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## **Power, as well as price, matters for an economy**

*di Rana Foroohar*

Joe Biden may be a one-term president, but his administration has changed the global political economy in ways that will continue to resonate long after he is gone. In particular, his trade policy put an end to the era of laissezfaire globalisation, which tended to favour the unfettered interests of the largest corporations and state actors, and ushered in a post-neoliberal era in which labour, natural resources and the market-distorting effects of concentrated power are once again major concerns for policymakers.

Critics like to portray this shift as a kind of wacky, woke deviation from economic norms. It is certainly a change from the trickle-down, market-knowsbest approach of the last half century. But the Biden stance actually takes the US back to the first principles of the post-second world war period during which the Bretton Woods institutions were established. Back then, US leaders tried, and only partially succeeded, in crafting a postcolonial, worker-centred approach to trade, one that looks a lot like what the Biden White House has tried quite rightly to resuscitate.

Consider the original 1945 state department proposals on world trade and employment. They argued against government restrictions on trade, but also recognised the power of private actors to distort the system, as well as the need for states to guarantee regularity in the production of critical goods and secure employment at home.

“Full and regular production at home, with increased participation in world trade, is the greatest boon which any people can confer upon producers throughout the world,” the state department declared. “It is important, however, that nations should not seek to obtain full employment for themselves by exporting unemployment to their neighbours.”

The worries that European states had about each other in the 1930s are clearly analogous to those that many countries today have about China exporting its own employment and overproduction issues to the rest of the world.

That’s why the US proposals acknowledged that “no government is ready to embrace ‘free trade’ in any absolute sense . . . Trade may also be restricted by business interests in order to obtain the unfair advantage of monopoly . . . Firms have banded together to restrain competition . . . these practices destroy fair competition and fair trade, damage new businesses and small businesses, and levy an unjust toll upon consumers. Upon occasion, they may be even more destructive of world trade than are restrictions imposed by governments.”

This sounds a lot like the Biden administration's theories around antitrust and competition policy, which dovetail with its trade policy. The problem in the global economy today isn't tariff barriers — it's concentrated power, be it in states (like China) or companies (be they meatpackers or giant technology platforms). Building multiple nodes of production and consumption globally, and ensuring high labour and environmental standards, requires public restraint of undue power, no matter where it comes from.

Sadly, the initial US government approach to the Bretton Woods institutions was watered down by American business interests in the run-up to the creation of the Gatt (later the WTO), and they were further eroded in the 1970s with the turn towards the Chicago school notion that price not power matters in a well-functioning economy.

A Roosevelt Institute report on the legacy of the Biden trade and economic agenda to be released this week sums up this turn with a quote from economist and former US Treasury secretary Lawrence Summers: "Increased openness to trade makes a country significantly richer than it would otherwise be and makes its workers better off than they would otherwise be . . . Why couldn't somebody tell the story of Christmas without imports? What if we would have to have . . . Barbie dolls at four times the price they are now?"

All true, and yet the problem of the day isn't a shortage of Barbie dolls — or indeed any sort of throwaway consumer item. It's that more cheap stuff in landfills didn't make up for the fact that wages in many countries simply haven't kept pace with the cost of being middle class. Nor did it create the regularity in production and employment at a national level that is required for a stable economy or democracy.

The great triumph of the Biden administration is that it has reawakened America and to a great extent the world to an understanding that power exists in the political economy, and all of the challenges of the day — from Chinese steel and aluminium dumping to Big Tech monopoly power to recurring financial crises, supply chain disruption and the evolution of AI — will require an approach that puts power, not just price, at the centre of market-making.

I take heart from the fact the most recent Nobel laureates in economics, Simon Johnson, Daron Acemoglu and James Robinson, have a body of work arguing exactly that. In a recent CEPR web-cast, Johnson points out that the "postcolonial" vision put forward by the Biden administration, one focused on people and planet, not merely price, is what the Bretton Woods system meant to deliver before it was hijacked by powerful state and corporate interests.

It's a point well worth remembering as we look to reinvent these institutions and reform global trade today.