



PIIE PETERSON INSTITUTE FOR
INTERNATIONAL ECONOMICS

Is globalization really in retreat?

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Peterson Institute and Princeton

- This is our first joint event.
- Not the last.
- Subject: Is globalization in secular retreat, or is it just getting buffeted by some adverse events—and perhaps obscured by some reallocations?

Fortunately, we have two great experts here today (not me!)

- Stephen Redding, Princeton
 - Professor of Economics and Public Affairs at Princeton and Director of the NBER's International Trade and Investment (ITI) Program
- Arvind Subramanian, Peterson
 - Senior Fellow, PIIE and former Chief Economic Advisor to the Government of India

- I'll set the stage quickly, with just three slides.

Why almost all economists are believers

- David Ricardo taught us to like trade.
 - And don't forget about *absolute* advantage!
- Globalization enables capital to flow more easily from “North” to “South.”
 - But does it work? (e.g., sudden stops)?
 - Financial capital vs. FDI
- Promotes technology transfer (broadly conceived)
- Promotes friendlier international relations. (It's *not* zero-sum.)
 - Henry George: “What protection teaches us, is to do to ourselves in time of peace what enemies seek to do to us in time of war.”

Why many non-economists are not believers

- Anti-market ideology: Sees trade a zero-sum. It's "exploitation."
- Freer trade has losers.
 - Ricardo taught us that, too!
 - People care more about *jobs* than about *lower prices*. (a blind spot for economists?)
 - The "losers" from trade look to be a major force behind populism.
- Financial capital flows can be a mixed blessing.
 - Bubbles, sudden stops, etc.
 - "Countries should not adopt America's bad financial habits until they are rich enough to afford them."
 - The IMF is not pushing capital account liberalization the way it used to.

Some questions

- Is there a broad retreat from trade or mainly changes in composition?
- This too will pass? Is it mainly a series of adverse events like the “China shock,” Covid, wars,...
- Why have *both* US political parties turned protectionist?