

Enough Globalization? Not So!

The debate over free trade is, and has been for over 200 years, quite contentious. In reading over the historical debates, it often seems as if no ground has been made by the advocates of a global, borderless economy. Indeed, this is what makes reading Adam Smith, John Bright, and Frédéric Bastiat essential even today—their arguments seem to have lost none of their relevancy.

But if the ideological battle is still in its early stages, the scope and depth of free trade has zoomed ahead. As much as libertarians may complain about the rise of supra-organizations like the WTO and bilateral trade agreements supervised by government and corporate interests, it's hard to argue with the data: the world is perhaps witnessing the freest movement of goods and people in history. It is worth taking stock of this fact before we go back to haranguing the Lou Dobbses of the world.

The problem, however, with reaching a new level of anything positive is the tendency to get complacent and admire the view.

Dani Rodrik, professor of international political economy at Harvard, seems to think that we've reached the End of Free Trade History. In an op-ed penned last March for the *Financial Times*, he argued: "[N]o country's growth prospects are significantly constrained today by the lack of openness of the international economy. Even if [the] Doha [round of trade talks] fails, poor countries will have enough access to rich country markets to achieve what countries like China, Vietnam, and India have been able to do. Closed markets may have been a fundamental problem during the 1950s and 1960s—in the early days of the current wave of globalization; it is hard to believe that they still are."

Can this be so? Have we had so much global integration that we can kick back, consolidate the growth, and live fat and happy from here until eternity? While we may one day reach a point when all the world can buy goods from whomever it wishes, the young 21st century is far from that ideal.

The first, and most obvious, rebuttal is that it's no great feat to reach the income levels of India, China, and Vietnam. China, the country from which I write, is incredibly poor. While the view out the window of my Shanghai apartment is glitzy and glamour, a short trip out of the city and into the Chinese countryside would persuade anyone to postpone popping the

champagne. According to the most recent data, China's per capita GDP is \$7,600, while in the United States it's around \$43,000.

India fares much worse, despite the best efforts of Tom Friedman to position the country as the greatest economic competitor to the United States. While to many the entire country is epitomized by the call centers of Bangalore, India is astoundingly poor. Its GDP has not yet reached \$1 trillion, even with the second largest population in the world. What countries like India and China have achieved is remarkable, but they could still use a heavy dose of trade-led development.

Next, it's hard to grasp exactly what Rodrik means when he asserts that developing nations have as much access to the global economy as they need. Enough for what? the reader is tempted to ask. Even the wealthiest societies on the planet could benefit from a rapid and complete opening up of trade. As the division of labor expands and individuals are allowed to further specialize, society benefits from the increased production and efficiency. The more individuals that are brought within this fold, the greater the benefits to all of society. Within the United States, billions of dollars are lost to stupid and wasteful protectionist programs (the much-maligned agriculture subsidies being but one such example). And if the country stands to gain significantly from opening up even further, imagine the benefits that could accrue to less-developed nations.

Part of the problem (or more accurately, part of the misunderstanding) stems from the habit of social scientists to view independent political units as the most important variable. But free trade is important to individuals, not nations. Thus while comparative advantage is usually discussed in reference to Country X producing widgets and Country Y producing ridgets, it's more to the point to say that individuals specialize in producing certain goods. (As Kierkegaard seemed to suggest, society is an abstraction without hands.)

Take one group of individuals who would greatly benefit from increased access to the world's economy: poor Third World farmers. According to Kym Anderson and Ernesto Valenzuela of the World Bank, "[D]eveloping country farmers . . . account for 43 percent of global employment, 64 percent of global agricultural value added, and a similarly large share of global poverty as measured by earnings of less than \$1 a

day." The scandal of rich-country agricultural protectionism is now notorious, with all sides of the political spectrum seemingly in agreement that the barriers to trade must come down. Anderson and Valenzuela estimate that an end to protectionism (that is, full liberalization) would provide an incredible boost to the output of developing countries.

What He Got Right

While I've focused mainly on what Rodrik got wrong in his piece, it's worth mentioning what he got right. His main thrust was that the cheerleaders of globalization, those who unquestioningly support the current *modus operandi* of globalization, will ultimately undermine free trade. Here Rodrik may be right, but for the wrong reasons. Rich nations, he argues, should be allowed wiggle room in trade agreements to boost their welfare state (or as he calls it, their social contract). The trade-at-all-cost element blocks this meaningful reform, he argues. But the real reason the current cheerleaders of globalization threaten free trade is that they so often fail to point out how rigged the system is. While many may feel that to criticize the WTO is to provide succor to the protectionists, the truth is that by not giving the WTO the hairy eyeball, the true goal of free trade is obscured or even lost.

Given the obvious exclusion from the global trading order that so many from the developing world face, Rodrik should know better than to argue that they're players in the world economy. For myriad reasons, governments across the globe keep their subjects from interacting fully with individuals beyond their political borders. This is a human-rights abuse in the true sense of the term.

- Jude Blanchette
The Freeman

In Memorium



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