

BY ROBERT J. BARRO

## CLUELESS ON THE ALPS -OR WHY I'M DOWN ON DAVOS



**ELUSIVE:**  
Zedillo got tough on globaphobes, but Clinton pandered to them. And the purpose of it all remained unclear

**A**fter false starts in previous years, I finally made it to the World Economic Forum in the picturesque ski town of Davos, Switzerland. One of the major themes this year was globalization, particularly the role of international flows of goods, credit, and technology. President Bill Clinton and Prime Minister Tony Blair expounded on this topic and attracted huge crowds, but the prize for insightful reasoning on free trade clearly goes to Mexican President Ernesto Zedillo.

In fact, his talk was so good that I have been forced to upgrade my assessed value of a PhD in economics at Yale. Zedillo referred correctly to the beneficial effect of trade openness on economic growth, but observed also correctly that other policies were crucial. These include domestic free markets and privatization, macroeconomic stability, investments in education and health, and democratic institutions that sustain the rule of law.

Zedillo described as “globaphobes” the unholy coalition of interest groups that now campaigns actively against free trade and globalization. These groups, which disrupted the recent meetings of the World Trade Organization in Seattle, include labor unions in rich countries, environmental crazies, and modern-day communists and fascists. He particularly criticized the growing attacks on free trade under the banners of labor standards and environmental protection.

Poor, low-wage countries can compete particularly well internationally in the export of goods that require a lot of unskilled labor. If rich countries force poor countries to provide U. S.-style wages and working conditions, then the poor countries will be much less able to compete and will therefore be denied a means to grow and eventually attain U.S.-style wages.

**SOFT TALK.** International cooperation on environmental regulation is sometimes reasonable, but that’s no reason to restrict international trade. If anything, the growth induced by expanded trade tends to generate structural and policy changes that increase the protection of the environment.

In contrast to Zedillo’s tough talk about globaphobes, Clinton’s speech pandered to these groups: “We don’t have very well-developed institutions for dealing with the social issues, the environmental issues, the labor issues...that’s why people are in the streets; they don’t have any place to come in and

say, O. K., here’s what I think....” Since U. S. labor unions and environmental activists are not lacking in voice, Clinton must have been referring to a lack of representation for the communists and fascists.

On a serious note, the networking that goes on in the halls does seem to work. I learned in the lounge that, despite mediocre credentials, the German bureaucrat Caio W. Koch-Weiser continues to be a strong candidate to replace Michael Camdessus as managing director of the International Monetary Fund. A reason is that no one outside France wants another Frenchman. Mervyn King, deputy governor of the Bank of England, would be a great choice, but how can an Englishman be chosen when Britain is reasonably hesitant about joining Euroland? Anyway, given the doubtful value of the IMF, it might be best to install a mediocre leader who would not bolster the institution’s power.

I did see a lot of celebrities in Davos. The meeting had more than 40 presidents or prime ministers, not to mention some really important people, such as Bill Gates, Michael Dell, and the recent Nobel laureate in Economics, Bob Mundell. I had to conclude, however, that I lacked the Davos spirit, because I rapidly lost interest in country leaders, not to mention lowly U. S. Senators, or governors, or mere finance ministers, or central-bank heads.

One thing that remained unclear was the purpose of the World Economic Forum. Businesses, who pay the freight, send representatives to see, and perhaps influence, the many politicians who attend. The politicians come mostly because they want to talk to other politicians. Of course, the politicians also appreciate the presence of the many journalists. Academics come as well, because they like to rub elbows with celebrities and because they enjoy expense-paid vacations in pleasant places. (The Saturday night soiree was particularly notable.) The presence of the academics seems intended to allow the politicians and journalists to pretend that they are participating in scholarly interaction. However, very little of the World Economic Forum involves serious scholarship. For me, the celebrity thing and the pleasantness of Davos were not enough to compensate for the long journey (especially since Swissair delivered my luggage 12 hours late). Even the skiing was bad in the heavy, wet snow. So next January I’m going to Utah.

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