

# **MEETING GLOBALIZATION'S CHALLENGES**



**Policies to Make Trade Work for All**

---

**LUÍS A. V. CATÃO AND  
MAURICE OBSTFELD, EDITORS**

with a foreword by Christine Lagarde

PRINCETON UNIVERSITY PRESS  
PRINCETON AND OXFORD

Copyright © 2019 by International Monetary Fund  
and Princeton University Press

Published by Princeton University Press  
41 William Street, Princeton, New Jersey 08540  
6 Oxford Street, Woodstock, Oxfordshire OX20 1TR

press.princeton.edu

All Rights Reserved

ISBN 978-0-691-18893-5  
ISBN (ebook) 978-0-691-19886-6

British Library Cataloging-in-Publication Data is available

Editorial: Joe Jackson and Jacqueline Delaney  
Production Editorial: Brigitte Pelter  
Text and Cover Design: C. Alvarez-Gaffin  
Jacket Art: Shutterstock  
Production: Erin Suydam  
Publicity: Tayler Lord

Nothing contained in this book should be reported as  
representing the views of the IMF, its Executive Board, member  
governments, or any other entity mentioned herein. The views  
expressed in this book belong solely to the authors.

This book has been composed in ITC Galliard  
Printed on acid-free paper ∞  
Printed in the United States of America  
1 3 5 7 9 10 8 6 4 2

*For Elza and Jennifer*

- lund, Susan, Eckart Windhagen, James Manyika, Philipp Härle, Jonathan Woetzel, and Diana Goldshtein. 2017. *The New Dynamics of Financial Globalization*. New York: McKinsey and Company.
- Mayer, Jane. 2016. *Dark Money: The Hidden History of the Billionaires behind the Rise of the Radical Right*. New York: Anchor Books.
- McKinsey Global Institute. 2016. "Poorer Than Their Parents? Flat or Falling Incomes in Advanced Countries." <https://www.mckinsey.com/featured-insights/employment-and-growth/poorer-than-their-parents-a-new-perspective-on-income-inequality>.
- Müller, Jan-Werner. 2016. *What Is Populism?* Philadelphia: University of Pennsylvania Press.
- Obstfeld, Maurice, and Alan M. Taylor. 2003. "Globalization and Capital Markets." In *Globalization in Historical Perspective*, edited by Michael D. Bordo, Alan M. Taylor, and Jeffrey G. Williamson, 121–87. Chicago: University of Chicago Press.
- Olson, Mancur. 2000. *Power and Prosperity: Outgrowing Communist and Capitalist Dictatorships*. New York: Basic Books.
- OECD (Organization for Economic Cooperation and Development). 2017. *Employment Outlook*. Paris: Organization for Economic Cooperation and Development.
- . 2018. "Tax on Corporate Profits." <https://data.oecd.org/tax/tax-on-corporate-profits.htm>.
- . 2019. "Inequality." <http://www.oecd.org/social/inequality.htm>.
- Rourke, Kevin. 2002. "Europe and the Causes of Globalization, 1790 to 2000." In *From Europeanization of the Globe to the Globalization of Europe*, edited by Henryk Kierzkowski, 64–86. London: Palgrave.
- Rtíz-Ospina, Esteban, Diana Beltekian, and Max Roser. 2014. "Trade and Globalization." Our World in Data. <https://ourworldindata.org/international-trade>.
- Sketty, Thomas. 2013. *Capital in the Twenty-First Century*. Translated by Arthur Goldhammer. Cambridge, MA: Harvard University Press.
- Rodrik, Dani. 2007. "The Inescapable Trilemma of the World Economy." Dani Rodrik's weblog, June 27. [https://rodrik.typepad.com/dani\\_rodriks\\_weblog/2007/06/the-inescapable.html](https://rodrik.typepad.com/dani_rodriks_weblog/2007/06/the-inescapable.html).
- Sack, James. 2016. "Enemies of the People: Fury over 'Out of Touch' Judges Who Have 'Declared War on Democracy' by Defying 17.4M Brexit Voters and Who Could Trigger Constitutional Crisis." *Daily Mail*, November 3. <http://www.dailymail.co.uk/news/article-3903436/Enemies-people-Fury-touch-judges-defied-17-4m-Brexit-voters-trigger-constitutional-crisis.html>.
- Trump, Donald J. 2017. "Remarks of President Donald J. Trump, as Prepared for Delivery, Inaugural Address, Friday, January 20, 2017, Washington, D.C." <https://www.whitehouse.gov/briefings-statements/the-inaugural-address/>.
- Wolf, Martin. 2015. *The Shifts and the Shocks: What We've Learned—and Still Have to Learn—from the Financial Crisis*. London: Penguin Allen Lane.
- . 2018a. "How We Lost America to Greed and Envy." *Financial Times*, July 17. <https://www.ft.com/content/3aea8668-88e2-11e8-bf9e-8771d5404543>.
- . 2018b. "Xi's Power Grab Means China Is Vulnerable to the Whims of One Man." *Financial Times*, February 27. <https://www.ft.com/content/38996858-1af0-11e8-956a-43db76e69936>.

