BOOK REVIEW

JOSEPH STIGLITZ`S PRICE OF INEQUALITY SEEMS TOO HIGH FOR FUTURE GENERATIONS

(Joseph Stiglitz*: The Price of Inequality,* Publica, Bucharest, 2013)

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1.Stiglitz's main considerations on social inequality in USA

Among the well-known Nobel prize laureates Joseph Stiglitz is maybe the most critical one of American capitalist system and in his last book"*The Price of Inequality:How Today's Divided Society Endangers Our Future"*he highlights all the flaws in the system which came out strongly along with the recent financial crisis.

It is obvious that in the last six years, from USA to Middle East and even further, people protesting in the street had the view that both economic and political system had largely failed. Young people from many countries were tired and furious on elderly leaders, on their demagogy and incompetence, who saw only their own interests and didn't care about high unemployment, social prosperity, true democracy and human rights. In USA"Occupy Wall Street" movement reflected the social injustice: many people lost their jobs, incomes and houses while very few, like bankers, had accumulated considerable wealth. It was Joseph Stiglitz who inspired the slogan of this movement: "*We are the 99%"* when he revealed the enormous increase of social inequality in US in favor of a tiny minority(1%).

Stiglitz discerns three reasons of dissatisfaction all over the world: a) the markets do not work properly, they are neither effective nor stable;b) political system has not corrected the market failures; c) economic and political systems are fundamentally unjust. The social inequality is the cause and consequence of the failure recorded by political system that leads to the the instability of economic system which contributes to the increase of social inquality, it is a vicious circle which must be broken by proper policies.The financial crisis made evident the markets instability and the lack of markets efficiency, but the most terrible market failure is the high unemployment. Even before the crisis, during the period of economic growth, the incomes of middle class have been reduced due to inflation effects. For three decades labor productivity increased faster than the wages of most employees, the result is a small increase of income and the loss of many jobs. A very small minority, around 1% of population, made up of corporation and financial institution managers, became very rich and very influential upon political parties and economic policies, being the main artisans of the crisis and not assuming any responsibility. In fact bankers acted not legally and behaved immorally within their own corporations, where organizational culture favored such a behaviour.

After three decades of economic development and the worst financial crisis since the Great Depression from 1929-1933, the middle class is heavily affected by the high inequality

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of incomes. Small groups of population (0.1% or 1%) have became very rich while a large majority of population was confronted with income reductions. For example the 1% group from the top of pyramid took advantage of over 65% from the increase of total national income in 2002-2007 period. The poor and the middle people had a large part of personal wealth invested in their own houses and the strong decrease of house prices coupled with high mortgages badly hit these categories of population. At the same time corporation managers were able to preserve their huge annual wages which in 2010 were 243 times higher than the wages of their representative employees.

After a relatively short period of visible reduction of inequality (1950-1970) market forces and government policies have led to an increase of social inequality in US while in other countries, like Brazil, there has been a reverse trend favored by public policies. If rewarding of work is not based on individual performances but on other factors, then it may undermine the economic growth and efficiency. Stiglitz refers to the *trickle-down economics,* a puerile theory meant to justify the enrichment of the top group. Stiglitz rightly questions the effect of spreading from top to bottom and does not find compelling evidence. If social inequality continuously deepens, the middle class becomes thinner and thinner. In the last three decades the wages of the 90% group increased only by 15% while the wages of the 1% group increased by 150% and those of the 0.1% group by 300%. While the stock prices quickly recovered after the crisis not the same thing happened with house prices, that's why the 1% group was 225 richer than the representative American citizen in 2010. After 1979 the 1% group benefited from 7/8 of income growth brought by capital while the 95% group got only 3% of income growth. Middle class was also eroded by deindustrialization process by which many good jobs were lost and also by a process called polarization of labor force due to proliferation of jobs for those with higher education.

Stiglitz notes that a four member family cannot actually live with an income less than 20,000 $ per year but due to the financial crisis many jobs have been lost, many incomes have decreased, the value of houses collapsed, government income and social assistance were severely affected, middle class was largely destroyed. A small increase of unemployment is quite normal for a short recession but at the end of 2011 the real deficit of jobs was over 15 million and only 38% of unemployed people received social benefits. If someone has lost his job he may lose health insurance and also his house. Most employees have been included in pension systems based on defined benefits where the individual insured person has his own responsibility in managing retirement accounts, which led to increased financial risks and investment losses. Due to high mortgage levels, to the decrease of incomes and house prices, many people are not able to pay rates on loans. When the housing bubble has been broken almost 6,500 billion $ have been lost by reducing housing market value, so the net value of households lessened considerably, especially for important minorities, like Afro-American and Hispanic ones.

Living standards of most people in USA have declined due to medical care uncertainty, increase of working hours both for men and women, personal insecurity and high crime level (2.3 million people in prisons), boomerang generation (young people forced to live with their parents), high rate of unemployment. Proportion of the poor has been on an upward trend after the crisis and attained 15.1% in 2010, but poverty indicator is linked not only to the income level but also to public programs for unemployed people and for social assistance, hardly hit by the crisis. One of six Americans is a poor one, and one of four children lives under standards, but there are enough resources to eliminate the poverty. Equal Opportunities slogan has become a myth in USA. Why? Because there is a strong link between parental and school education on one side and further economic and social position of children on the other side. A good education needs a lot of money and increasing social inequality diminishes the (future) equal opportunities and threatens the development/progress of USA in the coming decades. On the issue of success chances for poor children, Stiglitz makes comparisons with the EU countries and almost all are unfavorable to USA. The level of elementary and high school education is not a satisfactory one in USA, and although here we may find the best universities in the world, only 9% of the students belong to the bottom half of the population while 74% originate in the upper quarter. As it is difficult for those born in poverty condition to escape from it the economists call this ”Poverty Trap”. Most Americans still believe in the American Dream (Equal Opportunities) and this motivates them to work hard, but sooner or later they will realize that economic game is made on their skin.

The 1% top segment, made up especially of corporate managers, had and still has very high wages, irrespective of their real merits, some of them (bankers) had received huge bonuses although their corporations had reached the verge of bankruptcy and many employees were laid off. It is a clear case of market failure, because high manager wages not based on true economic performance and rewarding any breakdown are affecting labor productivity and commitment and also the confidence in private companies.

While in USA income inequality has constantly and significantly increased in the last 30 years, in other developed countries it has remained almost unchanged or even decreased. An important indicator elaborated by United Nations Development Program, the standard indicator of human development, adjusted with inequality, showed that USA was on the 23th place in the world. A Scandinavian country with high taxes on income- Sweden- was able to provide good education and health care for all citizens and to record a higher economic growth than USA in 2000-2010 period. High taxes have financed high public expenses and investments in education, technological progress and infrastructure which supported a relative high rate of economic growth. Gini Coefficient, a standard indicator for inequality, is low (under 0.3) for Sweden, Norway, Germany and high (above 0.5) for African and Latino-American countries, and quite high for USA (0.47 in 2009 as against 0.4 in 1980). Stiglitz urges us to look beyond official statistics, inequality is even more striking or worse than statistics show us.

