INTRODUCCIÓN

Global Economy, Academic Economics and the World Economy Journal

This 50th issue of the Journal marks an intellectual project of which the members of the World Economy Society can be justifiably proud. The Journal was established because of the lack of Spanish language academic journals in general, and on world economy in particular. A group of university economics teachers and researchers had been meeting since 1992, and seven years later decided to constitute the World Economy Society, for which the World Economy Journal was the logical complement.

The Journal was (and continues to be) broad in its theoretical and methodological scope, and its Editorial Board is made up of representatives from all the leading university economics departments in Spain. The first issue contained papers by leading figures in the field: Sampedro (the 'intellectual godfather' of the Society), Varela, Cortina, Atienza and of course Carlos Berzosa and Koldo Unceta – both of whom fortunately have papers in this anniversary issue too.

In 1999 when the Journal started its life, the accepted narrative about the world economy was very different from today. The Cold War had only recently ended and the process of economic globalization was accelerating with the opening of socialist and developing economies on the one hand and the strengthening of policy rules in the hands of international institutions. Economists critical of this process were in a minority, particularly those who were concerned by worsening income distribution, increasing financial fragility, the effects of technology change on labour, and of course the environmental externalities of global markets.

Less than a decade later, this conventional narrative was fractured by the Global Financial Crisis (GFC), which has had profound consequences which only a decade later are becoming fully apparent. The Crisis itself revealed that financial markets are systemically unstable and need closer prudential regulation because of their enormous externalities. Government intervention became urgent and extensive, while the critique of the excessive financialisation of the economy and its negative effects on productive investment, has gained wider support.

It also became clear that income distribution was deteriorating across the world at the national level, even though internationally there was still some income convergence as the Asian economies continued to grow more rapidly than the rest of the world. Rather than this dispersion reflecting differences in labour productivity from education and technology, it was in fact due to an increasing share of profits in national income, and the concentration of these profits in the hands of fewer global firms and their owners. The classical response to this problem – the taxation of profits in order to provide decent jobs and universal welfare – has not been applied because despite the good intentions of the Sustainable Development Goals, corporate taxation has been driven down by a 'race to the bottom' between individual countries competing for mobile capital – both foreign and domestic.

Profit and wealth taxes in general, and corporate income tax in particular has a key role in reducing inequality. The distribution of household disposable income is not only determined by earnings from the market, by the progressive taxation of capital of the richer declines and cash transfers to the poorer deciles in the form of pensions, unemployment and disability pay designed to reduce poverty. Moreover, there is growing evidence for the positive effect of reduced inequality directly on growth whether through enhanced social stability (and thus reduced investor risk) or though greater family investment in health and education.

At the geopolitical level, the GFC has clearly contributed to the rise of populism in both advanced and emerging nations, and also to mercantilist trade and investment policies which have weakened the multilateral institutions of global liberalism such as the World Trade Organization. The decision in both the USA and the EU to bail out the banking system with public funds led not only to an unsustainable debt burden – which is becoming more evident now that interest rates begin to rise again - but also to reduce welfare expenditure in order to permit further reductions in profit taxation.

Nonetheless, it would be too simplistic to conclude that the GFC represents a profound change in the dynamics of the world economy. The underlying process of structural change in the global production system has not been interrupted. On the one hand, the shift of manufacturing away from the advanced economies, and towards Asia in particular, continues. On the other, the dominance of world trade by intrafirm transactions in the form of centrally managed value chains is deepening – accelerated by the use of new digital technologies. This structural change is transforming labour markets worldwide and there is no indication that this process will be halted or even slowed down in coming decades. Possibly, the only phenomenon capable of halting this process is environmental degradation and global warming.

These realities have naturally undermined the overoptimistic picture of globalization to be found in university economics textbooks, and have generated a vigorous debate not only among academics but also within institutions such as the IMF and the OECD which represent the doctrinal heart of globalization. Specifically, both of these emblematic institutions now agree that economic inequality is a cause of social instability and low growth, and that renewed government intervention is necessary in order to support investment and prevent financial instability. However as yet the community of progressive economists have not been able to move from justifiable criticism towards coherent policy alternatives. Debates about these changing roles are in two streams: on the one hand critiques of public intervention on grounds of inefficiency and corruption from the 'public choice' school; and on the other 'developmental' demands for greater intervention in order to resolve problems of inequality, environment or industrialisation.

Over the past two decades a new critical approach has begun to displace the conventional orthodoxy of public choice theory, deregulation and fiscal minimalism in developing countries; thereby restoring public economics to its historic role at the core of development economics. The underlying theme is the continued need for an active 'developmental' state to ensure economic sustainability and social cohesion while mitigating the uncertainty caused by the global economy.

The scale of public sector activity has changed less than might be thought over the past seven decades, as Section 2 below will show. However the nature of the activities did change significantly from the original planning approach of the post-war decades through a long period of privatization, structural adjustment and stabilisation programmes. More recently, new roles have emerged for the public sector including universal social protection, prudential macroeconomic regulation and capital account management.

Critical theories of market failure and endogenous growth also help overcome the sterile dualism of 'state versus market'; and suggest a revived role for the democratic state in (i) the support for (endogenous) economic growth; (ii) structural change in response to technological progress; (iii) income redistribution; and (iv) building resilience to (exogenous) shocks. This should allow an integration of a new public economics approach with strategic objectives other than efficiency and growth such as social cohesion and environmental sustainability. Ultimately this requires not only the construction of enhanced multilateral mechanisms for fiscal cooperation, but also a redefinition of the social contract in order to clarify the roles of state, market and civil society in developing countries.