## Meeting Challenges or Matching Challengers?

ERNESTO ZEDILLO

The title of this volume is highly suggestive of how defensive even the strong proponents of globalization have become in this debate in recent years. Speaking of "meeting globalization's challenges" rather than "challenging globalization's challengers" transmits a certain sense of admission of guilt about the downsides reputedly brought about by the process of increasing international economic integration. This twist of the language could project a most welcome intellectual humility on the part of globalization's proponents. But it could also be interpreted as signaling a weaker conviction about the benefits of globalization on their part, liable to misuse or abuse by its recalcitrant opponents.

The proponents' current flimsy stand, if prudently influenced by a careful assessment of the accumulated evidence, also seems to be a defensive response to the globalization backlash or even "globalophobia" that has been intensifying particularly since the great crisis of 2008–9 and its aftermath. On the one hand, globalophobia is driven by reasons of ideology and political convenience. On the other hand, it is rooted in faulty economic analysis that goes back to the time when sheer mercantilism ruled the world of the now-developed countries, or in the case of developing countries, import substitution strategies were seen as the panacea for achieving industrialization and development. Unfortunately, the backlash is also fed by biased or partial interpretations of highly respectable research on the consequences of freer international trade and investment.

In any case, the backlash against contemporary globalization seems to be approaching an all-time high in many places including, remarkably, the United States. Part of the backlash may be attributable to the simple fact that world GDP as well as nominal wage growth—even accounting for the healthier rates of 2017 and 2018—are still below what they were in most advanced and emerging market countries in the five years prior to the 2008–9 crisis. Globalophobia is also nurtured by the increase in income inequality and the so-called middle-class squeeze in the rich countries, along with the anxiety caused by automation, which is bound to affect the structure of these countries' labor markets (as discussed in Laura Tyson's chapter in this volume). It is in fact quite in vogue, on the one hand, to blame globalization for any number of things that have gone wrong in the world, and on the other hand, dismiss the benefits that it has helped to bring about, not least of which is what Angus Deaton (2013) has called "the Great Escape": the exit of a good chunk of humanity from poverty.

The tendency to impute a range of ills to globalization is of course not a new one. Open markets, for a host of reasons, are always contentious. But making globalization the preferred culprit to explain all kinds of unsavory situations with the intensity reached lately could be consequential for the continuity of the process, causing great damage to its potential to provide vast development opportunities.

More subtly, but equally negative, such a tendency entails deflecting responsibility away from domestic policies and toward external forces as the cause of problems actually caused by those policies themselves. Blaming the various dimensions of globalization—trade, finance, and migration—for phenomena such as insufficient GDP growth, stagnant wages, inequality, and unemployment always seems to be preferable for governments, rather than admitting their failure to deliver on their own responsibilities.