USA were a model for European and other countries, but now high and growing social inequality cannot be hidden by some macroeconomic indicators, like GDP/capita. The hard situation of the bottom category and middle class contradicts the myths propagated by American political right, which promoted the deregulation of economy, market dominance and non-intervention of the state. Stiglitz combats with solid arguments the inconclusive riposte of political right in four domains and concludes: inequality is high during lifetime, one cannot deny the relative deprivation of poor people, the true inequality is even higher than show the official statistics and income inequality indicators, inequality should be debated and many very rich people do not deserve their wealth because it was largely made on the backs of the poor and middle class.

Market forces have their contribution to the degree of inequality, but government policies strongly affect these forces. During the recent recession salaries have decreased significantly while the profits of many companies have sensitively increased, which is not a normal situation. In ancient and medieval times the conception of divine right was used to justify the privileges of the rich but starting with XIX-th century it was used the famous theory of marginal productivity to justify the income inequality. Stiglitz sees the state as an active factor which settles and applies the game rules, sets the taxes and other social contributions, shares public financial resources and alters the income distribution, supports the education and human resource formation. As a suggestive example of rent hunting is the setting of corporate managers salaries by themselves based not on their true merits but on their own desires. For many rich people it is not the genuine creation of wealth their source of

enrichment but the transfer of wealth from other people, as is the case with monopolistic prices.
Stiglitz questions the role of invisible hand of market (Adam Smith famous theory) in creating welfare for all, after the financial crisis the bankers won a lot of money but the rest of society lost a lot more. If the markets are not able to bring efficient results then we face market failures, like imperfect competition, negative or positive externalities, information asymmetries, lack of risk markets. The state must correct market failures, but in USA it accepted the financial deregulation and implicit the intensification of these failures, which finally led to the financial crisis. For whom the markets are working, for the general welfare or for the individual welfare of some financial managers? When there is a fair competition environment the prices and profits are decreasing and the economy becomes more efficient, but when corporations have a monopoly power and bypass the official regulations, then high risks occur and also spectacular failures. The lack of market transparency induced the proliferation of very risky financial derivates, which brought high profits but distorted the efficient allocation of financial resources and thus they were detrimental to real market role.

In the financial sector the hunters of economic rent took advantage of information asymmetries and last resort state support. Some groups of population, especially the poor ones, proved an easy prey to abusing lending practices which the government had to ban but it did not due to massive lobby activities and consistent contributions to election campaigns. The new slogan: ”*the only thing that matters is if you lose or win”*replaced the old one: ”*you win or lose, it only matters how you play”*. There are many actors involved in income distribution, besides progressive or regressive tax systems, like the power of labor unions, effectiveness of corporate governance, administration of monetary policy. Stiglitz believes that instead of having a mutual balance between market forces and political forces, instead of curbing market excesses by the government, we have their complicity in increasing disparities of income and wealth.

Hunting of economic rents takes many forms: government transfers and subsidies, laws permitting less competition, lax enforcement of competition legislation, jurisprudence favorable to corporations. An easy access to natural resources in the resource-rich countries is notorious for hunting of economic rent, the benefits brought by the exploitation of natural resources usually return to few politicians and corporations that grabbed them at prices far below real market prices. Public procurements made at very high prices represent another form of economic rent hunting, the same is true for front or hidden public subsidies. The government did not effectively counteract the hunting of economic rent by applying the legislation in competition field, against abusive lending, in corporate governance. Many brilliant people have not become very rich, instead many rich people have exploited market power and other market imperfections. Many billionaires have seized state assets at an insignificant price (not only in Russia), while corporate managers have set their salaries at levels that defy any common sense rule, very often they were helped by very skilful lawyers and juriconsults in manipulating and interpreting of legislation.

As concerns the monopolistic rents sometimes it is the state that offers such a unique market position, protected by registered patents, or permitting a crushing supremacy of one or several companies (Microsoft is a good example). Stiglitz finds three factors that have contributed to the increased monopolization of markets: imposing ideas of the neoliberal Chicago School on unconditional freedom of the market, seen as having competitive nature; new dynamic sectors with network externalities; new and insidious ways of blocking competitors market access (like Microsoft, not a great innovator, did several times). The high degree of concentration in a market, like in banking sector, has led to tacit agreements, as it is the case with reference interest (LIBOR). Good competition laws must be enforced properly, but politicians do not often have the interest to make it. Stiglitz points to the regulators capture, people from regulatory agencies come from private sector or are heavily influenced by it (so-called cognitive capture).

Many times the state was very generous with public money, in overstated public procurements (Medicare), in supporting banks and insurance companies with taxpayers money, in offering a lot of funds to the banks with very low interest(by Federal Reserve), in charging modest royalties to the exploitation of natural resources, in imposing high custom duties for imports, in granting huge subsidies to different sectors and subsectors of the economy.

For Stiglitz, who is not a declared follower of neo-institutionalist doctrine, it is obvious that markets are strongly influenced by laws, regulations and institutions, all having distributive outcomes. Societal norms and social institutions shape also the market forces.

Stiglitz focuses on the labor demand and supply and their influence on salaries. In USA deindustrialization process associated with a steady increase of labor productivity caused the loss of millions of jobs well paid and requiring a good professional qualification, which were partially replaced by less qualified jobs and jobs requiring university education. But labor mobility is not so high due to the high costs of good education and geographical relocation. State may adopt laws affecting income distribution in the field of labor unions, corporate governance, competition, bankruptcy and public sectors wages.

Globalization of trade and globalization of capital markets have their part of contribution to the increase of social inequality. There is a fierce competition to attract foreign capital based on low salaries and low taxes. Free movement of capital and financial deregulation brought many new jobs but increased the systemic risks considerably and induced a rapid propagation of any local/limited crisis into the world economy. Even the IMF has recognized the dangers that excessive and unrestrained financial integration raises to all countries. Financial crises usually provoke many losses, lead to a high unemployment and to the decrease of wages, to austerity policies, to privatization of state assets at very ridiculous low prices. Among the big winners of the crises one may encounter those most guilty of them, like famous bank Goldman Sachs.

Importing cheap consumer goods from China and other Eastern Asian countries may lead to less jobs and lower salaries in USA. Opening financial and goods market may lead to a higher degree of volatility of these markets inducing many companies to avoid efficient risky activities. Although the globalization process contributes to economic growth, measured by GDP, not all categories of the population are the winners. The technological progress, mainly the automation and robotics of production, together with free movement of goods, have greatly reduced the good jobs of middle class in US and EU, unfortunately the destruction rate of jobs surpassed that of the creation of new jobs, at least in the last 6 years. Some few countries from Asia, like China, have fully benefited from globalization, but most countries have not. The true main winners of globalization were the transnational corporations which made huge profits due to very cheap labor and natural resources.

