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Stiglitz and his Discontent

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ABSTRACT Globalization and its Discontents *is Joseph Stiglitz's attempt to articulate to a wide audience his trenchant critique of the International Monetary Fund, its vision of globalization and, in effect, the organization of the world capitalist system. This paper argues that while* Globalization and its Discontents *is deeply flawed, it is ultimately an important book. Stiglitz's critique of IMF-style globalization is rooted in mainstream economic theory, but its conclusions are quite radical. Stiglitz argues that IMF policies favor the rich over the poor, stifle development, undermine democracy, and promote financial instability and crisis. His claims are by no means original. But no economist with comparably impeccable mainstream credentials has asserted so forcefully that globalization's critics are, on many crucial issues, correct. The power of Stiglitz's book lies primarily not in its originality or insight, but in its legitimization of popular criticisms of globalization.*

1. Introduction

Joseph Stiglitz's work on information economics, for which he won the 2001 Nobel Prize in Economics, has influenced a generation of economists. Stiglitz has also been an influential player in economic policy, most notably as Chair of Bill Clinton's Council of Economic Advisors (1993–97) and as Vice President and Chief Economist at the World Bank (1997–99). And so when, in late 1997, Stiglitz began expressing his increasingly deep criticism of the international economic establishment – especially the International Monetary Fund (IMF) – people paid attention.[1]

Globalization and its Discontents (2002a; henceforth *GID*)[2] is Stiglitz's attempt to articulate to a wide audience his critique of the IMF and its vision of globalization. *GID* is, in a nutshell, a remarkably ferocious attack on the IMF – its motives, its policies and the flawed economic model in which its policy prescriptions are rooted. 'The way that globalization has been managed,' writes Stiglitz (pp. ix–x), 'needs to be radically rethought'.

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[1]Ha-Joon Chang (2001) has edited a collection of Stiglitz's most important speeches from this period (1998–2000).

[2]Unless otherwise indicated, all page numbers in what follows refer to this work.

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The IMF, in Stiglitz's view, is ideological and arrogant, and its serial failures have been of enormous consequence. The IMF's neo-liberal policies, and its apparent interest in prioritizing the interests of rich countries, have, according to Stiglitz, stifled economic development, promoted global inequality, undermined democracy and made the world financial system – and the financial systems of individual countries – more susceptible to financial crises: 'A half century after its founding, it is clear that the IMF has failed' (p. 15). The IMF has played as important a role in shaping globalization and development policy as any single policy-making body. Its vision and its policy prescriptions have affected the lives of billions of people in scores of countries. The organization is thus a major channel through which neo-liberal globalization has transformed the world. Stiglitz's critique is, in effect, a critique of the world capitalist system.

GID is a flawed book, for sure. Parts of it are poorly argued and much of Stiglitz's argument is unoriginal. But it is a forceful and important book that raises deep questions about the organization of the world capitalist system. *GID*'s conclusions are in fact quite radical, and these conclusions are all the more compelling because they are raised by the highly credentialed Joseph Stiglitz.

Its title not withstanding, *GID* pays relatively little attention to 'globalization's discontents' – activists and other critics of late-twentieth century capitalism. Still, Stiglitz's resounding critique of IMF-style globalization acknowledges the legitimacy of many of their concerns and, perhaps most importantly, creates a larger space for alternative visions of globalization. He notes (p. 9) that 'until the protestors came along there was little hope for change and no outlets for complaint. . . . [T]rade unionists, students and environmentalists – ordinary citizens – marching in the streets . . . have put the need for reform on the agenda of the developed world'.

GID argues, in effect, that the pain and chaos that has so often been associated with IMF interventions is – to some degree, at least – unnecessary. We can do better:

> [W]hile no one was happy with the suffering that often accompanied the IMF programs, inside the IMF it was simply assumed that whatever suffering occurred was a necessary part of the pain countries had to experience on the way to becoming a successful market economy. . . . Undoubtedly, some pain was necessary; but, in my judgment, the level of pain in developing counties created in the process of globalization and development as it has been guided by the IMF and the international economic organizations has been far greater than necessary. (p. xiv)

GID is a book that should be celebrated by progressive economists, activists and other critics of globalization as it is currently conceived and organized, because it has the potential to alter the terms of the debate over globalization, upon which much hinges.

