

Globalization checkmated? Political and geopolitical contradictions coming home to roost¹

Thomas I. Palley [Washington, DC]

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Abstract

The deepening of economic globalization appears to have ground to a halt and the process may even unravel a little. The sudden stop has surprised economists, whose belief in globalization has strong parallels with Fukuyama's (1989) flawed end of history hypothesis. The paper presents a simple analytic model that shows how economic globalization has triggered political and geopolitical contradictions. For the system to work, politics within countries and geopolitics across blocs must be supportive of the system. That is missing. The model is applied to a global economic core consisting of the US, China, and the European Union. It is revealing of multiple tensions, fracture lines, and contradictions. Within the US, globalization has delivered economic outcomes that have estranged the electoral bases of both major political parties. It has also delivered outcomes that are inconsistent with the US neocon geopolitical inclination. President Trump is a product of those forces, and he will likely prove to be a historically significant figure. That is because he has surfaced geopolitical contradictions that cannot be swept back under the rug. Ironically, his biggest impact may be on the European Union, particularly Germany, which is being compelled to recognize the neocon nature of the US and the vulnerabilities of dependence on US exports and technology. China was already aware of its vulnerabilities in those regards.

Keywords globalization, barge economics, geopolitical contradictions, national political tensions

1. Economic failings and the rise of politics

It has been ten years since the financial crisis. Since then, the global economy has recovered and attention has increasingly shifted to political risks as the trigger for the next economic crisis. That shift of attention has been driven by political events like the UK's Brexit referendum, the election of President Trump, and the rise of anti-euro populist political parties in Italy. Such events have the potential to cause financial disruptions that trigger broader economic dislocation, which in turn could further aggravate political conditions. In effect, we have moved to a world in which politics has become an important potential economic detonator.

The rise of politics is no accident. Instead, it reflects the popularly perceived failings of the neoliberal economic paradigm which has dominated economic policymaking for the past forty years. Since globalization is the most prominent feature of the neoliberal program and has also had some of the most visible negative effects, it has been placed in the forefront of the backlash. That backlash suggests globalization is unlikely to deepen further, and may even unravel a bit.

¹ This paper was presented at the Second International Symposium on the "New Demands of Global Economic Governance", sponsored by the Friedrich Ebert Stiftung and the Shanghai Academy of Social Sciences, held in Shanghai, China, 23 June, 2018. My thanks to participants for their helpful comments and questions. All views expressed and errors within are my own.

2. Globalization as economists' version of the "end of history" fallacy

The challenge to globalization has taken economists by surprise. In many ways, there are parallels between economists' faith in globalization and Francis Fukuyama's (1989) "end of history" hypothesis. After the demise of the Soviet Union, Fukuyama prophesied that free market liberal democracy had become the "final form of human government, to which all countries would now converge (Fukuyama, 1989, 3)".

Fukuyama's hypothesis reflected the triumphalism that accompanied the fall of the Soviet Union. Within ten years it was already looking frayed, and within twenty years it was in tatters. At its base, lies a flawed understanding of human psychology regarding the appeal of identity, religion, racism, tribalism, and nationalism. Those profound forces easily lend themselves to majoritarian democracy without minority rights, or even outright authoritarianism. The fallacy of the end of history hypothesis was already visible at its inception in the form of rising Islamic fundamentalism in the Middle East and robust Christian fundamentalism in the USA. The discontent with the neoliberal experiment has further encouraged non-liberal forces, as evidenced by the tilt toward nationalist illiberal democracy in Russia and Central and Eastern Europe. In China, a hybrid state – free market economic system has emerged in which the political system is nationalist and authoritarian and moving in the direction of a high-tech totalitarian surveillance state.

Strong parallels can be drawn between mainstream economists' belief in neoliberal globalization and Fukuyama's end of history hypothesis. Economists' thinking rests on the ideal of competitive general equilibrium which frames modern economic theory. That theory justifies the neoliberal economic paradigm, and trade theory extends the paradigm into the international sphere via application of the principle of comparative advantage which supposedly determines the pattern of specialization and trade.

Given this framework, globalization is presented as inevitable and unstoppable owing to the forces of technology and mutually beneficial gains from trade. The optimal future course of the global economy is to follow the template established by the World Trade Organization (WTO). Any who question that analytical perspective and its policy prescriptions are labelled as protectionists, luddites, or economic nationalists, and they are written off as being on the wrong side of economic history.

