BOOK REVIEW

FOR JOSEPH STIGLITZ THE GREAT SOCIAL DIVISION IN USA IS A VITAL ISSUE TO BE URGENTLY RESOLVED

(Joseph Stiglitz: The Great Divide: Unequal Societies and What We Can Do About Them, Publica, Bucharest, 2015)

Part IV, V, VI, VII, VIII

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2. The causes and consequences of social inequality

Why has social inequality increased so much in the last 35 years? One explanation lies in the actions of hunters for economic rent: bankers, corporate managers, brokers and other market actors, like companies with a dominant market position. Social inequality is transmitted from one generation to the other, it is a cause and also a consequence of income inequality. America has increasingly become economically segregated and has done almost nothing compared to other developed countries to improve the situation. Stiglitz has focused on two issues: the protection granted to corporations by the state and US tax system. Saving banks from bankruptcy with public money is called socialism for the rich Americans. The tax system is unfair, distorting the economy and leading to high levels of inequality. Stiglitz talks about a tax system calibrated against 99% of population as 1% (the very rich) does not pay enough taxes. It was Warren Buffett who said it's unfair that he paid less taxes than his secretary, certainly relative to his revenues, consisting primarily of capital gains. Usually, uncollected capital gains, some simply fabulous, are not charged at all.

As regards big companies, avoiding paying taxes, as does General Electric (GE), heavily incriminated by Bernie Sanders recently, it seems to become a widespread sport in U.S and in the EU. Many large corporations have transferred their profits from developed and emerging countries to offshore tax heavens. Fortunately, a very responsible organization enlisting the brightest analysts in the world took the initiative to combat this awful evasion, and this is the OECD. Stiglitz makes reference to Mitt Romney, who, while saying that 47% of Americans do not pay their taxes and are parasites, kept his money in the Cayman Islands.

Very rich bankers were protected by the state through bail out system and the Obama Administration has introduced a new concept favoring large corporations: *too big to be financially restructured,* apparently to not panic the markets. A part of public bail out money was used for paying huge bonuses and dividends for bank managers. Instead of restructuring big banks and reforming their shareholding and management system the state allowed them to continue to do what they wanted with the public money. This new form of capitalism in which the losses are nationalized and the profits are privatized is doomed to failure. This form of oligarchic capitalism can be met not only in the US but also in many other countries, including Romania, and some scholars called it *socialism with American characteristics or socialism for the rich people,* but obviously it amounts to welfare granted to corporations to the detriment of citizens. For instance, in Romania, the interests of the corporations are the only ones that count, while those of ordinary citizens do not matter at all.

If the taxes are the price for a civilized society it is hard to understand why many rich people and many corporations not pay enough taxes according to their level of income and profit. To the lack of real progressive taxation one may also add the proliferation of tax havens that have multiplied rapidly as the amounts deposited there for tax avoidance or tax evasion increased dramatically. Over the last 30 years, fiscal equity has significantly worsened in U.S, with the 1% top group paying only 20% of all taxes in 2010, while earning about as much. This 1% group owns 40% of the nation’s wealth. In U.S. the maximum rate of income tax (39.6%)

only applies to an income level above $ 400,000 per year. As income and social inequality have considerably increased over the last decades, any state or country may use the fiscal code for income and wealth distribution.

Multinational corporations with many branches abroad and with many accounts opened in tax heavens excel at tax avoidance with the help of public authorities, and are able to transfer a lot of their profits from a country to another and finally to a fiscal heaven. General Electric is considered by Stiglitz a symbol of large corporation tax avoidance of, as GE paid less than 2% profit tax between 2002 and 2012. In the U.S.~~A~~ tax legislation does not require the declaration of all types of income and many rich people hide their assets and incomes in tax heavens. The tax code is full of exceptions, gifts, voids, the special fiscal provisions amount to $ 123 billion and the legislative void enables tax heaven activities due to tax avoidance at an equivalent scale. Tax Justice Network estimated the capital held in tax heavens in 2012 at somewhere between ~~$~~ 21 trillion and ~~$~~ 32 trillion, while the OECD made much lower estimations, below ~~$~~ USD 10 trillion The European Union alone is estimated to lose about one trillion euro each year due to a combination of tax avoidance, evasion and arrears and much of this money goes to fiscal heavens.

