

Book Review for 01/12/03 by Austin Spencer

Title: "Globalization and its Discontents"

Author: Joseph E. Stiglitz

Length: 252 pages

Price: \$24.95

Reading Time: 10 hours

Reading rating: 6 ( 1= very difficult; 10 very easy)

Overall rating: 1 (1= average; 4 = outstanding)

Perhaps the place to begin this review is to consider the issue of globalization. Professor Stiglitz argues that there are substantial concerns about globalization and what it is doing to many countries and the people who live in these countries. On the plus side globalization has furthered the processes associated with democratic governments and a civil society and increased the living standards of people in many countries around the globe. But for many countries globalization has not worked. The problem has been that nations have opened their capital markets without providing institutions and regulations to guide their operation. The result has been the entry and often the subsequent hasty exodus, of foreign capital into (and out of) economies which are too small or whose financial sectors are ill equipped to regulate and absorb capital. This activity has destabilized the economies of many small nations. These nations have also been encouraged to open their markets and do away with tariffs and quotas. The result has been to destroy many jobs in poor nations while not producing new jobs. The problem is that large Western Countries have maintained their tariffs and subsidies. Certainly, the recent agricultural subsidy program put in place by the U.S. Congress would horrify Stiglitz. The bottom line is that globalization has not worked for many countries. Indeed, people in many countries are worse off and the countries more unstable. The author suggests that what is needed is a better thought out less ideological approach to globalization.

The second concern of the author is the broad issue of development. He is particularly concerned about what he perceives as the negative influence of the International Monetary Fund on the development process. Dr. Stiglitz points out that the I.M.F. was founded on the belief that there was a need for collective action at the global level to further the goal of economic stability. He argues that the policies of the I.M.F. have not worked because they have been based on ideology and politics rather than well thought out strategies that have considered the institutional support system available in the countries. The author's thesis is that markets and privatization will not work unless competition, property rights, a court system, and appropriate regulatory institutions accompany them. Further, at the marco-policy level, a policy that has a single goal of controlling inflation without considering the policy's impact on employment and growth is doomed to fail. He is also concerned about the degree of income inequality that has appeared in many countries in the last quarter of a century. His view is that some income inequality is a positive result of the market system but excess income inequality produces a higher incidence of poverty, lower quality health care, and adversely affects other

aspects of living standards. He pleads for a more pragmatic approach to economic issues and less ideology. Dr. Stiglitz, is it possible that you have an ideological position of your own?

If one is interested in following the give and take of this "nerd fight" one can go to the website of the International Monetary Fund ([www.imf.org](http://www.imf.org), search title of this book) for more fuel, and a lot of smoke. This is an important book because of the credentials of the person who wrote it and the discussion in Washington that it has produced. Would I recommend the book? No!

Austin Spencer is professor of Finance in the College of Business at Western Carolina University. His research interests include topics related to financial institutions and financial markets.