

Review

Joseph E Stiglitz (2002) *Globalization and its Discontents*. New York & London: WW Norton

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For many South Africans who follow debates on economic policy with critical minds, Joseph Stiglitz's new book on globalisation is now sitting proudly on that office table or mantelpiece. His perspective has been articulated from time to time in articles or in public statements but the book packages it in a way that commands attention. There are two reasons for this, one of which this reviewer happily sustains while the other, about which he has a bit more skepticism, will be discussed only later in this review. The first lies in the value, given Stiglitz's eminence as an economist (he is a Nobel Prize winner) and his prestige as a valued policy maker (he moved from Bill Clinton's Council of Economic Advisers to a top post as chief economist in the World Bank and then to Columbia University when the Republicans came back in), of an alternative to the view that – *there is no alternative*.

Those who bought into the conventions of the Washington Consensus and pompously covered up their fears of the great unwashed with reactionary invective on 'macroeconomic spending' around 1994 could hardly do better than to read chapter three, 'Freedom to Choose'. This chapter makes the same points in reasoned language frequently associated here as views of a 'loony' or 'extreme' left – critiques of privatisation, of the questionable role of foreign investment, of the problems inherent in liberalising all trade barriers, of the nonsense of 'trickle down' economics.

Stiglitz can best be described as a moderate neo-Keynsian. He believes that the neo-orthodoxy that reigned in economics from the 1980s is as noxious as was the old orthodoxy, its pre-Depression predecessor – and for the same reasons. So long as one avoids getting too far in debt, there are

many aspects of state economic involvement and protection which are necessary and laudable. The onset of stagflation in the 1970s, (the persistence of inflation coupled with low growth rates despite moderate tightening of the money sources) was used as an excuse by reactionaries to wage an all too successful assault on all the international advances of the post-World War II era. By contrast, Stiglitz makes the case for effective and efficient state management in many instances, in allowing for the importance of the developmental nature of the state and the value of protectionism in some times and places. He rightly points out the ludicrously inappropriate and inequitable new emphasis on so-called intellectual property rights, intended to benefit small circles of bloated corporate producers of technological knowledge. For those who need a new influential authority in making these points about our contemporary world, Stiglitz's book, written very much for the layman and in commonsense English, is a handy and convincing source.

In particular, Stiglitz is highly critical of the strong medicine approach used with regard to the ex-Soviet Union in the early 1990s and the disastrous consequences for the new Russia and other related countries. A striking aspect of these policies was the dramatic and unthinking form of privatisation pursued, which led to vast wealth accumulating in a few very dubious hands that now stand in the way of further development. He also rounds on the policies imposed on South-East Asian countries and Korea in 1997 to meet a liquidity crisis that emerged and was greatly exaggerated by the openness of these economies. Both of these stories are the subjects of individual chapters. In both cases, Stiglitz believed that victimised countries were forced to take bad advice that enormously intensified their problems with long-term bad results. And their problems were largely caused by the so-called liberalisation of capital markets, which rendered their economies vulnerable to drastic forms of manipulation by short-run profiteers. For the IMF, according to Stiglitz, these severe crises were simply a way to force an ideological agenda on countries in crisis.

And he praises dissidence. In the case for instance of Malaysia, the rejection of IMF policy by Mahathir saved the country from troubles which still beset Indonesia and created a severe threat to the prosperity of Korea. Stiglitz signifies briefly that he is aware that Mahathir's political credentials as a democrat are not perhaps all they should be. He writes warmly as well of the strategies of China, also not exactly a model of transparent governance. He has clearly had a lot to do with the Chinese leadership. Underlying these

enthusiasms lies skepticism that so-called good governance in the form currently dictated by Western policy makers is the hallmark of economic development.

