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The Local Voices of Globalization

An Interview with Professor Daniel Trefler, Business Economics Researcher
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Is globalization good or bad?

People often ask me: globalization – is this something good or is this something bad? And to me, this is just not the question. The question for me about globalization is, how do we manage it? And the key issue with how we are going to manage it is how do we put in place the institutions that will give people a voice in how this is going to be done, and what implications could have for the local environment and so on. We need, say, big capital investment projects like a dam, or we might need better educational systems, or we might need better policies from micromanagement so that we can deliver say de-worming. But all that can't just happen, it has to happen in a context, it has to happen in an institutional environment. So to me, that's what institutions are, and the question about the institutions are how do they change and adapt so that we can become more successful?

How can we achieve broad-based prosperity?

Some types of natural resource are literally, you pan for gold, you pan for oil, very small-scale stuff. And what you get in that situation is you get internal and civil conflict. But there's another model and that is where you need large-scale infrastructure to extract, and where you need property rights and you need constraints on rapacious behaviours of governments in order to get this stuff out of the ground. Then, actually, natural resources can be a constructive and helpful thing. We have to think about how international trade has these impacts on institutions. Those institutional impacts are, in the end, the most important determinants of inclusive broad-based prosperity.