

THE BACKLASH TO GLOBALIZATION:  
SOME FURTHER THOUGHTS

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ABSTRACT

This comment suggests that the unprecedented *cultural* invasiveness of today's globalization can account for the murderous nature of the non-Western backlash, and that the political backlash in the West itself can be traced to the failure of the economics profession to emphasize the distributional consequences of the liberalization we advocated.

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JEL codes: F60; N10.

Kevin O'Rourke is impressively learned, enviably wide-ranging, wonderfully intelligent: his presentation was, as we have come to expect, enormously stimulating. But he can speak for himself, and my "I wish *I* had said that" laundry-list is of no interest. On two points, however, I should have said more, or otherwise; on these I shall focus.

1. "THIS TIME IT'S DIFFERENT"

Globalization is not new, the point was rightly emphasized. There had been, in their time, "Roman" merchants in China, the Polos' trek to China, the Portuguese conquest of the Ocean Sea and contact with what we called "the New World"; there was in the later nineteenth century the liberalization of European trade, the mechanization of transportation, the fall in transport costs and growth in trade (and the ensuing backlash, with the widespread return to protection). We have seen it all before...

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Or perhaps not. Methinks this time it's different. I use the phrase with trepidation, as it runs rampant in the later stages of the once-a-generation stock-market booms, just before the bubble bursts and gives it the lie; but I submit that this time it is different, that "this time it's different" has some truth to it, or at least a sufficient appearance of truth to warrant consideration.

What I have in mind is this. The earlier globalizations involved trade in goods. Not only that, of course: also the introduction of diseases, with devastating consequences for Europe in the fourteenth century, the Americas from the sixteenth; against that, no backlash was (or proved) possible. The trade in goods also had consequences that were not good or universally welcomed. The devaluation of gold in Europe and the cowrie in sub-Saharan Africa may appear on this list: they were presumably not good, but neither very bad. More telling for my purposes is the "grain invasion" of the 1880s. Britain had already repealed its Corn Laws, it had already (transferred political power to those who) made the commitment to grow by developing industry and to overcome the Ricardian/Malthusian limits to growth by importing food; it could take the grain invasion in stride. But Britain was an exception.

In Italy, I dare say on the Continent, the ruling classes were land-rich, and expected deference from their social inferiors. So long as high transport costs kept cheap foreign grain at bay, agriculture was largely devoted to land-intensive grain production. The grain invasion altered economic equilibria, shifting production to labor-intensive "specialized agriculture". The shift in the equilibrium output mix altered factor scarcities, reducing the relative value of land, raising that of labor; it reduced social distances.<sup>1</sup> The backlash came soon enough, with the grain tariffs that protected the wealth of the wealthy, and kept the poor poor and in their place. Even Giolitti, that champion of democracy, the man who stopped using the Army to resolve industrial disputes, never took action to reduce or eliminate the tariff on grain. The tariff was specific, its real burden was eroded by the general inflation from the mid-1890s to the Great War; but no politician could cut the tariff rates, land scarcity and labor abundance were the foundation of society as it then was, and as those who then counted were determined to maintain it. Trade could be "too much", but a tariff to limit it set things right.<sup>2</sup>

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<sup>1</sup> The analytics may be found in FENOALTEA (2011), Appendix 2.

<sup>2</sup> That a rising demand for labor is corrosive of the social order was brought home to me, half a century ago, by CROSLAND (1956). Let me refer here to a related hypothesis that has entered my mind, in the hope that someone qualified may consider it. I am struck by the contrast between the two World Wars, in the use of the rank and file. In both wars the Russians

A tariff could exhaust the backlash, because the (operative) downside to globalization was an excessive trade in goods, in generic goods bought and sold on world markets (“wheat”). Today it’s different: globalization is the spreading reach of corporate capitalism, of quintessentially *American* corporate capitalism, that feeds a demand based not in physiology (“wheat”) but in a peculiar consumerist culture, pushed by advertising, embodied in everything from Coca-Cola (in the role of John the Baptist) to fast food, television programs, the internet, *et hoc genus omne*.

Yesterday’s globalization brought cloths and spices, coal and grain; at times, as noted, devastating disease, but that was an exception. Today’s globalization is for much of the world a *cultural* Black Death, a tendency to an Americanization that sweeps all before it, not as an exception but as a rule. We have seen it, in everything from clothing to diet, in Western Europe; and it can be considered, in many ways, deplorable.

Deplorable, perhaps; but more needs to be said. In the first place, nobody *forced* Western Europeans to Americanize, as it were, their diet and their clothes: preferences were freely expressed. But were these preferences informed? Was the likely increase in obesity, say, duly taken into account? And is individual choice here normative, or are there externalities involved? Is the casual comfort of one the eyesore of the other? Is ugliness depressing even for those accustomed to it? Millions visit Paris every year, enchanted by its *beauty*: surely beauty is a public good, ugliness a public bad?

Nay more, are the preferences actually for unattractive clothes, for artery-lining food? Or is the underlying preference actually, and directly, for Americanization? I believe it is, that is what cultural hegemony is all about: Western Europeans ape Americans as provincials ape Parisians. At least the young do, and they are the ones who count (not least because the middle-aged proceed to imitate the young); and to my mind what our young are understandably yearning for is America’s dynamism, its openness to talent, its willingness to let one and all pursue their ambitions without the endless barriers, legal and social, that here protect the rents of those who reap them.<sup>3</sup> An understandable yearning, one I most certainly share; but a

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seem to have valued them at their shadow price, but my concern is with the other European powers. The Second World War seems marked by a concern to limit casualties, the First by a lack of such concern that exceeds the limits of credible military stupidity, and makes that war seem one between the generations (*teste* the poets of the trenches) as much as one between nations. Could this reflect, I ask myself, the state of the economy in the run-up to the war? Did the senior commands pity the boys who had grown up in the Depression, and resent those (inadequately deferential) lads who had grown up during the *belle époque*?

