

Interview for **The Future of Globalization**,  
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**Globalization was in trouble even before the pandemic. The open system of trade that had dominated the world economy for decades had been damaged by the financial crash and the China-U.S. trade war. As economies reopen, activity will recover, but don't expect a quick return to a carefree world of unfettered movement and free trade. In your opinion, what will be the effects of the pandemic on the globalization model as we know it today?**

Actually, so far as economics is concerned I do expect "a quick return to a carefree world of unfettered movement and free trade." The economic reason is simple and powerful: there will be money to be made, and people know from recent experience exactly how to make it. You can think of the post-pandemic economy as one with millions of 1.000 R\$ bills lying around waiting to be picked up.

Partly the boom to come will be the sad result of the ruination left by the idiotic policies of the Brazilian and U.S. governments on covid, by contrast with South Korea, Australia, Germany. Businesses were ruined by *not* getting the plague under control quickly at the outset and quickly instituting testing and tracing. But like after a war, starting new businesses in place of the ruined businesses will be highly profitable. It's what explains the German "miracle" after World War II. The restaurants in your neighborhood that closed because the customers were frightened to go to them will be replaced by new ones. Too bad for the old owners, but good for the new ones.

And we continue worldwide to innovate, as we have spectacularly since 1800. (It is why the highly misleading word "capitalism" should be replaced with "innovism." Yes, we need

capital, but we also need rain and labor and the existence of the universe; what is unique about the modern world is not capital accumulation but new ideas for using the capital and labor and rain to make things better.) The pause enforced by uncontrolled covid will merely pile up unexploited innovations. There will be new medicines, new means of payment, new agricultural techniques, new transportation systems, whatever – anyway, new. I don't know what they will be (if I did I would be a billionaire). But I expect on recent historical experience that they pile up at about 2% per year. More 1.000 R\$ bills.

I would expect that for some years, until memories fade, business people will be more cautious about long supply chains, having seen what happens when a viral bomb drops on them. But they will find ways to insure against future plagues – not to eliminate the plagues, of course, but to reduce the sensitivity of the economy to their inevitable arrival.

Globalization is unstoppable and good, as much for the pressure it puts on Brazilian companies to come up to world standards, as Embraer already has, as for the less dynamic but very large static gains from international specialization, such as growing coffee in Brazil rather than in hothouses in Canada.

But globalization amounts to a re-forming of the single land mass of Pangaea of 175 million years ago. It means that germs move fast and far. We travel, which is good, but we bring the germs with us. So we better prepare now for the next plague. Pangaea leads to pandemic.

The problem is not the working of the economy. The problem is political economy. One problem is that certain politicians will always be ready to seize on the crisis to erect protectionist walls around the country, and to implement more internal coercions. They will be serving the interests of this or that company that Brazil should not have in the first place. "Import substitution" is the technical-sounding phrase, or "regulation" of corporations. It's happened before. Populism of the Peronist/nationalist/syndicalist sort keeps

cropping up, especially in Latin America. It is peddled also by economists who do not know economics, such as Raul Prebisch long ago, or the advisor to (the soon to be “former”) President Trump, Peter Navarro (shamefully, he has a PhD in economics from Harvard: in protest, I am going to turn mine in).

The other problem in the political economy is short-term thinking sold by journalists, causing panic mixed with beard-pulling theorizing about, say, the Great Recession or the rise of China, or now covid. I say to you journalists: Repent! Think of the long term. The big story about our present life is world income per capita in real terms doubling in every long generation. It has done so since 1800 for the countries that have come closest to liberal policies. As a result, poverty and inequality have dramatically fallen in the world since the 1960s, and will end entirely in two or three such generations – if we let it, and pick up the 1.000 R\$ notes.

And, dears, stop mixing up peaceful trade with “conquest.” The Chinese are not conquering us. They’re sending us some of their stuff in exchange for some of our stuff. The commercial “war” talk, of nations “competing,” leads to literal war, as it did in 1914 – which *can* stop the doubling of real incomes. It did then in many countries. For such pessimism and the silly talk about international “competition.” I blame some of my colleagues in economics, such as Robert J. Gordon, but also some of my colleagues in history, such as the late David Landes and now Niall Ferguson.

Contrary to the pessimists, be of good cheer.

