

# Gloomy About Globalization

Robert Skidelsky

**Making Globalization Work**  
by Joseph E. Stiglitz.  
Norton, 358 pp., \$26.95; \$15.95 (paper)

## 1.

*Making Globalization Work* is the third of Joseph Stiglitz's popular, and populist, books.<sup>1</sup> Like Jeffrey Sachs, Stiglitz is an economist turned preacher, one of a new breed of secular evangelists produced by the fall of communism. Stiglitz wants to stop rich countries from exploiting poor countries without damaging the springs of wealth-creation. In that sense he is a classic social democrat. His missionary fervor, though, is very American. "Saving the Planet," one of this new book's chapter headings, could have been its title.

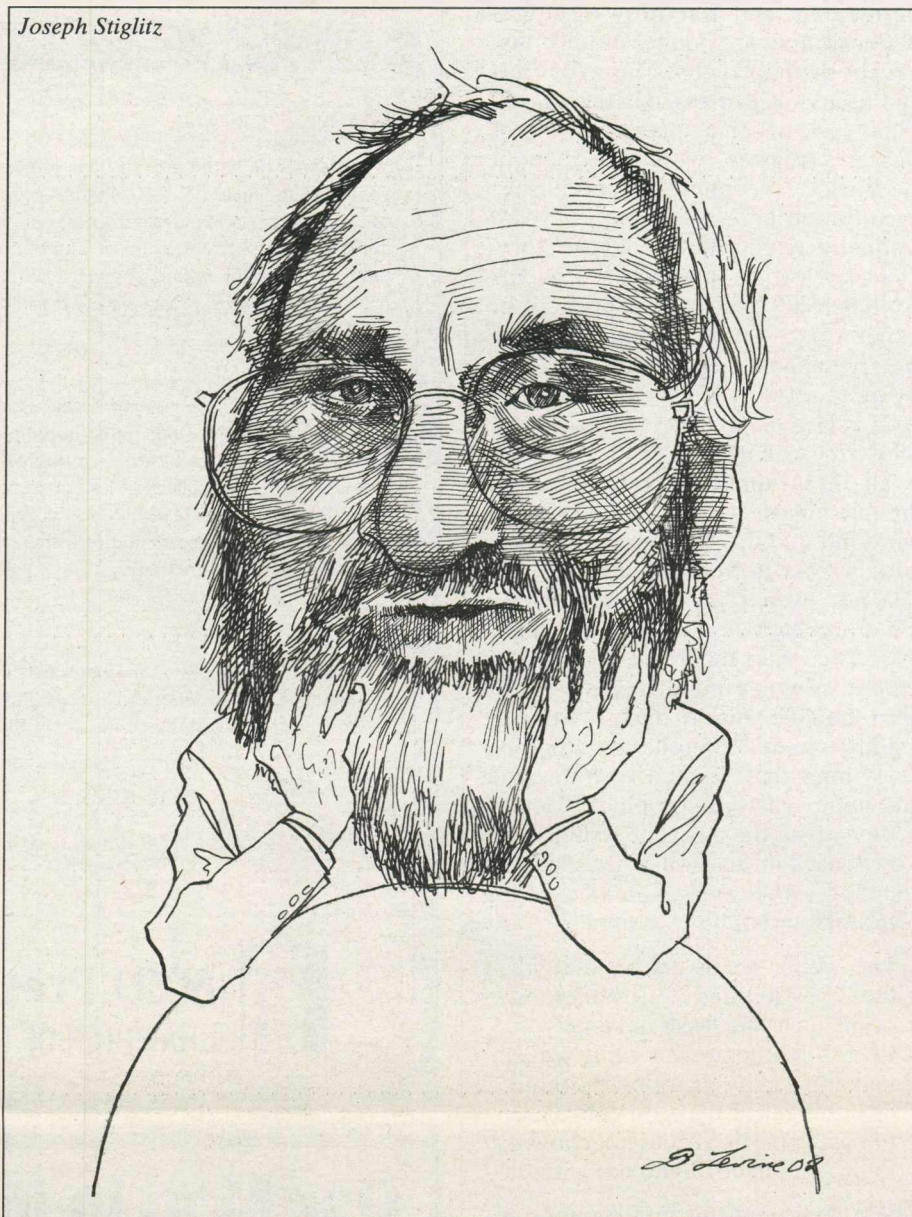
Stiglitz is in favor of globalization—which he defines as "the closer economic integration of the countries of the world." He criticizes the ways it has been done. The "rules of the game," he writes, have been largely set by US corporate interests. Trade agreements have made the poorest worse off and condemned thousands to death through AIDS. Multinational corporations have stripped poor countries of their natural resources and left environmental devastation. Western banks have burdened poor countries with unsustainable debt.

Much of this is well said. Although it is not new, it bears repeating. But the main problem at present is not how to make globalization fairer for poor countries. It is how to make it less volatile; and to remove the threat it poses for poor and middle-income people in rich countries—those voters who have the power to derail it. Anti-globalization sentiment is a rich-country phenomenon. It is rather bizarre, therefore, to write a book about making globalization work that pays so little attention to the concerns of people in rich countries.

