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# Turnaround: Third World Lessons for First World Growth

*Peter Blair Henry*

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THIRD WORLD

LESSONS FOR FIRST

WORLD GROWTH

TURN-  
AROUND

PETER BLAIR HENRY

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**Peter Blair Henry : Turnaround: Third World Lessons for First World Growth** before purchasing it in order to gauge whether or not it would be worth my time, and all praised Turnaround: Third World Lessons for First World Growth:

6 of 6 people found the following review helpful. Absorbing and counter-intuitive: beyond economic institutions, how 'discipline' shapes economic growth By Arun Sundararajan 'Turnaround' is Peter Blair Henry's absorbing take on perhaps the most basic and important economic question there is: why are some countries rich and others poor? In providing his answer, he makes a counter-intuitive yet compelling point: the policies and 'discipline' adopted by

successful industrializing (or 'third world') countries over the last 50 years are ones that the industrialized US and Western Europe need to learn from and replicate as part of their efforts to resuscitate long-run economic growth on this side of the world. This excellent book hits the right balance between readability and attention to detail, that sweet spot I'm always looking for in a good, broad-audience book by a serious academic. It doesn't skim on specifics or dumb things down too much. It aims to communicate substantive and often counter-intuitive ideas, ideas grounded in academic research, ideas made accessible by numerous examples, ideas that require the careful, detailed treatment that Henry gives them. I'd recommend it highly to any intelligent reader. The story that frames the book is a contrast between Jamaica, Henry's home country, and the neighboring Barbados. Both countries were endowed with comparable economic institutions when the British left in the 1960's, but chose very different economic policy over the next few decades, Barbados' being more fiscally disciplined. Consider the results. In 1960, the per-capita income in Barbados was about 50% higher than that of Jamaica. By 2010, it was almost 200% higher, over \$14,000 versus Jamaica's \$5000. Henry presents this as the motivating data point for the book's key thesis, one that takes on today's mainstream paradigm. His central idea: that while economic institutions might lay the foundations for economic development, what really distinguishes the countries that succeed from the ones that lag behind is 'discipline' in their economic policy. Further, it is precisely this kind of 'discipline' that the industrialized countries need to learn about from the industrializing. So what exactly is this 'discipline'? It's hard to summarize in a sentence. But that's what Henry lays out in the rest of the book, as a set of modern-day economic parables informed by cutting-edge thinking, starting with a balanced analysis of the Washington Consensus, through a discussion of the policy drivers of China's remarkable growth, and onto lessons positive and negative learned from countries as varied as Mexico, Chile and South Korea. The story of Henry's hometown in Jamaica is bound to appeal to most (and to me as well), but my favorite chapter is his journey through China's remarkable growth over the last few decades, that illustrates very clearly how "at its core, economic reform is not about ideology, but the rather practical matter of triggering and sustaining catch-up by making policy changes that incentivize people to save, invest in physical and human capital, innovate, and employ workers where they are most productive." Hopefully, readers won't be tempted to quibble with the perpetuating of the term 'third world', a Cold War artifact that might seem less relevant in today's global economy where China and India increasingly lead the "first-world" of Western Europe. Because that would be missing the point. The central \*idea\* of the book -- that the 'first world' now needs to learn economic policy lessons from what used to be the 'third world' -- clearly dominates the semantics, and that's the message I'm taking away.

1 of 1 people found the following review helpful. Masterfully written, easy-to-read, and very informative!

By Teresa Watkins

Peter Blair Henry masterfully writes about the lessons to be learned by developed nations like the United States, Germany, and France when addressing modern day economic woes. Without sacrificing the use of quantitative measures inherent in finance-based literature, he clearly illustrates the complexities that poor policy-making decisions have on a country's financial and economic prosperity and crafts a very easy to read book with analogies that make the most difficult concepts easy to understand. Henry skillfully assimilates decades of available stock exchange data from Third World and developed nations to provide convincing yet objective insight regarding the impact of good or bad policy-making decisions on a nation's prosperity. I found Henry's simple yet straightforward analogies situated against the backdrop of his upbringing in his native Jamaica intriguing and precisely the reason why this book is so much more than just another financial critique. Turn-Around is a must read for anyone seeking innovative, thought-provoking insight about the long-term impact of poor economic policies in a non-partisan manner. Excellent!

9 of 10 people found the following review helpful. The Case for Economic Growth and the Political Courage to Break with Doctrinaire Growth-Suppressing Ideology

