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Llega un momento en que el dinero y la influencia no bastan para dar sentido a la existencia

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social de la opción a favor de la familia (los hijos de estas madres mantendrán el aparato productivo y pagarán nuestras pensiones), para fijarme tan solo en la libertad de la mujer para adoptar el tipo de vida de su preferencia. No pocas intentarán combinar ambas opciones, como muestra el atractivo que tiene para las madres europeas el trabajo a media jornada. Y otras transitarán de un modelo a otro (la 'transición' es concepto de moda en la ideología de género). Por ejemplo, Lady Nokia. Sari Baldauf llegó a ser a comienzos de los 2000 vicepresidenta ejecutiva de Nokia, con un sueldo de 900.000 euros al año. El Financial Times la catalogó como la mujer más influyente de los negocios europeos. A los 49 años renunció a esa envidiable

posición y a un futuro todavía más prometedor (se hablaba de ella como presidente de la compañía). No fue una decisión repentina, pues había avisado tres años antes a su jefe. Después de trabajar entre doce y catorce horas al día y de viajar sin pausa por todo el mundo, quería recuperar las experiencias básicas de la vida: estar con los nietos, esquiar en el bosque, coger setas, leer, jugar al tenis, hacer voluntariado social. "No me quejo, ha sido emocionante. Pero llega un momento en que quieres mucho más tiempo para ti y para tus intereses personales".

He citado un caso extremo: pocas mujeres en el mundo pueden exhibir una carrera tan exitosa como Sari Baldauf. Y aun así, llega un momento en que el dinero y la in-

fluencia no bastan para dar sentido a la existencia. Lady Nokia apenas pudo ejercer de madre –estaba dedicada a su carrera profesional– y ahora va a intentar al menos ser abuela. ¿Quién se lo reprochará? Pienso en los millones de mujeres que desempeñan trabajos muy poco brillantes y mal retribuidos. Si se lo pueden permitir económicamente, ¿no parece una elección sensata recortar el trabajo fuera del hogar para educar y ver crecer a los hijos? ¿Por qué lógica misteriosa han de imponer las feministas radicales la demonización del varón, de la maternidad y del trabajo en el hogar?

El estilo de vida que nos propone Lady Nokia es bien asequible y sumamente razonable: valdría la pena probarlo •

The Politics of Living. The Two Sides of the Coin of Our World Economy

WHY ARE SOME COUNTRIES RICH AND OTHER COUNTRIES POOR, AND IS THERE A WAY TO MEASURE THE INTEGRAL WELLBEING OF SOCIETIES?

ALEXIA TEFEL

INTRODUCTION

Being amazed by the world around us is something we should learn from children and never lose sight of, for remaining in constant wonder will allow us to change questions when we do not have answers, and help us develop the complexity of our questions to better understand the tangled world we live in.

We can ask simple questions that require complex answers, but this essay will attempt to answer a question which requires people to understand complex problems to create solutions.

Having had the opportunity to move around different countries as a child, I was able to notice the differences in lifestyles and compare and contrast the standards of living of the countries in which I grew up. This sparked in me the curiosity to know how

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How these countries got to where they currently are, and the reasons why

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these countries got to where they currently are, and the reasons why some are doing well in some aspects while others are not.

Guatemala, the country where I lived until I was ten years old, is rich in resources and has diverse, beautiful landscapes as well as hard-working, creative people. However, its problems with security make it a hazardous place to live in. I also lived in the United States for a couple of years, in a small town in Louisiana. Here, my family



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and I enjoyed much better security than in Guatemala, as well as the benefits of free education. Nevertheless, we also found that the free market is not always the perfect picture that people paint it to be, especially when a financial crisis brings about unemployment and economic instability. On the other hand, our experience in Nicaragua proved how a country with great wealth in resources and labor can be one of the poorest countries in the world if it is governed by the wrong people.

These are some of the circumstances that led to my interest in asking why some nations are wealthier than other nations, and whether there is a way to measure the integral well-being of a society. I will try to provide an answer to these questions through the arguments of Takayuki Sakamoto in his seminar in November 2018 for the students of PPE, as well as those of one of the most influential works in classical economics, *The Wealth of Nations*, and two of the most acclaimed novels of this field in modern times, *Why Nations Fail* and *The Globalization*

Paradox. After having presented these books' arguments, I will make a case study about the causes of the fiscal policy and debt problems in Greece to show how the reasoning of the previously mentioned works plays out in real scenarios.

GLOBALIZATION AND IDENTITY- TAKAYUKI SAKAMOTO

Takayuki Sakamoto is a political science professor at the University of Kitakyushu in Japan. His main interests of research are comparative political systems, especially between Japan, America, and southern European countries.