This is the more regrettable because Stiglitz's technical work, for which he got a Nobel Prize in economics, is about market failures typical of developed economies. The "Shapiro-Stiglitz" model explains why wages cannot be sufficiently flexible to maintain continuous full employment—an insight that could have been profitably applied to the effects of low-wage competition from East Asia. But, as in his other writings on globalization, Stiglitz has been primarily influenced by his experience as chief economist of the World Bank in the 1990s. This convinced him that Washington-inspired policies to promote economic development in poor countries were, in fact, hindering it. He was particularly outraged by the response of the International Monetary Fund during the East Asian meltdown in 1997–1998, which, he said, through its poorly conceived

<sup>1</sup>The two previous ones were *Globalization and Its Discontents* (Norton, 2002) reviewed in these pages by Benjamin M. Friedman, August 15, 2002; and *The Roaring Nineties* (Norton, 2003), reviewed in these pages by William D. Nordhaus, January 15, 2004.

Joseph Stiglitz



bailout efforts, turned slowdowns into recessions, and recessions into depressions. His public criticisms are said to have led to his removal from the World Bank in 2000 at the behest of then US Treasury Secretary Lawrence Summers. This book expands on his earlier criticism of Western development policies and proposes social-democratic alternatives.

## 2.

In Stiglitz's view, postwar trade regimes—GATT, WTO, NAFTA—have been heavily weighted in favor of the rich countries—by which he means primarily the United States, Europe, and Japan. These countries have used their greater knowledge and economic power to out-bargain poor countries. The rich countries have forced liberalization of trade—first in industrial goods, then in skilled services—on poor countries, while retaining their own agricultural subsidies, and non-tariff barriers (in the form of environmental standards) that punish poor-country exporters. There is no lack of evidence for these claims.

Stiglitz proposes a new principle for international trade agreements: reciprocity among equals, but differentiation between countries in different stages of development. Rich countries, he argues, should open up their markets to poor ones without demanding reciprocal access to poor countries and without imposing their own labor or environmental standards on those

countries. Poor countries should be allowed to keep tariffs. Rich countries, whether in Europe or North America, should phase out agricultural subsidies. They should encourage the immigration of unskilled labor. They should refrain from making bilateral trade agreements, which allow special interests to operate in the dark. True enough, he concedes, all this might lead to job losses in rich countries, but these should be compensated by "better adjustment assistance, stronger safety nets, and better macro-economic management" as well as "more investment in technology and education." In view of the political obstacles to such a compensatory program, this is a remarkably cavalier treatment of the biggest worry facing rich-country workers, to which I shall return.

Stiglitz vigorously attacks TRIPs—"trade-related aspects of intellectual property rights." TRIPs, he argues, have "imposed on the entire world the dominant intellectual property regime in the United States and Europe, as it is today." New drugs could save millions of lives in poor countries, but they are unaffordable because they are protected by patents that allow the drug companies to charge monopoly prices for a period of twenty years or more. By including patent protection in the World Trade Organization, he writes, American and European negotiators signed a "death warrant for thousands of people in the poorest countries of the world." Pharmaceutical companies should be forced to sell life-preserving

drugs to poor countries at near cost—or face compulsory licensing of generic drugs that can be produced by, and traded between, developing countries. Stiglitz also wants to give poor countries reverse protection against what he calls drug companies' "biopiracy"—exploitation of the traditional plant-based medicines of poor countries without paying for them.

Stiglitz raises the interesting question of whether, or how much, patent protection is needed as a spur to innovation, and in what fields. There is a case for arguing that such protection rewards trivial innovations, and slows down more fundamental ones by erecting barriers to entry into the market. It is also true that AIDS has shrunk life expectancy in southern African countries like Botswana, Kenya, Zimbabwe, Malawi, and South Africa. However, Stiglitz is wrong to single out TRIPs as the main obstacle to the use of anti-retroviral drugs. As he recognizes, Brazil, another AIDS-ravaged country, simply disregarded the TRIPs regime and started manufacturing antiretroviral drugs on its own. In South Africa, by contrast, Health Minister Manto Tshabalala-Msimang denounced the drug nevirapine—used to prevent the transmission of HIV from mother to child—as "poison" to South Africa's women.<sup>2</sup>

Stiglitz claims that rich countries also rob the poor of their natural resources. Resource exploitation is the quickest way for a country to grow, provided the resources aren't stolen. However, natural resources are exhaustible, so unless an economy expands beyond its natural resource base, its capital runs down even as its income grows. Governments can mitigate this outcome by various technical devices such as the establishment of "sovereign wealth funds" that "save" part of the resources for future generations. But such remedies, Stiglitz argues, are made more difficult because multinational companies combine with corrupt domestic dictators to rob the populations of resource-rich countries of the wealth that could be theirs.