By Eric Grover

In an era of stagnant growth Peter Blair Henry's Turnaround: Third World Lessons for First World Growth makes an important case for economic growth, and the political courage to break with doctrinaire, growth-suppressing ideology. It's an eminently readable, softly and cogently argued, stealth case for free-market capitalism, couched to reach political leaders with their boots on the throat of the world's largest economies, particularly the man on whose presidential transition team he served: Barack Obama. Economist Thomas Sowell has catalogued culture's powerful and persistent effects on economic performance. Putting an exclamation point on Sowell's work, former NYU Stern professor Irving Kristol observed that if the Dutch or Swiss had colonized Brazil instead of the Portuguese, it would vie with the US for Western Hemispheric preeminence. Near-term culture is a given. Policy however isn't. Sunspot activity, droughts, tsunamis and lack of natural resources don't cause anemic growth. Anti-growth policies do. Pro-growth-policy cocktails' ingredients are no mystery. Economic freedom, rule of law, enforceable property rights, free trade and capital flows, hard money, nonpunitive taxes and physical security enable robust, sustainable growth. Hong Kong, Australia and Switzerland are on one end of the economic-growth-friendly continuum, Cuba, North Korea and Zimbabwe on the other. Economic freedom works. The author and tone make it possible Turnaround's argument for pro-growth policies will reach many ideologically hostile to or suspicious of free-market policies. It would be hard to find a more appealing messenger. Henry, an economist and NYU Stern's Dean, is an affable optimist and Jamaican-immigrant American success story channeling a muted Milton Friedman. His meme - that first world economies can learn from emerging-market successes - is tailor-made for guilt-ridden first-world elites who mistakenly believe their affluence stems from third-world exploitation. Henry praises the courage of

leftwing third-world leaders Jamaican Socialist Michael Manley, the Barbadian Democratic Labor Party's Erskine Sandiford and Chinese Communist Deng Xiaoping who broke with their past and parties to implement pro-growth policies. He characterizes their Damascene conversions as pragmatic rather than ideological. Post-conversion no one would have mistaken them for disciples of Friedrich Hayek. Nevertheless, ideas matter. Henry's hailing pragmatism over ideology is calculated to make his prescription more palatable to Barack Obama, French President Francois Hollande and their ideological kin. Political leaders and experiences in the first and second worlds testifying to the efficacy of economic freedom, a curbed public sector, lower taxes, free trade, and the rule of law, also offer lessons for today's policy makers. Responding to the deep 1920-21 recession in which unemployment exploded to nearly 12% and GNP fell 17%, Presidents Harding and Coolidge cut taxes, government spending and debt, with no quantitative easing, spurring a breathtakingly rapid recovery by today's standard with 37% growth in real GDP from 1921 to 1928. By 1923 unemployment was 2.4%. In the early eighties America was mired in a national malaise. Inflation hit 14.8% in March, 1980, the prime interest rate a record-high 21.5% in December, 1980, and unemployment 10.8% in November, 1982, Median family incomes fell 10% from 1978 to 1982, and the stock market collapsed. President Reagan slashed taxes, reined in suffocating regulation, and backed a strong dollar, sparking a robust 7-year recovery during which GDP grew 33% and 20 million jobs were created. In the seventies Great Britain was a basket case, hobbled by a bloated public sector and strikes, sliding seemingly inexorably out of the first world. Prime Minister Margaret Thatcher broke the unions' stranglehold and privatized industries wholesale, almost single-handedly putting Britain on a path to becoming the second largest and most vibrant major European economy. With economist Milton Friedman's Free to Choose as a compass, Estonian Prime Minister Mart Laar launched his country on a course from a centrally-planned Soviet economy to becoming the 4th freest economy in Europe. The most outstanding growth stories out of the third world are natural-resource-poor Hong Kong and Singapore, which the Heritage Foundation and WSJ's 2013 Index of Economic Freedom rank as the first and second economically freest countries on the planet, and today enjoy higher per capita income than their onetime colonial master Great Britain. Seven of the world's 10 freest economies were once British colonies. Henry applauds Botswana enjoying the world's fastest per capita GDP growth over the past quarter century. Not coincidentally the Heritage Foundation and WSJ's 2013 Index of Economic Freedom rank it, after Mauritius, the freest economy in Africa, a continent with few free economies, where, consequently, many countries' per capita income and life expectancy have fallen. Barbados, China, Jamaica, Botswana, and the entire African continent would be more prosperous if they'd adopted Hong Kong's policy playbook. Henry is a full-throated free-trader and rightly criticizes America's and Europe's agricultural protectionism, which has impeded advancing global free trade. A particularly egregious example is the "Cotton Four" Benin, Burkina Faso, Chad and Mali's restricted access to the US market. Ending agricultural subsidies would be good not only for emerging markets but also for US consumers. Yet, Obama has made no effort to curb much less eliminate agricultural protectionism. Friedman contends to advance pro-growth free-market policies one must "establish a political climate of opinion which will make it politically profitable for the wrong people to do the right thing." The "wrong people" hold the reins of power in many of the first-world's major economies. While Obama views economics as a zero-sum-game and believes some countries and people are poor because others are rich, Henry is an unabashed grow-the-pie guy. His book aims to create an environment where leftwing first-world political leaders will be compelled to adopt disciplined and pro-growth economic policies. Getting the US economic locomotive going would be good for the first and third worlds. One can only hope a dog-eared copy of Turnaround is on the president's nightstand. Turnaround: Third World Lessons for First World Growth