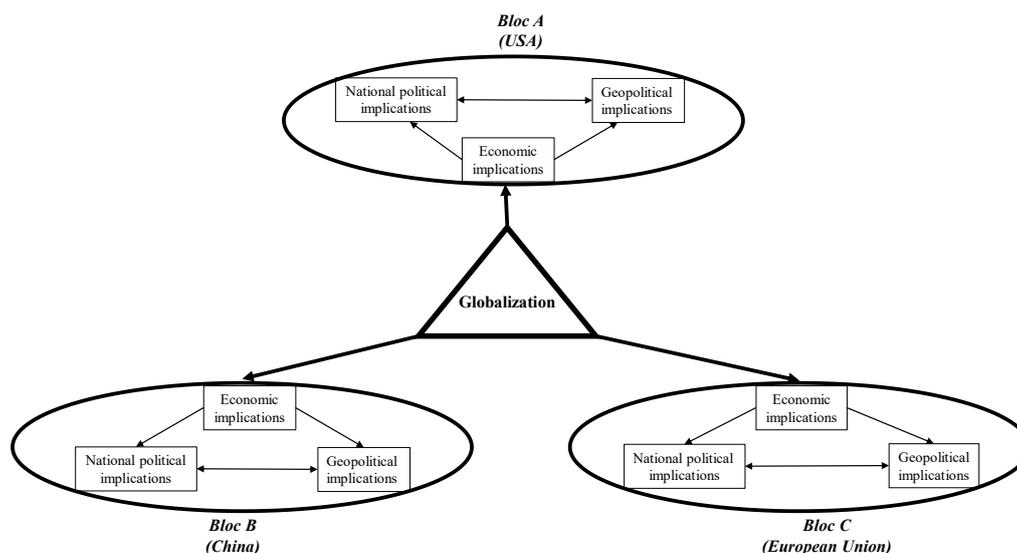
Unfortunately, as with Fukuyama's political version of the end of history, events now threaten economists' economic version of the end of history. That is because neoliberal globalization has run smack into a host of economic, political, and geopolitical contradictions.

3. Surfacing the economic, political, and geopolitical contradictions of globalization

The nature of those contradictions can be understood with the help of the analytical model shown in Figure 1. At the center is the process and nexus of arrangements that constitute economic globalization. Economic globalization links blocs and reorders economic arrangements, generating changed economic outcomes and possibilities in them. Within each bloc, those changed outcomes and possibilities have political and geopolitical ramifications.²

² Every model constitutes a simplification. Figure 1 shows globalization in terms of three blocs – the USA, China, and the European Union. Those blocs constitute the lion's share of the global economy.

Figure 1. The economic, political, and geo-political structure of economic globalization.



Mainstream economic analysis of globalization fails on two counts. First, it misconstrues the fundamental economics. Second, it neglects the political and geopolitical feedbacks, which vary by bloc and challenge the future of globalization. Those failings explain economists failure to anticipate why globalization now appears to be checkmated.

3.a The economics of globalization

As regards economics, the conventional wisdom interprets globalization through the lens of trade theory, which maintains there are gains for all countries that participate.³ The narrative is that there have been two globalizations in the modern era. The first began around 1870 and ended in 1914. The second began in 1945 and is still underway. Globalization is identified with the history of trade, and the narrative is constructed around a temporary inter-war interruption that put globalization on hold in the 1920s and 1930s.

In a recent paper (Palley, 2018), I have challenged the conventional view and argued that there have been three globalizations, not two. The first Victorian globalization ran from 1870 to 1914. The second Keynesian era globalization ran from 1945 to 1990. Both were driven by gains from trade that provided aggregate benefits to countries and the world economy.

Since 1990 there has been a third neoliberal globalization which has been driven by industrial reorganization, motivated by redistributing income to capital away from labor. Neoliberal globalization can be described as “barge economics” (Palley, 2007, 2008). The idea draws on the observation by Jack Welch, former CEO of General Electric, that business would ideally like to have “every plant you own on a barge”. Welch envisioned factories floating between countries to take advantage of lowest costs, be they due to under-valued exchange rates, low

Other OECD, emerging market, and developing countries are excluded for simplicity. However, they too can potentially be analyzed using the same framework.