<sup>3</sup> I am here obviously projecting: as a young academic I certainly felt that I was very much my own person in the United States, where in Italy I would have been the lackey of whatever full professor took me in.

frustrated yearning, we accept America's "deplorable" vices but steadfastly refuse its virtues.

All this from an Italian-American, or American-Italian, whatever I may be. But in a wider perspective, Western Europe and America are twin planets in the same cultural solar system, other societies belong to a different galaxy altogether: the Americanization of Western Europe is nothing next to the prospective Americanization of the rest of the world. Those societies face if one will the fate of North America, or better yet of the Hawaiian Islands: not physical genocide (so far as I know, but the history I have read may have been sanitized), but certainly cultural extinction.

Local cultures, traditional ways of life, are everywhere at risk, *felt* to be at risk. We may not approve of most traditional ways of life, many (women?) within them too may dream of Westernization (and perhaps many more do not, for reasons the Stockholm syndrome may or may not illuminate); but those who are empowered by those traditions (and the broader community that identifies with them) most certainly approve of them, and are not willing to sit idly by as they are destroyed. *Cet animal est très méchant, quand on l'attaque il se défend*. I see IX/11 and Bataclan as part of the backlash to *this* globalization, a backlash all too easy to understand: to those who immolate themselves to defend our way of life, we too erect monuments. To my mind it is the insidiousness and pervasiveness of our *cultural* attack on the rest of the world that sets today's globalization apart from those that preceded it, and produces a backlash that is not just legal and administrative but tragically violent.<sup>4</sup>

## 2. THE ROLE OF OUR PROFESSION

The backlash to globalization is of course also present, as we have been reminded, within our own neck of the woods; and my sense is that our profession emerges very badly from this episode. We have weighed in, as a profession, on the side of globalization, of the liberalization of trade; Ricardo proved, to our everlasting satisfaction, that "it is good for everyone".

Well, not really, we know that too: every exogenous price change damages either the buyer or the seller, neither tariff hikes nor tariff cuts can be good "for everyone". More specifically, the consequences of trade liberalization highlighted by the Ricardian given-resources model include factor-price equalization, movements along the factor-price frontier induced

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<sup>4</sup> Here too there may be precedents, such as, perhaps, the Boxer rebellion; but I lack the expertise to speak to it.

by the movement along the production frontier. With given resources, in fact, the primary impact of all such movements involves a gain here against a loss there: those of us who have attempted to measure such things, using everything from a CGE model to a handy used envelope, have uniformly found that the net gain obtained from the exploitation of comparative advantages is piddling indeed next to the gross gains and gross losses.<sup>5</sup> So piddling, in fact, that it may be entirely absorbed by the costs of adjustment, which the model neglects. When all is said and done what Ricardo's model establishes is not that trade liberalization is good, let alone for everyone, but that tariff changes are a way to redistribute income.

As I say, we know that; but it is something of a professional secret, that the initiated keep to themselves. The profession's message to the public, and to the politicians, is that the liberalization of trade ("globalization") is simply *good*. The basic textbooks I have seen in my half-century of teaching economics uniformly present the comparative-advantage model, and illustrate the expansion of the consumption set with the freeing of trade; not *one* so much as mentioned the factor-price frontier, a concept surely too close to the class struggle to be discussed with children present, or *devant les domestiques*.

But there is more, and it moves me from disappointment to embarrassment. A basic tenet of our modern "economic science" is that individual utilities cannot be compared, that a Benthamite calculus is simply not "scientific". Politicians engage in such calculations as a matter of course, but it is their trade, not ours: as *economists* we can unambiguously recommend only Pareto improvements.

The rub, of course, is that our reaction to any practical policy proposal should logically be "sorry, somebody gains, somebody loses, can't help you". Totally logical, but at the cost of social and political irrelevance, which was more than we could bear; so we devised the argument that we could recommend *potential* Pareto moves – like trade liberalization – because everybody *could* be better off, and if income and wealth were redistributed to the detriment of a particular class that was a political decision for which we bore no responsibility.

That triumph of ambition over intellectual honesty allowed us to push for globalization. Were we, as a profession, serious scholars and not snake-oil salesmen, we would have informed the public, and the politicians, of the *negative* consequences that globalization would have, for example for our unskilled workers, brought into direct competition with the unskilled

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<sup>5</sup> See for example WILLIAMSON (1990) and FENOALTEA (1993); also FENOALTEA (2011): 252-257. No points for guessing who used which tool.

poor of the entire world. We would have laid out the *complementary* policies that would have prevented, as far as possible, great losses for some even as others greatly benefited; we would have pushed for a (near) Pareto improvement, not for trade liberalization alone. Public opinion would have required, and the politicians would have made, an informed choice; and we would have served our countries well.

We did nothing of the sort, nothing to predict, and forestall, the large-scale losses that globalization would impose on significant segments of our societies; the backlash that is now upon us condemns our profession without appeal. Were *The Blue Angel* to be remade today, we would meet Immanuel Rath as a respected cabaret clown, and leave him, ruined by Lola Lola, a contemptible professor of economics (and yes, Virginia, that may now be a pleonasm).

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