REVIEW ESSAY

Reconstructing Globalization in an Illiberal Era

George F. DeMartino

Straight Talk on Trade: Ideas for a Sane World Economy, Dani Rodrik (Princeton, N.J.: Princeton University Press, 2017), 336 pp., $29.95 cloth.

Globalization and Its Discontents Revisited: Anti-Globalization in the Era of Trump, Joseph E. Stiglitz (New York: W. W. Norton, 2017), 528 pp., $17.95 paper.

In 1944 two extraordinary books appeared, both attempting to explain totalitarian assaults on the liberal order as the world convulsed in the final throes of World War II. Over seventy years later, Friedrich Hayek's *The Road to Serfdom* and Karl Polanyi's *The Great Transformation* provide resources that can help us make sense of the new illiberalism that today is spreading across Europe, the United States, and beyond.

In *The Road to Serfdom*, Hayek argued that the gravest threat to the liberal order was not Hitler, Stalin, and their kind, but the well-meaning but wrong-headed politicians and technocrats who were nonchalant about vesting authority in the state to solve social problems. Bit by bit, social engineers, frustrated with the slow pace of social progress, were turning to the coercive powers of the state to plan the economy, oblivious to the assault on liberty that state intervention entails. But state planning must fail, Hayek insists, owing to the epistemic inadequacy that confronts state officials as they seek to form a constructed order—what he later would call a "taxis."[1] Each failure requires more intrusive planning to fix the unintended consequences that planning begets. Impatient with failure, the public becomes susceptible to the charms of the "strong man" who cares little for liberty and who is prepared to pursue all means necessary to get the job done. This is the road to economic and

Ethics & International Affairs, 32, no. 3 (2018), pp. 361–375.

doi:10.1017/S0892679418000515

political servitude. Far better to recognize the virtues of spontaneous order (a "cosmos") that arises when individuals are free to act on their individual interests and passions without undue restrictions. Hayek preached patience, courage, and faith in the ability of free individuals to achieve progress through the trial and error informed by the local knowledge that the liberal market facilitates.

Polanyi presents a strikingly different explanation. In *The Great Transformation*, he traced the rise of illiberalism to a failed utopian project: the nineteenth-century project to create a self-regulating market economy, or what now is often referred to, especially by critics, as a neoliberal regime. Polanyi argued that the attempt to disembed markets from social institutions and the state—the project that Hayek and liberal economists of a century before so forcefully advocated—required the commodification of land, labor, and money. Anything less would impede the functioning of the self-regulating market economy. Polanyi's chief insight was that the commodification of land, labor, and money destabilizes society, generating grave threats to all its members, not just the most vulnerable. And so the push toward market fundamentalism immediately induces resistance that seeks to protect society from the market's most damaging effects. The encroachment of the state into economic affairs, which Hayek views as the consequence of impatience with the pace of social advance, represents for Polanyi a desperate, spontaneous, and unplanned effort to stop the onslaught that the self-regulating market necessarily inaugurates. But the "double movement" of liberalization and resistance interferes with economic self-regulation and ultimately yields political, economic, and cultural crises that open the door to forces of reaction. The solution is to establish democratic socialist control over market activity, not least by removing land, labor, and capital from the clutches of self-regulation. The result would be social democracy, provided the state can find exactly the right institutions in which domesticated markets can generate innovation without imperiling society.

Hayek and Polanyi anticipated (and in the case of Hayek, helped to define) the contours of the debate over economic arrangements between the center left and center right in the advanced economies from the publication of their works up to the present. Post-WWII reform, including in particular the expansion of the social welfare state and the development of Keynesian macroeconomic management across advanced economies, as well as the Bretton Woods institutions to manage international economic integration, reflected Polanyian sensibilities. The turn toward market fundamentalism in the 1980s, especially but not only in the Global South, accorded with Hayekian aspirations. From Reagan and

Thatcher's attacks on public welfare, organized labor, and government regulation, to supply-side tax reform, to the Washington Consensus that was foisted on indebted states across the Global South and East, the emergent neoliberal project was intended to liberate the market from state intervention. Of course, and as Polanyi would have predicted, nothing like the perfect liberal market order that Hayek advocated ever came into being, not even in the United States where the conditions might have been most suitable. The self-regulating market economy is a utopia, after all, paradoxically achievable only in the minds of *planners*—the "men of system" whom Adam Smith had criticized for their arrogance.[2] Instead, what emerged was a toxic mix of market liberalism for the masses combined with what Hayek might have derided as state socialism for economic elites.

