

Copyright 2006 Newspaper Publishing PLC  
All Rights Reserved  
The Independent (London)

February 20, 2006 Monday  
First Edition

SECTION: FEATURES; Pg. 28

HEADLINE: MONDAY INTERVIEW: 'Politicians like Blair and Brown have given global poverty new prominence';

The Monday Interview Joseph Stiglitz Former chief economist, World Bank

BYLINE: BY PAUL VALLELY

Joseph Stiglitz is an unlikely looking scourge of neo-liberal capitalism. He is a portly chap in a well-cut suit, beneath which he sports red braces - a cartoonist's image of an old-style Wall Street banker. Only his grizzled beard suggests something else. Indeed it makes him look like an Old Testament prophet, which - in a way - is what he is.

Though they wrote nearly 3,000 years ago, the Hebrew prophets railed against pretty much the sort of thing that angers Joseph Stiglitz about our globalised world - high taxes on the poor, trade rules rigged in favour of the rich, the exploitation of unfair and unsustainable debts, and laws which discriminate against the poor. Those are Mr Stiglitz's themes still - as is the hypocrisy of leaders who present themselves as righteous, who abide the letter of their promises rather than the spirit, who pretend to be fair but are biased against the poor.

But Joseph Stiglitz is not just some out-of-date leftie who the tide has left behind. He is a former chief economist at the World Bank. He was the chief economic adviser to the Clinton administration. And he won the Nobel Prize for economics in 2001 for groundbreaking work on what happens to the workings of the market when those involved have unequal access to information.

From this month, he will be working in Britain, at the University of Manchester as chair of the new Brooks World Poverty Institute, which he says focuses on the interface between academia and policy on poverty.

Last year saw major advances. Live8 and a massive international campaign raised new levels of consciousness. The G8 doubled annual levels of global aid and agreed a deal on multilateral debt relief which are major breakthroughs - "so long as they pay up on what they have promised".

But on the most important issue - trade - "it's very clear now that the promises made at Doha [to redress the imbalances of previous trade rounds] have been reneged upon. "The way that the EU commissioner (Peter Mandelson) talks about the issue shows that," Mr

Stiglitz says.

"To a great fanfare we made an offer to open our markets to 97 per cent of products from developing countries. But that offer was worth zero. We're allowing countries like Bangladesh to export jet engines, aircraft and lots of other things they don't produce. But things they do produce, like textiles and apparel, we're going to keep out."

But the Uruguay round of talks, which preceded Doha, produced something on trade which is useful to poor nations. Uruguay gave the World Trade Organisation the power to decree whether certain practices were legal or not. Over the past few years, the WTO has ruled against the trade practices of both Europe and the US.

This procedure, Mr Stiglitz believes, could now be used to force the US to act on the only other issue he sees as being of the same magnitude as world poverty - climate change.

A decade ago, Mr Stiglitz was a member of the Intergovernmental Panel on Climate Change. Today, his concern about global warming has been turned into alarm. "Ten years back the theory was clear, as was the evidence of the increasing concentrations. But no one thought it would manifest itself as quickly, and in such a dramatic way."

The high level of carbon emissions by the US is, he says, the elephant in the room on climate change. President Bush won't do anything beyond trying to find technological fixes. "It really is a cause for concern. We have reached an impasse. And the problem is too important for that."

Mr Stiglitz offers two solutions. The first is to create incentives for developing countries to get involved in global warming reductions. Carbon trading initiatives offer a market-based solution. But there is need for more. "Kyoto offered financial rewards to Third World countries for planting new forests, but not for maintaining existing ones. So Papua New Guinea can get money if it chops down its forest and replants it but not if it just keeps its forest. That's silly."

His second idea will prove more controversial. The US could be forced to take action on climate change using world trade laws, Mr Stiglitz says. The EU and others should apply to the WTO for a ruling which declares that America's refusal to participate in carbon curbs constitutes a de facto subsidy to US industry, which is illegal under trade rules.

Mr Stiglitz is critical of the US on a much broader front, not least over its policy in Iraq where the war he says, at a conservative estimate, has cost the US \$2 trillion (pounds 1.1tr), up to 10 times more than had been previously thought.

"The mismanagement of the Bush administration since the end of the war has created a downward spiral. The failure to address the problems of the lack of infrastructure - which is much weaker than before the war - has contributed to the lack of economic growth and lack of jobs. The lack of jobs [and the discontent that breeds] has provided a supply of people to the insurgency.

"It's a vicious circle. It's hard to rebuild infrastructure because of the insurgency. It's hard to deal with the insurgency because of lack of jobs. And it's hard to provide jobs because of lack of infrastructure.

"Those, like me, who warned they were walking into a quagmire were more right than even we supposed. The lack of analysis and preparedness of the Bush administration - and of Tony Blair by association - was astounding, particularly since this was a war of choice. It's an enormous indictment of Bush and Blair."

A similar vicious circle is at work in Afghanistan, though there "substantially more money would help," he says.

And he warns against making the same mistake in the Palestinian territories, where Israel and the West have threatened to cut funding to the Hamas government if it does not renounce its policy of refusing to recognize Israel's right to exist. "It would be a disaster to cut off the money. The first priority should be raising standards of living for the Palestinians. An improved economy and more jobs is the first condition for peace." Wealth creates an impetus to stability. "Shut the money off and there's a risk things will get worse."

There is a curious mixture of the pessimist and the optimist about Mr Stiglitz. But it is born out of pragmatism rather than ideology. "Research shows that it is very difficult to buy good behaviour by imposing economic conditionality on poor countries. On the other hand selectivity does make a lot of sense - to give money to countries that are performing better. In particular it doesn't make sense to give money to countries that have high levels of corruption." So he backs the decision of Paul Wolfowitz, the new head of the World Bank - whose appointment he opposed - to halt loans to Kenya.

Indeed he is far more positive about Wolfowitz than might be supposed. "His pronouncements have been, by and large, on the right side on the debt and trade issues. The positions he has adopted have been somewhat different to the US. The way he stood up on the issue of trade has been very helpful and he's been very positive on the Bank proving funds for middle-income countries, which a lot of the right wing don't approve of."

Yes, things became a lot worse in Africa over the past 40 years, but they got better in Asia which was once on a par with Africa "So that highlights both the disappointment at Africa's plight, and the fact that this is not inevitable. And we have learned in recent years a lot about what works and what doesn't, so we're in a better position to do something."

Ah, but will we? Again both pessimist and optimist have their say. "There has been a lot of bad faith, particularly in the trade negotiations. But I'm still optimistic because we've clearly moved into a new realm. Politicians like Tony Blair and Gordon Brown have raised global poverty to a high level of prominence."

Instead of the issue being the province of trade technocrats "now you have prime ministers and finance ministers saying that promoting development is an issue of national concern and it's fundamental to the nature of our global economic system." That, he says, is the basis for real progress.

The CV

BORN: 9 February 1943

FAMILY: Married with two sons and two daughters

EDUCATION: Amhurst College' Massachusetts Institute of Technology' Cambridge University

CAREER: 1970-74 Professor of Economics, Yale' 1974-76 Professor of Economics, Stanford' 1976-79 Drummond Professor of Political Economy, Oxford and All Souls College' 1979-88 Professor of Economics, Princeton' 1992-2001 Professor of Economics, Stanford' 1995-97 chairman, Council of Economic Advisers to US President' 1997-2000 chief economist, World Bank' 2001 Nobel Prize for economics' 2001-Professor of Economics, Columbia Business School, Columbia University