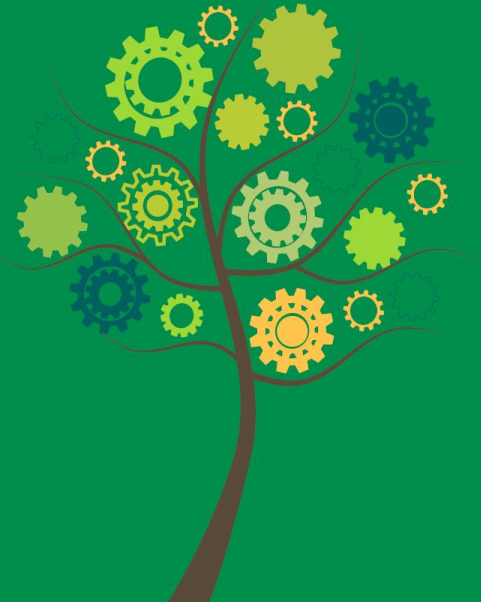


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GLOBALIZATION IN THE "NEW NORMAL"

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Hyper- or de-globalization?

- The dichotomy is not helpful
- Nothing inevitable about globalization or the shape it took
- The rules pushed too much globalization, in many (economic) spheres
- But not nearly enough in other ways -- social, environmental, human rights, public health
- So can improve globalization in many ways
- But the best way to achieve a healthier, more sustainable globalization is to improve national governance
- Our political crisis today is rooted in inadequacy of welfare state model to address the social divisions/labor market polarization created by technological change, de-industrialization, glob'n, environmental stress
- Rebuilding middle classes and the social contract will require a new "productivist" model of public investment, directed technological innovation, and collaboration between government and firms, targeting good jobs and green industries.

Different globalizations -- a deliberate choice

- Tony Blair (2005): “I hear people say we have to stop and debate globalisation. You might as well debate whether autumn should follow summer.”
- The specific economic form that today’s economic globalization (“hyper-globalization”) takes is not a happenstance or a necessity
- All globalizations run on rules and norms; policy decisions are key
- Some are written into explicit legislation or agreements
 - trade & investment agreements; banking laws in financial centers; OECD membership rules; *acquis communautaire*
- Others are internalized through norms of good behavior
 - as in openness to capital flows
- Q is what rules do we select, who writes those rules, whose preferences are privileged

Too much globalization in some places, too little in others?

- Where the rules went too far
 - privileging corporations over other interests (ISDS, financial services, capital-account liberalization, IPRs, corporate tax arbitrage)
 - privileging market access and “freer” trade over domestic regulatory autonomy, freedom to conduct industrial policies, high social and labor standards at home
- Where rules did not go far enough
 - addressing true global public goods of control of carbon emissions, fighting global pandemics, or establishing a serious global human rights regime
- We might have had alternative globalizations.
 - focusing on global health, (WHO); climate change (env. agreements); social & labor rights (ILO, UNESCO, UNICEF); LDC priorities (UNCTAD)
 - instead of OECD, IMF, WTO

Redressing the fundamental error of hyperglobalization

- Need to start thinking of globalization as a means to domestic economic and social goals, rather than as an end
- This is a return to the original conception that drove the design of international economic arrangements after WW II:
 - “Recognizing that their relations in the field of trade and economic endeavor should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods ...” GATT (1947)
 - “Resolving to establish a comprehensive regional agreement that promotes economic integration to liberalise trade and investment, bring economic growth and social benefits, create new opportunities for workers and businesses, contribute to raising living standards, benefit consumers, reduce poverty and promote sustainable growth ...” TPP (2016)
 - “Resolve to: further strengthen their close economic relationship...; Create an expanded and secure market for their goods and services through the reduction or elimination of barriers to trade and investment; Establish clear, transparent, predictable and mutually-advantageous rules to govern their trade and investment.... CETA (2014)

Designing an economic globalization regime

- Policies at the border: which flows should be liberalized (barriers reduced)?
 - trade, finance, labor?
- Policies behind the border: should rules reach behind the borders?
 - and if so, in which areas
 - subsidies, intellectual property, investment rules, industrial policies, tax regimes?
- How should the rules be governed?
 - formal multilateral/regional institutions
 - enforcement by hegemonic powers
 - norms, reciprocity

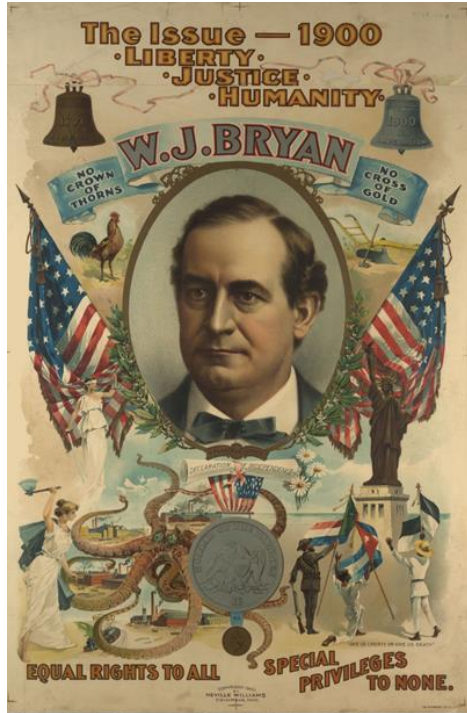
Different globalizations in history

	aspiration				
	Capital mobility	Free trade in goods	Labor mobility	Rules that reach behind borders	Multilateral governance institutions
Gold Standard	✓	✓	✓	✓	
Bretton Woods		✓			✓
Post-1990s hyper-globalization	✓	✓		✓	✓

What hyper-globalization shares with the Gold Standard

	aspiration				
	Capital mobility	Free trade in goods	Labor mobility	Rules that reach behind borders	Multilateral governance institutions
Gold Standard	✓	✓	✓	✓ Constraints on monetary-credit-debt policies	
Bretton Woods		✓			✓
Post-1990s hyper-globalization	✓	✓		✓	✓

The globalization backlash is a recurring feature of history



The Populist movement in the U.S. in late 19th century:

"...we shall answer their demands for a gold standard by saying to them, you shall not press down upon the brow of labor this crown of thorns. You shall not crucify mankind upon a cross of gold."