Those working in the capital markets have become a kind of privileged beneficiaries of the tax system without having outstanding merits in the progress of the economy/society, being rather the main culprits for the onset of the financial crisis and of its devastating effects. It is obvious that there is an unjust, unfair fiscal system and economists are beginning to realize its harmful effects. Excessive inequality is not good for economic growth and stability, and this was noticed even by IMF economists. Stiglitz believes that poor economic performance was caused by the distortions of the economy produced by the tax system that encouraged financial speculations instead of work, innovation, entrepreneurship and production of goods and services. Tax cuts at the top did not stimulate savings and work but only increased the profitability of rent hunting. Only the rich people have benefited from this, while middle class incomes have decreased in real terms. The unfair levels of taxation have encouraged rent hunting to the detriment of wealth creation. The tax system must encourage work, innovation and saving, not bad and harmful activities. Any democratic society should be based on national solidarity and cohesion and on a governing system for all the people and not just for 1% of the population.

Large corporations, like Google and Apple, have employed graduates of state-funded universities and make better use of the Internet created by the state with taxpayers' money but they do not pay enough taxes and are practicing tax avoidance on a large scale. The tax tricks of corporations are practiced on a global scale, that is why Stiglitz believes the global tax system to be unfair, distorting and unmanageable, leading to the deepening of social inequality in developed and emerging countries. Globalization led to high profits for transnational corporations based not only on the exploitation of resources and of employees all over the world, but also on the exploitation of the regulatory gaps that allow a perverse system of transfer prices. An international agreement on the taxation of corporate profits is needed, as is an approach of the issue of tax havens that hold a large part of corporate profits and many funds resulting from the theft of public money in emerging economies. Extensive corporations lobby is backed by an army of lawyers and political accomplices, which is why they often succeed in obtaining tax amnesties and are generally a bad example of tax fairness.

It makes sense to pay taxes as a citizen and as a company because you depend on others in many ways. The state needs your money for public services and for social protection for the unemployed, the retired and poor people and the persons with disabilities. Many protected people have paid for their social benefits, by means of social insurance, unemployment insurance, and health insurance payments. Those who praise the social benefits of the private sector in excess forget what their costs and profits are. In the U.S.~~A,~~ the state failed to support its citizens in many respects: private high education has become very expensive, private health care is also very expensive, finding a full time job is very difficult, managing a decent standard of living is a difficult task, the society is deeply divided and community spirit is not a dominant one.

Giving as the example of the bankruptcy of the city of Detroit, Stiglitz shows the negative consequences of the deindustrialization process deployed in certain areas of the U.S. In 1950 the population of Detroit was 1.85 million, with 296 thousand jobs in industrial facilities. In 2011, its population was 700 thousand with 27 thousand in industry. Detroit is maybe the best example for the effects of economic segregation which meant the retreat of the wealthy elites, mostly comprising members of the white population into suburban enclaves. Social segregation and inequality were supported by the segregation of education, as fuel for both processes. Even worse, the Detroit metropolitan area is divided into separate political jurisdictions, creating a political ghettoization. The difficult situation faced by Detroit area and other former industrial zones was caused by the deindustrialization, racial discrimination, geographic isolation and inadequate public policies. Instead of counteracting the effects of deindustrialization in the Midwest by means of public policies encouraging the development of other relevant sectors, the U.S. government left all progress in the hands of the markets and of the financial sector. Pittsburg, located not far from Detroit, is a good example of the quick shift from the steel and coal economy towards education, health, legal advice and financial services. Carnegie Mellon University represents the scientific center and also the engine of this community's economic development. In Stiglitz opinion, the burden of the Detroit bankruptcy should fall on the shoulders of creditors, in particular of banks, which used toxic financial derivatives when lending funds to the municipality. Public policies and investments are needed in order to foster a smoother transition from industrial jobs to other fields but, in my opinion, what is mostly needed is an intelligent reindustrialization~~-~~process in the U.S.~~A~~ and in the EU, taking into account the content of the presentations delivered in Davos this year on the fourth industrial revolution.

Stiglitz raises the issue of trust: how much trust can we have in bankers, in politicians, and in the democratic system. Unfortunately, the depreciation of trust has deep roots in economic traditions, Adam Smith himself advocated in the favor of the need for trust in the pursuit of self-interest, an attractive idea for those without moral inclinations for whom selfishness is the ultimate form of altruism. Relying only on the self-interest seems meaningless in a modern society where there should be a minimum level of trust. Trusting bank and bankers has always been essential for the viability of the banking sector, but abusive credit practices, market manipulation, and toxic derivatives led to a speculative bubble and to a crisis of serious proportions that have shaken public confidence. After 1990, the banks used their influence to undermine the regulations adopted after the Great Depression and were supported in this endeavor by officials and economists who believed in the need for liberalization and deregulation in the financial/banking sector. Stiglitz criticizes the right-wing politicians and scholars with liberal views who argue that only incentives matter in the economy, while trust does not. However, it is very interesting to note that incentives must be given only to corporate managers, in particular those in the financial sector, while people working in the social services, like education, apparently do not need such incentives. When a small layer of the population has undeserved privileges we may talk about an oligarchic regime, but is such a feudal regime normal in a capitalist democracy?

