Globalisation and Egalitarian Redistribution, Pranab Bardhan, Samuel Bowles and Michael Wallerstein (editors); Oxford University Press, New Delhi, 2006; pp 362.

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Nowadays two orthodoxies tend to dominate the discussion of the economic consequences of globalisation. On the one hand, enthusiasts – among them many mainstream economists – argue that global economic integration is likely to bring significant economic gains to almost everybody affected. On the other hand, critics – often non-economists – argue that globalisation inevitably does a great deal of harm to a great many people around the world.

The editors of this volume – economists Pranab Bardhan and Samuel Bowles as well as political scientist Michael Wallerstein – see things differently. They understand the logic of the rosy claims made by pro-globalisation enthusiasts, and they understand the reasons for the widespread anxiety felt by so many people about the consequences of globalisation. But they reject both of the prevailing orthodoxies. Having brought together a group of social scientists of various disciplines and perspectives to address some of the key issues raised by contemporary globalisation, they succeed in developing a coherent and persuasive alternative view.

At the start, the editors cite evidence to support the conventional wisdom of the Left that globalisation has contributed to growing economic inequalities around the world. Their primary objective, however, is to contest the pessimistic view of many Leftists that globalisation sharply limits the ability of nation states to counter these inequalities via egalitarian redistribution and social insurance. The editors suggest, instead, that it is possible to achieve the efficiency and growth benefits of globalisation while simultaneously reducing inequality and enhancing social protection.

Despite the diversity of the 11 essays included in the volume (including several by the editors themselves), the book forms a fairly unified whole. For one thing, the contributors are all very sensitive to the political context in which economic policy choices are shaped. They also appear to be determined not just to understand how globalisation works but also to consider how egalitarian as well as efficiency objectives can be realised in the context of contemporary globalisation. In an introductory and a concluding chapter, the editors provide a very useful overview of the issues to be addressed and the lessons to be learned, which serves to integrate the multitude of contributed essays.

Main Arguments

Following are some of the key propositions argued by various contributors to the volume:

– An expanded international flow of goods, capital and labour creates significant opportunities for improving the material welfare of the most disadvantaged people in the poorer countries of the world. Promoting greater global integration by simply eliminating trade barriers and subsidies that discriminate against the products of the poorer countries would significantly reduce poverty in those countries. (Bardhan)

– Capital mobility has substantially reduced the ability of trade unions in richer countries to obtain wage increases for less-skilled workers, which is undermining the bargaining power of those workers. (Minsik Choi)

– Constraints imposed by bond markets on government policy choices are far more restrictive in poor countries than in rich countries, mainly because of the much higher perceived risk of default in the former. (Layna Mosley)

– The European Union (EU) – an important example of economic integration at the supranational level – does not, in its present form, appear likely to preserve the degree of social protection previously offered separately by western European nations; but a more socially solidaristic EU remains a possibility if political will can be mobilised. (Claus Offe)

– Globalisation reduces governments’ ability to tax or otherwise limit the return to internationally mobile factors of production but it does not constrain a variety of redistributive policies that raise efficiency. (Bowles)

– The possibility of promoting economic growth by reducing wage inequality among similar workers in different industries and enterprises is enhanced, not diminished, by international economic integration. (Karl Ove Moene and Wallerstein)

– Globalisation does not necessarily lead to a convergence of economic policies across different countries and a convergence of policy platforms across political parties within a given country. The overall effect of globalisation on policy convergence is both theoretically and empirically uncertain. (Adam Przeworski and Cova-donga Meseguer Yebra)

– Globalisation is likely to generate significant political cleavages between “cosmopolitans”, whose skills and assets enable them to adjust easily to changes in global markets, and “provincials”, who are far less mobile. (Bowles and Ugo Pagano)

– Immigration from poorer into richer nations reduces support for programmes of social protection in the latter, most probably by reducing the degree to which long-time residents are inclined to show solidarity with potential benefit recipients – among whom immigrants loom large. (Stuart Soroka, Keith Banting and Richard Johnston)

