

Vortrag

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**Die Chancen der Globalisierung
Making Globalization Work**

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Making Globalization Work

It is a real pleasure to be here again. It is especially a pleasure to be in a place where it isn't an embarrassment to talk about social justice or global social justice or social solidarity or a global social solidarity; to talk in a more meaningful way about what we mean by democracy at a global level, and where there is an openness to what might be called science-based or research based-policies.

I am going to begin with an observation on the title of the book, and it's not meant to be a criticism of my publisher. But the title in English is a little bit different from the title in German and it conveys something about what I was trying to say: the title in English is "Making Globalization Work".

And what that conveys is two notions: One, that it is not working very well. That there is something wrong. And that there is a lot wrong. I talked about that in my earlier book - problems with the way that global, international financial institutions worked - but in this book I talk about a lot more of the problems of the way globalization has been working. But the second notion of "Making Globalization Work" is a sense of optimism, an optimism that we could make it work, that there are reforms, there are changes in the way we manage globalization, that the problems that I am going to describe are not inherent in globalization but reside in the way we have managed globalization. And therefore, if we can change the way we manage globalization, if we can change the institutions, we can make globalization work, or at least work a lot better for a lot more people.

A lot of what I talk about has to do with the way it has failed to work in generating benefits for all people, that it has in fact resulted in growing inequalities.

Part of the problem is also that the way globalization has been managed, has put certain values over other values. Certain economic values - profits - over other values - environment - as I mentioned in my book myself. Much of the book is concerned with trying to describe particular reforms based on the diagnosis of why globalization hasn't worked and the basis of those reforms, showing a view that it actually could be made to work a lot better.

Let me begin by listing some of the ways in which globalization has not worked as well as it should have, has not worked as well as those who advocated it expected, say 20 years ago, when the modern discussions of globalization began. At that time many people argued that everybody would benefit. A metaphor that was used was, "a rising tide of life save boats". But a more apt metaphor is that a riptide knocks down a lot of those smaller boats. And if you don't have a life vest, you drown. The fact is that there is a growing divide between the rich and the poor, between the richest countries and the poorest countries, between the rich and poor within most of the countries around the world. There are many forces contributing to this growing inequality and globalization is one of those forces. A friend of mine, Tom Friedman, has written a very successful book called, "The World is Flat". The world isn't flat.

And in fact in some ways the world is getting less flat. He is right in that there has been a change in what we may call the global geography. China, India, two countries with 2.4 billion people, have been growing at unprecedented rates: India - 5- 6% for a quarter of a century - this year expected a growth of 7-8 %; China has been growing at close to 10% for thirty years; this year over 10 %. They manage globalisation. Back in China they have managed globalization in such a way that hundreds of millions of people were moved out of poverty.

But in much of the rest of the world things have not worked out so well. India and China have the education and the resources to take advantage of the New Technology. That is one of the reasons why they were able to narrow the gap between them and the

more advanced industrial countries. But Africa has neither the education nor the resources to take advantage of the New Technology. That is one of the reasons why the gap is growing. But it's not the only reason. The last trade agreement, the Uruguay Round, that was signed in the spring of 1994, was so unfair that the poorest countries of the world and Sub-Saharan Africa as a whole were actually made worse off. Everybody expected Europe and the United States to walk off with the lion's share of the gains. But they didn't expect it to be so asymmetric, so unbalanced that the poorest would wind up even poorer.

