Frontier
Vol. 44, No. 34, March 4-10, 2012

LEGACY OF MARKET

Stiglitz and Global Keynesism

Sankar Ray

THIS WRITER WAS A BIT DAZED and stupefied when the former Bengal finance minister, Asim Dasgupta, silently endorsed Nobel laureate economist Joseph Stiglitz's advice that "Brazil, Russia, India and China unite to form a global fund'' at a seminar organised by the Institute of Development Studies at a Salt Lake's Eastern Zonal Cultural Centre on 21 January in support of the Occupy Wall Street Movement. Like him, the IDS director, Amiya Kumar Bagchi, dogged defenders of the CPI(M)-led Left Front government's pro-neoliberal industrial and land acquisition policies both, seemed too enamoured of Stiglitz to dispassionately judge the suggestion, having forgotten that he was the chief economist of World Bank between 1997-2000, very much when the Breton Woods twins were implementing neo-liberal economic policy.

True, he began realizing that the IMF was (and is) reluctant to understand the real problems of the developing countries it is supposed to help overcome their balance-of-payments crisis. The World Bank twin "is secretive and insulated from democratic accountability", he said and discovered that the IMF used to function "in tandem with the US Treasury" (in an article in *New Republic* in April, 2000). It is not that he was not abreast of the consciously anti-poor antecedents of the two global financial institutions. Else, one has to assume that he has been blissfully unaware of Teresa Hayter's *Aid as Imperialism* or Steve Wiess's *Trojan Horse*. Hayter worked at a Bank outfit and found it uncomfortable, as an objective researcher scanning the so-called efficacies of conditionalities-linked funding in countries of Latin America and Africa from the sides of both the lenders and borrowers. Her findings were too hot for the lords of Wall Street that command the Breton Woods institutions. In other words, Fund-Bank bosses want the Hayters to behave condescendingly, not in a chin-up manner. There is no denying that Stiglitz candidly condemned the neo-liberal financial order later clearly in 2006 in a self-critical mode—"The theories that I (and others) helped develop explained why unfettered markets often not only do not lead to social justice but do not even produce efficient outcomes", having identified the factors like externalities, "where the actions of an individual have impacts on others for which they do not pay or for which they are not compensated—markets will not work well". Yet like Amartya Sen (also Pranab Bardhan, Abhijit Vinayak Banerjee, Maitreesh Ghatak et al)—he has been abiding faith in market even when he cautioned about the externalities—"pervasive, whenever there is imperfect information or imperfect risk markets—that is always. The real debate today is about finding the right balance between the market and government."

There is some synergy between the so-called Left-democrats and Stiglitz, when he concedes that the growing inequality and the instability of the economy in the US- compelled the "Occupy Wall Street Movement" to happen. He, however, continues to guard off the globalisers and free-marketeers. The professor of economics at the University of Columbia rightly stated "Globalisation is not the problem, the way it has been managed, is". Nonetheless, he takes up cudgels for the free market policy, arguing that it was successful and congenial in the US in the mid-1940s and a decade thereafter. The two 'cheer leaders' of the CPI(M)-led Left Front governments, during the chief ministership of both Jyoti Basu and Bhattacharjee seemed temporarily—if not conveniently—oblivious of the former *Monthly Review* editor, Ellen Meiksins Woods; captivating analyses and inferences in her magnum opus *Empire of Capital*. The market, she wrote poignantly, "has a force of its own, which imposes on everyone, capitalists as well as workers, certain impersonal requirements of competition, accumulation of profit maximization". Was Stiglitz's coveted market void of these exploitative parameters? Dr Dasgupta and Dr Bagchi—leave alone hundreds of 'salaried bourgeoisie" (coinage—Slavojiek)—were forgetful of Meiksins Woods' warning that the market "is coercive"—through "growing commodification of life and the regulation of social relations by the impersonal laws of market". The eulogy of Stiglitz in a subservient manner raises doubts about the Leftist credentials of the two CPI(M) ideologues, supported by their CPI friends. Octogenarian Nripen Bandyopadhyay was seen coming out from the venue in an approving gesture as if one of the high priests of global Keynesism gave poor Indians the right prescription. One faintly remembers Yevgeny Varga, who gave a dressing down to Stalin's trash *Eonomic Problems of Socialism* in the USSR described Lord Keynes as "an incorrigible eclectic". The LF think-tanks seem to be incorrigible worshippers of 'welfarism'. Stiglitz, responding to a question from Dr Dasgupta, as to why there should be global fund which unlike the IMF and World Bank would not clamp conditionalities on fund-starved countries, actually that the Breton Woods twins failed to counter the current global economic and financial crisis but the former World Bank chief economist defended globalisation. Free market in the 1940s and early-1950s in the USA was efficacious, he claimed but progressives had different readings from Marxist economists in Stiglitz's country such as Victor Perlo. The previous model of free market and mode of globalisation-fostered global monetary co-operation, secured financial stability and generated employment and also caused sustainable economic growth to reduce inequality. This was different from what is now prevailing in the world, Stiglitz believes, while pointing out, "we have the problem of vast, unmet needs and under-utilised resources. Democratic processes have failed in getting the outcomes that are needed". Among treatises of Perlo—a victim of McCarthyism in the 1940s and the 1950s—that are still relevant are *The Empire of High Finance* (1957) and *The Unstable Economy: Booms and Recessions in the United States Since 1945* (1973). Dasgupta and Bagchi, assuming they have read Perlo, appear to push those outstanding titles to the banks of Lithe. So his statements like "There has been a trend that money is going from poor countries to rich countries, which is just vice versa... the money should flow from rich to the poor" or "Markets and globalisation are not working the way they are supposed to. Demand is supposed to equal supply, including in the labour market, but we have millions without jobs, and a vast under-utilisation of resources—in a world with vast unmet needs, to fight poverty, to promote development, to retrofit the global economy for global warming" look disingenuous. Coming back to Stiglitz's recommendation about a global fund, it is unfortunate that Dasgupta and Bagchi irresponsibly forgot to shoot back at the Columbia professor with the famous Fidel Castro proposals, penned in the early 1990s for reduction of yawning inequalities between the North and the South. It was re-asserted by the late Felipe Pérez Roque, Cuban minister of foreign affairs at the 59th session of UN General Assembly on 24 September 2004. Although terming such UNGA sessions as a 'ritual' with "clamor for justice and peace by the underdeveloped countries ignored", the Cuban leader, recalled that the 130 underdeveloped countries for a "common front for the defence of the sacred interests of our peoples, of our right to development and peace. Let us revitalize the Non-Aligned Movement" must get half of "1.276 billion human beings in abject poverty that existed in 1990" to rid of subsistence level by 2015, meaning an annual reduction of 46 million poor people, in contrast to barely reduction of 2.1 million hungry people. Years before Stiglitz, exposing the vacuous philanthropy of creditor countries and the international financial agencies, Castro said, "will not seek a just and lasting solution to the foreign debt. They prefer to keep us in debt; that is, vulnerable. Therefore, even though we have paid off US$ 4.1 trillion in debt service over the last 13 years, our debt increased from US$ 1.4 trillion to US$ 2.6 trillion. It means that we have paid three times what we owed and now our debt is twice as much."The Castro document showed ways of mopping up funds for amelioration of poverty, illiteracy, malnutrition, access to potable water and sustainable energy. Pérez figured out them point by point.

