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Book Review: Making Globalization Work

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Book Review

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Making Globalization Work. Joseph E. Stiglitz.
New York: W.W. Norton & Company, Inc., 2006.

This book examines the politics of the global economic order, thereby interrogating economic theory and practice focusing on the role of markets in development. The preface of the text is a recap of the author's key experiences since the writing of *Globalization and its Discontents* (2001). It highlights the perils developing countries face at the hands of the Bretton Woods Institutions and the World Trade Organization (WTO). In chapter one, Stiglitz acknowledges the complexity of globalization in view of the international flow of ideas and knowledge, the sharing of cultures, global civil society, and the global environmental movement. He acknowledges that it has jeopardized developing countries whose governments are too deprived to undertake social insurance programs. In this environment globalization is being ricocheted to perpetuate the American model of a market economy. He concedes that, historically, Africa bore the brunt of imperialism in the sense that it was the part of the world most exploited by forces of globalization in the colonial era (pp. 10–11). In view of this concession, one wonders why he hardly discusses the existing historiography of colonial and neocolonial exploitation and underdevelopment of Africa. There is no mention of leading African scholars who have authoritatively examined and cross-questioned the myths, meanings, promises, and perils of modernization, globalization, and postcoloniality.

The dearth of Afrocentric texts to corroborate his claims deprives his discourse of profitable conceptual dialogue and debate with non-Western perspectives. In a way, *Making Globalization Work* highlights enlarged inequality and growing instances of risk and vulnerability, both of which seem to characterize not simply the state system, but also an emerging global social order in which Africa is marginalized, abused, and undermined. This is part of a historical process of

exploitation and denigration over the centuries during which capitalism expanded across the globe. The technological developments that have taken place ever since have had the effect of speeding up this destructive process. The text, very much like its dianoetic harbinger, *Globalization and Its Discontents*, reveals how the last few decades have brought deplorable changes in the evolution of the global political economy in a process laden with economic injustices. Whereas some scholars talk of the glocality of certain societies in a world of virtual cybernetic immigration and the realization of virtuality, there is an apparent silence over this notion in the text. Nevertheless, this notion encapsulates the duality of real authentic space and virtual space. As such, it exemplifies the struggles of antiglobalizationists who want to bring to a halt, deflect, or transform globalization.

Moreover, the dominant view that globalization is a primary threat to African societies and economies has been challenged by a number of scholars. Exploring how these societies are appropriating elements of the emerging global culture, Stiglitz seems to contradict this position, and he does not acknowledge this discourse, which predates his text. He calls for democratization of globalization in chapter 10 (see pp. 269–292) without making any reference to the Third World demand for a New International Economic Order (NIEO), the pursuit of which has been reduced to an exercise in futility. The futility became apparent when the so-called NIEO was proclaimed by the United Nations General Assembly under Resolution 3201 in a manner bereft of any global transformational agenda. It is apparent that the call by the Third World for a NIEO in the 1970s emanated from a clear discourse, which advocated for a regime of absolute free and fair trade to be practiced uniformly within and across all borders. However, the Program of Action of the so-called NIEO offered no fundamental change in the fortunes of African nations.

Making Globalization Work merely builds on conceptual and empirical foundations laid down by Stiglitz's earlier treatise. Concerned about supporting the interests of developing countries against the background of instability that has marked global financial crisis, he argues that there is need to rethink the global financial architecture (p. x). Posing a critique of the International Monetary Fund's (IMF's) and the World Bank's conservative economic policies, which are based on discredited models of market fundamentalism, he dedicates chapter two to the promise of development, indicating how the debate about economic globalization is beleaguered with debates about economic theory and values (pp. 26–27). Deriding the prescriptiveness of the so-called Washington Consensus, he narrates the circumstances under which neoliberal market fundamentalism emerged with a brief account of the emergence of Thatcherism and Reaganomics in a liberalization and privatization blitz that vilified and paralyzed the welfarist role of governments. Their embedded logic identified governments as standing in the way of economic efficiency. That is why, deemed meretriciously obstructive, government must be

shoved out of the way by privatizing and liberalizing (p. 47).

Despite the focus on the hazards of liberalization and privatization in developing countries, the key names of Friedrich Hayek and Ludwig Von Mises, doyens of the Mont Pelerin Society who are pillars in the construction of the neoliberal ideology, are skipped over. This way, Stiglitz jumps over Keynes's great rival Hayek, an outstanding advocate of free marketism with his intellectual companion, Von Mises. Economist Milton Friedman, whom the text hardly engages, describes Hayek as the most important social thinker of the 20th century. Stiglitz, nevertheless, calls for a comprehensive approach to development pointing out that indeed the World Bank endorsed such an approach while he was still its chief economist at a time when it was being condemned for its deficiency in focus (p. 48). He emphasizes that development is about engendering a fundamental change in the lives of people and not just transforming economies (p. 50).

