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THE POLITICAL CONNOTATION OF INTERNATIONAL TRADE AND GLOBALISATION: A COMMON MISUNDERSTANDING^{*}

ABSTRACT

Globalisation is often associated with a conservative political ideology and usually faces opposition from progressive political groups. This essay challenges this conventional view and tries to illustrate how the globalisation process is consistent with a progressive political philosophy. It, furthermore, argues that the removal of this political bias would allow both proponents of free trade and progressive political organisations to be more effective in pursuing their own objectives.

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JEL Classification: B11, F60, N70

RIASSUNTO

La connotazione politica di commercio internazionale e globalizzazione: un comune equivoco

La globalizzazione è spesso associata con il conservatorismo politico e trova generalmente l'opposizione di gruppi politici progressisti. Questo essay mette in discussione tale idea cercando di illustrare come il processo di globalizzazione non sia in contrasto con posizioni politiche progressiste. Viene inoltre argomentato come la rimozione di questo pregiudizio di natura politica possa potenzialmente consentire sia ai promotori del libero commercio che alle organizzazioni politiche di ispirazione progressista di perseguire più efficacemente i rispettivi scopi.

1. INTRODUCTION

Conventional narratives tend to portray globalisation¹ as a relatively recent phenomenon

^{*} I would like to thank professor Nicolò Bellanca, the idea of writing this paper came after a stimulating conversation with him.

¹ Globalisation is a complex process which defies any clear-cut classification. Throughout this essay, globalisation is

characterised by conservative political implications. Indeed, globalisation is generally perceived as a process that began some sixty years ago and whose effects became increasingly macroscopic over the last two or three decades. On the one hand, it is certainly true that since the end of the World War II the international flows of goods and capital started to grow faster than GDP and that, over time, the world economy has become progressively more integrated. On the other hand, someone might be surprised to learn that these circumstances are not a real novelty in human history. In fact, world is currently experiencing what historians have defined as the “second wave” of globalisation, i.e. a phenomenon quite similar to what has already occurred at the end of the nineteenth century, when the relative volume of international transactions rose to levels comparable to those of today (Baldwin and Martin, 1999). This “first wave” of globalisation, which was also characterised by substantial migration flows, came to a sudden end with the outbreak of the First World War and the Great Depression of the 1930s. If globalisation, however, cannot be properly considered as an historical novelty, there are even fewer reasons to associate it with the political right wing. In particular, challenging the idea that globalisation has conservative political implications, this short paper pinpoints some common misconceptions that tend to bias the political debate over globalisation. It is also argued that, since a significant part of the resistance to globalisation comes from political forces which claim to be progressive, one of the main challenges for those who promote the integration of world economy is to understand why they fail to convey their political message properly and try to reformulate it in order to avoid unnecessary political confrontation.

2. PRESENT AND FUTURE OF GLOBALISATION

Despite the harsh difficulties that too many people living in developing countries still experience every day in meeting their basic needs, international socioeconomic statistics allow for a relatively optimistic outlook on the future. For example, over the last 25 years, the number of individuals living in absolute poverty has halved and, in relative terms, it has decreased by two-thirds (World Bank, 2016b). But it is not just a question of poverty: related to the broader concept of human development and epitomised by the success of the Millennium Development Goals (World Bank, 2016a), important milestones in several other fields such as health and

considered as the multifaceted manifestation of an underlying economic trend, namely the increase of international trade and international financial transactions, which are so intricately interwoven that is almost impossible to split them. Therefore, in this context, “globalisation” and “international trade” are used interchangeably.