- We, as underdeveloped countries, are the ones that finance the squandering and the opulence of developed countries. While in 2003 they gave us US $ 68.400 billion in ODA, we delivered to them US$ 436 billion as payment for the foreign debt.

- The financial resources to guarantee the sustainable development for all the peoples on the planet are available, but what is lacking is the political will of those who rule the world. A development tax of merely 0.1% on international financial transactions would generate resources amounting to almost US$ 400 billion per annum.

- The cancellation of the foreign debt incurred by underdeveloped countries would allow these to have available for their development no less than US$ 436 billion on a yearly basis – money that is currently used to pay off the debt.

- If developed countries complied with their commitment to set aside 0.7% of their Gross National Product as Overseas Development Assistance, their contribution would increase from the current US$ 68.400 billion to US$ 160 billion per annum.

Yes, the economically backward countries including Brazil and India ought to have a reliable and genuinely-development oriented fund whose task is to remove poverty, illiteracy, denial of access to education above primary and secondary-level education, malnutrition and to generate access to sustainable living but it's not that these countries have to raise funds from themselves. Such an advice is tantamount to redistribution of poverty and limited resources. Finally, consider the composition of protesters in the Occupy Wall Street movement, a considerable portion of them are victims of debt-triggered crisis, outstripping ''wretched of the earth"—or the organised and unorganised working class, particularly those that find it increasingly tough to keep the wolf at the door. There is no question of underestimating "the huge revival of protest over the past year, from the Arab Spring to Western Europe, from Occupy Wall Street to China, from Spain to Greece, Slavojiek rationally points out, suggesting that "each case be taken on its own merits. The student protests against university reform in the UK were clearly different from August's riots, which were a consumerist carnival of destruction, a true outburst of the excluded." Read again a tiny paragraph from the *Communist Manifesto*—"The lower strata of the middle class—the small tradespeople, shopkeepers, and retired tradesmen generally, the handicraftsmen and peasants—all these sink gradually into the proletariat, partly because their diminutive capital does not suffice for the scale on which Modern Industry is carried on, and is swamped in the competition with the large capitalists, partly because their specialised skill is rendered worthless by new methods of production. Thus the proletariat is recruited from all classes of the population. Replacing "the small tradespeople, shopkeepers, and retired tradesmen generally, the handicraftsmen and peasants", read the low-salaried "bourgeoisie" and thank the Slovenian Leninist of a different strain "There is gradual "proletarianisation of the lower salaried bourgeoisie is matched at the opposite extreme by the irrationally high remuneration of top managers and bankers (irrational since, as investigations have demonstrated in the US, it tends to be inversely proportional to a company's success). Rather than submit these trends to moralising criticism, we should read them as signs that the capitalist system is no longer capable of self-regulated stability—it threatens, in other words, to run out of control." The fallen prophets of neo-liberal philosophy look up in the gloomy crisis to volumes of the *Das Capital*. Is it not because of their "capacity for erroneous belief is great", (John Kenneth Galbraith in his speech as President of American Economic Association, indicting both the neo-Keynesists and neo-Classicists in the early 1970s). □□□