The cluster of remedies Stiglitz proposes—many of them familiar—are designed to ensure that poor countries with abundant natural resources get "full value" for the resources extracted. He advocates, among other reforms, "green" accounting methods that allow for depletion and environmental "externalities" (such as pollution of the air and water), full disclosure of royalty payments, and certification of origin to prevent trade

<sup>2</sup>Stephen Lewis, UN Special Envoy for HIV/AIDS in Africa, said on August 18, 2006, that "South Africa is the unkindest cut of all. It is the only country in Africa... whose government is still obtuse, dilatory and negligent about rolling out treatment. It is the only country in Africa whose government continues to propound theories more worthy of a lunatic fringe than of a concerned and compassionate state." See [www.kaisernetwork.org/health\\_cast/uploaded\\_files/Lewis%20Closing%20Speech.pdf](http://www.kaisernetwork.org/health_cast/uploaded_files/Lewis%20Closing%20Speech.pdf).

nous wheel”—but he always put his allusions to intricate and productive use. Every myth, we might say, is a revised myth; Lowry is conducting an argument with it. And even the most solemn moments in Lowry’s letter to Cape (“This drunken horseman is... the first appearance of the Consul himself as a symbol of mankind”) can be read as the language of an author anxiously trying to speak the idiom of an advertiser or an academic. And he wasn’t always solemn, even then:

The novel can be read simply as a story which you can skip if you want. It can be read as a story you will get more out of if you don’t skip. It can be regarded as a kind of symphony, or in another way as a kind of opera—or even a horse opera. It is hot music, a poem, a song, a tragedy, a comedy, a farce, and so forth. It is superficial, profound, entertaining and boring, according to taste. It is a prophecy, a political warning, a cryptogram, a preposterous movie, and a writing on the wall.

Lowry didn’t think the book was without faults, but its main defect, he said, “comes from something irremediable. It is that the author’s equipment, such as it is, is subjective rather than objective, a better equipment, in short, for a certain kind of poet than a novelist.” Subjective, objective; poet, novelist. These are large, loose terms, but in context they say something very specific. Passionate egoism is looking for an impersonal form; a remarkable novel written with a (not very good) poet’s equipment is not the same as a good or bad novel by a good or bad poet. When Lowry says the “conception” of his book is “essentially poetical” he means the work is intensely structured and saturated with meaning—or better, with chances of meaning.

### 3.

The chance of meaning is one of Lowry’s great subjects, and figures prominently in the story I have already quoted from, “Ghostkeeper,” first published in Ted Solotaroff’s *American Review* in 1973 and then collected in *Psalms and Songs* (1975). Day calls it “another of [Lowry’s] writer-being-written-about pieces,” Bowker echoes him with “another self-reflective story about a writer,” and Hofmann does not include it, so my own long affection for the story may be suspect. I do think it gives us, however, something different from yet another stab at ending the voyage that never ends.

It is written in a mixed mode: partly as a form of fiction rather more fully realized than Lowry’s later work usually is, and partly as notes on that fiction. It may be that reading Kundera and Coetzee helps to see that this mode could be an artistic mode and not just a half-baked project. A man and his wife—he writes an essayistic column for a local newspaper—walk in a seaside park in Vancouver. They find an old wrecked boat (“very narrow in the beam, blunt-nosed and blunt-sterned, about fifteen feet long, no paint left on it, salt-gray, battered, pock-marked”). Various coincidences involving watches occur (they have lost theirs, so has someone else they meet, a young Frenchman tries to sell them a watch, they find a watch and

spend much of the rest of the story trying to return it to its owner). The king of England dies—the day is February 5, 1952. The writer (who is an English-born Canadian) jokes to himself about becoming an Elizabethan. The couple see some children throwing stones at ducks and are immeasurably distraught by this cruelty. The writer has a panic attack, expressed in the writing by a sort of high-speed parody of Dante: “Anguish trees stood about the suicide lake, apprehension bushes were dotted here and there...” And gradually we get the story of the story. The writer wants to write these events up, tell it all “just as it happened, or rather...just as it has not yet completely happened,” since they are still trying to return the watch to the mysterious H. Ghostkeeper, whose name is inscribed on it.

All these apparent messages from the inanimate world are irresistible but don’t add up. “For how could you write a story in which its main symbol was not even reasonably consistent, did not even have consistent ambiguity?” The writer finally manages a neat little story with a moral about how children should be nice to ducks, “a touching little conte,” but only by dropping everything that seemed to him eerie and important, “philosophical,” about the events of the day. The writer here, Lowry says in his own voice, “is now standing *within the possibilities* of his own story and of his own life.”

The point seems to be that all these possibilities of his story (and of his own life) wish in some way to fulfill themselves, but what makes it terrifying is that the mind or intelligence that controls these things, or perhaps does not control them, is outside...and not within.

There is no mind or intelligence controlling or failing to control these things, as Lowry and his character well know. There is only the accumulation of coincidence, the insistent apparent promise of meaning lurking in sheer accident. This is what a character in Pynchon’s *V.* describes as “life’s single lesson: that there is more accident to it than a man can ever admit to in a lifetime and stay sane.”

The accidents are hard to acknowledge because we want them to be something else, and they keep pretending to help us out. “The mind is not equipped to look at the truth,” Lowry writes in “Ghostkeeper,” meaning this kind of truth: the sense that raw events talk to us, even if we are not novelists. “So finally even this story is absurd, which is an important part of the point, if any, since that it should have none whatsoever seems part of the point too.” Or the point is about multiple possibility, including the precarious implied literary balance between a cheap completion and an ongoing mess. Lowry never found the balance again after his great novel; except perhaps briefly here, in a story that both ends and doesn’t end. Its last words are:

But suddenly his fear was transformed into love, love for his wife, and that meaningless, menacing fear was transformed into a spring wood bearing with it the scent of peach blossoms and wild cherry blossoms.