What does flexibility of labor market mean? Weak labor unions, lower real wages, more and more part time jobs, a lower growth of hour wage in relation to productivity gain, decrease of wages share in GDP as against profits share? If the labor unions are very weak and public supervision is somewhat lax then corporate managers may capture huge incomes at the expense of their employees and shareholders. Stiglitz noticed the cynicism of one official of Obama's Administration who claimed that it was imperative the bonuses of AIG managers to be paid while in the auto industry the workers had to accept a significant wage reduction. The corporate managers are very cynical too when they offer themselves huge and unworthy rewards while reducing the staff and cutting the employee salaries.

Stiglitz insists upon the negative discrimination against large social and ethnic groups such women, Afro-Americans, Hispanics etc, who are less paid and find much harder a new job, especially if they do not have university education, these disadvantaged groups have been an easy prey for the banks before and after the crisis.

Instead of correcting market forces American Administrations have reduced the tax level applied to the rich people, the marginal rate of income tax decreased from 70% during Carter Administration to 35% during George W. Bush Administration, the most controversial aspect being the sharp decline in tax on capital gains, which reached 15% (from 35%). While financial speculators and investors are symbolically taxed, those who work very hard for a decent living pay very high taxes. In USA the first 90% of population pyramid collects less than 10% of total capital gains. For the 400 richest Americans salaries represent only 8.8% of total income while the capital gains represent 57%, dividends and interests 16%. They paid an average income tax of 16.6% in 2007 compared to an average tax of 20.4% for ordinary taxpayers. Higher taxes on properties and inherited wealth may represent an useful instrument to alleviate the social inequality and to avoid turning US into a country of inherited oligarchy. The share of profit tax in the total federal incomes has decreased from 30% in 1954 to less than 9% in 2010 due to legislation changes and special provisions. The taxes levied by member states of federation are not progressive ones and most incomes are brought by tax on sales (a sort of VAT without deduction in US) paid mainly by the poor and middle class.

One may see a segregation in metropolitan areas between houseowners and tenants that depreciates the civic quality of local communties. The unemployment rate is much higher among ungraduated people as long as you have graduated an university you my get some good job opportunites, but enough companies may ask you to work some time without being paid or with a token payment, only if you come from a rich family you may afford not to be paid for a while.

Very rich people have enough financial resources to influence government policies and official institutions for preserving the inequality instead of promoting social cohesion through a fair distribution of income. Merits assumed by many enriched businessmen are also those of past generations and other actors/domains. Wage incentives were used by corporate managers only to their own interest regardless of their own contribution and performance. Stiglitz thinks that social inequality has grown too much to be ignored and tolerated, and among determinant factors mentioned before we could also include greed, lack of scruples, and absence of empathy. Are these values characteristics to capitalist society or old imperfections of human race?

Stiglitz blames high and growing social inequality because it affects the efficient and normal movement of the economy, which is neither stable nor viable on long term. Rich people oppose to higher taxes needed for financing education, health care, research and technology, infrastructure. The unequal distribution of income in favor of rich people, that usually spend less on consumption, negatively affects consumer demand of the poor and middle class, the housing bubble has temporarily hidden that aspect. In USA the deficit of aggregate demand can be attributed to the inequality extremes, as the 1% category earns 20% of national income, if it would lose 5% in favor of other categories then the aggregate demand would increase by 1% and GDP by 1.5-2%, while the unemployment rate would decrease from 8.3% to 6.3%. The 1% group has tried to restrict state spendings and made lobby for tax reduction meant to encourage private consumption, but this did not work and the burden of counteracting weak demand fell on Fed, that slashed interest rates creating the conditions for speculative bubbles which usually bring after them an economic recession. At the same time companies paid too many dividends to shareholders and made too little investment due to reduced liquidity reserves.

Stiglitz blames Alan Greenspan and other Fed leaders for promoting the ideology of social inequality and efficient markets which led to the high tech bubble and then to the housing bubble, the first one brought some technological progress, the second one brought a real disaster for millions of householders, banks and economy. Another very harmful factor was the deregulation process supported by corporations and rich people. Abrogation of Glass-Steagall Law (1933) in 1999 led to the proliferation of overrated financial speculations and dangerous innovations which increased the systemic risks and induced a lot of damages for banking debtors/clients. Financial sector brought a certain contribution to GDP growth rate and a consistent one to the wealth increase of people working in the financial activities, but these cannot compensate the huge damages/losses caused by the financial crisis and then by the economic instability. A vicious circle arises: the social inequality leads to economic instability, on its turn the instability leads to more inequality. Even IMF, which applied evil policies for the poor people from developing countries, was forced to recognize the positive role of low inequality and sustained growth, the importance of employment and fairness for economic prosperity and stability and also for political stability and peace.

Private sector is the engine of economic growth, however it depends on good performance of public sector. The state supplies the physical and organizational infrastructure of economy, which usually needs transport infrastructure, education, fundamental research and other conditions for proper functioning. That is why investments in public goods are so important for the whole economy, for its productivity level and for its steady growth. For several decades USA have not invested enough in public goods and the insufficient allocations for education and research made in the last two decades will have negative effects upon economic situation in the future. The rich people do not care about investments in public goods, they have enough money for their needs, so they do not want a powerful state involved in income distribution and in public goods investments. For a good education children need a strong financial support provided either by their parents or by the state, but the quality of public education (70% of all colleges) is quite low, moreover the quite burdensome programs of student loans failed to ensure the high quality of education.

Hunting of economic rents implies a large resource waste, a lot of money (3.2 billion $ in 2011) is allocated for lobby activities. There are 3100 lobbyists for health care sector and 2100 for energy and natural resource sectors, they do not perform any productive or social useful activity but are only bargaining influence for the companies paying them. Hunting of economic rents distorts the allocation of human resources, many talented young people have turned to financial sector where they made a lot of innovations useful only for the profit level. There are sectors, like health care and telecommunications, where there is a limited competition and high prices, high marketing budgets and high profits, but all these badly affect employment and real investments in other sectors. Are USA spending too much for health care (see the amplitude of Medicare program) or are the profits of drug companies too high? When competition is very restricted we do not have economic efficiency and there is a large resource waste. The price system does not reflect the resource scarceness, the impact of economic activities on environment, the sustainability of economic growth.

Stiglitz was the chief of the Council of Economic Advisers during Clinton Administration and that time he proposed the introduction of a new national account, called *Green GDP*, for measuring the depletion of natural resources and degradation of environment, but mining industry made an effective lobby in the Congress against this project. When the environment regulations are influenced by the strong lobby made by oil and mining industries, the living standard of population is negatively affected by the high pollution produced by these. Governance of the 1% group is ensured by lawyers for their own benefit, out of 44 American Presidents 26 were lawyers and more than 1/3 of the members of the House of Representatives are lawyers. The legislative system may be interpreted in many ways by an army of lawyers who charges fantastic fees but this process produces a massive waste of time and a great distortion of resources, having also a negative influence on macroeconomic indicators. Instead of having an ex-post legal accountability system it is necessary an ex-ante system, for preventing any possibility of persons injury.

