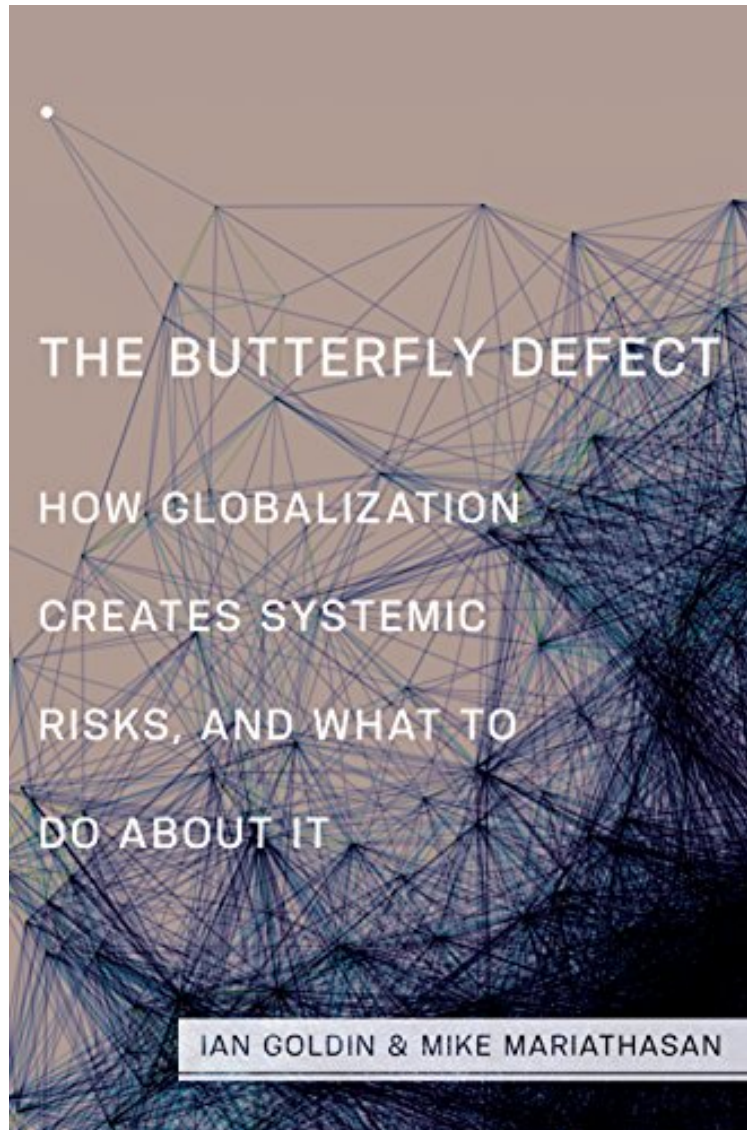


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The Butterfly Defect: How Globalization Creates Systemic Risks, and What to Do about It

Ian Goldin, Mike Mariathan

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Ian Goldin, Mike Mariathan : The Butterfly Defect: How Globalization Creates Systemic Risks, and What to Do about It before purchasing it in order to gauge whether or not it would be worth my time, and all praised The Butterfly Defect: How Globalization Creates Systemic Risks, and What to Do about It:

3 of 3 people found the following review helpful. Excellent framing of risks with idealized prescriptions
By Chris
The Butterfly Defect does an excellent job of representing risks from globalization. It does a less well job of explaining how these risks can be managed although the "desired states" are well done. The book is arranged by type of risk with a

