

Exposing Challenges in the Age of „Slowbalization”

A Review of the Book *The Unequal Effects of Globalization* by Pinelopi Goldberg & Greg Larson

Two major economic milestones of the last 20 years could be studied in the future, as the moments in which globalisation's unblemished path towards absolute global interconnection was cut short. The first one was the 2007-2008 global crisis, which marked the end of the generalised economic optimism that prevailed, mainly in the West, after the fall of the Berlin Wall. The second is the China-US trade war, which began in 2018 and was the most iconic demonstration of the emergence of political forces eager for a return to greater protectionism and greater strategic decision-making power of the states over deregulation, which seemed like an unquestioned economic dogma.

Professor Pinelopi Goldberg is a Greek American economist who has dedicated her career to the study of international trade, economic liberalisation and globalisation. She has held faculty positions at Columbia University, Princeton University, and Yale, where she is today the Elihu professor of economics. From 2018 to 2020, she was also the chief economist of the World Bank. In 2023 she published, along with Tristan Reed, a working paper for the National Bureau of Economic Research called *Is the Global Economy Deglobalizing? And if so, why? And What is Next?* In which they studied the future of globalisation from a wide perspective. This paper was the basis for *The Unequal Effects of Globalization*.

Goldberg published this book with the collaboration of her colleague Greg Larson, to deepen the analysis of globalisation backlash, the reasons for it, and the future of the process of world economic integration, all of it surrounding the concept of inequality. In this way, this work synthesises the author's perspective regarding this topic, considering it from a macro vision that includes the evolution of the phenomenon over time. As Goldberg is introduced as the main author of the book, we will refer to her authorship of it in a singular way.

The book's content is distributed in a preface and three chapters, the last one of them being the conclusion of the book. In the preface, the author introduces the key feature to be explained across the work: the relationship between international trade and inequality as a feature intrinsically related to globalisation. The reasoning behind this disquisition is that Goldberg believes that the main factors driving to globalisation backlash after the global crisis of 2007-2008 are the perception of global trade and international competition being unfair all around the world and that the lack of fairness has exacerbated inequality within the countries.

Chapter 1 is titled *The Age of (Hyper)Globalization* and it focuses on how hyper-globalisation, a phenomenon that appeared to be unstoppable, came to be questioned by a strong globalisation backlash that is very different to previous crises, for it appears to have come to stay for a long time. The key issue discussed by the author in this chapter is that trade policy plays a key role in globalisation, which means that political decision-makers must keep a stable and predictable environment for globalisation to work. Goldberg's approach takes distance, in this regard, from the extremely optimistic vision of other scholars, who assumed that globalisation was irreversible, no matter what states could do about it.

Though globalisation is a broad concept that includes cultural and political aspects, Goldberg focuses on economic globalisation, and for her, the age of globalisation can be defined by "increasing global connections through commerce and trade amid continual technological progress and a sustained period of broad geopolitical stability" (p. 1). Hyperglobalisation, which started with the end of the Cold War, is an accelerated phase of the age of globalisation, and reached its peak by 2007 (measured by the export share of global GDP), the year when the global crisis put brakes on the process. After the crisis, the author reveals, globalisation never recovered to the pre-crisis levels.

When successful, globalisation is characterised by low tariffs, growth of GVCs, and the active participation of developing countries. Still, a very important decision to be made by governments for this to work properly is keeping low nontariff trade barriers, and this decision belongs to the trade policy defined by governments. If countries such as the USA decide to raise barriers, the whole process of globalisation can be affected. Multilateralism, on the other hand, brings stability and predictability, so an anti-multilateralist foreign policy is also a feature that hinders globalisation.

Deglobalisation is the name of a hypothetical process in which globalisation would be reverted. Goldberg thinks that deglobalisation is a possibility, but not what is happening today. She prefers to characterise the current times with the concept of "slowbalisation", the process in which globalisation continues, but much slower than in the previous phases. The main features of slowbalisation are uncertainty, deterioration of trade's gains, GVC relocations, reorientation of trade flows, and strengthening of regional trading blocks.