³ Proponents of globalization make claims of large gains from trade. Those gains are outlandish in terms of their own theory, which is already based on the optimistic assumption of full employment (Rodrik, 2007). They effectively exclude the possibility of losses contemplated by other theoretical perspectives (Capaldo, 2014).

taxes, subsidies, absence of regulation, or abundant cheap exploitable labor. In such a world, there is an inevitable large increase in trade because goods must cross borders, but trade theory does not explain what is going on.

Barge economics produces winners and losers. In developed economies, capital's share has increased at the expense of labor's as workers and the entire economic system are subject to pressures from global labor, regulatory, tax, and social wage arbitrage. Developing countries can gain from arrival of the barge to the extent it brings FDI and technology, and promotes domestic investment and export-led growth. That has been the case in China. But developing countries can also lose to the extent that their indigenous industrial base and income distribution is subjected to barge arbitrage, or to the extent that the barge only brings shallow export-processing zone development. That has been the case with Mexico.

Barge economics is motivated by distributional conflict. Since investments and expenses incurred for redistribution are costly to the economy, it undermines claims of a market economy to be Pareto optimal. Barge economics means there may even be no net gains from trade, and society may be worse off. Profits increase so that capital gains and labor loses, but labor's losses can exceed capital's gains. That is fundamentally different from conventional Stolper – Samuelson (1941) income redistribution effects which are generated in the context of Heckscher-Ohlin trade that increases global productivity.

In addition to misconstruing the economics of the neoliberal third globalization, economists neglect the domestic political and geopolitical ramifications. Those ramifications vary by bloc, and they raise conflicts and contradictions that threaten to check globalization. The domestic political checks operate within blocs, while the geopolitical checks operate between blocs. It is those checks that now challenge globalization.

3.b The US: economics, politics, and geopolitics

In the US, neoliberal globalization has caused massive manufacturing job and wage losses (Bronfenbrenner, 2000; Bronfenbrenner and Luce, 2004; Autor et al., 2013; Scott, 2017), and the economic damage has been significant. The manufacturing jobs which have been lost have historically been “good” jobs, paying higher wages and benefits and having large multiplier effects. They have also tended to be concentrated by community and region, which concentrates the deleterious economic impact.⁴

The US trade deficit has been a major channel through which manufacturing jobs have been lost, as it has substituted imported foreign production for domestic production. The trade deficit has also mattered because it is a leakage of demand so that it has aggravated recessions caused by demand shortage, and also weakened economic recoveries.⁵

⁴ Some economists try and dismiss globalization job losses as insignificant on grounds that they are small compared to the US economy's annual job creation and destruction. That reasoning is faulty. Think of an economy with two sectors. Sector 1 jobs are stable and have little turnover. Sector 2 jobs are volatile and open and close each month (e.g. seasonal tourism and retail, or restaurants). Over the year, the cumulative job churn in sector 2 will be huge and will dwarf the total number of jobs in sector 1. But wiping out the stable jobs in sector 1 will do great economic harm and also disadvantage the significant number of workers in sector 1.

⁵ The trade deficit has been a major channel of deindustrialization. This channel is easily understood by the general public, which has therefore made the deficit a catch-all symbol for the negative effects of globalization. Of course, other macroeconomic factors are also involved in determining the deficit, and economist advocates of neoliberal globalization try to belittle the public for not getting this. The public

Another important channel of manufacturing job loss has been investment diversion. Investment that would previously have taken place within the US has been diverted outside, thereby shortchanging US job growth.

The combination of loss of both existing and new manufacturing jobs has then had static and dynamic negative effects. The static effects reflect the immediate negative effects. The dynamic effects concern the negative impact on growth. Manufacturing is a leading engine of productivity growth (Palley, 1999), and its decline helps explain the failure of US productivity growth to recover the rates of the 1990s.

