

# Less Globalization, More Growth

**STRAIGHT TALK ON TRADE** is the latest book in Dani Rodrik's globalization series. The first—*Has Globalization Gone Too Far?*—raised concerns about social cohesion when large groups of people are left behind by trade and technology. He took his thesis further in challenging the global order in his 2011 book *The Global Paradox*. The first book was highly controversial when it was published two decades ago, and many economists dismissed it as stoking protectionism.

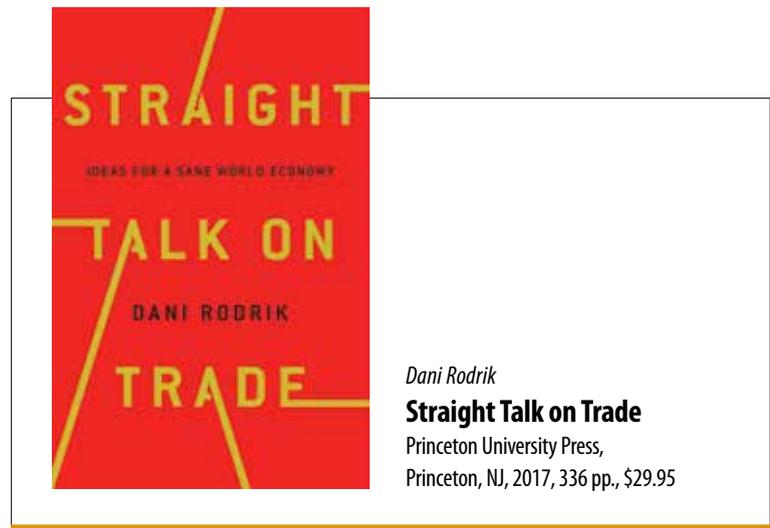
But time has proved Rodrik right, at least as a political prognosticator. The blowback he warned about has come true. The Brexit vote and the election of Donald Trump set the stage for this powerful and provocative sequel exploring the survival of democracy and globalization as nationalism rises.

Rodrik stresses ideas in shaping policy and accuses economists of overreaching when translating economic models into policy, especially on trade. Theory implies that unskilled labor will lose from open trade policies in advanced economies. But when economists talk publicly about trade, it is always the aggregate gains they emphasize.

Rodrik does not endorse protectionism or embrace deeper economic integration. Instead, he thinks domestic policy space is needed to manage existing globalization. Developing economies need scope to pursue industrial policies, while advanced economies should protect workers from unfair trade practices, he contends. These goals can be achieved without pitting the global poor against low-skilled workers in advanced economies he says.

The stick of trade remedies is better equipped to manage globalization than the carrot of trade agreements, says Rodrik, and countries that protect workers' rights should be entitled to restrict imports from countries that don't. The alternate strategy of using trade agreements to prod developing economies into adopting higher social standards is ineffective and gives corporations too much influence over public policy and development, Rodrik argues.

While Rodrik is right about tensions in the global system, blaming economists for the backlash against trade seems excessive. Technology, trade, and demand shifts all reduced the need for low-skilled workers in advanced economies, while deregulation reduced



workers' bargaining power. The current globalization backlash may have more to do with the need for a villain than with trade's actual role in the process, a point Rodrik concedes. Even so, he continues, deeper integration is a policy choice feeding workers' anger, which not only puts globalization at risk but stokes nationalism and endangers democracy.

Whereas most economists advocate redistribution and investment in education to manage change, Rodrik argues that it is too late for redistribution and that returns to education take years to materialize. Instead, less globalization and more growth are needed. He proposes green industrial policies and public investment to spur growth. The most novel idea is an "innovation fund," a public venture fund for new technologies whose profits would be returned to citizens as an income supplement. If successful, it would improve income distribution, but it could also speed the pace of job loss to technology. Rodrik acknowledges that carefully designed institutions would be needed to ensure that industrial policy and state-managed investment aren't themselves captured. But he does not provide details.

The book offers far-reaching insights on political economy, democracy, and development. A reader expecting a narrative focusing on trade, however, may be disappointed. What is noticeably absent is a delineation of the many benefits of international trade, not to mention a discussion of the long period of global prosperity, poverty reduction, and peace that rising global integration supported. **FD**

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