Were they with us today, both Hayek and Polanyi could point to Trump, Le Pen, Orbán, Erdoğan, Brexit, and the new illiberalism they represent as confirming their respective accounts of the dangers of misguided political and economic projects. Hayek would cite continued government planning, Polanyi the neoliberal transformation, as the principle driver of political transformation. And both would castigate the economics profession for advocating utopian projects while ignoring their self-defeating properties.

The Failures of Neoliberalism

This brings us to the two books under consideration here. At first approach, Dani Rodrik and Joseph Stiglitz may be taken as representing the Polanyian camp in the continuing battle over the potential, limits, and risks of the market economy.[3] But things are just a bit more complicated than that. Central Hayekian insights emerge, especially in the work of Rodrik and also in both authors' prescriptions for the way forward.

The debt to Polanyi infuses both Rodrik's *Straight Talk on Trade* and Stiglitz's *Globalization and its Discontents Revisited*. Both authors have been vocal critics of the new market fundamentalism, especially since the 1990s. Rodrik published *Has Globalization Gone Too Far?* in 1997, and Stiglitz's *Globalization and Its Discontents* followed in 2002. Those two books pushed back against the view then prevailing among leading economists that only abrupt economic transformation could rescue the Global South and post-socialist countries from economic stagnation, political corruption, and mismanagement, and only radical deregulation and the removal of at-the-border restrictions on financial and trade flows could restore growth and employment generation in the advanced economies.[4]

Many of the most influential economists, in academia and at the leading international financial institutions, fell prey to groupthink around the neoliberal narrative right up to the financial crisis of 2008.[5] The narrative depended on simplistic assumptions about human nature that are by now questioned by mainstream economists. Neoclassical theory was taken to capture these essences and to be uniquely capable of explaining economic affairs. The power of the theory was derived from its presumed universality and analytical potential—its ability to reduce apparent complexity in the world to the simple effects of the founding essences.[6] The implications were severe. Economic and social policy was to be derived from elegant proofs; the liberal market regime had to be complete (precluding mixed approaches that retained strong state direction in some economic sectors or policy areas alongside liberalization in others). By the 1980s it was widely held by leading economists that the state could not be trusted to pursue the public good; and even in those instances where benevolent state actors attempted to do so, they could not possibly achieve the objective given the severe informational inadequacies they faced. Even liberal economists such as Paul Krugman, Lawrence Summers, and Jeffrey Sachs were under the spell of the new political economy, which purported to prove that state actors were driven by the same egoistic, self-directed motivations that dominated in the economic arena. Instead of the vision of the state as a benevolent actor that could fix market failures, the state was prone to failures of its own that could swamp the market imperfections it sought to correct—Hayek all the way down.

A shared theme in both *Straight Talk on Trade* and *Globalization and Its Discontents Revisited* is that the theoretical battle over neoliberalism has now been concluded and ultimately won by its critics, though only after the pursuit of neoliberalism has induced widespread and deep economic and political damage across the Global South, the post-socialist countries, and even the advanced economies.[7] The damage can be measured not only in GDP but also in decimated livelihoods and, even, destroyed lives.[8]