The 1% group, which practically represents a sort of modern oligarchy, strongly distorts the economy and foreign policy, using a lot of taxpayer money to save the banks from bankruptcy or to start wars in resource rich countries. Spending more money for arms race and wars means spending less money for social programs and tax benefits assigned to the poor and middle class.

Stiglitz refers to the theory of wage efficiency, elaborated by Alfred Marshall more than 100 years ago, which shows the impact of motivation and salary level of employees on labor productivity. If many people, especially in the middle class, are facing great difficulties and concerns labor productivity will be negatively affected. In Stiglitz'opinion stress and anxiety may prejudice getting new skills and knowledge and the employees should be treated and motivated fairly by the managers. Stiglitz mentions also the old communist slogan: *they feign to pay us, we feign to work for them.* A clear conclusion results: the wage level depends on labor productivity and when this increases the wage should be raised. Many Americans are working hardly for a better living, for their families, for getting more wealth, but too much work harms private life. It is also obvious there is a tendency toward excessive consumerism in USA driven by aggressive advertising and sales campaigns. The high inequality of wealth and income badly affects the opportunities of many young people, because their future largely depends on the public education quality and their parents wealth and income. Stiglitz believes that the systems of financial stimulants existing for managers and employees do not focus on quality but on quantity. These stimulants have led bankers to take excessive risks and to adopt deceptive and non-transparent accounting practices without any accountability. The bankers fiercely opposed to any accounting reform, especially targeting the incentive remuneration by share purchasing options. Deficiencies of corporate governance were quite obvious as they offered good opportunities to the managers to impose enrichment wage systems without any condition related to individual or company's performance.

Stiglitz deems that economists have underestimated the importance of individual competitiveness and overestimated the selfishness of individuals, another deficiency is represented by so-called rational individualism within economic behavior, but this approach focusing on individual and profit has led to more inequality and was quite counterproductive. Cutting the taxes significantly, on incomes and profits, starting with Reagan Administration under the influence of the ideas of the most well-known supply sider Robert Mundell, have led to high budget deficits and also to enriching the rich. A progressive taxation is meant to foster the degree of correctness and productivity, to regain confidence in the system, to eliminate the preferential provisions of tax code that favors wealthy people and corporations.

In USA social inequality was determined and amplified by political action, in a true democracy it would prevail not the will of the 1% group (so called elites) but that of the average citizen represented by the principle one man one vote (and not one dollar one vote). *A legitimate question arises: are true elites those that promote only their own interests and not the public interests*? Federal Government did almost nothing to punish the banks and other corporations that have broken the law. Usually people vote not because they are forced by law (in few countries voting is compulsory) but because they have civic consciousness. People may be influenced or stimulated to vote by political propaganda and faith in the democratic system, but they may be discouraged or disappointed by the system. Stiglitz emphasizes the importance of social capital, concept related to good governance. In USA the institutions (public and private) are facing a huge erosion of trust on behalf on most citizens. The banking and financial sector has lost all citizens trust due to many frauds, tax evasion and frequent abuses (see the credit cards), it is obvious that banks, like Goldman Sachs, do not give a damn on investors trust. It seems to Stiglitz that during the recent crisis big corporations did not give a damn too on employees team spirit, their loyalty, human capital. This stupid attitude badly affects social capital and cohesion. Real democracy requires trust and social contract, also understanding the responsibilities and rights of individuals.

For most US citizens equity matters, and perceptions of injustice influence the employees behavior. A survey conducted in December 2011 showed that 61% of Americans think the economic system favors the rich. Stiglitz believes that people must be well and correctly informed by an active and diversified mass media, unfortunately the media companies belonging to the 1% group have a clear domination on media market. In USA one can vote only people that have an identity card (driving license) and are registered on electoral lists. Poor people and those who are not well informed are practically discouraged to vote. A quarter of citizens (more than 50 million) eligible for voting is not registered as voters in USA. In 2010 US Supreme Court decided that companies may spent whatever they want for financing election campaigns. But money support given to a political candidate who would endorse a favorable law project means corruption, which undermines the trust in American democracy. For middle class voting is an essential aspect of democracy because the existence of a fair and equitable rule of law (state) is vital for economy and society. Political system serves only the interests of the rich, hence the distrust of most citizens in it. The fact that citizens are suspicious and disappointed by politicians is reflected in low voter turnout, youth participation being even lower. Stiglitz agrees a compulsory voting, like in Australia, in order to better reflect the general wishes of society and for having politicians with full legitimacy and representativeness. He wants a legislative reform for financing the election campaigns to which corporations and media trust are fiercely opposing. Strict regulations targeting banks required by the majority of voters were diluted by US Congress, that appealed to compromises favorable to large corporations.

Globalization of financial markets is managed in favor of big corporations and the 1% group. IMF is an effective instrument for representing the interests of international creditors. Financial corporations resort to the support of well known three rating agencies (all American) and exert political pressures on other countries. They have also used the World Trade Organization for liberalizing financial markets and for imposing weak regulatory regimes in developing countries. USA have used bilateral trade agreements and NAFTA to support/promote the interests of American corporations in other countries. Blackmail was sometimes used by corporations to protect their privileged positions in the economy and to preserve a distorted competition environment, undermining the principle of progressive taxation in favor of *fiscal competition.* The American capitalist model is no longer an attractive one and has lost much of its good influence in the world. At the same time it has increased the importance of global governance (see G20 role) for promoting the interests of all countries, not just those of USA. In the past America has promoted brilliant values or ideas about equality, human rights, democracy, free market but what kind of values can be offered now to other countries when social inequality in your own country became so pronounced and when only the corporations interests matter?

How can 99% of population be manipulated or influenced by the 1% group as having common interests? Long time economic science has resolutely assumed that people have well defined preferences and rational expectations, which is not true. Corporations are using psychological and economic means for strongly influencing the people preferences and beliefs. As a result many naive and credulous people underestimate the effects of social inequality and the government capability to reduce them, they do not well perceive the huge increase of inequality in the last decade and all these mistaken perceptions have an important influence on political process and on public policy decisions. Nowadays the 1% group detains more knowledge on the methods of influencing the preferences and beliefs of many people.

The modern behavior economics rendered evident how *the framing* (context) influences people preferences, how the individuals process information tallying with their own pre-existent opinions, how the advertising (marketing) activity is molding people perceptions.

