HUMAN NATURE REVIEW
ISSN 1476-1084
http://human-nature.com/

Book Review

George Soros on Globalization by George Soros. New York & London: Public Affairs, 2002.

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Global capitalism, the unrestricted movement of capital and the domination of nation states by global financial markets and multinational corporations, is the prevailing feature of our times. As a spin-off from developments in information, communication and telecommunication technologies, global capitalism has become borderless. Armed with the clout of financial resources, global capitalism sets its own rules and regulates itself. Unregulated by sovereign states because of their inability to reach it, global capitalism has become a monster, causing severe damage to human beings and their environments. George Soros is right when he says 'globalization has been lopsided' and when he argues that the time to rethink and reshape international institutions to address the current distortions in the international system is long overdue.

There are fewer people in this world who have benefited more from 'global capitalism' as it operates now than George Soros. His call for reforms to strengthen multilateral institutions and bring some semblance of sanity into 'global capitalism' therefore requires considerable attention. *George Soros on Globalization* seeks to highlight the deformities in the global open society and to suggest remedial measures. Soros explains how global capital works and makes some novel suggestions for corrective actions. The book consists of an introduction, four chapters, a conclusion, ('Toward a Global Open Society') and an appendix ('Special Drawing Rights Proposal '). It is speckled with ideas, which, if adopted, will not only strengthen the international financial institutions (IFIs) but will also bring some relief to the wretched people on this earth.

In his introductory chapter, 'The Deficiencies of Global Capitalism', Soros defines globalization, which he equates with 'global capitalism', as 'the development of global financial markets, the growth of trans-national corporations, and their increasing domination over national economies. He also describes the 'penetration of market values into areas where they do not traditionally belong' as one result of this growth. Soros traces the development of global capitalism from the reconstruction of war-torn Europe in the post World War II and the establishment of the Bretton Woods institutions to its apotheosis during the Thatcher/Reagan administrations in the1980s, which was further magnified by the downfall of the 'Soviet empire.' Soros agrees with the critics of globalization that because countries compete to attract capital, they are unable to control it, especially when they happen to be poor and small. As a result some regulatory measures must be incorporated into the global governance system. He disagrees with the market fundamentalists when they argue that the ability of the state to interfere in the economy must be reduced and that the allocation of resources is best left to the market mechanism because any interference with that mechanism reduces efficiency. To Soros, because capital has always been eager to avoid taxation and regulations and international capital is difficult to tax and regulate, there is a need for the international system to develop effective means to control capital, especially short term foreign capital. He writes, 'Even the creation and maintenance of markets requires political action. This point is well understood by market fundamentalists. What is less well recognized is that the globalization of markets without strengthening of our international political and social arrangements has led to a lopsided social development' (p.7) He is more emphatic when he further writes 'we need stronger international institutions not weaker ones' (p.11).

Soros is clear in arguing for more investment in social development. He wants nations and entrepreneurs to be environmentally responsible. Considering the motives and history of entrepreneurs and entrepreneurship, Soros is also an advocate of a strong regulatory role for the state. He is also a ardent believer in international cooperation through multi- and bilateral development institutions, who believes that if these did not exist they would have to be created. But he is unyielding in arguing that the private sector is better at wealth creation than the state and that globalization offers a degree of individual freedom that no individual state can ensure. Using his own organisations as an example he believes private sector foundations are more cost effective. Some of Soros' observations of the deficiencies of the global system are confirmed by Joseph E. Stiglitz in his *Globalization and Its Discontents:*

- Many people are being hurt by globalization without being supported by a social safety net; many others have been marginalized by global markets;
- Misallocation of resources between private goods and public goods - markets are good at creating wealth but are not designed to take care of social needs; the heedless pursuit of profit can hurt the environment and conflict with other values.
- Global financial markets are crisis prone; they tend to hit the developing economies much harder;
- It is dangerous to place excessive reliance on market mechanisms.

Soros reiterates some of the fears expressed by Kwame Nkrumah, Ghana's first President in his *Neo-colonialism: The Last Stage of Imperialism* that made him very unpopular and contributed to his overthrow that:

- Foreign aid serves the interests of donors rather than the recipients;
- Recipients rarely have ownership of foreign aid projects, which are designed and implemented by outsiders;
- Foreign aid is usually negotiated between governments, thereby creating the 'gatekeeper' problem (many donors competing to go through a single entry point);
- Donors insist on retaining control over the aid they provide, resulting in a lack of coordination by the host government thus restraining its capability to govern.

These are fundamental issues that indicate the need for donors and especially international financial institutions to reinvent themselves if these problems are to be solved. Soros' approach can serve as the basis for examination of remedial measures and offers an exciting new approach to the endeavour.

Soros' perceptive analysis in the continuing search for fair and just growth supports the thesis that, in the aid business, democracy matters. In addition, participation is critical; and accountability is also indispensable. However, many anti-globalization activists would disagree vehemently with Soros that 'the World Trade Organization accomplishes … (*its*) ... mission brilliantly' (p. 32). Overall though Soros provides excellent information and analysis regarding problems of international aid, the multilateral development banks, the International Monetary Fund and the open society. His suggestions for overcoming some such as the SDR Proposal are novel. The creative and practical ideas are well thought through. But it is their implementation that is the problem, based, as it is, on the unwieldy international system that allocates lethal power to a few states to determine the destiny of the world's people. Unfortunately, without their assent and consent nothing gets done in the international system and their interests are not necessarily the interests of the majority of the world's people.

A most valuable aspect of the book deals with the open society and introduces the reader to some of the basics of democracy, including: **human rights**, notably women in politics, prisoners' rights, and transitional justice; **good governance**, encompassing constitutional review mechanisms and electoral reform; **media and communications**, incorporating community radio and electronic information for libraries; and **economic reform** to foster accountability and combat corruption. These are some of the areas that the Soros foundations have been supporting. Unfortunately, Soros' own books are not found even in major African universities, nor are his funding programs aimed at capacity building at the university level. Many would disagree, but higher education is perhaps the greatest investment any society can make. Unfortunately, many aid agencies officials think that the recipients of higher education should bear the cost of education, just as they call for cost recovery for health provision. Using the proverbial Chinese anecdote, Soros and his foundations, like the other donors, are giving fish now, rather than training people how to fish and giving them the tools with which they can fish always.

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