Review of globalization and its discontents book review sample

Business, Marketing

Globalization can be defined as the increasing relationships in the globe concerning culture, economical activities and political influences. In economics, economic globalization refers to the unrestricted movement of goods and services across the national borders with little or no barriers. It has been argued that economic globalization can result in economic growth in developing and developed countries through specialization, reduced labor and technology importation and comparative advantage. Critics have challenged the idea of globalization by claiming that the people encouraging globalization only looks exaggerates the advantages and underestimates the costs of globalization. It is in this perspective that we find and analyze a book by the title ‘ Globalization and its Discontents’ written by an American economist by the name Joseph E. Stieglitz.

The book is described as a concise indictment of the global monetary policies mainly in the international monetary Fund, World Trade Organization and World Bank. It is believed that the book draws most of its contents from the personal experience of the author who served as the chairman of the Economic Council of Advisers under President Clinton in 1993 and as the chief economist in World Bank from the year 1997. During his tenure, he examined the monetary policies used by the IMF and said that the policies were neoliberal assumptions.

In short, the book is partly a manifest, partly memoir and partly a criticism directed to the international monetary Fund and other international monetary institutions.

Book outline and plot

The book is ideal for a person who is interested in economic development since it touches on what makes the economic development a problem to all the countries. It analyzes from a personal experience what really happens in the big offices where instead of intellectual economic decisions being made and implemented from a realistic point, politics is the common sport played in it. On advising the economic development analysts in the offices, you either receive a cold shoulder of open criticism.

Taking the book as a manifest, it is powerful and offers a lot of ideas to seriously analyze and think about. Some of the ideas are already widely accepted by the economics council of advisors at Washington thus may soon receive approval.

As a critic, the book is somehow weak in portraying the true picture of the IMF and other International monetary institutions. The tone used is excessively hostile thus should be revised once again.

Main argument

The main argument revolves around the idea of the potential that pre-globalization policies holds in enhancing economic development and how these policies should be incorporated in the individual country’s system. For more clarity on the subject matter, the argument can be stated as: pre-globalization policies can do more good in economic development if undertaken properly and if a country’s individual characteristics are incorporated in the policies.

According to the author, globalization policies have not been implemented in the right procedure thus it is unfair to the individual country's economic status. This makes the whole process of globalization a problem (disadvantage) and not an advantage as presumed (4) ' Globalization has reduced the sense of isolation felt in much of the developing world and has given many people in the developing countries access to knowledge well beyond the reach of even the wealthiest in any country a century ago. The anti-globalization protests themselves are a result of this connectedness'. Globalization calls for market liberalization. This means that the tariffs across borders are completely lowered or scrapped off making the flow of products free across the borders. He argues that liberalization has been done too fast mostly as a result of wrong economic analysis. The aftermath of this is market frustration due to flooding of common products (7). He takes IMF and its ' market federalism' and Washington Consensus as the culprits who are responsible for this catastrophic economic outcome (12)'IMF typically provides funds only if countries engage in policies like cutting deficits, raising taxes, or raising interest rates that lead to a contraction of the economy. Keynes would be rolling over in his grave were he to see what has happened to his child'.

In his explanation of the Washington Consensus, he believes that the World Bank, IMF and US Treasury set up a conspiracy under the name Washington Consensus to reform the world economy (12) ' The most dramatic change in these institutions occurred in the 1980s, the era when Ronald Reagan and Margaret Thatcher preached free market ideology in the United States and the United Kingdom. The IMF and the World Bank became the new missionary institutions, through which these ideas were pushed on the reluctant poor countries that often badly needed their loans and grants'. The idea is taken much lightly than it is in reality since even before the Washington Consensus, countries like Mexico and Argentina had already set up their national consensus which were much more outreaching than any bureaucrats in Washington was ready to accept (12).

Stiglitz appears to base his main argument on asymmetric analysis of information and the poor economic analysis done by that time. His main argument builds around three mistakes committed in the globalization process. The three main mistakes committed are briefly discussed below.

1. Ignorance of the global economic reform pace. In the design of reform process, the pace of reform was ignored. On top of that, the liberalization pace was too fast for many economies in the affected countries t put up with. In the end, the individual economies were overwhelmed by the reform pace making them (individual economies) to be adversely affected. Stiglitz calls for a gradual pace that will allow the individual economies to adjust and adapt to the facets of globalization so as to avoid any negative impact on the national economies. The design of implementation was also wrong since it would be overwhelming for the economies to implement liberalization all at once keeping in mind it has its own constraints.

2. By advocating and imposing the capital account liberalization, the Washington Consensus committed a huge mistake. This is because it allowed capital to move freely in the liberalized zone thus countries that lacked a

certain capital input would easily acquire it. The country of origin would not benefit in any way from the imported capital thus the capital market would be adversely affected.

3. After learning of the mistake committed, the IMF response was another mistake. He argues that especially in East Asia, the response brought more harm than good the current situation (59) ‘ In many developing-and developed-countries, governments all too often spend too much energy doing things they shouldn't do. This distracts them from what they should be doing. The problem is not so much that the government is too big, but that it is not doing the right thing. Governments, by and large, have little business running steel mills, and typically make a mess of it.’

These three ideas are addressed one at a time in the book and recommendations given.