Thirty years ago, China seemed hopelessly mired in poverty, Mexico triggered the Third World Debt Crisis, and Brazil suffered under hyperinflation. Since then, these and other developing countries have turned themselves around, while First World nations, battered by crises, depend more than ever on sustained growth in emerging markets. In Turnaround, economist Peter Blair Henry argues that the secret to emerging countries' success (and ours) is discipline—sustained commitment to a pragmatic growth strategy. With the global economy teetering on the brink, the stakes are higher than ever. And because stakes are so high for all nations, we need less polarization and more focus on facts to answer the fundamental question: which policy reforms, implemented under what circumstances, actually increase economic efficiency? Pushing past the tired debates, Henry shows that the stock market's forecasts of policy impact provide an important complement to traditional measures. Through examples ranging from the drastic income disparity between Barbados and his native Jamaica to the "catch up" economics of China and the taming of inflation in Latin America, Henry shows that in much of the emerging world the policy pendulum now swings toward prudence and self-control. With similar discipline and a dash of humility, he concludes, the First World may yet recover and create long-term prosperity for all its citizens. Bold, rational, and forward-looking, Turnaround offers vital lessons for developed and developing nations in search of stability and growth.

From Booklist New York University Stern School of Business dean Henry has written a thoughtful albeit scholarly

book about the world's financial ills, and he includes a proposal for a solution (which will be clear to anyone concerned about the Washington gridlock). His thesis is that many of the emerging nations—Brazil, China, and Korea, among others—can teach the First World a thing or two about financial discipline and the long-term pursuit of growth. Examples proliferate. China, catching up after decades of poverty, is ceding political control for economic growth (farmers now can profit from their work). Brazil is taming runaway inflation with stern yet workable measures. It is not an easy sale these days for governments to reduce spending, increase their revenues, and devalue currencies, but judging from Henry's very reasoned arguments and expansive case histories, it might be the only solution.

--Barbara Jacobs A fortuitously easy-to-read guide to success tips from the Third World. Darryl Lorenzo Wellington, *The Crisis* [An] impressive new book.... Turnaround is intended to instruct and Henry's argument, which I would characterize as a pitch for enlightened austerity, is straightforward. Peter A. Coclanis, *Charlotte Observer* Turnaround is a welcome addition to a global development literature.... Besides providing a happy middle ground, Henry has produced one of a dwindling number of papers in the *American Economic* and can also be understood by readers who haven't passed advanced classes in statistics and algebra. Charles Kenny, *Washington Monthly* Turnaround straddles the developed and developing world. It reaches conclusions that run counter to a growing sense among many Americans that globalization has hurt the U.S. economy more than it has helped, especially for the middle class.... [Henry's] strongest pitch may be a sort of technocratic optimism: the resounding belief that if developing countries can reverse a cycle of poverty and economic dysfunction and begin to grow rapidly, then the United States can, too. Jim Tankersley, *Washington Post* Turnaround weaves together a medley of history and data.... Henry's interpretation of data can be illuminating. USA Today A thoughtful...book about the world's financial ills.... It is not an easy sale these days for governments to reduce spending, increase their revenues, and devalue currencies, but judging from Henry's very reasoned arguments and expansive case histories, it might be the only solution. Booklist Henry...show[s] how developing nations sometimes exhibit or are coerced into greater economic realism than G-8 countries.... [T]his readable volume...contains enough insight into global affairs and international economics to attract readers beyond universities and think tanks. Publishers Weekly A concise and controversial statement of what needs to be overcome if the world economy is to return to the path of growth and stability. Kirkus sPeter Henry had the original thought that the experiences of emerging economies may contain lessons for advanced economies. He shows that they do, but not in any crude cookie-cutter way. The vital common thread is the capacity to form a future-oriented policy and stick to it with discipline. This is why we all of us need grown-ups. Robert M. Solow, Nobel Laureate in Economics (1987) A riveting tour of postwar world growth, replete with policy successes and devastating mistakes, Turnaround is essential reading for anyone willing to be convinced that learning should be a two-way street between advanced and developing economies. Michael Spence, Nobel Laureate in Economics (2001) A compelling analysis of the trends that are transforming emerging markets and a practical assessment of what it all means for the global economy. Kenneth I. Chenault, Chairman and CEO, American Express Company Tempering the dismal science's with a healthy dose of optimism, Turnaround exposes sobering realities of the world economy, yet paints a hopeful picture of prosperity for the countries of Africa and, indeed, all nations. Her Excellency Ellen Johnson Sirleaf, President of Liberia and Nobel Peace Laureate (2011) A child of the Third World risen to First World academic prominence, Peter Henry effectively bridges both worlds, offering a vision of what leaders can achieve if they take the long road, implementing sensible economic policies with accountability, integrity, and persistence. Ngozi Okonjo-Iweala, Minister of Finance of Nigeria Turnaround is not only highly readable, it ought to be read by specialists and by policymakers who will inevitably have to deal with the issues that Henry so expertly analyzes. Stanley Fischer, Governor of the Bank of Israel A timely, provocative, and instructive book for policymakers, CEOs, and ordinary citizens alike. It's a new world, and Peter Henry shares the lessons with us all. Tom Brokaw, NBC News Special Correspondent and author of *The Time of Our Lives*