

HOW DOES GLOBALIZATION WORK?

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Joseph E. Stiglitz, *Mecanisme Globalizării*, Iași, Polirom, 2008

Joseph E. Stiglitz is a professor at Columbia University and holder of prestigious titles and awards, including the John Bates Clark Medal (1979) and Nobel Prize in Economic Sciences (2001), occupying top positions in the hierarchy of power: former economic advisor to President Clinton, and Senior Vice President and Chief Economist of the World Bank. Today he chairs the University of Manchester's Brooks World Poverty Institute, he is a member of the Pontifical Academy of Social Sciences, and an honorary professor at Tsinghua University School of Public Policy and Management.

He is known for his critical view of the management of globalisation, free-market economists (or so-called “free market fundamentalists”) and some international institutions like the International Monetary Fund and the World Bank. Along with his technical economic publications (*i.e.* over 300 published technical articles), Stiglitz is the author of books on issues ranging widely from patent law to abuses in international trade: *Globalisation and Its Discontents* (2002), *The Roaring Nineties: A New History of the World's Most Prosperous Decade* (2003), *New Paradigm for Monetary Economics* (2004), *Fair Trade for All: How Trade Can Promote Development* (2005), *Making Globalisation Work* (2006), *The Three trillion Dollar War* (2008), *Freefall: America, Free Markets, and the Sinking of the World Economy* (2010).

Considering a narrow definition, globalisation is a multi-causal process, whose effect is found in the interaction of events, *i.e.* events taking place in a certain part of the globe but having consequences on societies and events developed in other parts of the world. At the macro level, globalisation is a complex and fast-growing system, including economic factors such as markets, international trade, international investment, multinational and transnational corporations, convergent development of technologies, while offering multiple opportunities for most of social life areas. Many existing views, according to which globalisation is a risk factor for cultures and for national or local (community) identities, have criticised the functionality of the process itself. Other points of view take into account both its positive and negative consequences, according to which globalisation fails to improve people life quality, leading to poverty rather than prosperity, and not fulfilling its promise of bringing benefits.

The saying “*Nothing new under the sun*” is perhaps best suited to the issue of globalisation, since any attempt to present globalisation as a new concept having a “great future” is contradicted by history, which shows there have been similar concepts – of course, adapted over time, as people and the principles of globalisation changed. We can offer arguments like the big empires (Roman, Greek or Byzantine Empire) as well as modern versions of the concept in question, as for instance the ideals of the Third Reich and not least the wish for political and economic influence and domination that generated and maintained the two World Wars and the Cold War. Thus, globalisation in its essence is not a new concept, but just adapting its definition over time to remain the same desire for domination and power, whether we refer to the political cultural aspects or to the economic ones. Perhaps the current poor performance in globalisation area is due to the political concepts they want to apply, while reforming concepts themselves could be the solution and allow the creation of “a New World

Configuration” to ensure fairness in the distribution of World’s income and lift living standards on a more uniform basis.

In his book *Making Globalisation Work* – (2006), Joseph E. Stiglitz examines economic globalisation, which means, in his view, “a close co-operation of the countries of the world through increasing the movement of goods and services, of capital and even of labour force”¹. Currently, the “globalisation includes the international movement of ideas and information, shared cultural experiences, a global civil society, and a global environmental movement.”²

In this book, the author examines the common elements of some strategies that have been successful and have been adopted by many developing countries, depending on their specific situation, and he shows that an efficient implementation of globalisation can contribute to the progress of both developing countries and the developed ones, giving the example of the successful development of a large part of East Asia. He also proposes a redefinition of the controversy over globalisation in several ways, along with the emergence of some events on the world agenda or the geopolitical scene, such as the September 11th terrorist attack and war against terrorism, Iraq War, Economic growth in China and India.

Making Globalisation Work (2006) refers to economy and how politics have been used in modelling the economic system, and it can be considered a book dealing with economic globalisation, with a potential to be beneficial to both developed and developing countries. Stiglitz’s approach is to prove that the real problem is how globalisation has been implemented. On the other hand, the great hope of globalisation is that it will raise living standards throughout the world, but the author shows that this phenomenon has led to poverty rather than prosperity, and the promised benefits are still to be seen.

Making Globalisation Work (2006) is a book in which Stiglitz examines the so-called *emerging economies*, which in fact are not emerging at all, and the International Monetary Fund is held responsible for that. In support of this idea, the author adopts a sustained theoretical approach, which is briefly summarised below, based on analysis directions proposed by Stiglitz. For each of the topics Stiglitz makes recommendations, offers ways to resolve the issues, things that are rather shortly presented in this review due to space constraints. The topic of this review is Joseph E. Stiglitz’s vision and critique of the mechanism and functionality of globalisation, especially the economic globalisation.