Professor Sakamoto began his seminar *Globalization and Identity* last November by stating that "we assume too much". He said how it is human nature that, when we grow up in one country, we assume that we know it well. However, upon closer inspection, it often turns out that we might not know it as well as we thought. In order to do this analysis, says Professor Sakamoto, we need to know how to interpret data and identify patterns

on the economy, government, and society of a country. By doing this we can know which aspects we need to change to improve the wellbeing of society as a whole.

One way to measure the wellbeing of a country is with real Gross Domestic Product (GDP) and GDP per capita, which is a better indication of a country's living standards since it adjusts for population. For instance, China is the second largest economy in the world because they have a population ten times bigger than Japan, however their GDP per capita, and consequently the standard of living of their people, is worse than other countries'.

Professor Sakamoto goes on to say that a better indicator of a country's well-being and the efficiency of its economy is its labor productivity. We can know a country's labor productivity by dividing its real GDP by the total number of labor hours. But, how can we improve labor productivity? One of the best ways, according to professor Sakamoto, is to invest in education and technology. He says it makes sense to invest in the skills and knowledge of people, and to do that we need to invest in education, for example vocational education and training. If a government does not make investments in public education, it makes it difficult for children of low-income families to go to school and college. When this happens, many prospective workers are left uneducated, especially if education is expensive like in the United States and Japan. On the other hand, Nordic countries have free education, and therefore the children of low-income families can get high-quality, good education and a stable job if they study and work hard. This causes the chain of poverty to break, as these children will no longer have low incomes



like their families did, which gives them and their families a chance to succeed in life.

Active labor market policies (ALMP), including job training, placement services, job creations, subsidies, and so on, are another way to improve labor productivity, according to professor Sakamoto. In addition, we also need technology, and concretely Research and Development (R&D) spending by the government. The production function shows that, by improving technology, human capital, and physical capital, GDP growth is created.

Summarizing, in order to raise the labor productivity of a country, we should invest in the four factors of production (technological knowledge, physical capital, labor, and natural resources). Nevertheless, it is important to note that there are some things, such as happiness, that GDP does not measure. So, how can we improve happiness in a country, and how will that affect productivity? It is clear that more

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money does not mean more happiness. This makes it more difficult to measure the level of happiness in a society because people of different classes can find happiness in different things in life. The essential aspect to apprehend is that GDP is completely different from the real wellbeing of people, which is why it is key for economists to work on including these kinds of factors into the notion of prosperity of individuals. By doing this, economists will have found a way to measure the integral wellbeing of societies.

AN INQUIRY INTO THE NATURE AND CAUSES OF THE WEALTH OF NATIONS-ADAM SMITH

Adam Smith was a Scottish philosopher and economist who achieved the first comprehensive system of political economy. For him, free-market economies are the most beneficial and productive for societies, and he argues in favor of an economic system based on individu-

al self-interest led by an “invisible hand” that would seek the greatest good for all.

Regarding the question of why some nations are wealthier than other nations, for Smith the answer lays in free trade and open borders. He argues that this allows countries to specialize in their best areas of production and import those products that are too expensive for them to produce, thus lowering their long-term cost of production. By restraining the access to these better, cheaper products and by disengaging with trade relationships that will ultimately benefit our economy, we are harming our own economic system and lowering the quality of the standard of living of the people in it.

Furthermore, Smith declares that the invisible hand ensures a prosperous system that works for the good of the majority, and that even though this may create inequalities, this is the price society must pay for freedom to prevail and for the majority to pursue their happiness and goals. The question that arises with this argumentation is whether this is what real wealth in a country means. Is it fair for some to suffer so that others can thrive? Are individualism and self-interest truly the best representations of the engines of our economy and society?

Nowadays it is easy to regard poverty as something that is happening to others because the poor do not have voice nor vote, but, in reality, this is everyone’s problem. From an objective point of view, we can use data to show how good or bad we are doing in relation to this problem, but further from the exact measurement of barometers there also exists a subjective evaluation. Poverty is not simply a question of percentages, because

the importance of some things cannot be represented in numbers; some things are absolute. What we can be sure of is that poverty threatens human dignity because what matters is not the percentage, but rather each individual person. Even Smith said in *The Wealth of Nations* that “no society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable”. However, where he went wrong with this, and how we could adapt it to today’s society to make more people aware of the work that we have yet to do to fight against poverty, is that “no society should be flourishing and happy knowing that there is still even a small number of its members who are poor and miserable”.

WHY NATIONS FAIL: THE ORIGINS OF POWER, PROSPERITY AND POVERTY
DARON ACEMOGLU AND JAMES A. ROBINSON

Based on fifteen years of research, in 2012 Acemoglu and Robinson published *Why Nations Fail*, which provides insights into institutional economics, development economics, and economic history to explain why nations diverge in their development, with some succeeding in the accumulation of power and prosperity and others failing.