William Jennings Bryan (1896)

Three tensions in designing a globalization regime

- Economics (size of the pie)
 - gains from specialization vs gains from productive diversification
 - Adam Smith vs Friedrich List
- Distributive justice (how the pie is distributed)
 - gains from trade vs distributive “costs”
 - Stolper-Samuelson theorem and extensions
- Politics (accountability)
 - gains from trade vs. gains from regulatory diversity
 - gains from trade are based on arbitrage, but arbitrage undermines regulatory diversity
 - theory of local public goods

When do we need international rules?

What economics tells us

- In international economics, virtue is its own reward
 - free trade expands national “welfare”
 - subject to considerations of market failures and redistribution
- Therefore, strong presumption that well governed countries will choose globally optimum policies
 - examples: import tariffs, financial regulation and stability
 - doesn’t mean countries don’t make mistakes (that affect others)
 - but when they do, they bear the bulk of the costs
 - examples: trade protectionism, subsidies, GMOs
 - question is whether international rules can reliably prevent such mistakes
- Two major exceptions
 - beggar-thy-neighbor (BTN) policies
 - global public goods (or “bads”) (GPG)

When nations misbehave at expense of others

1. “Beggar-thy-neighbor” (BTN) policies
 - policies that provide benefits at home only to the extent they impose cost on foreign countries
 - exploiting national monopoly power through trade restrictions
 - exporting unemployment through currency manipulation
 - shifting tax base through bank secrecy and low corporate taxation
2. Global public goods (or “bads”)
 - policies where there is strong incentive to free ride on other nations’ policies
 - climate change and control of GHGs
 - health pandemics

The kind of globalization we should want:

- produces benefits to all rather than to a few
 - the larger the efficiency gains the greater the possibilities of redistribution
- disciplines beggar-thy-neighbor policies and enforces rules for global public goods
- otherwise leaves space for policy autonomy and institutional diversity across nations

What does this imply specifically?

	aspiration				
	Capital mobility	Free trade in goods	Labor mobility	Rules reach behind borders	Multilateral institutions
Gold Standard	✓	✓	✓	✓	
Bretton Woods		✓			✓
Post-1990s hyper-globalization	✓	✓		✓	✓
Globalization of the future?	?	?	?	?	?

What kind of globalization should we want?

- International trade regime
 - “peaceful co-existence” (e.g., US-China)
 - permissive rules on subsidies, intellectual property rights, and industrial policies
 - expanded safeguards regime to allow countries to uphold domestic labor, environmental, technological, national security requirements
 - carbon border adjustments
 - anti-“social dumping”
 - trade and investment restrictions in response privacy, national security concerns
 - right to “protect” own standards, but not to export them
 - e.g., Huawei
 - no special privileges for MNCs (over labor or other groups)
 - ISDS as an exception rather than a rule

What kind of globalization should we want?

- International finance
 - capital mobility subject to domestic management
 - for prudential, developmental, as well as distributional reasons
 - oversight for global tax havens
 - e.g., “global financial registry”

What kind of globalization should we want?

- Labor mobility
 - economic gains remain very large
 - while distributional effects exist, they are manageable in light of large efficiency gains
 - i.e., compensation is feasible
 - temporary work visa programs

What kind of globalization should we want?

- Governance
 - restrict dispute settlement to narrower range of domains
 - where beggar-thy-neighbor problems and global commons prevail
 - do not reach beyond borders to harmonize regulations, except in the presence of strong global norms
 - i.e., human rights, core labor standards
 - conserve global governance for BTNs and true GPGs
 - anti-competitive behavior
 - climate change, health pandemics, ...
 - these areas deserve much stronger global governance regimes

A thinner but more sustainable globalization

- New traffic rules for world economy: greater policy space
 - to address inequality at home, while providing room for poorer countries to devise their own growth strategies
 - advanced countries (e.g. US): reconstitute domestic social contracts through appropriate tax, social, and labor-market policies
 - others (incl. China): economic restructuring policies to sustain and speed up growth
 - from “exchange of market access” to “exchange of policy space”
- Focus global governance where economic gains are large
 - cross-border labor mobility
 - international coordination on tax havens
 - non-economic areas: climate change, global public health (both GPGs)

A new direction for policy...

- From welfare state model...
 - investment in education + social protection + flexible markets (“flexicurity”)
 - (continuous) education and training to adapt workers to changing technologies
- To productivist/good-jobs model
 - direct public engagement in employment, production, and investment decisions to expand supply of good jobs
 - collaborative, iterative model of cooperation with employers and other non-state actors
 - in training, industrial/regional policies, and innovation
 - actively redirecting technological innovation in a labor-friendly direction
 - to internalize good-jobs externalities in employment, investment, and innovation decisions
- Trade and financial policies that put these domestic priorities first
 - e.g., “anti-social dumping,” carbon border tax, management of capital flows, restrictions on inward foreign investment
 - protection not for its own sake, but to protect something worth protecting
- Ultimately, healthier societies and polities produce healthier, more sustainable globalization