Is globalization really in retreat?

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• 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?