What are the sins of neoliberalism? Rodrik and Stiglitz share the view that the neoliberal initiative failed to induce the promised benefits of rapid economic growth and productivity enhancement in the emerging market and developing economies (EMDEs), and to restore employment, adequate growth, or economic opportunity for working people in the advanced economies. Instead it facilitated

 https://doi.org/10.1017/S0892679418000515

corporate capture of the state (both economists are particularly scornful of the financial and pharmaceutical industries), permanently displaced workers, and destroyed communities that relied on industries that had lost competitive advantage in a hyperglobalized economy. In these accounts, the impact on labor in the advanced economies was not the unintended collateral damage of, say, trade policy designed to promote social welfare. Instead the attack on labor was *the point*. Corporate interests and their political advocates exploited the rhetoric of market fundamentalism to restore corporate profitability on the backs of workers in the advanced economies and especially the low-waged countries. As Stiglitz writes, "In this new era, labor was commodified—getting labor power was just like buying coal; one looked for the cheapest source. Never mind the consequences" (p. xxiii). In Stiglitz's view, which is shared by Rodrik, "the kind of globalization we got—hurting workers and helping multinational corporations—was the kind of globalization the corporations wanted. It was not an accident" (p. 48).

Curiously, neither author references Marx in this context or draws even obliquely on the modern Marxian tradition, though these arguments have been advanced by countless Marxists and other radical political economists (and derided by mainstream economists) since at least the late 1970s. Indeed, it is hard to read some of Stiglitz's prose without thinking of, say, world system and dependency theory. For instance, Stiglitz emphasizes that "old-style colonial domination" was displaced by international debt obligations that facilitated "massive exploitation" of the developing economies, with the IMF and World Bank "acting as the lenders' collection agency" (p. 345).

Both authors emphasize the social, cultural, and political damage wrought by the neoliberal project. The enlightened self-interest that had characterized the worldview of American and European elites over the course of the twentieth century was displaced by a naked self-interest, belied by urbane, cosmopolitan sensibilities, in which the welfare, rights, freedoms, and privileges of the wealthy were increasingly detached from the interests of those left behind in the wake of escalating income inequality. The fissures that emerged in Western societies exposed just how fragile is liberal democracy. Inequality allowed for elite capture of politics, which in turn empowered technocrats to design and administer the institutions of global governance without regard for the interests of the rest. Rodrik is particularly worried about the resultant social fragmentation. With a Polanyian flourish, he writes, "Indeed, the push for hyperglobalization in trade and finance, intended to create seamlessly integrated world markets, *tore domestic societies apart*" (p. 267, emphasis added).

Financial openness had particularly pernicious political effects. Just as working people and the poor became more vulnerable to the economic shocks generated by financial liberalization, the state became less able and willing to attend to their needs. A competitive race to the bottom in corporate tax policy deprived the state of the resources needed to ensure that at least some of the gains from hyperglobalization flowed to the losers. Both authors emphasize that workers in the advanced economies "suffered thrice," as Stiglitz puts it: they faced lower wages (resulting in part from diminished bargaining power), regressive shifts in tax burdens, and the consequent decreased ability of the state to fund social protections that globalization made more urgent. This theme was central to Rodrik's work in the 1990s, and it now forms part of both authors' explanation of the emergence of the new illiberalism today.[9]

The Sins of Economists

Yet even as the evidence of the ravages of neoliberalism mounted, the economics profession remained largely unmoved by the yawning gap between the fortunes of the elite and the stagnant life prospects of the rest. At first, the mainstream of the profession simply refused to believe what would have been apparent had the profession not been blinded by neoclassical science. In the mid-1970s a rupture occurred in the dependable post-war relation between productivity and wages in the United States. Productivity continued to rise at more or less the same rate as before, but wages flatlined for those in the bottom 90 percent of the income distribution. In response to this anomaly many economists initially cited data problems, pointing out for instance that reported wage rates missed the value of the benefits provided in the form of insurances and the like. But by the early 2000s this explanation was increasingly difficult to sustain.

