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'Making Globalization Work' presents brave observations; Environment plays key role

by Russ Juskalian

*Making Globalization Work*

By Joseph E. Stiglitz

Norton, 292 pages, \$26.95

"It appears that it is better to be a cow in Europe than to be a poor person in a developing country," writes Nobel Prize-winner Joseph Stiglitz in his new book, *Making Globalization Work*. "The average European cow gets a subsidy of \$2 a day," whereas, he notes, half the world's population subsists on less.

In *Globalization and Its Discontents* (2002), Stiglitz pointed out that despite all the promises of globalization, the developing nations of the world didn't seem to be, well, developing.

The numbers that Stiglitz cites in the latest book are staggering: 40% of the world lives in poverty. In every region of the world outside South Asia, the USA and the European Union, unemployment increased from 1990 to 2002; and 59% of the world's population lives in countries where inequality is growing.

*Making Globalization Work* is a brave book. But Stiglitz was never one for going quietly into the night. As senior vice president and chief economist of the World Bank from 1997 to 2000, and as a member and then chairman of President Clinton's Council of Economic Advisers, Stiglitz drew the ire of many at the International Monetary Fund (IMF), the World Bank and elsewhere with his contentious opinions.

This book focuses on fair trade, patents, world resources, the environment, the multinational corporation, international debt and the global reserve system.

Stiglitz puts extra emphasis on environmental concerns and what he calls a "grand experiment" we are conducting vis-a-vis global warming: "If we had access to a thousand planets, it might make sense to use one to conduct such an experiment, and if things turn out badly -- as I believe this experiment will -- move on to the next. But we don't have that choice; there isn't another planet we can move to. We're stuck here on Earth."

One solution, he tells us, is a continuing effort to create a global system of emissions trading

and taxing. If countries producing pollution won't pay for the damage their industries cause, other countries should tax imports from the offending nations at rates proportional to the environmental cost of these emissions. Such a system might force polluters to change by allowing the market economy to adjust demand, based on prices that more accurately reflect the true cost of production.

The environmental issue is pressing, but at least it is an issue that plays heavily on the minds of many in the world. Trade fairness, global debt and increasing macro-economic stability (at the level of nations) are not generally dinner table topics.

Stiglitz does an excellent job of describing dense topics -- non-tariff trade barriers, the history of trade agreements, the global reserve system -- in language that's understandable and accessible.

You don't have to be an economist or a politician to make quick sense of his explanations.

At the heart of *Making Globalization Work* is Stiglitz's discussion of the global reserve system.

The basic idea goes: Countries, like individuals, try to set aside some of their income to use when the economy slows down or there is an impending financial crisis. A good currency to set aside is one that is easily converted into goods and services in an emergency.

In the modern world, the U.S. dollar has become the reserve currency of choice because of its relative stability and the strength of the USA.

In financing foreign reserve savings for other countries, the United States, however, takes on massive debt, "borrowing \$2 billion a day from poorer countries."

Building up this much debt ultimately undermines the strength of the U.S. currency.

It is, thus, likely that at some point, foreign countries will realize that the U.S. dollar isn't the bastion of stability it once was and slowly divest -- dump -- the currency.

"In early 2005, China announced that it is no longer committed to holding reserves in dollars. It had, in fact, already moved substantial amounts out of dollars (about a quarter of its reserves), but the announcement had immense symbolic value."

Stiglitz's solution involves creating a universal currency, similar to John Maynard Keynes' "bancor," or the IMF's "special drawing rights" (SDRs), that could be banked by nations and used in times of crisis. This new currency could also be used in emissions trading, as well as doled out for developing medical, educational and financial systems in poor countries.

How this system of "global greenbacks," as Stiglitz calls his hypothetical currency, is created and governed is the topic of his penultimate chapter, "Reforming the Global Reserve System."

*Making Globalization Work* is an important, and understandable, book. While many economists talk in a language that mere mortals find foreign, Stiglitz is able to cut through the jargon and explain the complex in simple terms.

In outlining the problems of globalization and also offering solutions, Stiglitz has written more than just criticism. One question remains: Will future generations look back on our time as a missed opportunity, or will they see the moment when we decided to make things better?