2. The Debate over Globalization

Mainstream economists believe that free trade provides a free lunch: specialization brings higher real incomes for every country and thus more resources to fight poverty, fund education and protect the environment. 'If there were an economist's creed,' Paul Krugman (1987, p. 131) writes, 'it would include the evocations "I understand the principle of comparative advantage" and "I believe in free trade."' But neo-liberalism, a.k.a. the 'Washington Consensus', goes well beyond the claims of the classical theory of trade. Neo-liberalism is rooted in a conviction that unfettered markets provide the best possible outcome in nearly every circumstance; and a similarly deep conviction that government intervention often distorts and stifles growth. And so, along with free trade, neo-liberals advocate privatization of state enterprises, open capital markets, unregulated direct foreign investment, and reductions in state spending and regulation of virtually every kind.[3] At the core of neo-liberalism is the simple (and simplistic) belief that, ultimately, liberalization promotes growth, and growth is the source of economic well-being (*GID*, p. 66; see also Dornbusch, 2002; Easterly, 2002; Bhagwati, 2004; Williamson, 2003).

Some advocates of globalization have suggested that economic openness is more than just good policy – it is a moral imperative. Former World Bank economist William Easterly (2002, p. xi) describes growth as an 'elusive quest': 'Observing the sufferings of the poor and the comforts of the rich motivated us in our quest. If our ambitious quest were successful, it would be one of humankind's greatest intellectual triumphs.' The Bush Administration's *National Security Strategy of the United States* (2002, p. 14) calls free trade a 'moral principle'. Paul Krugman's comment (quoted above) that free trade is part of an economist's *creed* is wonderfully suggestive in this regard. Joseph Stiglitz, among others, refers to the neo-liberal model as 'market fundamentalism' and a 'new religion'.[4]

Globalization's 'discontents' – workers, environmentalists, students, scholars and other activists – have argued that globalization, especially in its neo-liberal form, has enhanced the bargaining power of multinational corporations and financiers at the expense of almost everyone else (workers, communities and nation states, most notably). The consequences include rising inequality, the erosion of democracy and national sovereignty, environmental degradation and cultural homogenization (see, for example, Pollin, 2003; Weisbrot, 2002; and Barnet & Cavanagh, 1997). If there is a free lunch, it is being served in the executive dining room.

Despite a lively debate – and deep popular suspicion of globalization – globalization's advocates have generally had their way. The IMF, the World Trade Organization (and the GATT before it), and the world's most powerful governments have worked aggressively to create a world of unfettered trade, enhanced capital mobility and scaled-back government.[5] Economic openness has grown by

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[3]See Williamson (2003) for a sympathetic discussion of the Washington Consensus.

[4]Saul (2004, p. 38) argues that neo-liberalism has a pseudo-religious 'morality' at its center: 'It somehow followed that if countries were in financial trouble, they were moral transgressors. They had to discipline themselves. . . . This was the crucifixion theory of economics: you had to be killed economically and socially in order to be reborn clean and healthy. For a quarter century, under the severe hand of the IMF, this moralizing and emotionally charged approach has been applied to the developing world with absolutely no success.'

[5]The governments of many poor countries have, of course, willingly participated in this project.

nearly every conceivable measure and, despite widespread ambivalence about the IMF's performance, economists have tended to see this as a triumph of wisdom over ignorance (see Irwin, 2002; Bhagwati, 2004; Dornbusch, 2002, Krugman, 1998; Glyn & Sutcliffe, 2003, provide an empirical assessment of the extent of economic globalization).