– If labour is a critical force in the political struggle between advocates and opponents of free trade, generous social protection programmes may well be politically essential for the adoption of free trade policies. (Carles Boix)

– Support for international openness within richer countries is higher among
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The editors draw a number of useful lessons from the sophisticated analyses of the contributors. Most importantly, they embrace an optimism of a quite different sort than mainstream enthusiasts of globalisation do. Conceding that global economic integration in and of itself will indeed tend to exacerbate inequality and insecurity, they argue that nonetheless it need not place people at the mercy of laissez-faire capitalism – because there are a variety of economic policy measures that could make globalisation both more egalitarian and efficient. They conclude that: “redistributive policies that are compatible with international openness are needed both to protect the poor, the vulnerable and the unlucky in an increasingly global economic environment as well as to promote the gains that economic openness allows” (p 315). Indeed, their final lesson is that “whether the process of globalisation continues or whether it is reversed may depend on governments’ success in redistributing income and providing protection against the risks inherent in specialised production for global markets” (p 315).

Antonio Gramsci famously wrote that those who wish to change the world for the better must have “pessimism of the intellect but optimism of the will”. The editors of the volume under review surely have the will. Unlike Gramsci, however, they display an optimism of the intellect that is in striking – and welcome – contrast to the pessimism of most Left-leaning observers when it comes to the prospect of fulfilling egalitarian as well as efficiency objectives in a context of expanding globalisation.

To convince anyone of the realism of a prospectively more egalitarian future for globalisation, it is essential first to identify the kind of redistributive policies that could combine equity with efficiency. The three editors address this subject in their contributed essays. They suggest inter alia the following measures: (i) redistribution of assets such as land, which can improve farmer incentives to care for the soil; (ii) subsidisation of access to credit by the poor, which can enable the poor to make small investments with a big return; (iii) promotion of producer cooperatives and cooperative work teams, which can reduce the cost of supervising work effort; (iv) elimination of wage disparities among similar workers, which can drive resources into higher-productivity uses; and (v) greater provision of public goods like education and healthcare, which can improve labour skills and productivity. Examples of the successful implementation of such policies can indeed be found in a number of countries and regions around the world, including notably some that are quite exposed to global economic forces.

The editors of this volume suggest that the policy measures they advocate are not only economically but also politically feasible because of their “win-win” character in promoting both efficiency and equity. The upbeat prospects they hold out for an increasingly globalised world, however, seem to me somewhat too optimistic – at least if one considers what is likely to happen, as opposed to what is theoretically possible. This is because, to my mind, the editors do not take sufficient account of the growing political obstacles to egalitarianism that characterise most nations across today’s world. Some of these obstacles are in fact highlighted in the book. For example, Offe offers a sobering analysis of the limited prospects for the emergence in the EU of a social model whose egalitarianism would sharply distinguish it from the liberal model of the US. Bowles and Pagano discuss the increasing economic and political strength of relatively well-off “cosmopolitans”, who have the most to gain from unfettered (perhaps “unprotected” is a better term) globalisation, as opposed to poorer “provincials”, who have the most to lose. And Soroka et al compile much evidence that immigration is eroding the sense of community needed for voters to support egalitarian policies.

If people sharing the outlook of Bowles, Bardhan and Wallerstein seemed likely to gain political power elsewhere than in Scandinavia (and perhaps a few other small countries around the world), I too would be much more optimistic about achieving the egalitarian objectives that animate the contributors to this volume.

Globalisation and Egalitarian Redistribution, the latest in a series of studies of “persistent inequality in a competitive world” funded by the Russell B Sage Foundation through the behavioural sciences programme of the Santa Fe Institute, is unquestionably a highly relevant and highly stimulating volume. Given its place of origin (and that of most of its contributors), it is not surprising that with few exceptions – mainly the essays by Bardhan and Mosely – the editors and authors have paid much more attention to the evolution and consequences of globalisation in rich countries than in poor countries. One hopes that the publication of this volume in India will help to inspire comparable work on globalisation in the poorer countries of the world – work for which Indian social scientists are especially well placed.

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