Meles Zenawi of Ethiopia and Yoweri Museveni of Uganda are amongst his favourite African leaders. Stiglitz describes in some detail an episode where he tried to support Zenawi against the thrust of IMF policies. And he also realises that 'without the forgiveness of debt, many economies simply cannot grow' (243), a point relevant to many poor countries on this continent. On structural adjustment in Africa per se, Stiglitz says little. But he considers conditionality in general a failure as a policy tool. Stiglitz knows much less about Africa than other regions, although he began his career as a development specialist working on Kenya, but his one important comment on South Africa should not be left unreported. He points out briefly that the scale and endemic nature of unemployment in this country obviously points to something quite outside the effects of the conventional business cycle and requires a response very different than 'trickle down'.

In short, Stiglitz uses fairly blunt language to explain just what the protest movements and the Left have said repeatedly, that globalisation is being distorted in such a way as to benefit the rich, the West and particularly the financial interests focussed on Wall Street and related boulevards. The International Monetary Fund, in promoting endless rounds of economic barrier reduction, is overwhelmingly interested in serving the interests of financiers who are owed money, and of one country in particular, the USA. Its writ has primarily tried to make the world safe for those who dominate this organisation. There are some very interesting passages where Stiglitz illustrates the case that the IMF typically supports special American interests, for example, in his discussion of the aluminium cartel in the context of apparently objective aid and advice given to Russia.

The second appeal of the book, based partly on Stiglitz's remarkable contributions to *New Left Review*, lies in the hope of revelations of what really goes on in the corridors of power of international finance. But here Stiglitz is very much more discreet and little new is revealed. He focusses on conflict, within the American context, between the Treasury Department and its antagonists - 'I enjoyed the political debate, winning some battles and losing others' - and, outside, between the World Bank and the IMF. Given the countless well-documented excoriations of the World Bank, it is remarkable to read here that the bad guys are [virtually] all in the IMF and that the Bank is almost a good guy. The role of the Bank, however, in

actually formulating policy and giving the nod to policies that powerfully influence those who can and do lend large sums of money, has been too central for this to be entirely plausible. And if the Bank under James Wolfensohn has moved away from neo-orthodoxy into pragmatism, from 'conditionality' to 'selectivity' (51), one wonders if its influence will not diminish. None the less, readers will certainly want to grasp what nuggets of the history of power politics that they can.

Stiglitz can stir up the thinking of those concerned with South African economic policy in the broadest sense. But it must also be remembered that he tends to be a moderate rather than a guide to an alternative path. If Stiglitz says that perhaps privatisation is not always necessary and should not be forced under unfavourable circumstances, he does not question its logic altogether. Here in South Africa the best aspects of delivery have depended on the parastatals. Why should they be privatised at all – ever (other than to benefit cronies of the ANC ruling circles on the grounds of BEE)? Do we not cripple development efforts by leaving so much of the financial sector in private hands and should we not nationalise part of the banking sector? Why should South Africa and other peripheral countries co-operate in upholding 'intellectual property rights' unless they are drastically re-negotiated? Can South African 'black empowerment' be re-directed so it does not stand *in the way* of broader development in the interests of the majority of the population? How can redistribution work so it benefits economic development? These are the real questions we are never encouraged to ask in the media but which a reading of Stiglitz may suggest.

At a very different level, how can we re-structure international institutions away from the deeply 'antidemocratic' [Stiglitz's word] IMF and almost as dubious World Bank? 'We have a system that might be called global governance without global governance' (22). Stiglitz believes that globalisation is necessary and reformable. And he proposes institutional steps in his conclusion which would create the right basis for such a reform. This would acknowledge that markets operate and need to operate in very different historic and institutional settings and cannot be forced into one constrained policy mould. Nor are all global players' interests the same and again he stresses the need for change here. It is the governance of international institutions that needs to be altered. But can these be altered in the present international political climate dominated by far right wing economic liberals and a USA consumed by special interests who are able

to buy up democratic institutions with relative ease? Stiglitz points out himself that '...it is the trade unionists, students, environmentalists – ordinary citizens – marching in the streets of Prague, Seattle, Washington, and Genoa who have put the need for reform on the agenda of the developed world' (9). A specialist is needed to review Stiglitz's proposals carefully but we can all recognise that the necessary shift he proposes is not going to happen outside of a suitable political context.