The compelling Ricardian case for free trade notwithstanding, a critic of globalization can be excused for finding the near consensus among policy makers regarding globalization a bit perplexing. *Prima facie* evidence of globalization's failures is abundant. The neo-liberal era has been characterized by slow growth, enduring poverty, growing inequality, massive and growing debt, and financial crises galore.[6] Corporate influence over international economic policy is widely acknowledged, and few doubt that the world's richest countries set the policy agenda.[7] And yet in political and academic discussions the alleged benefits of globalization – the promotion of growth, freedom, democracy and shared prosperity – are often treated as self-evident, while the wisdom of neo-liberalism as a development strategy is alleged to be borne out by history, even though the historical record is in fact ambiguous.[8] It is in this context that we ought to consider the significance of *Globalization and its Discontents*.

3. Legitimizing Skepticism

Stiglitz believes that globalization has the potential to improve the lives of most of the world's citizens. He notes (p. 4) that 'Because of globalization, many people in the world now live longer than before and their standard of living is far better'. But globalization also has the potential to do harm if it is not managed properly, and in Stiglitz's view, it has not been managed properly over the past quarter century: 'Globalization is not making life better for those most in need of its promised benefits . . . [S]omething has gone horribly wrong'.

Stiglitz's claims are not new. Scholars and activists have been making the case against globalization, neo-liberalism and the IMF for a long time, and

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[6]See *The American Prospect*'s Special Supplement on *Globalism and Poverty* (2002), especially the contributions by Weisbrot (2002) and Weller & Hersh (2002). See also Pollin (2003, chapter 5). The assessment of the performance of the IMF and development policy over the past 25 years is, of course, a matter of considerable debate. Defenders of the *status quo* point out, for example, that per capita incomes and life expectancy in the world's poorest countries have increased over the period in question.

[7]In 1999, Rudi Dornbusch, a staunch and widely respected defender of globalization, called the IMF 'a toy of the United States to pursue its economic policy offshore' (as reported in the *Journal of Commerce* and quoted by Pollin, 2003, p. 7).

[8]*The National Security Strategy of the United States* (2002) provides a particularly dramatic case in point. On its opening page, it speaks of 'a single sustainable model for national success: freedom, democracy and free enterprise.' While this is a political and politicized document, it articulates the view of the US government and, on economic policy, the views of the US Treasury, the IMF and the WTO. But Chang (2002) argues persuasively that the industrialization of the now rich capitalist countries was not the result of free trade and open capital markets, conventional wisdom notwithstanding. In fact, these countries carefully and extensively 'managed' their engagement with the world economy, and this strategic approach to openness was in fact crucial to their success.

many have made this case more carefully than has Stiglitz.[9] But no economist of Stiglitz's stature has so ferociously attacked the essential principles by which the global economy is managed, and no economist with Stiglitz's impeccable mainstream credentials has asserted so clearly that globalization's critics are, on many issues, correct.[10]

The power of Stiglitz's book is thus not primarily in its originality or its insight, but in its legitimization of popular suspicions about globalization. *GID* is an important book in much the same way that recent books by Richard Clarke (2004), the counter-terrorism 'tsar' under Presidents Clinton and Bush, and Ron Suskind (2004), who writes of Paul O'Neill's experience as George W. Bush's Treasury Secretary, are important. In each of these cases, visitors to the inner sanctum emerge to reveal that the policy-making process is exactly as appalling as the critics have suspected all along. Stiglitz has been behind the curtain, and you won't believe what he has seen!

4. The 'Bourgeois' Critique of Neo-liberalism

Joseph Stiglitz is a contentious fellow and an independent thinker, for sure, but he is no radical. He is a brilliant mainstream economist with relatively strong egalitarian impulses. On macroeconomic questions, he is essentially a 'bastard Keynesian', that is, he believes that aggregate demand short-falls are not necessarily self-correcting, and he believes that unregulated financial markets are prone to failure.[11] He also believes that well regulated markets work and that unregulated markets often fail. And he is clearly bewildered that the IMF does not acknowledge the basic and familiar case for a mixed economy: markets sometimes fail, and government intervention can effectively address many of these failures: 'The IMF's policies, in part based on the worn out presumption that markets, by themselves, lead to efficient outcomes, failed to allow for desirable government interventions in the market, measures which can guide economic growth and make everyone better off' (p. xii). At the core of Stiglitz's criticism of the IMF, then, is this simple *neoclassical* idea: markets often produce inefficient outcomes, and these market failures often require government intervention. Globalization has 'failed to live up to its promise,' in large part, because of *predictable* market failures, failures which are apparently invisible to the IMF because of its ideological commitment to a 'worn out' vision of how a capitalist economy works.