Lastly, manufacturing job loss has also had severe socio-political impacts. As noted above, manufacturing tends to be concentrated by community and region, which concentrates and amplifies the deleterious social consequences of job loss. Second, union membership was concentrated in manufacturing for historical reasons. Manufacturing job loss has therefore hammered union membership, which has generated serious knock-on labor market and political effects. The reduction of the unionization threat effect in labor markets has diminished wages in non-union jobs. The diminished size and power of unions has meant diminished union political influence, so that workers have had less political representation at a time when corporate political power has increased.⁶

As regards US politics, the adverse economic effects have triggered a growing popular backlash in the US against globalization. The backlash split the Democratic Party, with the establishment elite siding with globalization and also winning out. The failure of the Democratic party to remedy the issue meant the issue was thrown into open field. That gave the Republican Party, led by Donald Trump, the opportunity to pick it up and fuse it with racist, anti-immigrant, and xenophobic arguments. This has created a toxic populist Republican brew that mixes pro-corporate globalization policy with anti-trade rhetoric, racist anti-immigration policy, and aggressive nationalism. It has also confused the debate. Globalization was made in the USA by US corporations for US corporations, and it has delivered exactly as planned (Palley, 2015). Now, Trump has redefined it as something foreigners have done to the US.⁷

Trump's redefinition saved the Republican Party from its globalization impasse with the electorate. However, it means both political parties are now split, with globalization being the fulcrum of their splits. Both parties' bases are opposed to the existing neoliberal globalization

are not economists, and they are also right about the trade deficit's deleterious economic effects. If anything, it is the economists who have misunderstood the deficit (Palley, 2012, Chapter 7). In the 1980s, economists invented the "twin deficits" hypothesis that blamed the trade deficit on the budget deficit. That hypothesis collapsed in the 1990s when the budget moved to surplus but the trade deficit kept growing. After that, economists invented the "saving shortage" hypothesis which blamed the deficit on lack of household saving. That hypothesis collapsed in the 2000s when the trade deficit continued even as the economy suffered from demand shortage. There is a macroeconomic linkage between the trade deficit, the budget deficit, and household saving, making them cousins (Blecker, 2013). However, structural factors (e.g. globalization) and an over-valued dollar exchange rate have been the decisive factors (Palley, 2015). In sum, the general public has been more right than economists.

⁶ Some glibly say unions should just organize workers in new expanding sectors and globalization is not the issue. However, the new workplaces are highly dispersed, have fewer workers per worksite, and are difficult and costly to organize. Moreover, the increased political power of corporations has created a legal environment that facilitates worker intimidation by firms and makes union organizing almost impossible. Globalization's adverse impacts have therefore contributed to creating a doom loop whereby globalization weakens unions and worsens the context, which promotes further union weakness.

⁷ Such a redefinition was always a possibility, and US progressives have strayed perilously close to encouraging it by framing their opposition to globalization in terms of Chinese "cheating" on exchange rates, intellectual property, subsidies, non-tariff barriers, and export dumping. Unfortunately, that is a pitfall which is difficult to avoid as those issues are serious problems in their own right.

paradigm, while both parties' elites are supportive of it. The open question is whether the political elites can keep political control, either by explicitly suffocating change or by a subterfuge of promising change that is not delivered on? If they cannot, globalization will be checked by US national politics.

As regards US geopolitics, globalization triggers different fissures. With regard to politics, the establishment political elite is unified and divided from the base. With regard to geopolitics, the country is unified but the political elite is tactically divided.

For the past forty years, the US has become increasingly dominated by the neocon construction of geopolitics. That construction holds never again shall there be a foreign power that can rival the US, as happened with the Soviet Union in the Cold War. It can be labelled the Cheney – Rumsfeld doctrine.⁸

Originally, the neocon view represented ultra-conservative Republican thinking, but it has substantially become mainstream thinking. Both Republicans and many Democrats now believe the US has the right to intervene unilaterally anywhere in the world, any time it chooses. Those bipartisan forces also believe the U.S. has the right to pepper the globe with military bases and military personnel deployments. Democrats tend to be softer than Republicans on the issue of unrivalled power, but they compensate by supplementing the neocon rationale for global intervention with the claim that the United States has a right to intervene in the name of protecting and advancing democracy. That right derives from "U.S. exceptionalism", whereby the U.S. has a special mission to transform the world by promoting democracy.