Stiglitz outlines practical ways in which the functioning of the international political economy could be improved and discusses the plight of the Third World. He believes the IMF and other key institutions put the interests of Wall Street and the financial community ahead of the interests of the poorer global communities. In the midst of debilitating conditions of ever widening global income inequalities, developing countries seem to be absorbing the horrendous costs of adjusting to more open trade regimes, while their efforts are not reciprocated. Northern protectionism simply excludes them from market opportunities in developed economies. Thus, institutionalizing a fair trade regime requires going beyond the current superfluities of bilateral and multilateral trade to adopting a just global trading infrastructure. Stiglitz interrogates the theory and practice of trade liberalization against the Adam Smithian concept of *laissez-fairism* (see p. 66). Indeed, Smith warned of the inevitability of an anarchy of the market where no commonality of value has been established. Stiglitz does not pursue this particular perspective of Smith in a profounder deontological sense.

In chapter three, Stiglitz argues that fair trade would emerge if all subsidies and trade restrictions were eradicated (p. 73). Whereas Stiglitz does not provide us with the history of this demand for fair trade, it is worth noting that the push for fair trade began in Europe as a grassroots movement over 40 years ago. It was born out of commitment to ideals of fairness and a quest to alleviate poverty in the Third World. For that reason, the notion of fair trade was conceived as an alternative approach to conventional international trade that would set up trading partnerships that aimed to realize sustainable development for excluded and disadvantaged Third World producers. These are the unprivileged producers whose histories this book virtually bypasses. The social movements animating the antiglobalization struggles, which Stiglitz highlights in the form of massive street protests, appear to be important components of this gigantic quest (see pp. 80–81).

For Stiglitz, the system of global governance is flawed and blemished since institutions like the IMF lack some of the basic rules of democratic institutions like transparency (p. 19). In chapter four where he is interrogating corruption and conflict, he argues that transparency has long been accepted as one of the strongest remedies to corruption. The need for establishing measures of transparency as a means of eradicating corporate corruption sounds like a novel and helpful idea, and so he talks of the idea of resource revenue transparency (p. 156). This is an innovative way of seeking to apply the principles of the code of good practices on fiscal transparency to the unique set of problems faced by overexploited Third World countries.

Moreover, his discourse on saving the planet in chapter six is engrossing and well-articulated. In his view, U.S. trade partners should ask the WTO for authority to impose countervailing duties on exports of U.S. steel and other energy-intensive products that benefit unfairly from America's refusal to join the Kyoto Protocol. The recalcitrance of the United States as the world's largest economy and the world's largest polluter in signing the protocol in Kyoto spells doom to global environmental sustainability. As Stiglitz states, for globalization to work we have to confront the question of global warming (pp. 168–176).

In Stiglitz's view, whereas globalization is a field in which there are major societal conflicts including those that have been generated over basic values, the nation-state, which has been the core of political and economic power for the past century and a half, is being wrung today by forces of global economics and also of political demands for devolution of power (p. 21). In view of the deteriorating terrain of values, he questions the assumed concept of efficiency of markets under the Smithian rubric of the invisible hand. For a neo-Keynesian economist like Stiglitz, globalization has unleashed market forces that are by themselves so strong that governments especially in the Third World often cannot control them (p. 20). In light of this, economic success requires getting the right balance between the government and the market. Stiglitz avers that instead of a balance, what we have is a chaotic, uncoordinated system of global governance without global government (p. 21). Castigating free market economists in their perfidious belief that markets by themselves without government intervention are efficient and the best way to help the poor, he calls for proper management of globalization. To realize it, he calls for a change in attitude.

The recognition that the trade agreements of the past have been unfair is one of the important lessons of the antiglobalization movement, which this book among his other works somewhat reinforces. Interestingly again, the historiography of the antiglobalization movement is apparently missing in this text. In the light of known interrogations of this subject, a charge may be made that there is a glaring absence of some critical historiography on the issues being

discussed. Why Stiglitz overlooks this diverse discourse of antiglobalization is difficult to tell. On the question of intellectual property (IP), the inappropriate way that numerous agencies and nongovernmental organizations have relied on a one-size-fits-all approach to international IP rights rules is elucidated. He calls for tailoring intellectual property to the needs of the developing countries (p. 119). As part of the stratagem for making globalization work, he underscores how the developing world can hardly afford drugs at the monopoly prices that profit-minded Western pharmaceutical companies charge. Consequently, there is need for strategic reforms to be undertaken to provide greater access to existing life-saving medicines (p. 120). As far as he is concerned, the natural resource curse whose character he extrapolates in chapter five is not fate; it is choice (p. 149).