Pray for them!

Nº 3

## GREAT IDEAS

DWIGHT A. MCBRIDE

### MY WORK

My interests lie at the intersections of race theory, identity politics, and black queer studies. The central issue connecting the various research projects I have undertaken is the question of “authenticity” and the ways in which it has functioned in racialized constructions of the African American community from slavery to the present.

### MY BOOK

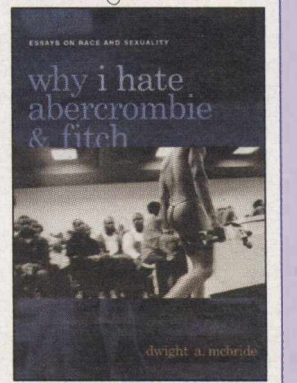
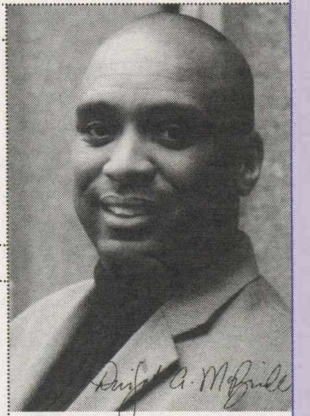
*Why I Hate Abercrombie and Fitch: Essays on Race and Sexuality*, represents the shifts in one black gay male scholar’s thinking about “race” over the decade during which it was written. The collection covers such topics as biased marketing strategies, black gay media representations, the role of African American studies in higher education, gay personal ads, and pornography.

### MY STORY

I am Dean of the College of Liberal Arts and Sciences and Professor of African American Studies, English, and Gender & Women’s Studies at the University of Illinois at Chicago.

### MY PUBLISHER

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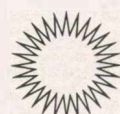
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in resources like diamonds from Sierra Leone from being used to finance violent domestic conflicts. Foreign aid to poor countries should be reduced by the amount of the internal "theft" of resources by governments or foreign corporations. These measures recognize the importance of changing the incentives of home governments in their dealings with multinational corporations. Stiglitz ignores, however, the problem of the incentives faced by such governments in dealing with their own populations. What method of choosing rulers minimizes the tendency to corruption?

Stiglitz's preferred mechanism for slowing down CO<sub>2</sub> emissions is a carbon tax. All countries should impose a tax on carbon emissions at rates reflecting the emissions they generate. The tax would be set high enough to yield the reductions envisaged by the Kyoto agreement of 1997, without having to set national targets. This is sensible enough, given the premise that climate change is mainly the result of CO<sub>2</sub> emissions.

The chapter on debt is the best in the book. Stiglitz writes:

Developing countries borrow too much—or are lent too much—and in ways which force them to bear most or all of the risk of subsequent increases in interest rates, fluctuations in the exchange rate, or decreases in income.

As a result developing countries are often burdened with debt they can't service. Stiglitz's solution is in two parts: these countries "should borrow less—much less—than they have in the past"; and the world has to agree on an "orderly way of restructuring and reducing debt."

Stiglitz's approach to debt reform has become mainstream wisdom, though action lags some way behind. There is widespread agreement that assistance to poor countries should mainly be in the form of grants, not loans, since loans are unlikely to be repaid; that highly indebted poor countries should borrow very conservatively in their own currencies; that taxes and restrictions may need to be placed on the short-term capital flows by which foreign investors seek quick returns and may equally quickly pull out their money. As of July 2005, twenty-eight highly indebted poor countries had been given \$56 billion in debt relief. At Gleneagles in June 2005, the G8 agreed to offer 100 percent relief for the poorest eighteen countries, fourteen in Africa.

There is increasing agreement that countries should not be made to repay "odious debt"—debt incurred by previously corrupt or repressive rulers which generally went straight into their bank accounts—and growing support for debt restructuring by means of a "super Chapter 11," or international bankruptcy code. What rightly gives conservatives pause is the new international bureaucracies required to administer these rules. Stiglitz proposes the establishment of an "International Credit Court" to decide how much "odious debt" countries need to repay as well as an International Bankruptcy Agency to restructure sovereign debt. For someone so alert to the possibility that producers will capture governmental institutions, Stiglitz is surprisingly optimistic about the potential

these bodies to right the wrongs he describes.

Stiglitz next turns to the global monetary system. Here the big problem has been accumulation of foreign exchange reserves—mainly dollars—by developing countries. Between 2001 and 2005, Japan, China, South Korea, Singapore, Malaysia, Thailand, Indonesia, and the Philippines doubled their total reserves from \$1 trillion to \$2.3 trillion, with China as the superstar. China's per capita income is less than \$1,500 a year, of which the equivalent of \$799 is held in reserves. For developing countries as a whole, foreign exchange reserves rose from 6–8 percent of GDP during the 1970s and 1980s to 30 percent of GDP by 2004. By the end of 2006, developing country reserves were expected to reach \$3.35 trillion.

