

***Globalization: What's New?***

**Panel Discussion, Book Release and Signing**

Monday, April 18, 2005

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With the controversies surrounding globalization showing no sign of abatement, there was no time like the present for some of the world's leading economic thinkers to collaborate on a volume taking stock of "what's new" about globalization. On a Monday evening this past spring, the book's organizer and two contributors were joined by international affairs and business students and professors, and eager readers, for a lively discussion of some of the book's themes at a book release reception at Columbia University's Kellogg Conference Center.

The discussion was moderated by book editor, Michael Weinstein, Director of Policy Planning and Research at the Robin Hood Foundation. In his opening remarks, he discussed the book's genesis and its remarkably quick completion very close to its original design. Panelists included two chapter authors: Charles Calomiris, Henry Kaufman Professor of Financial Institutions at Columbia Business School and Academic Director of The Jerome A. Chazen Institute of International Business, who outlined the history of global capital flows and recent developments, and William Easterly, Professor of Economics and Africana Studies at New York University, who led an energetic discussion of his chapter on the bureaucracy of international aid organizations. Richard Clarida, C. Lowell Harriss Professor of Economics and International Affairs at Columbia University, concluded the evening with a commentary on the book and special highlights from its other chapters.

***"At the end of the day, it is what economists know about the world."***

The book's editor, Michael Weinstein, began the evening's talk with an introduction to what he and the contributors hoped to accomplish in *Globalization: What's New?* published by Columbia University Press and the Council on Foreign Relations. They wanted to take stock of insights on globalization from a variety of perspectives. Questions included: How and why do current patterns in trade, capital flows, and immigration differ from those of previous eras? Is there a connection between capital flows and the high frequency of financial crises? Has globalization improved or worsened wealth and income inequality? How successful have various aid programs been in encouraging economic development by poor countries, and how can those programs be improved? What are the consequences of globalization for the environment, and for domestic political and cultural autonomy? "The goal was turning this into a volume that sophisticated readers would read," said Weinstein. And he was clearly pleased with the degree to which that goal was accomplished. "None of these chapters is surprising in its

topics, but all are surprising in where they go with their topics.” And then, without further ado, he introduced the two chapter authors on the panel.

***“Today’s capital flows and their consequences differ from those of previous eras.”***

Charles Calomiris began the discussion of his chapter, “Capital Flows, Financial Crises, and Public Policy,” by framing the topic in a historical context. He began with a summary of the history of the world’s capital flows, and highlighted differences between two main time periods. The first, prior to WWI, was characterized by tremendous global capital flows in the form of long-term debt; and the second, current period, characterized by new capital flows of more short-term debt, equity, and foreign direct investment. He further noted that in the pre-World War I era, capital flowed from developed countries (especially Great Britain) to developing countries. Today’s capital flows to developed countries are much more important.

Historically, financial crises involving the simultaneous collapse of exchange rates and banking systems (so-called “twin crises”) were quite rare, with no more than three such crises occurring worldwide in the three decades prior to World War I. In contrast, in the past three decades there have been scores of twin crises. Calomiris argues that changes in the political economy of finance, and especially the rising protection of banks by governments, have altered the incentives of banks to take risks and have placed governments and their currencies at financial risk when a banking crisis occurs. These new links between the fates of banking systems and currencies explain the new prevalence of twin crises.

***“What is it that makes bureaucracy work so badly for poor people?”***

Using everything from photos of Halle Berry in a Catwoman costume to specific breakdowns of aid budgets in African countries, William Easterly led an entertaining presentation on his chapter, “The Rich Have Markets, the Poor Have Bureaucrats.” His talk was spirited from his joking introduction by Calomiris: “Bill Easterly will now talk about why the IMF is the greatest organization.”

Easterly then began his discussion with a story about globalization as it relates to everyday objects that many of the students in the audience could relate to—the global meaning of his iPod: “My 13-year-old recently convinced me to buy this iPod. It was designed in California, of course assembled in China, and I can download music from the late Nigerian musician Fela. I’m benefiting tremendously from globalization.” However, Easterly quickly moved into a description of how many of the poor countries of the world have not benefited from globalization, and in fact, how they’ve been underserved.

After detailing a 20-year aid project worth \$2 billion to improve roads in Tanzania that did not result in any improvement in the roads, only in the writing of 2,400 reports to the aid donors, Easterly summarized the state of global aid affairs, “Unfortunately, aid bureaucracy is not working in poor countries.” While he went on to compare the foreign aid budgets to the budgets of recent film industry flops, like Halle Berry’s “Catwoman,”

he also went on to offer some insights from his chapter as to why development aid bureaucracy is not working for the poor countries of the world. In essence, Easterly sees the problem as one of agency: “A poor person in Ethiopia doesn’t have a city councilwoman serving him at the World Bank. The principal in foreign aid is not the poor people—it’s the rich people.” The fact that the poor lack a voice in the managing of aid, and the fact that achievements are often measured in dollars spent rather than in goals accomplished, are key flaws that prevent aid from succeeding in alleviating poverty.

***“So, what’s my bottom line here? Well, very simply, you really should buy the book and read it.”***

Richard Clarida concluded the evening’s discussion with commentary on the panelists’ chapters, including highlights from the chapters not represented by the two authors on the panel. Clarida gave Weinstein credit for “pulling together some of the greatest thinkers on globalization.” He noted that the first few chapters in the book offer important history and context on the global economic environment which prepare readers well for the book’s later, more topical chapters.

The discussion adjourned for a reception and book signing.