Alongside an expanding gap between rising productivity and wage growth was evidence of a pronounced shift in the labor share to the profit share of national incomes, and an astounding increase in income inequality. Today there is a broad consensus that the largest beneficiaries from the neoliberal era are not just the denizens of the top 1 percent—lucky as those folks might be—but rather the top one-tenth, one-hundredth, and especially one-thousandth of the 1 percent. Putting it all together, we find that the bottom 90 percent secured little to none of the gains in U.S. income growth since the 1970s. Heterodox economists of all sorts pushed hard to awaken the profession to the significance of the emergent inequality from the 1980s onward. Few of their orthodox peers paid attention.

Rodrik and Stiglitz take the profession to account for other failures. Both are careful not to offend, but one nonetheless finds here an indictment, even if conveyed in muted voices. First, economists *deceived* the public, over and over, in defense of market fundamentalism. That allegation is my own: neither Rodrik nor Stiglitz put it that way. But consider these passages, taken from just four pages in Rodrik (pp. ix–xiii): trade economists "overstated the magnitude of aggregate gains from trade deals" and "minimized distributional concerns"; they "endorsed the propaganda"; they "parrot the wonders of comparative advantage"; they demonstrate a "reluctance to be honest"; they "fail to provide the full picture"; they should have "been more upfront"; they "shade their arguments"; they "failed to engage distributive justice issues"; they worked as "academic boosters" of market fundamentalism; and they should have presented "a more honest narrative." How are we to account for the subterfuge? Standing on "the side of angels," the free traders were reluctant "to provide ammunition to the barbarians." Later, Rodrik argues that "in their zeal" to amaze their audiences, economists "skip over the real-world complications and nuances" and "downplay the diversity of intellectual frameworks" (p. 123).

Stiglitz adds that the profession told a "little white lie"—that trade creates jobs—and continually "oversold" globalization (p. 8). I cannot speak for Rodrik or Stiglitz, of course, but in my reading the allegation is clear: during a period of fundamental global economic transformation—an epochal transformation that altered the life circumstances and prospects of billions around the globe—the economics profession failed in one of the most egregious ways that a profession can fail. The profession *lied* to the public so as to promote the success of a regime that the profession believed would generate substantial harm to large numbers of people.

That deception was shrouded in yet another: Economists deceived themselves and others about the depth of their expertise. As Rodrik notes, they failed to emphasize "their uncertainty over their confidence" (p. 14). Stiglitz likewise argues that economists failed "to understand and explain the limits of their models and of our knowledge; to articulate what we know and what we don't know. . . . When economists oversell—as globalization has been oversold—they put at risk both their own reputation and the well-being of those whom they, as public servants, are supposed to serve" (p. 54). For Stiglitz and Rodrik, the public shares responsibility for excessive confidence in economic expertise. The public tends to believe economists know more than they do and to ask them to do things (like make precise predictions) that exceed their expertise. Rodrik approvingly cites Kaushik Basu, who says, "One thing experts know that non-experts do not know is that they know less than non-experts think they do" (p. 145). But what is missing from these accounts is the profession's complicity in sustaining the illusion. The suppliers of economic services instruct their consumers on what they have to offer. Is it any wonder that the profession so often oversells its expertise in order to increase demand and extend its influence?[10] The message that "we know more than you do, and, in fact, we *know enough*" is delivered to captive audiences in Economics 101 classes every day, and in op-ed pieces and blog posts that are intended to convince non-economists of the wisdom of deferring to economists' judgments.

Purposeful deceit—overselling the virtues of policy regimes they favor as well as their own expertise—has been a central strategy by which economists have amplified their voices over public policy. I am not aware of any other profession whose success and influence depend so heavily on deception. Of course, in the profession's mind it deceives for the public's own good, typically defined far too narrowly in terms of increased GDP per capita (and without regard for equality). But it is ironic that a profession that is so committed to the autonomy of economic actors would resort to paternalistic strategies, such as deception, that interfere with the exercise of autonomy.

Despite their criticisms, however, Rodrik and Stiglitz are keen to maintain the profession's influence. Both ultimately rally around economic science while indicting non-economists for the damaging effects of globalization. Stiglitz admits that oversimplified economic models missed the crisis of 2008 (Rodrik says that those models actually contributed to it), but he claims repeatedly that the science is now sound:

> It is not economics that is stopping us from achieving win-win globalization, from rewriting the rules of the global economy—we largely know what to do—but politics, and the shortsightedness on the part of some of the national politicians, and the corporate and financial elites with whom they work (p. 77).

