

NOTE

## HOW TO REFORM THE REFORMERS

**Kanaga Raja writes :**

The financial crisis with a "made in USA" label on it is now affecting developing countries worldwide including those that had undertaken good financial market regulation as well as good monetary macro-economic policies, said Nobel Laureate Prof Joseph Stiglitz.

"In fact, many of the developing-country central banks have policies that are much more prudent and [have] much better regulation than some of the advanced industrial countries that are currently facing a problem," Stiglitz told a media briefing at the Inter-Parliamentary Union's office in Geneva.

His personal view is that some of the advanced industrial countries should go to the developing countries and study what they did to learn what good regulation entails.

Noting that there are many distortions to the international trade regime such as tariffs and subsidies, Stiglitz said that subsidies provided by the industrial countries to their companies and financial institutions "have totally destroyed the level playing field" for years to come. It means that companies and financial firms in developed countries can undertake risks, knowing that if there is a problem, they may be bailed out.

Speaking briefly on the WTO Doha Round of trade negotiations, Stiglitz said that while it's not likely that the Doha Round "will reach completion quickly" particularly given the current disturbance to the free market, the developed countries can help the poorest countries by unilaterally opening up their markets to the developing countries.

Stiglitz, who is also a professor of economics at Columbia University, was in Geneva attending meetings of the Commission of Experts on Reforms of the International Monetary and Financial System, which he chairs. The Commission was formed last November by the President of the UN General Assembly Father Miguel D'Escoto Brockmann of Nicaragua.

At the media briefing on 11 March, Stiglitz explained that the Commission of Experts was set up to look at the impact of the financial crisis on developing countries in order to assess the kinds of reforms needed in the global financial system. The recommendations that the Commission is likely to come up with will serve as a preparation for the discussions that are going on that will lead to the UN high-level conference which will be held at the United Nations headquarters in New York at the beginning of June.

International financial institutions, particularly IMF have lost their legitimacy and in essence lost their ability to be effective.

According to Stiglitz, the problem is that the sources of liquid funds in the world—countries in Asia with large dollars reserves, and sovereign wealth funds in the Middle East—often have inadequate voice in international economic institutions, and often have views about good and appropriate economic policies that differ from those that have been pushed by these institutions. □□□