summary of systemic risk management last. After an intro on globalization and risk, separate chapters treat ... financial, supply chain, infrastructure, ecological, pandemics and health, inequality and social. Each chapter for each risk frames the defects from globalization, providing data and case studies to support - source, weakness, potential negative outcomes, consequences. At the end of are "lessons"=prescriptions. Although the style is academic, each risk chapter is easily readable with ample explanations. Depending on reader preference explanations may be too elaborate, or they may lack supporting detail that some would wish to see. The case for action (change) for each is well done. Five stars for this effort. The "lessons" at the end of each risk chapter tend to follow 3 themes. 1) List of ... should's, must's, is needed's ... without identification of agents for actions, how these would be accomplished, or explicit recognition of influencing factors (e.g. political, legal, social ...) that would make these lessons problematic/improbable to impossible. 2) Advocacy for additional regulation - preferably international regulation binding all nations - to effect preferred solutions (lessons). Governmental regulation is the hidden or back of the book answer to virtually all risks (notional international wise persons to act as regulation architects across nations, cultures ...). 3) Advocations for changes to businesses or business processes without explaining the fit into the economics and functioning of the industries/businesses affected, or mentioning whether owners would entertain or find change beneficial. The authors also ignore the reality of sovereign nations in their vision for supra national solutions, although this is discussed briefly as a difficulty to work around in the final chapter. Since the few democratic nations that exist are governed by citizens acting in their national interest, and non-democratic nations - autocratic or totalitarian - are governed by the powerful few, it isn't obvious nations will be disposed to sacrifice for 'the global good' or for the benefit of others. Specific comments on risk chapter lessons:- The financial sector chapter ignores that many/most markets are nation centered, not international, regulated by nations. Given the lack of success of inter-governmental entities, it isn't obvious how the "lessons" will come to pass although there has been modest agreement by developed nations.- Supply chain lessons ignore the reality of free market businesses, that shareholders invest for return. An explicit assumption is companies will find it advantageous long term to have underused capital, excess staff, surplus inventory, duplicative systems, geographically diverse operations, etc. as useful "assets" in case of supply chain disruptions. There is no analysis to support this supposition. Given the inefficiency of running such a business - lower return on assets and equity - it is difficult to see any company being competitive. Successful business strategy is about winning against the competition, not running a business conservancy for the greater good. An example is the authors' prescription to shun "lean methods" as antithetical to the needed robustness in the supply chain. "Lean" is about elimination of wastes and optimal process flow. For example, if a product company were to stockpile semiconductor chips in case of a supply chain outage, they would likely own obsolete, impossible-to-sell chips periodically as technology advances.- Ecological risks are treated 'globally' however, in reality global warming is the only risk amenable to a supranational solution.- Pandemics and health risks could be addressed internationally. The recent ebola outbreak showed both the shortcomings of current resources, and showed nations acting in their own interests. Progress since the HIV/AIDS epidemic was not encouraging although countries at the source appeared to act more prudently. Pandemics are clearly a global issue. The authors cite no entity to address this aside from mentioning the WHO however, response is not a WHO function (lesson quote ... "Systemic risks require systemic responses").- Inequality and social risks lessons advocate: global governance transparency, reducing inequality at the national level, and reducing inequality globally through migration. Given the low percentage of countries with governance transparency (and low percentage of countries with freedoms ... official "elections" don't equate to freedoms), this is more of a wish and hope than future reality. National inequalities are the business of individual nations to be handled within their own governance (what is this about?). Global inequality to be managed by migrations violates national sovereignty. How will this happen? The last chapter with lessons on managing systemic risk offers generalized statements at a higher level reflecting individual risk lessons. These are "should's" and "must's" in the ideal: 1) regulated geographic dispersion, 2) global transparent communication of alternatives and risks, 3) risk management assessment agency with centralized computing and research, 4) globally coordinated regulations to adjust economic incentives, 5) supranational or coordinated international contingency plans (private companies enjoined to do this), 6) global legal system. Aside from any practicality of the "lessons", this is a valuable book to understand risks from globalization. The "lessons" issues noted do not detract from their value as a first draft for "desired states" (to be later agreed among stakeholders). The "who" and "how" are future steps although questions kept popping up during reading ... "who is going to do this? who are the stakeholders? what has to happen for this to become a reality? if a reality, what are the unintended consequences (many affecting the private sector economy)? for each lesson what is the biggest thing that can go wrong? how wrong can it be? how can we deal with this? what are the barriers and restraining forces? what resources are needed? what don't we know and understand - that we need to understand - to make real progress?". Knowing where you want to go - the desired state - is the first step. I will continue to quibble with prescriptions that ignore free market, shareholder owned businesses, and ignore national interests and rights of citizens in favor of aspirations and interests for the envisioned global system. 5 of 5 people found the following review helpful. Systemic Risk in an Interconnected World By Kashif Hasnie Knowing Ian from his World Bank days, I have been a fan of his writings. The Butterfly Defect addresses the widening gap between systemic risks and their effective

management. It shows how the new dynamics of turbo charged globalization has the potential and power to destabilize our societies. Drawing on the latest insights from a wide variety of disciplines, Ian Goldin and Mike Mariathasan provide practical guidance for how governments, businesses, and individuals can better manage risk in our contemporary world. 1 of 2 people found the following review helpful. Excellent Work by Consilient Thinkers By Andrew T Price-Smith Goldin and Mariasthan have written an excellent and much-needed volume, one that questions the orthodoxy that globalization has led to unmitigated successes. In this clever work they systematically examine the externalities generated by complexity and connectivity, across domains from economics to health to demography and link it all back to the realm of the political. This type of consilient work is valuable in its attempt to sunder much of the intellectual 'silo' mentality that is now so rampant in scholarly work. An important volume that questions the benefits of humanity's quest for ever increasing connectivity and complexity, it is a must read for the social sciences.