Rodrik's view is more nuanced. He argues that the profession made a consequential mistake by searching for a single unified model to account equally for all economic contexts. That road led to the Washington Consensus one-size-fits-all approach to development. Rodrik pushes back against that approach, arguing for the salience of ideas, history, geography, culture, and institutional formations in economic modeling. For Rodrik, while there may be just one economic science, there are innumerable models, each of which sheds light on only those contexts in which its background assumptions are correct. For Rodrik (and Keynes before him) the requisite skill for the economist, then, is practical wisdom in the selection of the right model for each context. "Unlike the natural sciences, economics advances not by newer models superseding old ones but through a richer set of models that sheds ever-brighter light at the variety of social experience" (p. 143). Regrettably, the profession instead features theorists looking to displace existing models with new ones. That is just the kind of innovation that the profession rewards, and just the kind of intellectual imperialism that does so much damage.

The shift in mind-set that Rodrik seeks is jarring for a profession on the hunt for general theories. "Economics is a science that can claim to have uncovered few, if any, universal truths. . . . After all, there really is only one universal truth in economics: it depends" (pp. 149, 151). Rodrik hopes to reorient economics away from the presumption and discovery of *necessity*, *regularity*, and *universality*, and toward the presumption and discovery of *contingency*. The effects of any intervention are shaped by the unique background conditions against which the intervention unfolds, and by the behavior of the inscrutable agents who act on their *ideas* about their interests rather than on unmediated interests.[11] Rodrik's program is to displace off-the-shelf, one-size-fits-all interventions with bespoke strategies tailored to the specific contexts that economists encounter.

The economist cheerleaders for neoliberalism failed to recognize these truths, of course. But along with Stiglitz, Rodrik claims that the failure was not scientific: "The science of the profession was fine—its craft and sociology, not so much. . . . What gets academic economists ahead in their careers is cleverness, not wisdom" (p. 145). In Rodrik's view, "Pretty much everything needed to explain the crisis and its aftermath was in the research journals" (p. 118). But of course, pretty much everything needed to explain why a crisis would *not* happen was also in the research journals. We usually learn which (if any) of the existing models are (sufficiently) correct only after the fact. All the more reason, then, for a responsible profession to announce and repeat, over and over, all it does not and in principle cannot know as it goes about its business. I have referred elsewhere to the epistemic condition in economics as "irreparable ignorance."[12] Why not instruct students in *that* feature of economics—that is, in what economics does not now and will never in principle ever know—rather than bedazzle with impenetrable models? The problem, of course, is that foregrounding the limits to the profession's abilities would threaten its influence. The response "it depends" is not likely to elevate the standing of economists in the hurly-burly of policy formation as they seek social betterment.

Polanyian Accounts, Hayekian Elements

That Rodrik and Stiglitz refused to follow the herd when neoliberalism was ascendant provides them with some authority in helping to lead the profession out of the morass now that neoliberalism is derided even by many of its former advocates,[13] and now that illiberal nationalism threatens a return to beggar-thy-neighbor strategies that can only harm those now rallied behind Trump and his ilk across the globe. But just where do they want to lead us?

Rodrik and Stiglitz recognize the centrality of the rules of international economic engagement in allocating its benefits and harms. Both indict the existing rules as by and for corporate elites and damaging to the EMDEs and to many in the advanced economies. Hence the need to break the stranglehold of the corporate and financial elite over economic rule formation so as to ensure "shared prosperity and inclusive growth" (Stiglitz, p. xxxi), which both authors take to be possible. Both also look to improved governance as the key strategy to ensure economic fairness. But a contradiction arises in this context. Rodrik calls it "the political trilemma of the world economy: we cannot have globalization, democracy, and national sovereignty simultaneously" (p. 66). At most, we can secure two of the three. In the context of Europe, for instance, "if European leaders want to maintain democracy, they must make a choice between political union and economic disintegration. They must either explicitly renounce economic sovereignty or actively put it to use for the benefit of their citizens" (pp. 66–67).