However, as the ecological economists point out, the concept of externalities is strictly false. Market agents make their incomes and profits by systematically shifting the social and ecological costs of their activities onto other agents, including future generations. Hence, externalities are a modus operandi of the market, not a failure: the market cannot exist without constantly failing. Indeed, much the same can be said of financial markets where market failure in the form of investor herding and information asymmetry are endemic. By extension, the analysis of public economics must be framed within a realistic model of how markets work in practice, rather than an ideal neoclassical world.

The Editors of the Journal therefore decided to commemorate its 50th issue by publishing a set of articles which would provide a broad survey of the current 'state of art' in our discipline, with particular reference these changes over the past two decades since its foundation. The contents of this Special Issue reflect the topics that I have just identified in the pluralistic and rigorous manner maintained by the Journal since its first issue.

It is therefore most appropriate that Berzosa contributes the first of these surveys 'Twenty Years of the World Economy Journal, Twenty Years of World

Economy'. He focusses on the changes in the world economy since 1999, logically highlighting the financial crisis of 2008. He emphasizes the negative impact on the income of the middle and lower classes; but also concludes that the various theoretical interpretations do not offer a convincing explanation of the process – let alone how to overcome the growing inequality that has become one of the most important problems of the world economy.

In contrast to this conceptual survey, Asensio, Sanchez and de Paz survey the empirical material available to test these conflicting hypotheses, in their article 'Data in Research on World Economy'. They argue that a new way of understanding the generation, analysis and publication of traditional data and indicators is emerging, combined with the proliferation of new complex indexes. Their thought-provoking argument is that both the new data and the ideas that underpin the indices, represent a challenge to both research and teaching because they have radical technical and methodological implications – implications which in turn will affect economic policy itself.

Carril and Milgram survey one of the most important aspects of globalization in their article 'State of the Art of the World Economy' which shows how outward investment from emerging economies has substantially changed the landscape of the world economy. The authors first review economic theories that explain emerging multinationals investments abroad, and contrast these with the flourishing empirical literature on the topic. Clearly, the institutional and economic home contexts contribute to shape firms advantages and in turn, their motivations to invest abroad and their location choice and finally, the impact of these investments.

Llados, Meseguer and Vilaseca address the question 'Where have the best jobs migrated? the impact of global value chains and technology on employment' in their survey of the impact of globalisation on employment patterns. The growing productive disintegration characterised by offshoring is closely related to a digital technological change and thus the distribution and specialization patterns between emerging and advanced economies that make up global value chains. The authors' empirical analysis suggest a growing profit share and employment asymmetry which help explain growing income inequality

Unceta and Gutiérrez close this first section of the Special Issue with their insightful article 'International Cooperation and the Development debate: the Shortcomings of Theory Versus the Allure of Agendas'. They argue that from the 1980s onwards debates on development and the international cooperation system took different directions. This disconnection between ideas on development and cooperation has led to a long-standing confusion over cooperation, with its role becoming increasingly unclear. The authors hold that it is necessary to revisit the theoretical underpinning of both development and cooperation strategies, before addressing the evident problems and consequently redesigning strategies.

The second 'general' section of this Special Issue contains three more focussed papers which clearly demonstrate the academic scope and methodological rigour of the Journal today. The themes they take up – technical change and inequality – reflect the large themes in the previous Section. The authors are also of a new generation of young economists who combine an interesting in emerging topics in international economics (such as technological capacities, inequality dynamics and firm behaviour). The support for this type of innovative critical research is only of the main objectives of the World Economy Society itself, and the main justification for this Journal.

The paper by Barrios and Martínez 'Technological Capabilities and Patterns of Income Convergence in Europe' uses cluster analysis to analyse patterns of growth and technology convergence in the European Union, in order to explore club convergence and in particular the role of technological capabilities in income convergence. Their findings provide a valuable macroeconomic insight into the way in which country characteristics determine the form of insertion into the world economy.

Brida and Segarra, in 'Inequality and Economic Growth: A Dynamic Analysis', also employs cluster analysis to explore the relationship between inequality and economic growth. Disaggregating the country data into two homogenous groups where high (low) growth is associated with high (low) inequality, they show that in higher income countries the relationship between inequality and growth is positive while no clear general relationship emerges for developing countries, and thus contradicts the widespread optimism about the growth benefits of greater equality.

Finally, the issue of technology adsorption is taken up in more detail by Jorda, Lopez and Contreras in 'Factors that Influence ICT Adoption at the Country Level'. They model the adoption by firms of innovative information technology, testing this model against international data and finding that country-level environmental factors such as globalization and technological capacities are central to this adoption. Their contribution provides valuable further evidence at the microeconomic level of how national factors (and thus government policy) affect insertion into the world economy.

As a group these three papers between them thus provide a multi-faceted exploration of the articulation of technology investment, economic transformation and income inequality that presents one of the greatest policy challenges of this century – artificial intelligence and the future of work. They combine excellently with the broader view of these three issues in the first part of this Special Issue.

Last but perhaps most important, and on behalf of the World Economy Society I would like to thank our colleagues Manuela de Paz and María Teresa Aceytuno, who have laboured as Managing Editors of the Journal ever since its inception in 1999. Ably supported by the Publications Department of Huelva University, they have made an invaluable contribution to the study of world economics not only in Spain, but internationally. I am confident that the Journal will continue publishing research of this calibre for the next twenty years at least.

Valpy FitzGerald,
Honorary President of the World Economy Society
Oxford, October 2018