

developed since Hayek completed his major work. As Pennington has said elsewhere about his book, it offers a 'unified theoretical framework' explaining how classical liberalism responds to range of alternative theories.

A strength of Pennington's emphasis on methodological issues is that people who do not share classical liberalism's normative ideas can nevertheless learn from its insights into decentralised decision-making. A sign of this is that many social democrats now see a larger role for markets, marrying their normative commitment to helping the disadvantaged to a liberal methodological understanding of how societies and economies work.

Understanding human cognitive and moral weaknesses is, however, only part of the classical liberal story. Even if government could in some circumstances make better decisions for individuals, many classical liberals would still object. Individual rights and liberties are to them important whether or not they always lead to better consequences. Their normative support for freedom comes first. Methodological arguments can reach out to classical liberalism's opponents, but they do not fully explain what drives the political commitments of classical liberals themselves.

**Reviewed by
Andrew Norton**

*The Globalization Paradox:
Democracy and the Future
of the World Economy*

By Dani Rodrik

New York, WW Norton, 2011
US\$26.95, 346 pages
ISBN 9780393071310

Not too long ago, Jagdish Bhagwati asked, 'Does the world need yet another book on globalization?' But that was then—the long-vanished era of pre-GFC. In *The Globalization Paradox*, Harvard political economy professor Dani Rodrik rides the momentum of the global financial crisis, and calls for a withdrawal from much of the globalisation of the last 40 years.

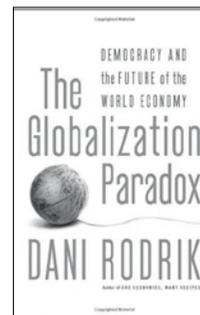
Rodrik's globalisation paradox is three-sided: countries can choose any two of deeply integrated globalisation, national independence, or democratic processes—but not all three at once. The idea is that current arrangements involve nation-states in globalisation (Thomas Friedman's 'golden straitjacket'), but Rodrik sees this as undermining 'democracy' (broadly meaning social democratic outcomes). An alternative (which Rodrik says his students invariably favour) is to combine democracy with globalisation in a system of 'global governance'—but Rodrik sees this as unworkable, albeit attractive. His conclusion is that the only option is to back away from the globalisation corner of the triangle. 'The goal,' he writes, referring to his preferred model of the Bretton Woods system of regulated international economics,

'would be moderate globalization, not hyperglobalization.'

Rodrik sets out a lively and interesting history of world trade, and gives a clear explanation of the intellectual power of the argument for free trade, including a pithy quote from Paul Samuelson identifying comparative advantage as 'probably the only proposition in economics that is at once true and non-trivial.' Rodrik wishes to be clear that he understands the principles of free trade, but his intent is to critique it. He argues that the benefits from trade can only be calculated by accounting for all social costs, and that currently the adjustment costs of further tariff cuts would outweigh the economic benefits. Rodrik is also a strong advocate of infant-industry protection, saying that developing countries

that try to specialise in areas of comparative advantage will likely be trapped with commodities-based economies. 'Economic growth,' he argues, 'requires a pragmatic government willing to do whatever it takes to energise the private sector.'

For the most part, Rodrik covers ground that is within mainstream debate in economics. But his narrative is open to question. For example, Rodrik questions whether there is any further benefit to cutting tariffs, but international trade negotiations recognise this and tend to focus on many aspects of economic structures that could be improved to allow better trade flows. And for a political economist, he skirts too quickly



the serious political problems of industry policy.

One could also doubt the assumptions behind Rodrik's three-way globalisation dilemma (or 'globalization trilemma,' as he puts it). His core argument is that 'national democracy and deep globalization are incompatible'—with democracy here meaning a highly regulated welfare state with a unionised labour market. Such a system may well be threatened by the expansion of free trade, but this is not everyone's definition of democracy. Policymakers in numerous democratic countries have adapted to globalisation and used its benefits for social ends. And while Rodrik claims sympathy for the idea of 'global governance,' he sets this alternative up to fail, saying that international cooperation is ineffective because it can't achieve the high level of regulation governments ought to enforce in the domestic economy.

Rodrik is clearly aware that if he is to criticise the prevailing system, he needs to propose alternatives, and it's to his credit that he does this. His proposals, however, are disappointing. He calls for trade negotiations to be predicated on domestic social welfare considerations, with countries allowed to take 'safeguard action' on issues such as labour conditions. But even if labour conditions are poor in a developing country, stalling trade would do nothing to address those conditions. He makes an innovative proposal for a global guest worker scheme—reasonable enough on economic principles but entirely unworkable in practice, given that guest workers are

unlikely to want to return home. Rodrik notes that China would likely be strictly treated under his system of safeguard action, but says: 'China will have to take the trade restraints it experiences under this mechanism in stride—not as instances of protectionism that it needs to fight tooth and nail, but as necessary exercises in system maintenance.' Many may doubt that China would see it so positively.

The biggest problem with the book is that, for all its presentation as a major response to the global financial crisis, it feels surprisingly out of date. Rodrik condemns 'hyperglobalization,' but attitudes toward the global financial system have moved far beyond the 1990s era of the Washington Consensus. Rodrik strenuously contends that the GFC proved the failure of global systems of governance, but hardly mentions the major international response to the crisis: the formation of the Group of Twenty. The G20 may well be far from perfect, but it is a key advance towards a global economic system that formally brings together the developed economies and the rapidly rising, big developing economies.

In many respects, the most important theme to emerge from the crisis is not the failure of globalisation but its breadth and depth, with its driving force now spread more widely around the world. As Nancy Birdsall and Francis Fukuyama wrote recently in *Foreign Affairs*, traditionally the agenda for international development was generated in the developed world and implemented, or imposed on, the developing world. But in future,

major countries such as China, India and Brazil will be both donors and recipients of resources for development.

It is regrettable that Rodrik is still stuck in a 1990s frame of mind where globalisation was all about sharply differentiated developed and developing countries. As the centre of economic gravity shifts closer to the centres of population, it will be necessary to think of globalisation in far more forward-looking ways.

**Reviewed by
Richard Salmons**

The Price of Freedom Denied: Religious Persecution and Conflict in the Twenty-First Century

By Brian J. Grim and Roger Finke

Cambridge University Press, 2011

US\$24.99, 272 pages
ISBN 9780521146838

The right to religious freedom is enshrined in international covenants and national constitutions around the world, yet religious persecution is widespread. In *The Price of Freedom Denied*, Brian Grim and Roger Finke examine this disconnect and seek to explain it. The book is particularly relevant today in the face of resurgent religious fundamentalism and debates about the place of religion in the world.

The book begins with a brief survey of the intellectual history of religious persecution and conflict, touching on Voltaire,