The book begins by stating that “[it will encompass] the huge differences in incomes and standards of living that separate the rich countries of the world, such as the United States, Great Britain, and Germany, from the poor, such as those in sub-Saharan Africa, Central America, and South Asia”. We see that poor countries tend to have much less technology than rich countries, even basic needs like electricity. One example is that of North and South Korea. Looking



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Why nations diverge in their development, with some succeeding in the accumulation of power and prosperity and others failing?

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at a satellite picture taken at night time we can see the distinction more clearly:

It is shocking to see how some people do not have simple things that we take for granted like lightbulbs, and even more so when comparing this situation with that of their neighboring country, who are people of their same nation.

Other common factors of poor countries are that their people are much less educated, less healthy, tend to live shorter lives, and also have much worse government infrastructure public services. However, the authors argue that the reason for these underdevelopments is not because the countries are too poor to afford them, but rather because the resources that could be used for these things are wasted. Put simply, because of bad governance and the politics that created these institutional trajectories.

The authors continue asserting that the explanation of why poor countries are poor and rich countries rich is because the organization in rich countries creates incentives and opportunities for people,

whereas the organization in poor countries actually blocks these, which is what creates poverty.

They give the example of Thomas Edison and the patent system in the United States. The fact that the government of the United States enforced a patent that protected the intellectual property right of the lightbulb created an incentive for people to innovate. Therefore, one of the main differences between rich and poor countries is innovation and technological change.

But, in order to bring about these innovations and technological changes, we must realize the importance of economic institutions. Mainly, Acemoglu and Robinson vow to the value that *inclusive* institutions have, stating that, in order to have a prosperous society, it is necessary to have a set of institutions that can harness all the talent, ideas, skill, creativity, and entrepreneurship in a society.

So, ultimately, what matters for economic prosperity is inclusive institutions. Laying behind that, however, is politics. The authors note two dimensions of politics: the first is the broad distribution

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of political power (for example it would not have been possible to have an oligarchic patent system in the United States given that it had a well functioning democracy); and the second is a strong state that can enforce the rules, because it is not just a matter of passing the law, it is also a matter of enforcing it (such as when the United States would protect people's property rights after they bought a patent).

THE GLOBALIZATION PARADOX: DEMOCRACY AND THE FUTURE OF THE WORLD ECONOMY - DANI RODRIK

Dani Rodrik's research covers globalization, economic growth and development, and political economy. He has been a vocal critic for over two decades of what he sees as the unbridled tide of globalization present in today's economy.

In his book, *The Globalization Paradox*, Rodrik marshals out the perils of financial globalization as he says perfectly evidenced by the 2008 financial crisis and the worldwide effect that it had. He argues that the crisis was predictable, and how economists became blind to obvious warnings because they believed too strongly in the invented narrative of the safety and strength of markets and financial innovation transfers, and the harms of government intervention.

Rodrik believes that globalization

has the power to lift millions out of poverty, but only if it is done thoughtfully and with the intention of creating widespread good. The paradox that he presents is that national democracies need to be strengthened and international rules that protect all actors but still allow for mobility and enterprise need to be in place.

To illustrate the paradox, Rodrik sets it as a triangulation problem; the fundamental political trilemma of the world economy:

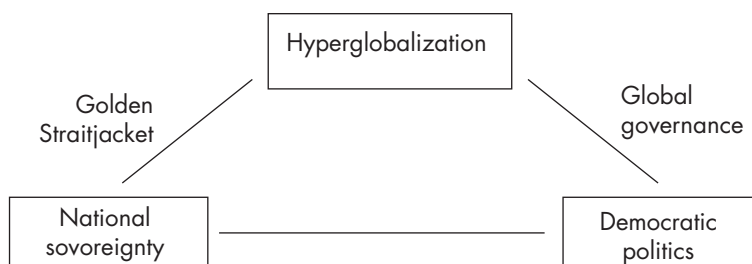
"we cannot simultaneously pursue democracy, national determination, and economic globalization. If we want to push globalization further, we have to give up either the nation state or democratic politics. If we want to maintain and deepen democracy, we have to choose between the nation state and international economic integration. And if we want to keep the nation state and self-determination, we have to choose between deepening democracy and deepening globalization. Our troubles have their roots in our reluctance to face up to these ineluctable choices".

He states that, either way, one thing must be given up in order to pursue the others. His image of "the political trilemma of the global economy" is reproduced below: To exemplify his arguments, he recalls the Asian financial crisis of 1997. After the crisis, many ana-

lysts pointed to the dangers of a government holding on to the value of its currency when it is possible for financial capital to move freely in and out of the country. He moves on to the end of the Gold Standard era, the Bretton Woods regime and Washington consensus, and the political discourses that moulded their repercussions. He also provides a discussion on the role that institutions like the IMF, World Bank, and the WTO played in the opening of markets in the last part of the century.

