

REVIEW FOR BOOK

“SMALL STATES IN A GLOBAL ECONOMY: CRISIS, COOPERATION AND CONTRIBUTIONS” WRITTEN BY PROFESSOR HILMAR ÞÓR HILMARSSON

“The book “Small States In A Global Economy: Crisis, Cooperation and Contributions” written by Professor Hilmar Þór Hilmarsson is informative and basically about a wide range of economic issues of Iceland and the Baltic States during pre, per and post 2008 financial crisis.

Professor Hilmarsson has applied case study method in order to analyse various economic issues with the use of qualitative and quantitative data. In his writings, he has used his observation and experience of working for the World Bank for 12 years in three continents and working as a Special Advisor to the Minister for Foreign Affairs in Iceland. Besides, the author has used data provided by International Monetary Fund (IMF), World Bank, International Finance Corporation, European Union, Statistics Iceland etc. Besides, scholarly articles, books and e-mail etc. have been used as a valuable source for the writings.

Geographically, the scope of the study is subject to mainly two small states, that is, Iceland and Latvia together with the interaction between small states and external forces which mainly include European Union (EU), the International Monetary Fund (IMF), Nordic countries, and Baltic States, and some major central banks etc.

This book has been divided into five chapters. Each chapter presents case study. The first chapter “Small States during a Global Economic, Financial and Social Crisis – Successes, Failures and Vulnerabilities. Did They Own Their Reform Programs? The Case of Latvia and Iceland” deals with the case of Latvia and Iceland within the outline of interaction between small states and external forces/actors during the 2008 financial crisis. This chapter also analyzes the challenges faced by small states and action taken by the governments of Iceland and Latvia during the time of crisis. Author points out that both Iceland (non EU member) and Latvia (EU member) are small European countries but both countries have their own history and maintain different stages of soci-economic development. Iceland and Latvia both received assistance from the Nordic countries but Latvia as an EU member state received assistance even from Estonia, the Czech Republic and Poland during 2008 financial crisis. Latvia received extensive external assistance. During the crisis, both states Iceland and Latvia had different policy approach to achieve the desirable economic stability. Author puts an important question about the indicator of economic performance, that is, Gross Domestic Product (GDP) after looking at economic performance of Latvia, Iceland and other Baltic States during crisis and post crisis, whether this (GDP) indicator is sufficient to measure the economic performance in a comparative study and in this regard, he gives strong ground also by putting opinions and views of eminent economists and policymakers.

The second chapter “Iceland’s Cross Border Banking Expansion: Dishonesty or Incompetency?” deals with the consequences of actions taken by top government officials, international communities in order to prevent the collapse of the banks. We see issues related to incompetency of the Icelandic government and international community, especially, in case of expansion of banking sector both pre-financial crisis and during financial crisis. The important issue in this chapter raised by Professor Hilmarsson is that prior to the collapse of the Icelandic banks, government was aware of the possibility of occurrence of undesirable problems and its severe consequences. He further points out in this chapter that there was also possibility

to prevent the Icelandic banks from collapse, if government had gone for downsizing the banking sector or relocating most of the banks' cross border operation. Some interesting measures have been suggested in this book in order to save the Icelandic banking sector from collapse during 2008 financial crisis, such as, in view of Kaarlo Jannari (2009) that Icelandic banking system could have been saved from the collapse if total freezing of the international financial markets had not occurred. And in view of Stiglitz (2010), the banking expansion in Iceland "exposed a fundamental flaw in European integration". Professor Hilmarsson says that weaknesses in the EU banking regulations, insufficient supervision and inappropriate policies were among responsible factors for the collapse of Icelandic banking sector and he suggested some appropriate measure, which should be taken on government level such as risk mitigation via regulations, monitoring and supervision of private sector cross border activities. Another important fact in this chapter pointed out by Professor Hilmarsson is that if major central banks, during 2008 financial crisis, would have bailed Icelandic banking system out, this might have brought the debt level of the country to an unsustainable level. And due to not rescued by major central bank, Iceland was lucky not to have to serve the interest of the Euro area.

In the third chapter, "Small States As Contributors to International Development Cooperation. Can the Baltic States Make a Difference Globally and If So How? What Lessons Can They Learn from the Scandinavian Countries?", Professor Hilmarsson discusses how Baltic States, despite some challenges, can contribute to international development through policy talk with less advanced European and Central Asian transition countries. The Baltic States should share their transition experience with less advanced transition countries via policy dialogue, accompanied with a modest budget support and strong technical assistance programs. This can help less advanced transition countries achieve poverty reduction in long run and sustainable economic growth.

In the fourth chapter "Small States and the Global Transition to Clean Energy: Can Iceland Make a Difference in Developing Countries in Partnership with International Financial Institutions?", Professor Hilmarsson analyses how small states can contribute to the global transition to clean energy. Iceland, the smallest among the Nordic States has made a transition to clean energy and its utilization of geothermal resources has received international attention. He has put critical view on the global system in case of cross border investment in developing and emerging market and gives valuable suggestions for making geothermal projects in developing countries bankable. Professor Hilmarsson argues that international financial institutions should make more use of their guarantee powers to mobilize funds for clean energy projects.

The fifth and final chapter "Small States in a Global Economy. Discussion, Lessons Learned, and Conclusion" is the concluding chapter, which deals with the lessons learned from the first four chapters, the challenges of small states in a global economy, and constructive contribution to the development on global level, and author's valuable suggestions.

This book is very useful for research scholars and general readers in order to understand the important contributions and economic behaviour of small states in the global economy.

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