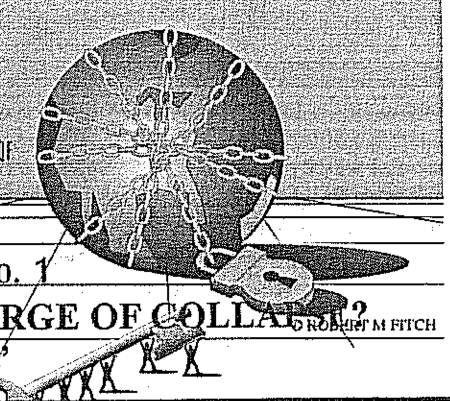
GROUNDSWELL

A BI-MONTHLY PUBLICATION OF COMMON GROUND-USA

JANUARY-FEBRUARY 2012 / $3.00 VOLUME 25, NO. 1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IS THE WORLD'S FINANCIAL SYSTEM ON THE VERGE OF COLLAPSE?

A Critical Review of 'The Stiglitz Report'

(The following write-up by GroundSwell editor Nadine Stoner is from a panel presented at the Aug. 5, 2012, Council of Georgist Organizations conference held in Bloomington, MN. Moderator Edward Dodson is a retired financial analyst for Fannie Mae, and also the Director of the School of Cooperative Individualism. Dr. Mary (Polly) Cleveland is adjunct professor at Columbia University School of International and Public Affairs, and also Executive Director of the Association for Georgist Studies. Dr. Nicolaus Tideman is a Professor of Economics at Virginia Polytechnic Institute [NT1], and author of numerous articles. Fred Harrison is an author (most recent book *The Predator Culture,* and also *Boom Bust)* and journalist. Not present for the panel but who submitted papers about the Stiglitz Report were Dr. Fred Foldvary and Adele Wick, whose papers are posted on the website of the School of Cooperative Individualism, www.cooperativeindividualism.org/.

(The Stiglitz Report is posted on the web at www.stiglitz-sen-fitoussi.fr/documents/report_anglais.pdf. Titled "Report by the Commission on the Measurement of Economic Performance and Social Progress," the Commission was instigated in 2008 by French President Nicholas Sarkozy, who asked Joseph Stiglitz, Economics Professor at Columbia University (president of the Commission), Jean Paul Fitoussi (coordinator) and Amartya Sen (advisor) to create the international commission of distinguished professors, economists, and financial specialists. The Report is addressed to political leaders, policy makers, the academic community and statisticians, and also to civil society organizations.

Moderator Ed Dodson opened the panel discussion with the comments that there is almost no consensus in the Georgist community about what ought to be done about reforming the global monetary system. We argue about the definition of money, about the role of banks, whether banks should be owned by the government and the money supply created by government or privatized. At the same time of our global crisis, the Stiglitz Report was published in 2010 analyzing the causes of the global meltdown and providing recommendations of what ought to be done.

Major conclusions reached by the Stiglitz Commissions were as follows.

* The financial and economic crisis was caused by a combination of private sector activities and flawed public policies.

* Changes in law and policy were driven by an ideological bias that markets are self correcting.

* Movement to market-oriented economics systems benefited many in some countries but worsened life for many in others where the primary economic activities are natural recourse exploitation.

* In many developing countries environmental degradation has been a serious consequence of the global financial structure.

* Globalization has been accompanied by high levels of instability, particularly in developing countries.

* Massive rescue packages have so far staved off global depression, to a certain degree positively by stimulating spending to address long-term environmental problems.

* Global discussions have been taken over by the G-20 nations, but too many nations remain excluded from such discussions.

* The need for financial reform is broadly recognized, but there is yet no consensus over needed changes in laws and regulation affecting corporate governance, competition and bankruptcy.

* There remains significant concerns over protectionist steps adopted by some governments.

* Reforms must reflect a broad view of social justice, poverty reduction and protection of the environment.

* Current institutional arrangements must be greatly strengthened, reformed and made independent of political considerations to be effective.

* The need for a new global reserve system is critical to resolve problems of shrinking aggregate demand.

For the CGO conference Ed had recruited the panel to review the Report and posed a number of questions for discussion.

Question 1. Is the Stiglitz team correct that financial markets are not self-correcting?

Nic Tideman: Sometimes.

Fred Harrison: It is self-evident they are not self-correcting at the point where some fundamental problem arises where people of their own volition are unable to overcome the obstacles that prevented the market from functioning. Is that the fault of markets or because of some other consideration is the question Stiglitz didn't address. Economists like the term market failure because it gets them off them off a lot of hooks. They tend to blame the market if something goes wrong and they don't know why it went wrong or don't know what to do about it. So it is a market failure and it apparently it does self correct at times. They actually should be recognizing that what we have is a failure of governance, and if we want the market to continue functioning in the way it would if there were no prior risks then we need to

(continued on page 2)