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The political connotation of international trade and globalisation: a common misunderstanding

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Globalisation is often associated with a conservative political ideology and it usually finds the opposition of progressive political groups. The present essay contends this idea and tries to illustrate how the process is consistent with a progressive political philosophy. It also argues that the removal of this political bias would allow both the promoters of international trade and the progressive political organisations to be more effective in pursuing their own objectives.

Introduction

Common knowledge tends to depict globalisation¹ as a relatively recent phenomenon characterised by conservative political implications. It is perceived as a process that began some sixty years ago and whose effects became increasingly macroscopic over the last two or three decades. Indeed, since the end of the World War II, the international flows of goods and capital started to grow faster than GDP and, as time goes by, the world economy has become more and more integrated. However, someone might be surprised to

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

know that these circumstances are not a real novelty in human history. In fact, world is currently experiencing what historians have defined the “second wave” of globalisation and a quite a similar phenomenon already occurred at the end of the nineteenth century, when the relative volumes of international transactions were comparable to those of today (Baldwin and Martin, 1999). That “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 cannot be properly considered as an historical novelty, there are even less reasons to associate it with the political right-wing. In particular, contending the idea that globalisation has conservative political implications, this essay seeks to pinpoint a couple of common misconceptions that tend bias the political debate about 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 in delivering their political message properly and try to reformulate it in order to avoid unnecessary political clashes.

Present and future of globalisation

Despite the harsh difficulties that many of the people living in developing countries experience everyday in meeting their basic needs, statistics allow for a relative optimistic view of 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). It is not only a question of poverty: other important achievements, epitomised by the success of the Millennium Development Goals (World Bank, 2016a), have been reached in related fields, such as health and education. 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. China alone, whose development has been

clearly triggered by Deng Xiaoping's reforms which opened the country to international investors, contributed to the reduction of world poor by more than half a billion. Indeed, by making 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 cut away from the development process (Borrell, 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 Karl Popper (1957), human history does not follow any pre-determined path and nothing can be taken as granted. As for the first wave of globalisation, also the second may come to an abrupt and unexpected end. Indeed, a combination of political and economic factors, ranging from the Middle East and Eastern Europe 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 autarkical 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 are 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 tendency and the recent upsurge of populist movements proves that, almost everywhere, the disaffection to international trade stances is on the rise. This situation should prompt those who support the process of international economic integration to reflect on the reasons of the political success of these movements and on the nature of these concerns, as well as on how pro-trade 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, it meets the opposition of progressive and left-wing

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

Winners and losers: a domestic issue

Everyone who has a basic knowledge of economic theory is aware that inside the discipline there is a consolidated consensus about the fact that the opening to world trade leads to an increase in the amount of goods available in each of countries involved and, therefore, to a greater material well-being of consumers. This tenet is so well-established that Gregory Mankiw (2015), in his introductory handbook, includes it among the ten key principles of economics. Those who may be tempted to attribute this choice to his political opinions will perhaps be surprised to find 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 say that the opening to international trade may constitute, by itself, an obstacle to economic development and all major economic models recognize that international trade makes countries better off. On the other hand, since most of these models deals with aggregates, they might not make explicit the fact that, within each country, the opening to trade may generate groups of economic losers. In other words, even if the average country effect is positive, some groups of individuals could actually result to be worse off. This point, obvious to economists, is not adequately spelled out by the political supporters of international trade. When it comes to promote trade agreements among the public, too often the message conveyed is that the opening to international trade will automatically lead to a situation where everyone is better off. Since, as remarked above, this is not necessarily true for all the individuals living in the country, such theses seem to be invalidated by empirical evidence and public opinion, especially economic losers, may feel politically cheated. In this context, the challenge for the promoters of international trade is to convey more clearly the message that international trade only

contributes to “make the pie bigger”, whereas the success of the policies aimed at ensuring that the benefits are fairly shared is an exclusive responsibility of national governments. The greater availability of goods and services allows for a set of Pareto-efficient solutions but their achievement is the ultimate 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 on trade agreements. Because of the above-mentioned deficiencies in delivering a proper political message, this point seems to be missed by a large part of progressive political groups. Under many respects, this misunderstanding recalls the epistemological confusion between positive and normative economics already appraised by Milton Friedman (1966) and, to some extent, it might be considered inevitable. Anyway, if those who advocate international trade were clearer on this point, 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. Such a switch in political commitment would make their political campaigns much more likely to be effective because, in this case, the political arena would not transcend the national pitch, where citizens can fully and legitimately exert their political power.

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 but, since many of the arguments against globalisation have a sociological nature, the following part will make a foray into the fields of sociology and political philosophy. In particular, it will be briefly outlined a theory that seems to find no place in the current political debate but which could potentially represent an influential argument in favour of international trade and, more generally, of market society. The theory traces its roots back to the Enlightenment but it was explicitly conceptualized, two centuries later, by Albert Hirschman (1977). In particular, through a meticulous and

original exercise in historical research, Hirshman brought to light a theory that interprets the development of trade and the expansion of markets as process capable to limit governments' arbitrary exercise of power and, simultaneously, to promote "gentle manners". Such a view, which Hirschman named the "doux commerce" thesis as a tribute to French philosopher Montesquieu, one of its most distinguished proponents, was widespread among the intellectuals of the Enlightenment and can be found, among 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, outline the essential traits of the above-mentioned theory in quite an effective way:

[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 the creation of a stable business relationship entails a mutual adherence to a shared code of conduct, the development of business requires that those 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 derive from moral principles. This point is of paramount importance. In everyday language, the term "moral principles" has a positive connotation (we would otherwise talk of amoral principles) 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 that the great majority of its members share a certain set of fundamental (and vaguely defined) principles. These principles shape the behaviour and the expectations of

the members, easing the interactions between individuals. These behavioural rules, often call traditions, are not *a priori* determined but are the unintentional outcome of a never-ending evolutionary process. The different historical contingencies in 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 mutual benefits before conflicting moral standards, can be conceived as a means to promote tolerance, working as 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 to which leftist political movements should, in theory, be responsive.

Conclusions

This essay suggests a reflection on some of the weaknesses of the political messages conveyed by those who promote the 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, it shows that part of the political opposition to globalisation could be imputed to a fundamental misunderstanding. Because of this misunderstanding, some progressive political groups focus their commitment against trade agreements rather than encouraging 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 contain a piece of truth, it follows that the removal of such “conservative bias” would open up a 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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