

BOOK REVIEW

Vito Tanzi, **Fragile Futures. The Uncertain Economics of Disasters, Pandemics, and Climate Change**, Cambridge University Press, 2022, ISBN: 9781009109246, <https://doi.org/10.1017/9781009109246>

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This book is a global-scale approach to economic thinking, as is the author himself, who is a world-class economist with an unlimited mind, viewing economics from a dynamic perspective, affected by “imperfections”. This is the book of tomorrow’s policy-making.

The author issues a warning about a special perspective on the role of governments in the idea of internalizing the effects of events characterized as “exceptional situations”, such as pandemics, climate change, wars, famines, etc. which in a globalized or regionalized world lead to effects of economic, social, political, and environmental contagion.

The baseline idea of his book is configured on the risk-uncertainty distinction, stated by another “conflictual” pair of economists: Frank Knight and John Maynard Keynes.

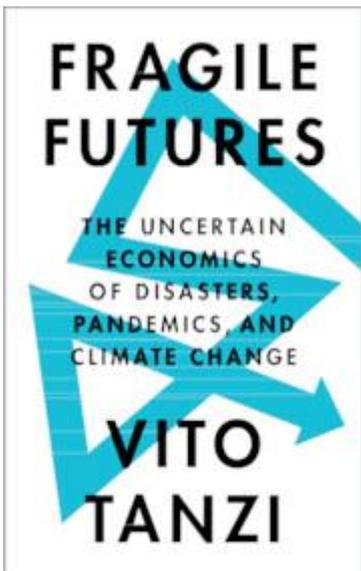
Vito Tanzi argues for the importance of distinguishing between risk and uncertainty through examples from various fields, based on references to research belonging to economists who have studied the effects of such phenomena in detail.

An interesting question that may arise may relate to the level to which competition between countries can go. When one can give up competitive advantages in the context of the existence of developed and underdeveloped countries in order to

cover “global needs, that cannot be efficiently pursued by independent national actions” (p. 5)?

Furthermore, the author realizes a taxonomy of disasters (pandemics, famines, earthquakes, floods, tsunamis, volcanic eruptions, industrially-related disasters, and

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atomic disasters), emphasizing the need for cooperation between countries to reduce their effects or to reduce the rate of the major negative impact of some (e.g., global warming). It is necessary for a global fragile consensus “between countries and generations to...sustain future life on Earth” and a precautionary fiscal stance to be somehow prepared for future uncertain phenomena.

“Some public goods and public “bads” have become increasingly global and can no longer be addressed by uncoordinated national responses” (p. 31)

In the case of democratic governments, it is important to note whether they are able to bear short-term political costs in order to better prepare for long-term disaster response. The basic idea of anticipating possible negative effects and being cautious and prepared comes from targeting long-term policies, results, costs, and benefits in the first place. “Uncertainty would often play against future security” (p. 34).

After a great description, in his global and well-founded manner, of some relevant pandemics and other disasters, the author states the need to think about long-run and altruistic policies and actions, both from a governmental and entrepreneurial/individual perspective that will create a path “in anticipation of random” (p. 126).

A lot of attention in his book is given to the climate change subject and to social costs generated by human needs and activities. The author highlights the need to adopt an altruistic behavior similar to the Japanese culture and give up individualism and short-term goals. New economic thinking, “disasters economics” should be set up and developed rapidly, as the present economic principles will become obsolete. It may be the case, in my opinion, that the “economic growth economics” will become obsolete, as climate change, for example, is changing the rules and the context for human existence itself. The environmental issues hold a destructive potential that may put into obsolescence the growth if a part of this economic value will not be used to cure the environmental damage. The question arises if the people (including national governments) are prepared to give up a part of their economic welfare for something less tangible such as these “uncertain menaces” brought upon them by climate change, as the environment was taken for granted for such a long time and never seen as a stakeholder.

Governments and individuals need to be more cautious, prudent, prepared, resilient, and more responsible and aware of the effects of their actions and need to avoid behaving like free riders.

Noting that private initiative will not solve the problem of global warming, at least not in an optimal time, and the damage will be too great and increasingly difficult to repair, the author insists on the importance of global decisions and actions.

The author constructs his approach in the spirit of issuing a warning signal through a solid argument regarding the importance of concerted action at the global level regarding “uncertain events that could not be statistically estimated”.

In the final part, the author emphasizes the most important features of economic theories and their degree of connectivity and relevance in the context of a

“need for some new thinking [...] in anticipating uncertain but possible future shocks” (p. 200).

Also, starting from the presentation of the short-run and long-run impact of the current pandemic and the way he does this is as complex as it is natural, Vito Tanzi establishes, recommends, emphasizes, and sets some elements to guide policymakers in their decisions in the fiscal and monetary field, so that actions lead to more sustainable public finances and more equitable distribution of income in society in the context in which “exceptional times require exceptional policies.”

Maybe the proposed OECD global minimum corporate tax rate of 15% will, hopefully, be in place starting in 2024. This will diminish the free-rider behavior of the largest multinationals, and will bring some more equitable distribution of income within countries. It could also be associated with a more comprehensive world environmental protection standards framework to eliminate the possibility of transforming the less restrictive ecological limits into a competitive advantage, as some developing countries still do, transforming themselves into “pollution havens” to attract investments needed for economic growth.

Thus, the author claims the need to establish an authority/institution to promote and ensure “global interests” in relation to “issues that are global in scope”.