

THE FUTURE OF GLOBALIZATION

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When globalization was viewed as permanent and immutable

- Bill Clinton: “Globalization is not something we can hold off or turn off. It is the economic equivalent of a force of nature, like wind or water.” (2001)
- Tony Blair: “I hear people say we have to stop and debate globalization. You might as well debate whether autumn should follow summer.” (2005)

The post-1990s movement towards hyper-globalization

- Traditional model of trade liberalization/trade agreements (GATT/IMF)
 - tackling restrictions at the border, limited scope, w/ “compensation”
 - export-oriented groups as counterweight to domestic protectionists
 - capital account management
 - policy space, autonomy for each national developmental model
- The hyper-globalization model (WTO, FTAs)
 - tackling behind-the-border “restrictions;” capital mobility, deep integration, (necessary) decline of compensation
 - international firms and banks as the new rule and agenda setters
 - approach predicated on convergence of national economic models (“end of history”)
 - globalization as an end rather than the means

The changing nature of trade agreements

- “Recognizing that their relations in the field of trade and economic endeavor should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods ...”

GATT (1947)

- “Resolving to establish a comprehensive regional agreement that promotes economic integration to liberalise trade and investment, bring economic growth and social benefits, create new opportunities for workers and businesses, contribute to raising living standards, benefit consumers, reduce poverty and promote sustainable growth ...”

TPP (2016)

- “Resolve to: further strengthen their close economic relationship...; Create an expanded and secure market for their goods and services through the reduction or elimination of barriers to trade and investment; Establish clear, transparent, predictable and mutually-advantageous rules to govern their trade and investment....

CETA (2014)

Globalization a la carte: designing an economic globalization regime

- Policies at the border: which flows should be liberalized (barriers reduced)?
 - trade, finance, labor?
- Policies behind the border: should rules reach behind the borders?
 - and if so, in which areas
 - subsidies, intellectual property, investment rules, industrial policies, tax regimes?
- How should the rules be governed?
 - formal multilateral/regional institutions
 - enforcement by hegemonic powers
 - internalized norms
 - reciprocity

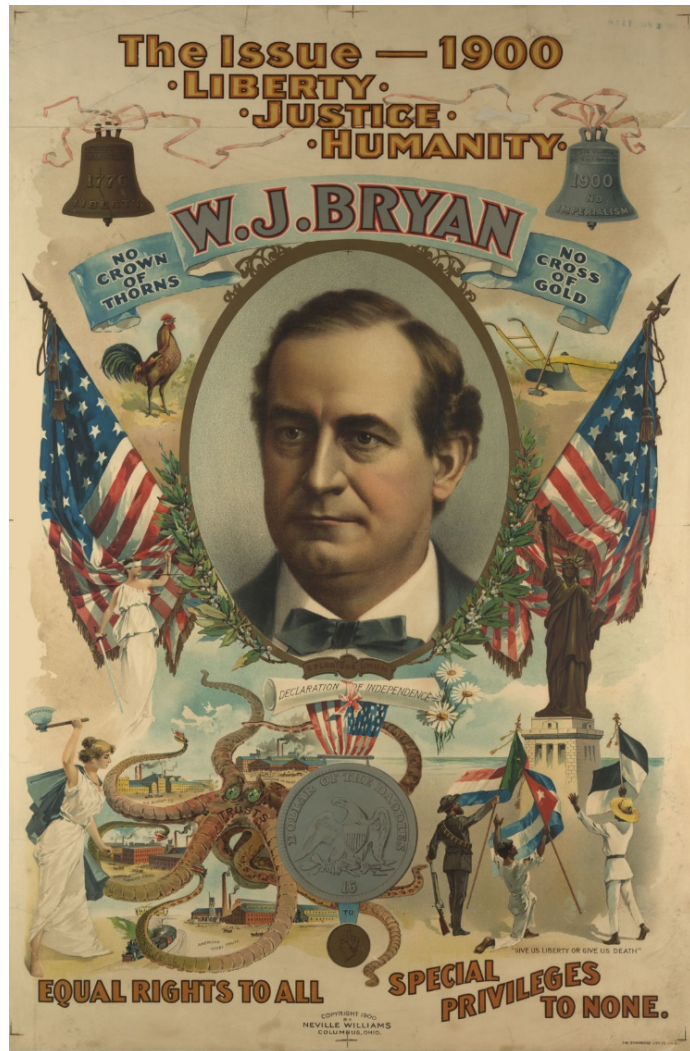
Different globalizations in history

	aspiration				
	Capital mobility	Free trade in goods	Labor mobility	Rules that reach behind borders	Multilateral governance institutions
Gold Standard	✓	✓	✓	✓	
Bretton Woods		✓			✓
Post-1990s hyper-globalization	✓	✓		✓	✓