Where do Rodrik and Stiglitz come down in finding the right balance among the three objectives? Stiglitz advocates deeper global governance structures and practices that parallel the extent of economic globalization. He attributes much of the harm from globalization to the current imbalance in which political globalization lags economic globalization. "We have a system of global governance without global government" (p. 77). Unsurprising for an economist, he accepts the extent of globalization, explicitly advocates for the realization of democratic governance in the supranational domain, and implicitly accepts the loss of national sovereignty that global governance requires.

Rodrik stakes out what is, for an economist, a heretical position. In his view, we ask too much of our fellow citizens when we advocate for global governance. Global governance accords with the worldview of cosmopolitan elites who are free to roam, and the technocrats who seek global order and control. But identities for most of the world's inhabitants remain local and, at best, national. Systems of care and protection must remain the province of national governments, which must be re-empowered to act on the values of their citizens without fealty to some supranational government. The exception involves the global commons, where states must sacrifice sovereignty to solve problems that can only be managed collectively. States must enjoy sufficient sovereignty and policy autonomy to provide opportunities for social bargains among diverse groups of actors. Ideally, those bargains should be fashioned out of liberal democratic governance that permits access to all of society's members. Institutions of global economic governance (such as the World Trade Organization) must accept that their mission is not to harmonize economic practices and institutions but instead to manage the diversity of legitimate economic arrangements that proliferate in a world of renewed sovereignty, doing what they can to reduce beggar-thy-neighbor strategies and negative spillovers. Subsidiarity should replace over-empowered global institutions. This vision of governance is strikingly similar to Hayek's federalism, which was intended to insulate individuals from the reach of global planners.[14]

Rodrik is insistent on this point. The project to establish a global economy has been pushed too fast and too far, at the expense of both national sovereignty and democracy. The most feasible and most defensible strategy now is to pursue measured, reasonable economic de-globalization in those areas where the proliferation of national policy autonomy would not harm the global commons. The economy itself, Rodrik asserts, is not a commons. It can tolerate a plurality of national economic practices. Indeed, its legitimacy depends on it. Hayek would concur.

Rodrik and Stiglitz look to the emerging economies, the BRICS in particular, for new leadership on global economic governance that displaces simplistic, reductionist thinking about economic development. Brazil, China, and India recognize from their own experiences the need for states to achieve the right balance between economic liberalism and state management of economic arrangements. Their experiences indicate that the ideal is not a self-regulating market economy;

that vision is neither ideal nor achievable. And both Rodrik and Stiglitz are equally concerned about the nature of the challenge facing low-income countries. Both worry about structural economic changes that now undermine proven paths to economic development. Central in this regard are labor-saving technological change and what Rodrik calls premature deindustrialization in relatively low-income countries. These two factors have displaced industrialization and manufacturing as dependable drivers of development. Today's low-income countries must find new paths to prosperity in the context of a pronounced shift toward services and perverse incentives that drive workers into the less advanced manufacturing sectors. But what are these new paths?

Here, too, we find a difference in emphasis between Rodrik and Stiglitz. Both explicitly advocate for greater policy autonomy, but Stiglitz seems to believe economists now know how that autonomy should be utilized. He wants policy driven by better economic science—better models that take account of informational and other imperfections; more John Maynard Keynes, less Milton Friedman.

Rodrik leads us in a different direction. For the past two decades his work on development has emphasized irreparable ignorance in development, and that theme is central in *Straight Talk on Trade*. For Rodrik, China demonstrates the virtue of pursuing a development path that embraces our epistemic limitations. The Rodrik model is one that emphasizes the centrality of local knowledge and the proliferation of small experiments that facilitate learning by doing. In his view, pro-business (*not* pro-market) strategies must increase the return to investment, to be sure, but the strategies that can accomplish that goal while at the same time preventing widespread hardship are uncertain, and in any case are unique to each set of circumstances. Rather than look to transform economic arrangements all at once, economists should look for the binding constraints in each context and search for strategies that can relax them. Policy entrepreneurship—not fidelity to a blackboard proof or replication of what has worked in other countries—is the key practice here: learning both from state failures and successes.

