

EAST BOOKS

Bridging economics and sociology

A new approach to capitalism is possible

by Fabrizio Gorla

We live in a world in which outside forces determine economic growth. This is the very nature of the quantitative easing programmes backed by the Federal Reserve, Bank of England, Bank of Japan and, since last month, European Central Bank. As well as the demand from emerging countries, still on the plus side. The same can be said of the industrialisation taking place in the sub-emergent economies. All of these factors are beneficial to the world economy, which is based on just a few variations of the capitalistic development model.

Yet there are still areas such as the eurozone in which there is no escaping the dependency on external demand. Developing, or even better, renewing domestic production factors is therefore the next challenge. Suggested reading on the subject is *Creating Economic Growth: Lessons for Europe* by Marco Magnani, a corporate banker and senior fellow at the Harvard Kennedy School of Government.

A good number of economic and financial analysts, in the wake of the Lehman Brother's crash, which was universally recognised as a watershed for the global economy in this first part of the 21st century, believe that we have to accept what we have become. For advanced economies, this means a bunch of low-growth, high-debt, highly professionalized

countries with a lower degree of innovation compared to developing nations. Luckily, however, there are those who still believe we can leap our way out of the quicksand, which is for the most part psychological. Magnani examines the sociological aspect of economic development through a bottom-up approach. He does not adopt the classic, and rather antiquated, position of many critics of globalisation and capitalism. That is, he does not state that there is any wrong model from the outset, as seems to have become the commonly held view since Naomi Klein's *No Logo*. There are instead different approaches. And there is no need to call on Muhammad Yunus and the Grameen Bank to explain that one can start afresh from an even lower position than the post-Lehman Brothers situation in a sustainable way.

But beware: one must not make the blunders that many contemporary analysts make. Sustainable does not always translate to ethical. Simply put, according to Magnani, sustainability is about minimizing, in the long and very long term, the formation of imbalances

that might compromise the integrity of the economic system in question.

To do so, it is essential that people be aware of their role as a social group. It's of little use to scatter money in all directions, hoping that the economic actors spend and not save, feeding a souped-up domestic demand cycle. One instead should think of sustainability. Translation: we must invest in education and training. Although the effects may not be that noticeable for two generations, in the long run there will be a new middle class and, therefore, a renewed ruling class, capable of being more responsible and far-sighted than the ones that have preceded it. This is no simple task because one has to have enough political determination to make unpopular choices – introducing structural reform always affects consensus – but it's perhaps the fundamental way by which one can hope to reduce collateral damage in the long term. ■

— Fabrizio Gorla writes for *Corriere della Sera* and *Panorama*. He is also editorial director of the East site, Eastonline.eu.



Creating Economic Growth. Lessons for Europe, by Marco Magnani. Palgrave Macmillan, 2014, pp.295

AUTHOR : Marco Magnani

Marco Magnani (Parma, 1969) graduated in political economics from the University of Rome-La Sapienza and obtained his MBA from Columbia University. He has worked as an investment banker for over 20 years, first with J.P. Morgan in New York and later Mediobanca in Milan. Since 2011, he has headed the Italy 2030 research project at the Kennedy School of Government at Harvard University, where he is also a senior research fellow in political economics. He is currently a visiting fellow at the School of Advanced International Studies at Johns Hopkins University in Washington, DC. ■