As observed repeatedly, the most extreme cases of such a deflection of responsibility are found among populist politicians. More than any other kind, the populist politician has a marked tendency to blame others for their country's problems and failings. Foreigners, who invest in, export to, or migrate to their country, are the populist's favorite targets to explain almost every domestic problem. That is why restrictions, including draconian ones, on trade, investment, and migration are an essential part of the populist's policy arsenal. The populist praises

isolationism and avoids international engagement, except with foreign populist cronies. The "full package" of populism frequently includes antimarket economics, xenophobic and autarkic nationalism, contempt for multilateral rules and institutions, and authoritarian politics.

Only exceptionally, individual cases of populist experiments may become a serious threat to the process of global interdependence. When countries have toyed, democratically or not, with populist leadership, the damage has been largely self-inflicted, with any spillover effects limited to their immediate neighbors. For example, Latin America is a place where populism has been at times pervasive. Yet most of the hardship that populism caused has been contained within the countries suffering the populist maladies. Unfortunately, a major exception to the rule of contained spillovers may be the current case of the United States, where a president with an evident antiglobalization populist platform, along the lines noted above, came into office in early 2017. As mentioned by Edward Alden earlier in this book, unlike every US president since at least Franklin Delano Roosevelt, Trump's trade policies are aimed not at expanding the global economic pie but rather seizing a bigger share for the United States. Given the United States' sheer weight in the global economy and its role as the key founder of the multilateral trading system that has operated with great success over the more than seventy years since World War II, it should not be surprising that the spillovers of a neomercantilist US stance are bound to be widespread.

In what follows, I will first delve into some policy implications of this return to a neomercantilist policy outlook and then take on other main critiques of globalization that, albeit much more analytically sound and intellectually respectable, are otherwise also flawed in some important respects.

## THE NEW NEOMERCANTILISM, NAFTA, AND BEYOND

Even in October 2017 when the IMF conference inspiring this volume took place, there was still hope that the trade platform that Trump advanced in order to be elected might not survive the checks imposed by both domestic economic self-interest and the rules emanating from the international system—a system propelled in the first place by the

United States itself. By mid-2018, however, such hopes could be discarded as simple wishful thinking, as the US government already had provided ample evidence of its staunch intention to pursue its trade goals unilaterally through aggressive restrictive measures.

There was, of course, the early decision to withdraw from the TPP—an action never really satisfactorily justified by Trump or any member of his cabinet. The decision proved rather ironic given that the TPP was an agreement molded to a great extent to please US interests, not only on trade, but on matters such as intellectual property rights, investor-state arbitration, and labor standards.

There was also the action to initiate the renegotiation of NAFTA on false—or at best wrongheaded—premises. In May 2017, when the formal announcement to start the renegotiation process was made, the US trade representative argued that the quarter-century-old agreement no longer reflected the standards warranted by changes in the economy. This may have sounded plausible before noticing that the to-do list to update the agreement had already been addressed in the discarded TPP, of which both Mexico and Canada were a part. If NAFTA had been modernized in practice through the TPP, why call for renegotiation of the former while trashing the latter?

The worst fears about the US government's intent for NAFTA started to be confirmed when the US trade representative published—as required by law—the objectives for the renegotiation. That document falsely associated NAFTA with the explosion of US trade deficits, closure of thousands of factories, and abandonment of millions of US workers.

In retrospect, the Mexican and Canadian governments should not even have sat down at the negotiating table without first receiving some apologetic explanation from their US counterparts about those unwarranted arguments. Accepting to negotiate on deceptive premises might help to explain why so little progress had been made after almost one year of talks.

Betting in mid-July 2018 on a conclusion of the renegotiation of NAFTA within the targeted time frame would have looked like an overwhelmingly losing proposition. After seven rounds of negotiation, the last one having taken place as far back as February 2018 with little or no progress, and then followed by several months of deadlock and

even rhetorical confrontation, things started to change positively as August approached.

The deadlock was quite understandable. The US trade representatives had not moved a single inch from their most outlandish demands, giving credence to the idea that what they were seeking was to get a deal that far from promoting trade and investment among the NAFTA partners, would have destroyed it.