Bankers' greed, their malpractice~~s~~ and the public policies influenced by the right-wing ideology led to a high degree of public distrust. When 1% of population collects 22% of the total income and 95% of the income increase after the crisis, it is obvious there is an absurd distribution of income. Financial and legal systems are designed by and for the rich. The persistence of the trust deficit leads to a change of attitudes and norms, to a striking lack of morals. Economic inequality, political inequality and a legal system that boosts the inequality consolidate each other. The poor suffer most, as proven by wretched borrowers deceived by the banks, who lost their mortgaged homes because of miserable scams used by bankers. These dirty tricks show that there is ~~an~~ inequality before the court of law. All this mess would require strict regulations and high standards regarding corporate behavior, and, based on these, the restauration of trust in the business environment and in politics.

According to Stiglitz's opinion, public policies should not focus only on economic efficiency but mainly on combating social inequality. By supporting Janet Yellen as Fed president Stiglitz wanted to underline the relationship between monetary policy and social inequality. Under the presidency of Ben Bernanke, the Fed saved the big banks and AIG but not regional and local banks or the homeowners with mortgages. Stiglitz supported the nomination of Janet Yellen to the detriment of Larry Summers favored by Obama as Fed president and managed to convince the U.S. Senate. While Larry Summers was an ardent supporter of financial deregulation, financial derivatives, and liberalization of capital markets with catastrophic effects in Eastern and Southeastern Asia (he was Secretary of Treasury for a year and half and the 8th Director of the National Economic Council), Janet Yellen was preoccupied by social inequality and by linking interest rate policy to the situation on the labor market and is right when she points out the limits of the monetary policy which cannot by itself achieve full employment in the economy. Low interest rates were not able to contribute to the creation of new jobs. There is an explanation that refers to the existence of a liquidity trap, when low demand is discouraging investment and lending activities and therefore not enough new jobs can be created to drastically curb unemployment, despite very low interest rates meant to stimulate lending.

Stiglitz points to the rhetoric of free markets in a period when state aid is generously granted to various business sectors while food aid programs for the poor are drastically reduced. Badly managed globalization may amplify social inequality, while free trade agreements concluded by U.S with other countries do not generate jobs, but, on the contrary they may affect the existing jobs. Importing labor-intensive products and exporting high tech products actually means a loss of jobs for the U.S. The impact of free international trade on salaries and social inequality may be significant. The free movement of capital and other factors also meant moving production to countries with lower costs, especially in terms of wages, and exerted tremendous pressure on workers' salaries in the developed countries. Obviously the benefits of globalization went not to the employees but to the corporations. The new trade agreements are designed to strengthen the protection of intellectual property rights which raises the prices of medicines, to destabilize environmental, labor, consumer protection and other regulations, to impose special clauses on investments. For Stiglitz, these new trade agreements are an expression of the petty interests of corporations who want to impose commercial regimes that are favorable only to them. Provisions on intellectual property protection are not aimed at promoting scientific progress but at maximizing the profits of pharmaceutical manufactures and entertainment services. In the health sector, no excessive patent protection for high profits at the expense of people’s money should be accepted or tolerated.

Joseph Stiglitz worked with Michael Doyle on eliminating extreme inequality and introducing a specific indicator for sustainable development goals, aimed at diminishing it considerably. Instead of concentrating on inequality reduction which expanded in the last 30 years and worsened after the recent crisis, the Fed and the U.S. Administration focused on helping banks and stimulating the stock exchange but did almost nothing for the housing market. Policies, laws and regulations in the fiscal field and income distribution may reduce social inequality, improve common prosperity and support economic growth. Stiglitz blames public policies that contributed to increasing inequality, such as austerity measures or income tax cuts for the rich. The speculative bubble and the abuses perpetrated by the banks backed by the Fed policy targeting inflation and total market freedom led to overconsumption and excessive indebtedness of population. After the crisis, the policy ~~of~~ encouraging very low interest rates discouraged savings and stimulated investments in technologies that reduce the labor use. The austerity policy led to a higher unemployment which lowered wages due to increased competition for jobs. Middle class was mostly affected, its average incomes, inflation-adjusted, are now lower than in 1968. The middle class, the unemployed people and homeowners should be helped by the government because this would lead to increased economic recovery with certain positive effects.

