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**Review of *Freefall: America, Markets and the Sinking of the World Economy*. Joseph E. Stiglitz. Reviewed by Helen Lachs Ginsburg.**

Helen Lachs Ginsburg  
*Brooklyn College*

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Human rights, as formulated in 1948 by the United Nations in the “Universal Declaration of Human Rights,” should serve, according to Sen, as important elements of the pursuit of global justice, regardless of whether or not these rights have been formally enacted into the laws of different nations.

In summary, Sen’s work provides a realistic road map for movements toward social justice from local to global levels. It clearly assigns priority to progressive reductions of symptoms of injustice, but it also contributes insights into root causes of injustice, and thus, by implication, into strategies to confront and overcome these causes.

*David G. Gil, Brandeis University*

Joseph E. Stiglitz, *Freefall: America, Markets and the Sinking of the World Economy*. New York, N.Y.: W. W. Norton, 2010. \$27.95 hardcover.

In 2008, the U.S. economy seemed to be in an endless financial freefall that spread rapidly from Wall Street to Main Street and soon turned global, spawning the Great Recession, the worst economic downturn since the 1930s. Millions of ordinary people have lost homes, jobs, retirement incomes and their children’s futures, while many Wall Streeters walked off with fat bonuses! As economist Joseph E. Stiglitz notes, we have pulled back (with government help) from the precipice of late 2008, but the end of a freefall is not a return to normalcy.

Stiglitz, a Columbia University professor, is a Nobel Laureate in economics. He once headed President Clinton’s Council of Economic Advisers and later was chief economist at the World Bank, whose policies he sharply critiqued in *Globalization and Its Discontents*.

Freefall is jargon-free; concepts unfamiliar to non-economists are carefully explained. It packs a lot in about 300 pages of text and 60 pages of notes—many well worth reading. The absence of an index, however, poses some problems. The book first covers the complex origins of the crisis and the author’s perspectives on what was and what should have been done. “The only surprise about the economic crisis of 2008 was that it came as a surprise to so many” says Stiglitz, one of the few

economists who had been expecting the U.S. economy to crash. He firmly believes that markets lie at the heart of a successful economy but that they do not work well without government intervention—a major theme of his life's work and of this book.

Although feckless lending of the financial sector had fed the housing bubble, which eventually burst, Stiglitz believes they had a common cause. "Bubbles and their aftermath are as old as capitalism" he points out. But for decades after the Great Depression and the New Deal of the 1930s, which put in place a significant regulatory structure that promoted economic growth and stability, the U.S. had been spared. However, once deregulation had taken hold, it was inevitable that some of these horrors would return, and the book discusses the ugly details. Also, under threat of collapse of the entire system, the same banks that had opposed regulation were bailed out with hundreds of billions of taxpayer dollars. Stiglitz argues that a bank too-big-to-fail because it would have a severe impact on the whole financial system should, among other things, be broken up. Similarly, the great mortgage scam is explained in detail and policy recommendations are offered.

Highlighting massive unemployment, a major consequence of the Great Recession with huge human and societal costs, Stiglitz believes that Obama's fiscal stimulus was necessary and made a difference but was not large enough to do an adequate job and should have been better designed. Too much went into tax cuts and too little to states, localities and people falling through the U.S.' eroded safety net. However, his suggestions for improving the effectiveness of the stimulus do not include the possibility of a cost-effective New-Deal-style government job creation program, which can directly impact unemployment and meet societal needs.

Rare among economists, Stiglitz has a broad vision and sees the interconnections between the economy and the rest of society. He explores these issues in several significant later chapters and sees financial/economic problems as deep seated and systemic, requiring many reforms. Economics, my profession, is not exempt. It has, he says, become "free market capitalism's biggest cheerleader." Stiglitz notes that until the Great Depression, the reigning economic paradigm was the

neoclassical model, which postulates that markets are efficient and self-regulating, that there is therefore no unemployment and that there is a minimal or no role for government in the economy. The Depression severely weakened the stronghold of that model. Keynesianism, with its emphasis on government's positive role in the economy, played an important part in maintaining the relative prosperity of post-World War II decades. But since the 1980s, these neoclassical views—albeit with many variants and in modern dress—again predominate and underlie much economic policy.

Stiglitz provides a compelling case that we can't—and shouldn't—go back to where we were before the crisis. Instead, he advocates a new capitalist order, one that resembles the Swedish welfare state. He asks fundamental questions—among them: What kind of society do we want? And is our economy helping us to achieve it? Has the market misshaped our values? Shouldn't we be concerned about our moral deficit? The book ends with a call to create a new economic system that is sustainable, has greater income equality, gives people security, rights, and leisure, and that will, among other things, "create meaningful jobs, decent work for all those who want it." The question is how to get there—and there are few clues from Stiglitz on that score. Perhaps in his next book!

*Helen Lachs Ginsburg, Emeritus, Brooklyn College &  
National Jobs for All Coalition*

Robert Bullard & Beverly Wright, Eds., *Race, Place, and Environmental Justice after Hurricane Katrina: Struggles to Reclaim, Rebuild, and Revitalize New Orleans and the Gulf Coast*. Westview Press, 2009. \$32.00 paperback.

There is no doubt that in August 2005 Hurricane Katrina changed the history of New Orleans and its residents forever. The events that unfolded before the eyes of the world called into sharp relief how the U.S. responds to a massive crisis of dislocation, one that in this case particularly impacted poor and African American communities. Is there any doubt that had Katrina swept over one of the country's vacation playgrounds for the wealthy there would have been no delays in rebuilding