Keynes, the father of macroeconomics, is mentioned by Stiglitz for highlighting the great influence of economists and political philosophers'ideas on ordinary people. George Soros called subjective influence on the functioning of the economic system as *reflexivity* and he took full advantage of this phenomenon. Stiglitz thinks that financial deregulation is a major cause of the recent crisis, while Republicans blame the government policies for the market failures. Appealing to equity, efficiency, justice in the public discourse of the rich and government officials shows much hypocrisy and justifying the large salary inequality is ridiculous, because it does not take into account the negative effects upon economic stability, labor productivity and political democracy. Now there is a fierce theoretical confrontation between political right and political left, between neoliberals and neo-keynesians, on the market strengths and state's role in the economy. In the last three decades, the ideas of libertarians, advocates of minimalist state, had prevailed and the result was the strong increase of social inequality, but in 2008 it was the state which had to save the rich bankers from extinction using taxpayer money. The failure of communist system in which state had a dominant role in the economy gave libertarians a handle for claiming the supremacy of market forces, but Stiglitz rightly believes that there should be a balance between the market role, state role and civil society role. In East Asia it has been imposed the idea of developer state by orchestrating the economic development with the help of market mechanisms, which was able to achieve a high economic growth and a substantial poverty reduction.

In the battle of ideas, for the formation and manipulation of public beliefs, there have been used economists, experts, politicians as important actors and education, mass media, tricky campaigns as means of influence. For instance any large state program, like Medicare, may be blamed as a kind of socialism, although healthcare providers are private ones.

Americans believe in the power of incentives on the markets, therefore corporate managers have set huge bonuses for them transformed in loyalty ones when their performance was a very poor one. Credit cards companies have imposed the rule of no overcharge for merchants, although they charge very high fees from them. In commodities markets and stock exchanges prices should reflect the supply/demand balance and true value of traded assets, they would have a revealing role, being fully efficient as they are revealing all the information needed. Large volume of transactions, computerized algorithmic trading, extreme volatility of prices, inside trading show how little informative markets have become and how little you can rely on the information supplied by traders and brokers.

Stiglitz pleads for tax on inheritance, for banks restructuring and recapitalization involving shareholders and creditors, and not taxpayers money, for not rewarding generously the inefficiency of managers, for restructuring the mortgages by reducing the principal value, debt conversion, allowance of the losses in the bank balance sheet and keeping the houses by indebted owners. Moral hazard was invoked for not exempting house owners from their debts, but not for the banks. Cynicism peak was attained by bankers allegations against house owners, whom they blamed as reckless and speculators, when in reality their own greed overcame any reasonable limit.

For Stiglitz the great ideological battle is deploying nowadays between the advocates of free markets and those of state important role, this confrontation concerns all areas of public policy. Right-wing politics wants rules of the game only favorable to the wealthy people but market failures can be counteracted only through public(government)policies, if one ignores this matter then income inequality and its negative consequences are also ignored. Despite of some breakdowns, the state was able to promote technological progress on a large scale, in USA the average social profitability of state research/development activities exceeded by over 50% that of private sector activities. For instance Internet was created by state but many products and applications were developed by private companies like Google, the first browser was also created by state and improved by private sector. If you compare the market failures with state failures you may easily see which ones are the most harmful for the economy. In countries like China and Scandinavian states one may notice the important role played by the state in economic growth, in increasing the living standard, in redistribution of income. This blatantly contradicts the idea of minimal state promoted by right wing politics, that strives to reduce the state powers, to privatize all state assets and activities, to oppose to any public regulations.

After the Great Depression from 1929-1933 state managed to regulate the financial sector with the result of four decades of financial stability and rapid economic growth but the deregulation process associated with less supervision, which started with Reagan Administration, led to instability, moral hazard, fraud and less competition. If private medical insurance companies are less efficient than state Medicare program, if private life insurance companies are less efficient than social insurance state program, if private contractors charge twice the amount paid to state employees for the same services how can you argue the supremacy of private sector over public sector? Is always privatization of state assets the best economic solution? Even in USA and other developed countries there are enough examples of privatization failures whereas in transition and developing countries we may see many such examples. If George W. Bush would have been able to privatize public social insurance system, today the elders would have lost most of their pension savings. In California, the disastrous liberalization of electricity market allowed a shameless manipulation of supply and prices by Enron and the enrichment of its managers (very good friends with the Bush Administration).

Stiglitz knows very well what huge subsidies the corporations have received in the last decades, all culminating with the immense financial aid given to the banks, AIG and auto producers in 2008. But these subsidies and aids have contributed to high budget deficits and to an enormous public debt. Stiglitz is not an IMF fan: on the contrary, on previous occasions he strongly criticized IMF structural adjustment policies imposed to transition and developing countries, promotion of the interests of global finance, use of discredited economic doctrines. IMF has backed the liberalization of capital markets that would help the speeding up of economic growth, in reality it was seen that it brought only more financial and economic instability. In the past Stiglitz had some disputes with IMF on financial governance, as he was sustaining the idea of some control mechanisms of capital circulation, but after the crisis IMF has nuanced its position, accepting Stiglitz ideas and also the restructuring of sovereign debts.

Stiglitz is disappointed with the standard method of measuring economic performance (that is GDP/capita) which is not able to accurately evaluate the importance and contribution of health care and education sectors. GDP indicator does not take into account the sustainability, the unequal distribution of income, other aspects of growth, here's why Stiglitz thinks new and improved macroeconomic indicators are needed and may be assigned under the guidance of G 20, OECD, United Nations etc.

Stiglitz enters the field of neo-institutionalist school when he addresses the relationship between property rights/externalities and distribution problem, finding that concepts like freedom and justice cannot be separated. Rules and regulations are developed to protect the liberty of some people of others abuse, but if the economic power is unevenly distributed, the rich people may use the political power to preserve social inequality and to promote a specific and favorable legislation for their own benefit and not for the public interest.

During real estate boom some member states of the federation, like Georgia, tried to impose a legislation for protecting consumers from banks abusive practices and frauds, but they were hampered by rating agencies, like Standard and Poor's. Even if a regulation agency for consumer protection was created under Dodd-Frank Act, financial institutions blocked the appointment of Elisabeth Warren- an unfriendly person- as president. They were also able to influence US Congress to change in favor of creditors (banks) the personal bankruptcy law in 2005. In USA banks set usurious interests rates and commissions jointed with credit delusive practices which brought to the verge of ruin many households and in despair tens of millions of people. In the last 25 years the financial support offered to universities by the states was replaced by the perverse system of student credits, guaranteed by the state. Although 80% of the students do not graduate and the education quality is quite poor or futile most students become indebted to banks for all life. But private universities make a profit of 30 billion $ per year, of which 90% come from revenues based on federal programs of student credits and federal state aid.

Micro-credits for poor people, most of them peasants, promoted by Grameen Bank (India) and BRAC (Bangladesh), have transformed millions of human existences but later failed almost everywhere due to greedy bankers.