The political bases of both parties are also largely supportive of this neocon construction of geopolitics. The average US citizen is intoxicated by nationalist pride in the military and supportive of the massive military budget even though it means foregoing other publicly provided goods. There has been no meaningful opposition to the state of permanent war, and the tolerance for war is high because the US is significantly insulated from its human cost owing to the absence of a draft, the disengaged nature of aerial and drone warfare, and the Atlantic and Pacific Oceans which prevent the backwash of war reaching US shores. As long as these insulating barriers hide the human costs of war cost and the electorate remains blind to the opportunity cost of resources showered on the military, the US electorate is likely to remain largely supportive of the neocon vision.

Whereas the political elite and the general public are united in their neoconservative geopolitical outlook, there is a fundamental tension between neoconservative geopolitics and globalization. Additionally, there are tensions within the US elite regarding geopolitical tactics. These twin tensions mean globalization also faces checks owing to US geopolitical concerns.

⁸ The neocon view does not come out of the blue of US history. The US has always been an expansionist state, and its expansion has been paired with the doctrine of "US exceptionalism" which provides a moral justification. In the 19th century, expansion was directed to colonizing the western frontier, which included conquering a large chunk of Mexico. At the end of the 19th century, the US made the leap to having overseas colonies. The cooked-up 1898 Spanish – American War was decisive, and represented the triumph of imperialism within the US polity (Kinzer, 2017). For fifty years, World War II and the Cold War obscured that imperialist DNA by providing the US with the cover of being a benevolent non-imperialist hegemon. The end of the Cold War and the collapse of the Soviet Union stripped away that cover, revealing neo-conservatism which is the latest evolution of US expansionism.

The fundamental tension between neo-conservatism and globalization is evident in the rise of China, which has benefitted from globalization. Globalization has diminished the US industrial base, hugely strengthened China's industrial base, and it has also given China a strategic choke-hold over the global supply chain. Those developments have strengthened China's military and economic power, thereby implicitly diminishing US power since power is relative (Palley, 2013).

As regards the geopolitical tactical tension, the Republican elite is more nationalistic and militaristic. The Democratic elite has a more cosmopolitan view, preferring that foreign country elites be drawn into the US globalization project, albeit as junior partners. Both elites support over-whelming US military superiority, as reflected in bi-partisan support for the military budget and overseas military engagements.

These elite geopolitical tactical differences explain the differences in Democrats' and Republicans' political positioning. Democrats' cosmopolitan neo-conservatism seeks to enlist foreign elites as junior partners, the goal being to permanently handcuff allies and isolate rival powers (especially China). That strategy was epitomized by President Obama's Trans-Pacific Partnership (TPP), which was supported by the elites of both political parties but was hated by the political bases of both parties.⁹ Republicans' nationalistic neo-conservatism seeks to engage in circus-style globalization renegotiations that actually deepen features corporations want - like expanded global intellectual property rights and protections. Electorally, Republicans' tactical subterfuge has been more successful, but the risk is their rhetoric deepens public hostility to globalization and further destabilizes the establishment elite's grip on national politics.

In sum, the US elite wants to push ahead with both its neoliberal globalization and neocon projects, neither of which can be sacrificed. However, consistency between the neocon and globalization projects requires recalibrating neoliberal globalization. That recalibration has been blocked by the public's resentment against globalization. To square the circle, the establishment elite hopes it can still smuggle through a recalibration of globalization against the public's will, but that is looking less and less likely.¹⁰

3.c China: economics, politics, and geopolitics

China is the second component of the framework in Figure 1. China is an authoritarian single party state, which makes it difficult to say much about China's domestic politics. Instead, globalization can be assessed in terms of China's economic development project and China's geopolitical project.

⁹ This view of Democrats is different from Faux's (2006) global class war hypothesis. Faux emphasizes the "Party of Davos" which enables capitalists to escape their national identities and form a global class that wages class war everywhere. Neo-conservatism is a nationalist philosophy. As such, it inevitably clashes with the Party of Davos. Democrats are better at concealing that, or simply hoped the attraction of Wall Street would be sufficient to finesse the contradiction by seducing foreign elites to come on board as junior partners in the US neocon project. That strategy worked with Mexico's elite, but not with China and Russia's state controlled elites. The verdict is still out on Europe.

¹⁰ This can be done by fooling the public into thinking recalibrating globalization is necessary for national security, so that popular support for the neocon project is enlisted to trump popular resentment with globalization. Alternatively, the elite can over-ride the public's will via a bi-partisan Congressional coalition which is protected from the public's anger by the entrenched monopolistic two party political system.

