

Inclusive Growth, Full Employment, and Structural Change: implications and policies for developing Asia

Jesus Felipe
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What should be the main goal of macroeconomic policy? For decades the economic discipline has been dominated by a consensus, according to which price stability and a sound business environment should be the primary concern of policymakers. In recent years, however, this consensus began to erode and has been challenged both from mainstream and non-mainstream perspectives. This book is in the second camp and constitutes an important contribution to the construction of an alternative consensus. From the beginning, Jesus Felipe proposes a completely different set of priorities, positioning inclusive growth (that is, growth with equal opportunities) as the ultimate objective of economic policy. Throughout its pages, the author makes a strong case in favour of policies oriented towards full employment as the main road to achieve this goal.

When building his arguments, the author explicitly gets 'outside the box' and appeals to a wide body of literature in order to undermine the theoretical basis of mainstream policy recommendations. In this sense, he strongly criticises the notion of non-accelerating inflation rate of unemployment (Chapter 3); he stresses the instability of growth and the inexistence of an automatic tendency towards a full employment growth path (Chapter 4); and he points out the misleading views of the standard theory of international trade regarding comparative advantage and mutual gains from trade (Chapters 10 and 15).

The wide experience of the author in development economics, not only at the theoretical level but also at the more empirical level, is visible throughout the book. His vast knowledge of Asian economies enables an excellent analysis of the development path followed by these countries and the main constraints that they face in the near future. In this last regard, Felipe emphasises the failure of the region to provide employment to its huge and still-increasing labour force, which manifests itself in growing unemployment and underemployment rates. This is, according to the author, the biggest challenge that

policymakers across the region will face in the coming decades.

But Felipe goes beyond the simple diagnosis and discusses a set of policies that—depending on the particular features of each country—may contribute in achieving full employment, and thus inclusive growth. These policies encompasses a wide range of topics, including agricultural production (Chapter 5), public investment (Chapter 6), industrial policies aimed at the diversification of the productive structure (Chapter 8), fiscal and monetary policies geared towards full employment (Chapter 12), and active labour market policies (Chapter 14). In this discussion, Felipe challenges us to think outside the box and advocates thought-provoking measures such as running continuous budget deficits to ensure that aggregate spending is sufficient to achieve full employment; or implementing an employer of last resort program.

Although the main focus of the book is on developing Asia, the set of ideas regarding policy priorities and the theoretical foundations for them, bears special relevance for other developing regions. Most developing economies face similar problems in terms of employment creation and inclusive growth. Equally important for other regions, the author demystifies the flawlessness of the Asian development model, highlighting some major drawbacks that these economies are currently facing.

Overall, the book is highly recommended to anyone interested in development economics, unemployment, and poverty. The good balance between theory and empirics makes it a valuable piece for both academics and policymakers.

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