The European Union provided a bad example with the austerity policy that delayed economic recovery and increased social inequality. In Romania, we had a good monetary policy but a very bad fiscal policy which widely allowed tax avoidance and evasion, affecting the salaries of employees in the public sector and public investments, as well as economic performances. Driven by the popular riots all over Europe following disclosures in the Panama scandal, and sensing the major risk of a rise of populist movements, European finance ministers have recently shown a united front in the fight against tax evasion and will adopt a new law targeting fiscal havens and fiscal transparency. A better collection of budget revenues would support a more robust economic recovery in a period in which the EU is facing serious problems/challenges relating to its borders, security, sovereignty, culture, and democracy. The serious danger or risk of an overlapping of these challenges is to overwhelm European and national policymakers.

Stiglitz returns to the issue of Fed leadership and its policies and finds four policy reasons related to inequality. The first would be the management of crises which is a factor that generates poverty and inequality. The second would be the fact that deregulation contributed to the financialization of the economy and to its distortion. The third would be that deregulation has been associated to the abusive practices of financial sector. The fourth would be that financial sector did not do the right thing, namely lend massively the productive sector, especially SMEs. Good Fed policies require fair forecasts and correct evaluation of risks, as well as a balance between the inflation target and the unemployment level. Fed is a large organization that must be managed by someone with a long expertise but mistakes made before, during and after the crisis have undermined the trust in the effectiveness of Fed policy. Stiglitz is right in a very important matter: *when choosing a leader or a manager, brilliant intellect is not the only performance factor that counts, values, judgment, personality of the individual count too.*

The absurdity of food policies in U.S. is revealed by the reduction of the food aid granted to the poor as vouchers amounting to $ 40 billion for a 10-year period, while maintaining farmer subsidies at ~~$~~ 14.9 billion per year, with a shift of subsidies towards the payment of insurance premiums. Small but powerful interest groups direct public policies in their favor, distorting the markets and creating high and unjustified rents for them. Between 1995 and 2012, 1% of farmers received around $ 1.5 million each, a quarter of the total subsidies, while 10% of farmers received almost three quarters or around $ 30,000 per year, meaning over 20 times the food aid for poor people. In 2011, a number of 45 million Americans participated in the SNAP and the number has increased since then. This means that a large number of people do not have a sufficient income for providing the basic food in a country where there is plenty of food. In time, time food aid program and farmer subsidies program have been correlated and this makes sense as supply and demand are both very important. Sometimes hunger is not caused by the lack of supply, but by the fact that this supply does not find enough demand or cannot meet the existing demand. Although the U.S is the biggest food producer and exporter in the world millions of American suffer ~~of~~ from hunger and tens of million need food assistance granted by the state. Food overproduction is at the expense of its quality, many food products being cheap but not healthy, which is why many people are obese and suffer from diabetes. The fact that one in seven Americans is affected by food insecurity was due to poverty, as 15% of adults and 22% of children live in poverty. One of the human rights is the right to adequate food but very few countries fully respect it, in any case the U.S. does not. Stiglitz blames the Republican Party because instead of expanding food aid programs wanted to cut them, and this may lead to a reduction of domestic consumption, the increase of exports and decrease of food prices, affecting poor farmers from all over the world. Consumer demand, the main component of aggregate demand, will also be negatively affected in the U.S., and social inequality will enhance. However, the absence of equal opportunities, in particular in the case of poor children, will also increase. The impact of these phenomena on economic growth and social development can only be a negative one and the cynicism of right wing politicians is even more reprehensible.

Stiglitz questions whether ambitious, comprehensive, and high-standard trade agreements under the form of partnerships, like the Trans-Pacific Partnership (TPP) or Trans-Atlantic Trade and Investment Partnership (TTIP), negotiated in secret by the U.S. Administration and its partners do not bring benefits only for the rich people at the expense of other categories. These partnerships draw attention to the inadequate manner in which globalization is managed. In the absence of customs duties, corporations focus their attention on removing or diluting regulations that protect workers, consumers, and the environment, in order to gain higher profits. The negotiations conducted in secret may lead to the negotiators involved being captured by the corporatist and financial interest groups. The idea that the free trade winners may compensate the free trade losers is fake, and high labor mobility which combats unemployment caused by structural changes in the economy is only a chimera. Instead of making financial speculations it would be much better for the banks to finance SMEs to ensure new jobs and additional income for a higher consumer demand. Economic policies in US have encouraged job outsourcing and cheap imports of goods at the expense of domestic jobs. A full time employed man is paid now less than 40 years ago and only 45% of employees have a full time job in US. For Stiglitz one thing is clear: free trade agreements enrich the corporations and deepen social inequality.