As regards economic development, China has been a big winner from neoliberal globalization. China has opened itself to FDI, which has resulted in massive inflow of capital and technology that has been used to make China the premier global export production platform for multi-national corporations.

However, unlike Mexico, China's opening has not been passive. Instead, it has been extremely active. Thus, China has exerted pressure for joint-venture arrangements. It has also fostered development of its own national corporate champions, and Chinese capital has been assisted by provision of subsidized capital and widespread unofficially assisted intellectual property theft. This active industrial policy has been accompanied by a massive infrastructure build and maintenance of robust capital market controls. The goal has been to mimic the development of the Asian tigers (South Korea, Taiwan, Singapore, and Hong Kong) which succeeded in implementing deep development rather than superficial EPZ development. As a big winner and with its development project unfinished, China would like to maintain the existing neoliberal globalization *status quo*.

As regards geopolitics, China's goal is to establish itself as the regional super-power. That means no other power, including the US, should be able to rival it in its regional sphere.

Globalization has clearly contributed constructively to China's geopolitical project. First, it has generated a massive inflow of technology and enormously increased China's industrial base, both of which have contributed to enhancing China's military capacity. Second, the China-centric design of globalization has given China a strategically critical place in the global supply chain, giving it a downward choke-hold over regional suppliers and an upward choke-hold over the US (Palley, 2013). Third, the design of neoliberal globalization has also contributed to diminishing the US industrial base. As the US is China's chief geopolitical rival, that has assisted China's geopolitical project. Fourth, neoliberal globalization has been structured to produce large trade surpluses for China and trade deficits for the US (Palley, 2015). That pattern has enabled China to accumulate huge foreign exchange reserves which provide it with a defensive shield against US financial power and a "soft power" asset for wooing allies. That too has assisted China's geopolitical project.

In sum, both China's development project and its geopolitical project have benefitted from the past thirty years of neoliberal globalization. However, in US eyes, the rules of neoliberal globalization have not been properly enforced against China. If the US view of those rules and their enforcement were to prevail in the future, the benefits of neoliberal globalization to China will change significantly. The economic benefits would be diminished and China will chafe under restrictions it views as being designed by the US for the benefit of US capital and the US geopolitical project.

China will therefore resist both enforcing the existing rules or changing those rules in ways aimed at benefitting US workers. Instead, for China, the challenge is to maintain the *status quo* which is highly satisfactory.

3.d The European Union: economics, politics, and geopolitics

The European Union (EU) is the third bloc in Figure 1, and the EU's situation is significantly different from both the US and China. First, the EU's macroeconomic recovery after the 2008 crisis has been extremely weak. That weakness is significantly due to the consequences of

the euro's poor design (Palley, 2017), combined with disastrous embrace of fiscal austerity by European politicians (Truger, 2013).

Second, the last twenty years has seen significant EU expansion via incorporation of Central European economies, which has constituted a form of EU own mini-globalization. That process has inflicted economic effects on the EU core similar to those of globalization. The important implication is macroeconomic weakness and deindustrialization in the EU core have been significantly self-inflicted. Those self-inflicted injuries have been folded into resentments about globalization, creating an even more politically confused and fraught situation.

Third, the economic impact of globalization has varied by country and region. Italy and the Mediterranean economies have been losers as their industries competed most closely with those of China and emerging market economies. Germany has been a winner, but it was also a trade winner before globalization. It has benefitted from the globalization success of China and emerging market economies, which has increased demand for German capital goods and automobiles. Additionally, Germany has also benefitted from the euro zone's macro failings which have devalued the euro, thereby further increasing German export competitiveness.

In sum, the EU is a murky mix of self-inflicted injury, pain from globalization induced deindustrialization, and gains from globalization induced exports. The important point is that economic tensions within the EU, and the induced political tensions, are as least as much due to EU internal policy as to globalization. Both EU expansion and globalization are elite projects, driven by the EU's Brussels' bureaucracy and European capital. Together, they have undercut popular political support for further expansion of either project, and the loss of support even threatens the EU itself.