The author believes that if things were done in the correct pace and order, then everything would be fine with globalization.
Expounding on the first point, he constantly argues that liberalization should be done at the right speed at the right time. By doing so, the individual economies are given time to adjust and adapt to the changes (Stiglitz, 76). The sequencing is also an important thing to look at. This idea is well explained and appears persuasive enough to the reader. From a general economic analysis of the argument, it is very important and his emphasis is also very correct (58). On matters pertaining to capital liberalization, the author deals with the issue from a negative perspective without considering

its positive part. This makes the reader develop a negative attitude towards capital liberalization but on a further analysis on how it should be done, the reality dawns to the reader making it possible for him/her to comprehend on the point and its sequencing (62).

When on the third point, the author mainly highlights the problem that exists in IMF of financial crisis management. In the particular case of illustration, he addresses how the IMF committed a number of several mistakes in the method they employed in solving the East Asia crisis (4)' If globalization has not succeeded in reducing poverty, neither has it succeeded in ensuring stability. Crises in Asia and in Latin America have threatened the economies and the stability of all developing countries. There are fears of financial contagion spreading around the world, that the collapse of one emerging market currency will mean that others fall as well. For a while, in 1997 and 1998, the Asian crisis appeared to pose a threat to the entire world economy'. The mistakes committed by

IMF include:

1. Closure of a number of banks in Indonesia in the middle of a financial panic. This was done so as to try and control cash flow in the region. As a result, more inflation hit the region resulting in more disastrous outcome than the initial situation.

2. Bailing out most foreign and private investors in the region. By doing so, the IMF had anticipated top compensate the investors so as to keep them in

business but in the eyes of the locality, this was a prejudice affair since only foreign (From US) investors were compensated.

3. Restricting imposition of capital controls on outflows.

4. Imposing very tight fiscal policies and high interest rates on the local economies. This made the economies strain in operation and the high rates reduced the borrowing ability of investors in the locality making the final outcome more disastrous (108).

The book comes to an end with addressing the problem of poverty having been brought by bad policy making. In this argument, he directly links poverty to poor policies and poor policy implementation claiming poor policies promote individualism and lack of equality (218).

Another feature heavily employed in the book is the use of case studies. The case studies are used to illustrate what is said in the literature and illustrate it from a real problem or situation that occurred. Most of the cases studies used are out of personal experience thus depicting some of the ideas are realistic and implementable and not only theoretical.
Most of the case studies are persuasive but may include misleading information. This is mainly because the author considers only a neoclassical approach to the problem comparing it to the actual globalization. He offers several counterstatements to the IMF development strategies and gives evidence as to why such policies can't be implemented. Looking at the examples given, one easily thinks of the IMF and World Bank as a duo whose aim is to siphon funds from the local economies though this is not the actual

truth. The information in these case studies might contain some truths but the way he frames them is not the best way.

Strengths of the book

The main strong and important part of the book is the main argument part. He defines how everything should be done and at what pace. The elaboration on the liberalization process and the necessary factors to consider makes the book very relevant to economics students or economists who need to know more about the current economy. The idea of liberalization also depicts the possible consequences of unplanned liberalization on the economies of the individual countries which have decided to liberalize their boundaries. The main argument also exposes what happens behind the scenes in large offices and the how politics play a role in globalization and economic development. It also addresses the idea of ignorance and how liberalization has adversely affected some regions while making others wealthier at their expense. This is depicted in the case study of the crisis management in East Asia opening the eyes of the reader and the economists on opportunistic countries in market liberalization (196) '. market fundamentalists dominate the IMF; they believe that markets by and large work well and that governments by and large work badly. We have an obvious problem: a public institution created to address certain failures in the market but currently run by economists who have both a high level of confidence in markets and little confidence in public institutions'

Weak point of the book

The weakest point of the book is the addressing it gives the IMF, US treasury and World Bank on the Washington Consensus. He claims enough economic analysis was not done yet the liberalization was too fast. Though we agree with him, the main mistake is that he was there but did not do anything. Exposing the conspiracy under the name Washington Consensus does not help the world since it is thing of the past. The tone employed is not the best and it is the major reason why this part of the book is the weakest of all (42).

Main themes in the book

1. Political influence in globalization and economic development. In the book, Stiglitz addresses the influence of politics on the economic development when he claims that political sports are what is discussed in forums meant to discuss economic policies. Instead of intellectual economic discussions, politics are discussed and on trying to advise the top leaders, you are ignored (35).

2. Neocolonialism in economic strategies. While addressing the East Asia crisis management, the author claims that the IMF ordered the closure of some banks in Indonesia. This is an act of economic neocolonialism which was an advantage to the implementers of Washington Consensus and disadvantageous to the Indonesian economy. The other acts of economic neocolonialism are depicted by the other measures meted on the affected East Asia region during the crisis management. In fact, the whole process as portrayed by the author is not containment and elimination of the crisis but it is an elevation of the economic crisis in the individual economies (chapter 9).

Some other minor themes in the book are corruption and neocolonialism. Though these themes are evident, it would be wrong to discard the whole book because of a few case studies. In fact, the book is an eye opener to a person who needs to understand the world economics and look in greater details the aspect of globalization and how it positively or negatively affects the economy.

In conclusion, globalization has faced many challenges and thus remained marginalized. Each of the trade regions has its own ethics of capital movements and restrictions. The main cause of reduced market liberalization has been determined to be the cost of market liberalization. Most of the countries in the same locality or placed in the same climatic zones have similar products. In case of liberalization, local markets are flooded with cheap imports making the local product to face stiff competition. This makes the cost of liberalization more compared to the advantages accrued from it. There is also reduced income generation into the economy due to reduced import duty. Therefore, globalization and liberalization have to occur in a gradual pace to enable the economies to adapt to the changes in import duty and the flooded markets.

Work cited

Stiglitz, E. J. Globalization and its Discontents. 2003. New York: Norton Paperback Publishers.