With respect to governance, he spells out an agenda of reform, improvement of institutions, and appropriate incentives. In this endeavor mechanisms that promote competition and efficiency are viewed as cardinal principles. In chapter seven on multinational corporations, Stiglitz argues that Adam Smith has often been misunderstood on the ability of individuals pursuing their self-interest to advance the broader interests of society (p. 190). Advocates of self-interest assume that in Smithian economics morality played no role, forgetting that in his writings Smith was also concerned with moral issues. In Stiglitz's view, the conditions imposed on developing countries by the IMF hampered local economic growth and in a way contributed to the enrichment of multinational corporations. In this account, there is a glaring absence of the networks constituted by the neoliberal international groups whose members occupy prime positions in multinationals and, therefore, influence their policies and those of Western governments in ways that need to be explained. Even though Stiglitz is silent on these neoliberal networks, they occupy a unique niche in the web of international organizations by virtue of their complex membership and their global mission. For him, multinational corporations resist all claims to accountability and rule of law and therefore are antagonistic to measures aimed at limiting their power as he suggests (pp. 199–207). It would require generating a certain consensus within the private and often secret deliberations of the networks of the neoliberal international if they can ever allow this.

Stiglitz perceives multinational corporations as embodying corporate evil-doing and recognizes that for many people they have come to symbolize what is wrong with globalization (p. 187). However, in a somewhat naïve sense he fails to appreciate the extent of their exploitative forays, arguing that they have been at the center of bringing the benefits of globalization to the developing countries. They have been agents of technological transfer and are major sources of direct foreign investment (p. 188). In building a logic that seems to be aimed at retooling imperialism, he argues that one or two instances of corporate misbehavior might be overlooked, but the problems are clearly systemic. For this reason, he

advocates for corporate social responsibility (see pp.198–199) in an agenda that seems irreconcilable with the control and dominance that the above neoliberal international groups seek to achieve and perpetuate.

In relation to the debt burden, in chapter eight, he considers what he calls the political economy of borrowing and acknowledges the possibility of kickbacks in loan disbursements, positing that it is excessive borrowing that increases the chances of a crisis. Yet the costs of a crisis are borne not just by lenders but by the entire society (pp. 216–217). The debt crisis is not just about countries repudiating or defaulting on their debts according to some one-sided arguments such as Stiglitz advances in relation to the case of Argentina. It is about the growing gap between the North and South. For him, capital is at the core of capitalism, and if we have to have a global market, we must have well-functioning global capital markets, yet the market for debt has not been working well. He examines the case of Argentina, demonstrating how the fortunes of Argentina changed in the precipitous circumstances of the East Asian Crisis of 1997 (pp. 220–225). In this chapter, he demonstrates the harm that excessive debt brings to developing countries, showing how the huge volatility in the global economy, including interest rates and exchange rates, may quickly convert moderate debt into an unbearable burden (pp. 245–246).

Nonetheless, he fails to link this crisis to key actors in the hedge fund system like George Soros even though the stimulus for some of Soros's writings emanated from the global financial crisis that began in Thailand in July 1997 (Stiglitz gives a thinly veiled account of this crisis in chapter nine). He makes a call for a new global reserve system as part of the attempt to make globalization work. But his democratization of the global economic structures happens to sideline views of powerful voices from the South. In the midst of the mayhem of the Asian Crisis, Malaysia shut down its financial markets to foreigners. Its leadership pointed an accusing finger at individuals like Soros of the hedge funds system as the source of the problem. Stiglitz says that corruption and abuse of both power and office by all leaders and institutional managers undermine fairness. Steps should be taken to ensure that globalization becomes a fair process. Therefore, in his final chapter, he points out that an environment of fairness is required whereby the industrial countries should dismantle their protective barriers.

The question of corruption, corporate and global, is inadequately problematized despite Stiglitz's narrative on donor corruption in a world dominated by the activities of prebends and kleptocrats whose activities exacerbate corruption. Throughout, Stiglitz reveals that economic globalization continues to outpace both the political structures and the moral sensitivity required to ensure a just and sustainable world. For him, the dynamics behind this are easily seen if we assume perfect information in markets globally.

On the whole I find this book engaging despite issues it raises that are evidently contestable. It is a well-achieved piece of work that sends its reader thinking and reacting. It is a must for students, teachers, researchers, policy makers, diplomats, and public administrators engaged in issues of international political economy.