

Globalism Pros and Cons

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11/25/2020

Globalism has recently been questioned by Donald Trump and other politicians. However, believers in globalism seem to have united behind the candidacy of Joe Biden. The question that needs to be addressed is why globalism is such an important political issue.

Pros

The pros for globalism are well-known by all economists. If free trade exists, producers and consumers in any market will be free to choose those goods and resources that provide them with the best value for their money, regardless of where those goods and services are supplied anywhere in the world. This will allow producers to reduce their production costs and consumers to obtain goods at lower prices than would otherwise be available. Furthermore, producers around the world will be able to specialize in the production in which they have a “comparative advantage” and that will increase the efficiency with which economic resources are allocated around the world. Thus, people with good jobs will be able to buy goods at lower prices and producers can produce more efficiently than would otherwise be the case. That is why the country’s elites like globalism in theory as well as in practice.

Cons

However, globalism in practice is often flawed, as numerous restraints on trade exist and free markets generally do not exist around the world. That fact causes impediments that interfere with the theoretical promise of globalism and can lead to inequities in trade.

One of the major problems is related to income distributions. In the presence of free markets, those individuals in a country who have limited education or skills will have to compete for jobs with all people across the world who also have limited education or skills. Since foreign workers without skills are often willing to work for very little, international businesses can hire them to produce goods very inexpensively. Thus, domestic jobs for lesser skilled workers will be transferred offshore as goods are produced there and domestic manufacturing of goods that can be produced with unskilled labor will be curtailed. This will cause redundancies in domestic job markets in higher income countries with large quantities of relatively lesser skilled and lesser educated labor. That means that those at the lower end of the income distribution in higher income countries will tend to suffer lower wages and more unemployment than would otherwise be the case. That will cause political resentment as the elites in those countries are able to obtain goods at lower prices and (often) make greater profits in their businesses than would otherwise be the case. Thus, there has been a great rise in “populism” in developed countries around the world as people in the middle and lower ranges of the income distribution realize that the elites have profited at their expense by producing and importing cheaper goods from abroad. That is the resentment that Donald Trump recognized and tapped into in his political appeals.

There also is a major problem with globalism in practice. That is, it does not correspond to the pure theory. Politicians in various countries are disproportionately influenced by supporters who provide them with money to support their political campaigns or for their

personal use. Those supporters can often benefit from governmentally imposed favors and restraints on trade. Thus, many supporters of domestic politicians in all countries can obtain laws, tariffs, and other restraints on trade that limit competitors' abilities to compete with them, particularly if the competitors are located in foreign countries. Thus, the elites who can obtain political favors from their politicians can further enhance their relative personal incomes relative to people who have less political influence. When people with lesser incomes become aware of that process, it further fuels the flames of populism. That is why Donald Trump was able to fan those flames by pointing out how other countries had international trading rules and procedures that favored them and their producers relative to our domestic consumers and producers (in the case of producers who did not have countervailing benefits from their domestic politicians).

Because elites who benefitted from the previous global trading system were afraid they would lose their influence if Donald Trump were reelected, many of them supported the presidential candidacy of Joe Biden.

Conclusions

While globalism is attractive from a theoretical sense, it has serious limitations in practice that can cause political discord. A major problem is that it tends to alter income distributions and, in the process, may give rise to political populism. A second problem is that pure globalism and free trade is not practiced around the world (with the partial exception of Hong Kong and Singapore). Thus, the elites in a country can gain even more relative to the relatively unskilled and uneducated people in their country by obtaining political favors, even if those favors interfere with international free trade. Those favors further the resentment of the middle and lower income classes against the effects of globalism. Conversely, those defects in theoretical globalism enhance the desire of the favored elites to support politicians who will nominally support globalism while still handing out benefits for the favored few. We saw the differences in the points of view of various members of our society play out in the 2020 US presidential election.