What hyper-globalization shares with the Gold Standard

	aspiration				
	Capital mobility	Free trade in goods	Labor mobility	Rules that reach behind borders	Multilateral governance institutions
Gold Standard	✓	✓	✓	✓ Constraints on monetary-credit-debt policies	
Bretton Woods		✓			✓
Post-1990s hyper-globalization	✓	✓		✓	✓

The globalization backlash is a recurring feature of history



The Populist movement in the U.S. in late 19th century:

“...we shall answer their demands for a gold standard by saying to them, you shall not press down upon the brow of labor this crown of thorns. You shall not crucify mankind upon a cross of gold.”

William Jennings Bryan (1896)

Three sources of tensions exacerbated by hyper-globalization

- Economics (size of the pie)
 - gains from specialization vs gains from productive diversification
 - Smith/Ricardo vs Hamilton/List
 - Mexico versus China
- Distributive justice (how the pie is distributed)
 - gains from trade vs distributive “costs”
 - Stolper-Samuelson theorem and extensions
 - moreover, increasing ratio of redistribution to efficiency gains as barriers decline
- Politics (responsiveness to domestic preferences/needs)
 - gains from trade vs. gains from regulatory diversity
 - national differences => gains from trade, but arbitrage => convergence
 - theory: local (national) public goods, but not everyone can move
 - examples: corporate taxation, carbon border adjustment, labor standards

When do we need international rules? What economics tells us

- In international economics, virtue is generally its own reward
 - free trade expands national “welfare”
 - subject to considerations of market failures and redistribution
- Therefore, strong presumption that well governed countries will choose globally optimum policies
 - doesn’t mean countries don’t make mistakes (that affect others)
 - but when they do, they bear the bulk of the costs
 - examples: excessive trade protection, misguided subsidies, GMO bans
 - not clear that international rules can reliably prevent such mistakes
 - international commitments can alleviate time inconsistency (“democratic delegation”), but can also empower vested interests (and thereby impose inappropriate outcomes)
- Two major exceptions
 - beggar-thy-neighbor (BTN) policies (optimum tariffs, pure tax havens, competitive dev’n)
 - global public goods (or “bads”) (GPG) (e.g., climate change, pandemics)

The kind of globalization we should want:

- disciplines beggar-thy-neighbor policies and enforces rules for global public goods
- produces benefits to all rather than to a few
 - the larger the efficiency gains the greater the possibilities of redistribution
- otherwise leaves space for policy autonomy and institutional diversity across nations

What does this imply specifically?

	aspiration				
	Capital mobility	Free trade in goods	Labor mobility	Rules reach behind borders	Multilateral institutions
Gold Standard	✓	✓	✓	✓	
Bretton Woods		✓			✓
Post-1990s hyper-globalization	✓	✓		✓	✓
Globalization of the future?	?	?	?	?	?

A thinner but more sustainable globalization

- International trade regime
 - “peaceful economic co-existence” (e.g., US-China)
 - permissive rules on subsidies, intellectual property rights, and industrial policies
 - expanded safeguards regime to allow countries to uphold domestic labor, environmental, technological, national security requirements
 - carbon border adjustments, anti-“social dumping,” trade and investment restrictions in response to privacy, national security concerns
 - right to “protect” own standards/regulations/tax regimes, but not to export them
 - e.g., corporate taxation, Huawei, labor standards
 - no special privileges for MNCs (over labor or other groups)
 - ISDS as an exception rather than a rule
- Focus global governance where economic gains are large
 - non-economic areas: climate change, global public health (both GPGs)
 - international coordination on “pure” tax havens
 - cross-border labor mobility

Three futures for globalization...

- The bad: 1930's style collapse in global economic cooperation and rise of hard-right or hard-left regimes
- The ugly: creeping populism and protectionism, gradually eroding both liberal democracy and open world economy
- The good: a rebalancing that steps back from hyper-globalization and seeks a thinner globalization with greater space for reconstruction of national social contracts