Progress in Political Economy

Michael Mandelbaum

The Road to Global Prosperity

Globalization—greater connectedness, to be more precise—dominates in our era, and making sense of its virtues and vices may be the central question. Most politicians try a practical approach—as the old saw goes, “The only thing worse than being exploited by multinational capitalism is not being exploited by multinational capitalism.” Yet the literature on globalization has been much more polarized between enthusiasts, who consider free trade, open capital markets, and the free flow of people the great engines of human progress, and critics who blame those forces for wrecking communities and the environment.

Michael Mandelbaum is in the first camp. His new book is breezy, accessible, and peppered with facts. It tries to restate the optimist’s position while calibrating enthusiasm down a few notches to fit the post-financial-crisis mood. His central argument is simple: if economics is the solution, politics is the problem. The “global economy, when it is working successfully—indeed because it is working successfully—cannot help but provoke opposition to its workings, which in turn produces political conflicts.”

After the obligatory canter through free trade theory, and a quick gallop through the headlines of recent economic history, the book hits its stride with its description of how politics obstructs rational economics, particularly in the so-called BRICS (Brazil, Russia, India, China, South Africa). India will be let down by its messy, corrupt democratic politics. But will it be a greater disrupter than China, whose ability to compete in services will threaten far more than the West’s manufacturing workforce? Russia must cope with bribery—20 percent of GDP in 2005. It also suffers from an unhealthy mix of populism, authoritarianism, and inefficiency, with “energy revenues high enough to generate widespread corruption and prevent robust growth, but not high enough to sustain the standard of living to which

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Russians aspire.” Brazil is also vulnerable to populism: 13 percent of its GDP goes for pensions, and proponents of greater public expenditure are likely to defeat “those favouring prudence who have economic history on their side.”

Mandelbaum nearly always blames the people or, more precisely, the way democracy mobilizes populist sentiment to defy economic rationality. The argument’s theoretical fuel is the Stolper-Samuelson theorem, which says that countries as a whole gain from trade, but the gains are distributed unequally.

You might think that the obvious question prompted by the Stolper-Samuelson theorem is how to handle the political economy of progress. If a society as a whole gains from trade, but some lose along the way, it may make sense to share the pain as well as the gain. People in the world of policy and politics realize this. But apparently not the author. And he has no response to the case made by Occupy Wall Street and others who don’t take issue with globalization as such, but rather with the hugely uneven distribution of the gains between the 1 percent and the 99 percent, and the widening gulf between returns to capital and to labor.

The book says it’s about political economy, but is naïve when it comes to politics, especially when it comes to global solutions. We’re told, “the alternative to the current global economic order is . . . nothing.” An undergraduate would get an F for that statement. There may be no comprehensive and realistic alternative waiting in the wings, but innumerable policies have been proposed by central bankers as well as antiglobalists, Nobel Prize winners as well as nongovernmental organizations. At the very least these deserve some comment.

Mandelbaum’s prognosis is breezily optimistic: “The global economy will continue to grow. Its growth will make everyone richer. While not inevitable this is the likely future.” I hope he’s right. There is much in his book I agree with. If you want to give a non-Westerner insight into the worldview of the U.S. elite this is not a bad place to start. It’s fairly well informed, and easy to read.

But its arguments are better understood as symptoms of the problem than answers. Robert MacNamara concluded that the biggest strategy errors arise from failures of empathy rather than of analysis. A book whose references are almost all American, and all English language centered, struggles to understand how the world looks from the bottom up rather than the top down. Its vices are complacency and parochialism—something of an irony for a book that purports to be about the glories of a much more connected world.

Geoff Mulgan
Author of The Locust and the Bee: Predators and Creators in Capitalism’s Future
Chief Executive,
NESTA (UK National Endowment of Science, Technology and the Arts)