

***Global Justice and Finance*, by Tim Hayward. Oxford: Oxford University Press, 2019. 240 pp.**

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Global justice theorists often seek to combat poverty through monetary transfers that redistribute wealth from rich countries to poor ones. Such proposals rely on global financial institutions, including intergovernmental bodies and multinational businesses, to mediate the transfers. However, what if these proposals strengthen the very institutions that sustain and abet poverty in the first place? Moreover, are mere monetary transfers adequate to fulfill the material needs of the global poor? In *Global Justice and Finance*, Tim Hayward raises these questions to problematize long-standing assumptions in the global justice debate. He argues that scholars have been amiss in assuming that monetary transfers can adequately address global poverty. Insofar as their solution leaves our financialized economic paradigm unquestioned, it may even reinforce an unjust institutional order. Hayward exposes the normative commitments underlying this paradigm and, in the process, successfully recenters the global justice debate around finance.

The book's first few chapters are devoted to analyzing the international financial system that grounds Hayward's critique of the global justice theorists. Among other things, he argues that the system is disadvantageous to the global poor because money does not reliably perform its function as a medium of exchange and store of value in most countries where they reside (22-23). Hayward identifies two reasons why the poor may be unable to exchange money for goods and services. First, the currency they receive may depreciate and thereby lead to difficulties in affording the required goods; in other words, its value may erode through exchange rate movements. Second, goods and services may be unavailable. Their availability requires a sustained investment in infrastructure and skills. Money will not improve somebody's health if there are no roads to reach the doctor or, worse, if there are no doctors at all. Hayward concludes that monetary aid would have limited effectiveness at addressing the poor's basic needs.

Hayward's skepticism about monetary aid's efficacy leads him to challenge well-known philosophical solutions to global poverty. In chapter 5, he takes aim at Peter Singer, who argues that individuals should make as much money as possible and then give it away to the most effective charity (the one that saves the most lives per unit of money).¹ Some of Singer's students followed their professor's advice by finding jobs at Wall Street banks and hedge funds. Hayward criticizes Singer's advice about giving money to the most effective charities because the latter's economistic understanding of "effective" ignores the long-term needs of a community. For example, importing the cheapest bed nets from Asia may temporarily save

¹ Hayward's interpretation relies upon Peter Singer's (1972) article and his interview (D'Urso 2015).

African lives from malaria, but it does little to enhance the local economy in a way that makes such welfare gains permanent. Hayward also objects that Singer's approach overlooks the question of why these bankers and traders should even make so much money. It is unfair for an economic system to distribute millions to some while others remain destitute. Thus, he compellingly demonstrates the short-sightedness of Singer's money-oriented response to poverty.

Hayward argues in chapter 6 that Thomas Pogge's (2002) solution is also quite weak, given how money works internationally. Unlike Singer, Pogge recognizes that the global institutional order unfairly benefits Western individuals and businesses, but he merely seeks to tax them to fund poverty relief in poor nations. Hayward contends that Pogge's solution may work on a small scale but starts to undermine itself on a large scale. High-value monetary transfers create problems like inflation in developing countries and deflation in developed states. Consequently, they undercut the poor's ability to afford their material needs while slowing the growth in affluent countries necessary to fund the transfers. Hayward concludes that Pogge's proposals for reform underappreciate the challenge of addressing global poverty.