In the United States I was in the Council of Economic Advisors when we discussed the North American Free Trade Agreement. It was hoped that that agreement would narrow the gap between the United States and Mexico. A gap where across this border there was a sixfold disparity in income. It was important for the United States, because that huge disparity in income is one of the forces giving rise to huge pressures for immigration, which is one of the problems the United States faces, like Europe faces today in-migration. By raising incomes in Mexico we hoped to reduce the pressures. A decade after NAFTA began, the gap between Mexico and the United States was actually larger. NAFTA had failed. Part of the reason was that NAFTA – in spite of the fact that it is called the North American Free Trade Agreement – is not a Free Trade Agreement. That was just the name. If it were a Free Trade Agreement, it would be just a few pages. We would abolish our subsidies, we would abolish our tariffs or non-tariff areas, Mexico would do the same, Canada would do the same, a few little pages about how long it would take to implement this, and that would be it. But anybody who has seen one of these so-called Free Trade Agreements, realises that that is not true. These documents go on for thousands of pages written in a language that only lawyers can read, and not even they can agree what's inside of them. It was designed, so that Mexico would open up its markets to our goods, but we would not fully reciprocate. One of the reasons why it did not reduce but actually increase those migration pressures was, that the United States kept its agricultural subsidies. Among the poorest people in Mexico are the corn farmers. American corn farmers can more accurately be described as farming Washington than farming the land. They get about half of their income from Washington, not from their ground. And that meant that when Mexico joined NAFTA, the price of corn fell by about 50 %, and of course that meant the income of the poorest people of Mexico fell commensurately. There are other reasons that I described in my book, why NAFTA actually contributed to the growing disparity, but the phenomena, the problems, are manifest all over Latin America. Economists think that on the basis of the research that we have done in the last several decades, we know more about what causes economic growth.

The World Bank has given us knowledge freely, it has not only given it freely – it forced the countries to follow its advice, and the outcome should have been more stable, more rapid economic growth.

But it has not happened. In the Nineties, the decade in which Latin America followed this advice of IMF and the World Bank most assiduously, growth was half of what it was in the Fifties, Sixties and Seventies, before we taught Latin America how to grow. In Brazil it is even more dramatic. They had 75 years - three quarters of a century – not just one or two years, but three quarters of a century - of growth at 5,7 %. Almost comparable to the East Asia miracle. But then we taught it how to grow. Now, Brazil is happy, if it can grow at 2 or 3 %. That's viewed as a victory.

In terms of stability there have been a hundred crises in developing countries in the last thirty years. It is more unusual for a country not to have had a crisis, than to have a crisis. If you look around at other aspects of the global financial system, you see other peculiar things. If you saw a world, in which water went uphill, you would say, it is a very strange world, you would make a science fiction movie about it. But in economics, the corresponding thing is that you'd expect money to go from rich countries to poor

countries. But in recent years money has been flowing from poor countries to rich countries. The richest country in the world, of course, is the United States, and it's been borrowing 3 billion dollars a day from poor countries, lecturing them about living within their means.

Well, money has been flowing from poor countries to rich. You would have expected in well functioning market economies that risk would be shifted. Shifted from those who are less able to those more able to bear it. That is why there have been enormous developments in financial markets to produce all kinds of instruments for shifting risk, and financial markets pride themselves on these advances. Yet, in spite of all those advances it is still the case that developing countries bear disproportionately the risk of exchange rate and interest rate fluctuations. And it has meant enormous costs to these countries.

I was in Moldova for instance - one of the former Soviet Union Republics – a country like so many of the former Soviet Union countries. They were told that moving to a market economy would lead them to higher economic growth. After all, communism was inefficient, markets efficient - moving from an inefficient to an efficient system is supposed to raise your income. All it did was increase poverty. GDP in Moldova fell by some 70 %. And when I went there, 75 %, three-fourth of the governments budget, was being devoted to servicing the foreign debt. They did not have any money for roads. For an economist it was very interesting, because we could see the process of de-development. People were going back to using horses and buggies. But it was also very upsetting, because basic necessities were not available. While we were there, one of the daughters of one of the people of our team, went into the hospital, was put on oxygen, and the whole country ran out of oxygen in the hospitals overnight. And she died. And what we take for granted was an unaffordable luxury in Moldova.

Why did they have that problem? Very simple. At the beginning of the transition it had no debt. It borrowed, but it borrowed in hard currencies. When the Russian rouble collapsed, the value of their debt increased six-fold. And so what was a manageable debt became an unmanageable debt. And exactly the same thing has happened in country after country.

Well, it is good news that in the G-8 Meeting a year ago there was a resolve to give debt forgiveness for more countries and more thoroughly, the third time in a decade. The leaders, when they were sitting around talking about debt forgiveness did not talk about the more fundamental question. Why is it that so many countries have debt burdens beyond their ability to pay? And if they do not ask that question, they won't answer it.

