

## Summary of "The Free-Trade Fix" by Tina Rosenberg

"The Free-Trade Fix" is an article about free trade, globalization and what it means to the world. The text is divided into sections explaining how free trade can be "fixed".

Rosenberg means that unregulated trade just leads to exploitation and unequal growth. She uses an example of how the Chilean dictator Pinochet opened the country to trade, but too much trade eventually led to a crash. Later democratic governments imposed social security policies that lowered inequality and created more stable growth. Hence, the government of a developing country should control trade, and impose protectionist policies to achieve maximum growth.

One of the more important points the author makes throughout the article is that corporations get too much power through globalization. She explains how patents hinder millions to get proper HIV/AIDS medication, and how corporations influence global trade policies and agreements through lobbying.

Another important point raised by the author is how trade with the developed world, as well as aid from the IMF and other institutions, always comes with requirements of austerity policy or removal of subsidies. Entering free trade agreements often mean rising prices on base goods like rice in the country, and the condition not to impose any price fixing. Because the developed world impose these obligations on developing countries that want to trade, entering free trade agreements almost always result in making the poor worse off.

## Comment "The Free-Trade Fix"

Tina Rosenberg article "The Free-Trade Fix" is an important piece in a world where discussion regarding globalization and trade is completely black and white. Her article is nuanced and constructive. Unfortunately, it also contains some flaws.

The author seems to use a rather ambiguous definition of free trade. The concept is sometimes defined as a theoretical state of absolute free trade, and in other paragraphs Rosenberg uses it to explain trade today. She states that “Free trade is a religion, and with religion comes hypocrisy.” and explains how developed countries impose import tariffs so that their citizens won't be the subject of supply shocks, calling it free trade, when it actually is the opposite. Rosenberg does not emphasize the difference between free trade and the trade policies of today enough.

This misconception makes some of Rosenberg's arguments falter. In the global economy of today there is no free trade, so to state that free trade is not working is rather assumptive. Actually, there has not been any free trade since the industrial revolution in the 19<sup>th</sup> century, and that was a period when free trade was extremely successful.

Another very important distinction Rosenberg fails to make is when she blames free trade for problems caused by lacking institutions. Corruption is an illegal activity and its existence can't be blamed on free trade, but rather on a non-working legal system. Almost every country Rosenberg uses as examples against free trade lack proper institutions to support it. This does not mean that free trade is flawed. It just means that exposure to larger markets and diplomatic pressure requires more of a country.

Rosenberg's article completely lacks an institutional analysis. She blames the IMF for imposing too high austerity requirements, but doesn't mention that the loans went into the pockets of corrupt politicians. That many developed countries were running too fast to catch the express train to prosperity is something Rosenberg doesn't stress enough. Without proper institutions there will be no growth, no matter how big the IMF loans are. This is something development economists didn't understand in the 70's, but today it should be common knowledge. There is no quick fix for growth.