Developing countries hold such high reserves of foreign exchange to insure themselves against destabilizing runs on their domestic currencies and to avoid the intrusive IMF supervision that befell the countries caught in the East Asian crisis of 1997–1998. East Asian countries also keep their own currencies undervalued to promote their countries' exports. Countries use their reserves to buy American Treasury bills. This enables the US to consume more than it produces, to the tune of nearly 7 percent of its GDP.

However, accumulation of reserves earns less interest income for central banks than alternative uses of such funds, and exposes them to large capital losses should the reserve currency depreciate against the home currency—as has been the case with the US dollar. Stiglitz rightly emphasizes the staggering "opportunity costs"—the alternative opportunities foregone—to developing countries of maintaining such high reserves. US Treasury bills earn only 1–2 percent as against the 10–15 percent that could be earned in high-return domestic projects.

To overcome these flaws, Stiglitz reworks a proposal put forward in the 1960s for the IMF to issue a new international reserve currency called "special drawing rights" (SDR), which he calls "global greenbacks." The creation of a special reserve currency, he argues, would make it less necessary for countries to accumulate dollar reserves, and "would do more to make globalization work than any other [initiative]." It is not obvious why this should be so. It may help the heavily indebted sub-Saharan African countries—though at the risk of making them SDR addicts—but it would do nothing to prevent excessive reserve accumulation by countries like China, Japan, and Russia.

Although Stiglitz also mentions with approval John Maynard Keynes's 1941 proposal to penalize excessive reserve accumulation, he does not follow it up. Keynes's proposed Clearing Bank would have required countries whose trading accounts were persistently in surplus to revalue their currencies as well as to pay interest on their "excess" deposits. The object of these measures was to give incentives to creditor countries to spend their surpluses, not hoard them.<sup>3</sup> This suggestion, which

<sup>3</sup>For a stimulating contemporary version of Keynes's ideas on international financial architecture, see Paul

№ 4

## GREAT IDEAS

SHULY RUBIN SCHWARTZ

### MY WORK

My interests range from Jewish scholarship to American Judaism to Jewish women's history, but the central concept I seek to understand is that of leadership. Whether studying the development of Jewish educational camping, the evolution of Jewish scholarship in America, or the impact of Jewish feminism, I strive to identify the leadership qualities that made these transformations possible.

### MY BOOK

*The Rabbi's Wife: The Rebbetzin in American Jewish Life*, focuses on female religious leadership. Long the object of curiosity, admiration, and gossip, rabbis' wives have rarely been acknowledged as the Jewish religious and communal leaders that they were and are. This book reveals the ways these women succeeded in becoming an important force in shaping Jewish life in America.

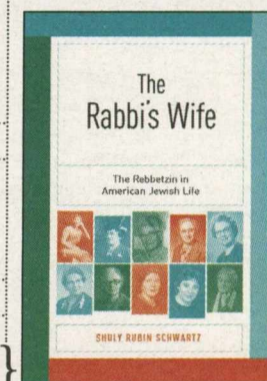
### MY STORY

I am the Irving Lehrman Research Associate Professor of American Jewish History at The Jewish Theological Seminary and Dean of its undergraduate school, List College.

### MY PUBLISHER

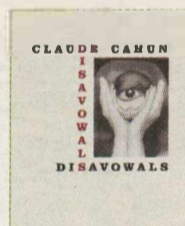
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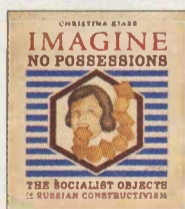
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No. 5

# GREAT IDEAS

IAN HANEY LÓPEZ

**MY WORK**

I write and teach about the intersection of race, racism and law, with a particular focus on how law draws upon, catalyzes, and sometimes disrupts ideologies of racial hierarchy. My major articles have appeared, among other places, in the *Yale Law Journal*, the *Stanford Law Review*, the *California Law Review*, the *Pennsylvania Law Review*, and *Daedalus*.

**MY BOOK**

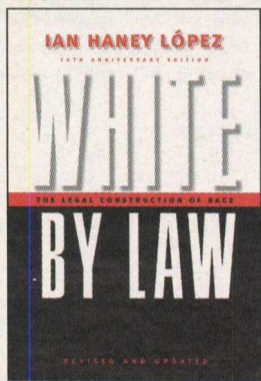
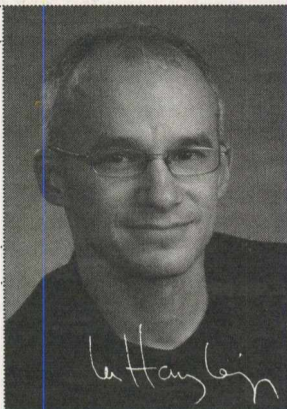
Published in 1996, *White by Law: The Legal Construction of Race* was the first book to fully explore the social and specifically legal construction of race. In the 2006 “10th anniversary edition” of the book, I argue that current race law has spawned a troubling racial ideology that perpetuates inequality under a new guise: colorblind white dominance.

**MY STORY**

I am, among other identities, Professor of Law at the University of California at Berkeley. In addition to *White by Law*, my books include *Racism on Trial* and *Race, Law and Society*.

**MY PUBLISHER**

NYU Press.



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was never adopted, cuts more directly at the root of excessive reserve accumulation than simply expanding the volume of “global greenbacks.”

