# REBEL WITH AUTHORITY

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THE HIGH PRIESTS OF GLOBAL FINANCE CONTINUE to embrace a smug consensus that globalization has been a wild success. In recent days, for example, U.S. Treasury Secretary Henry Paulson, Fed chairman Ben Bernanke and British Chancellor of the Exchequer Gordon Brown have all talked about globalization in glowing terms.

Such leading pundits as Martin Wolf and Jagdish Bhagwati also believe that more rather than less globalization is part of the answer to problems from poverty to environmental degradation, as do many of the ministers at the IMF-World Bank summit in Singapore this week. So it is worth calling attention to a prickly professor, Nobel laureate Joseph Stiglitz, a former member of President Clinton's Council of Economic Advisers and chief economist for the World Bank, whose views go in a different direction.

In his new book, "Making Globalization Work," out this week, Stiglitz offers a searing critique of the conventional wisdom. While he is a proponent of free markets, he attacks the assumption that globalization is in fact operating according to Adam Smith's principles. What use is it to developing nations, he asks, if the G-7 nations open some of their markets but the poor countries don't have the roads and other infrastructure to get products there? What use is it to engage them in complex negotiations when many countries don't have enough skilled officials to handle them? What use is it to force developing countries to open their financial markets only to see big international banks, interested primarily in their multinational clients, put many local banks out of business, and thereby deprive the poor of access to credit?

Stiglitz takes particular aim at the hypocrisy of rich countries professing to want to help emerging nations. He says, for example, that the Doha "Development" Round, which is now at a standstill, always had less to do with development than with rich countries' gaining access to Third World markets and protection for their companies' patents. All the while, he says, the G-7 governments have been refusing to materially reduce their farm subsidies or drop tariffs on the industrial products of developing nations. (He calculates that developed nations levy tariffs on poor countries that are three times higher than those they charge other rich countries.) And he accuses the United States, the European Union and Japan of refusing to liberalize import rules on sectors like construction or shipping, where Third World nations are particularly competitive.

Stiglitz's analysis is eye-opening, even if he is not breaking much new ground,

**DEVELOPED NATIONS LEVY TARIFFS ON POOR COUNTRIES THREE TIMES HIGHER THAN THOSE THEY CHARGE THE RICH**

because it is consistent and comprehensive, and he writes with rare clarity and passion for a distinguished economist. Just because an idea isn't new doesn't mean it shouldn't be pushed over and over. After all, it took John Maynard Keynes decades to get his ideas across. Policies once considered radical—such as Social Security—were debated for a generation before they were accepted.

It would therefore not be surprising if most of Stiglitz's prescriptions were rejected by the official crowd in Singapore, most of whom are concerned about what happens during their brief time in office. And the the truth is, Stiglitz's proposals are a mixed bag. Some are important, such as the IMF's issuing new reserves to poor countries. Also worthwhile is the notion of establishing a global tribunal to enforce new international environmental standards, and the idea of preventing a new binge of lending to developing countries whose debts have just been cancelled. But some of his proposals are highly problematic.

To me, his biggest conceptual mistake is lumping big emerging countries such as Brazil with others such as Sri Lanka, because their problems and prospects are so different. Beyond that, he advocates that rich countries open up their markets without asking poor ones for reciprocal concessions, an idea that is economically sound but politically naive. Another far-fetched proposal: a new patent system in which countries can follow a different set of rules depending on their state of development. His desire to severely regulate multinational corporations would constrict the very flow of capital and technology he would like to see.

Still, the bottom line is that the Singapore delegates ought not to dismiss the thrust of Stiglitz's arguments, particularly his description of the severe challenges that are not being met, no matter how much these perspectives go against the grain today. After all, most of Africa is mired in hopeless poverty. Much of Latin America has soured on free-market policies. The IMF and World Bank are searching desperately for relevance, as even supporters criticize their effectiveness. To ponder only incremental change is just not enough, though that's all the Singapore summit is likely to do.

GARTEN is the Juan Trippe Professor in International Trade and Finance at the Yale School of Management.