If it were just one or two countries, you could say, it was a pro for good government. We all know countries where you have a 2 or 3% of GDP surplus. If you have bad economic management, the country has a 3 or 4 % of GDP deficit within the space of three or four years.

But in the case of developing countries it is not just one or two countries, it is country after country. And when you see a pattern like that, when you see it is not just one or two countries, when it is so many countries, you have to say there is something systematically wrong, and unless we fix that, even if we give debt forgiveness today, we are going to wind up with the debt problem in another five years. And that is why it is important to figure out why there are repeatedly these problems of debt beyond the ability to pay.

Well, what I hope I have done, is at least convince you that there are some problems with globalization. I can go on, but I think the point is clear.

What I want to do now, is to spend a few minutes talking about some of the underlying factors that account for why globalization has not lived up to its promise. And in the limited time here I only have time to talk about three of these:

The first can be put a little bit cryptically by saying that economic globalization has outpaced political globalization. Economic globalization is meant to achieve that we become more integrated, more intra-dependent. What happens at one part of the global economic system has effects on other parts of the system. And that means that there is need for acting together, for acting collectively. We do not have the political institutions nor the mind-set to do this effectively and democratically. When I was in Washington, I saw this repeatedly. The difference between the way we think about issues domestically and the way we think about things internationally: domestically - and this is true for most governments, at least in the rhetoric - when they talk about issues of domestic economic policy, they always talk about what is efficient, but they also talk about what is fair. Some people actually mean it, but everybody uses those words.

But internationally that is not the way the discussion goes. When we send our trade negotiator to Geneva, we do not say, come back with a fair trade agreement. If he did that, he would be fired. We say, come back with the best agreement that you can get for the United States; but what they really mean, the best agreement you can get for major campaign contributors. And that is what they try to do. You can see the contrast for instance in the Uruguay Round Agreement - I mentioned earlier, that was signed in spring of 1994. One provision in that agreement was concerned with intellectual property. It was called TRIPS – Trade Related Intellectual Property – but it was not trade related. They had to call it trade related, because there already was a world intellectual property organisation, and they want to stuff it into a trade agreement, because they want to shape it in a particular way.

Well, at the beginning of President Clinton's administration one of the big issues on the table was healthcare. Many Americans do not have access to healthcare; many Americans do not have health insurance, the problem today is much larger than it was then, now over 15 million Americans do not have any health insurance and because they do not have health insurance, drug prices really make a difference. Drug prices are high; that means people cannot afford the drugs; that means, if you are poor, you go without them. And that can have dire consequences. So the administration was very concerned with the monopolistic prices of many of the drug companies. And there was a real fight trying to bring pressure on the drug companies to lower their prices. The wildest fight was going on with the drug companies domestically; internationally we weren't bad with the drug companies. In the TRIPS agreement (described before) one of the main objectives was to make generic medicines less successful in developing countries. The reason why it was important for the drug companies was of course that generic medicines sold for a much lower price and would drive down profits and would drive down prices for the drug companies. So they do not want generic medicines. The reason why it is important for developing countries is exactly the same. Take an AIDS medicine: you are the supplier of the aids medicine. Generic medicine costs 300 \$ or less. The brand-name medicine costs 10.000 \$. If your income is 300 or 500 \$, or even 5000 \$, you cannot afford 10.000 \$ a year. So when you say, generic medicines are not going to be available, you are saying, you are not going to have any medicine available. So in fact when those two trade ministers signed the agreement in Marrakech, they were signing the death warrants of thousands of people in Sub-Saharan Africa and elsewhere in the developing countries. Actually the Council of Economic Advisors and the Office of Science and Technology Policy opposed the TRIPS agreement. We thought it was bad for developing countries, but we also thought it was bad for American science and for global science. I'll try to explain a little bit later why that was the case. An important point was that it was not our voices that prevailed, it was the drug industry's, and that is why we got the agreement that we did.