The book concludes with hints of new solutions. Stiglitz wants to “minimize the damage” corporations do to society and “maximize their net contribution,” and to this end he proposes five measures: strengthen corporate social responsibility, prevent monopolies or cartels, increase the scope of liability for environmental damage, make possible class action suits at a global level, and create WTO rules against unfair competition and bribery.

Beyond this, all global institutions need to be democratized. In rich countries (although not recently in the US) governments have intervened to redress inequality of power and wealth; but these same countries have unleashed an almost unregulated free market on the rest of the world. Stiglitz recognizes that poor government in poor countries is partly responsible for keeping them poor; but he also argues that corporate interests are largely to blame for poor government. By weakening the nation-state, they weaken the ability of governments to respond to the problems they create. What is needed, Stiglitz argues, is democratic global institutions analogous to those that exist in national jurisdictions. “Governance—problems in the way decisions get made in the international arena—are at the heart of the failures of globalization.”

Stiglitz proposes ten procedural and ten substantive commandments to be the basis of a new “global contract.” The first ten are aimed at increasing the representation and power of poor and small countries in global organizations. The next ten would enshrine a great many commitments by developed countries to developing ones, including support for democracy:

I remain hopeful that the world will sooner or later—and hopefully sooner—turn to the task of creating a fairer, pro-development trade regime. Demands for this by those in the developing world will only grow louder with time. The conscience and self-interest of the developed world will eventually respond.

### 3.

What view is one to take of these arguments? I have pointed out some of Stiglitz’s useful analyses and proposals; the mystery to me is how such a fine economist could write such an unsatisfying book. Its main flaws seem to me to be the following:

First, Stiglitz greatly underestimates the extent to which globalization, imperfect as it is, is helping people in poor countries. Already, it has lifted hundreds of millions of people out of poverty. Stiglitz finds a world “replete with failures.” Typical is his remark that although 250 million Indians have improved their standard of living “immensely” in the last two decades, 800 million haven’t—a good example of his failure to give progress its due. Or: “The sad truth... is that outside of China, poverty in the developing world has increased over the past two

decades.” The World Bank puts it differently: “By the frugal \$1 a day standard we find that there were 1.1 billion poor in 2001—about 400m fewer than 20 years previously.” Stiglitz believes that the increase in poverty outside China qualifies the progress made in poverty reduction. But 400 million fewer people living in extreme poverty is a happy, not a sad, truth, whether it happens in China or anywhere else.

He also underplays the gain achieved outside China. It is true that the number of very poor outside China rose slightly. Stiglitz cites the figure of 877 million in the developing world in 2001 living on less than \$1 a day, an increase of 3 percent over 1981. What he fails to mention is that the total population of these countries increased by 20 percent over this period, so that while there is a slightly higher number of very poor people in the developing world today, they represent, proportionally, a decline from 32 percent to 21 percent of the overall population.

Stiglitz also ignores the fact that the number of those living on between \$1 and \$2 a day rose about as much as the number of people living on under \$1 a day fell. Nor does he mention the World Bank estimate that if global poverty continues to fall at the rate it did between 1981 and 2001, the reduction will almost certainly be sufficient to meet the UN Millennium Development Goal of halving the proportion of people living on less than \$1 a day by 2015.<sup>4</sup> A different observer might see the glass half full rather than half empty.