While asking others (the EU) to reduce and eliminate agricultural subsidies, the U.S. refused to remove its subsidies, undermining trade negotiations within the WTO Doha Round. Stiglitz is against a managed trade regime established by major trading powers led by the U.S., which only serves interest groups. Any trade agreement must be symmetrical, national interests should not be neglected, public interest must prevail instead of the interest of corporations, financial liberalization and the protection of intellectual property may be included but they should not be favorable to emerging countries, there should be enough transparency, and high standards should be set, while commercial interests must not prevail over other values.

The protection of intellectual property is secured by the TRIPS Agreement, an international agreement negotiated at the end of the Uruguay Round and administered by the World Trade Organization, setting down minimum standards for many forms of intellectual property regulation applied to WTO members. However, in the U.S. this protection tends to become an absurd question as some companies, like Myriad Genetics, try to impose a kind of monopoly on scientific findings based on patents obtained with the obvious aim of maximizing their profits at the expense of their clients. Patents hinder innovation in the pharmaceutical industry instead of encouraging it. One might ask the question why the protection of competition would not be valid in the field of innovation like it is in the sale of products and services. Competitive markets that drive innovation instead of blocking it are needed. U.S. used the WTO in order to impose an advantageous regime in relation to the protection of intellectual property for American companies. For Stiglitz the case of Myriad Genetics is an illustration of his messages from the book *Price of Inequality*: social inequality is not only a result of economic laws but also of the way we are shaping economic system, politically, legally, regulatory, institutionally; rent hunting is immoral and means a perverse distribution of income; many innovations are based on the society's contribution through public support granted for scientific research, for education, for health insurance, for Internet, etc.; excessive protection of property rights has material and human costs, it can impede access to health only to increase shameless profits of companies.

Stiglitz praises India where the Supreme Court of Justice refused the recognition of Novartis's Gleevec drug patent based on social grounds. The intellectual rights regime stifles innovation and reduces the access of the population to the essential drugs. The law protecting drug patents was revoked in 1972, leading to the development of a globally competitive pharmaceutical industry in India and to a considerable reduction of the cost of treatment of incurable diseases. The TRIPS Agreement imposes a revision of patent legislation in favor of manufacturing companies but in India the rules regarding the unobvious character and novelty required for obtaining a patent are stricter. The U.S. is using free trade agreements and partnerships for a greater protection of patents/intellectual rights. But this protection must be reasonable and should not come into collision with the right to an easy access to medicines and the right to live a healthy life anywhere around the globe.

In an article published in 2014 together with Michael Doyle, Stiglitz refers to Millennium Development Goals. The UN Millennium Declaration was adopted at the Millennium Summit of world leaders in September 2000, with the aim of establishing a new global partnership in order to reduce extreme poverty and setting out eight important objectives, with the deadline in 2015, that have become known as the Millennium Development Goals. These goals are: Goal 1- Eradicate Extreme Hunger and Poverty; Goal 2 - Achieve Universal Primary Education; Goal 3 - Promote Gender Equality and Empower Women; Goal 4 - Reduce Child Mortality; Goal 5 - Improve Maternal Health; Goal 6 - Combat HIV/AIDS, Malaria and other diseases; Goal 7 - Ensure Environmental Sustainability; Goal 8 - Develop a Global Partnership for Development. After 15 years although the number of people living in extreme poverty has halved, the other objectives have been achieved only to a limited extent. Stiglitz believes that the goal of eliminating extreme forms of inequality should be added. Large differences existing between the various countries in terms of inequality show that it is not determined only by economic forces but also by political forces and by the policies implemented. Extreme inequality affects economic development and disparages political equality and social stability.

