



Dani Rodrik, *The Globalization Paradox: Democracy and the Future of the World Economy*, W. W. Norton & Co, 2011. 346 pp. ISBN 978-0-393-07161-0

Dani Rodrik's *The Globalization Paradox* is one of the most challenging books on globalisation to have appeared recently - and there have been many books!

In this book, quoting from Steven Pearlstein's review in the Washington Post,¹ Professor Rodrik addressed the following questions, among others:

"What if most of the benefits of the free flow of goods and capital across borders have already been realized, and that any gains from additional globalization will be outweighed by the additional costs in terms of unemployment, reduced wages, lost pensions and depopulated communities. What if global markets, to be widely beneficial, require the kind of global governance structure that does not yet exist and that most people would oppose? What if it turns out that the countries to have benefited most from free-market globalization are not those that have embraced it wholeheartedly, but those that have adopted parts of it selectively?"

Quoting from this review: "Dani Rodrik demonstrates that those questions are more than hypothetical - that they describe the world as it really is rather than as it exists in economic theory or in the imagination of free trade fundamentalists." A few of my own additional comments on the book include the following.

I agree with Rodrik on the superiority and importance of democracy, but I part company with him in his suggestion that non-democratic societies, China in particular, should be subject to discriminatory treatment. I believe (and I do not think it is naïve) that eventually China will evolve towards a democratic society and indeed it is doing so as we write even if the road may appear bumpy and full of abrupt turns. I think there will be a politically pluralist China in my lifetime. Getting China into the WTO was absolutely the right thing to do and it should continue to have the status of full and equal membership. Discriminating against China would be counter-productive and risk causing a nationalist backlash.

¹ The review is available at http://www.washingtonpost.com/entertainment/books/dani-rodriks-the-globalization-paradox/2011/02/22/ABU2SAR_story.html

So this is one of the points on which I disagree with Rodrik. But I do think he is absolutely right to raise the China issue. The Italian Oxford economist Andrea Boltho published an article back in 1994 that was perhaps one of the most prescient on the rise of China in which he made the point that China would be a devastatingly competitive power in the world economy, but that the effects would be felt especially in developing countries. Leaving aside all the shenanigans of the Doha doldrums, it is legitimate to ask the question whether in fact a "Development" Round was ever feasible with China in a free trade environment. I do not claim to have the answer to that question, but it is a vitally important one to pose.

The area which Rodrik forcefully addresses and where I think there should also be a good deal more intelligent and informed discussion is in respect to immigration. These are issues of economics and equity. Regarding the latter, when "we" (the West) were growing rapidly demographically, we made the world our oyster. Both surplus and entrepreneurial populations were able to migrate to the new world, to our colonies and seek fame and fortune with virtually no hindrance other than disease. Yet now we deny the same right to inhabitants of demographically growing developing economies through all sorts of discriminatory measures. The rich countries who got rich on the back of the poor (either countries or indigenous populations), must be more humane and accommodating in extending an open welcome to immigrants. Besides, as Rodrik, correctly points out: we all benefit.

The "paradox" however of The Globalization Paradox is that while Rodrik forcefully argues in favour of the democratisation of globalisation - and intuitively I agree with him - at least as things currently stand the democratisation of immigration would almost certainly result in less rather than more. People do not necessarily always behave according to what may be in their best economic interests. Probably the most vivid case of economic loss arising from highly restrictive immigration policies is Japan. Because of demographics, aging, but also due to a national spirit of anomie, Japan would benefit immensely from immigration from the rest of Asia (or elsewhere). This applies not only to low level jobs, but imagine if Japan had some sort of equivalent to a "Silicon Valley" hub to which Philippinos, Pakistani, Vietnamese, etc., etc., entrepreneurs would flock! What a boost that would be. Indeed the costs of xenophobia are being now played through the Olympus affair, whereby the hostile resistance to a British CEO (Woodford) is costing not only the corporation dear, but also all of corporate Japan. The last thing I would wish to suggest is that the issue should be brushed under the carpet. But I note it is as one of the quite stimulating "contradictions" in the book. Certainly the debate on immigration has not had the currency it deserves.

Two themes in my view are especially important in the book.

1) States and markets. Having been teaching in a business school for the last 15 years I have been immensely frustrated by the narrow mindless Thatcher-Reaganite views expressed by middle and senior executives (MBAs are more intelligent, though of course they too become middle and senior executives in due course) in respect to markets versus states. Governments are useless, markets and business know best, "da, da, da". The evidence that market fundamentalism was causing a good deal of damage was there to see well before the "Lehman crisis".

2) Hyper-globalisation, as Rodrik calls it, has been a far too excessively elitist project. The biggest mistake we could make at the moment is to inject the world's people with more hyper-globalisation as if stuffing a Strasbourg Goose.

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