

Review - Globalization and Its Discontents

Written by Chris McCarthy

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CHRIS MCCARTHY, NOV 9 2011

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The turn of the last century witnessed a spate of high profile protests, most visibly in 1999 at trade negotiations in Seattle, against global inequities perpetuated by unfettered corporate capitalism and vested interests. The targets for their frustrations were those organisations charged with financing the rebuilding of Europe following the devastation of World War II, and to promote fair trade: namely the International Monetary Fund (IMF), the World Bank, and the World Trade Organisation (WTO). It is within this context that Joseph Stiglitz explored the failings of the international financial system towards developing countries in his 2002 book *Globalization and Its Discontents*.

Stiglitz was Chair of the Council of Economic Advisers to President Clinton from 1995-97 and Chief Economist at the World Bank from 1997-2000 before effectively being fired for dissenting with their policies. Prior to arriving at the World Bank, Stiglitz was recognised for his work on the asymmetry of information in markets, a theme that heavily informs his analysis of what went wrong during the rapid acceleration of economic globalisation.

The first few chapters explore the provenance and development of the three aforementioned institutions. He identifies the 1980s as a key window during which they evolved from their original Keynesian orientation towards a free market mantra championed by Western leaders such as British Prime Minister Margaret Thatcher and U.S. President Ronald Reagan. This approach came to be known as the 'Washington Consensus' and was focused around three pillars of fiscal austerity, trade liberalisation, and privatisation that constituted, supposedly, the *right policies* for developing countries.

The problem with this approach, Stiglitz contends, is that too often it proposes a one size fits all remedy and fails to consider the often devastating short-term impact on troubled countries and their unique economic circumstances. For example, when trade liberalisation is pursued too rapidly, Stiglitz argues, it actually destroys jobs in the country concerned as nascent industries are exposed too early in their development to advanced international competition.

Stiglitz devotes the bulk of his analysis to the role of the IMF in developing or crisis-stricken countries. In particular he examines the East Asia financial crisis of the late 1990s and Russia's transitional period following the break-up of the Soviet Union. The IMF policies towards these countries and the conditionality attached to loans, Stiglitz contends, directly contributed to subsequent economic disasters and corroded the fabric of society sparking political and civil unrest.

His concluding chapter restates his core argument that globalisation is not working for many of the world's poor or the stability of the global economy. Globalisation *per se* is not an inherently bad process – it has given people greater access to information, improved standards of living for millions and helped many countries grow faster than isolated protectionism would otherwise have allowed them to do. Why then, he asks, have the economic spoils of growth not been shared more equitably? Why did the actual number of those living in poverty worldwide over the last decade of the twentieth century actually increase by 100 million?

The root cause, he argues, is the mismanagement of globalisation. What we have is an imbalance of power, an asymmetric relationship between the lender and recipient. Stiglitz is unequivocal in his analysis that the policies of the international institutions charged with managing global financial stability and supporting stricken countries retarded the growth of countries during the 1980s and 1990s, particularly in Sub-Saharan Africa and East Asia.

Consequently, the discontent on display at Seattle and elsewhere arose out of the perceived inability of citizens to affect change or to influence these institutions. There was veracity, he agreed, in the central grievance of protestors at the time that a privileged minority exploited a powerless majority, preventing millions from rising out of poverty and impoverishing millions more.

As a study of the policies of the WTO, World Bank, and IMF in particular, towards poor or struggling countries, the book provides a useful commentary. However, these are a sub-set, albeit an important one, of the broader phenomenon of globalisation, even within Stiglitz's self-defined remit of *economic globalisation*. This is not a systematic analysis of the ills of globalisation which would have looked, among other factors, at the growing interconnectedness of world markets, the exponential growth of multinational corporations, the rise of huge emerging markets in China and India, and both regional and national governance structures. Nevertheless, it remains a helpful

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addition to the corpus of work in this field on an issue, as we see on the pavements of Wall Street and outside the steps of St. Paul's Cathedral today, that continues to foster its discontents.

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