



Globalization for Development: Meeting New Challenges

Ian Goldin (Professorial Fellow, Professor of Globalisation and Development, and Director of the Oxford Martin School) and Kenneth Reinert, Oxford University Press, new edition, 2012

When the first edition of Ian Goldin's and Kenneth Reinert's masterful survey of economic globalisation was published in early 2006, the global economy was flying high – though arguably on the wrong fuel, with an engine that was beginning to stutter. Two years later, the plane stalled. Five years on, people around the developed world are still paying the price of the subsequent nosedive, although there has been little change of course. An updated edition of this book is thus timely. But one of its purposes – convincing the ideological supporters of increased global capital flows that such flows are not unconditionally good – is less necessary these days. And one of the critiques of globalisation – that it increases inequality between and within countries – sounds less relevant after a few years of largely healthy developing country growth (China and India aren't slowing down, just slowing their astronomical rates of growth) and Western stagnation or recession.

The book's first sentence tells us that 'the relationship between globalization and poverty is not well understood'. It rejects the ideological premises that globalisation is intrinsically good or bad for poor people, and uses wide-ranging historical evidence to examine when globalisation contributes to poverty reduction and when it doesn't. Goldin and Reinert deliberately titled the book 'Globalization *for* Development', with the italicised preposition signifying that policy-makers – and perhaps the turbo-capitalists who drive globalised economic activity – should be more focused on ensuring that the benefits of global growth and interconnectedness are more inclusively shared.

The authors conclude that globalisation has played a major role in the biggest reduction in extreme poverty and other improvements in living conditions in human history over the last 30 years, but that it's not necessarily the case that one leads to the other. Globalisation can exacerbate poverty, not all global flows of money or people or ideas are good, and a more concerted effort is needed to manage the risks of untrammelled globalisation. These risks include rising inequality and bad transitions. Poor management of them can lead not just to the Occupy movement and protests outside WTO/G8 meetings, but to

a fatal lack of broad political support for the undoubted potential benefits of well-managed global integration for producers, employees and consumers. A quick history lesson reminds us that globalisation and poverty reduction can be negatively correlated across the whole world as well as for countries, communities or individuals. Globalisation is also not a linear process and can be reversed, as for example by Chinese Emperor Hung-hsi banning maritime expeditions in the 15th century, or 20th-century governments restricting the massive migrant flows of the late 19th century (when between 1870 and 1910 by some estimates more than 10 per cent of the global population moved country permanently).

The book considers five economic dimensions of globalisation with major potential positive or negative impact on development: trade, finance, aid, migration and ideas. It pulls few punches on the scandal of the industrialised world's protectionist subsidies of its farmers; it presents a nuanced account of the benefits and risks of the different kinds of capital flows to developing countries; and it summarises current global orthodoxy on how best to use aid (now by far the least significant of the major financial flows to the developing world as a whole, but still vital to a few, and a potential catalyst for beneficial increases in other flows). This is all well-charted territory.

The authors' material on the movement of people and ideas may be less familiar. In Europe in particular many people are brainwashed by media and political alarmism about migration's economic impact, and even its size. (In a recent UK poll, respondents' average guess was that 31 per cent of us are immigrants; the real figure is 13 per cent.) Migration is a demonstrably positive and massively untapped economic opportunity for rich countries with looming demographic labour shortages, as well as poor countries and individual migrants (albeit not without risks). This chapter reflects Goldin's passion for and detailed research into migration, captured in his book *Exceptional People: How Migration Shaped our World and Will Shape our Future* (Princeton University Press, 2011). The chapter on ideas – 'the most powerful influence on history' and often the most important dimension of globalisation – covers international knowledge management, intellectual property and global public goods, highlighting the risks of a WTO-inspired privatisation of knowledge.

The final chapter gives 40 pages of recommendations on how globalisation can be better managed to benefit poor people, with 26 specific propositions across the five main themes of the book and the global commons. As the book's last paragraph says, these recommendations are neither novel nor a panacea. What makes the chapter work is the coherent way in which it pulls together public policy problems too often dealt with in a silo, or not from

the perspective of poverty reduction. The authors are interventionists: they believe that state regulation and action can sometimes work to make markets work better, and make the world better.

This is a vast set of issues to cover in one 284-page book. But the authors marshal their evidence and their arguments carefully and concisely. They explicitly confine themselves to the economic dimensions of globalisation (though one might argue that trade, finance and aid are more clearly economic than people and ideas), and don't touch on other critical dimensions of international relations, notably conflict, climate change, culture, etc.