Making matters worse was the end of the Cold War, and in most ways the end of the Cold War was a good thing. But it had some adverse consequences. During the Cold

War we had to fight to win the hearts and minds of those in the Third World. There was competition. And competition meant that we had to treat them better than we otherwise might have treated them. It had some peculiar aspects. The enemy of our enemy was our friend. So we could befriend people like Pinochet in Chile, no matter what he was doing. We could give billions of Dollars to Mobutu in the Congo, knowing that that money was going into his Swiss bank accounts. It was not helping the development of the Congo, but that was not the purpose. The purpose was to make sure the Congo was on our side, or at least not on their side. And the money worked. He stayed on our side.

Well, with the end of the Cold War we had an opportunity. We had an opportunity to reshape the global economic order, to reflect our values, our principles. We had an opportunity to try to reshape globalization, unfettered by competition, to advance our own narrow economic interests, our special interests. And unfortunately, to a very large extent, we pursued the latter course rather than the former. And that is, why just a few years after the end of the Cold War you could get an international agreement that actually made the poor countries in Africa worse off. That would not have happened during the Cold War.

The final, overall reason, why things have not worked out as well is that too many people believed the advocates of globalization. They believed those who were trying to sell it. And those who were selling it said, everybody would be better off. Everybody is better off, you did not have to worry about the losers. But that was just the sales job. Nobody should have really believed that advertising. And in fact economic theory had always explained that there would be losers, especially in the advanced industrial countries.

The way to see this very graphically is to try to think about what full globalization with perfectly working markets would look like. We are nowhere near that. So you don't have to worry, when I describe this picture which has aspects you might not like. But at least it illustrates some of the forces that globalization brings about. Well, with full globalization, full immigration, perfectly working markets, it would mean, that unskilled workers everywhere in the world would get the same wages. That is what perfect markets mean. And that means that unskilled workers in Austria, in Germany, in the U.K., in France, in the United States would get exactly the same wage that unskilled workers in China, in India will get. And those unskilled wages would be - almost surely - much lower than the unskilled wages they have today. My own teacher, Paul Samuelson, analysed over 60 years ago the effects of partial globalization, partial liberalization, arguing that trade is a substitute for full immigration, trade is a substitute for a movement of actors, and that even with imperfect trade liberalization the forces that I just described would work. At the time he wrote, he assumed that there was the same knowledge everywhere in the world. And at that time that was a very bad assumption. But one of the aspects of globalization today is the globalization of knowledge. So that the difference in knowledge between the advanced industrial countries and developing countries has been narrowed enormously, it is still there, but it has been narrowed enormously. The point of this is that there are enormous forces pushing down wages at the bottom. Globalization is only one of the forces. There are others, such as technology, weakening of unions, changes in social morals, but globalization is one of the forces that people think they can do something about. They cannot do anything about technology, they cannot do anything about a lot of the other changes.

The magnitude of these forces is particularly evident in the United States, where we have followed the dictums of flexible labour markets. We have flexible labour markets in many ways and you can see what has happened with these flexible labour markets. The advantage is that we have lower unemployment than much of Europe. But the disadvantage is that wages at the bottom are falling. Not just stagnant, but falling, and

falling dramatically. Wages at the bottom today are about 30% below what they were 30 years ago. So this is not the decline of just one or two years, but a long term trend, as long as a working life time. And more recently, it is not just wages at the bottom that have been falling, but even in the middle.

Median family income in the United States today is lower than it was five or six years ago. People may talk about growth in the United States, but the reality is, that most Americans today are worse off than they were six years ago. The president said, he does not understand - you know, they see GDP numbers - why are people unhappy? Well the reason that they are unhappy is, most people are worse off! Yes GDP is going up, what does that mean? A few people are doing very well. Bill Gates is having a wonderful year. Especially since we just gave him tax amnesty effectively: all of the money that he had earned in Europe, he could bring back to the United States, with an 80% forgiveness of all the taxes. Well, of course he is happy. But the real question is: What about the average, not only the average, the vast majority of Americans who are not so happy?

Some people say globalization is inevitable – like cod liver oil, like medicine you have to swallow it, you have to accept it, just grin and bear it. The fact of the matter is that globalization is not inevitable. Globalization as we traditionally measure it, ratio of trade GDP or capital flows GDP was stronger before World War I than it was in the inter-war period. And the less we make globalization more fair, make it work better for more people, there can again be a backlash against globalization.