Rodrik draws that the rights of democracies to protect their own social arrangements prevail the necessities of the global economy. Countries like India and China have prospered precisely because they were not independent on international finance in the era of globalization, but rather because they are selective in the deals they choose, by lending money to rich countries instead of borrowing and pursuing well-thought-out, mixed strategies, even if they were with strong government intervention and regulation. On the other hand, we can see that the Latin American countries, which have not have such policies, have become victims to the downsides of globalization.

So, instead, we should argue for the principles of greater governance and a more thoughtful balance between markets and inclusive institutions that are easy to understand. Still, we should keep in mind that achieving global levels of governance with institutions that emerge from nation-states is hard to imagine with the complications of countries, infrastructures, societies, and values of our world today. Rodrik asks for a new narrative that will prevent future crises by looking at fairness and



sustainability as well as growth, and has a “truly global outlook” that allows for countries to make their own financial arrangements and models within a “multinational framework of governance and regulation”.

CASE STUDY: THE RISE AND FALL OF THE POLITICAL AND ECONOMIC INSTITUTIONS OF GREEK SOCIETY

Compared to third-world countries, Greece has been economically successful in the past 100 years. It has diversified its economy, raised people’s living standards, broadened education and health, and much more. However, the problems of Greece in the past decade stem from the dilemma of reconciling the two dimensions of politics that are needed to create an inclusive society: restoring and building an effective, strong modern state with having a democracy where political power is broadly distributed. It might seem like these two dimensions are difficult to combine, and this is part of where the problem lies in Greece.

Since the redemocratization in 1974, Greek society has found it difficult to reconcile building an effective central state based on rules that generate incentives and opportunities. When political power is increased and created broadly in society, it can create pressures to undermine the functionality of the strong state and turn it into a tool of the political struggle, rather than a neutral arbiter of new rules and universal principles. Because of this, many of the economic problems in Greece emanate from trying to make the state work properly, enforce rules, not be clientelistic, and enforce universal principles.

Nevertheless, the problem is also



about politics. Economics is crucial, but economic institutions are embedded in a political society and their root is in a political process. The Greek deficit or fiscal problem did not surge because of a technical problem or because the Greek government had the wrong economic advisors, but rather because of the problem of reconciling democracy and creating a strong state.

If the state becomes a tool for serving private interests and the individuals rather than the collective wellbeing of society, there will no doubt be fiscal policy and unsustainable debt problems. Stable macroeconomic policy is a public good, but if the state becomes clientalized, it will no longer be about providing public goods, but rather private ones. In that case, the debt would not be internalized by anyone, which presents a na-

tural context to get unsustainable fiscal policy.

The solution resides not in fiscal austerity; since this is a political one, the solution to the problem is reconciling these two elements in order to build inclusive political institutions. This is a political project about organizing a society collectively; clientelism is always individually rational, but not collectively rational. In conclusion, it is necessary for politicians to build a project to create a non-clientelistic state to reform the interface between the state and society in Greece.

CONCLUSION: THE WORLD IS BETTER; THE WORLD IS AWFUL; THE WORLD CAN BE MUCH BETTER

In our world today there are a lot of optimists, pessimists, and realists, who each in turn say that the world is better than it was

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**We need
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before, or that it is still awful, or that it can be much better than it currently is. All three statements are true, but no matter which version you believe in, what we must realize is that we all still have a lot of work to do. History has taught us that things can change, and believing and knowing that we can make a difference is one of the most important facts that we must remember.

However, the problems we face today require multilateral and collaborative solutions, not only amongst different people, but also across different disciplines. Having limited vision and focusing on single things at a time is not enough, because now, everything is interconnected. Just as *The Wealth of Nations*, *Why Na-*

tions Fail, and *The Globalization Paradox* are not books simply about economics, but rather encompass many different subjects, interdisciplinarity shows us that the solution to a problem can span across many different fields, because truth is not limited to a single entity.

To understand why a historic democracy like Greece suffered one of the worst financial policies of modern times, or why many countries in Latin America, so rich in resources and human labor, have not had the economic success that other countries without these means have had, we need to look beyond just economics, politics, sociology, and history, and into a realm where all of these disciplines merge themselves and create in-

trinsic branches that allow a deeper and holistic comprehension of our world.

In order for tragedies like the current political situations of Nicaragua and Venezuela to never happen again, we need to construct better forms of governance and prepare professionals that are well-equipped to administer the resources of a country in a just and fair way, being guided by principles and values that seek the wellbeing of society as a whole. This is why, in order to understand complex problems to create solutions, we need prudent and foresighted people who can understand the transversal issues of our society in all their different dimensions. This is why the world needs thinkers ●

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