**In your article “Learning to love Globalization”, you do a detailed analysis of the most different forms of protectionism and explain how it affects global trade. In a world with a shortage of leaders who understand the benefits of international economic integration, do you think that we have the chance to write a new chapter in the globalization process?**

Yes. But you journalists need to stop talking short-term about “competition,” and giving voice to special interests demanding

“protection” against other Brazilians and especially against those evil foreigners who want to send us some of their stuff. There will always be politicians ready to lead us into Peronism. We need to encourage, and vote for, the politicians who treat us like adults, not like easily fooled children. Liberalism could also be called “adultism.” The usual ideologies of left or right, socialism or nationalism, are instead “childism.”

### **How can the outcome of the upcoming U.S. elections affect the future of globalization?**

Considerably. If Biden wins, as I am sure he will, the world will move back to multi-lateralism such as the Trans-Pacific Partnership. Unfortunately, Biden like most people does not understand that “protection” is a scheme for one group to steal from another, auto workers for example stealing from auto buyers. But his ignorance does not put him outside the circle of regular democratic politicians. “Trade deals,” for instance, take place on the supposition that exports are good and imports bad. It is childish – would you want your hours of work to increase, which is your exports, and your ability to buy food to decrease, your imports? Of course not. The same is true of nations. No economist with sense (which lets out Prebisch and Navarro) thinks a positive balance of trade, exports greater than imports, is a sensible measure of Brazilian welfare.

But if Trump wins, I am moving to Ireland or Canada. If I was not so bad at languages I would happily move to Rio. Trump is a wannabe fascist. At least Biden is a gentle democrat – not a fool with authoritarian tastes who admires Putin and Erdogan. But you Brazilians know about that from your own experience.

Globalization will resume under Biden. Under Trump it will continue to die, and 1914 will happen again.

**The coronavirus started in China, a country seen as a kind of global factory, and in the city of Wuhan, which houses hundreds of multinational companies and concentrates the production of automobiles and steel. However, the Chinese economy has managed to recover part of the losses and should be one of the only ones to grow in 2020. Does this rapid recovery reinforce the protagonism of China in the global scenario? How will this affect the balance of forces between countries?**

No. People love to talk about “the Chinese model,” and how we are doomed to either adopt the fascism of Xi Jinping’s sort or become economic slaves of the Chinese. Such talk is stupid. Notice, by the way, how similar the talk is to worries about “the Japanese model” during the 1980s. (Any anti-East-Asian racism there about hordes of yellow people? Oh, no.) There is no Chinese model of central planning – China grew spectacularly, from \$1 a day in 1978 to \$33 a day now (now roughly Brazil’s real income per head) by *not* centrally planning. They adopted free markets, and grew rapidly. Brazil could, too, as could South Africa (another country I know a little and love a lot), by adopting the liberalizations that China after 1978 and India after 1991 adopted. Let people start large and small businesses easily. Do not impose wage regulations. Let people move (imperfectly done in China, but nonetheless resulting in the largest migration in human history, 200 million from the interior to the coast). Result? A doubling of incomes in every *short* generation, and sometimes redoubling, a factor of eight in one long generation.

As to how China handled the virus, notice that virtually all the western Pacific nations did well, from New Zealand to South Korea. Most of them are vibrant democracies, not thuggish Party tyrannies like China or Vietnam, or moderate tyrannies like Singapore. In other words, it is false to infer from the success of a few tyrannies that tyranny is good for you. People like to think so, because they think of big societies as being like families, easy to plan. (Though anyone who has lived in a family knows that even a family is in fact difficult to plan.) Most tyrannies – think Zimbabwe or Egypt or China before 1978 or Brazil under the generals – do extremely badly.

It turns out that centralizing all economic thinking in a gang of thugs in Harare or Cairo or Beijing or Brasilia does not do better than letting millions of people innovate for themselves.

**During the pandemic, the need to save lives has pushed companies and organizations to mobilize in an unprecedented way. Society has watched a clear demonstration of solidarity and philanthropy. Do you think that all this terrible experience will make society better?**

No. Although any crisis brings out charity in people, they return to normal trading with each other afterwards. But trade *is* charity. I give you corn and you pay for it with your labor. Both sides benefit. It is a mistake to think that only a free gift expresses love for one's neighbor. Only under a zero-sum theory of trade, in which one side wins and the other loses – which is the anti-globalization, childish theory – is trade not good for all. We serve others by specializing, getting good at whatever we do, and then offering our goods and services to others.

That's globalization.