Fortunately, the Mexican and Canadian governments did not cave to the US government's pretension. Repeatedly those countries' chief negotiators expressed firmly and credibly that they would rather take the unilateral termination of NAFTA by the United States than sign an agreement that would have the same practical consequence. Probably we will never know what motivated the US government to move away from most of the recalcitrant positions it had held for almost a year. The important fact is that it did, leading to a deal in 2018 first with Mexico on August 27, and then with Canada in the last hours of September 30.

There was the US insistence on a sunset clause that would automatically end the new trade agreement every five years unless the three governments agreed otherwise—a feature that would have precluded the certainty for investors that these deals are supposed to provide. They settled for a rather-convoluted formula that avoids the sudden death of the agreement and makes possible—and practically certain—an extended life for it.

The US negotiators had demanded to make the NAFTA investor-state dispute settlement procedure optional for the United States, with a view to deny such protection to its own companies, thus discouraging them from investing in the NAFTA partners. This demand was rejected all along by Mexico on the correct basis that it is important to give foreign investors every assurance that they would not be subject to discriminatory or arbitrary actions if they decided to invest in the country. The US trade representative was never shy about his dislike for the NAFTA investment rules, including sometimes even questioning why it was a good policy of the US government to encourage investment in Mexico. There are of course many good answers to his question, not least that by investing in Mexico, US firms, in order to do some part of their fabrication processes at a lower cost, get to be more competitive

not only in the entire region but also globally, allowing them to preserve and enhance job opportunities for their US workers. Consequently, it is good for the two countries that the mechanism to protect US investments in Mexico was preserved despite the US negotiators' originally declared intentions.

By the same token, the United States had sought to eliminate the dispute resolution procedure that protects exporters against the unfair application of domestic laws on antidumping and countervailing duties. This was a deal breaker for Canada, where there is the sentiment that the United States has in the past abused the application of such measures against Canadian exporters. Canada's perseverance paid off, and its exporters will have recourse to the dispute settlement system as it is in NAFTA.

The US side had also been stubborn about getting the Mexican side to accept a special mechanism in the new deal by which the United States could easily apply antidumping tariffs on the Mexican exports of seasonal fruits and vegetables. Mexico would not assent to the inclusion of this mechanism, and in the end, the new agreement will not contain this US negotiators' request—to the benefit of both US consumers and Mexican producers. Similarly, it is to the benefit of Canadian consumers and US exporters of dairy products that Canada ultimately accepted a US request for at least a modest opening of such a market.

The only significant US demand accommodated by Mexico and Canada was in the automotive sector, where more restrictive and cumbersome rules of origin are to be adopted. It has been agreed that 75 percent of a car or truck should have components from North America to qualify for tariff-free imports, up from the current level of 62.5 percent. Furthermore, 70 percent of the steel and aluminum used in that sector must be produced in North America, and 40 percent of a car or truck would have to be made by workers earning at least US\$16 per hour—a measure obviously calculated to put a dent in Mexico's comparative advantage. Fortunately, the destructive effects of the new rules of origin for trade and investment could be mitigated in the case of cars by the provision that vehicles failing to fulfill those rules would simply pay the low, most-favored-nation tariff of 2.5 percent as long as the total exports do not exceed an agreed-on reasonable number of vehicles.

Other things being equal, however, it is clear that the new regime will reduce both the regional and global competitiveness of the North

American automotive industry—a result that will not be good for US, Mexican, or Canadian workers. Of course, other things may not be equal if the US government decides to impose tariffs, as it has threatened to do, on vehicles produced by European or Asian companies. If the US government were to impose those tariffs, the burden of the new regime would fall disproportionately on the US consumer.

As purported from day one, the trade agreement will be subject to an update on a number of topics such as digital trade, intellectual property rights, environmental policies, and labor practices. Interestingly, the agreed-on new provisions really are a “cut and paste” of what was contained in the TPP, which was discarded early on by the Trump administration in a decision so damaging to US interests that it will always be a mystery for economic and political historians.