Income inequality diminishes aggregate demand and slows down the rate of economic growth. Credit bubble can also occur, leading to economic instability. Inequality is usually associated with the hunt for economic rent, lack of equal opportunities, appropriate education and health services, the amplification of violence in society. Reducing inequality has benefic economic and social effects, improving human potential, cohesion and mobility, strengthening support for growth initiatives. Public policies may contribute to social inequality, in particular the tax policy, the minimum wage in the economy, investments in education and health sectors. Decision makers are usually more influenced by the rich than by the poor. In the developing countries, economic and social inequality leads to violence, ethnic conflicts, and civil wars. Inequality has many dimensions: assets, income, equal opportunities, education, health, discriminations. Stiglitz and Doyle proposed for the ninth goal (eliminating extreme forms of inequality at national level) the following targets: a) until year 2030 the net income of the 10% top group not to exceed the net income of the 40% bottom group b) until year 2020 a public commission should be established in each country to assess and report the effects of inequality nationwide. For inequality evaluation and attaining the proposed targets the best indicator seems to be the Palma indicator. Many economists, professors, and experts expressed their support for this proposal – eliminating extreme forms of inequality - and for using Palma Report (indicator).

After the financial and economic crisis, we are now faced with other crises, the worst of which being global warming. In December 2015, at the Paris climate conference (COP21), 195 countries adopted the first-ever universal, legally binding global climate deal which sets out a global action plan for avoiding dangerous climate change by limiting global warming to well below 2°C. The agreement signed by 175 countries at the United Nations Headquarters on 22 April 2016 is due to enter into force in 2020. Before and during the Paris conference, countries submitted comprehensive national climate action plans (INDCs) that are not enough to keep global warming below 2°C, but the agreement paves the way to achieving this target. The transition from goods manufacturing to services involves new types of companies and new forms of providing finance, and the world inequality crisis spreads poverty everywhere and slows down economic growth. Although the gaps between the developed and emerging economies shrank pretty much, there are still hundreds of millions of people who are poor and unemployment is very high in many countries. While the international trade regime is not conducive to the economic development, the actions and initiatives of the G20 and other international forums have not produced the expected results.

For long time during the 20th century, the U.S. was considered a model of economic success and social prosperity, which was not far from the truth. However, after 2000 and in particular after the Great Recession the myth of prosperity began to fall apart and it became clear that it is the developed country with the highest degree of inequality. Thomas Piketty's book *Capital in the Twenty-First Century* was used to support the perfidious idea that violent extremes of wealth and income are inherent in capitalism, and therefore the 50's, the 60's, and the70's when the inequality level decreased rapidly would be an aberration. Stiglitz says that the current model of capitalism is a surrogate, official reaction to the crisis meant the socialization of losses and the privatization of gains, competition is seriously distorted by monopolies and oligopolies, managers of large companies have huge revenues not fully justified by their economic performance. Public policies and the political system have led to great divide in America, while in Scandinavian countries income per capita increased more in strikingly similar conditions. After the end of Cold War, the ideology and private interests made a fatal combination, with bankers supporting *laissez faire* and receiving hundreds of billions of dollars while political system is controlled by money and allows the rich to be taxed preferentially. As the financial assistance given to corporations increased, –assistance offered to the poor decreased, creditors (banks) responsible for the crisis received considerable aids while debtors received symbolic aids. Those who are criticizing the rich and their privileges are considered to be fascists or socialists, but the reality shows that while the rich people with a bigger and bigger slice in income are transferring their money in tax havens, in the U.S. a quarter of children are living in poverty, the middle class becomes less and less strong, the country is full of detainees, and access to justice and to good health has become a luxury for many people. Stiglitz believes there is a need for a war against poverty, for protecting the middle class, for counteracting rent hunting, for removing the privileges for the rich and corporations, for better tax and other public policies, for a democratic system which is not mercantile and corrupt.

