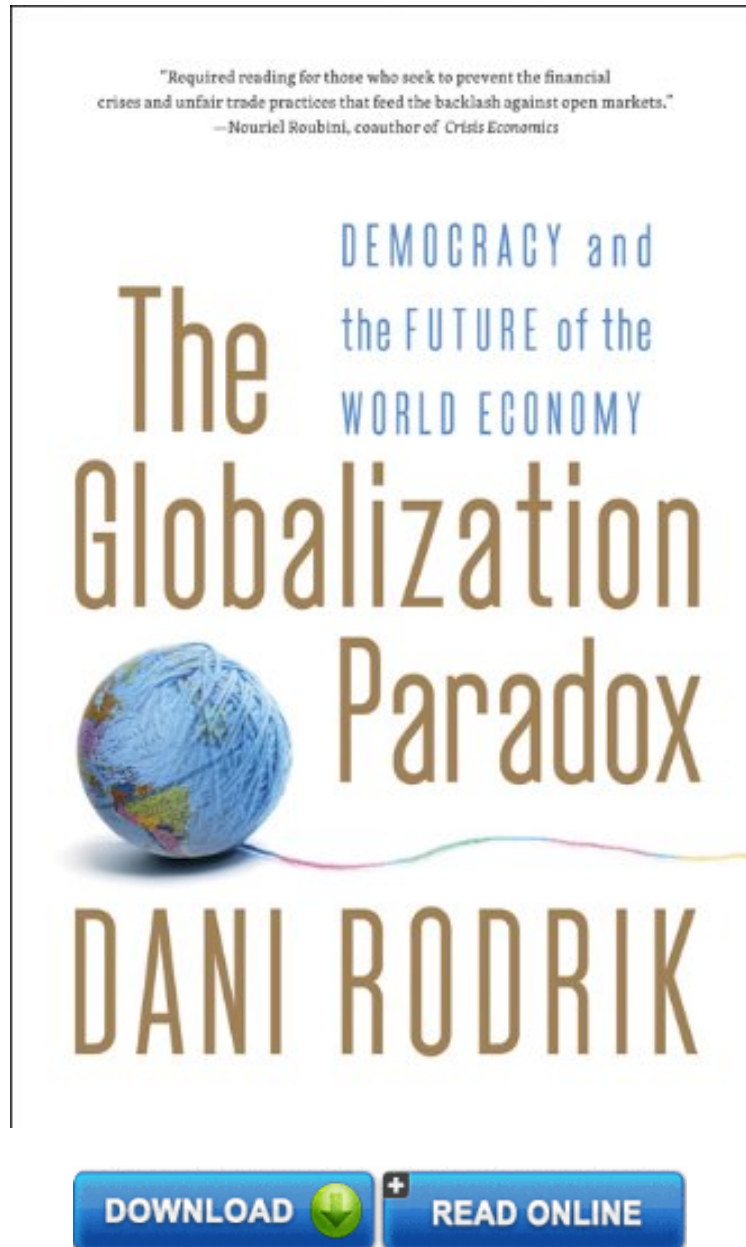


(Read free) The Globalization Paradox: Democracy and the Future of the World Economy

The Globalization Paradox: Democracy and the Future of the World Economy

Dani Rodrik

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Dani Rodrik : The Globalization Paradox: Democracy and the Future of the World Economy before purchasing it in order to gage whether or not it would be worth my time, and all praised The Globalization Paradox: Democracy and the Future of the World Economy:

48 of 48 people found the following review helpful. "Hubris creates blind spots"By DRDRThe Globalization Paradox adds rhetorical flair to Dani Rodrik's previous work condemning the intrusions of the WTO and IMF on the mechanisms of nation-states. Rodrik now dubs his enemy "hyperglobalization" (previously known as "deep