The Butterfly Defect addresses the widening gap between the new systemic risks generated by globalization and their effective management. It shows how the dynamics of turbo-charged globalization has the potential and power to destabilize our societies. Drawing on the latest insights from a wide variety of disciplines, Ian Goldin and Mike Mariathasan provide practical guidance for how governments, businesses, and individuals can better manage globalization and risk. Goldin and Mariathasan demonstrate that systemic risk issues are now endemic everywhere; in supply chains, pandemics, infrastructure, ecology and climate change, economics, and politics. Unless we address these concerns, they will lead to greater protectionism, xenophobia, nationalism, and, inevitably, deglobalization, rising inequality, conflict, and slower growth. The Butterfly Defect shows that mitigating uncertainty and risk in an interconnected world is an essential task for our future.

Finalist for the 2015 Estoril Global Issues Distinguished Book Prize "[The authors demonstrate] that the increasing interconnectedness of the world makes the world's economics, infrastructure, health and social conditions behave [as] an interconnected meteorological system. The next big crisis will be of unexpected origin."--Professor Rober J. Shiller, Wall Street Journal "This is an important and thought-provoking book."--Shawn Donnan, Financial Times "This book covers many different sectors and points out that globalization brings opportunities as well as threats; readers from diverse professional and academic backgrounds will gain insights."--Library Journal "The arguments put forward are cohesive and coherent with well-constructed logical chapters, good, well thought out examples and jargon free language. . . . Upon reflection of this book, I was left with a clear and defined picture of how systemic risk effects systems and how globalization inherently increases these risks."--Jason Paul Stansbie, Leonardo s "Although the authors' prose is clear and unburdened by jargon, the nature of the topic means this is not a light read. But it will reward the persistent. The issues they raise, and the interconnections they identify, are such that specialists will come away with a deeper understanding of the risks involved in each of the specific fields they cover. . . . To paraphrase John F. Kennedy, this book should be widely read not because it is easy, but because it is hard."--Survival Global Politics and Strategy "In this context of uncertainty about the future of globalization, the book is a very timely intervention, as it focuses exactly on the risks created by the process of globalization itself. The authors have formidable expertise."--Dariusz Woacute;jcik, Journal of Economic Geography "A timely addition to the nascent literature on CT-inspired methods and models. . . . Bound to trigger debate and invite (if not beckon) its readers to pursue further the ideas discussed on its pages."--Emilian Kavalski, Political Studies "The book offers a cogent analysis and makes a compelling case that systemic risks are real and, more importantly, that they are real in just about every dimension of the globalised world. . . . An invaluable contribution to the globalisation debate."--Ying Xu, Economic Record From the Back Cover "Globalization is the girl with the curl: when it is good, it is very, very good, but when it is bad it is awful. It generates a world at the same time both robust yet fragile--economically, financially, environmentally, and socially. The Butterfly Defect explains why this opportunity-cum-threat calls for a radical new approach to the setting of public policy--an approach which to be successful needs to be every bit as hyperconnected as the world it is operating in."--Andy Haldane, Bank of England "The Butterfly Defect is remarkable. Never has globalization, in its dramatically increased interconnectedness, been looked at so completely and clearly. For policymakers in particular, the book's analysis of the systemic fragility associated with globalized interconnectedness and the need for systemic resilience are of utmost interest."--Jean-Claude Trichet, former president of the European Central Bank and current chairman and CEO of the Group of Thirty "A vital and timely book, The Butterfly Defect is the first to show why systemic risk threatens us all and how it can be managed. It is a must-read for anyone concerned about our rapidly integrating peoples and businesses, and the future of our hyperconnected world."--Pascal Lamy, former director-general of the WTO "The book is a magnificent work of scholarship that truly gets readers engaged and curious about where globalization will lead us."--Alex Verkhivker, LSE of Books "This fascinating and useful book provides interesting examples and connections across a range of fields and areas of study."--Danny Quah, London School of Economics and Political Science "This interdisciplinary and far-reaching book brings together diverse research to highlight the increase in systemic risk that accompanies the interconnectedness associated with globalization. No other book has summarized these issues for the general public, and The Butterfly Defect will benefit

a broad audience."--David Colander, Middlebury College"Filled with striking examples, this ambitious book offers a new perspective on globalization--in particular, the need for policy responses that recognize the challenges presented by the globalization of many domains, from health to finance. The message about the need for coordination to overcome systemic problems will strike a chord with readers."--Diane Coyle, author of *The Soulful Science: What Economists Really Do and Why It Matters*About the AuthorIan Goldin is director of the Oxford Martin School and professor of globalization and development at the University of Oxford. Mike Mariathan is assistant professor of finance at KU Leuven.