In this book, Stiglitz analyzed the situation of social inequality in other countries. Countries that followed the U.S. model and have excessively developed finance sector, like the UK, have high levels of social inequality. A small country (island) like Mauritius, is able to provide free health services and free higher education for its citizens, free public transport for young and old people. The model of East-Asian countries is one based on managed markets, high investments in education and research, an active industrial policy. Singapore, a poor country in 1969 with 25% unemployment rate, is now a rich country, a powerful industrial, trade and financial center of Asia, with an income per capita of $ 55,000. Japan is a country with a fantastically rapid development after the war, but since 1990 it entered a period of economic stagnation (with low unemployment yet), probably due to the changes in the growth model from foreign demand to the domestic demand, from controlled markets to free markets, from egalitarianism to social inequality. The new policies called *Abe-economics* were not based only on monetary policy (a remarkable success) but also on fiscal policy and pro-growth structural policies. China is good example of a success transition from a communist economy to a market economy and it managed to pull out of poverty 500 million people but the inequality level measured by Gini coefficient reached the U.S. level in only 30 years. The strong development of the private sector in China brought prosperity but also much inequality and pollution, hence the need for public policies to combat these shortcomings. Visiting Medellin city, in Columbia, famous for its drug lords, Stiglitz noticed a huge transformation for the better due to the special efforts made by local community. Stiglitz, a leftist thinker of the socio-liberal type, was caught in the fight between the followers of a more egalitarian society and those of exacerbated liberalism and social inequality. In Australia, where social policies have met with outstanding success, the new Prime Minister Tony Abbott wanted to follow the American model, an example of blind ideology with adverse results. Stiglitz was in the camp of those who wanted Scotland's independence and a kind of Scandinavian social model. The political and territorial disintegration of Europe after 1989 was a process encouraged by the U.S. and Germany, but in total contradiction with the European integration process. People and politicians from Scotland and Catalonia would like to achieve their independence more on the historical grounds than on economic ones, which seems to be a complete –non-sense. Moreover, these new states would have to pass through the procedure of accession into EU. Spain is a bad example for Stiglitz, as it succeeded to reduce significantly the inequality level before the Great Recession but this progress was lost during the recession when the unemployment rate reached 50% among young people and people income decreased dramatically. The same happened in Romania where the income of public servants was cut by almost 50% and the income of private employees by 20-30% (the unemployment level was a happy exception due to high emigration).

2. Several brief comments related to Stiglitz's ideas

Some time ago, when I visited the U.S. I frequently heard the slogan: *Each person manages his life as he can. The state does not need to take care of everyone.* Quite strangely the same slogan was uttered at the beginning of the 90's by the first post-communist Romanian president, so that the conclusion may be that capitalist state is not a social one. But it could be a false conclusion as I am a European citizen living in a Member State of the European Union, where the concept of European social model has been used for a long time and where countries, like the Scandinavian ones, provide a high social protection. Even in a communist regime there were powerful social sectors, like education, health, culture, supported financially by the state which exerted a strong control both ideologically and regulatory.

The European social model is no doubt related to the welfare state, inspired by Keynes' ideas and rejected now by the free market advocates under the false pretext of its unsustainability. In the EU, the social model involves a high standard of living and good working conditions while the welfare state involves ensuring full employment, social protection for all citizens, social inclusion, economic growth, prosperity and democracy. This is why social policy is so important at EU level and at national level and its requirements may be found in all EU policies and strategies. But is distribution of income a major problem for a social state? How important is the redistribution of income through the state budget, by using income tax and other instruments? If the share of budget incomes exceeds 50% of the GDP and income tax is quite high, like in Denmark and Finland, we may speak of a redistribution mechanism in a high income society. If the share of budget revenues is under 40% of the GDP due to tax avoidance and tax evasion, like in Romania, income redistribution becomes an extremely difficult task.

Stiglitz does not present a rosy picture of the U.S, a very developed state where social inequality has deepened and where general prosperity is a myth. He rejects the theory of propagation of economic benefits from top to bottom and shows that the true creators of jobs are consumers, so that stagnating incomes and consumer demand do not lead to economic growth and to creation of new jobs. Liberal reforms which started in the 80's and aimed mainly at cutting taxes for the rich and at liberalizing the financial markets led to the extreme inequality of today, with a negative impact on economic development. A high price has been paid for this inequality and it will be even greater in the future if public policies will not change. Even worse today's political scene looks horrible in a presidential election year with two potential candidates who enjoy a very low level of trust from the American citizens.

Anyway, for the Wall Street bankers the future does not seem very bright as they face tighter restrictions on how they will be paid under new rules proposed by U.S. regulators in response to the financial crisis. These new rules represent an effort of regulators to curb the excessive risk-taking in the country's biggest financial firms and to better correlate the wage bonuses with the real performance of firms. The rules will require the biggest financial firms to defer payment of at least half of executives' bonuses for four years and also will set a minimum period of seven years for the biggest firms for recovering these bonuses if the actions of these executives hurt the institution or if a firm has to restate financial results.

For Joseph Stiglitz, the economic recovery seen after the crisis does not mean a better life for the bottom 99 percent of the American population but only for the top 1 percent who got 91 percent of all gains in the first three years. Quantitative Easing created a boom of stock market but the share of the average American in stock market gains is very low. The statistics of the Federal Reserve and US Administration have very few in common with the lives of ordinary Americans who are not doing very well and whose wealth was badly affected by the crisis. The unemployment rate decreased from 10% to almost 5% but many people who lost their jobs in 2008 didn't get new jobs or got part time jobs paid quite badly. Many young people, graduated or not, and many older people who lost their jobs at 50 or 55 years of age were not able to find new jobs and these represent marginalized groups with rather uncertain future.