And yet this decidedly *bourgeois* critique of globalization leads Stiglitz to a story about globalization which is quite radical – radically different from that of

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[9]This list of critics is, of course, very long. It includes Keynes, Gunnar Myrdal, Paul Baran, Lance Taylor, and many more; see Pollin (2003), Chang & Grabel (2004) and MacEwan (1999) for excellent recent examples.

[10]Amartya Sen (1999) and Dani Rodrik (1997, 1999) might reasonably been included in this small club. Jagdish Bhagwati (2004), among many other defenders of globalization, acknowledges that IMF policy has sometimes been problematic. He and many others have, for example, questioned the IMF's enthusiasm for capital market liberalization.

[11]Gualerzi (2005) provides an insightful discussion of importance of Keynesian theory, old and new, to Stiglitz's argument.

his neo-liberal colleagues and adversaries, and remarkably consistent with many radical criticisms of neo-liberal globalization. Consider just a few of Stiglitz's more striking claims and conclusions.

Perhaps most generally, Stiglitz argues that the defining tenets of the Washington Consensus are deeply flawed. The IMF's most essential and rigidly held assumptions – about the relationships among markets, government policy, growth and equity – are essentially wrong and have led to unnecessary policy mistakes. 'The IMF was so certain about the correctness of its dogmatic position that it had little interest in looking at actual experience,' he writes (p. 31). As a consequence, many potentially productive interventions – capital controls, a minimum wage, strategic trade policy, deficit spending and a cautious approach to privatization, to name a few – have been rejected *a priori* by the IMF.

> The international financial institutions have pushed a particular ideology – market fundamentalism – that is both bad economics and bad politics; it is based on premises concerning how markets work that do not hold even for developed countries, much less for developing countries. The IMF has pushed these economic policies without a broader vision of society or the role of economics within society. And it has pushed these policies in ways that have undermined emerging democracies. (Stiglitz, 2002b, A16–A17)

Neo-liberalism, in Stiglitz's view, has not delivered the goods. A quarter century of neo-liberalism has been characterized by slow growth, rising inequality, and enduring poverty.

> The results of the policies enforced by the Washington Consensus have not been encouraging: for most countries embracing its tenets, development has been slow, and where growth has occurred, the benefits have not been shared equally. . . . Those who have followed the prescriptions, endured the austerity, are asking: When do we see the fruits? . . . Washington Consensus reforms have exposed countries to greater risk, and the risks have been borne disproportionately by those least able to cope with them. (p. 86)

Stiglitz recognizes that unemployment is a regular feature of a capitalist economy, and that its solution cannot be left to the market. IMF policy is based on the erroneous premise that labor markets are self-correcting, and so the IMF's 'Hooverite' macroeconomic policies – balanced budgets and contractionary monetary policy – are bound to retard economic growth and increase unemployment (p. 85). 'For more than seventy years,' Stiglitz reminds us (p. 105), 'there has been a standard recipe of a country facing a severe economic downturn. The government must stimulate aggregate demand. . . . The IMF pushed exactly the opposite course, with consequences precisely of the kind that one would have predicted'.

