Still Discontented

Making Globalization Work

Reviewed by Jim Patterson

Joseph Stiglitz is that rare breed: an economist who isn’t afraid to declare that free trade must also be fair trade. His latest book, Making Globalization Work (a follow-up to his 2002 bestseller, Globalization and Its Discontents), documents the fact that the benefits of more open trade are not being evenly distributed among members of the World Trade Organization — or within societies.

Stiglitz has excellent credentials for rendering such judgments. During the 1990s, he served as chairman of President Bill Clinton’s Council of Economic Advisers and, later, was a chief economist at the World Bank. In 2001 he shared a Nobel Prize for his work on the economics of information. He has had a major role in formulating international economic policies and in laying the foundation for the current Doha Round of trade negotiations, designed to reduce barriers to trade and to fully integrate diverse economic systems into a working global market.

One of the main complaints developing countries have against developed economies, like the United States and the European Union, is that nations with sophisticated economies reap the main benefits of world trade. This has always been true, but now developing countries have the means — membership in the World Trade Organization — to seek a place at the global economic table. And, Stiglitz contends, developed countries have an obligation to spread global trade’s benefits among all nations.

“If any trade agreement were to be a success, it should have been the one among Mexico, the United States and Canada,” the 1992 North America Free Trade Agreement. But while Mexico has benefited from access to other markets, the gains have been fewer than NAFTA supporters claimed. Once self-sufficient in maize production, Mexico now imports more than 20 million tons annually from the U.S. And rural poverty is on the rise, fueling illegal immigration to the north.

As the author explains, protection-
ism, especially by developed countries, remains a huge obstacle to globalization and poses a major threat to the Doha Round. It takes many forms, including non-tariff trade barriers such as technical barriers and rules of origin. Even those countries that abolish tariffs are quick to establish and enforce non-tariff barriers to protect certain industries.

“The United States and Europe have perfected the art of arguing for free trade while simultaneously working for trade agreements that protect themselves against imports from developing countries,” Stiglitz notes. “The average European cow gets a subsidy of $2 a day; more than half of the people in the developing world live on less than that.”

The Bush administration, in an effort to help the foundering Doha Round negotiations succeed, has proposed eliminating $10 billion in farm subsidies over the next five years. But whether these cuts will find their way into the new farm bill is dependent upon politics more than economics.

Stiglitz also dissents from the prevailing wisdom among economists and policymakers regarding intellectual property rights. When the Uruguay Round’s set of multilateral trade rules was signed in 1994, it included an agreement on Trade-Related Aspects of Intellectual Property Rights. But in Stiglitz’ view, TRIPs pose serious obstacles to trade and do not belong in a trade agreement.

In a chapter discussing the crushing debt burden many developing countries carry, Stiglitz equates over-borrowing with overlending and says developed countries have an obligation to assist those burdened with debt, especially when it is not a result of government corruption.

“The global financial system is not working well,” Stiglitz concludes. He recommends a better capitalized global reserve system based on “global greenbacks,” a type of world currency.

Agree or not, Stiglitz is a policy-minded economist with a firm grasp of the problems of our global economy and detailed solutions to them.

Jim Patterson, a former Foreign Service officer, is an economist and freelance journalist. His work has appeared in the San Francisco Chronicle, New York Times and The Hill, among other publications.