

Economic Prospect

Globalization: Economic and Political

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Globalization: With President Trump speaking at the UN this week and England nearing yet another Brexit deadline I think it's worthwhile to present some clarity on globalization.

I want to make this very simple: there are two kinds or arenas of globalization that are confused. There is economic globalization of trade and the movement of money/capital as well as of jobs. Then there is the political globalization of institutions and rule; institutions like the UN and European Union.

Political globalists assume that economic globalization requires globalized government. Another political assumption is that they must step in and regulate the economic side on a global scale. This is the very assumption that voters in many nations have rejected.

The politicians and academics have responded to this rejection with dismay and disbelief. They disdain limits to immigration as if all limits are racist. They disdain nationalism as if all aspects of national life are fascist. But they have not re-examined their institutional bias toward government control. Neither have they considered the cultural coherence and other benefits of existing as a self-governing nation.

While **economic globalization** can be painful it is not the same as political globalization.

Think of economic globalization this way. Shoes were made by one best person in every farming village, then in every town and eventually in every region. As more skilled craftsmen made shoes, those were preferred to the 'best guy in town' and those skilled craftsmen made a lot of shoes. They probably hired people, started a factory, contracted with shipping firms, and found outlets for their shoes. The quality of shoes improved as the price went down. All the former cobblers lost their jobs to the better shoemakers.

U.S. shoes were eventually nearly all made in New England. We didn't complain when the shoes went from the village to the town or to the region or to the nation, because it was all in the U.S.

After New England, American shoes were made in either Brazil (leather) or China (sports). People had lost their jobs to other Americans, but when the shoe industry moved to Brazil, *all U.S. jobs were lost* and the cry of complaint was very loud. Shoes may have become an even better value, but all American jobs were lost. There is much more to globalization than shoes, but shoes tell the story of the side effect of our lost jobs.

Political Globalization is the idea that if trade and the economy are global there should be institutions (including the World Bank and International Monetary Fund) to govern all those transactions and to set the regulations. This, (besides job loss) is what, as I wrote above, people reject most. Why should the European Union in Brussels or the United Nations meeting in New York set rules and policies and impose regulations for our nations that supersede or even contradict what our leaders have campaigned for and enacted? We can favor economic globalization while regarding political globalization as problematic. That's my view.

Urban America, Productivity and Concentration of Economic Power: The concentration of people, businesses and entrepreneurs in urban areas is increasing and appears to be undisturbed, except in California, by horrendous traffic, corruption, and pollution. *The Economist* notes, "The world's 50 largest urban (areas) house 7% of global population but account for 40% of gross profit. The residents must also deal with spending 41% of their income on rent; up from 28% in 1988. Urban businesses face regulations that are so constraining that a study indicated that if urban regulations were at the level of the median American city the U.S. GDP would be 9% higher. So we can add over-regulation to the downsides of urban life. (*The Economist* September 15, 2018 p48).

Concentration of people in cities is accompanied by a concentration of businesses. Heinz and Kraft became Kraft-Heinz, just like Zimmer-Biomet. In 2016 research by (*The Economist*) showed that two-thirds of Americans 900 industrial sectors had become more concentrated from 1997 to 2012. Concentration helps explain higher profits and fewer employees. We are seeing the effects of monopolist giants like Amazon, Facebook and Google especially in social media; they are not controlling or policing adequately. Urban concentration has a substantial downside. Market economics assumes no monopolies. This will get interesting.