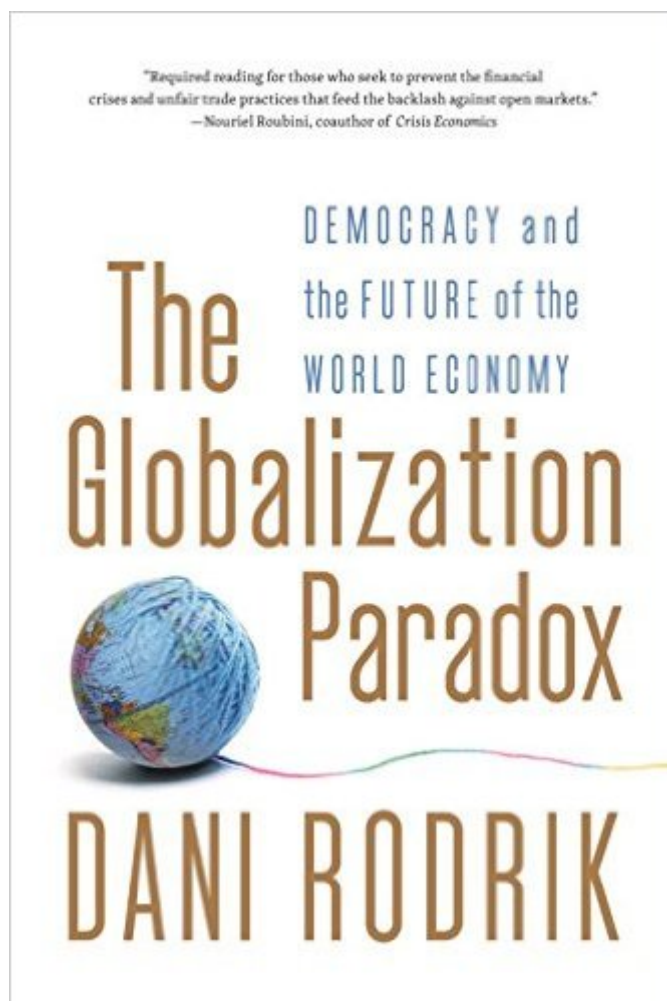


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# The Globalization Paradox: Democracy And The Future Of The World Economy



## Synopsis

"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.

## Book Information

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## Customer Reviews

Every student in economics is familiar with Robert Mundell's triangle of impossibility. Based on the model that the Canadian economist developed with Marcus Fleming in 1962, this trilemma states that it is impossible to have a sovereign monetary policy, free capital flows, and a fixed exchange rate at the same time--that two, and only two, of these objectives could be met. This impossible trinity came to dominate policy debates in Europe in the run-up to the European monetary union in the 1990s--a rare example when the result of a theoretical model had a direct bearing on policy choices. Although he doesn't develop a formal model, Dani Rodrik offers his own, more ambitious version of the impossibility triangle. The political trilemma of the world economy, as he names it, is

that we cannot have deep economic integration ("hyperglobalization"), national sovereignty, and democratic politics at the same time. We have to sacrifice one of the corners of the triangle. And for Rodrik, the objective that has to be abandoned is clear and straightforward. We cannot compromise on democracy, and global governance is nothing but a distant dream. We therefore have to jettison hyperglobalization in favor of a more shallow form of global economic integration, a new version of the compromise that was embodied in the postwar system laid out at Bretton Woods. In particular, unrestricted capital mobility and indiscriminate trade openness will have to go. This will make the world a safer and better place for democracy. Dani Rodrik, who teaches at Harvard's Kennedy School of Government, is a first-class economist. In academic and policy circles, people talk about him with respect and sometimes even with awe--it is better to have him on the same side of an argument than sitting across the table.

The *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.

Dani Rodrik is a gifted economist who has spent most of his professional life studying the evolution

of the modern advanced liberal democratic economies. This book presents a political philosophy for the advanced countries. The audience is the interested layperson. There are no equations, tables or graphs in this book. Rather Rodrik's evidence is largely anecdotal, drawn from his vast experience. Rodrik's message is simple. The first stage of capitalism was dominated by a hegemonic capitalist class and unregulated markets, guided by an ideology of laissez-faire. The second stage was dominated by the distribution struggle between industrial capital and industrial labor, with Keynesian economics in the ascendency. We are now in a third stage of capitalism in which globalization has thrown the supporters of labor in disarray, and in which a new set of nation-state level regulations are needed to protect democracy without losing the economic benefits of globalization. The enemy for Rodrik is ultraglobalism, in which unregulated international capital flows prevent countries from redistributing in favor of the less well off, free trade principles prevent countries from applying their own environmental and product safety standards, and hypercompetition prevents countries from implementing desirable pay scales and occupational safety and health regulation. In short, says Rodrik, ultraglobalism is the enemy of democracy, because it prevents voters from making meaningful choices about the future direction of their own society. Rodrik's recommendations for a healthy economic policy are far from radical. He recognizes that the prospects for "global government" are slim, so meaningful economic regulation will continue to be exercised at the nation-state level.

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