As regards the Fed policy under the leadership of Janet Yellen, supported by Stiglitz for her appointment as president, Stiglitz points to the need of improving the credit channel to make sure that money was going to small and medium-sized enterprises, as well as to the requirement for banks not to finance land speculation, real-estate speculation, not to go abroad, not to give money to hedge funds. Janet Yellen has followed the standard macroeconomics view and used the one set of classic instruments, lowering or raising interest rates, but Stiglitz thinks *this is not the right issue, the real issue is making sure credit is available to expand the economy*. Cutting interest from 5 percent to 0 percent and even under 0 may introduce some distortions into the economy, it may lead to less lending activity and to less saving activity on behalf of the population and of companies.

For Stiglitz most of the models used by economists ignored inequality and Conservative Republicans, like Cruz, are considered to be the biggest enemies of the welfare state. The Obama Administration handled economic policy in a disappointing way for Stiglitz, as it didn't offer enough help to small and medium sized banks and enterprises and to homeowners, while the trade agreements it concluded ~~it~~ proved to be a disaster. On the other hand, Obama's Affordable Care Act was a right move, as was the increase of the minimum wage and his involvement in in the fight against climate change (global warming). Obama Administration was too much influenced by the big banks, big business and campaign contributors and was not supported by a Congress dominated by the Republican Party.

The prevalent ideology in economics says that markets were basically efficient and stable. This ideology was influenced by important people like Greenspan and Bernanke who were convinced that markets do not generate speculative bubbles. Econometric models used to predict market evolution proved to be a failure, but they gave decision makers confidence in liberal theories that led to wrong policies responsible for the outbreak of crisis and also responsible for the growth of inequality. Widely respected economists supported the cutting of taxes at the top, increasing inequality in the society and most of the models used by economists ignored this inequality and pretended that macroeconomy was unaffected by inequality, which is totally wrong in Stiglitz's opinion. It is obvious that over the last 35 years there were two strands in economic thinking: one strongly focusing on the limitations of the market (neokeynesism) and another insisting on the supremacy of markets (neoliberalism) and Stiglitz thinks that too much attention has been being paid to that second strand. In Romania too there are young and fanatical followers of the concept of completely free markets (liberals or libertarians) who advocate for market freedom and non-involvement of the government in its regulation. Fortunately, in the US many young people (students or not) who support Bernie Sanders were able to see how important inequality is and how ineffective and manipulated markets are.

Stiglitz thinks that the US is a victim of its own success as factor productivity in the industrial sector exceeded the demand growth rate and reduced the employment rate in this sector, also changes in comparative advantages and globalization process both promoted and supported by U.S. returned like a boomerang in the heart of US economy. The state has disengaged from the fast growing social sectors, like education and health, under the influence of liberal ideas. Although the U.S. has a strong high-tech sector, a high-performance scientific research and the best higher education, it is confronted with economic stagnation after the crisis, which shows that public policies are weak. The obsession with diminishing deficits (fiscal mainly) at any cost, including that of reducing employment and demand, does not stimulate investments and growth and the austerity policy imposed by the IMF to many countries led to recessions.

Due to its nature and size social inequality in the US represents a serious threat to the country's future and economic development, even *The Economist* seems to be convinced of this matter. There are four reasons identified by Stiglitz that cause inequality to obstruct growth: first, the anemic consumer spending of the middle class, second, the numeric decimation of the middle class, third, the weakening of the middle class affected the budget revenues obtained from its taxes, fourth, inequality is associated with more frequent and abrupt cycles of expansion-contraction that make the US economy more volatile and more vulnerable. The ideals of meritocracy, equal opportunities and egalitarianism are now dust in the wind and the most precious resource, youth, is wasted in an irresponsible way. Student debts cannot be erased and they are heavily burdening the budget of many families, while there is no guarantee that expensive university education is useful to those who paid very much for it.

For Stiglitz, it is quite evident that bad public policies implemented in the U.S. after 2000 have created great problems and difficulties and new growth strategies are required focusing on sustainable development, inclusive growth, social solidarity, state involvement (in education, infrastructures, technological development), normal functioning of markets but with limitations related to their failures. Markets cannot correct themselves, and financial deregulation led to a loss of $ 1,500 billion in the U.S. GDP. The political right wing claims to be the intellectual heir of Adam Smith, the father of political economy, who acknowledged market strength but also its limits. The U.S. needs a sustainable and high economic growth but also social justice and less income inequality.