education have been achieved. Even though a statistical correlation does not necessarily imply a causal relationship, it is hard to believe that the aforementioned worldwide improvements in the material standard of living have not been favoured by the rise of international trade. The People's Republic of China alone, whose economic development has indisputably been triggered by Deng Xiaoping's Gaige Kaifang and other opening reforms of the following decades, contributed to the reduction of the number of the world's poor by more than half a billion over a timespan of one generation. Indeed, by making the world economy an increasingly complex, interconnected and interdependent system, globalisation has reduced the distance among people all over the world and offered new economic opportunities to those who, because of the lack of connections, were previously excluded from the development process (Ripoll, 2006). Nonetheless, despite these achievements and the ambitious goals of the Sustainable Development agenda, the future of globalisation seems to be more at stake today than it used to be in the recent past. As pointed out by liberal philosophers such as Karl Popper (1957) and Friedrich Hayek (1960), human history does not follow any pre-determined path. There are no achievements that can be taken as granted. Hence, as did the first wave of globalisation, also the current one may come to an abrupt and largely unexpected end. Indeed, a combination of political and economic factors, ranging from the Middle East and Eastern European crises to the slowdown of emerging economies, has tempered the confidence in the future. In turn, economic and political uncertainty has worked as a catalyst for those protectionist and autarkic tendencies that, even in times of greater stability, always exert a certain appeal on national sentiment. History has repeatedly shown that in times of uncertainty, countries have tempted to loosen their ties with the rest of the world. Unfortunately, these attempts did not simply end up with economic losses for the countries involved but, not infrequently, they fuelled episodes of intolerance and political radicalisation. Present times do not seem to be immune to such tendencies and the recent upsurge of populist movements across all western democracies proves that, almost everywhere, the disaffection with international trade is on the rise. These circumstances should prompt those who support the process of international economic integration to reflect upon the reasons for the political success of such movements and on the origin of these widespread concerns, as well as on how pro-trade policy stances are actually translated into political messages. As a matter of fact, globalisation is often perceived as a politically conservative phenomenon (Breckenridge and Moghaddam, 2012) and, consequently, generally faces the opposition of progressive and left-wing political groups. In the following,

using an economic and a sociological argument, the paper will attempt to highlight these misconceptions and to prove that globalisation is consistent with a progressive political philosophy.

3. WINNERS AND LOSERS: A DOMESTIC ISSUE

There is unanimous agreement among economists that opening the borders to world trade would lead to an increase in the amount of goods available in each of the countries involved and, therefore, to a greater material well-being of the average consumer. This tenet is so well-established that Gregory Mankiw (2015) includes it among the ten key principles of economics in his introductory handbook. Those who are tempted to attribute this choice to his political opinions will perhaps be surprised to discover that the same idea is also shared by the great majority of liberal and progressive economists (e.g. Sen, 2002; Ray, 1998). Indeed, few economists would argue that the opening to international trade may constitute, by itself, an obstacle to economic development and, in fact, all major economic models recognize that international trade makes countries better off. However, since most of these models deal with aggregates, they might not explicitly state that, within each country, the opening to trade may well generate groups of economic losers. In other words, even if the aggregate effect for the country is positive, some groups of individuals could actually end up worse off. This point, obvious to economists, is oftentimes not adequately spelled out by the political supporters of international trade. When it comes to publicly promoting trade agreements, too often the message conveyed is that the opening to international trade will automatically lead to a situation in which everyone is better off. Since, as remarked above, this is not necessarily true for all individuals living in the country, such claims seem to be invalidated by empirical evidence and public opinion, especially economic losers, may feel politically cheated. Against this background, the primary task for the proponents of international trade is to more precisely convey the message that international trade only contributes to “making the pie bigger”, whereas the success of policies aimed at ensuring that the benefits are fairly shared (whatever “fair” means) is an exclusive responsibility of national governments. The greater availability of goods and services allows for a set of Pareto-efficient solutions but achieving them is ultimately the responsibility of national policymakers. Indeed, if the benefits arising from trade are not evenly distributed, the political blame should be on national authorities rather than trade agreements. Because of the above-mentioned failure to deliver the correct political message, this point seems

to be missed by a large part of progressive political groups. In many respects, this misunderstanding recalls the epistemological confusion between positive and normative economics already appraised by Milton Friedman (1953) and, to some extent, it might be considered inevitable. Anyway, if the advocates of international trade were clearer on the effective gains of free trade, part of the progressive groups would be likely to shift the target of their political engagement from a tout-court opposition to globalisation and trade agreements to a more selective engagement in favour of inclusive policies designed to provide an adequate compensation for domestic economic losers. Such a switch in political commitment would very likely make their political campaigns more effective because, in this case, the political arena would not transcend the national pitch, where citizens can fully and legitimately exert their political power.

