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^3Г: The Social Dimensions of Globalization

The Social Dimensions of Globalization

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The war on terrorism and in Iraq has distracted much of the world's attention from the pressing issue of how globalization should be managed so that it benefits everyone. A new report, issued by the International Labor Organization's Commission on the Social Dimensions of Globalization, reminds us how far the Bush administration is out of line with the global consensus.

The ILO is a tripartite organization with representatives of labor, government, and business. The Commission, chaired by the presidents of Finland and Tanzania, has 24 members (of whom I was one) drawn from different nationalities, interests groups, and intellectual persuasions, including members as diverse as the head of Toshiba and the leader of the AFL-CIO. Yet this very heterogeneous group was able to crystallize the emerging global consensus that globalization, despite its positive potential, has not only failed to live up to that potential, but has actually contributed to social distress.

The fault lies with how globalization has been managed — partly by countries, but most importantly, by the international community, including institutions like the World Bank, World Trade Organization, and the IMF, which are responsible for establishing the “rules of the game.” The Commission even reached consensus on a number of concrete measures to help put a “human face” on globalization — or at least mitigate some of its worst effects.

The gap between the emerging consensus on globalization, which this report reflects, and the Bush administration's international economic policies help explain today's widespread hostility towards America's government.

Consider two issues that have been part of recent bilateral trade agreements pushed aggressively by the Bush administration. The crises in East Asia and the recent recessions in Latin America show that premature capital market liberalization can result in enormous economic volatility, increasing poverty, and destruction of the middle class.

Even the IMF now recognizes that capital market liberalization has delivered neither growth nor stability to many developing countries. Yet, whether driven by narrow ideology or responding to the demands of special interests, the Bush administration is still demanding an extreme form of such liberalization in its bilateral trade agreements.

The second issue concerns the unbalanced intellectual property provisions (TRIPs) of the Uruguay Round of trade talks, dictated by America's pharmaceutical and entertainment industries. These provisions restricted countries from making generic imitations of drugs, making many critically important medicines unaffordable in developing countries.

Spearheaded by worries about AIDS, activists around the world demanded that something be done. Just before last year's trade talks in Cancun, the US made some concessions, so that it was no longer the only holdout. In its bilateral trade agreements, however, the US is demanding what is becoming known as "TRIPs plus," which would strengthen intellectual property rights further, to ensure that countries only have the right to produce inexpensive generic drugs during epidemics and other emergencies.

The global consensus, reflected in the Commission report, calls for more exceptions, so that, say, drugs can be made available in any case where to do so could save a life. To those confronting the prospect of death, what matters is access to life-saving drugs, not whether what is killing the person is part of an epidemic.

Bilateral agreements form the basis of enhanced ties of friendship between countries. But America's intransigence in this area is sparking protests in countries facing the "threat" of such an agreement, such as Morocco, and is forming the basis of long-lasting resentment.

The Commission highlights other issues that have received insufficient global attention — such as tax competition among developing countries, which shifts more of the tax burden from business to workers. In still other areas, the Commission's report argues for more "balanced" perspectives. On exchange rates, for example, it is more sympathetic towards mixed systems — in contrast to the traditional belief that countries must choose between the extremes of a completely flexible system and a hard peg (of the kind that contributed so importantly to Argentina's woes).

As this example shows, bringing different voices to the table in discussions of globalization brings new perspectives. Until now, the main worry for most experts on globalization has been excessive government intervention in the economy. The Commission fears just the opposite. It argues that the state has a role to play in cushioning individuals and society from the impact of rapid economic change.

The way that globalization has been managed, however, has eroded the ability of the state to play its proper role. At the root of this problem is the global political system — if such it can be called. Key players like the IMF and World Bank must become more transparent and their voting structures must be changed to reflect the current

distribution of economic power — as opposed to that prevailing in 1945 — let alone to reflect basic democratic principles.

Whatever one thinks of the many concrete suggestions made by the Commission, this much is clear: we need a more inclusive debate about globalization, one in which more voices are heard, and in which there is more focus on the social dimensions of globalization. This is a message the world would do well to heed, lest discontent with globalization continue to grow.

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