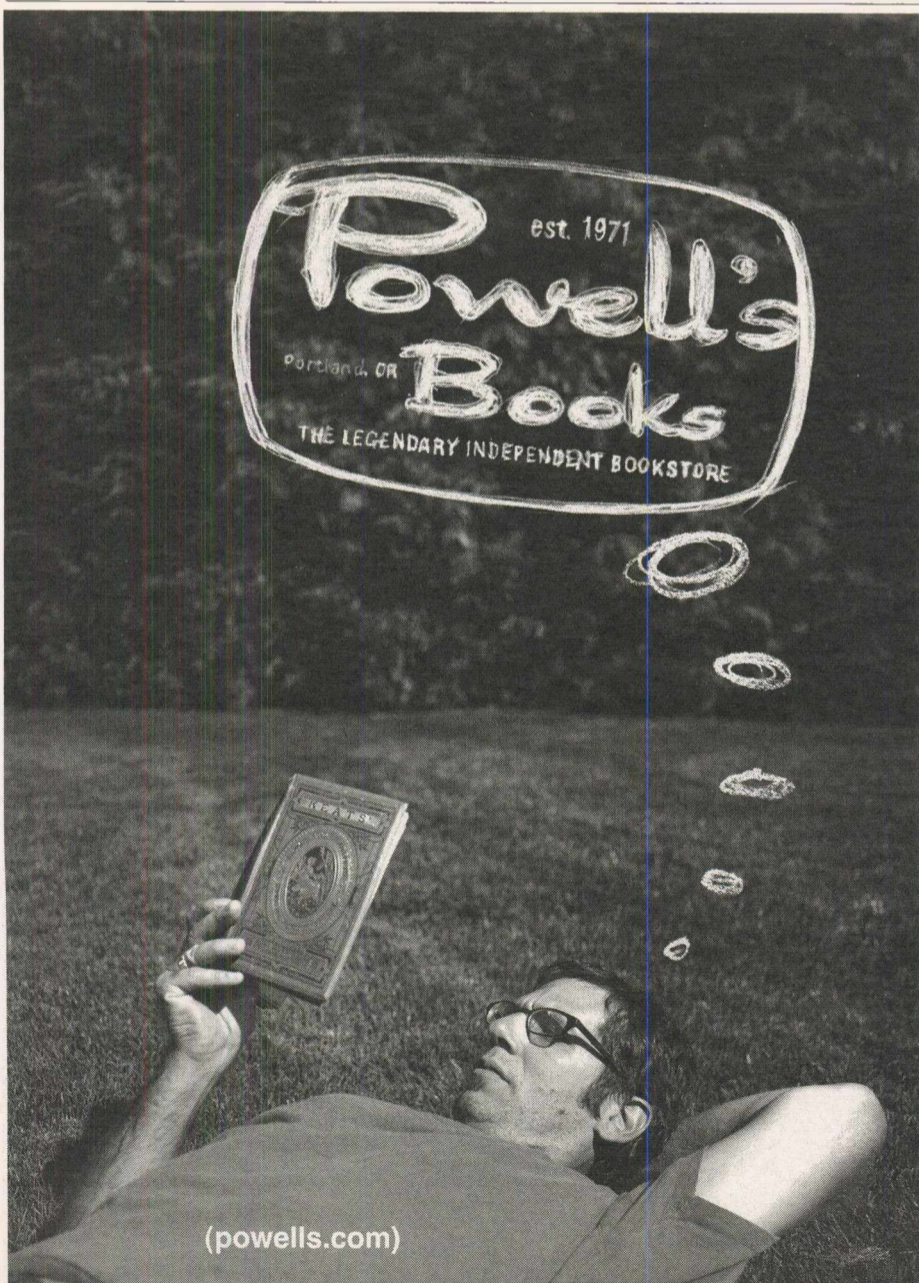
Where Stiglitz accepts that progress has happened, he denies that it can be attributed to the current way globalization is occurring. His method is to show that countries that rejected the free-market mantra known as the “Washington consensus” did better than countries that followed it. For example, East Asian governments, such as Japan, Taiwan, and South Korea, invested in industries with high growth potential, encouraged their populations to save, limited imports that undercut their agriculture and manufacturing, and (in the case of China and India) restricted short-term capital flows.

Such interventions may or may not have contributed to their “miracles.” But surely much more important were the acts of domestic liberalization of the economy: for China the decollectivization of agriculture and introduction of the “household responsibility system” in the late 1970s; for India, the deregulation of much production, investment, and foreign trade in the 1990s. Above all, the “export-led growth” of East Asia depended crucially on the opening up of foreign, especially Western, markets through bilateral deals and successive rounds of tariff reductions.

Globalization, however imperfect, *does* often work for the poor. Despite its universal message, Stiglitz’s book is mainly about making it work for sub-Saharan Africa, where the problem is in large part endemically bad government. As we have recently seen, even

<sup>4</sup>For the best discussion of these issues, see Shaohua Chen and Martin Ravallion, “How Have the World’s Poorest Fared Since the Early 1980s?,” *The World Bank Research Observer*, Vol. 19, No. 2 (Fall 2004), pp. 141–169.

Davidson, *John Maynard Keynes* (Palgrave Macmillan, 2007).

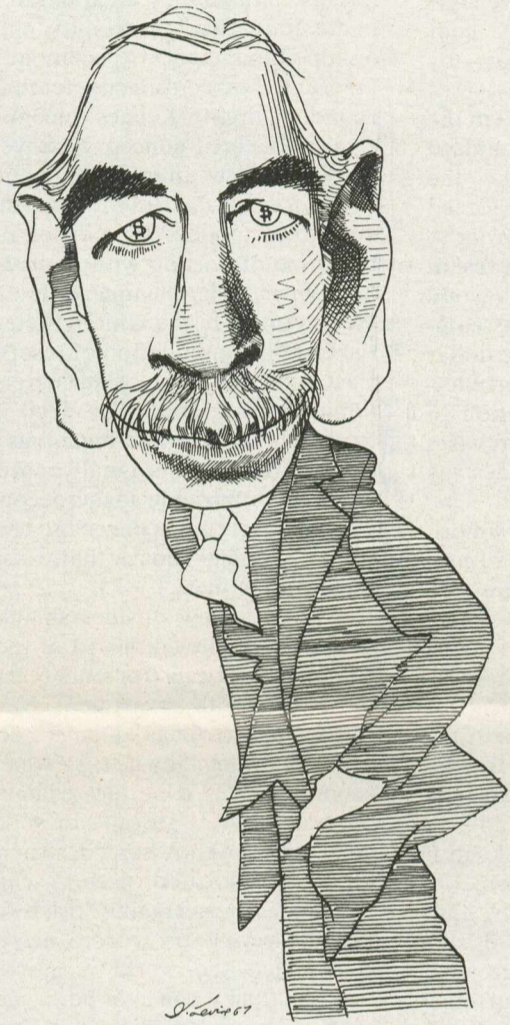


(powells.com)

"successful" African states like Kenya and Nigeria can collapse into chaos at a moment's notice.