In contrast to Singer and Pogge, Hayward argues for a fundamental redesign of the global institutional order by exposing how it perpetuates poverty. He notes that this order rests on the need for constant economic growth. Given this unquestioned imperative, banks create large amounts of debt to generate economic activity while overlooking the environmental and social costs. Their loans have deeply indebted developing countries. Desperate to meet interest payments, these countries are forced to exploit their natural resources in environmentally disastrous ways. Thus, they become poorer through unsustainable use of natural resources and long-term debt servicing. Moreover, banks repackage their loans to individuals and small businesses into debt securities and sell them to investors, who then trade them to maximize their return on capital. This type of financialization of the economy worsens the crises of capitalism and leads to severe social costs. Hayward contends that "the losses that come with crises have their primary effects on the rest of society [not the investors], and, furthermore, the costs of making them good may be socialized via state bailouts" (142). Additionally, states leave monetary policy to independent central banks whose policies inflate asset prices and thereby worsen inequality. Hayward laments this regressive redistributive effect and argues that a lasting solution to global poverty must fundamentally reconstitute the global financial order. His reasoning is quite compelling, and the economic fallout from the 2020 pandemic, which followed on the heels of his book's publication, corroborates his claim about crises' uneven consequences for the rich and poor. As unemployment soared in the United States, the central bank embarked on an unprecedented easing of monetary policy. Despite its aim of combatting unemployment, the Federal Reserve's policies were more effective at maintaining the prices of financial assets owned by the wealthy than at lowering the unemployment suffered by the poor.

While Hayward convincingly argues that global finance benefits a small elite at the expense of a much larger public, his critics may reasonably object that he goes too far in blaming finance. For example, Hayward claims that "the hard labor and

valuable resources of ordinary people, including the worst off, are siphoned off by the securitized instruments created by powerful financial players” (139). On one hand, Hayward is correct, because such instruments make people increasingly beholden to banks for interest payments while making their jobs insecure through increased economic instability. On the other hand, he neglects the possible benefits of securitization for the poor, such as increased access to loans due to a more dispersed allocation of credit risk. Thus, he moves too swiftly to the conclusion that securitization is unambiguously problematic.

Similarly, Hayward claims that “derivatives dealers need currencies to move—and the more dramatically, the better—to make their profits,” and he characterizes the derivatives market as “harmful socially, ecologically, and even economically” (146–47). Once again, Hayward’s claim is too strong and overlooks some of the hidden benefits of currency derivatives. Derivatives dealers both buy and sell contracts on currency volatility. Therefore, they can incur losses when volatility rises if they have sold more contracts—as often happens to be the case—than they have bought. Even if it were the case that financial institutions were betting on instability, they would have incurred losses rather than profited given the trend in market volatility over the last decade. Moreover, currency forwards (the most commonly traded derivative) carry benefits. Governments in developing countries use them to safeguard their farmers’ export income, and international nonprofit institutions like the United Nations employ them to preserve the value of their donations. The ability of finance to sometimes benefit the poor raises a few questions. Would Hayward deny such benefits entirely? Or, would he accept them and be content to sacrifice the benefits in a fundamental redesign of global finance? Alternatively, would he think that they can become the starting points for a significant reform of finance? By answering these questions, Hayward can give a more forceful and complete argument against his liberal critics.

Hayward ends the book with a chapter on the relationship between finance and war. He suggests that US wars abroad have been partially motivated by threats to the dollar’s hegemony and resistance to the global financial order. Moreover, businesses, especially those involved in arms and oil, profit enormously from military interventions across the globe. Thus, Hayward challenges a long-standing thesis—rooted in Montesquieu and defended by some contemporary liberals—that business and commerce lead to peace. Through case studies of Iraq, Libya, Iran, and Syria, he shows that financial interests are frequently aligned with the forces of aggression. He rightly suggests the need for greater scrutiny of the relationship between international business and global conflict.

Ultimately, Hayward’s book intervenes into debates in business ethics at two levels. First, it argues against the moral appropriateness of specific business practices like securitization and derivatization. Second, it launches a forceful attack at the institutional structure that facilitates businesses by deeming it complicit in perpetuating poverty and aggression. This second level of critique goes beyond businesses’ activities to the larger institutional framework within which they operate. Business ethicists cannot ignore this structural critique because multinational businesses are deeply involved in shaping the institutional structure that facilitates their

global operations. Indeed, the book's trenchantly argued case for radical institutional change is bound to provoke the reform-minded business ethicist.

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