Stiglitz is especially critical of the IMF's insistence on capital market liberalization. The IMF's claim that open capital markets enhance stability is 'laughable', in Stiglitz's view (p. 67). On the contrary, capital market liberalization often *promotes* financial instability: 'The single most important factor leading to . . . the East Asian Crisis,' Stiglitz claims (2002b, p. A17), ' . . . was the rapid liberalization of financial and capital markets.' Nor do open capital markets facilitate growth: 'Capital market liberalization has been pushed despite the fact that there is no evidence showing it spurs economic growth' (p. 16).[12] 'Small developing countries are like small boats,' Stiglitz concludes: 'Rapid capital market liberalization, in the manner pushed by the IMF, amounted to setting them off on a voyage on a rough sea, before the holes in their hulls have been repaired, before the captain has received training, before life vests have been put on board' (p. 17).

Stiglitz insists that IMF policy reflects disproportionately the interests of financiers: 'It is the finance ministers and central bank governors who sit around the table at the IMF making decisions. Even when they stretch ... they see the world through particular, inevitably more parochial perspectives.' And, he continues, 'bankers ... are well represented. ... The consequences for policy have been predictable: bailout packages which pay more attention to getting creditors repaid than to maintaining the economy at full employment' (p. 225). But more than this, Stiglitz argues that 'pursuing the interests of the financial community' is part of the IMF's *de facto* 'mandate' (pp. 206–207). The IMF's primary goal is not economic growth, development, the alleviation of poverty, or full employment, but rather the repayment of debt:

> The change in mandate and objectives, while it may have been quiet, was hardly subtle: from serving global *economic* interests to serving the interests of global *finance*. Capital market liberalization may not have contributed to global economic stability, but it did open up vast new markets for Wall Street. ... Looking at the IMF *as if* it were pursuing the interest of the financial community provides a way of making sense of what might otherwise seem to be contradictory and intellectually incoherent behaviors. (p. 207)

Stiglitz argues that free trade is not always the best policy. Trade liberalization, he contends, often hurts poor countries more than it helps, especially in the context of widespread unemployment: 'moving resources from low-productivity uses to zero productivity does not enrich a country, and this is what happened all too often under IMF programs' (p. 59). A World Bank study concludes, for example, that the agreements at the Uruguay Round of GATT negotiations led to a 2% *reduction* in real income in Sub-Saharan Africa, perhaps the poorest region in the world (p. 61).

Free trade rhetoric notwithstanding, international trade agreements tend to reflect the interests of rich countries at the expense of poor countries: 'The Western countries pushed trade liberalization for products that they exported, but at the same time continued to protect those sectors in which competition from developing countries might have threatened their economies' (p. 60). And further, 'jobs have systematically been destroyed – poor farmers in developing

[12]The IMF's insistence on capital market liberalization has been widely criticized, even by advocates of globalization (see Bhagwati, 2004), but the IMF has been reluctant to conclude that its capital market policies may have been a mistake. A recent IMF paper reviews the available evidence and finds no support for the claims that financial market liberalization promotes growth, or reduces macroeconomic volatility (Prasad *et al.*, 2003). The conclusion? Regarding growth: 'there is as yet no clear and robust empirical proof that the effect is quantitatively significant.' Regarding reduced volatility: 'developing countries have not fully attained this potential benefit.' Deeply held beliefs can be stubborn.

countries simply couldn't compete with the highly subsidized goods from Europe and America' (p. 17). Rich countries have also benefited from rules governing intellectual property rights, often at the expense of poor countries (pp. 245, 256).

The IMF's focus is 'too narrowly economic', Stiglitz argues, and because of this, IMF policies often undermine rather than promote investor confidence. The IMF does not appear to grasp that its policies can have enormously important political and social consequences. In particular, IMF-sponsored austerity has frequently provoked popular protest – 'IMF riots' – which in turn can have important *economic* effects, most notably capital flight. This is a particularly ironic outcome, as the IMF program is specifically designed to restore investor confidence and attract capital inflows. Slashing the social safety net while bailing out investors is not just unfair, Stiglitz concludes, it is 'bad economics. Riots do not restore business confidence. They drive capital out of the country. . . . And riots are predictable' (p. 119).

