

# America's Global Election

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NEW YORK – Most people around the world will not be able to vote in the United States's upcoming presidential election, even though they have a great deal at stake in the result.

Overwhelmingly, non-US citizens favor Barack Obama's re-election over a victory for his challenger, Mitt Romney. There are good reasons for this.

In terms of the economy, the effects of Romney's policies in creating a more unequal and divided society would not be directly felt abroad. But, in the past, for better and for worse, others have often followed America's example. Many governments quickly subscribed to Ronald Reagan's mantra of deregulated markets – policies that eventually brought about the worst global recession since the 1930's. Other countries that followed America's lead have experienced growing inequality – more money at the top, more poverty at the bottom, and a weaker middle class.

Romney's proposed contractionary policies – the attempt to reduce deficits prematurely, while the US economy is still frail – will almost surely weaken America's already anemic growth, and, if the euro crisis worsens, it could bring on another recession. At that point, with US demand shrinking, the rest of the world would indeed feel the economic effects of a Romney presidency quite directly.

That raises the question of globalization, which entails concerted action on many fronts by the international community. But what is required with regard to trade, finance, climate change, and a host of other areas is not being done. Many people attribute these failures partly to an absence of American leadership. But, while Romney may summon bravado and strong rhetoric, other world leaders would be unlikely to follow him, owing to the belief (correct in my judgment) that he would take the US – and them – in the wrong direction.

American "exceptionalism" may sell well at home, but it does poorly abroad. President George W. Bush's Iraq war – arguably a violation of international law – showed that though [America spends](#)



## Joseph E. Stiglitz

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almost as much on defense as the rest of the world combined, it could not pacify a country with less than 10% of its population and less than 1% of its GDP.

Moreover, it turned out that US-style capitalism was neither efficient nor stable. With most Americans' incomes stagnating for a decade and a half, it was clear that the US economic model was not delivering *for most citizens*, whatever official GDP data said. Indeed, the model blew up even before Bush left office. Together with the abuses of human rights under his administration, the Great Recession – the predictable (and predicted) consequence of his economic policies – did as much to weaken America's soft power as the wars in Iraq and Afghanistan did to weaken the credibility of its military power.

In terms of values – namely, the values of Romney and his running mate, Paul Ryan – things are not much better. For example, every other advanced country recognizes the right to accessible health care, and Obama's Affordable Care Act represents a significant step toward that goal. But Romney has criticized this effort, and has offered nothing in its place.

America now has the distinction of being among the advanced countries that afford the least equality of opportunity to their citizens. And Romney's drastic budget cutbacks, targeted at the poor and middle class, would further impede social mobility. At the same time, he would expand the military, spending more money on weapons that do not work against enemies that do not exist, enriching defense contractors like Halliburton at the expense of desperately needed public investment in infrastructure and education.

While Bush is not on the ballot, Romney has not really distanced himself from the Bush administration's policies. On the contrary, his campaign has featured the same advisers, the same devotion to higher military spending, the same belief that tax cuts for the rich are the solution to every economic problem, and the same fuzzy budget math.

Consider, for example, the three issues that are at the center of the global agenda mentioned earlier: climate change, financial regulation, and trade. Romney has been silent on the first, and many in his party are "climate deniers." The world cannot expect genuine leadership from Romney there.

As for financial regulation, while the recent crisis has highlighted the need for stricter rules, agreement on many issues has proven to be elusive, partly because the Obama administration is too close to the financial sector. With Romney, though, there would be no distance at all: metaphorically speaking, he is the financial sector.

One financial issue on which there is global agreement is the need to close down offshore bank havens, which exist mainly for purposes of tax evasion and avoidance, money laundering, and corruption. Money does not go to the Cayman Islands because sunshine makes it grow faster; this money thrives on the absence of sunshine. But, with Romney unapologetic about his own use of Cayman banks, we are unlikely to see progress even in this area.

On trade, Romney promises to launch a trade war with China, and to declare it a currency manipulator *on Day One* – a promise that gives him little wiggle room. He refuses to note the [renminbi's large real](#)

**appreciation** in recent years, or to acknowledge that, while changes in China's exchange rate may affect the bilateral trade deficit, what matters is America's multilateral trade deficit. A stronger renminbi would simply mean a switch in the US from China to lower-cost producers of textiles, apparel, and other goods.

The irony – again lost on Romney – is that other countries are accusing the US of currency manipulation. After all, one of the main benefits of the Federal Reserve's policy of "quantitative easing" – perhaps the only channel with a significant effect on the real economy – derives from the depreciation of the US dollar.

The world has a lot riding on America's election. Unfortunately, most people who will be affected by it – almost the entire world – will have no influence on the outcome.

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