The young French workers of last spring were protesting against lower wages and weakening job protection, and some people said, well you have to accept it, it is part of globalization. And they scratched their heads and said, but you told us globalization was going to make us better off. How do lower wages and weaker job protection make us better off? And they had a point. Some people responded, well, you have to be patient! In the long run you will be better off. But then most people remember the famous quip of Keynes, the great economist of the last century, who said, “in the long run we are all dead”.

And as they pointed out, it has been thirty years and wages at the bottom have been going down and down and down. They are 30% below where they were, that means, there is no prospect in a working life time that they are going to get back up to where they were. That means that anybody who is seriously concerned about globalization in the advanced industrial countries has to put together an agenda that deals with these realities. You can't bury your head in the sand and say, everybody is going to be better off. It is not true. What economic science said was that the winners could compensate the losers. There was enough money around that the winners could compensate the losers, but they never said that they would! And they have not. And the really sad fact of it is that in many countries, including the United States, globalization has been used as an excuse for weakening social protection. So added on to the growing inequality, caused by the underlying economic forces, is growing inequality associated with the political process.

So the tax system has been made less progressive than it was before. There were tax cuts that were given disproportionately to those who were already doing so well in the last thirty years. Well, that highlights an agenda that anybody who wants to seriously advocate globalization has to take on board. There has to be recognition of the problem that there will be losers, and one has to figure out, what to do about it to minimise the number and to minimise the impact. Part of it is, one wants to have a productivity agenda, an education and productivity agenda to make sure, that those unskilled at the bottom have more productivity, because only by increasing their productivity can you justify higher wages. The second thing is, you have to have programs that facilitate adjustment. This is particularly important in the United States, where, if you lose your job, you lose your health insurance. We obviously ought to

reform our whole health insurance system. But if you are not going to do the whole thing, at least you want to make sure that people who lose their job, have some coverage of health insurance. But there is a whole variety of other ways: it is important to help people to move from one job to another, in a response to a dynamic economy. Retraining programs: it is frequently mentioned that the Scandinavian model has been very successful. But of course, one of the reasons they have done it successfully, is, they have maintained close to full employment. If you train people for jobs that do not exist, job training programs cannot work. So you have to combine macro and a micro-economic programs. And finally you have to have progressivity. Rather than giving tax cuts - as the United States has done - for those who have done so well, reshape the tax structure focussing the benefits on those who are doing so poorly, which are going to be increasingly those at the bottom. One of the things that the United States did very successfully, but which needs to be done more, is to grant income tax credits. So that people can work and have incentives. Now they have jobs, but cannot at the same time earn a living wage.

Well, much of my book is concerned with trying to describe how we can reform globalization more broadly. Today globalization affects every aspect of society. It is not just financial markets: trade, intellectual property, the environment, multi-national corporations, natural resources. And therefore making globalization work really requires looking at each of these areas and trying to think about what we can do to make it work better.

In the limited amount of time – which I have probably already used up - I can only talk about one or two of these to illustrate ways in which we can make globalization work.

In modern economy, markets are important; markets provide incentives, but often those incentives are distorted. Markets lead people to produce too much of some things - like pollution - and too little of other things - like research, basic research or research for the diseases that affect millions, hundreds and hundreds of people in the developing world.

So, yes, markets have certain powers, they have incentives, but when those market incentives are distorted, the outcomes are distorted. And a lot of the problems of globalization are related to that and related to the political failures of being able to correct those in the global arena.

I am going to begin by talking about intellectual property. Obviously as an academic I have a certain feeling for intellectual property. That is what we produce. But also as academics we have an ambivalence about intellectual property rights.

The universities are based on open knowledge trying to disseminate ideas, not closing knowledge, making it more restrictive.

And intellectual property is based on the notion of trying to restrict knowledge.

The major ambivalence may be illustrated by a couple of stories. About twenty years ago I got a letter from a Chinese publisher. He wanted me to write a preface for a pirated edition of one of my books.

I was actually very enthusiastic about this idea, because I was more interested in the dissemination of my ideas. I thought, you know, if one hundredth, if 1% of the people in China read my book, that is a pretty big audience.

