



## **BOOK REVIEW**

### **GLOBALIZATION AND ITS DISCONTENTS REVISITED: ANTI GLOBALIZATION IN THE ERA OF TRUMP**

*by Joseph E. Stiglitz, W.W. Norton & Company, Inc, 2018, xv + 472 pp., ISBN 978-0-393-35516-1*

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The victory of Donald Trump as President for United States and UK vote to leave the European Union, signals the growing dissatisfaction on globalization at the international level. In Trump's inaugural address, for example, he said it loud that "Protection will lead to great prosperity and strength" (Trump, 2017). Based on the careful analysis on the current global landscape, this book is published as an update and expansion of the Stiglitz's previous book, "Globalization and Its Discontents" (GAID) that played an important role in the debate over globalization. As compared to GAID which the author explained about the unhappiness with globalization in many developing countries, in this book, the author argued the discontents on globalization result in the arising of new protectionism.

Joseph E. Stiglitz is a Professor at Columbia University and the winner of the 2001 Nobel Memorial Prize in Economics for his contributions on the impact of asymmetric information on economic behavior and institutions. He was chairman of the US Council of Economic Advisors under President Clinton in 1995 to 1997 and former Senior Vice President and Chief Economist of the World Bank from 1997 to 2000. His direct involvement in both White House and World Bank provides an opportunity to analyze the issue of globalization and its discontents based on his experience as it has been reflected in his previous publication which is GAID published in 2002 as well as "Making Globalization Work" published in 2007.

The main thesis in this book is the globalization, as it has been mentioned, results in discontent among both developing and developed countries due to the rising of inequality, economic crisis and growth of the powerful Multinational Corporation. In the

introductory chapter, the author summarized his argument that has been presented in GAID as the starting point to look into the dynamics and impact of globalization, and the response towards it. The author stated that although the focus in GAID is on the developing countries, it is also equally applicable to the developed countries. It is because the benefit of the globalization has been oversold, huge distribution on income, wealth and power, deficiencies in the governance of globalization as it reflects the special interest and ideology of certain minority group and a greater burden on government to offset its adverse effects of the globalization. The author also presented that there are three approaches addressing the discontent with globalization. The first two approaches are doubling down on the Washington Consensus and new protectionism while the third approach is fair globalization with shared prosperity. It is crystal clear that in GAID, "Making Globalization Work" and this book, the author advocated the third approach as compared to other two which are not sustainable.

The author dedicated two chapters explaining the failure of globalization as the consequences of overselling of globalization in trade and other dimensions due to global integration of financial markets and the development of Multinational Corporation. In regards to trade, the author emphasized that the objective of trade policy is not to increase jobs as compared to what has been understood and propagated by the politician but it aims to increase standards of living by increasing productivity. In his view, the author observed that most of discontent with globalization is focusing on trade agreements which highly favor the Multinational Corporation. Besides that, the discontent on globalization has also arisen from other aspects like foreign direct investment, short-term capital flow, investment agreement, the avoidance of tax by the corporations, intellectual property right and immigration. The author also criticized the advocates of globalization which are highly reliant on the logic of market based on the assumption of perfect information and competition. As such, they ignore the problems of imperfect risk and competition, long run effect of the dynamic comparative advantage and the manipulation of the exchange rate set by central bank rather than market forces.

The failure of the way globalization has been managed resulted in increasing level of inequality, less opportunity and financial struggles faced by the middle class which lead to growth of the new protectionism. In this book, the author merely concentrated on Trump as an important variable to analyze the rising era of new

protectionism that changes the current landscape of globalization discourse. The author argued that the new protectionism will likely to fail based on history and current environment especially in the United States. In contrast to the idea that has been propagated by Trump to shift backward to increase the employment in the manufacturing sector, the current economy is in the transition period from manufacturing to the services sector. Furthermore, the United States is no longer in the position of sole dominant power like in the past few decades as the global power nowadays has dispersed. Besides that, the author also argued that the idea of rapid de-globalization through new protectionism by Trump will disrupt the global supply chain that has been created, consequently leads to job destruction, worsen the trade deficit and reduce the standard of living due to the distortion in trade. Moreover, the idea of new protectionism by Trump will not be workable because the power of the President is limited by the Congress and the membership of the United States in World Trade Organization (WTO) binds itself under the rules of WTO. Hence, if the United States violates its obligation under WTO, it can be sued by the injured country.

The author is right when he stated that “the economy only works because of trust”. Without trust, the market economic system would break down. The rise of new protectionism raises the dilemma among the countries without power. Given this current scenario, the author proposed the diversification of import and export, to redo the global architecture without the United States and to grow more through internal demand. As the current global landscape really concern about the borders, there is a risk for the countries that do not take into account on this matter. However, there is a high cost to reduce the impact of borders as well as to implement inward-looking policies.

The author is consistent in his main argument: the reason globalization has not worked out well has to do with governance and how the rules of the game are set and enforced. Therefore, the author outlined ten principles of a reformed globalization to provide some guide in shaping policies in the future which are globalization as a mean, global rules for cross-border externalities, global action as the community becomes globally interdependent, good governance, government and civil society as part of the system regulating and tempering globalization, the difference of global consequences between large and small economies, different domestic policies as there is no one-size-fits-all policies, assistance to the losers due to the

changes imposed by globalization, consideration on social dimension of globalization and the evaluation of economic consequences of reform using model that reflect economic realities. In addition, the author also outlined the way forward that need to be addressed which are reducing inequality in market income, improving equality after-tax distribution of income, helping restructure the economy, providing social protection and maintaining full employment. The author concluded that with the right domestic policies, focusing on shared prosperity, globalization can lead to the kind of sustainable and equitable development to which these countries aspire.

The shortcoming of this book is there is no clear definition on globalization as there are many aspects of globalization. Nevertheless, he attempted to describe the critical aspects of globalization which are the movement of goods and services, capital, ideas and people across borders. As such, it is suggested for the reader to read both GAID and “Making Globalization Work” to understand the notion of ‘globalization’ in this book. In the preface for GAID, the author defined ‘globalization’ as “the removal of barriers to free trade and the closer integration of national economies”. (Stiglitz, 2002, ix) He further explained in “Making Globalization Work”, the notion of ‘globalization’ in his writing focuses on the economic globalization, which entails the closer economic integration of the countries of the world through the increased flow of goods and services, capital, and even labor. (Stiglitz, 2007, 4).

This book undoubtedly explicitly explained the importance of justice and good governance to address the issue of globalization. From the perspective of Islamic Economist, Chapra (2001), for instance, opined that the paradigm of new global economy lacks the commitment to justice, hence, creates the resistance to globalization. However, the Muslim countries should support globalization as it provides opportunity for the development. On the other hand, Alam Choudhury (1996) argued that globalization as a neo-mercantilist regime which has been carried out in a Eurocentric framework. Therefore, he philosophically defined that Islamic globalization is a unique process of interaction and integration among all kinds of agents and system of thought institutions and the socio-scientific order, by means of Unification Principle (*Tawhid*). Based on this fundamental, he further explained the importance of applying the *Shuratic* process or grassroots democratic linkages to globalization through trade and institutionalism.

Overall, this book invites the reader to understand the global landscape of today’s world by looking at the dynamic changes within

the globalization and the response towards it. The strength of the author in expressing his view in this book is his ability to discuss not only the discontents of the globalization but provide option and ways to address the problem of globalization and its aspects, and the way it has been managed in decades. Such a diverse way in addressing the problem is reflected in his very careful and detailed analysis based on his experience in the academic and policy making.

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