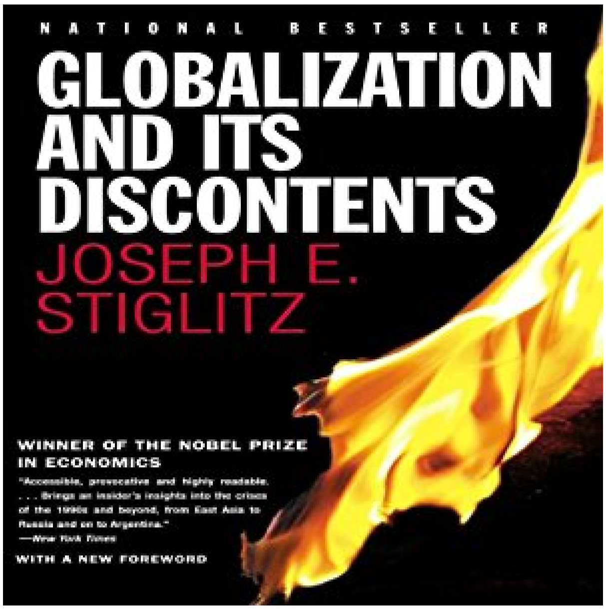
Globalization And Its Discontents



Synopsis

This powerful, unsettling book gives us a rare glimpse behind the closed doors of global financial institutions by the winner of the 2001 Nobel Prize in Economics. When it was first published, this national best-seller quickly became a touchstone in the globalization debate. Renowned economist and Nobel Prize winner Joseph E. Stiglitz had a ringside seat for most of the major economic events of the last decade, including stints as chairman of the Council of Economic Advisers and chief economist at the World Bank. Particularly concerned with the plight of the developing nations, he became increasingly disillusioned as he saw the International Monetary Fund and other major institutions put the interests of Wall Street and the financial community ahead of the poorer nations. Those seeking to understand why globalization has engendered the hostility of protesters in Seattle and Genoa will find the reasons here. While this book includes no simple formula on how to make globalization work, Stiglitz provides a reform agenda that will provoke debate for years to come. Rarely do we get such an insider’s analysis of the major institutions of globalization as in this penetrating book.

Book Information

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Customer Reviews

I have worked for both development banks and for Wall Street, and have been heavily involved in Russia for the last ten years, and a more than interested observer in the financial crises of the emerging markets since 1991. I also have a decree in economics. I haven’t read much economics since I left university, and the first think I want to point out is that this book is highly readable if you have a little economics knowledge, and has rekindled my interest in the subject. I read it on the beach, and at no point does it drag.I think that there are two main points that Stiglitz makes. The first is that standard IMF policy has tended to approach countries in financial crises with the same rather crude economics as that used on Wall Street, which leads them to think like bank managers rather than economists. If you force a country with a fiscal deficit to reduce government spending, then this will reduce aggregate demand, which will reduce government income, and make the deficit worse, inflicting more pain on the population. The reason that the IMF does this, is that it is meant to restore confidence in the markets, but once a crisis starts, foreign investors tend to bail out anyway, so all it buys you is breathing space. You should accept that the foreign investors are gone, and focus on growth.The other thing that I got from the book is the hypocrisy of the US administration, which forced policies on emerging markets, which it would not itself accept. In fact, the IMF more or less took instructions from the US Treasury during the 1990s, and certainly my sense at the time was that the actual IMF staffers were very frustrated at the policies that the US government forced them to follow.

I could not put this book down after I got my hands on it! Mr. Stiglitz is a Nobel Laureate in Economic Science who had the chance to serve both in the Clinton Administration and also in the World Bank. He therefore had much insights and experiences to impart to the readers. This book did not disappoint. It is packed with fascinating anecdotes and his interpretations of the events relating to the global economy, global finance and global institutions during his tenure as an economic adviser to the White House and the Chief Economist at the World Bank. He articulates the original roles of the public institutions such as the IMF, the World Bank and the WTO and shows how they do not live up to their supposed mandates. He exposes the disastrous policies of the IMF which had led countries after countries, on its crusade to impose the Gospel of Market-Fundamentalism, into desolation and devastation. Martyrs made out of the IMF’s ideologically-driven zeal and unaccountable behaviors littered the trail on which the IMF carried out its missionary programs. Dr. Stiglitz also highlighted how the IMF and U.S. Treasury, and the Wall Street embellished their misdeeds with tricly phrases, chopped logics and misinformation; how the U.S. decision-making bodies pushed the developing countries to open up for trade while erecting trade barriers themselves to protect the vested commercial interests in the U.S.’s constituency. The chapters on the East Asian Crisis and the Russian situation are especially fascinating. One inevitably gets drawn into the stories as they unfold in the book. However, this book is far from being a cynical and unconstructive compilation of complaints and indictments.

The thesis of this book is important and compelling, so it’s worth summarizing before I explain why I can only give it a three-star rating.The International Monetary Fund (IMF) was the post-war brainchild of John Maynard Keynes, who thought future economic downturns could be reduced by establishing a source of funds to stimulate the economies of countries without the resources to provide stimulus packages from their own reserves. As an international institution, the Fund would provide impartial aid and offset the protectionist beggar-thy-neighbor policies that had made the Great Depression a global phenomenon.In the 1980’s, however, the Fund’s mission was derailed by the new brand of market fundamentalism that marked the Reagan/Thatcher years: the market always knows best, and the best thing a government can do is to stay out of it as much as possible. Subsequently, the Fund’s loans have come with a number of restrictive conditions, forcing recipient governments to balance their budgets and keep inflation down, quite the opposite of what Keynes had initially intended.The evidence through the 1990’s, particularly with respect to the Asian financial crisis of 1997, and the transition to capitalism of the former Soviet bloc countries, is that the IMF’s market fundamentalism has been a terrible mistake. Stiglitz argues convincingly that the IMF has not only failed to prevent the disasters in Asia and Eastern Europe, but that its policies have been a leading cause of the disasters in the first place, and its subsequent actions only made matters worse. Sending huge aid packages to Russia to hold off devaluation of the ruble only meant that the super-rich oligarchs had a little more time to pocket their cash, ship it out of the country and transform it safely into hard currency.

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