But before writing the preface, I decided that I should ask my publisher, what he thought of this idea. And he was less enthusiastic. In fact, he went ballistic over the idea.

A couple of years later I was in Taiwan. I had heard that in Taiwan, too, there had been a lot of piracy. I was in a conference, and I had a little time to go to a book store, and as I walked to the book store, I had a debate in my mind. I was curious, whether they had pirated one of my books. On the one hand, if they had, that was terrible, they had stolen my property and theft is a terrible thing. And we all feel very strongly about theft.

But, on the other hand, if they had not stolen my intellectual property, that meant that they had ignored me. And I decided that being ignored was much worse than having your property stolen.

So by the time I got to the book store, I had decided I really hoped that they had stolen my intellectual property - and they had. So I felt relieved. Well, actually, intellectual property is different from ordinary property rights and this illustrates some very important economic principles.

If you listen to discussions on market economics, you often hear how important property rights are for the efficiency of economy. But intellectual property rights result in an inefficiency of economy. Knowledge is different from an ordinary good. If you are sitting in a chair, I cannot sit in it. If I am sitting in a chair, you cannot sit in it. But knowledge is just quite different. If I told you, what I know, you know it, but I still know it.

We economists put it in a technical term, we say, "consumption is non-rivalrous". Or another way of putting it is the margin of cost of consumption, of another person enjoying the benefits of the knowledge, is zero.

Thomas Jefferson, our third president, put it much more poetically, before these ideas were developed in a rigorous way, but he understood it. He said, knowledge is like a candle. When one candle lights another candle, it does not diminish the light of the first candle.

Well, that means, if you restrict the use of knowledge, you are causing an inefficiency. Knowledge could have benefits without any cost, but you are restricting it.

And intellectual property does that. So it causes an inefficiency. Not only that. It is worse than that, because it gives the right to control that knowledge to one person or one company. That is monopoly, and monopoly is one of the worst things in the world from the point of view of economic efficiency. So here we have a legal regime that creates monopoly power, not only condones it, it creates it.

And why do we do that? We do it, because we hope, that it will lead to more innovation. And sometimes it does. But sometimes it does not.

When you talk about what intellectual property regime means, you have a whole set of things: what can be patented, the length of the patent, the breadth of the patent etc. And combined this whole set of legal definitions determines what we mean by an intellectual property regime. If you do not get that right, then you get the cost, the restrictions of knowledge without the benefits of spurring innovation.

I will give you an example where we clearly got it wrong. The U.S. Patent Office gave a patent - not very long ago - for basmati rice. Indians had thought they had been eating basmati rice probably for a couple of thousands years. But the U.S. Patent officer obviously had never had the pleasure eating basmati rice, and so for him this was a revelation. So he granted a patent for basmati rice. If the patent had been upheld, it would have meant, that if anybody in India ate basmati rice they were supposed to send a cheque to the company in Texas that owned the patent. Now did that spur innovation? Obviously not. It has spurred a restriction on the use of knowledge.

Another example: The U.S Patent Office gave a patent for the use of turmeric for healing purposes. Again something that had been well known in India. And this was even more interesting, because it was an Indian doctor in America who took out the patent.

Again, the patent officer did not know about it. You might have said, well, there is nothing published about it. The problem is, for those of you who are not academians, you cannot publish something, that everybody knows.

So there is no way you could publish it. I should say, not everybody knew it; everybody except the patent officer knew about it. So the patent officer gave a patent. Anybody in India, who uses turmeric for healing purposes is supposed to send a cheque to this Indian doctor living in Mississippi.

Well, in those particular cases, India was so outraged, that it challenged the patents, spent huge amounts of money, and eventually succeeded in overturning the patent. But if that had not happened, here you would have had a patent that restricted the use of knowledge, required payments from poor countries to rich countries without any benefit.

Actually, in the 20th century, there were numerous examples of poorly designed patents impeding innovation.

The two most important innovations at the beginning of the 20th century were the automobile and the airplane. And both of those were impeded by the intellectual property regime. In the case of the airplane - most of you know the story - the Wright Brothers in 1903 took out a patent, but so did somebody else called Curtis. And the problem then was, what is called a patent thicket.

