STIGLIZ SOUNDS OFF

Noble Prize winner outlines his keys to success for emerging economies

BY **ALANNA JORDE**

Nobel Prize winning economist Joseph E. Stiglitz pulled no punches at a recent University of Cambodia lecture, delivering a scathing indictment of so-called "Washington Consensus" economic reforms imposed on developing nations by international institutions such as the International Monetary Fund and World Bank.

Referring to a gamut of "shock therapy" prescriptive policies that generally included expanding the role of the market and constraining the role of government in underdeveloped economies, Stiglitz argued they failed miserably because the myopic market fundamentalists who created them misunderstood the nature and limitations of the market.

In addition to the erroneous assumption that "markets are perfect," the reforms focused too narrowly on a single objective—increasing GDP—and almost completely overlooked the link between poverty and equality, the former World Bank chief economist told a packed audience during a talk entitled "Globalization, Development and Poverty: Contrasting Perspectives."

The reforms also flopped because they failed to take in the insights and opinions of those they affected most—poor, developing countries, said Stiglitz, adding that the Washington Consensus reforms proved particularly disastrous in Latin America.

The ensuing political, social and economic instability there, in turn, resulted in radical regime changes in democracies such as Venezula and Bolivia, where it is still "too soon to know whether the new system is working," but at least health care and education is "now being delivered to parts of the population that never had it before."

In today's integrated global economy, the art of good economic policy is balancing the role of the market, government and, increasingly, civil society and for small countries like Cambodia, that means carving out a niche because it's more difficult to take advantage of economies of scale, said Stiglitz.

The Asian nations of Vietnam and Malaysia as well as Botswana in Africa and Chile in South America have been most successful in striking this balance, which is measured not only by GDP, but also human development indicators, he added.

Thus far, economic globalization has outpaced political globalization, which puts developing countries at a clear disadvantage because "we do not have democratic institutions in place to deal effectively and fairly with problems posed by the worldwide integration of markets."

And the few institutions that do exist are fundamentally flawed.

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- Received the Nobel Prize in Economics in 2001 for his work creating a new branch of economics, The Economics of Information
- Chaired President Bill Clinton's Council of Economic Advisers 1995-1997
- Senior Vice President and Chief Economist of World Bank 1997-2000
- Chair of Columbia University's Committee on Global Thought
- Currently executive director of the Initiative for Policy Dialogues, a think tank that analyzes the tradeoffs associated with different economic policies and offers alternatives
- Author of Globalization and Its Discontents, Fair Trade for All, Making Globalization Work and other books

Graphic: Chhut Chheana

Tariffs, he said, routinely discriminate against developing countries and the Uruguay Round of trade negotiations that ended in 1994 were so unfair, many poor nations were worse off as a result.

Subsidies to a few thousand US cotton producers have pushed an estimated 10 million cotton farmers in poor nations below the subsistence level. "From a moral and economic point of view, this is outrageous, but the World Trade Organization (WTO) has ruled that these cotton subsidies are illegal and eventually they will be eliminated," argued Stiglitz.

While admittedly flawed, the WTO is helping to establish an international rule of law and "even an imperfect rule of law is better than no rule of law at all … With no rule of law, a powerful nation like the US can do whatever it wants with impunity. But the US had lost a large number of cases at the WTO and although they tend to appeal, they will eventually comply with the rulings."

Since the global playing field is tilted in favor of rich countries, governments of poor nations must explore a wide range of creative instruments to address market failures and promote growth and development.

"One of the challenges of globalization is figuring out how to make it work for you," said Stiglitz.

The WTO-administered Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) is also bad for developing countries, but there are ways around it.

Under the terms of the agreement, a country can issue a "compulsory license" to a national company allowing it to reproduce patented medicines for export to meet emergency needs such as AIDS, malaria and tuberculosis, which is currently being done in poor countries like neighboring Thailand.

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would be able to input music into their mobile phones, says Ngoun.

"But after customers (used his services) one time, they acknowledged my son's ability," he adds.

Kimlong admits that initially he was only interested in having his father teach him how to use the family's computer because he wanted to play games. He never expected his education would prove so profitable.

Today, he earns as much as 40,000 riels in a single day helping mostly young Cambodians input music and games into their trendy new mobile phones.

Kimlong says only a handful of the 42 students in his Class 7 at Yukunthor School are adept at using the computer because computer lessons aren't offered at his school.

"I feel very happy to see my son using his time usefully—not going for a walk every day like other my neighbors' children," says Ngoun, who is a father of three, adding that he enjoys having his oldest child so close by everyday.

After observing for himself the positive impact computers have had on his son's life, Ngoun is convinced computers should become an integral part of the public education curriculum.

"It is good for the children to learn computer from the lower classes," Ngoun said. "Because nowadays computer skills are very useful and required in most workplaces."

Bun Sok, secretary of state at the Ministry of Education, Youth and Sport, confirmed last month that the ministry intends to include computers in the national Grade 1-12 educational program, but the plans have not been fully implemented yet.

"Computer programs have already been added at some schools in cities where electricity is available," said Sok, adding that the government is "continuously implementing" the program in an effort to meets its goal of establishing computer programs in every public school in the country.