As regards geopolitics, the EU situation is equally fluid and confused. Put bluntly, the EU bloc has lacked a geopolitical project. The UK remains atavistically attached to its imperial past and a misguided belief in a special relationship with the US. France has lost the confidence and capacity to pursue an independent "de Gaulle" style project. And Germany remains shy about stepping up to the plate and playing the role befitting the largest country and strongest economy in Europe. The net result is the EU bloc has largely played the role of follower to the US, significantly assisting the US geopolitical projects in the Middle East and versus Russia.

The EU bloc's geopolitical rudderlessness reflects a combination of incompetence and continued dominance of old strategic tropes. However, the consequences of the EU bloc's rudderless geopolitics are proving disastrous. First, the EU has experienced the backwash of US Middle Eastern wars in the form of refugees and increased terrorism risk. The refugee problem in turn interacts with the internal immigration problem created by EU expansion, so that US geopolitics is now feeding EU disintegration.

Second, siding with the US in its aggressive manufactured conflict with Russia risks more collateral backwash damage, as well as possibly damaging the European economy. Third, it is becoming clear that US neocons view Europe as a very junior partner that can be bossed about. The Trump administration has imposed trade sanctions, threatens more trade sanctions in the event that the EU does not toe the US line on Iran, and even more trade sanctions in the event that Germany does not toe the US line on the Nord Stream 2 gas pipeline with Russia.

Those actions and threats have made the EU, and especially Germany, aware of the dangers of dependence on exports to the US and dependence on US technology. Such dependence makes the German economy vulnerable to US neocon disciplines. It speaks to strategically diversifying the German economy by reflating the EU and establishing deeper business connections with Russia, which is a natural economic partner for Germany.

In sum, the neo-conservative nature of the US speaks to the need for the EU bloc to recognize the reality of the US geopolitical agenda and develop an independent EU bloc geopolitical agenda. Meanwhile, the internal political conflicts created by the EU's expansion project and by neoliberal globalization speak to the political inability of the EU to promote further expansion of globalization. Both challenges are a check on globalization.

4. Globalization checkmated?

Figure 1 shows how globalization is a system of many moving parts. At its center is the process and arrangements constituting economic globalization. Each country or bloc is impacted by globalization, giving rise to economic, political, and geopolitical implications. For the system to work, politics within each bloc and geopolitics across blocs must be supportive of the system.

Mainstream economists present globalization as the inevitable end of economic history. They assume globalization is a positive sum economic development for countries; any adverse country income distribution issues can readily be solved by transfers; and geopolitical issues are a non-issue. Given that, the system's parts can be smoothly synchronized, both within and across blocs so that globalization becomes irresistible.

The reality is quite different. Barge economics means globalization can be negative sum because production relocation is motivated by search for a higher profit share rather than higher productivity. At the same time, globalization triggers political and geopolitical contradictions within and between blocs, which can derail or even reverse the process.

Globalization is an elite project for the benefit of capital in developed countries. The more that is understood, the deeper will be the popular political opposition in developed countries.

The clearest geopolitical contradiction is between China and the US. China seeks to be a regional super-power that none can challenge in its regional sphere of influence. The US seeks to be a global super-power that none can challenge anywhere. That is a contradiction, and the US elite cannot support globalization in its current form because it helps China.

Attempts by the US elite to refashion globalization, in a way that retains the benefits for capital while reducing China's economic and geopolitical gains, will face popular opposition from both the Republican and Democratic base – as illustrated by the rejection of President Obama's TPP proposal.

Conversely, progressive reformers have advocated remaking globalization in a way that includes such measures as enforceable labor and environmental standards, exchange rate safeguards, and capital controls (see Palley 2012, Chapter 10 for a description of such a plan). However, a progressive reform program faces opposition from capital in developed countries. A main purpose of neoliberal globalization has been to escape such restraints on

business which were put in place after the catastrophe of the Great Depression. Consequently, in the US, progressive reform is stymied by both Republican and Democratic Party elites. Furthermore, a progressive reform program will also be opposed by China and other emerging market economies. They will argue it is an attempt to enforce inappropriate standards on developing economies, and China will also see such a program as an infringement of its sovereignty. In sum, globalization appears to be checkmated, making further deepening unlikely.

