

How progressive is Stiglitz?

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Stiglitz is still a conventional economist and not the defender of radical changes in economy, on the contrary, his positions are almost always based on liberal tradition

Mexico City - The figure of economist Joseph Stiglitz appears increasingly often as a reference and source of inspiration for many advocates of new development policies. We face a situation where a traditional economist appears as the inspirational figure of the most diverse array of alternative movements. There is something odd in all this: Stiglitz is still a conventional economist and his positions are nearly always rooted in the liberal tradition.

It is true that Stiglitz has severely attacked several of the current economic views. But we must put his questionings in the right perspective. He became a relevant figure due to his sharp criticism of the International Monetary Fund (IMF), and particularly of how some structural adjustment recipes were applied. Whereas his most popular book, *Globalization and its Discontents*, published in 2002, refers to a title that calls for the revision of all current global processes, what really prevails in its pages are the questionings and denunciations about the behavior of the IMF. It is strongly related to personal squabbles and jealousy, typical of the Washington's international community.

Stiglitz starts from a narrow vision of globalization. He defines it as an economic process that is understood as the "suppression of barriers to free trade and the closer integration of national economies", where its "potential" is "the enrichment of everyone, specially the poor". That is an essentially economic globalization, which has in itself a positive potentiality that is not being objected; whereas the debate should be concentrated on the way that it is "managed". These ideas are the starting points of *Globalization and its Discontents*, from where he launches a particular attack on the IMF. Almost everything that is said there is true; from the short-sightedness implementation of instruments to the arrogance of IMF staff in pressing for structural reforms.

However, Stiglitz fails to put forward similar questionings about the Fund's sister institution, the World Bank. We must recall that this economist held a high position at the Bank from 1997 to January 2000. Stiglitz has a rather simplistic vision of the World Bank, since he presents it as an institution that depends on IMF decisions, and fails to adequately fulfill its role as promoter of development programs and papers, under which reforms ranging from social security to investments in infrastructure were designed. Although less well-known than the famous letters of intent and structural adjustment programs of the IMF, World Bank agreements, both in the form of development programs and structural loans, were responsible for strengthening market reforms until only a few years ago. During the Stiglitz years no substantial improvements in redressing the social and environmental impact of Bank-financed projects were registered, nor did the conditions of transparency and access to information improve.

World Bank reports and particularly the annual world development reports, followed suit. It is true that the edition on poverty (2000/2001) became the center of certain controversy, with the participation of Stiglitz, but all the same, the emphasis was placed on "second-generation" reforms. During his period at the World Bank, a series of structural reform proposals for Latin America was completed, led by the office of the regional chief economist. Those years saw the rise of the well-known threesome of authors made up of Shahid, J. Burki and Guillermo Perry, with the "long

march” of reforms that should be applied in Latin America, ranging from trade opening to state decentralization and municipalization. Many of these proposals have been carried out in several countries.

Despite the fact that Stiglitz criticized the nomination of P. Wolfowitz to head the World Bank (which won him much approbation), we must recall that his candidates were the former Mexican president Ernesto Zedillo, the former head of Brazil's Central Bank, Arminio Fraga, and the former vice-president of the World Bank, Kemal Dervis (Turkey). His basic arguments were that they had experience in economic development and financial markets and were Yale and Princeton PhDs or taught at those universities, or that they had been recommended by the Financial Times (Stiglitz in *El País*, Madrid, March 12, 2005). None of these are truly convincing arguments from a perspective of renewal.

Of course Stiglitz says many interesting things about economics, and at times has heterodox sparkles. It is a very good thing to read him and think about his points. It is also true that his criticism on the future of the core community of global technocrats in Washington has a strong impact. But it should also be acknowledged that he has a simplistic vision of globalization since he insists on its conventional economic aspects. One of my favourite Stiglitz phrases that illustrate his simplicity can be found in the conclusions of *Globalization and its Discontents*, when he declares: “The world is a complicated place”. He could be expected to deliver a more detailed analysis, although nobody can deny that the world is in fact a complicated place. Many other economists and social leaders have been saying exactly the same thing for many years and in much more detail

It's obvious that there are also other processes that operate along with globalization, such as those ranging from the field of political ideologies to cultural consumption patterns. Stiglitz mentions them every now and then, intuitively perceives them sometimes, but fails to delve deeply into them. For instance, he does not explore an alternative economy on the issue of poverty; there is no dialogue with Amartya Sen's position; a political reform for a new economy should be further explored, and so forth in many other issues. Nearly all of Stiglitz's texts end up concluding that further progress is still needed in many problems; an interesting analysis is announced and a thorough study is thus presupposed, such as the role of the WTO or the renewal of the United Nations...but we remain at the surface of administrative correction and management reforms. Stiglitz's alternative proposals are almost a quick revision, stuffed with certain air of superiority, thus running into the problems of recipe books. It is “another recipe”, which in spite of having some quite interesting aspects, is still a recipe. Possibly, the clearest example was given by his text “Towards a New Agenda for Latin America”, published by ECLAC in 2003 and circulated in many countries. A great part of his proposals are still quite generic, and not substantially different from the “new” reforms being discussed at ECLAC, the IDB and even at the World Bank.

It is inevitable to take yet one step further and wonder why there are so many people delighted with Stiglitz's writings. It would seem that the focal points of debate have shifted so strongly to the right that a liberal economist like Stiglitz ends up being labeled as progressive. Or else, we remain limited to the search of people with outstanding reputations, Nobel prizes and faculty positions in the United States. Are not there at the heart of social movements alternative economists saying more or less the same? Indeed there must be, although I tend to agree with José Luis Fiori when he declares that the left has confronted many difficulties in creating its own economic programs. But that's the very reason why it is time to stop looking exclusively at the economics departments of universities in the Northern hemisphere to promote even more dialogue and economic analysis within social movements themselves.