Review Essay

Globalization in Your Face

A New Book Humanizes Global Capitalism

Jagdish Bhagwati


If you thought globalization is the fastest-growing phenomenon today, think again. Books about globalization are. *A Future Perfect* is only the latest in a torrent of writings on the subject, chief among them being *The Lexus and the Olive Tree* by Thomas Friedman. Yet it stands as one of the rare exceptions to the law of diminishing marginal utility; its many merits far outweigh the sense of déjà vu that afflicts most books taking yet another look at globalization.

It is not just that Micklethwait and Wooldridge (both of *The Economist*) write gloriously. As journalists, they have learned the art of making a point vividly by buttressing it with an apt anecdote, a striking interview, or a telling quote. Yet the book’s substance is what really makes it stand out. The authors neatly sketch and defend globalization, examine its pitfalls, and analyze how to avoid them. Given such an overwhelming agenda, they cannot hope to paint on this immense canvas without incurring minor blemishes of detail and errors of judgment. But judged in its entirety, with all its ambition and achievement, the book is a spectacular success.

The authors’ predilection for free markets makes them skeptical of the many populist critiques of globalization. Yet they often manage to turn these critiques on their head to show the exact

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Globalization in Your Face

opposite—that globalization can work to lift overall prosperity and reduce poverty. Indeed, Micklethwait and Wooldridge are at their most eloquent and persuasive when they broaden the scope of their case to include liberty and democracy as globalization’s additional benefits.

Then again, since the authors are historians by education, they are aware that globalization had been halted in the past and that it can run into rough weather again as it did in the first half of the twentieth century. Therefore, they analyze at length the nature of growing antiglobalization sentiments, which in turn leads them to suggest how globalization should be “managed” if it is to survive and deliver on its immense promise for humankind.

MOTLEY CREW

No one can escape the antiglobalists today. One can simply turn on the TV, read the news reports on the street theater in Seattle last year and in Washington, D.C., this year, or read profiles of the professional anti–World Trade Organization (WTO), anti–Bretton Woods, antiglobalization agitators in The Wall Street Journal (Lori Wallach of Public Citizen) or The New Yorker (Juliette Beck of Global Exchange).

This motley crew comes almost entirely from the rich countries and is overwhelmingly white, largely middle class, occasionally misinformed, often wittingly dishonest, and so diverse in its professed concerns that it makes the output from a monkey’s romp on a keyboard look more coherent. But it has become powerful enough to force many rich-country politicians to play along. Micklethwait and Wooldridge excoriate the latter as sellouts, contrasting them unfavorably with great leaders such as Robert Peel, who took huge political risks to liberalize Britain’s trade in 1846. It has now become customary among politicians—particularly those who claim to share others’ anguish but whose own anguish relates primarily to the votes they seek—to say that “globalization needs a human face.” This implies, of course, that it lacks one. And there starts the rot—an implicit surrender, in the face of logic and evidence, to the worst fears and loudest rhetoric of globalization’s critics. In response, Micklethwait and Wooldridge insist that our leaders debunk the myths.

Statesmanship requires that politicians say, “Globalization has a human face; it works wonders in all sorts of ways. Sure enough, like every gigantic force or phenomenon, it has a few downsides. But what this simply means is that the indisputably human face of globalization needs a trinket in one ear and cosmetic surgery on the other.”

HISTORY’S LESSONS

Only a little knowledge of postwar history on attitudes toward globalization is needed to toughen up politicians’ spines: it shows that policymakers who succumbed to antiglobalization fears lost out to contrary experience—and are consigned by the now eagerly globalizing poor countries to the dustbin of history, to be returned to center stage only when their sorry images are invoked to underline what went wrong.

In the postwar period there has been an ironic reversal of attitudes toward globalization. Rich-country politicians embraced globalization in the decades following World War II, forging the liberal international economic order. By
Jagdish Bhagwati

contrast, poor countries walked away from it, treating it as a peril rather than an opportunity. But today, mainstream policymakers in poor countries are busily abandoning autarkic attitudes while rich-country lobbies and responsive politicians are reinventing for themselves the very fears that the now-chastened policymakers in poor countries consider to have been disastrous for their well-being.