integration") and insists that it be slayed to promote the diversity of social concerns across the world's democracies. The book augments the global economic governance chapters of "One Economics, Many Recipes" (a 2007 hodgepodge of the author's previous work) with richer historical context and topical material on the financial crisis and China's rise. I read several thoughtful reviews of Rodrik's last book in economics journals, and I am disappointed these reviews did not lead Rodrik to engage more of the recent economic literature in trade policy. Yet I still appreciate this book for asking important policy-relevant research questions that economists have often neglected. A sizeable chunk of the book is navel-gazing: humbly defending the economics profession, while criticizing its members for unequivocally endorsing free trade in public. His most pointed barb is accusing economists of using more conditional views of free trade in the seminar room. I'm reminded of Elhanan Helpman and Paul Krugman's seminal 1989 trade policy monograph, which surveys several trade models in which government intervention is optimal. Yet the authors conclude, "The design of an advantageous trade policy requires information of a kind that is simply not available." This was not one of the seven "hand-waving arguments" Rodrik cites in support of free trade, but it's an important argument he should have engaged. Rodrik downplays the concern from economists that much of trade policy in democracies is political rent-seeking. If there were a referendum for every trade policy decision, and citizens were perfectly informed about the impact of each one, would trade policy be much different from today? In other words, what share of trade policy originates from opportunistic lobbyists rather than legitimate democratic social preferences? I can imagine U.S. citizens protecting a few paper mill towns, but I don't see them keeping sugar quotas or subsidies for Brazilian cotton farmers. What gains are left for further international liberalization? Rodrik argues wisely that because manufacturing liberalization has proceeded so far already, further liberalization will lead to much larger distributional effects than gains from trade. I was disappointed that Rodrik selectively cites Andrew Rose to suggest the GATT WTO has had little effect on expanding trade, yet economists Arvind Subramanian and Shang-Jin Wei have shown that only countries who actually liberalized themselves gained trade from the WTO -- as theory would predict. Rodrik is correct that overall gains from temporary migration (practically nonexistent at present) are much larger than gains from tariff liberalization. The same logic would suggest massive gains from liberalizing other forms of services trade (temporary migration of workers is but one form), and Rodrik does not mention this. Even if one disagrees with Rodrik on normative trade policy, determining the ideal global institutions for balancing conflicting policy preferences across nation-states is still practically important. Rodrik makes a convincing case for the impossibility of global federalism (fantasy-crushing for Rodrik's Harvard Kennedy School students). He makes a good case that capital controls are necessary to allow for different national priorities in regulating finance. I'm less sold on Rodrik's claim that U.S. credit rating agencies are proof that labelling and corporate social responsibility cannot succeed: his example is a closed market in which government created rents by limiting entry to three firms. Regardless, I agree with Rodrik that nation-states are not going to completely surrender their sovereignty to a WTO-like organization, and there needs to be an institution that can allow them to negotiate over their distinct policy preferences. Rodrik believes that the WTO overreached on national sovereignty, and he looks back longingly on the lighter integration of the GATT and Breton Woods regime from the late 1940s. What you won't learn from Rodrik is that Kyle Bagwell and Robert Staiger formalized such a theory, influential in the international law literature and published in top economic journals over the previous decade. Bagwell and Staiger suggest the ideal trade institution, similar to GATT, is one where nations negotiate over market access commitments, and countries should be free to choose any mixture of domestic policies and trade policies which maintains the negotiated level of market access. The mess of safeguard schemes that Rodrik instead proposes sound similar, yet it is hard to be sure without formalism. What is clear is that Rodrik believes domestic concerns are far more important than any international externalities created by trade and domestic policy choices, and he believes the market access focus of trade negotiations is problematic. Rodrik used to have an active blog on international economics, but he came to a near full stop, believing that the blog and book-writing were substitutes. Still I hope the blog can be complementary to the further development of Dani's thinking on these important issues.

2 of 2 people found the following review helpful. Persuasive Challenge to Neoliberal Trade Regimes
By Dick_Burkhart
Professor Rodrik deals with the economics of globalization as it actually affects people, not just so-called "free trade" but financial globalization and other forms of neoliberalism too. So he, like Stiglitz and others, is now calling for an overhaul of what he calls "hyperglobalization". Basically, he says, nations need to be given a lot more leeway to respond to their domestic priorities, as demonstrated by democratic politics, rather than be locked into WTO and trade agreement straitjackets. This neoliberalism has failed abysmally, as in the Asian, Argentinian, and 2008 financial crises, also in the slow development of so many countries in Latin American and around the world who followed the IMF orthodoxy, versus the spectacular success of the Asian tigers and China who adopted a variety of protectionist measures to achieve their export goals. Rodrik points out that hyperglobalization, or "deep integration", fails because the world economy lacks the strong institutional support of robust domestic markets. For example, "there is no global anti-trust authority, no global lender of last resort, no global safety net, and no global democracy" (p. xvi). "Markets work best, not where states are weakest, but where they are strongest" (p. xviii). "With very few exceptions, the more developed an economy, the greater the share of resources that is consumed by the public sector" (p. 16). "Governments have grown

