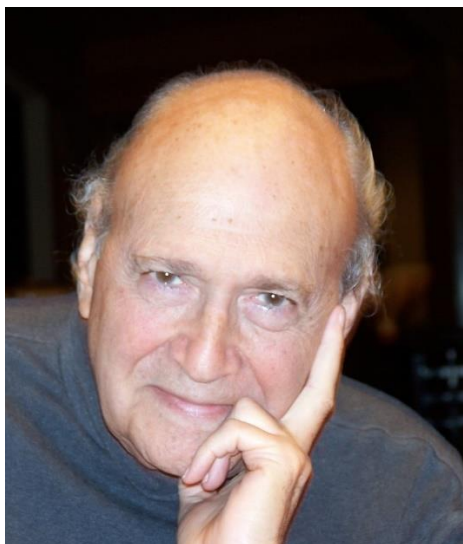


## So You Want to Be President



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What is it about the term globalization that has mobilized the far right to coalesce into a potent political force – a force that questions the advantage of diversity and the free flow of ideas, goods, and people? This essay explores the deep-seated appeal of the antagonists to globalization, the prideful posture of its supporters, and how the United States might compete in those sectors where it has a comparative advantage.

In recent years we have seen political movements to the right throughout the world, not just in North Korea, Hungary, Iran, Yemen, and Syria, but in Greece, the Philippines, Poland, the Stans, Cambodia, Venezuela, and, yes, even in France and the United States. Beggar thy neighbor. Do it alone. Isolate. Brexit. MAGA. Punishing tariffs. Restrict the flow of savings to within one's borders, limit immigration, subsidize domestic investment, and penalize foreign investment. The bedrock principle of these policies is to insulate – perhaps isolate is the better word – one's country from the "foreign" influence of trade or immigration, which are



considered by the antagonists of globalization as a dilution of the purity of their society.

So, what are the characteristics of globalization that created hostility? Immigration, perceived as pushing wages down and diluting the traditional ethnicity of those holding power. The open and free flow of goods, perceived as damaging the manufacturing base of industrialized countries. Open cross-border finance, which permits both the public and private sector of even the poorest country to tap into the wealth of richer countries. The direct investments by industrialized countries in lower-income countries, primarily because of lower-cost labor, tax advantages, and fewer regulatory controls.

Moreover, many lower-income countries hold raw and rare materials and sources of energy, and control, politically or geographically, the indispensable supply chain for finished products. Therefore, it remained only for lower-income countries to take advantage of these factors, and the removal of virtually all restrictions on the cross-border flow of goods and finance, to implement their plans for economic development.

The industrialized countries, in short, no longer have all the marbles to play with. Globalization did not cause, but simply reflects, the diminished capacity of industrial powers to implement policy unilaterally. Thus, it is not at all clear that when the Federal Reserve raises interest rates in an effort to slow down inflation, it will be effective if Russia blocks the shipment of grain from Ukraine or reduces the supply of heating oil to Europe, or if Saudi Arabia substantially reduces the pumping of oil, or if China moves its dollar holdings into the euro, or if the global pandemic interferes with the supply chain for consumer goods – all inflationary matters outside the control of industrial countries or the Federal Reserve.

An economic negotiating session with China might look like this, for example. The U.S. states that it intends to protect its own manufacturing base from any further inroads from China by imposing tariffs and sanctions and subsidizing our manufacturing base. China could then respond by telling the U.S. not to expect any help in their future relations with North Korea or Iran. Instead, China communicates their intent to meet their energy requirements by purchasing oil from Iran, and that they will pay for it by offering Iran nuclear expertise. They would suggest North Korea do the same. China could announce plans to enter into a mutual defense and weapons-sharing pact with Iran, North Korea, and Russia. They could bar any company with 50% shareholders in the U.S. from bidding on infrastructure projects in China, or allow no finished goods manufactured in the U.S. from being imported into China. It is irrelevant to China whether their tractors are Caterpillar or Komatsu, so long as the plant where they were made is in Shenzhen Province. China could also provide highly concessionary grants of substantial magnitude in South America, Africa, South Asia, and the Middle East. They could also substantially reduce their dollar foreign exchange reserves and invest alternatively into the euro, Japanese yen, and other currencies. That is leverage.

But political candidates do not win elections by admitting to the leverage held by others. Galileo, Darwin, and later, Jimmy Carter, did not have an easy time contending that we are not the center of the universe, that we are not unique or special, that we are not immune from the leverage held by others. That is not a message the electorate wants to hear.

China cannot be pushed around. Neither can former colonies that are now independent

countries. Many have suffered civil war, revolution, and starvation. They have withstood privation. Moreover, they have benefitted from tremendous improvement in their living standards, driven by the removal of restrictions that for hundreds of years impeded the free flow of goods and services.