For example, concerns over trade and incoming foreign direct investment (FDI) provoked the poor countries’ battle cry from the 1950s through the 1970s: that “international integration leads to national disintegration” (in the words of Chilean intellectual Osvaldo Sunkel). And the “benign impact” models that economists espoused—which portrayed international trade and direct investment as mutually beneficial for all countries involved—were replaced by contrary and deeply pessimistic approaches. “Malign impact” models fretted that interaction with the “center” countries would harm the economies of the “periphery” (the developing world). Other “malign impact” arguments contended that the periphery was being put at political risk through an unwitting loss of sovereignty to rich nations and their corporations (the celebrated dependencia thesis of the then-sociologist and now Brazilian president, Hernando Cardoso). And “malign intent” models of neocolonialism asserted that globalization of trade, aid, and investments was no more than a calculated reimposition of colonialism by other means.

These arguments should sound familiar to anyone watching the news today. If the poor countries once worried about the outflow of their skilled—the brain drain—to the center, scholars like George Borjas and Orlando Patterson and the unions now fear the inflow of the unskilled from the periphery. Poor countries once worried that trade with the center would harm their nascent industrialization and development; today, trade with the periphery strikes terror in the hearts of the center’s unions, who believe their wages will be reduced to Chinese levels. Whereas the periphery once resisted the inflow of FDI, rich-country unions now resist its outflow. If the periphery once opposed being dominated by the center, the center now fears losing its identity to the periphery. And the examples run on.

CLUELESS

In the face of these cascading complaints, today’s rich-country antiglobalists must be taught the same lesson before damage is done—what the poor-country antiglobalists had to learn painfully years ago from the policy choices dictated by their doctrines. And since there is almost always a morsel of wheat underneath the abundance of chaff, the residual, legitimate complaints of the antiglobalist camp must also be addressed. The energy that drives the antiglobalist campaigns stems from four different types of fallacies.

The Fallacy of Aggregation

Micklethwait and Wooldridge’s account excellently describes how globalization raises many diverse issues, including culture, national identity, and economic organization (e.g., whether big corporations will displace the small mom-and-pop outfits). It is particularly fascinating when it describes in loving detail the growing tribe of “cosmocrats”—graduates of rapidly homogenizing business schools who circumnavigate the globe with cell
phones and laptops, our noisy neighbors on planes and trains like a throwback to the “ugly Americans” of yesteryear. They aptly note that the gulf, indeed the chasm, that separates these ceaselessly orbiting elites from their own local communities creates tensions that feed the antiglobalist paranoia.

But they fail to emphasize that globalization attracts gratuitous criticism because few care to analyze its anatomy. That failure, which leads critics to commit the fallacy of aggregation by visiting the sins of one type of globalization on all others, is most manifest in the reactions to the Asian financial crisis. It has been widely assumed that if freedom of capital flows had caused a devastation in Asia, free trade must be judged a mortal peril as well. But as every serious student of globalization knows, important similarities exist among freer trade, freer capital flows, and freer migration. Yet there are also striking dissimilarities, both economic and political. For example, it would be fanciful to imagine that free trade could lead to the kind of upheavals wreaked by financial liberalization.

The Fallacy of Misassigned Blame

The antiglobalists also make the mistake of attributing to globalization the blemishes of other faces. To take the most telling example, many workers and unions fear that the deterioration, then stagnation, of unskilled workers’ real wages in the 1980s and early 1990s resulted from trade and foreign investment. That would appear to be another black mark against globalization—except that the argument cannot be sustained. Most of the empirical work of the last decade suggests that trade with the poor countries has not produced paupers in our midst. Marx, who wrongly predicted the proletariat’s immiseration in the nineteenth century, is not striking again courtesy of globalization. Recent work suggests that trade may have moderated, rather than accentuated, the decline in real wages (especially in the 1980s) that other factors such as unskilled-labor-saving technical changes were forcing.

