Observations on the Globalization Bashing and its Academic Feeders

Faculty Member: Ernesto Zedillo

Description: The backslash against contemporary globalization –at least in some places, the US inclusive– seems to be approaching an all time high. Some of that discomfort may be attributable to the simple fact that world GDP growth, even at a relatively good rate of around 3.5 percent last year, is almost 2 percentage points below what it was, on average, over the five years previous to the Great Crisis.

However there is more to the backslash than slower GDP growth: nominal wage growth continues to be markedly lower than it was before the 2008-2009 crisis; the continued deterioration of income inequality in rich countries, partly driven by the so-called middle-class squeeze, is another factor of discomfort; and there is the anxiety caused by automation, which is bound to affect the structure of labor markets starting with those in rich countries.

It is thus not surprising that for politicians of all persuasions, but not surprisingly more so in the case of populists, the temptation to link all kinds of maladies to globalization is quite in vogue. The tendency to blame globalization for things that can go wrong in the world is not of course a new one. For easily understood reasons, open markets have always been contentious, but making globalization the preferred culprit to explain all kinds of bad outcomes has now achieved an intensity that could be consequential for the continuity of the process. The question is whether a cocktail of economic events and shifting social and political attitudes towards open markets might not end up nurturing a self-fulfilling prophecy of stagnant, or even reversed, globalization.

For political leaders, blaming imports, foreign capital volatility and migrants would seem always preferable to explain phenomena such as slow GDP growth, external disequilibria, stagnant wages and high unemployment. Taking responsibility for domestic policies – or the lack of thereof – that may be at the root of such problems, even if the latter is flagrantly the case, would seldom happen without first trying to point to external factors as the culprits for the unwanted conditions.

This deflection of responsibility is costly on two accounts. One, it undermines the political conditions that would make the process of global interdependence to advance more smoothly, thus making it more difficult to materialize the growth and development opportunities potentially offered by such a process. More importantly, perhaps by distraction it frequently obstructs the discussion about fundamental shortcomings in the performance of governments and consequently their respective accountability for those failings.

What is a bit harder to understand is the tendency of some researchers and intellectuals to rely on the easy expedient of pointing to globalization as the real culprit of what has gone wrong with some advanced market economies. Too automatically, even serious scholars tend to relate wage stagnation, the upswing in rich countries' inequality and the structural transformation of labor markets to globalization. Many examples come to mind, but it should prove interesting to review systematically the research that has been used to associate globalization and "bads" of different kinds without paying sufficient attention to policies, that contrary to some claims, do not really live inexorably in the straightjacket of globalization is also objectionable. Regressive tax policies, shrinking social safety nets, poor adjustment support, bad education and training policies, and crumbling infrastructure among many others, are not inescapable consequences of globalization. They are explicit political choices, not inexorable outcomes of interdependence.

Requirements: Good knowledge of international economics –both trade and macroeconomics– and at least introductory econometrics is required. Ideally, the candidate should have taken the Economics 465a seminar (Debating Globalization).

Award: Farouq Ghandour
Tobin Application Link: Tobin Application
Project Type: Tobin RA
Project Year: 2018
Term: Fall 2018