

To: The Editor,
The New Republic

October 18, 1998

Dear Sir:

Dani Rodrik's article (November 2, 1998) on "The Global Fix" prompts me to say: if you must fix what is broke, you need to know why it is.

Rodrik believes that the "Reagan and Thatcher 'revolutions'" have made us opt for a let-the-markets-rip strategy without attention to social contexts. We have imperiled the international trade regime in two main ways: we have created "significant inequities, economic instability, or social disruption" and we have ridden roughshod over the diversity of other cultures by indulging demands to harmonize away such differences in ideological pursuit of free trade. But neither charge is compelling.

First, Rodrik mistakenly transfers to trade the serious consequences of financial crises such as today's (which have come in any event from an economic miscalculation of the risks of freed capital flows, not from a disregard of the social context in which these flows were set). Free trade and free capital mobility are distinct phenomena and prescriptions. And misgivings about the malign consequences of trade are a throwback to the fears that plagued the developing countries before they abandoned them.

Second, the harmonization demands afflicting us today owe little to the idea or ideology of mindless free trade. In fact, just the opposite is true.

Competition has intensified as the world economy has gotten more integrated. Firms have clamored therefore to iron out any "unfair" advantages that their rivals may enjoy from differences in their nations' domestic policies and institutions. But these are lobbying demands that reflect protectionism, rather than ideological demands for free trade. Free traders have spent

years unmasking them whereas politicians have embraced them under the slogan: fair trade, not free trade.

But, harmonization demands also come from socially-motivated groups seeking to use trade policy to prompt social change abroad. However, because trade is driven by economic gain, the chosen social agendas reflect our competitiveness concerns and are consequently distorted and discounted. And the freeing of trade is undermined, as with Clinton's failure on fast-track renewal, because its supporters divide on the social agendas.

The Global Fix we need requires then, not that we abandon social agendas as in Rodrik's blueprint, but that we shift them to other non-trade arenas and pursue them simultaneously with the commitment that we bestow on freeing trade.

Yours sincerely,

New York

Jagdish Bhagwati