

JOSEPH E. STIGLITZ, *GLOBALIZATION
AND ITS DISCONTENTS REVISITED:
ANTI-GLOBALIZATION IN THE ERA OF TRUMP*,
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Nearly twenty years ago, in the wake of the South-East Asian financial crisis, Joseph Stiglitz wrote “Globalization and its Discontents” (2002); this provocative book soon became a bestseller translated into various languages. Since Stiglitz’s reputation, as an outstanding economist, certainly does not need any capitalization of his popularity, some reader might ask: why a new and revisited book version on the same topic?

The answer to this question is rooted in the apparent observation that the world economy, globally conceived, is even worse than at the beginning of this century. The warnings on the need for radical reforms pointed out by Stiglitz in the 2002 edition and in a subsequent book (see: *Making Globalization Work*, 2006), have indeed fallen on deaf ears.

In recent years, globalization has been managed following various *nuances* of the Washington Consensus agenda that promoted economic and financial processes to fulfil the so-called “free-market economy paradigm”. Unfortunately, this agenda has led to lower growth and greater instability. The global financial crisis that started in 2007 in the US and later propagated throughout the world (including the euro-zone) has shown that no country, area or block has been spared from the endogenous instability of the past and current process of globalization nor will be in the near future, unless the rules governing globalization are fundamentally rewritten.

In this book Stiglitz argues that globalization today is, not surprisingly, different from that of the past twenty years: more voice has been given, for instance, to emerging markets but these improvements are less than he has advocated. The interests of the financial and non-financial corporations

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of advanced countries still predominate, and today the conflicts are not between workers in developed countries and workers in developing countries, but among workers, around the world, and big corporations broadly conceived. The anti-globalization phenomenon has changed in its nature but it is even deeper than it was at the beginning, since the mismanagement of the process has contributed to rampant income inequality within developed countries.

The systemic unfairness of the global movements of goods, services and capital has indeed damaged the middle classes in the same countries (the USA and Western Europe) that wrote the system's rules in the first place for their own benefit. Hence the "new" discontents must be added to the "old" ones. This, in turn, has engendered a huge increase of populism and new forms of protectionism with the coming to power of president Trump and the surge of other populist leaders all over the world (European countries included!). Compounding the effects on the real economy produced by the Great Recession with populism, sovereignism and a revival of protectionism pose unique challenges for the future of the globalization process.

In this regard, Stiglitz takes up these challenges both theoretically and concerning the economic policies needed. As to the first point, he shows the shortcomings of the "theoretical apparatus" that has driven the mismanagement of the current situation. Even if the debate on the need to rebuild macroeconomics on a more pluralist basis is still in its infancy, Stiglitz struggles deeply for a new economic thinking. Since the 2000s, the author has stressed that there would be winners and losers in globalization. Standard theory argued that if the winners gained enough they could compensate the losers and everyone would be better off. But mainstream economists have claimed that the winners *could* offset the losers not that they *would*, and actually they never did! The consequence is that the majority of people were worse off. The advocates of globalization have continued to believe in the so-called "trickle-down economics". By contrast, Stiglitz's judgement is that the last quarter of a century has simply provided more evidence against this idea.

Furthermore, with perfect free trade unskilled workers would earn the same wages, so that wages in advanced countries would diminish. But blue-collar workers' wages have decreased also as a result of a weakening of their bargaining power. This has been the result of an attack on trade unions and huge changes in labor legislation that started in the USA under President Reagan and in the UK under Prime minister Thatcher, and rapidly spread in many developed countries.

As to the policies needed, Stiglitz stresses that a simple *maquillage* on the Washington Consensus or the revival of protectionism is doomed to

failure, further worsening the global economic disease. By contrast, Stiglitz suggests a *third approach* that may be divided into two parts: a) managing the consequences of globalization within each country to ensure that fewer lose as a result; b) rewriting the rules of globalization in ways that are fairer to developing countries and less dominated by corporate and financial interests.

Hence globalization has to be conceived not as a zero-sum game in which the winners' gains are at the expense of the losers. Since workers with fewer skills are again the main losers, the domestic policies of advanced countries have to adopt social protection for those hurt by globalization. A progressive agenda should recognize that when markets do not work well, the distribution of income that results is often socially unacceptable.

As regards rules, Stiglitz argues that the underlying problem of globalization is again concerned with global governance. To date these rules of the game have not worked well either to maintain a stable global financial system or to promote fair global trade. On the one hand, excessive financialization and short-termism, with money managers focusing on quarterly returns, instead of the long-term well-being of the companies entrusted to their care, fueled financial turmoils. On the other hand, Stiglitz points out that near subsistence farmers have suffered not only because of US subsidies but also because massive pollution by the USA, Europe and China has contributed to desertification in Africa and India, further lowering their incomes: adequate environmental policies must thus also address these kinds of negative spillover: i.e. global actions will become increasingly important as we become more interdependent and as we recognize our interdependencies.

Stiglitz stresses indeed the need for strong actions: macroeconomic policies that push the economy towards full employment; adjustment policies to help workers, firms and communities adapt to new circumstances; social protection policies to protect against losses to the standard of living that they may face in the process of adjustment; and policies to reduce inequalities in market incomes and incomes after tax and transfer.

To conclude, this book is not a mere revised version of a *cahier des doléances* that updates the previous edition; it is full of many interesting insights for economic theory and suggestions for a more equitable globalization and shared prosperity agenda.