

## Glad about globalization

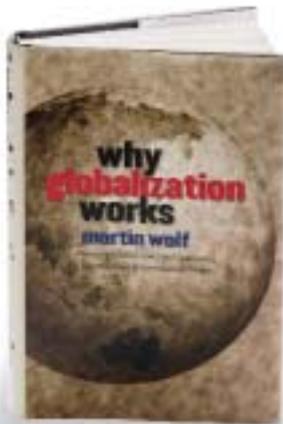
One shouldn't judge a book by its preface. Readers tempted to do so with this long book will come away with a misleading impression of what it contains. Its characterization of the World Bank as "a fatally flawed institution" and of its former president Robert McNamara as a man of "frighteningly little common sense" may suggest that this book is to the Bank what Joseph Stiglitz's *Globalization and Its Discontents* was to the IMF. That is not the case. Even though Wolf cannot resist a few digs at the Bank, this book is not a tirade against the Bank masquerading as a book about globalization.

The first half of Wolf's book can be read as an updating of the arguments of Friedrich von Hayek, whose libertarian classic *The Road to Serfdom* marks its sixtieth anniversary this year. The second half is a sustained attack on the critics of globalization, from Alice Amsden to Robert Wade and many in between—John Cavanaugh, John Gray, Naomi Klein, Branko Milanovic, and Dani Rodrik. Through alliterative chapter titles in this part of his book, Wolf reminds us of the five fears of such critics: they are "incensed about inequality," "cowed by corporations," "sad about the state," "traumatized by trade," and "fearful of finance." They should get over it, Wolf advises.

Consider the fear that globalization breeds inequality. Wolf notes the now familiar conclusion that global inequality—inequality in incomes among people—has actually been declining over the past decades, thanks to the phenomenal growth in populous China and India. He notes that claims of increasing global inequality have been made in an "influential paper" by Branko Milanovic, which was "the basis of an influential article in *The Economist* by Robert Wade of the London School of Economics." But Wolf says that "Milanovic's analysis was, accidentally, timed to coincide" with the one time in the past two decades that

both China and India were growing quite modestly.

In any event, Wolf would rather focus on alleviating poverty than on reducing inequality of incomes. Economic growth is bound to be uneven in its initial effects, and "to bemoan the resulting increase in inequality is to bemoan the growth itself."



Martin Wolf

### Why Globalization Works

Yale University Press, New Haven and London, 2004, 398 pp., \$30 (cloth).

Wolf also exposes the flaws in the work of John Cavanaugh and his colleague Sarah Anderson, who have claimed that many corporations today are more powerful than countries and have backed up the claim with data that allegedly show "that fifty-one of the world's hundred biggest economies are corporations." But the two researchers have committed "what economists would regard as an elementary howler: they confused gross sales with GDP." When the error is corrected, an UNCTAD study that Wolf cites shows that only two corporations make the top 50 list, and only at numbers 45 and 47 at that. It is foolish, in any case, to insist that corporations and states are anywhere near equal in their powers: "Even a tyrant as petty as Robert Mugabe confronts no similar market test."

Wolf also pooh-poohs Naomi Klein's claims of the tyranny of corporate brands as "much ado about nothing." He asks why, in a world where countries have inflicted police states, genocides, and famines on their citizens, Klein chooses to worry about the "reign of logo terror" allegedly inflicted by corporations.

But Wolf is also capable of taking antiglobalizers seriously when their arguments appear to him to have merit. This is the case in the chapters on trade and finance. In both chapters, he mounts a solid defense of the benefits of international trade and capital mobility but concedes that the critics are right, up to a point. With respect to trade, he writes that Amsden, Chang, and Rodrik are right "to emphasize that much more is involved in successful development than trade policy." He also rails, as many proglobalizers do, against the "cowardly and incompetent authorities" of rich nations for asking poorer nations to liberalize trade while dragging their feet on eliminating subsidies they provide to their own producers.

And in the chapter on finance, he notes that, in an effort to integrate emerging market economies into world capital markets, "the gains have been questionable and the costs of crises enormous." Referring to the findings of a paper coauthored by the IMF's former chief economist Kenneth Rogoff, Wolf writes that "astonishingly . . . the IMF itself appears to support this view" (see *Back to Basics*, page 50). Wolf blames the IMF, in part, for why the financial integration of countries has not gone as well as might have been hoped.

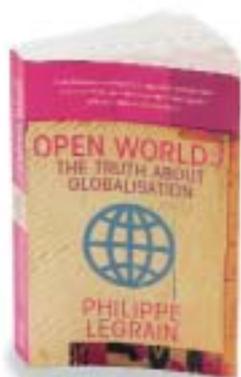
Wolf's book meets the high standards set by other recent defenses of globalization. Books by promarket globalizers seem to have better arguments, but books by antimarket antiglobalizers seem to have better book sales. Aren't markets working?

**Prakash Loungani**

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## A score for globalization



Philippe Legrain

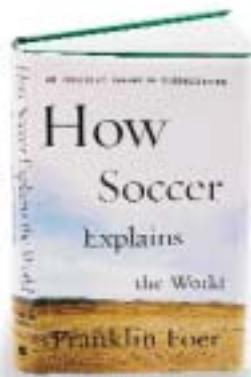
### Open World The Truth About Globalization

Ivan R. Dee, Publisher, Chicago, Illinois, 2004,  
384 pp., \$27.50 (cloth).