This tendency to blame globalization for the evils of the world that are attributable to other causes is evident all too often. The literature of the radical groups in Mexico’s Chiapas, which has endured poverty for more than a century, would have one believe that the 1993 North American Free Trade Agreement had much to do with it instead.

The Fallacy of the Wrong Question

Then again, some critics ask the wrong question. The United Nations Development Program and the World Bank have fallen prey to repeating endless condemnatory variations on the theme that globalization has led to greater income inequality. But even if such a causal relationship could be established—and it has not been—they do not explain why should it matter, given that inequality’s consequences will differ hugely across countries, from negative to positive effects.

To illustrate, if George Soros makes another $1 billion while the poor earn no more, inequality will increase in New York: the top five percent of households will earn a greater share of total income and the bottom five percent will earn less. Yet the poor may not even notice this—or they may even see it like an increase in the lottery of the American Dream. Similarly, if Bill Gates makes $30 billion, he may spend $25 billion on charitable...
contributions to eliminate disease in Africa and thus truly help the poor. If this income had been earned in a more egalitarian fashion by the multitude or shared in smaller sums among his rivals, the impact on the redistribution of well-being would have been worse from a cosmopolitan-egalitarian viewpoint. Without these deeper forms of sociological and economic analyses, the antiglobalization bureaucratese remains empty and the liberal talk around it little more than populist rhetoric.

The Fallacy of Inappropriate Solutions
Compounding these errors is the fallacy of inappropriate solutions to globalization's alleged problems. Micklethwait and Wooldridge illustrate this beautifully through their discussion of culture and globalization. For instance, the French and the Koreans have been sensitive about Hollywood's overwhelming their cinema. The European Union has opted for audio-visual restrictions that impose quotas on time allotted to U.S. films, thereby restricting the scope of free trade. But it would be more sensible to opt for a subsidy to French cinema while maintaining free trade in films. That way, French cinema can be encouraged while free trade indulges consumer choice and allows healthy competition between Renoir and Spielberg.

The debates over hormone-fed beef and genetically modified (GM) foods represent another divide. Europeans have turned dramatically against what they term “Frankenfoods,” whereas the United States has not. But this difference might well stem from cultural attitudes. After all, the United States is a protechnology, pill-popping country, a land of silicone implants and Viagra—or, as one wit put it, a nation of artificially enhanced women chased by artificially aroused men. It is wrong for the United States to insist that, short of “scientific evidence,” Europe must accept GM foods and hormone-fed beef. To pretend that the Europeans are protectionists when they make a cultural choice in rejecting these foods misses not only the point but the bus.

The same goes for contentious issues such as child labor. Methods other than trade sanctions are far more appropriate to reduce child labor; hence, the International Labor Organization, not the WTO, is the preferred institution to go through. Many nongovernmental organizations in the poor countries where child labor is a concern consider trade sanctions to be counterproductive—and regard the Clinton administration's endorsement of the AFL-CIO demand that the WTO embrace a “social clause” as politically motivated protectionism hiding behind a mask of moral concern. Aided by the administration, meanwhile, unions stand corrected and unexposed while taking the ostensible higher ground to target the WTO and globalization.

KEEPING THE FAITH
Micklethwait and Wooldridge conclude with a final, grand question: Who should run to the barricades to save globalization, and with what weapons? They exhort politicians and business groups to fight for the cause. Indeed, they must. But surely this is not enough. The primary role in defending globalization will have to be played by the intellectuals. Until the myths and half-truths spread about globalization are destroyed with pointed argumentation, until wrong policy
Globalization in Your Face

proposals are publicly and continually challenged and right policies advocated in their place, the average politician cannot be expected to stand up and fight for the common good. John Maynard Keynes, the authors’ favorite intellectual, wrote famously of the power of “de-funct economists” over today’s policies. Today’s economists and public intellectuals must be more ambitious. They must roll up their sleeves and get into the battle, fighting to influence policies while they are still alive and kicking—not after they are gone and defunct.

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