

Interview with Dani Rodrik on Political Economy and Globalization

Professor Dani Rodrik, Harvard University, sat down with JSJ Editors Priya Sarma and Charlotte Li to discuss how he became a political economist and the value of international studies for a meaningful career in any field. Professor Rodrik's visit to the University of Washington was occasioned with his public lecture, 'Reinventing Globalization,' delivered as part of the Jackson School's U.S. in the World Lecture Series on Wednesday February 13th, 2019.

Jackson School Journal: How did you get your start in economics and what got you there?

Rodrik: I took an indirect route to economics. I started first in political science and then I eventually turned to economics because, at the time, economics was the more technical and rigorous discipline. I thought I had to be tooled up and so I went to economics eventually.

Jackson School Journal: What did you find challenging in changing your area of study from political science to economics and what factors led you to study Globalization and Economics?

Rodrik: It wasn't challenging. The only disadvantage was that it took longer than it could have, had I known from the beginning that I was slated for an Economics PhD. On the other hand, I think the fact that I had a background in political science helped me with my thinking later on. It gave me a better perspective on institutions and on historical trajectories than if I had just

started out with economics and hadn't branched out.

The main factor that led me to study what I study, which is globalization and development, was that I came from a different part of the world and all of this was new and of course when you come from a poorer part of the world, one of the first questions you ask is why are some parts of the world poor and other parts rich. And, what explains that? That was probably the overarching question that motivated my studies.

Jackson School Journal: You've said that your experience coming from a country other than the United States motivated you to study globalization. What was that experience like? How did that help your study?

Rodrik: I think that perspective of how different societies are organized and why certain things work here and don't work somewhere else—I think that's a very valuable perspective—particularly

if you are going to study economics. Because, economists tend to have the perspective that there is one solution and that solution applies everywhere. One of the themes in my work has always been that even though there are some general principles in economics that carry over to different societies, the way that they are implemented, and the concrete form they take, have to be filtered through local circumstances. I think that's a lesson that may be easier for someone who has come from a different society and culture than for somebody who has not had that experience.

Jackson School Journal: You've said that "Globalization as we know it is under threat, and for good reason. We will have to reinvent it to serve more people better." Could you elaborate on that statement? How is it under threat and how should we reinvent it?

Rodrik: Well, I think it's under threat because large segments of society have been served poorly by the kind of globalization we've had. I think the benefits of the hyper-globalization of the last three decades were oversold. I think those benefits were largely concentrated in corporations, in big banks, and in wealthy and skilled professions. We see that at the same time, ordinary working men and women in the US and Europe didn't do all that well under those same arrangements. I think we're seeing the consequences and the political backlash in what animates the rise of populists. I think the way we need to address this is not to reject globalization

per se but to change the terms on which we globalize and I think the most important thing is to ensure that we change the nature of our international trade and international arrangements in a direction that is much more balanced, that benefits working people as well as those who have the skills and the assets and the ability to benefit from a hyper globalized world. That doesn't mean less globalization, it means a different kind of globalization that puts labor and environment and concerns of civil society and the needs of inclusion at the forefront.

Jackson School Journal: You've talked about how hyperglobalization runs the risk of populist backlash. What countries do you think we see this phenomenon occurring in?

Rodrik: Most visibly, of course, is in the United States. I think Trump's victory in the 2016 election and his considerable support, although it's not a majority, has a lot to do with large segments of the country that have become disaffected from the political elites and are very disenchanted with the kind of economic model that this country has pursued since the 1990's. In Europe, the same reaction takes a somewhat different form. It is directed at the European Union and the institutions of the European Union because that is the form in which hyper globalization is experienced in Europe.

Jackson School Journal: Would you mind defining the term "hyper globalization?"

Rodrik: Hyper globalization is a term I used to signify a single minded effort to eliminate all barriers of the free flow of goods and capital, even if that comes at the expense of policy autonomy or domestic, economic, and social objectives.

Jackson School Journal: We've seen institutions such as the IMF adopting neoliberal and pro-globalization policies, where they don't take into consideration cultural or social factors of countries. What course of action do you think international organizations such as these should take to help developing countries?

Rodrik: I think in general they have to pay a lot more attention to local context and the peculiarities of local context. I have to say, I blame far less international, multilateral institutions such as the IMF or the World Bank than I blame the governments themselves. I think institutions like the IMF and the World Bank ,except during periods of extreme crisis when they have the upper hand, are mostly an instrument for national governments. Thus, we've seen around the world that even countries that are actually quite poor and don't have a lot of leverage, if they know what it is that they want to do, they don't have to be a slave of the IMF or the ideology of the IMF. So often if the IMF or the World Bank have too much power, it's because the national governments abdicate their responsibilities. So, I put more blame on governments for not doing their own jobs and not living up to their own responsibilities.

Jackson School Journal: Sometimes institutions such as the IMF say they won't extend loans until certain conditions are met. Do you think implementation of conditionality policies also affect governments abdicating their power?

Rodrik: Within certain limits, yes. I think too often governments do not formulate their own alternatives. When governments show up at the door of the IMF, it's typically because they have completely failed—that's when you show up at the IMF. There is not much variation on that bitter pill, which you have to swallow, It is tightening the belt and doing some things that are going to be painful. There is always some latitude; and I think countries that have a better sense of how they should adjust to a crisis and put their house in order, may still be in a position to do a better job than those who simply expect the answer to come from above, from the IMF. In general, the time at which conditionality is applied is a very special time, when governments have already demonstrated their incompetence. That is not necessarily the right prism with which to understand the relationship between global institutions and the ill effects of globalization..

Jackson School Journal: I read in your article "Rescuing Economics from Neoliberalism" that many economists advocate for free trade, more finance and less government; they can almost be seen as biased and in one direction -- there's a universal or cookie-cutter policy that can act as a solution. How do you think

economists can do a better job of changing that reputation?

Rodrik: I think the main way and it is happening, is for economics to be more engaged in the real world, as we live in it. As economics is becoming increasingly more empirical, I think in fact, that change is taking place. If you live in the simple world of theoretical constructs, “Econ 101” and the demand and supply frameworks, then it is easier to live in an artificial world where markets are always perfect and you should always rely on markets for solutions. But, if your research actually consists of seeing what actually works in practice and what happens in practice, which is what more and more economics research is really about, then you are forced to adjust your theoretical framework to the complexity and nuance that the real world throws at you. I think that process has been very productive. We are starting to see that the more empirical an economic subfield then the fewer the cookie-cutter solutions. I think labor economics, or development economics which is probably the most empirical, virtually have no universal policy come out of those fields whereas macroeconomics which has largely remained theoretical, and evidence has rarely resolved any interesting question. I think the battles tend to be a lot more ideological.

Jackson School Journal: I think we’ll conclude by asking: What piece of advice would you give to current Jackson School Students who are pursuing a degree in

International Political Economy?

Rodrik: I would say that you should immerse yourself in economics. Economics might seem forbidding because so much of it is formal and mathematical and might look like it’s a lot of investment in Greek letters, but I do think it pays off. At the same time being, of course, in a School of International Studies, you are going to get the broader context—and the institutions, politics, and history as well. I think that combination is what creates the best foundation for your futures.