4. THE CONCILIATORY EFFECT OF TRADE: THE “DOUX COMMERCE” THESIS

So far, the discussion has been focused on the effects of international trade on the material well-being of individuals. Since many of the arguments against globalisation have a sociological nature, however, the following part will make a foray into the fields of sociology and political philosophy. In particular, it will briefly outline a theory that seems to find no place in the current political debate but that could potentially represent an influential argument in favour of international trade and, more generally, of a market society. The theory traces its roots back to the Enlightenment but was explicitly conceptualized by Albert Hirschman (1977) two centuries later. In particular, through a meticulous and original exercise in historical research, Hirschman brought to light a theory that interprets the development of trade and the expansion of markets as a process which is capable of limiting governments' arbitrary exercise of power and, simultaneously, is able to promote “gentle manners”. This view, which Hirschman named the “doux commerce” thesis as a tribute to the French philosopher Montesquieu who was one of its most distinguished proponents, used to be widespread among the intellectuals of the Enlightenment and can be found, amongst others, in Condorcet, James Steuart and John Millar. The words of Thomas Paine, a political philosopher and one of the founding fathers of the United States, eloquently outline the essential traits of the above-mentioned theory:

[Commerce] is a pacific system, operating to cordialise mankind, by rendering Nations, as well as individuals, useful to each other [...]

The invention of commerce [...] is the greatest approach towards universal civilization that has yet been made by any means not immediately flowing from moral principles. (cit. in Hirschman, 1982).

This passage contains two fundamental insights. First, since the ultimate motive of trade is to be sought in the mutual benefit of the counterparts and since the creation of a stable business relationship demands mutual adherence to a shared code of conduct, the development of business requires that the parties involved prove to be worthy of trust and make efforts in order to reach compromises. In other words, the development of trade relations creates a strong and self-reinforcing incentive to stability and mutual trust. The second important intuition emerging from the quotation is the recognition that trade provides an incentive to serve each other, an incentive that does not directly follow from moral principles. This point is of paramount importance. In everyday language, the term “moral principles” has a positive connotation (otherwise we would speak of amoral principles). This is because, when we speak of moral principles, we are often implicitly referring to a very specific set of principles: ours. In order to reach a minimum level of cohesion, every society needs the great majority of its members to share a certain set of fundamental (and vaguely defined) principles. These principles shape the behaviour and the expectations of the members, thus easing the interactions between individuals. These behavioural rules, often called traditions, are not *a priori* determined but are the unintentional outcome of a never-ending evolutionary process. The different historical contingencies from which every society developed led to the evolution of different and distinctive set of values. Unfortunately, historical experience shows that, when different societies meet, cultural differences can be the cause of (or, at least, the justification for) conflicts. International trade, by putting material mutual benefits before conflicting moral standards, can be conceived as a means to promote tolerance, building a bridge between far-off cultures and societies. At this point, it should be clear that the fundamental intuition underlying the “doux commerce” thesis is that trade can play a very progressive role which leftist political movements should, in theory, be responsive to.

5. SUMMARY AND CONCLUSIONS

This short paper is meant to suggest a reflection on some of the weaknesses of the political messages conveyed by those who promote a progressive integration of world economy. In particular, by proposing two different arguments, it illustrates how globalisation is not

inconsistent with progressive political values. In the first part, the essay argues that part of the resistance faced by pro-trade policies and market-opening reforms can be imputed to a fundamental political misunderstanding. Because of this misunderstanding, some progressive political groups strongly engage in protesting trade agreements rather than encourage a more even distribution of the benefits coming from trade. The second part of the essay briefly outlines a “forgotten” theory which highlights some quite progressive sociological implications of international trade. If the arguments proposed here contain some piece of truth, it follows that the removal of such a “conservative bias” would open up new political space in which both the advocates of international trade and the progressive political organisations could be more effective in pursuing their own objectives.

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