NAFTA aside, trade hostilities by the United States generally escalated significantly in 2018. In January, safeguard tariffs on solar panels and washing machines were announced. Next, invoking national security arguments (Section 232 of the Trade Expansion Act of 1962), an implausible assertion for commodity metals, the US government imposed high tariffs on imports of steel and aluminum from China (effective in March 2018) as well as the European Union, Japan, Turkey, Canada, and Mexico (effective early July 2018). Predictably, all the affected trade partners responded at once by announcing their own retaliatory trade actions.

The confrontation with China intensified with the announcement (effective in early July 2018) of tariffs on US imports from that country worth \$34 billion. The stated rationale was unfair trade practices (under Section 301 of the Trade Act of 1974). By September 2018, the total value of Chinese imports subject to US Section 301 tariffs had risen to \$250 billion, with tariffs on a further \$236 billion threatened.

It did not take long—in fact only a few hours—for China to respond in kind to the US action. At the time of this writing, the Trump administration is vowing to react with even more tariffs on imports from countries challenging its arbitrary actions. The latter could well mark the beginning of a trade war that as history well teaches, will inflict substantial suffering on all involved.

It is hard to know whether the US administration really believes that sooner rather than later the targeted countries will succumb to the United States' outlandish demands, and thus deliver Trump a win in

the still-incipient confrontation. If this were the assumption—most likely a wrong one—the trade war could reach epic proportions, with rather-irreversible damage. Even worse, however, the US authorities could be envisioning a scenario in which the affected parties implement recourse to the WTO, and this is taken as an excuse to withdraw from that institution, as Trump has sometimes threatened to do.

This episode of US neomercantilism can hardly have a happy ending simply because it has been launched on wrong premises and with questionable objectives. The US government's ongoing policy not only ignores the notion of comparative advantage and its modern incarnation into complex supply chains but also the essential insight from open economy macroeconomics that the difference between an economy's national income and its expenditure is what drives its current account and trade balances. Playing with trade policy without looking at the underlying variables of income and expenditure is bound to be futile and counterproductive. Furthermore, focusing on bilateral balances to fix the aggregate balances makes the undertaking even more pointless.

The short summary is that it is hard to track down any serious intellectual underpinnings in the globalophobia being practiced by the current US government—underpinnings that admittedly none of its members claim to have, including the US president himself. Their assertions against trade and other expressions of contemporary globalization have never been accompanied by any supporting empirical evidence or conceptual argument.

### WHY GLOBALIZATION IS NOT INCOMPATIBLE WITH SOVEREIGNTY AND DEMOCRACY

The case of sheer populist mercantilism stands in contrast to that of other doubters who purport to challenge globalization, or at least some aspects of it, from a platform of serious scholarship. Highly respectable researchers have over time produced work that is used by themselves or misused by others to weaken the intellectual as well as practical case for economic interdependence. Giving serious consideration to the arguments advanced by those challengers is justified not only because they raise a number of valid points but also because of their influence on policy.

It is well beyond the scope of this chapter to offer a comprehensive survey of the globalization-skeptic research produced by highly respectable scholars. I will limit my succinct comments here to the work of Dani Rodrik since for nearly two decades now, it has been influential in dampening observers' cheeriness about globalization. Singling out his writings is appropriate in light of three important contributions that he has made to the public debate on the costs and benefits of globalization. The first contribution is that of developing a critique of globalization within an orthodox neoclassical paradigm, enabling it to speak to a wider audience that includes mainstream economists and promarket policy makers. The second contribution of Rodrik's work lies in its prescience: in his monograph titled *Has Globalization Gone Too Far?*, published more than twenty years ago, and thus before the recent wave of nationalism and populism rose up in the United States and Europe, he pointed to the possibility of "a political backlash against trade" stemming from "a deep fault line between groups who have the skills and mobility to flourish in global markets and those who either don't have these advantages or perceive the expansion of unregulated markets as inimical to social stability and deeply held norms" (Rodrik's 1997, 2). Third and no less important, Rodrik's (2011) more recent work claims the existence of a trilemma linking globalization, democracy, and sovereignty such that that no country can benefit from all three potentially desirable goals at the same time.

