

Review

Making Globalisation Work

Joseph E. Stiglitz (Penguin Group, 2006)

Reviewed by Mills Soko

This compelling book by Joseph Stiglitz is a sequel to his two other influential books, *Globalization and Its Discontents* as well as *The Roaring Nineties*. Consisting of ten chapters, it explores as diverse issues as development, global trade and finance, debt, the environment, intellectual property rights, and multinational corporations.

The essence of the book's argument is that although globalisation has enormous potential to raise the welfare of most people in the world, the current model of globalisation has not benefited many of the world's poor.

Thanks to globalisation, world trade has grown rapidly over the past two decades, expanding considerably faster than world gross domestic product (GDP). Coupled with this has been a sizeable increase in foreign direct investment (FDI), both absolutely and as a percentage of GDP. Spurred by the information and communications technology revolution, the global push for financial market liberalisation has resulted in a dramatic upsurge in cross-border financial transactions.

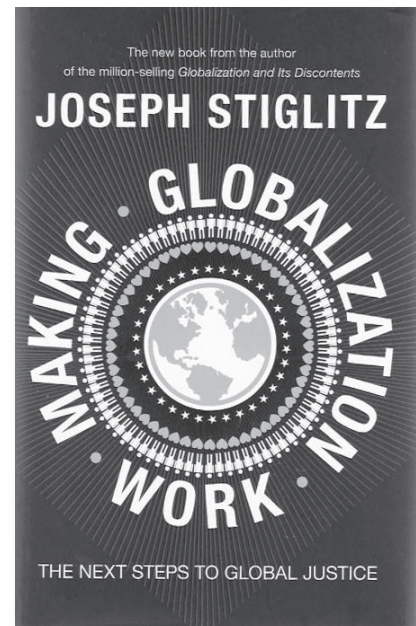
In numerous ways these forces of globalisation, especially in the developed world, have contributed to higher living standards and greater security. However, despite the fact that the global economy has grown five-fold in the last five

decades it has not eliminated abject poverty or even reduced its pervasiveness.

More than a billion people still live on less than \$1 a day. Trade expansion has been confined to industrialised countries and a handful of developing countries. The majority of FDI is concentrated in, and continues to originate from, a small number of developed countries; even though in recent years some developing countries have also become key sources of FDI.

Access to knowledge and technology remains skewed in favour of the rich nations: virtually all the new technology emanates from the developed world where the research and development operations of most multinational corporations are based. In some cases, the uneven nature of globalisation has aggravated inequality and unequal development, within and between countries, thereby heightening social polarisation. Moreover, global decision-making is still dominated by the Group of seven most industrialised countries, which have exploited their control over markets, foreign investments, financial capital and technology to mould global governance.

Stiglitz contends that while many of the world's social and economic problems predate the present globalisation phase, there has been rising exclusion and



social dislocation in certain regions of the world. The region of Sub-Saharan Africa has emerged as the biggest loser from globalisation. More than 20 years after the 'lost decade' of the 1980s there has been no significant improvement in Africa's economic position. Africa's precarious place in the world economy is underscored by the fact that the continent accounts for less than 1% of global GDP, and for about 3% of world investment flows.

Globalisation has created vast opportunities, but also many new stresses and disruptions. And there has been a strong social and political backlash against it. Market failures, corporate greed, and a succession of currency crises have eroded confidence in globalisation.

Rising protectionist and chauvinistic forces have risked destroying the multilateral system that has underpinned the global order since 1945. Hopeful expectations in the early 1990s that globalisation would ease the integration of developing countries into the global economy have turned into pervasive disappointment and alienation.

The crisis of legitimacy besetting globalisation stems from the failure to manage it in accordance with the universal values of freedom, peace, social progress, equal rights and human dignity. These common values, he points out, are more acutely needed in this age of globalisation.

The important challenge today is how to build a fair and inclusive globalisation, and how to harness its huge potential in ways that can benefit the poorest in the world. There is a mounting realisation that contemporary globalisation is unsustainable and that, if it is to succeed, it ought to shift from a parochial obsession with markets to a wider preoccupation with social concerns.

The author asserts that a number of problems ought to be addressed if a sustainable vision of globalisation is to materialise. Firstly, there is a need to correct deficiencies in the existing system of global governance. In part, this means that international economic institutions such as the International Monetary Fund, World Bank, and World Trade Organisation ought to be reshaped so that they genuinely serve the interests of all countries, not only

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those of the more advanced industrialised nations.

Secondly, it is crucial that the growth of global markets is accompanied by the corresponding development of economic and social institutions necessary for their effective and equitable operation. The Scandinavian countries have shown that an alternative model of globalisation is possible: one that combines a robust role for the private sector with significant investments in education and research, together with a strong social safety net.

Thirdly, a global strategy with a sharper focus and a stronger commitment to poverty reduction and sustainable development is essential. This calls for the development of effective domestic and international policies in such areas as education, health, trade, land reform, micro-credit, and infrastructure to address the problem of widespread poverty and social deprivation.

Fourthly, national governments ought to tackle the challenge of

managing interdependence. Globalisation has reinforced social, political and economic interlinkages among national states. This has necessitated a greater co-ordination of policies on the part of governments, particularly around problems that demand collective action such as financial volatility, communicable diseases, terrorism and cross-border crime.

Lastly, it is necessary that globalisation is subjected to democratic participation and scrutiny. One of the notable effects of globalisation has been the ascendancy of non-state actors as key players in global governance. Not only have non-governmental organisations and transnational policy networks contributed to the development of pluralism and the enrichment of the policy debate, they have also strengthened civil society and even at times filled the governance gaps caused by the diffusion of state authority. There is an enormous potential role that civil society can play in promoting inclusive debate about globalisation and in amplifying its social dimensions.

This book provides a powerful analysis of the limits of the present globalisation model, while proffering convincing arguments about how globalisation can be harnessed to achieve global justice and equality. It deserves to be read widely by those who care about the future of our universe. LE

Mills Soko is a senior lecturer at the University of Cape Town's Graduate School of Business.