Stiglitz notes that those poor and developing countries that have enjoyed an impressive degree of economic success have as a rule carefully managed their engagement with the world economy, rather than simply submitting to it: 'The countries that have managed on their own, such as those in East Asia, have, by and large, ensured that they reaped benefits and that those benefits were equitably shared' (Stiglitz, 2002b: A16).

IMF-style globalization undermines democracy and national sovereignty in a variety of ways. The IMF is a fundamentally opaque, undemocratic institution, uninterested in either expert or popular opinion from its client countries, 'in the IMF style of operation, citizens were not only barred from discussions of agreements; they were not even told what the agreements were' (p. 51). The IMF understands itself as 'the font of wisdom' (p. 41); its 'approach to the developing world has had the feel of a colonial ruler' (p. 40). IMF agreements restrict a client country's policy choices quite explicitly, and these policies, especially capital market liberalization, constrain domestic policy-makers indirectly as well, forcing them to pursue a policy agenda that will keep hyper-mobile capital from fleeing. IMF policies make governments more accountable to the IMF and global capital markets, and less accountable to their citizens.[13]

Stiglitz notes that development and economic justice are impeded by the enormous debt burden endured by many poor countries. Stiglitz advocates debt forgiveness and a series of reforms that would make it easier for a troubled country to get out from under its debt burden, thereby disempowering the IMF and private financiers. 'Without the forgiveness of debt,' Stiglitz argues, 'many countries simply cannot grow' (p. 243).

As noted above, Stiglitz devotes little attention to anti-globalization activists, but he does acknowledge that they are onto something important:

> [G]lobalization itself has been governed in ways that are undemocratic and have been disadvantageous to developing countries, especially the poor within these countries. The Seattle protesters pointed to the absence of democracy and

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[13]From the perspective of the IMF, disempowering governments in this way is not necessarily a problem, as global capital markets are presumed to allocate capital better than governments.

> transparency, the governance of the international economic institutions by and for special corporate and financial interests, and the absence of countervailing democratic checks to ensure that these informal and public institutions serve the general interest. In these complaints, there is more than a grain of truth. (Stiglitz, 2002b, pp. A16–A17).

Stiglitz's critique is firmly rooted in a mainstream framework – it is ultimately a story of market failure – but its implications are potentially radical. Stiglitz argues that the management of the international economy is inefficient, inequitable, unfair and undemocratic, and that it has provoked predictable hostility toward the IMF and the developed world. The IMF's stubborn insistence on capital account liberalization has facilitated financial instability. And not only are IMF policies poorly designed, its motives are questionable as well. The IMF is more concerned with protecting investor assets than with improving the conditions of the world's poor. Finally, Stiglitz advocates debt forgiveness.

Radical critics can surely find substantial fault with Stiglitz's argument and conclusions. But a progressive student of globalization has to admit – this isn't bad, for a bourgeois economist.

5. Conclusions

All of this said, *Globalization and its Discontents* is a limited and flawed book. There is, for starters, very little in *GID* that has not been argued more clearly and persuasively somewhere else. Other than Stiglitz's many anecdotes, which are often enlightening and occasionally powerful, this book does not have much new to say.

Further, *GID* does not provide a careful, systematic discussion of globalization – its history, its tendencies, its multiple dimensions, its promise or its contradictions. It is neither a primer on globalization, nor a careful political economic critique of neo-liberal globalization. *GID* is, rather, an intelligent, persuasive polemic against the IMF, neo-liberalism and, to some extent, against Joseph Stiglitz's personal adversaries. Stiglitz also devotes very little attention to the role of the World Bank, his former employer, in all of this. *GID* loses some of its power because, at times, it is transparently self-serving and self-aggrandizing.

The book has very little to say about a number of important aspects of economic globalization – direct foreign investment, multinational corporations, immigration and, remarkably, trade and development.[14] There is no mention of sweatshops or outsourcing, and *GID* has very little to offer regarding the specific mechanisms by which globalization seems to promote inequality. And while *GID* does help to legitimize the concerns and efforts of 'globalization's discontents', Stiglitz appears to have a limited sense of the agenda of the complex, multidimensional anti-globalization movement. On the few occasions when Stiglitz makes explicit reference to 'the protesters', he is clearly referring to activists in the rich countries.

