannot be considered as movement forward.

According to **Saleh Mothana Obadi**, coordinated actions and policies, and consensus in the global economy, could improve the current situation in regions. The global economy is strongly influenced by policies and new political models, which increase losing confidence and lead to destabilisation, to deepening the crisis and a recession in domestic consumption. Author sees the weak economic growth as direct consequences of the economic situation in the European Union and in the United States and Japan, where the economic activity appears to be slowing down over the past two years. On the other side, the world developing economies are considered to bring an economic growth to the regions of Asia, Latin America, the Middle East and North Africa. Economic priority and challenge for future global prosperity, according to the author, should be the need to develop new models of economic growth capable of creating new, adequate and secure jobs with generous wages in the middle of a huge process to achieve again global economic balance.

The second chapter authored by **Tatiana Bujňáková** is dedicated to the development of the global labour market and the factors affecting income inequality and poverty. In every section she consequently analysed the development on the global labour market and the impacts of structural changes on productivity, employment and poverty reduction. In her view, the situation on the labour market in developed economies is unstable. She sees the causes of decline in an overall economic activity rate, in an increase of the absolute numbers of labour force, as well as the total population. In the case of individual regions (South Asia, as well as the economies of the Commonwealth of Independent States and Central and Southeast Europe), the negative impact on the economic growth rate has caused structural changes, which could be, on

the other hand, perceived as a source of an improvement of the productivity. An essential part of this chapter is represented by a considerable amount of graphs and tables that significantly illustrate the given issue of the development of the labour market, productivity and employment.

Current topics of economic development in the European Union and, so far unsuccessful, efforts to avert crisis are examined in the third chapter by an economist **Ivana Šikulová**. Considering the topic, the first three subchapters are dealing with the recession in the European Union area, the reaction of the European Central Bank to the debt crisis and also with an analysis of incessant debt crisis itself. The main aim of the further part is to question the withdrawal of a financial help for the member states of the European Union, as well as the deepening of an integration and enlargement of the European Union. With regard to the tackling of the debt crisis, such statements of the author tend to uncertainty, for the instruments that should eliminate the debt crisis at the same time contribute to a recession and the rise of unemployment. Despite the debt crisis, in regard to the European integration we can still talk about the progress, albeit very heterogeneous, as illustrated on the examples of stable economies of Germany and France, and, vice versa, troubled economic areas of southern Europe.

In the final chapter of the first block **Boris Hošoff** deals with the analysis of economic developments in the US economy and Japan. He sees the positive contribution in the case of the US economy mainly in the private sector, which involves quite significant adaptation and restructuring. On the other hand, he points to the negative development of the Japanese economy connected with its fiscal consolidation. Analysis of the economic development of the United States and Japan closes the first block of the reviewed monograph, but also opens the space for many discussions and conclusions. Predictions of the author are in case of US economic growth positive and expanding. The author considers the private consumption and investment, employment growth and also the growth of exports of goods and services to be chief growth stimulants. The expansion is supported by monetary policy and rising industrial production. When explaining the topic of economic development of Japan author refers first of all to the persisting global crisis, growth deficits and public debt, as well as to the attempt to end the year-long deflation and start-up boom through public expenditure.

In the second section of the reviewed book various authors elaborate on the issue of economic expansion in countries of BRICS coordination group. This

section is divided into four chapters that are dealing with an analysis of individual economies. The fifth chapter is dedicated to the Chinese economy. **Daneš Brzica** and **Jaroslav Vokoun** analysed general economic development, monetary and fiscal policies, industry, as well as industrial policy and social development. They point to the fact that the Chinese economy is undergoing a period of rapid economic and social development, which greatly influenced the whole Chinese society. Individual changes can be noted in the economy, public administration, education, health and other areas. Behind the rapid economic growth are, according to authors, reforms and liberalisation of the trade, as well as cheap labour force. The subject of the sixth chapter is prosperous Brazil. With regard to the aim of the detailed analysis, the chapter is divided into seven parts, which consequently deal with the growth of the Brazilian economy, foreign trade, private consumption, investment, monetary and fiscal policy and the perspectives of the future development. In the very first section the author writes about the current economic development in Brazil, which encounters a considerable drop in the economic growth in comparison to the previous period and the predictions that anticipated boom-going growth. In the next section the author **Mariam Abdová** argues that such development is result of the dependency of Brazilian economy on the global economic environment and, lastly, presents three possible development scenarios for the next decade.

Third country of BRICS, and the main interest of the seventh chapter authored by **Veronika Hvozdková**, is the Russian Federation and its economy. Chapter is divided into four parts, in which she analyses the slowdown of the Russian economy, its central banks and restrictive monetary policy, external relations, weakening exports, a fragile budgetary balance and, in the final part, also unemployment. At the turn of year 2009, Russian economy entered the process of recovering from the recession. The author offers us a number of activities which have marked the recovery from previously stagnant economy. Primary focus of this chapter is the improving development in an external environment, which has significantly affected economic development and productivity of the economy. Important roles were also played by the growing domestic and investment demands, as well as by the rise of oil prices and the resulting final consumption of households. According to the author, at the beginning of 2012 the Russian economy has already recovered from the recession, which dominated in 2009. This is influenced mainly by sufficiently strong domestic demand that ensured the solid growth in some industrial sectors and, last but not least, tight fiscal policy and prudent monetary policy.