What happened in USA with mortgages is meaningless, as the banks have not even kept accurate evidence of book debts and debtors, MERS being a faulty and tricky system. Although the banks repeatedly lied in the courts on debts evidence they have not been accused of frauds in foreclosure of mortgages. Around 8 million of people were affected by repo and many lost their houses. Homeowners had to demonstrate in court that they did not owe money to banks and not vice versa. But in American justice system innocent people are protected and there is the requirement to bring clear evidence in supporting the allegations. Many people lost their houses without being heard by a judge, in USA laws are favoring corruption and corporations while in some transition countries, like Russia, laws do not matter at all, and the state was captured by mafia groups, including oligarchs, interlopers, tax dodgers, property sharks. Even some general attorneys, like Martha Coakley (Massachusettes), tried in vain to reach an agreement with banks which were accused of bad faith and frauds. *Too big to fail does not mean too big to obey the law.* Financial sector took care that rule of law always works in its favor and against ordinary American.

In USA access to justice system is a very expensive one which favors large corporations and wealthy people. There is also an expensive and unfair system of intellectual property rights which the lawyers and corporations get the best out of it. Armies of lawyers are engaged in lengthy and extremely costly lawsuits brought by corporations against other companies or against the state, this means extracting high economic rents and also a huge waste of resources. US Securities and Exchange Commission filed many actions against Citibank and other banks for frauds, but usually compromises were made through the payment of high fines. This happens because the state does not have enough financial resources for lasting suits, so that banks are the only winner and the losers are all those who trusted them. Some banks and corporations are old offenders and they should be severely punished, but very often guilty managers have already left the company. Here we have the evidence of inadequate corporate legislation that protects those truly responsible for violating the law: general managers and boards.

After the crisis the obsession of austerity programs haunted in USA and EU, in the summer of 2011 the Republicans blocked the adoption of budget rejecting the increase of debt ceiling and asking for a substantial reduction in budget deficit, either by cutting spending or by raising taxes. But the true difficulties were related to high unemployment, growing inequality and the difference between potential output and really achieved output of economy. Ten years ago USA recorded significant budget surpluses (2% of GDP) which caused serious concerns to Alan Greenspan, Fed's president, on the management of monetary policy. Soon surpluses turned into deficits due to tax cuts, immense war spending for Iraq and Afghanistan and other useless and inflated military expenses, newly introduced benefit of Medicare Program to compensate some medicines, economic decline caused by Great Recession (in 2012 the achieved GDP was almost 900 billion $ under real potential).

If all these factors are eliminated USA may resume economic growth and it will be ensured the full employment of labor. Lower taxes on capital gains have fueled the two speculative booms (bubbles) and lower taxes on dividends did not encourage the productive investments. Stiglitz wants a hefty fee on all types of rent that would reduce inequality and rent hunting, which are distorting the economy and society. He also wants taxes on all activities with negative externalities, such as energy, resource extraction and mining, chemical industry, financial speculations etc., like tax on pollution, tax on financial transactions. The royalties paid for natural resources must be increased significantly, hidden subsidies must be forbidden, tax exceptions and special provisions should be removed. Stiglitz suggests a 10% increase of income tax paid by the rich people that would generate extra budgetary revenues equivalent to 2% of GDP. In the next 10 years trillions of dollars would be collected from all such taxes, fees and duties. But the 1% top group does not want the introduction of new taxes and the increase of other taxes because it would lose a significant part of huge revenues in favor of poor people and middle class.

The political right (Republicans) promotes a strange combination of supply side measures and demand side measures, they want deficit contraction, tax decrease, drastic reduction of public expenditures, a major restriction of state role. As the political right wants to protect the military spending one should be drastically reduced the spending for education, research and infrastructure but this would badly affect the future of economic growth. Now the state might borrow very cheap a lot of funds to invest in strategic areas, as education, public investments having a high level of profitability. But the *deficit fetishism* gained more ground in the political arena, including the center of political spectrum, with the support of rating agencies and international organizations.

To stimulate the economy Stiglitz proposes a strategy based on the long tradition principle of balanced budget multiplier: a simultaneous increase of taxes and spendings given that current deficit remains unchanged. It highly depends on what kind of taxes is increased and where spending is directed, but the economic growth will lead to a raising of taxes amount and implicitly to more revenues. Funds should be allocated with priority to programs with a high multiplier value. Stiglitz strongly believes in a progressive tax system which would reduce the social inequality and stimulate the economy. *Economic principle of propagation the positive effects from the bottom to up may work, even when the propagation from the top to bottom does not take place.*

Sovereign debt crisis from Southern Europe, Greece being the worst example, or Eurozone crisis led to imposing of harsh austerity programs meant to cut the deficits and public debts. But one cannot compare Greece situation with that of USA, which may print a lot of dollars, may sell government bonds to many countries, especially to China, paying very low interests. While Fed is a major buyer of government bonds European Central Bank is not a significant buyer of Greece bonds. While USA have a strong economy and their own monetary policy, Greece has a weak economy and no monetary policy. The single currency-euro- has eliminated two adjusting mechanisms: exchange rate and interest rate and has not put anything instead. The best economic situation in Europe may be seen in two countries that did not adopt the single currency: Sweden (a member of EU) and Norway (not a member of EU) but where the state is strongly involved in economic policies and in social assistance.

A program for cutting the deficit, like that proposed by Bowles Simpson Commission, focused on the reduction of income tax for the rich people and on profit tax for the corporations, three fourth of deficit reduction coming from diminishing government spending. Stiglitz, a former supply sider, finds out that supply side policy applied by Republican Administrations (inspired by Robert Mundell ideas), centered on tax reduction, failed to trigger a higher economic growth. If the tax deductions allowed to middle class (for mortgages interest, for health insurance) are removed then people will have a real tax increase. Fiscal credit given to poor people and middle class would stimulate personal investments and savings, also real estate market. Cutting budget deficit is an easy task if the price is paid by rich people and corporations and not by ordinary people. For Stiglitz it is not the supply side that matters but the demand side, the big corporations have enough liquidities for investments but there is a weak demand for their products and services. It would have to find the optimum way of stimulating demand by increasing the incomes of the poor and middle class.

Monetary and fiscal policies must support the full employment of labor, excessive military spending and exaggerated corporate assistance do not create jobs but just waste valuable resources (financial and human). Probably one should end the myth that corporations are the engine of economic growth in favor of a greater role for SME, which are providing anyway the most jobs and have a high dynamic and flexibility and which do not face a lack of liquidity but a shortage of demand for their products and services.

The political right wants the privatization of public social insurances (pensions) and public health insurances, which are confronted with some small deficits and requiring some adjustments, but these public services have established a kind of security for the elderly and sick people. Private pension and health funds under the great risks of capital market represent something similar to roulette playing, any crisis may bankrupt them. If Wall Street could get its hands on public pension fund of 2500 billion $ it would collect at least 25 billion $ per year. The reform of Medicare system by capping or reducing the spending was repeatedly asked by Republicans and led to a new budget deadlock in October 2013. While the political right wants a pronounced and rapid cutting in social spending, Stiglitz thinks it will take time and gradual steps to reform the two systems in order to avoid an immediate effect on the current deficit.

