

## JOSEPH E. STIGLITZ

*Freefall: America, Free Markets, and the Sinking of the World Economy*  
Publica Publishing House, Bucharest, 2010

The crisis set off in 2008 affected more people all over the world than any other crisis since the 1929 one. The wrong governmental policies and the behaviour of the US corporations led to the fall of the financial markets and to devastating consequences upon the world economy

There are few economists more qualified than Joseph Stiglitz to comment these cloudy times. Laureate of the Nobel Prize for economy and counsellor of the highest rank (was, among other things, chief economist of the World Bank and the head of Bill Clinton's team of economic counsellors), Stiglitz has the habit of telling people the harsh truths. He did it in *Globalisation and Its Discontents*, when he indicated the mistakes of his former superiors at the World Bank, in *The Three Trillion Dollar War*, when he approached the issue of the war in Iraq and he is doing it in this last book, *Freefall: America, Free Markets, and the Sinking of the World Economy*, in which he analyses the current financial crisis.

The book approaches a variety of subjects. Firstly, we have an extensive argumentation for the re-establishment of the balance between the state intervention and the market freedom. Now, when it appears more obvious than ever that the last decades in the United States face serious challenges regarding the energy assurance, the environmental protection, the medical assistance, the education and even the production, Stiglitz analyses each of them in the light of the new order of the world economy. Afterwards, we find a discussion concerning the most efficient form of capitalism and the achievement of the force balance worldwide. There is also an acerbic critique of the neo-classical school, the one that provided the theoretical background for de-regulation. Beyond the theory, the book provides a guide on how the government should stimulate the economy. Although the book has been written before the current crisis extended beyond the financial markets and before it affected drastically the entire economy, Stiglitz correctly predicts that a faulty sum of stimulants will lead to the emergence of a strong opposition in Congress regarding the budgetary deficits and the economic stagnation. This reality is highlighted in the Postface to the second edition, written 8 months after the first issuance of the book and the author does a retrospective of the various events that had occurred during this interval.

It must be said that Stiglitz does not put the blame on Wall Street exclusively. He shows how a consumption culture leads to unsustainable debt and how the unbalances have been hidden by a system that allowed the middle class to consume a lot over its possibilities. Unfortunately, the author did not go further. Although he denounces the debts financing the growth, he does not question the growth. He remains a faithful Keynesian, considering that the real problems are still the unemployment and the insufficient aggregate demand ("Unless we go back to the basic principles of Keynesian economics," he warns, "the world is doomed to a protracted downturn."). But the stimulation of the demand, within the current

context, of the accumulation of the global debt, the rapid exhaustion of the resources and the climatic changes could drive us on an unsustainable path, both from an economic point of view and from the point of view of the environment protection.

Although he does not offer the final solutions to the current economic issues, *Freefall* is an enjoyable and interesting reading for anyone wishing to understand what happened in 2008 and the reasons for which the economy did not recover as usual.

Bucharest, 26 november 2010,  
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