

Book Review

Extreme Economies: Survival, Failure, Future: Lessons from the World's Limits by Richard Davies, London, UK: Penguin Bantam Press, 2019. 416 pp.

The author aims to explore what the future holds for the majority of the world's countries, the challenges along the way and whether free markets will be able to allow societies to survive without creating any adverse impacts. The way the author chooses to answer these queries is unique to the discipline of economics. Adopting a method that is more common in the medical field, they selected cases at the margin or extreme (as reflected in the title). Rather than studying regularly-studied societies or countries, the author decided to learn lessons and reach conclusions from outlier cases.

In visualising the future, the author highlights the issue of aging populations, that most countries will be confronting in the near future: from the developed European countries such as Germany, Spain and Italy to those in the Asian world such as South Korea and Hong Kong. The author focuses on Akita, a prefecture in Japan to highlight what the future holds, how the people respond and what the government needs to be prepared for. While other nations are focused on the future economic burden of a heavily skewed population structure, Akita's experience suggests there are positive economic opportunities provided by the golden-age population, such as creating a demand for gadgets that could be of assistance to them and the help that they can provide such as childcare.

Next is discussed the concern around technology development and how it may replace human labour with reference to Tallin, another outlier society that successfully embraced technology. Tallin's experience lends the world a lesson – technology will not necessarily lead to skyrocketing unemployment. Instead, it may lead to the creation of more work opportunities to support the implementation of technology.

The last issue chosen was inequality. Without a doubt, this has been on the agenda for many countries since the 1990s. Initially thought of as a prerequisite to spur further growth, with subsequent growth then leading to a reduction in inequality; current experience has not lent support to such a thesis. This issue is discussed in the context of Santiago, Chile, with

a detailed study of how free-market development ideology, with noble intentions, ultimately produced a glaringly unequal distribution of the economic pie. The interesting part is how an informal market was developed as a means of survival for the poor, cheaper markets selling no frills goods for the poor as well as a separate education system to assist those left behind.

Prior to discussing the future, the starting point focused on how extreme economies survive economic shocks with different outcomes. Deducing from the experience of Aceh's struggle to make a comeback after the 2004 Tsunami, the Syrian war refugees in Zadari and Azraq Camps and the prisoners in Louisiana; the author concludes that humans will make the effort to trade and exchange; in order to fulfil their need or to survive, with or without formal arrangements.

A few societies that failed in responding to economic shocks were then examined to understand the underlying reasons. The Dariens in Panama Gaps, the Kinshasa society and the community of Glasgow were studied – from multidimensional perspectives: historical, political and societal. The lack of social cohesion and the difficulty in coordinating are the barriers in Panama. A corrupted government was the issue in Kinshasa and the inability to adapt to new technology is the reason behind Glasgow's economic decline.

An important conclusion that emerged from these case studies is the importance of social capital, particularly in facing economic shocks and challenges. In facing the future, it is important for countries to start focusing on human capital – to ensure resilience and thus be able to cope during stresses or unwarranted changes. For instance, the ageing population in Akita, Japan possesses its own unique characteristics. From the narrative, it looks like the golden citizens are blessed with good health enabling them to take up sports and cheerleading in their 70s through to their 90s. Similarly, there is the claim that enduring financial difficulty is not an issue for them given that this generation survived World War II, suggesting that they are to a certain extent resilient. The case of Tallin and how they fare with technology is another example. This could be attributed in part, to the focus of building their human capital by focusing on science and mathematics education.

Interestingly, the observations made on survival and resilience offer some insights on the economic shock that the world is now confronting: the Covid-19 pandemic, although it is not in the picture at all during the

writing of the book. The conclusions made by the author deserve to be given proper attention by policymakers in rebuilding the economy following the pandemic: without downplaying the importance of financial capital, during times of economic shock, human capital – skills, ideas and knowledge – are not only the source of economic growth but are also an insurance against catastrophic decline. Social capital is the element that boosts productivity and determines the resilience of an economy.

Overall, the central thesis of this book offers invaluable guidelines not only for policymakers to confront the future – with its ageing population, rapid technology development and growing inequalities. It also gives guidance on what to prioritise in rebuilding the economy following the pandemic shock. Human capital should be given due consideration rather than being discriminated against in favour of financial capital in order to ensure sustainable and resilient economies.

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