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Globalization myths debunked

BY RICHARD PACHTER

Globalization: n. the irrational fear that someone in China will take your job. Bruce C. Greenwald and Judd Kahn. Wiley. 186 pages.

It's a really loaded term that triggers sundry hot buttons like "outsourcing," "imports," "protectionism," "layoffs" and more. But apparently, everything we thought we knew about globalization is wrong.

Columbia professor and economist Bruce Greenwald, abetted by collaborator Judd Kahn, deftly punctures the prevailing wisdom on the effects of international trade, arguing that most of the books and reporting on the subject deal with this complex, multidimensional phenomenon simplistically, anecdotally and incorrectly. They support their contention with a holistic, research-driven discussion.

Surprisingly, even though most writers (and politicians) look at the issue as if it's something new, it's been going on nearly forever, and our same panicky concerns are hardly original.

The world isn't flat, hot, round or whatever billionaire bloviator Tom Friedman's next book says it is, according to Greenwald and Kahn. Local interests still prevail in most of the industrialized world. And whenever there's an attempt to control, restrict or "manage" commerce with taxes, incentives, regulations or military force, the "Rule of Unintended Consequences" kicks in and things go awry.

It's not globalization that's screwing things up. On the contrary. Overriding local political and economic interests subvert the flow of commerce, which introduces disparities and deficits that result in trade imbalances, inflation, deflation and unemployment.

CONCISE, COMPELLING

It's a bit much to summarize here beyond that, though in a mere 170 pages of text, Greenwald and Kahn present a very persuasive case. It's economics, of course, not a romance novel with teen vampires, but they lucidly render the draining of the world economy's lifeblood into an absorbing and compelling experience.

I wondered what Prof. Greenwald would have added (or subtracted) from his book in the wake of the recent economic turmoil.

In a brief telephone interview, he pointed out that it's not recent at all, but ongoing in Europe and Asia for some time. Local governments' support and protection of agriculture and manufacturing, for example, artificially maintained high employment in sectors where productivity has grown dramatically, yet demand remains static. That's impossible to sustain, so unemployment increased dramatically.

U.S. ADVANTAGE

In that sense, we have an advantage, as agriculture and manufacturing aren't dominant elements of the American economy, and no longer constitute ironclad political constituencies. That's the good news, according to Greenwald.

The bad news is that our low rate of savings and high trade deficits diminish our spending power. We're

"leaking" an amount equal to our trade deficit, he said, which diminishes our spending power. But nations with trade surpluses are constrained in other ways; though their "wealth" may be in dollars, their own currencies are also adversely affected.

What's ultimately required is ending the standard of a single nation's currency (like the dollar) upon which others are based. In addition, the playing field really has to be flattened, which means no more protectionism and price supports. Good luck with that! True globalism, ironically, may be what's been missing.

Adversity brings opportunity and now may be the ideal time to effectively deal with these long-festering issues. Understanding them, without hysterics and histrionics, is the first step.

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