[14] Gualerzi (2005) provides an excellent critical discussion of *GID*'s inadequate treatment of direct foreign investment.

I have argued that *GID* is, in effect, a critique of the organization of the world capitalist system. But while Stiglitz's critique is bold and often persuasive, it is not systematic and, in many ways, not very rich. And, given this, it is perhaps unsurprising that Stiglitz has very little to say about how we might go about changing the IMF or, more generally, how we might change the rules of the game of global capitalism.

Despite his suggestive comments about the system's bias toward the rich and against the poor, Stiglitz is not inclined (or, perhaps, equipped) to disentangle the class issues that are at the core of global capitalism. For heterodox students of globalization, the relative bargaining power of economic actors – classes and nation states in particular – is at the center of the story. The neo-liberal era is a specific instance of capitalist development and, as always, the relative power of class and non-class actors – and their competing agendas – is an essential part of the story of capitalist development. Stiglitz's recognition that IMF policy is biased is terribly important, but he sees this bias as an appalling policy failure, rather than as a routine manifestation of something essential to capitalism, i.e. that capitalists relentlessly seek opportunities – in the market, in the workplace and in the policy arena – to enhance their profitability. The 'disproportionate' influence of the capitalist class over economic policy is no surprise to a heterodox economist.

GID is, in the end, a story about how markets work, how they fail, and how the institutions charged with addressing market failure have failed. Stiglitz's understanding is that *social* change really means *policy* change. The fate of the world economy and its participants depends primarily upon policy decisions of educated elites, whose job it is to manage markets. And while Stiglitz calls earnestly for 'inclusion', i.e. listening to the voice of the 'regular citizen', he argues from beginning to end that the world economy is a mess – unstable, unequal and unjust – because the IMF is ideologically wedded to flawed policies. And so, unsurprisingly, Stiglitz's proposals do not focus primarily on empowering workers, the poor or grass roots activists (although many of his proposals are designed to empower indebted countries vis-à-vis the IMF and private creditors). Stiglitz's proposals focus instead on the need for better policy-makers, and for policies based on 'science' rather than 'ideology', 'The free market ideology should be replaced with analysis based on economic science. . . .' (p. 250).

Though limited and flawed, *Globalization and its Discontents* is also, as I have argued throughout, a potentially powerful book. It is deeply critical of the international economic establishment, and, because it is written by an economist of considerable stature, it has legitimized the concerns of globalization's critics. As James Galbraith writes in one of the book's dustjacket blurbs, 'Joe Stiglitz was there. He knows'. And here is what Stiglitz claims to know. He knows that the IMF and a globalization rooted in 'market fundamentalism' are dangerous. He knows that let-it-rip globalization is a recipe for inequality, slower growth, financial instability and environmental degradation. And he knows that we can do better.

The creation of a more equitable, democratic world economy will not happen simply because progressive intellectuals win debating points. But demystifying neo-liberal globalization is a crucial part of the project, and *GID* is an important contribution to that project.

It is of course difficult to know whether *GID* has made a difference. The IMF has not altered its agenda in any essential way, but it has been forced to retreat – in its rhetoric, at least – on some fronts. It has, for example, acknowledged that capital market liberalization may not always be in order, and it has made a formal commitment to negotiate with client countries in a more inclusive way. The IMF's prestige has been shaken by Stiglitz's criticisms, and, most importantly, by a growing sense that its policies do not seem to work reliably. Many countries have lost their enthusiasm for market fundamentalism – Argentina, Malaysia, Venezuela and Brazil come to mind – and some have mustered the nerve to defy the IMF. But whatever its impact to date, Stiglitz's *Globalization and its Discontents* has legitimized an alternative vision of globalization, and therefore has the potential to enhance the bargaining power of globalization's critics, and to alter the debate over globalization in important ways.

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