Another example of insolent cynicism is the reproach brought by the rich to the poor and unemployed people for not willing to find a job at a time when there not enough job opportunities in USA. It is not true that United States have the most flexible labor market, its performance was worse than that of other countries where there is a greater protection of labor (Sweden, Germany) and where salaries were not cut affecting total demand and economic growth. More public investments are needed for sustaining economic recovery and the decrease of public debts on long term. Does austerity policy lead to regaining of investors and consumers trust? Austerity measures create unemployment and GDP contraction (see the case of Greece, Portugal, Spain, Ireland). In the past only some small countries with important export activities have recovered after an austerity period and there is enough evidence that austerity has led to economic recessions and depressions in many countries. Government spending programs, like New Deal, have contributed to economic recovery, although sometimes their importance has been greatly overestimated.

Economic stimulation package of Obama Administration (800 billion $) had limited effects because the government underestimated the duration and magnitude of the crisis, relied too much on the recovery of real estate sector, downplayed the importance of structural transformations (deindustrialization), neglected the effects of high income inequality on consumption and savings, overestimated the role and dynamics of private sector.

Based on Keynes contributions Stiglitz resolutely believes in multiplier effect of public spending in times of high unemployment and economic decline, provided they move toward high-yield investments that facilitate the restructuring of the economy (a supply side measure). Public investments are very profitable, they also increase the gains brought by private investments (crowding-in effect), on medium term the deficit is lower and consumer confidence returns. A structural reform of economy, driven by public investments, is needed by shifting resources towards new dynamic sectors. In European countries where austerity programs are implemented the stress is put on accelerating structural reforms, which affect several domains and policies (privatization), having positive effects on supply side on medium term. Stiglitz is worried about weak consumer demand due to decreasing incomes and in EU nothing is done to stimulate the demand, the engine of economic growth.

There is an inverse relationship between inflation and unemployment, and inflation targeting policies have favored the holders of financial assets. Central Bank- Fed- had trusted in risk management performed by banks, they have won a lot, the rest of society lost enormously. Macroeconomic policy has contributed together with Fed's monetary policy to the increase of social inequality, e.g. too high unemployment led to wage dropping and lower incomes of employees, affecting the level of consumer demand. Stiglitz is concerned about an economic recovery in US without jobs increase. He thinks that two myths have crumbled in the context of last recession: a) inflation targeting brings economic prosperity b) a central independent bank ensures the economic stability. A high inflation may produce some efficiency losses but the waste of resources in the context of under-utilization of economic potential may produce very large losses.

High unemployment caused by the crisis pushes down the wages, and their recovery tendency attracts banker reaction on combating inflation by increasing the interest rates and tightening the credit conditions. Between 1980 and 2005 labor productivity increased 6 times faster than the wage rise, and due to inflation in 2011 the real minimum wage was 15% lower than in 1980. Automatic stabilizers, like spending for social assistance, usually mitigate a recession shock while the so-called salary flexibility leads to the decrease of aggregate demand and exposes the economy to a major shock.

Stiglitz blames Fed for using excessively and often ineffectively the interest rate and ignoring other levers, noting that very low interest rates are reliable for fueling the speculative bubbles, for the tendency of saving more money by some categories (the elders) and for inflating the stock prices. Fed offered a lot of funds to the big banks during the crisis without any conditions and with a modest interest (under 1%) which could be used for profitable investments, but unfortunately this policy did not help the economy but has only enriched the bankers. The financial deregulation promoted by American Administrations and by Alan Greenspan (Fed's president) led to excessive expansion of financial sector within the economy and to the exploitation of most people by greedy and unscrupulous banks. Regarding the strict regulation of awards scheme, the use of derivatives, the degree of capitalization, after the crisis it was not done much. The banks size is another thorny issue, *too big to fail may also imply too big to exist*, but Fed's presidents did nothing on this matter: no legislative solutions, no new regulations on strategic and institutional management, no new taxes.

Independent central banks from USA and EU were captured by financial sector that was able to impose an excessive deregulation of financial markets. Regulators apply favorable policies for the regulated ones when coming from the same sector, e.g. in USA Wall Street financial sector influenced the Fed's board appointment, some Nobel Prize winners in economics being proposed as governors were rejected by the Senate. However some Fed's governors have noticed that high unemployment and lack of demand are key issues to be solved on short and medium term. Stiglitz is a fierce critic of the Fed and its monetary policy: he reveals the contradictory policy measures proposed and applied by Alan Greenspan and also the lack of transparency in Fed's activity. New York Fed's chief helped the banks that have nominated him in this important job. AIG insurance company was saved under the best possible conditions because the main beneficiary was Goldman Sachs. Moreover Fed was the lender of last resort for some foreign banks, which is completely unusual and quite strange. Some former investment banks, like Goldman Sachs, borrowed large sums from the Fed, albeit they were pretending to have a very good financial situation. Before the crisis Fed did not succeed in maintaining the economic stability and after the crisis it failed to bring the economy to normality.

Stiglitz thinks that European Central Bank, which only targets the inflation in Eurozone, performs even worse than the Fed, as it had weak and delayed reactions to the sovereign debt crisis, advocated for a voluntary restructuring of Greek debt (CDS contracts having no insurance role), tolerated an insufficient capitalization of banks even after the stress tests were made.

Stiglitz highlights the theoretical confrontation of ideas in economics between the followers of Milton Friedman, the leader of neoliberal (monetarist) school from Chicago University, and the followers of John Maynard Keynes, among them being John Hicks, Franco Modigliani and Paul Samuelson. While Milton Friedman strongly believed in markets freedom and omnipotence, he ignored the importance of market failures, minimized the state role, overdid the importance of money supply, neglected the function of monetary policy in ensuring the full employment (anyway market forces would correct any deviation from full employment). For Milton Friedman The Great Depression(1929-1933) was not a market failure but a state failure, because the Fed let the money supply to fall, as a result Ben Bernanke flooded the economy with liquidity, from 870 billion $ borrowed to the banking system (by buying state and other bonds) in June 2007 it has been reached to 2,930 billion $ in February 2012. Banks were saved by these funds but the economy has not revived. Milton Friedman was against any regulation of banking sector, but the experiment of a banking system without restrictions implemented in Chile proved to be a memorable failure (see the crisis of 1982) and the government needed a lot of funds and time to cover its debts. Illusion of free markets promoted by neoliberals proved profitable only for the financial sector and its managers and deeply damaging for the rest of economy. The monetarist claim that there is a constant velocity of money circulation showed to be a resounding failure, but this assertion was replaced by a new religion: inflation targeting.