Chapter 2, titled *Causes of the Backlash*, includes the presentation of the so-called “China shock” as one of the most important features characterising radical changes provided by globalisation that exacerbated some of the negative effects of the process on inequality, especially within countries such as the USA.

Goldberg defines as the key message of her book the idea that, even though trade with China was beneficial for the average consumer in advanced countries, the net gains were unequally distributed, mainly because the negative effects on labour hit harder on specific regions.

Concerning global inequality, data shows that globalisation has reduced poverty, while the richest 1% of the world captured 27% of the total income growth. So, as inequality is measured by the differences in growth between social groups, the poor overcoming poverty may seem eclipsed by the enormous concentration of wealth in the top 1%. Moreover, data exposes that, while the poor and the rich have benefited from globalisation unequally, the global middle classes benefited much less, and widespread stagnation and low growth have greatly affected this large segment of the world’s population.

From a local perspective, and considering that globalisation affects people as workers and consumers, the author recognises a link between trade and regional inequality, a complex phenomenon in which the following features can be highlighted.

Regarding workers, first, increased competition for export industries affected them. Moreover, they usually don’t move within their own country to look for different job opportunities, which creates poles of impoverishment. Second, firms don’t share their bigger profits with workers, considering the substantial decline of marginal costs for production due to globalisation. And third, new technologies challenge workers, as companies may re-shore their production activities to their countries of origin.

Regarding consumers, first, the reduction in marginal costs has not been reflected in a fair decline in prices. Second, there is inequality among consumers, as the increase in availability of products tends to be more beneficial for the wealthiest.

Finally, and regarding both workers and consumers, “superstar” multinational firms enjoy outsized market power, enormous profit margins, and disproportionate bargaining power over their suppliers. This colossal economic power is certainly related to their decision to not share their benefits due to lower marginal costs, neither with their workers nor with the consumers.

Chapter 3, simply called *Conclusion*, can be summarised as follows. First, Goldberg concludes based on the previous analyses, that the effects of globalisation are both unequal and uneven. This is true both between countries and within them, but, very relevantly, there is inequality between producers, workers and consumers.

Second, the author identifies some tasks in order to return to a stable process of globalisation: identifying and enhancing the positive features of globalisation while preventing the negative ones, reducing regional inequality with special efforts to support displaced workers, and designing new taxes and regulation policies to control “superstar” firms, whose behaviour damages the legitimacy of globalisation.

Finally, the emergence of regional trade as an alternative to globalisation provides an opportunity. Goldberg thinks that regionalism can offer a different face for globalisation, as trade will continue and GVCs can be relocated.

The value of this book lies in the recognition of the importance of human agency in global economic stability and progress. By taking distance from those scholars who consider economic history as an automatic process, this work restores some hope to those who believe that there is much to do in order to bring development to those who are still far from it.

Recognising inequality as a big issue related to globalisation is a necessary step, but the conclusions are unclear regarding the model that could deal with this problem. Some scattered solutions in the form of tasks are presented, focusing on helping the displaced workers and regulating the big firms, but it is not made explicit what is the political entity in charge of doing all of this. Supposing that we are still talking about the national state, we must consider how this institution lost its relevance due to other aspects of globalisation, such as the cultural and political consequences of it, leaving aside the economic ones.

Moreover, the lack of an explicit model makes it very unclear how much control can a regulatory institution exercise to achieve these tasks, especially regarding the taxes and regulations that are said to be applied to “superstar” firms.

Finally, it would be very useful to formulate in these discussions a question on the feasibility and desirability of uninterrupted hyperglobalisation. For instance, if inequality is recognised as a negative consequence of globalisation itself, we could expect that an unstopped hyperglobalisation could be the origin of bigger and bigger poles of underdevelopment and dissatisfaction. In this regard, globalisation backlash could be seen not only as a product of arbitrary political decisions on trade policy but rather as a logical consequence of globalisation itself, given the unsustainability of the process.

This book is recommendable to anyone interested in the topic, for it is very friendly even if the reader is not invested in economic theory, even though the author employs some concepts specific to her specialisation. Reading the book will surely make the reader meditate on the current times we are living in and even on the possible solutions to the dilemmas that loom over us.

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