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OFF THE SHELF

Aiming to Level a Global Playing Field

By STEPHEN KOTKIN

IF a prize in politics were awarded for self-righteousness, Joseph E. Stiglitz, despite stiff competition, might be near the top of the list. In 2001, he shared the Nobel in economic science for seminal work in the economics of uncertainty, particularly for what happens when parties to a transaction possess unequal information, as they invariably do. Economists measure impact by citations, but many of his papers are so fundamental that the results are no longer even cited. They're part of the ecosystem. From these brilliant heights, Dr. Stiglitz, a professor at [Columbia University](#), has been fulminating about other people's blind spots.

During President [Bill Clinton](#)'s first term, Dr. Stiglitz served as a member and then as chairman of the [Council of Economic Advisers](#). Then he became chief economist of the [World Bank](#), and blasted the policies of its sister institution, the [International Monetary Fund](#). He also emptied his hip holster at the next level up the chain of command, the Treasury Department. [Lawrence H. Summers](#), the former Treasury secretary, helped to ease Dr. Stiglitz, after seven years in Washington, back into academia.

Dr. Stiglitz's new book, "Making Globalization Work" (Norton, \$26.95), is billed as a sequel to his "Globalization and Its Discontents" (2002). It reads like an unacknowledged reply to a searing review in *The Economist* of that previous best seller. Gone is the innuendo about colleagues in Washington doing the dirty work of Wall Street in their capacity as public servants charged with lifting up the poor. New are *The Economist*'s requested chapters on trade and growth, market forces and the environment, the multinational monopoly — in short, on globalization, the advertised subject.

Two notions still animate the author. The first is that neoliberal economics — derided as "market fundamentalism" or the "Washington consensus" — vandalized the developing

world. This supposed reign of neoliberal economic terror (privatization, open capital markets) has become a bogeyman of political liberalism (social justice, environmentalism), in whose ranks Dr. Stiglitz enjoys cult status globally. The second is that smart people in Washington and New York with the correct ideas can help set the world right. This supposition — even when cast in terms of promoting democracy rather than proffering special expertise — is an occupational hazard, and it entralls many conservatives, too.

Dr. Stiglitz's vision for more equitable globalization — with caveats about the toughness of the task — entails freer trade (no more loopholes for rich countries or corporate lobbies), curtailed intellectual property rights ("monopolies") and green accounting (factoring resource depletion and ecological damage into G.D.P.). It also means more transparency in international finance (to curb corruption), debt forgiveness (foolhardy creditors must take responsibility, too) and democracy (less secretive procedures opened to nongovernmental organizations and others).

"It seemed terribly unfair," he writes, "that in a world of richness and plenty, so many should live in such poverty."

Unfair it is.

Designing a new global trade regime is a snap for Dr. Stiglitz. But how might it be put into place? He is dead right that the current configuration of globalization is political. But then, a different incarnation could be brought about and sustained only by politics — and not periodic protest, however effective at times. Dr. Stiglitz identifies some "special" interests opposed to change, but he offers less sense of the powerful stakeholders who will level the field for all.

Often, he exhorts. "Rich countries," he writes, "should simply open up their markets to poorer ones, without reciprocity." As for global enforcement of rules, "what is needed is an international tribunal." Would its judges be appointed or elected? Would there be some disincentives, too, for global class-action suits? Details omitted.

There is another catch. Developing countries, after getting their "fair share," must "use the money well," he writes. So they'll need nonkleptocratic governments, uncensored media, enforced property rights, the rule of law. How to acquire them? He wants "developed country governments to provide role models," and to inhibit the collusion in

malfeasance abroad.

Intent on championing regulation over an “unfettered” market, he turns to postwar Japan and South Korea as examples of how governments can pilot an economic boom, though this view has been undermined on empirical grounds. He commends China for go-slow liberalization, without noting that the late-70’s dismantling of peasant communes was a liberalizing big bang or that critics inside China today accuse the central government of abandoning economic liberalization, under the guise of gradualism, to gorge on the spoils of office. The rigor and nuance of his economics work are not as evident in his handling of recent world history.

FAITHFUL to post-Soviet legend, Dr. Stiglitz conflates I.M.F. advice and Russian rhetoric about shock therapy with what actually took place in the 1990’s. Some prices, but far from all, were instantaneously liberalized. Much property was privatized, though often by management theft before any government program; privatization of land had to wait more than a decade. Dr. Stiglitz spotlights Ukraine’s 3,300 percent inflation, neglecting to add that Ukraine had even more fitful liberalization and limited privatization, just as he advocates. Arguing that liberalization is right, but that it must be done slowly, he fails to note that for most states, Russia and Ukraine included, rapid neoliberal reform is beyond their capacity. But never mind. The talking point that neoliberalism wrecked Russia is too valuable to yield to facts.

Attacking the idea of free-for-all markets in a superfluous debate with conservative purists only overshadows Dr. Stiglitz’s practical suggestions, like adding labor and environmental ministers to trade negotiations. Boasting that his many critics now see the light, thanks to him, is not a technique of persuasion. From a thinker of such stature, readers might appreciate more of the nimble acuity he displays in praising while devising flexible ways to supersede the Kyoto Protocol to win over the key polluter, America.

In his most intriguing chapter, Dr. Stiglitz explains how the United States benefits from other countries holding vast quantities of dollars, while those countries incur substantial costs, from depressed growth to instability — the very condition that such foreign reserves are meant to forestall. He observes that in Asia — which drives globalization more than Washington does — an alternative reserve system may be emerging. Dr. Stiglitz imparts his spin to this issuing of money substitutes, calling them “global

greenbacks,” which could be used to finance global public goods like health vaccines. “This single initiative,” he suddenly concludes deep into the book, “could do more to make globalization work than any other.”

And instead of waiting for the United States to act in the interests of global humanity, he says, a coalition of Asian countries could move to this new reserve system even if America objected. Here is the new global economy already upon us.

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