The eighth chapter of the second block is dedicated to the fourth BRICS country -India. In five separate subchapters, **Gabriela Dovalová** has analysed the economic development of India, vulnerability of an Indian economy, inflation and its impact on economies, as well as the impact of demographic changes on the economic growth and fiscal policy. In her view, India's economy stands in front of many challenges. In an opening part author speaks about number of key areas, which need structural changes and have huge potential (public administration, education system, and control inflation, liberalisation of financial markets, trade, and improving the quality of the environment). This chapter dealing with India is the last part of the second section of the reviewed book centred on BRICS economies. Considering the content of this block, we believe it would be beneficial for completeness of the research to devote some space to South Africa, which is the last member of the global coordination group BRICS.

The ninth chapter of reviewed book was authored by an editor and project coordinator **Saleh Mothana Obadi**. Author deals with the development of global trade. Chapter structurally consists of three parts - development of nominal global trade, perspectives of world trade and development of primary commodity prices. Examined chapter is part of the third block entitled Evolution and perspectives of world trade. In an introduction author discusses the reasons of a slowdown in the global trade, which can be mainly seen in the deepening of the debt crisis and undermined confidence caused by new actions conducted in the Eurozone, as well as in the European Union, which have led to a decrease of the demand for industrial production and exports. Using charts and graphs author compares export and import of selected economies and the world trade, trying to express the nominal development of the global trade. Behind the intense slowdown of the world trade he sees a rapid decline in the world trade of goods, which recorded almost zero growth. Author is optimistic in a question of future perspectives, emphasizing the role of international organisations as the relatively new key players within the global trade, which should ensure a gradual recovery of the developed economies.

The fourth section of this book is devoted to the question of development on the international financial markets and it consists of two main parts. The tenth chapter is divided into four subchapters and focuses on persistent global financial risks and arrangements for their reduction.

The first two subchapters are dedicated to evaluation of the global financial resources and regulations of financial sector. The author **Peter Staněk** provides an overview of the current state of the global financial resources. He talks about

average liquidity in the hands of private investors, concentration of wealth, but also about the pressure to effectively evaluate financial resources. In a question of the need for regulation of financial sector he sees a possibility of taking the real action, but only in case of integration of all segments of the debt countries, people, businesses and real estate portfolios. In the third subchapter author works with integration and regulation in the financial sector and, in the end, he concludes that there is a space for optimisation of the tax burden. Author argues the benefits of integration, regulation and deregulation of the financial sector. He primarily focuses on corruption, tax optimisation and financial operations on the edge of the law, considering the costs connected to each one of the described situations. In the words of the author, it can be stated that the process of ongoing polarisation of income and widening income and wealth asymmetries will be a major factors in the future development of national economies.

In the final part of the fourth block, Rudolf Sivák examines the impact of the international credit rating agencies on the international financial markets. In three subchapters he consequently deals with the role of these agencies in terms of the theory and real links to the financial markets, the decisions of rating agencies, as well as with the specific examples. In the opening part, the author briefly clarifies the role of the credit rating agencies based on the relevant sources. According to him agencies play an important role in global financial operating environment within the securities and banking markets. Due to the historical development he speaks about several changes in the question of the nature of such activities, which over time have been transformed into the systemic element of the global financial markets. Author, through his own schematic processing, shows us overview of the main events that have affected the development of credit rating agencies during the 20th Century. This chapter not only explains the role of the rating agencies in the financial market, but also elaborates on the decision-making channels of the agencies and their effect.

The fifth and final block of the reviewed book consists of theoretical reflections on globalisation in terms of economic crisis. Its author **Milan Šikula** focuses on institutional and systemic character of globalisation and global crisis associated with it. Main aim is to argue the hypothesis that globalisation is a process necessarily linked to the formation of different types of global governance, which has, in a view of the historical development, mainly negative or even destructive effect on the world civilisation and its development. Due to the defined aim, the author decided to divide this part into four subchapters, each of them dedicated to the diverse notions of globalisation and the historical

roots of the currently shaping global governance (even without global government at the beginning). The objects of the last two sections are neo-liberal concept of global governance and global governance without global government. Considering the topic author sees globalisation as a unique process, which started in the second half of the 20th Century, and which represents a qualitative change in the national economy and the world economy into a new global economic structure. It is seen as a new stage in development of civilisation, at which humanity must develop global governance.

The reviewed book is the result of numerous research activities of Institute of Economic Research and the University of Economics in Bratislava, as well as research projects VEGA no. 2/0009/12 (Ch. 1, 5, 6, 7, 9 and 10), VEGA no. 2/0103/12 (Ch. 3), VEGA no. 2/0104/12 (Ch. 4 and 12), VEGA no. 2/0158/12 (Ch. 2 and 8). Reviewed monograph represents the work that analyses current trends of the global economy. Considering the content of a book, this publication is highly and expertly answering the questions of current economic problems. It makes the reviewed book considerably valuable not only in the field of academic education, but also in the hands of professional and business community.

The monograph was compiled under the leadership of and edited by **doc. Ing. Saleh Mothana Obadi, PhD.**, who is currently a senior researcher at the Institute of Economic Research of the Slovak Academy of Sciences, President of its Scientific Council and an external lecturer at the International Trade Department of the Faculty of Commerce, University of Economics in Bratislava. Since 2001 he is listed and registered on the list of translators of the Ministry of Justice of the Slovak Republic as a court translator of the Arabic language.