


Great Decisions 2021

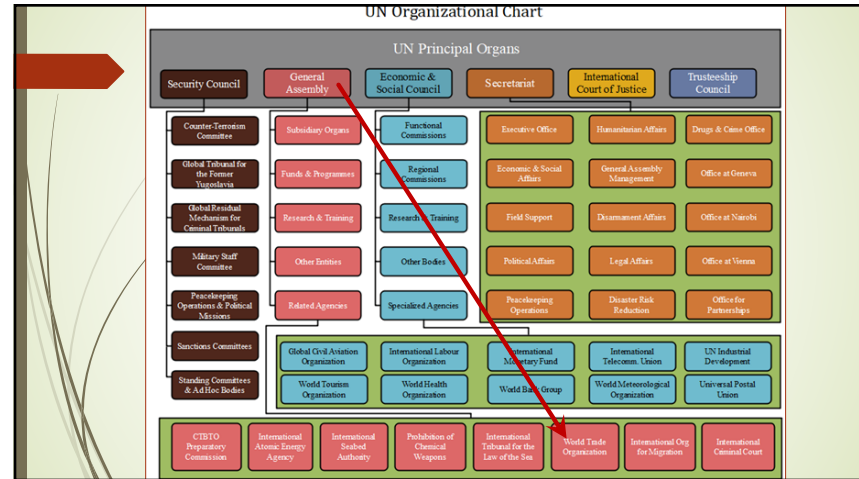
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CHAPTER 8

The End of Globalization?



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Divergence & Convergence in Global Well-Being

- ▶ **Hans Rosling's TED Talk** - "Let my data set change your mind set"
https://www.ted.com/talks/hans_rosling_let_my_dataset_change_your_mindset#t-18886
- ▶ **Post WWII → 1980s & 90s** – West developed multilateral institutions to facilitate re-development (World Bank), monetary stability (IMF) and trade (GATT→WTO). War-ravaged Europe returned to pre-war output by 1953. Western living standards rapidly improved, leaving developing world behind (divergence)
- ▶ **1970s → 2010s** – Newly-independent developing countries joined multilateral institutions and quickly followed West's path to greater well-being (convergence) → middle-income countries/emerging economies

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Globalization & Development - Correlation

- ▶ **Correlation** – Post WWII → 2020
 - ▶ **Well-Being Improved Worldwide** - Poverty, famine, infant mortality & disease decreased while education & life expectancy increased globally
 - ▶ **Globalization** – As countries found their comparative advantage
 - ▶ Transport & communications costs fell 20%→<5%
 - ▶ Tariffs on manufactured goods in OECD countries fell 45-50%→3-5%
 - ▶ World merchandise trade as percent of global GDP rose 7%→60%

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Globalization & Development - Causation

- ▶ **Globalization peaked ~2007** - Between 1990 and 2007, global per capita growth averaged 4.7% year-over-year but fell from 2008 to 2018 to an average of 2.3%.
- ▶ **Reversed Divergence** – Slower growth has been most pronounced in high & upper-middle income countries, whereas lower-middle and low incomes countries have experienced higher GDP growth. Labor productivity in OECD has grown about half the rate of the pre-financial-crisis period.

Citibank Report, "For Better or Worse," pp. 15-16

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Rise of Trade/Globalization Skepticism

- ▶ **2001** – 9/11 attacks brought doubts to many in U.S.
- ▶ **2000s** – Doha (9th) Round of Multilateral Trade Negotiations stalled as emerging countries balked. Failure generally attributed to lack of progress on reducing agricultural subsidies in advanced economies
- ▶ **2007-8** – Global financial crisis intensified doubts in advanced economies as manufacturing went offshore and unemployment rose
- ▶ **2008-15** – Obama focused more on supporting the financial system than manufacturing or those whose jobs were lost
- ▶ **2015-16** – Trump campaigned against all things multilateral

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Way Forward?

- ▶ **Retreat** – “coincides with with stagnant productivity growth and widening inequalities – a smaller pie, more poorly distributed.”
- ▶ **Renewed Commitment** – “married with the distributional objectives of domestic policies and business decisions, is needed to revive prospects for workers, firms, and the global economy.”

Citibank Report, "For Better or Worse," p. 18

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