the largest in those economies most exposed to international markets" (p. 17). More generally, Rodrik identifies a "Political Trilemma" — "we cannot simultaneously pursue democracy, national determination, and economic globalization" (p. xviii). In his view it is the latter objective that must be limited, not the former two. His model here is the GATT system of the Bretton Woods regime, which preached free trade but allowed a great deal of variance in practice, resulting in the best era of global economic growth in human history. My fundamental criticism is that Rodrik rejects global governance as impractical, but how can we achieve limited globalization without some form of democratic global governance? That is, the generosity that characterized the post WWII era — the golden era of capitalism — has long since been replaced by the "greed is good" ideology of the Reagan / Thatcher era. Today little stands in the way of corporate power except resistance from second tier countries, as in the Doha round, and from the marginalized, as illustrated by the Battle of Seattle and the World Social Forums. Now, as this resistance matures into the first stages of revolution even in the US (Bernie and Trump), it would be wise to conceptualize a more democratic order, both domestically and internationally, to dampen the increasing conflicts and wars that we face as the world reaches its limits to growth. Instead Rodrik confuses democratic global governance with the "golden straightjacket" of neoliberalism, a world "shoehorned into common rules" (p. 204) instead of the respect for human rights and diversity that characterizes true democracy. In fact, as Rodrik admits, "Where there is globalization, there are rules. What they are, who imposes them, and how — those are the only real questions" (p. 9). And "markets are not self-correcting, self-regulating, self-stabilizing, or self-legitimizing" (p. 22). "The resources used in international exchanges must be valued at their true social opportunity costs rather than at prevailing market prices" (p. 53). All too true, but the market orthodoxy is not just intellectual, it is the life blood of the predatory behavior that has produced the wealth and power of the one percent. I doubt that "calling out" Wall Street, Hillary style, will stop billionaires and transnational corporates from buying politicians to serve corporate greed. Rodrik needs to envision a global political revolution to make for a more democratic and sustainable globalized world. The real alternative is the "collapse" that follows from ecological and political overshoot, as evidenced by the many collapses of past empires and civilizations. Instead his favorite solution is the "mobility of labor", meaning new revolving guest worker programs, despite the fact that the US, for example, does not have full employment. Nor does the business establishment want full employment, since that would raise its cost of labor, and the Fed treats this as "inflation" to be combatted with extreme urgency, while ignoring inflation in financial assets.

3 of 3 people found the following review helpful. Democracy vs. profits... By MADCFirst, excuse me for my English. I found this book to be very well researched and documented from a historical point of view. From a technical perspective, the explanations are clear and the logic and conclusions are solid. But we, people from the poor countries feel there is another side to the story. One that Mr. Rodrik mentions just in passing: there IS a dark side. Are there hedgehogs, or just economists responding to their ideology or to the money they get paid by the elites and/or transnational corporations running the globalization show? There is no way they didn't know what would be the results or consequences of the models they proposed and still defend. Well, the results are there for all to see and the scheme is to get the world back to what Mr. Rodrik presents as Capitalism No. 1, and that is deep globalization with the WTO and the FMI doing the job the gunboats did in the past. I really think this is a book that everybody should read and study..

"Cogent, well-written . . . critiques unalloyed globalization enthusiasts, taking aim at their desire to fully liberalize foreign trade and capital movements." — Foreign Affairs

In this eloquent challenge to the reigning wisdom on globalization, Dani Rodrik reminds us of the importance of the nation-state, arguing forcefully that when the social arrangements of democracies inevitably clash with the international demands of globalization, national priorities should take precedence. Combining history with insight, humor with good-natured critique, Rodrik's case for a customizable globalization supported by a light frame of international rules shows the way to a balanced prosperity as we confront today's global challenges in trade, finance, and labor markets.