

'It is difficult to be an actor but easy to be a spectator'

Daniel Cohen, *Globalization and its Enemies*, MIT Press, 2006

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A risky title, this one; echoing, as it does, Karl Popper's famous *The Open Society and Its Enemies*. Popper's personal arrogance led to the suggestion that his book should have been titled *The Open Society by One of Its Enemies* and any book with an isomorphic title invites the isomorphic joke. But it's one that cannot be made here at all: while Daniel Cohen's excellent book is not really a cheerleader for globalisation, it certainly cannot be lumped in the 'enemies' camp. Rather, this book takes a surprisingly nuanced view of globalisation — surprising because of both its brevity, which leaves little space for extravagant 'theories of everything', and its foundation in neoclassical economics, which leaves little room for airy speculation. Cohen certainly sees the massive positives of globalisation but is not dazzled by their lustre; indeed, to Cohen, the miracle of globalisation is how poor it is at diffusing prosperity.

This short book covers the origins of global inequality, the failure of serial waves of globalisation to equalise global incomes, the role of culture and religion in explaining income inequality and fertility, the (non-) implications of globalisation for cultural homogeneity, en route to suggesting possible international policies for alleviating global inequality — all in 169 short pages. Written by an economist with one foot in academe and one in the world of journalism, its brevity demands that there are many unsubstantiated claims and rhetorical flourishes and, consequently, it is both an exhilarating and a frustrating read for an academic economist. One might envy the freedom of writing unencumbered by obligations to footnote and reference every thought, but it's not a freedom one would entrust to many. Cohen is an exception, as he has a real eye for the aphorism and bon mot: 'human genius, in all that is unforeseen, is singular in cause' (p.19, reflecting on the role of chance in significant inventions); 'Through the commuter railway or the movies, the suburbs of Paris, Cairo, Mexico, and China all evenly gaze upon the world. It is the world which ignores them' (p.77, on the visibility of today's globalisation); 'colonizers ... brought answers to questions that no one was asking' (p.20, on the inevitable but unintended consequences of globalisation).

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One's views on what constitutes globalisation also colour one's perspective on its inevitability and, to caricature two extremes in this, some see globalisation as an inevitable tsunami triggered by technological shocks and driven by the winds of history, a boon-giver distributing largesse for all; others see it as the deliberate choice of advanced nations, foisted on an unsuspecting world, to shore up capitalism — a vindication of the *Communist Manifesto*.

To the first of these, one cannot sensibly be a 'critic' of globalisation any more than King Canute could be considered a 'critic' of tidal forces; to the latter, globalisation's losers are (deliberately) victims of its winners, a view that finds a slightly more modern expression in the notion of 'unequal exchange', in which poverty for some is the necessary source of wealth for others.

Cohen takes a different perspective, acknowledging that, yes, there are losers in the process of globalisation, but they are 'destroyed by the fact that they are not protected against the perverse effects of industrial society and of urbanization, or against the lifestyle they entail' (p.4). He cites the Spanish conquest of South America through disease, rather than military might, as a useful illustration and parallel (although this particular story has been questioned recently (Stutz, 2006)). He discusses — and rightly rejects — unequal exchange, suggesting instead that 'the drama of the current globalization has an exact opposite cause: the poverty of the poor is gratuitous and useless' (p.163). But a crucial feature of our current globalisation is its exposure and visibility: with a communications revolution at its heart, the whole world indeed gazes upon the successful, so expectations are high and disappointment bitter, a fact of considerable significance to those inclined to believe in the primacy of relative status in determining individuals' welfare. 'It is difficult to be an actor but easy to be a spectator,' writes Cohen (p.6), and perhaps this explains the vociferous divides generated by globalisation today; whatever the case, even past globalisations have failed to 'spread the wealth' because of inappropriate expectations.

Cohen buys what the 'new' economic geographers are selling to explain the evolution of the world economy. He discusses recent moves towards a single-market Europe as 'Smithian', versus the 'Schumpeterian' US — the former driven by the division of labour in an expanded market, the latter by creative destruction — and suggests that comparative advantage has little to tell us in a world of agglomeration and geography. Globalisation, he suggests, is more apparent than real in developed countries as they transform into post-industrial, service economies. I'm a little sceptical of this, given that the geographers' magic bag contains models that will tell you whatever you want to hear, so that every observation confirms something in their analysis. But Cohen is a believer, and suggests that China will someday learn the European lesson that prosperity cannot be generated 'solely on the basis of the international division of labour'

(p.76). No, a country must become 'a "center" in its own right: a place dense with production and consumption' (p.77). While one can draw a very useful lesson from this — that the collapse of trading costs does not flatten the Earth, to use Thomas Friedman's slightly silly metaphor — it will make those familiar with the wrong-headedness of Import Substituting Industrialisation shudder at the policy implications it implicitly endorses.

A short book on such an enormous topic will inevitably include generalisations with which any reader will disagree. This is particularly true for New Zealanders — like myself — reading this sort of book, in part because the colonial history of New Zealand does not fit comfortably with most stories of Western colonisation (in particular, the enthusiasm and success with which Maori initially took to capitalism appears to be a historical oddity) and in part because of New Zealand's success, like that of Australia, as a non-industrial developed nation.

But the weakest part of the book, I think, is in the final substantive chapter as Cohen discusses global policies that might alleviate the imbalances generated by globalisation. It's probably no coincidence that this is also the part of the book in which the big picture is left behind, so the reader is no longer being swept along on waves of glorious language and provocative generalisations but, rather, is invited to engage with the affairs of practical men.

This chapter — entitled 'AIDS and Debt' — addresses two major North-South policy issues: one is the question of pharmaceutical intellectual property (specifically, should the South get cheap access to drugs developed, at considerable expense, in the North?) and the other is the question of sovereign debt relief. In both areas, Cohen attempts to justify, through his economic analysis, positions which I believe can only be supported on compassionate grounds (which is not to trivialise them: on the contrary, such arguments have more resonance with most people than the efficiency rationales of economists). Cohen recognises the standard arguments against price discrimination for medicines (essentially, undermining Northern prices — and thus the incentive to innovate — through parallel imports) and against debt relief (moral hazard) but really comes up with no new rebuttals. He tells us, for example, that debt cancellation does not aggravate the problem of moral hazard: 'It resolves it. It obliges lenders to ask themselves the question that will come at the time of repayment.' (p.156) Well, I suppose lenders refusing further credit is a resolution of sorts. But that hardly seems one that would appeal to either side of the market!

Cohen argues that public opinion has led to changes in policy in both these areas but that alone, surely, is a poor rationale, as it's so easy to vote for the largesse of others (witness Bono's continuous berating of the world's rich taxpayers for their failure to pay more to the world's poor, while moving his own band's publishing arm to the Netherlands from Ireland this year, following

the announcement of a 250,000 cap on tax-free income for Ireland-resident artists). Just as business people favour competition in all industries other than their own, we all are in favour of taxes borne elsewhere.

Ultimately, at least as I read him, Cohen does seem to recognise that the soundest argument for the policies he espouses is a moral one, but he tries to nest this in his economics. This is an unfortunate decision: it is not at all convincing, and there is a real danger that readers might throw out all of his insights in rejecting this obvious failure.

Nevertheless, this small seven-chapter book is an excellent and provocative read and contains within it a quite superb six-chapter book which I would recommend without hesitation to economists and others alike.

References

Stutz, B. 2006, 'Megadeath in Mexico', *Discover* 27(2) (February). Available at <http://www.discover.com/issues/feb-06/features/megadeath-in-mexico/>. Accessed November 2006.