Ilene Grabel usefully identifies Rodrik as Hirschmanian in his vision of economic innovation.[15] Indeed, there is a tight connection between Rodrik and Albert O. Hirschman both in their respective worldviews and views on economics. Hirschman was a pragmatist who recognized the value of and advocated diminutive, ad hoc, "unscripted" innovations in pursuit of economic development.[16] He railed against the hubris of the economic development establishment, which presumed to know in advance what strategies would and would not succeed. It ought not be surprising, then, that the anti-ideological Hirschman was deeply respectful of Hayek's epistemic insights even if he could not embrace Hayek's neoliberalism. Hirschman's approach to development was ignored during the neoliberal period when *neoliberal planners* attempted to transfer their grand project from the blackboard to society. Today, his arguments offer compelling insights into the complexity and context-specificity of the development challenge and the proper role of the humble economist in facilitating better economic strategies and outcomes. Those sensibilities are all on display in Rodrik's work.

Conclusion

The foregoing suggests that the triumph of Polanyi over Hayek may not be as complete as many tend to think. Hayek's anti-modernism—including his rejection of the hubris of the economics profession that presented its expertise to the world as adequate to the task of economic development—is reflected here in attenuated form in Stiglitz, but deeply in Rodrik. Their demand for policy autonomy is driven in part by a Hayekian suspicion of grand universal strategies, imposed from above, that dictate behaviors in pursuit of valued economic goals. Hayek's blind spot in this regard was to forgive the social planners imposing neoliberalism, even those using coercive power to achieve their goals. Stiglitz and Rodrik remind us that overreaching is a vice of those on the Right as much as those on the Left.

Hayek placed his bets on private individuals, pursuing their interests based on their partial, localized knowledge of their immediate world. Rodrik shares that conception, and it is fundamental to his defense of the Chinese model of development as the proliferation of local experiments. But Hayek could not imagine that government officials and technocrats could implement the same strategies. In contrast, Rodrik demonstrates the ways in which Hayekian epistemic insights can be incorporated into public administration of economic affairs. He points to pragmatic state strategies comprising perpetual experimentation, small-scale innovations, learning by doing, ad hoc tinkering—all in service of the promotion of economic innovation and other valued goals. These are the key terms of the Rodrik model of development. Polanyian to be sure, but informed by central Hayekian elements.

NOTES

[1] Friedrich Hayek, *Law, Legislation and Liberty, Volume 1: Rules and Order* (Chicago: University of Chicago Press, 1973).