For Stiglitz inflation targeting is based on questionable assumptions, hyperinflation was a problem in some periods after the Second World War but mainly due to factor cost rise (labor, raw materials, energy, interest rate) than due to high demand. Some countries faced imported inflation due to the increase of international prices of energy and food products. A higher inflation (around 5-6%) may cause some losses but they are almost negligible compared to those provoked by a financial breakdown. If the few major holders of bonds and stocks are benefiting from a low inflation, instead high unemployment affects enough people. There is not a stable relationship between unemployment and accelerating inflation rate, also the cost/benefit ratio of higher inflation is not easy to determine. Stiglitz is strongly convinced there is not enough aggregate demand in the economy, the state should support the increase of demand and promote active labor market policies.

At the end of his book Stiglitz goes forward with an agenda of seven reforms: reducing the rent hunting and leveling the playing field, reform of tax and fee system, reform of education and social assistance, tempering the globalization, a new social contract, restoring the sustainable and equitable growth, a political reform. Stiglitz sees achieving the economic growth based on large public investments, having priority the demand recovery that must precede increasing the supply of private sector. Supply side policies are under severe critics due to fiscal stimulus and disregard of public policies with spillover effects. Investments and innovation must be redirected from reducing work consumption to reducing material resource consumption and protecting the environment. It is important to have not a quantitative growth but a qualitative one by means of influencing market forces.

2. Some short conclusions on Stiglitz's ideas

No doubt Joseph Stiglitz is one of the greatest economists in the world and he undertook a thorough and accurate analysis of the major problems that the American society is facing now. Similar to his friend Paul Krugman, Stiglitz has a great admiration for Keynes and he is an eager opponent of neoliberal ideas on completely free markets. High unemployment and social inequality are the main problems and threats for the stability and future of American society. Stiglitz conducted a detailed interdisciplinary analysis, appealing not only to the tools of economics but also to those of psychology, sociology and other related social sciences, but also to the paradigms of neoinstitutionalist school.

Quite surprisingly Stiglitz has radically changed from a supply-sider to a demand-sider, maybe under the influence of his good friend, Paul Krugman, and he now thinks that great income inequality badly affects aggregate demand, mainly consumer demand, and a genuine progressive tax system would counteract this unfair distribution of income and stimulate the demand. But also the profit tax system should be reformed to eliminate a large part of tax evasion (estimated at 2000 billion $ per year), not to mention the huge funds drained in fiscal heavens. Stiglitz did not rule out the supply side (state) policies for restructuring the financial sector and other areas, like a more efficient competition policy, development of physical infrastructure, promoting technical and technological progress or supporting a reindustrialization policy. Stiglitz blames corporations for the framework of imperfect competition created by them and also for the monopolistic rents grabbed this way and points to the fact that enough corporations received, almost for nothing, exploitation rights for natural resources or generous public procurement contracts at very high prices. Many hidden subsidies, some included in the fiscal code, given to big corporations must be removed. A reform of corporate governance is urgently needed in the direction of restricting the power of general managers, including the absurdity of board designation, and increasing the power of shareholders.

Stiglitz is a keen analyst of the globalization process which he had investigated in its magnitude and complexity in several previous books. Globalization has been managed for the benefit of corporations and other interest groups, which practice the hunting of economic rents based on undervalued natural resources and very cheap labor and to the prejudice of the respective states. Stiglitz refers to the asymmetric globalization which places the laborforce at a glaring disadvantage against capital. He would also like some regulations on cross-border capital flows, especially short term speculative ones. Fiscal competition and American fiscal legislation have encouraged the outsourcing of jobs abroad and in this mode the US have lost a large part of the processing industry. But for USA globalization is not a zero-sum game, it is a winning game due to the free movement of goods and factors: many cheap natural resources and processed goods are imported, a lot of petrodollars are deposited in American banks, many direct foreign investments from Western Europe and Eastern Asia may be found here, many valuable human resources from other countries are working here.

There is little doubt it is required an agenda of political reforms pointing to financing the election campaigns, enlisting all voting people and introducing mandatory participation in voting (a civic obligation for any responsible citizen). Like Paul Krugman Stiglitz is deeply convinced that the Democrat party is more open to reforms and supports the interests of the 99% group (*Democrats are the good guys, Republicans are the bad guys?!*), but I think he is profoundly wrong, mainly because Democrats leaders sustain unconditionally the corporations interests both in US and in other countries. So-called *democracy export* of Obama Administration may seem like a noble idea but it may remain an empty slogan if the same Administration tolerates (and sometimes supports) corrupt and autocratic political leaders, deeply hated by their people, or military regimes abroad together with an absolute dominance of intelligence services inside under the circumstances of preventing and fighting terrorism. It is better to have a powerful state in order to correct the market failures and the unequal distribution of income, to control and supervise the free markets actors, to counteract terrorist and criminal activities, and not instead to control and supervise excessively the ordinary citizens and their usual activities (what secret services did during the communist regime).

Maybe Alexis de Tocqueville, mentioned by Stiglitz, was the first to see the essential element of American pragmatism: *self-interest rightly understood,* which would mean that self-interest is not contrary to the collective welfare. Political battle against social inequality unfolds now everywhere in the world, both in democratic countries and in non-democratic regimes. USA is still a model of democracy and free market system but it is far from being a perfect society, although many politicians and representatives of corporations consider themselves as being perfect human beings (and making no mistakes at all) and the current political and economic system should not be changed in any way. But a system where 80% of young people feel alienated and do not want to vote, in which the middle class is heavily eroded and 16-17% of population is quite poor, where there is a deep social division, definitely is an improvable one and not a perfect one. Maybe more solidarity would be needed on behalf of rich people, more decency, more long term vision and less rapacity and less selfishness. Maybe we do not need a capitalist state dominated/captured by corporative oligarchy but a state to represent the interests of all citizens and social groups. Stiglitz is absolutely right: instead of having a dual economy and society (a split one) is much better to have a largely prosperous one, with liberty and justice for all.

In recent years, after the crisis, I have heard a lot of criticism of Nobel Prize laureats for not having solutions for a quick economic recovery. Obviously we have a crisis of capitalist system revealed by Stiglitz, requiring a thorough reform of governance on many levels, including the political one. But we also have a crisis of growth, rendered evident by the lack of jobs, the negative externalities and great impact on environment, insufficient resources (energy, technology, management), delay of reindustrialization and economic restructuring. It is not difficult to identify the engines of sustainable and consistent economic growth: recovery of consumer demand (including income redistribution), rebuilding the confidence of markets, investors, consumers, correction of market failures, increasing the economic competitiveness and strengthening the innovative industrial conglomerates, increased involvement in governance of social networks (civil society), enhancing the public and private investments in research and education, other public investments with certain spillover effects. In fact judicious combination of demand-side measures with the supply-side measures can be the key to a rapid economic recovery, provided that are not ignored the well reasoned solutions offered by many experts in economics, such as Joseph Stiglitz.