Second, Stiglitz underestimates the extent to which poor countries are responsible for sustaining their own poverty. He shirks the key question: Why, over time, did some countries get rich and others stay poor? His implicit, quasi-Marxist answer is that it was because the rich exploited the poor. An alternative, and to my mind superior, approach, pioneered by Douglass North, is that countries now rich developed institutions superior to those of countries that stayed poor,

John Maynard Keynes



and that the gap in economic development between different parts of the world had already emerged by the eighteenth century.<sup>5</sup>

As North tells it, economic growth requires the equalization of the private and social rate of return—entrepreneurs have to be able to receive the benefit which their enterprise confers on society if enterprise is to take place. This requires governments to create and maintain private-property rights. The establishment of a robust private-property regime was the outstanding institutional contribution to the West's economic development.

Stiglitz wants to do the reverse for poor countries. The emphasis of his book is on the damage multinational corporations do, and he wants them to reduce this damage by forcing them to pay for it, that is, by limiting their property rights in poor countries. This is a defensible position if one believes that the social value of entrepreneurship has declined. This may be the case in already developed countries, though if one looks at the revolutionary ef-

facts wrought by the development of cell phones and Internet corporations like Google, one may doubt it. But the one place it is surely not true is in the developing world, which requires more entrepreneurship, not less. Although Stiglitz recognizes the importance of good domestic institutions for economic success, the focus of his book is too resolutely on the external sources of failure. This fuels the natural tendency of the unsuccessful to claim they are victims of the successful.

Third, Stiglitz ignores the harm globalization does to developed countries. This is, above all, a threat to the jobs and wages of their workers, so far largely to the unskilled,

but spreading to the skilled as well. Average real wages in America have been stagnant for twenty or more years, even as the economy has boomed. Stiglitz recognizes that globalization is pulling up unskilled wages in China and depressing them in the US and that the depressing effect is faster than the pulling-up effect. He rejects protectionism, but, as we have seen, all he can offer is continued retraining and improvements in skills to fit American workers for life in a competitive global economy. But this is an inadequate answer. Practically all kinds of employment that do not require physical presence can now be offshored. According to Alan Blinder, this amounts to 22–29 percent of all US jobs.<sup>6</sup> There can be too much competition.

Fourth, Stiglitz underestimates the danger of financial instability. We are currently living through a graphic demonstration of the volatility of an economic system dominated by financial markets. Globalization both increases the likelihood of financial crises and reduces the ability of governments to deal with them.

Following the East Asian crisis of 1997–1998 and the Argentinian default of 2002, it became conventional to say that financial shocks were confined to developing countries with their "immature" financial markets, but that in the West we had discovered the secret of markets that don't crash.

This so-called wisdom is now being turned on its head. Lawrence Summers is one of a growing number of economists who believe that the sub-prime credit crisis is more likely than not to drag America—and much of the rest of the world, which depends on American consumption—

<sup>6</sup>Alan S. Blinder, "How Many US Jobs Might be Offshorable?," Working Paper No. 142 (March 2007), Center for Economic Policy Studies, Princeton University. Vladimir Masch has produced a plan for "compensated free trade" to "control globalization, save American jobs, prevent trade wars, stop predatory trading, and impose financial discipline on our Micawberish country." See "A Radical Plan to Manage Globalization," [www.businessweek.com](http://www.businessweek.com), February 14, 2007.

№ 6

# GREAT IDEAS

AMY L. BEST

**MY WORK**

I like thinking about how sociologists do the messy work of learning about people's everyday lives. What interests me most as a sociologist are the symbolic worlds of youth and how gender, race, and class structure their worlds of meaning.

**MY BOOK**

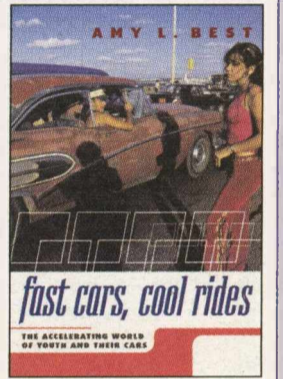
*Fast Cars, Cool Rides: The Accelerating World of Youth and Their Cars* draws connections between youth culture and identity construction in a cultural world increasingly structured by consumerism. I spent five years immersed in the cultural scenes where cars rule—talking with and observing young adults. I also recently published *Representing Youth: Methodological Issues in Critical Youth Studies* (NYU Press), which focuses on the challenges of doing research on youth.

**MY STORY**

I am Associate Professor and Graduate Director in the Department of Sociology and Anthropology at George Mason University.

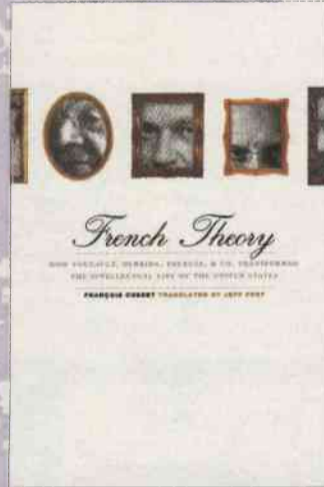
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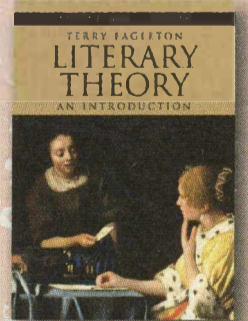
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