Just as deepening appears unlikely, so too reversal will be difficult. First, there are significant business forces supporting the existing system. Those forces can threaten to punish governments that seek to change the rules, via such means as moving production facilities or cutting back on investment. Second, globalization is subject to significant policy lock-in (Palley, 2017-18) – “Hotel California” effects whereby you can check in but you cannot check out. Such lock-in has been visible in the euro zone, where countries have been unable to exit. Similar lock-in is present in the system of globalization. Within countries, companies have set up international global supply chains that they depend on, and industries have been shut down on the assumption that companies would be supplied via imports. Changing those new configurations is costly and disruptive, which is a big deterrent to change.

Lastly, never say never. Though popular opinion in the US is strongly against expansion of neoliberal globalization, the political elite may still manage to force through an expansion. The US elite shares a common project. With regard to economics, the entire elite is neoliberal, but Republicans are hardcore neoliberals while Democrats are compassionate neoliberals (Palley, 2012, Chapter 11). With regard to geopolitics, all are neoconservative, but Republicans are more nationalist while Democrats are more cosmopolitan.

The genius of contemporary US politics has been its ability to cast the elite as if it were profoundly divided and as if that division reflected the full spectrum of policy options. In fact, it is a form of “Coke versus Pepsi” politics with lots of fizz, but both are colas. That politics has worked brilliantly for the elite over the last forty years, and it is still possible the elite could pull off another round of globalization against the popular will. For instance, elite “Clinton-Obama” Democrats hope there will be a political reaction against the personality of President Trump which will enable them to smuggle through a version of their cosmopolitan approach to globalization (i.e. a resuscitated version of the TPP).¹¹ However, that possibility is increasingly challenged by opposition of the political base, which already cost Hillary Clinton the presidency in 2016.

5. Postscript: the historical significance of Donald Trump

Lastly, what is the role and historical significance of Donald Trump? President Trump is an unethical narcissist, but he will likely prove to be a historically significant figure. That is because his actions have surfaced the geopolitical tensions and contradictions in neoliberal globalization that others were either keeping quiet about or in denial about. As a result, those issues can no longer be ignored and nor can they be put back in the bottle.

¹¹ In the past, that approach would have been carried by the combination of the bulk of the Republican Party, an element of the Democratic Party, and an elite Democratic President. However, it is becoming increasingly difficult to accomplish because opposition within the Democratic Party is even larger, while support in the Republican Party is smaller. Opposition to globalization from both parties’ bases suggests packaging globalization in different wrapping paper will no longer sell.

In particular, Trump has surfaced the neocon character of the US polity, with its commitment to US global superiority. China has long been aware of that character, but it suffered it as part of its “long game” approach to development and geopolitics. Trump’s actions will only have made China more aware of its vulnerabilities from export dependence and reliance on imported components and licensed technology.

The really big change concerns the EU, and particularly Germany, which has been forced to recognize the realities of US neo-conservatism and the dangers of dependence on US technology and exports to the US.¹² Ironically, Trump’s challenge of China (for which there is much legitimate justification) is likely to have a far bigger and lasting impact on the EU which has been subjected to an economic and geopolitical wake-up call about the nature of the US polity.

It is tempting to write Trump off as an ugly idiosyncratic aberration, but that is too easy and wrong. Some of Trump is ugly, idiosyncratic, and aberrant. However, Trump was elected by the US electorate and remains very popular with many, which is revealing of important characteristics of US society. Furthermore, Trump and the Trump administration are Americans, and their actions are revealing of neocon characteristics which are shared across party lines, and which are also held by both the elite and the general public.

Geologists often say they learn most about the earth’s structure from earthquakes which are extreme events. Trump is a political earthquake and he has provided a learning moment about the US polity and its geopolitical aspirations. That learning moment is likely to prove of major historical significance, clearing away lingering delusions of US benevolence which were created in the mid-20th century. That promises to make Trump a historically significant figure.

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¹² For example, the EU’s Galileo project aims to provide the EU with its own GPS navigation system that is independent of the US. Projects and policies motivated by desire for independence from the US are likely to increase significantly in the wake of President Trump.

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Author contact: mail@thomaspalley.com

SUGGESTED CITATION:

Thomas I. Palley, "Globalization checkmated? Political and geopolitical contradictions coming home to roost", *real-world economics review*, issue no. 85, 19 September 2018, pp. 2-14,
<http://www.paecon.net/PAERReview/issue85/Palley85.pdf>

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