2 Adam Smith, *The Theory of Moral Sentiments* (Oxford: Clarenden Press, 1976 reprint edition), pp. 233–34.
3 Stiglitz wrote a Foreword to the 2001 reissue of *The Great Transformation* that applies its insights to contemporary events.
4 Peter Murrell documents the extent of the consensus in his examination of the 1994 collection of essays *The Transition in Eastern Europe*, edited by Olivier Jean Blanchard, Kenneth A. Froot, and Jeffrey D. Sachs. See Peter Murrell, "The Transition According to Cambridge, Mass.," *Journal of Economic Literature* 33, no. 1 (1995), pp. 164–78.
5 See Independent Evaluation Office (IEO), *IMF Performance in the Run-Up to the Financial and Economic Crisis: IMF Surveillance in 2004–2007* (Washington, D.C.: IEO of the International Monetary Fund, 2011), www.ieo-imf.org/ieo/files/completedevaluations/Crisis-%20Main%20Report%20(without%20Moises%20Signature).pdf.
6 George F. DeMartino, *Global Economy, Global Justice: Theoretical Objections and Policy Alternatives to Neoliberalism* (Abingdon, U.K.: Routledge, 2000).
7 Stiglitz's book comprises the original text, along with four new introductory chapters and an Afterword that summarize the original volume's principal themes, explore changes in the economic and political landscape since its initial publication in 2002, and examine the grievances of what he terms globalization's new discontents: the disaffected in the advanced economies. Here I focus on the new chapters of the book. Rodrik's book is compiled almost exclusively from his blog posts on *Project Syndicate* between 2010 and 2017. This might have made for an uneven monograph. And yet the blog posts have been carefully curated and woven together into surprisingly coherent chapters and a unified book. Both books—especially Rodrik's—examine far too many themes to explore here. Both are wonderfully engaging and would make for effective teaching texts.
8 David Stuckler, Lawrence King, and Martin McKee, "Mass Privatisation and the Post-Communist Mortality Crisis: A Cross-National Analysis," *Lancet* 373, no. 9661 (2009), pp. 399–407.
9 The form that globalization took also eroded policy autonomy, sovereignty, and state capacity, which for Rodrik in particular is perhaps its most damaging effect across the EMDEs. On this, see George DeMartino and Ilene Grabel, "Globalization, Regionalism and State Capacity in Developing Countries: A Note," in Philip Arestis, Michelle Baddeley, and John S. L. McCombie, eds., *Globalization, Regionalism and Economic Activity* (Northampton, Mass.: Edward Elgar, 2003), pp. 266–73.
10 See George F. DeMartino, ed., *The Economist's Oath: On the Need for and Content of Professional Economic Ethics* (New York: Oxford University Press, 2011).
11 As Rodrik puts it, "In truth, we don't have 'interests'. We have *ideas* about what our interests are" (p. 163, emphasis in original).
12 George F. DeMartino, "The Specter of *Irreparable Ignorance* in Economics: An Introduction to the Issues," unpublished paper (2018) available at www.GeorgeDeMartino.com.
13 Krugman and Sachs come to mind. After years of beating the drum for central facets of global neoliberalism, both now advocate reforms that take better care of those harmed by the neoliberal project. In the 1980s and 1990s Sachs epitomized Smith's "man of system," advocating radical economic restructuring across the Global South and in the former socialist countries. Krugman derided the advocates of fair trade for well over a decade—claiming they were both ignorant of economic principles and deceitful—before quietly switching over to the fair-trade camp in 2007.
14 See Friedrich A. Hayek, *The Road to Serfdom: Texts and Documents*, ed. Bruce Caldwell (Chicago: University of Chicago Press, 2007), ch. 15.
15 Ilene Grabel, *When Things Don't Fall Apart: Global Financial Governance and Developmental Finance in an Age of Productive Incoherence* (Cambridge, Mass.: MIT Press, 2018).
16 Ibid., ch. 2; and Albert O. Hirschman, "The Rise and Decline of Development Economics," in Albert O. Hirschman, *The Essential Hirschman*, ed. Jeremy Adelman (Princeton, N.J.: Princeton University Press, 2013), pp. 49–73.

Abstract: In their new indictments of global neoliberalism and the economic profession's culpability in its harms, Dani Rodrik and Joseph Stiglitz press the case for reconstructed globalization that generates benefits for all and not just for corporate and financial elites. Both books are deeply consistent with the insights of Karl Polanyi, who had identified the inherent contradictions of the project to create what he called a self-regulating economy. Like Polanyi, Rodrik and Stiglitz are attentive to the inadequacies of neoliberalism, and both emphasize the capture of the state and international economic policy by elites, who have turned their backs on those left behind. While Stiglitz emphasizes that the profession knows how to fix the problem by applying modern Keynesian insights, Rodrik emphasizes the inherent epistemic limitations facing economists. Indeed, his arguments about development policy reflect the insights of Friedrich Hayek into the limits of economic expertise.

Keywords: globalization, neoliberalism, trade, nationalism, Karl Polanyi, Friedrich Hayek, Dani Rodrik, Joseph E. Stiglitz, uncertainty, policy autonomy