Philippe Legrain, former trade and economic correspondent for *The Economist*, has written a robust defense of globalization that combines the virtues of journalism with analytical rigor. Addressed to the skeptical, his book urges individuals and their governments to rise to the challenge of “grasp[ing] the opportunities that globalization offers while taking the sting out of its threats.” And, to this end, the author has two main messages for his undecided but—he trusts—open-minded reader: the poor have much to gain and the rich have little to fear from globalization.

On the first of these messages, Legrain’s picture of a globalizing world is appealing. It is a world in which “countries get richer and individuals become freer.” For Legrain, trade liberalization is the chief mechanism for allowing the poor to profit from increased global economic integration. He makes this argument tellingly, supported by reporting from Vietnam on a well-run, Korean-owned Nike shoe factory that pays and treats its staff well. (In contrast, Legrain is much more cautious about freer capital markets.)

A joke circulating on the Internet asks Pat Buchanan why the chicken crossed the road, to which the reply is, “To steal the job of a decent, hardworking American.” Such sentiments, mis-



Franklin Foer

### How Soccer Explains the World An Unlikely Theory of Globalization

HarperCollins, New York, 2004, 261 pp., \$24.95  
(cloth).

placed in Legrain’s view, are at the heart of his other message, intended to assuage the fears of those who feel threatened by globalization. Legrain tackles this issue in another piece of reporting, this time from a steelworks in the U.S. state of Maryland. His argument, a familiar one but sensitively made, is that one cannot throw away the huge gains from globalization just because some people lose out.

It is a sign of the intensity of public debate on the issue that there has been a clutch of books for general audiences making the case for globalization. Readers of those books will find much familiar ground in *Open World’s* mixture of vivid reporting from several countries and lucid summary of the academic literature.

One strength of Legrain’s book is his deft dismantling of the arguments against globalization. On such topics as poverty, trade, multinationals, and the environment, Legrain, with commendable fairness, states the case for the prosecution—generally through extensive quotation of circular arguments from flat-earthers—before making the case for the defense. Several familiar names catch his barbs, but his main target is Naomi Klein, who, for Legrain, has become exactly the kind of global brand she so deplores in her best-selling *No Logo: Solutions for a Sold Planet*.

The insistence by Klein and others on “the antiglobalization left [that] global tastes and brands will steamroll indigenous cultures” is also the “big question” that Franklin Foer tackles. But, in a savvy marketing hook, he focuses on the extent to which this alleged destruction of local cultures and institutions has happened in the globalized world of soccer. He writes that, at first blush, “it’s hard not to be awed by the power of megabrands like the clubs Manchester United and Real Madrid, backed by Nike and Adidas. . . .” But, after a pilgrimage to the soccer capitals of the world, Foer concludes that “homogenization turned out to be more of an exception” than he had anticipated and that “globalization had failed to diminish the game’s local cultures, local blood feuds, and even local corruption.”

Foer’s book succumbs to journalism’s habit of using metaphor as an analytic tool, in this case soccer, to explain the consequences of globalization. But the fact that soccer is intertwined with such issues as “the consequences of migration, the persistence of corruption, and the rise of powerful new oligarchs” does not mean that it is a useful way of understanding these issues. For example, Foer’s attempt to link Pelé’s off-the-pitch misfortunes and Brazil’s economic mismanagement in the 1970s—“his failings mirrored Brazil’s own disastrous miscues,” he writes—is clearly a shot that’s wide of the mark.

In the end, Foer’s book amounts to a series of postcards sent from soccer-playing nations that tell us a lot about the eccentricities of human behavior and a bit about the game of soccer but not a great deal about globalization.

Readers interested in globalization are thus far better served by Legrain’s fine book. Given the depth of feeling about globalization, however, one wonders how many minds he will change.

**David Hawley**

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## Why borrow from the IMF?

James Raymond Vreeland

### The IMF and Economic Development

Cambridge University Press, New York, 2003, 216 pp., \$70/£45 (cloth), \$21.99/£16.00 (paper).

**N**arratives of the IMF's relationship with its member countries sometimes resemble the scripts of bad Hollywood action movies: two-dimensional characters in tales of blood and gore. Why, despite the pain and suffering involved, do countries keep going to the IMF for loans? And why does the IMF keep engaging with countries when it is going to be typecast as the villain of the piece?

James Vreeland does not insult the audience's intelligence with such narratives. He provides a more rounded view of why countries decide to enter into IMF programs and makes an innovative—though far from convincing—attempt to measure the impact of these programs on eco-

nommic growth. He says that countries borrow from the IMF and negotiate conditionality for both economic and domestic political reasons. Unable to build an internal coalition, reform-minded policymakers turn to an outside actor like the IMF for help.

Vreeland's main contention is that IMF programs hurt economic growth, but he acknowledges that "countries participating in IMF programs have economic problems to begin with. That is why they turn to the Fund." But, he continues, countries with economic problems are not all alike. If those with greater political will are more likely to enter into IMF programs than other countries, then the benefits of political will may be mistakenly attributed to the effects of IMF programs. Consider again, he writes, "the analogy of doctors and their patients. . . . One may not be able to observe motivation, but it may play a role, not only in determining who

goes to the doctor, but also in who fares the best. . . ."

The problem, of course, is that motivation is very hard to observe and measure. It has to be teased out of the data with sophisticated econometric techniques. Vreeland's application of the "matching estimators" technique used in medicine to evaluate treatments is innovative but will change few minds. His technique requires convincing empirical models both of the decision to enter into an IMF arrangement and of economic growth—areas where disagreement abounds.

Despite this central limitation, Vreeland's book is worth a look as it pieces together some interesting case studies, weaves an intriguing tale of political motives, and provides a concise and readable discussion of his attempt to measure the impact of IMF programs on economic growth.

**Rodney Ramcharan**

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