

## 5 questions to Joseph Stiglitz

**Winner of the Nobel Prize for Economics in 2001 for his analysis of markets with asymmetric information, Stiglitz wrote *Globalization and its Discontents*, which has been translated into 35 languages and sold more than 1 million copies. Other recent titles include *The Roaring Nineties* and *Making Globalization Work*. He was an economist at the World Bank between 1997-2000, has given classes at Princeton, Stanford, MIT and Oxford, and is currently a professor at the University of Columbia in New York.**

### **How can small and medium sized businesses compete successfully in the global market?**

A key strategic question for whatever business consists of finding a niche, because in the global market you cannot compete with mass production and Chinese commodities where profit margins are low. Therefore the first thing to do is to find your niche and then make the most of networks or links with the client base. The internet facilitates contact between people and reduces the effects of distance. As a consequence, small and medium sized businesses can find providers in whatever part of the world very quickly. Cooperative actions are very important in order to compete successfully.

### **Could you give an example?**

Italy, whose economy is based on small and medium sized businesses, has had great success recently. These businesses found niches in made to measure and specialized machinery, which doesn't compete with Chinese mass production, nor large scale German production.

**What can governments do to facilitate access to credit?**

For small and medium sized businesses, access to credit is a problem throughout the world, including the US, where there is a governmental division that facilitates credit to small businesses and a bank of imports and exports that finances exporters. What's true is that even with a financial market that works very well, such as in the US, the government still involves itself in the process.

**There are clear signals that one of the biggest challenges in the coming decades will be the effect of climate change. Do you believe that businesses are sufficiently aware of this?**

This problem is part of a bigger challenge: Of adapting to environmental restrictions. Many businesses have placed focus on retaining their work force. However there is no shortage of labor as is demonstrated by the high levels of unemployment in many countries. Instead there is a danger of running out of natural resources. People are realising that, if everyone produces and consumes in the way that the United States does, the world won't survive. China is committed to improving its energy efficiency by 20% in the next 5 years. An ambitious objective, sure, and not one that will be achieved in the first year. But China has a strong determination to achieve it, and it's something all countries will have to do as well.

**Would you consider that another challenge, especially for the United States, is accepting a new distribution of power?**

Yes. After winning the Second World War the United States became a superpower with the authority to make demands on the rest of the world. Iraq taught an important lesson: The world's richest nation cannot impose itself on a country with 10% of its population and 1% of its GDP. We don't like to use the word "defeat", but it's obvious that the United States lost the war in Iraq, and in the process lost many lives and almost \$2 billion. Another factor that influences the new distribution of power is

the growth of China. Instead of focusing on military expansion, China has concentrated on the well being of its people. And it is achieving it. The question for the United States is whether we accept these changes in accordance with the principles we claim to follow – the markets and globalization – or if the country will attempt to maintain the kind of dominant relations of the past.

Interview by Eduardo Braun

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