Anybody, who wanted to develop an airplane, had to pay both of these guys, and paying both of them was not profitable. If you only paid one, the other one would sue. And so the airplane did not get developed, until the U.S. government said, this is too important to allow these patent lawyers to stop the development of the airplane, and the U.S. government seized the patents back and said, we'll figure out, who gets how much, and who pays how much.

Well, recently in the United States we have seen another example very similar to that: BlackBerry - many of you may have BlackBerrys - had to pay to somebody who had bought a patent 600 million dollars in ransom to continue to operate. For a patent that had already been declared invalid in two other countries, but not yet declared invalid in the United States. And as long as it had not yet been declared invalid, they could shut down BlackBerry. And BlackBerry decided, it was better to pay 600 million \$ than to be shut down.

Anybody who works with software today, faces this problem. There are thousands of patents, applications for patents every year, hundreds of thousands. If you spend your time reading the patent applications, you could not have any time doing research. You write a program, there is a high probability that you will infringe, you will trespass on somebody else's patent. So this patent thicket is impeding innovation.

So, I could go on, but the point should be clear: if you do not get it right, you can impede innovation.

Well, I talked before about intellectual property in the area of drugs and how the TRIPS Agreement made access to drugs less accessible. What did the developing countries get in return?

The drug companies spend far more money on marketing, on advertising, than they do on research; more money on research on lifestyle drugs than on lifesaving drugs. And almost all the money they spend on lifesaving drugs is spent to combat the diseases of advanced industrial countries.

And it makes perfect sense, it is obvious, why they do it. If you are poor, you cannot afford to buy medicines and if you cannot buy it, you cannot make profits on the basis of that.

So even the drug companies realized that the intellectual property regime would never result in drugs for diseases like malaria - affecting hundreds of millions of people.

So in the book I tried to describe an alternative regime, an alternative system called the Medical Prize Fund. You have a prize, a big prize for big innovations, that affect hundreds of millions of people, small prizes for drugs, where there already is a cure.

This would provide incentives for innovation to be directed the right way.

It requires resources, it requires incentives to get innovation. The problem is the current system does not direct those resources in an efficient, in a right way.

But what makes matters worse, the current system not only does not direct innovation, once ideas are discovered, it restricts the use of knowledge. In this alternative system,

once you discover a cure, you will then use the power of the market to distribute the goods as widely as possible, for the lowest prices possible.

So rather than the monopoly system which restricts usage and raises prices, you use competition to drive down the prices.

Well, this is just an example of the way we can reshape globalization to make it work, or at least work a lot better. Let me conclude with a couple of remarks about one of the criticisms I sometimes get: Why do I think that writing a book, or giving a sermon, giving a speech, is going to change anything?

I described what is wrong, described the role of multi-national corporations. Why do I think things can change?

Part of the answer has to do with the fact that we have changed the market economy. In the 19th century, the market economy did not bring benefits to lots of people. They had to work in conditions in the cities in Europe and elsewhere that were terrible. Life expectancy was low, actually declining. Environmental conditions were terrible.

Democracy worked, democracy demanded changes: rules, regulations, working conditions were imposed and the result of this is that today, the market economy brings benefits to many more people than it otherwise would have done.

And those were the origins of a lot of the social democratic movements.

One of the reasons I argue so strongly for why we need to democratise globalization is that I think the same thing will happen, if we democratise globalization. Those forces, those demands the multinationals raise recognize that shaping globalization is important. They would try to shape it to advance their interests. But there has not been a democratic check on the way they shaped it, and that is why democratising globalization would make such a difference.

The other argument is that globalization is already changing. It will have to change. The world is changing, we are confronted with problems of global warming, the global financial system is fraying. I could go on with the problems that are here; they will have to be dealt with and in dealing with them we will have to change the way we manage globalization.

The real issue is, whether we go from crisis to crisis, whether we change globalization in response to a crisis in a patchwork way, or whether we try to lay out a coherent framework that will allow us to reform globalization, to make globalization work a lot better, both for the rich and the poor, in both the developing and the developed countries. Thank you.