The book also doesn't explore the series of key global governance questions at the heart of most of these issues. Who runs the world, and how? Do we have the right global institutions to address successfully the biggest challenges facing us, such as climate change, mass migration, health pandemics, cyber-security and erratic financial flows? Are decisions about these issues made fairly, and if not whose interests do they reflect? Are the people running the world properly accountable? Could it be run better? If so, why doesn't that happen? Goldin looks at these questions in *Divided Nations: Why Global Governance is Failing and What We Can Do About It* (OUP, 2013). His argument is that we are unlikely to find solutions to these new and growing problems by continuing to work in the same old ways (and the G20 hasn't changed much). Global politics is gridlocked, and we need revolutions as well as evolutions in the global institutional architecture. But as anyone who has worked at the UN in particular will tell you (Goldin knows it well), getting 193 countries to agree that there is a problem is a few steps short of getting them to agree to a solution. What former American Ambassador to the UN Daniel Patrick Moynihan called 'the politics of resentment and the economics of envy', as well as a variety of prisoners' dilemmas, often get in the way. Some readers will find the dysfunctional power politics behind this stasis more interesting than the more policy-oriented debate in the book under review. *Divided Nations* is slightly shorter than *Globalization for Development* and selling slightly better (at least on Amazon). If you've got time for both, they complement each other quite well.

Goldin and Reinert write accessibly and clearly, presuming little background knowledge. Though rigorous in its enquiry and complete with 34-page bibliography, this is not an academic book. Statistics are well deployed as evidence, with plenty of charts (though a reader's quibble: the impact of a black-and-white graph with four dotted lines can be diminished when the lines are hard to distinguish. Would a few pages of colour have cost so much more?). The book is well structured, and one-page summaries at the end of each chapter will please the skimmer. Goldin at least brings a practitioner's

realism to his analysis and policy prescriptions. Though primarily an academic and author since 2006, his career at the World Bank (Director of Development Policy, then Vice-President for External Affairs), the Development Bank of Southern Africa (Chief Executive), EBRD (Principal Economist) and OECD (Program Director), as well as working as an adviser to Nelson Mandela, has given him plenty of insight into the messy political world in which decisions about the global economy are – or aren't – taken.

I was left wondering who the audience is. The first paragraph talks about 'the global citizen trying to understand these issues' and 'the wider public'. The wider PPE-ist public, perhaps. At times there is the whiff of an undergraduate textbook. At its most persuasive, you want to thrust the book under the noses of the world's finance and trade ministers and ask them why they don't get their acts together. Sadly it is unlikely that many of the world's bankers will read it. They are on the cutting edge of globalisation, and they have messed it up and diminished the wealth of nations by pursuing short-term profit for the few at the cost of sustainable and inclusive growth for the many. (For excellent accounts of the UK financial crisis and what to do about it, see *Who Runs Britain?* and *How Do We Fix This Mess?* by Robert Peston, another Balliol alumnus [1979]). The shareholders of financial institutions must try harder to incentivise their managers differently, and national and international politicians and regulators must try harder to curb the worst excesses of the free financial markets. But I suspect the greedier financiers will always be one step ahead of them. Perhaps that's better than two steps.

As I write this review, news has just broken of the death of James Martin, founder of the Oxford Martin School (where Goldin is Director). Martin is Oxford University's biggest individual benefactor in its 900-year history, having endowed the School with \$150m to address some of the 21st century's knottiest challenges in more multidisciplinary ways, in fields as diverse as health, energy, technology and ethics. Martin made most of his money writing computer textbooks, but his eerily accurate predictions from the 1970s on the way technology would change our lives (see, for example, *The Wired Society*, 1977) should make us take note of his later forecasts for the future. In *The Meaning of the Twenty-first Century: A Vital Blueprint for Ensuring Our Future* (2006), he foresees an 'age of extremes', dominated by scientific advances and increasingly radical ideologies. Unless better-educated populations demand more from their politicians, he argues, we may ruin our planet irreparably before the century is up. Using public policy to ensure the world's poorest people benefit from technology and are not manipulated by ideology sounds like part of the biggest global challenge of the next few decades.

By the end of the century, it is likely that globalisation will have become such an entrenched part of everyday life that not many books will be written about it. Perhaps absolute poverty will also have been eliminated. In the meantime, Goldin and Reinert have set out clearly some of what needs to be addressed so that we go the right way in Martin's turning-point century.

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