Having disagreed with commentators who thought of modern globalization as ineluctably advancing—because in their view, driven essentially by irreversible technological progress—I found myself in full accord with Rodrik when he expressed the view that continued globalization should not be taken for granted and a retreat is always possible. Likewise, I also agree on highlighting the threat of social disintegration, which encompasses various worrisome phenomena such as the stagnation of wages among different categories of employees in developed countries and worsening of the income distribution—trends that at the time were far less entrenched, but were firmly confirmed over the next twenty years.

That said, I will argue in the remainder of this chapter that we should not jump from the above considerations to the conclusion that globalization was the cause of the social disintegration threat that may halt or reverse altogether the globalization clock. More specifically, Rodrik's

argumentation—as well as that of some other globalization challengers—does not start with a hypothesis to be rigorously tested but rather with a strong prior (even if sometimes backed by selective evidence) that the identified social tensions are being generated primarily by globalization, including through its effects on technology and constraints on policies that favor redistribution of the gains from trade. Insufficient credence is given to other forces and circumstances that could have been at the root of the ills that Rodrik presciently identified, some of which were already at play long before hyperglobalization, making more inclusive growth also elusive in many countries in the past.

Cast within this (arguably biased) mind-set, the simultaneous occurrence (or correlation) of globalization and social bads can easily become tantamount to strong causality from the first to the second. It thus becomes just a matter of imagination to identify numerous unequivocal relations between globalization and socially unjust outcomes. Indeed, as globalization deepened, and some of the social trends highlighted early on by Rodrik were also reaffirmed, the author's original critique of globalization not only has been reiterated but actually enlarged too—as have his prescriptions to deal with the issues at hand.

In this context, and to go straight to the heart of the matter, it is worth revisiting here the premises, factual underpinnings, and policy implications of the postulated trilemma among democracy, national sovereignty, and globalization. If true, it would imply that the options for countries are to restrict democracy in the interest of pursuing globalization, limit globalization in the pursuit of building domestic democratic legitimacy, or globalize democracy at the cost of national sovereignty. That such a trilemma has acquired credence among some scholars and students of the social sciences is intriguing for somebody (like me) who has been or still is directly involved in policy making with a commitment to promote the tripod of democracy, free trade, and a rules-based international system sustained by sovereign nations.

It is intriguing for three main reasons.

First, international covenants and institutions, however imperfect they may be, are the best vehicle that weak and emerging countries have to defend themselves from the arbitrary exercise of economic as well as geopolitical force by the most powerful countries' governments

and commercial interests. Thus global governance, far from being a threat to countries' sovereignty, can be its protector.

Second, I question whether globalization conspires against domestic democratic legitimacy. The latter, hard to achieve and even harder to sustain, ultimately depends on widely delivering the benefits of prosperity—something historically more likely to happen in open than in closed economies. Consequently, it is not true that for countries to pursue democracy, it is necessary for them to somehow disengage from globalization. This would be valid only under the Rodrik basic premise that globalization *by itself* explains a significant number of the maladies present in the world. Any country, in the South or North, can be democratic, economically open, and engaged in the multilateral rules-based system while simultaneously exercising its sovereignty—with the latter being understood, of course, in the modern sense of the word. That sovereignty could include decisions to offset through domestic policies some of the undesired side effects of globalization.

It is also important to note that much of this critique was developed (as in Rodrik 1997, 2011) when globalization, undeservedly in my view, was suffering a black eye, in the first case just a few months before the Asian crisis, and in the second, when the sequel of the 2008–9 financial crisis was still hitting Europe severely. The recent rise of isolationist populism in the most unusual places—of most concern, in the United States—has given leeway to the possibility of a third charge against globalization. Specifically, that charge is that the populist backlash was largely predictable, with economic globalization being the ultimate culprit in the emergence of populism, not only in the systemically dangerous US case, but in previous episodes in various parts of the world, including Latin America (see Rodrik 2018).