MAGA, however, denies reality and instead offers the promise of a return to relevance and control – a psychologically uplifting message. That puts pressure on globalists to compete. But they soon realize it makes little sense to compete on “rust belt” products with the likes of China, India, Indonesia, and Vietnam. They have competitive advantages that they will not give up. The United States could compete only by substantially lowering

its wages, restricting imports, loosening environmental and work condition controls, purchasing raw materials and commodities at extremely high prices, and restricting the outsourcing of services. Highly inflationary. It is a game that is better to lose or, better yet, not play.

What arguments can the globalists make that might temper the hostility to globalization and be politically attractive? They can point with pride to the tremendous increases in the standard of living

throughout the world. They can point out that in the 1980s two billion people on our planet lived in extreme poverty earning less than \$2 a day. Today, 500 million. In 1970, 280 million children under the age of five were underweight. Now 80 million. Life expectancy in India went from 41 years in 1958 to 65 years today. In Bangladesh, 21% were literate in 1960, 65% today can read and write. In China, in 1960 37% were literate, now over 90%. Child mortality worldwide in 1960 was 22%. It’s now 4%. Globalization provided the underpinning that made these gains possible.

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The battle lines are drawn. One side chooses Machiavelli and Adam Smith and plays on the barely acknowledged insecurity and anger from perceived irrelevancy. The globalists, in response and, somewhat defensively, quote John Donne:

*“No man is an island entire of itself; every man is a piece of the continent, a part of the main; if a clod be washed away by the sea, Europe is the less, as well as if a promontory were, as well as any manner of thy friends or of thine own were; any man’s death diminishes me, because I am involved in mankind. And therefore never send to know for whom the bell tolls; it tolls for thee.”*

Or, globalists complain about the theft of intellectual property, unfair playing fields, subsidies, and terrible working conditions in lower-income countries – all valid points that so far have little impact on the exports of lower-income countries.

Does the United States have any cards to play? Yes. We could compete in those sectors where we have a comparative advantage. We have an educated population. We have created an environment incentivizing innovation. We have an independent legal system that respects contracts and property rights. We have an independent judiciary.

Perhaps candidates for public office might listen to Bob Dylan: “The answer, my friend, is blowin’ in the wind, the answer is blowin’ in the wind:” Infrastructure. Renewable energy projects, new schools, highways, hospitals, dams, high-speed transit, airports, new dock facilities, train stations, railroads, soil and dune erosion projects, low-cost housing, reservoirs, concert and performance halls, sports stadiums, museums, aesthetic

improvements, parks, river and bay clean-up, food/grain storage facilities, and irrigation systems.

That’s a lot of not readily exportable jobs across the entire job spectrum, financed by the dollars we pay to China and others (which are invested in U.S. Government bonds) for their low-cost exports to us. Take their goods and services and be thankful China and other countries remain committed to financing our infrastructure, consumption, and lifestyle. It makes no sense to waste resources in a futile attempt to compete in manufactured products made by two billion people prepared to work at \$3 per hour. Better to be a feudal landlord than a futile one.

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Government should invest in research and development institutes, similar to the National Research Laboratories, the Oak Ridge experience in World War II, and the space program, where government partners with the private sector and universities. Government could provide the scarce risk capital for research on alternative and more efficient energy sources, the effects of climate change, aeronautics, materials science research, water

salinization, food protection, genetics, biotech, and medical diagnostic equipment. The output of such research institutes, financed mostly by government, could be available at minimal cost to the private sector.

The United States can also afford to subsidize the production of a few products such as electric cars to a far greater extent than provided by recent tax laws. In addition to the substantial favorable environmental impact, a cost of say \$10,000 would be highly effective in combating inflation and creating jobs.

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And, tariffs could be unilaterally dismantled. They are inflationary and passed on to consumers or stockholders. They are borne primarily by industrialized countries, not China. Tariffs are like the little round silver balls in pinball machines spinning and bouncing on their random and unpredictable journey.

The U.S. might also exert maximum pressure on Saudi Arabia to triple the volume of oil that it produces. That will drive down the price of fuel immediately.

The U.S. could reestablish relationships with Iran. It makes no sense for Iran, on the cusp of having weapons of mass destruction, to be pushed into a détente with Russia and China. And our relationship with China could also be recalibrated. China is a potential friend, not an adversary. China produces goods and services that we want at very low cost.

It makes little sense to apply sanctions and controls for the purpose of making Russia, Iran, North Korea, and others economically bereft. The world is not a safer place if adversaries are economically emasculated. That is exactly what put the National Socialists in power in the 1930s in Germany.