Another world is possible. In Stiglitz’s view, amongst the negative effects generated by globalisation, it is its being used to impose the *liberal Anglo-American model* to the detriment of alternative ones. Negative effects are found both within a state and between states, and they are: social inequity, identified in the unequal incomes, and the globalisation mechanisms working in favour of advanced industrialised countries, while the economic system imposed on developing countries is inappropriate and harmful. ***The Promise of Development.*** Stiglitz adheres to a concept which is an alternative to the Washington Consensus policy, with government being more concerned in promoting development and protecting the poor, similar to *The Third Way* concept. In his opinion, the government should stimulate investment and job creation, building a physical institutional infrastructure, offering incentives to encourage investments in research, education and technology, and should focus on social justice and nonmaterialistic values, such as environmental preservation. ***Making Trade Fair.*** In this chapter, Stiglitz criticises the way in which trade agreements have led to worsening the situation of the poorest countries and not to the opportunities promised to them by the elected representatives of those states. He also considers that trade liberalisation is an important aspect of globalisation, which has been only partly functional because trade agreements are asymmetric, *i.e.* there is no reciprocity in trade and exchange between industrialised countries and developing countries, since the former were not exactly liberal and fair in this process. ***Patents, profits, and people.*** In this chapter of the book, the author brings to the discussion the issue of intellectual property and how difficult it is to delineate it, since economic efficiency criterion calls for

¹ Joseph E. Stiglitz, “Chapter 1. Another World is Possible” in *Making Globalization Work*, Polirom, Iași, 2008, p. 19

² *Ibidem*, p. 19

free access to knowledge, while intellectual property regime seeks to restrict that access, which leads to a paradoxical situation. ***Lifting the resource curse.*** Joseph E. Stiglitz devotes a chapter to the analysis of natural resources including the energy, where he presents the Paradox of Plenty or the Resource Curse as a situation of countries with an abundance of natural resources, which have worse development outcomes and higher poverty rates than countries with fewer natural resources. ***Saving the planet.*** Stiglitz explains how globalisation economic forces that have been unfriendly to the environment so far can be made to work in favour of environmental preservation. He warns that common property is in danger, because what everyone should commonly share becomes private property. Equally important is the tragedy of common goods (global public goods), which he mentions in this chapter. ***The Multinational Corporation.*** The author tries to answer the question: “*What can we do to minimise the damage caused by multinationals and to maximise their net contribution to society development?*” These multinational companies are richer than most developing countries, and in addition to income they have political power, too, and they use it to increase their profits, since they are in the position to threaten to move out their operations in case a state government is trying to impose taxes and regulations. ***The Burden of Debt.*** Payment of debt forces borrowing countries to sacrifice education and health programs, while the economic development and welfare of their citizens are thoroughly affected by too large loans they ask for or receive, loans which are exceeding their ability to pay back and involving a loss of sovereignty. As Stiglitz emphasises, it is a well-known fact that when countries can not pay debts they have three options, which are: prescription of debts, restructuring or deferring payments, and debts will not be reimbursed. ***Reforming the Global Reserve System.*** Reserves help countries deal with risks, which are basically threats, and this increases confidence in the country and in its national currency. The major costs of global reserve system generate instability, although the aim is to reduce cost instability, says Stiglitz. ***Democratising Globalisation.*** Globalisation issues are generated by the economic globalisation evolving at a faster pace than the political globalisation, and its economic consequences are beyond our ability to understand and shape globalisation and to cope with them through political processes.

Arguing that globalisation has been managed in a manner marked by democratic shortcomings, the author of Making Globalisation Work found international institutions responsible for establishing rules of the game and managing the global economy that reflect the interests of advanced industrialised countries or other interests, while the interests of developing countries are poorly reflected. Seen from an economic perspective, globalisation is, in Stiglitz’s view, *like a two-edged sword*. So, Stiglitz is making a critical analysis of globalisation and international financial system, which leads to the idea of reconsidering the concepts of welfare and regional development levels.

Thus, Stiglitz proposes strategic options to avoid crisis and to reshape certain approaches to globalisation, especially in political and economic fields. Often, economic and political strategies bump into each other, which can only lead to deadlock. It is obvious that the capitalist system as we know it today, is poorly meeting the specific governance terms of globalisation, as it is intrinsically based on financial and economic fluctuations, with no functional linearity to provide long-term stability, as exemplified by American European and other system crises that periodically put pressure on the global society. Globalisation should be rooted in the social concepts of equity with respect to the distribution of social added-value, and to assuring occupational stability of labour force, citizen security, both physical and existential; it should offer the sustenance of stable and functional institutionalisation of social organisational and governance factors and mechanisms, both in terms of education, justice, cultural values and maybe environmental conservation, which is of increasingly importance. Perhaps in a world of globalisation, it would be beneficial to the global society to have economic options based on risk replaced by economic options based on planning, so that capital flows may not bring about instability; yet a lesson of the past should be remembered, when left-wing systems got an illness called Totalitarianism, and when they easily passed from the people’s voice, the voice of God, to I am God. Thus, the principle of globalisation based on transfer of political and economic power to a small group will probably only lead to a massive social destabilisation and abuses, especially related to natural resources, because, as the lyrics say, power and money are “moral danger”.