Yet reading about this association between populism and economic interdependence, those of us from Latin America who have studied, opposed, and even suffered from populism, and think of Juan Perón, Getúlio Vargas, and Hugo Chávez, to name just a few from our long list of homegrown populist strongmen, are tempted to ask, as Jagdish Bhagwati, paraphrasing a pop song, famously wrote, What's globalization got to do with it? My concern is that by focusing on globalization and downplaying what he calls the other forces at play, Rodrik and other critics may be aiming at a straw argument and missing more



important targets, thereby drawing erroneous policy prescriptions. In my view, a glance at some of Rodrik's proposals should suffice to justify this concern.

Finally, my third concern pertains to the implications for the multilateral trade system. Although Rodrik's (1997) contribution claims not to be prescriptive, it actually went so far as to call for multilateral rules on how countries can depart from multilateral rules. It advocated—barely three years after the formal start of the WTO—finding new ways for countries to disengage selectively from multilateral disciplines. In particular, Rodrik submitted that the WTO escape clause (the safeguard mechanism discussed in the chapter by Michael Trebilcock in this volume) should be changed to give countries even more latitude to deviate from their trade liberalization commitments in order to pursue other domestic policy objectives. This proposal therefore suggested a radical shift from market access to domestic policy space as the core matter for multilateral negotiations. With this change, countries would be allowed to suspend their WTO commitments, arguably to pursue their development priorities. In an earlier review of the book, I claimed and still do, that if adopted, Rodrik's formula would be a safe bet not only for perpetual conflict but also for regression into autarky (Zedillo 2011).

By now it should be clear that the Trump administration would have been most pleased with a trading system reformed along the lines of the Rodrik criteria. An unruly trading system rather than the present rules-based one would have given the United States license to carry on with its protectionist agenda in an even more expeditious fashion. The unreformed WTO safeguard provisions, which Rodrik faults for being too stringent, fortunately have proven sufficiently so to force the US administration to rely not on those provisions but instead on a bizarre appeal to national security to justify some of its most egregious trade policy threats and decisions.

### FINAL REMARKS

Advocacy of greater space for national policy making is not wrong in principle. What is questionable is to call for that margin so that countries can erect trade barriers anew under the misguided premise that they

will serve to fix the economic, social, and political cleavages that rightly concern Rodrik. Those cleavages are first and foremost the consequence of domestic policies, both in the recent and far past, and therefore ultimately reflect political choices by those who have held political power over time.

As argued elsewhere in this volume (see, for example, the chapters by François Bourguignon, Edward Alden, and Angus Deaton), regressive tax and expenditure policies, hollow social safety nets, bad educational systems particularly for the poor, rejection of universal health care, and laws unduly segmenting the labor market, not to mention perennial public underinvestment—along with flawed design in programs to support workers to adapt to and overcome shifts in labor markets due to technological change and trade—are not policy features mandated inescapably by open markets and globalization. Rather, they are inherent to policies that tend to perpetuate polarization in societies and protect the power of those at the top of the income distribution.

### REFERENCES

- Deaton, Angus. 2013. *The Great Escape: Health, Wealth, and the Origins of Inequality*. Princeton, NJ: Princeton University Press.
- Rodrik, Dani. 1997. *Has Globalization Gone Too Far?* Washington, DC: Institute for International Economics.
- . 2011. *The Globalization Paradox: Democracy and the Future of the World Economy*. New York: W. W. Norton.
- . 2018. "Populism and the Economics of Globalization." *Journal of International Business Policy* 1, no. 1–2 (June): 12–33.
- Zedillo, Ernesto. 2011. "The Globalization Paradox: Democracy and the Future of the World Economy by Dani Rodrik." *Journal of Economic Literature* 49, no. 4 (December): 1269–71.