

SESSION 8

(ANTI) FREE TRADE AND (DE)GLOBALIZATION



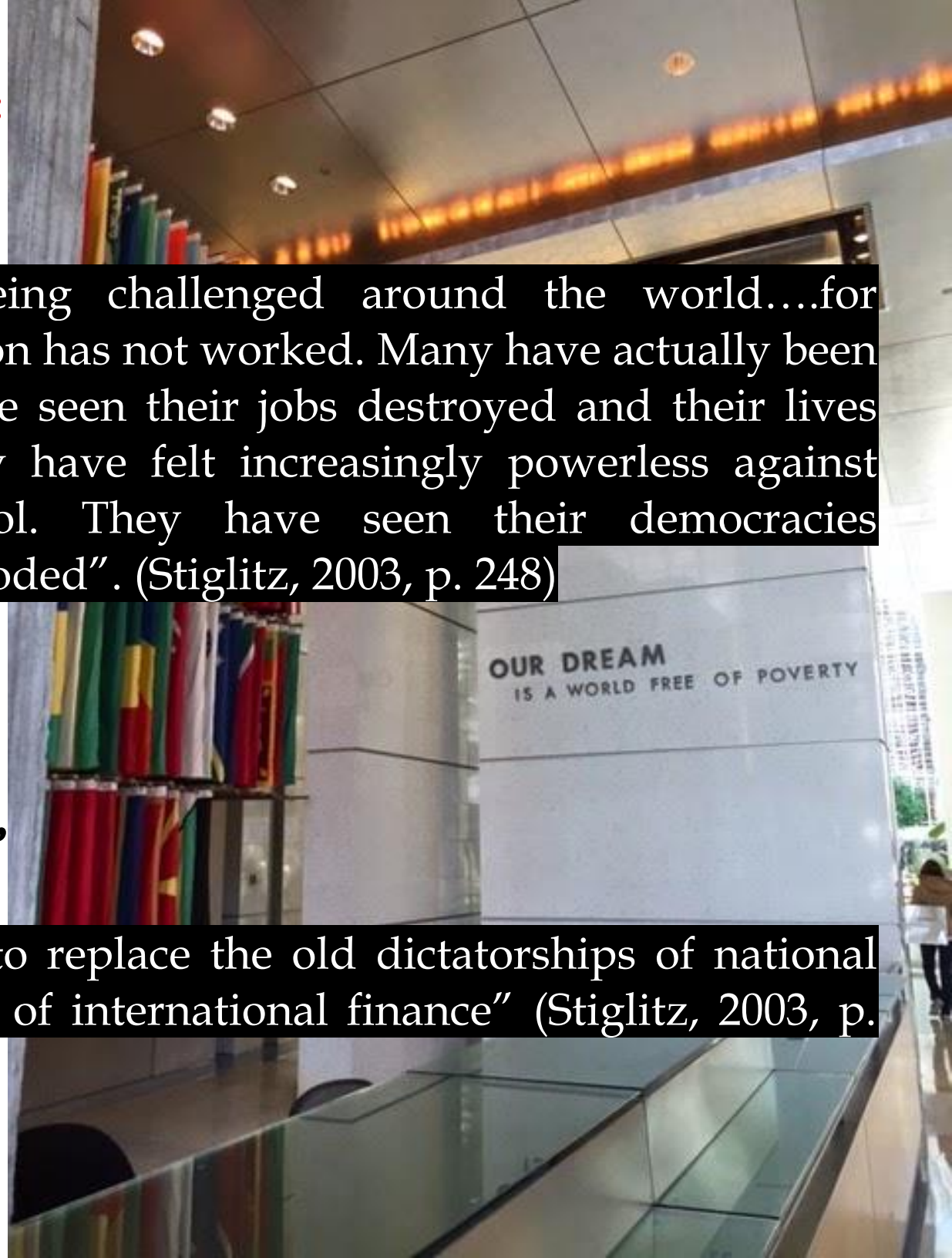
ANTI-GLOBALIZATION: THE END OF TRIUMPHALISM

“Today, globalization is being challenged around the world...for millions of people globalization has not worked. Many have actually been made worse off, as they have seen their jobs destroyed and their lives become more insecure. They have felt increasingly powerless against forces beyond their control. They have seen their democracies undermined, their cultures eroded”. (Stiglitz, 2003, p. 248)

Main entrance to the World Bank headquarters in Washington, DC:

**“OUR DREAM
IS A WORLD FREE OF POVERTY”**

“globalization...often seems to replace the old dictatorships of national elites with new dictatorships of international finance” (Stiglitz, 2003, p. 247)



World GDP per capita growth, 1961-2003 (annual change in per cent)

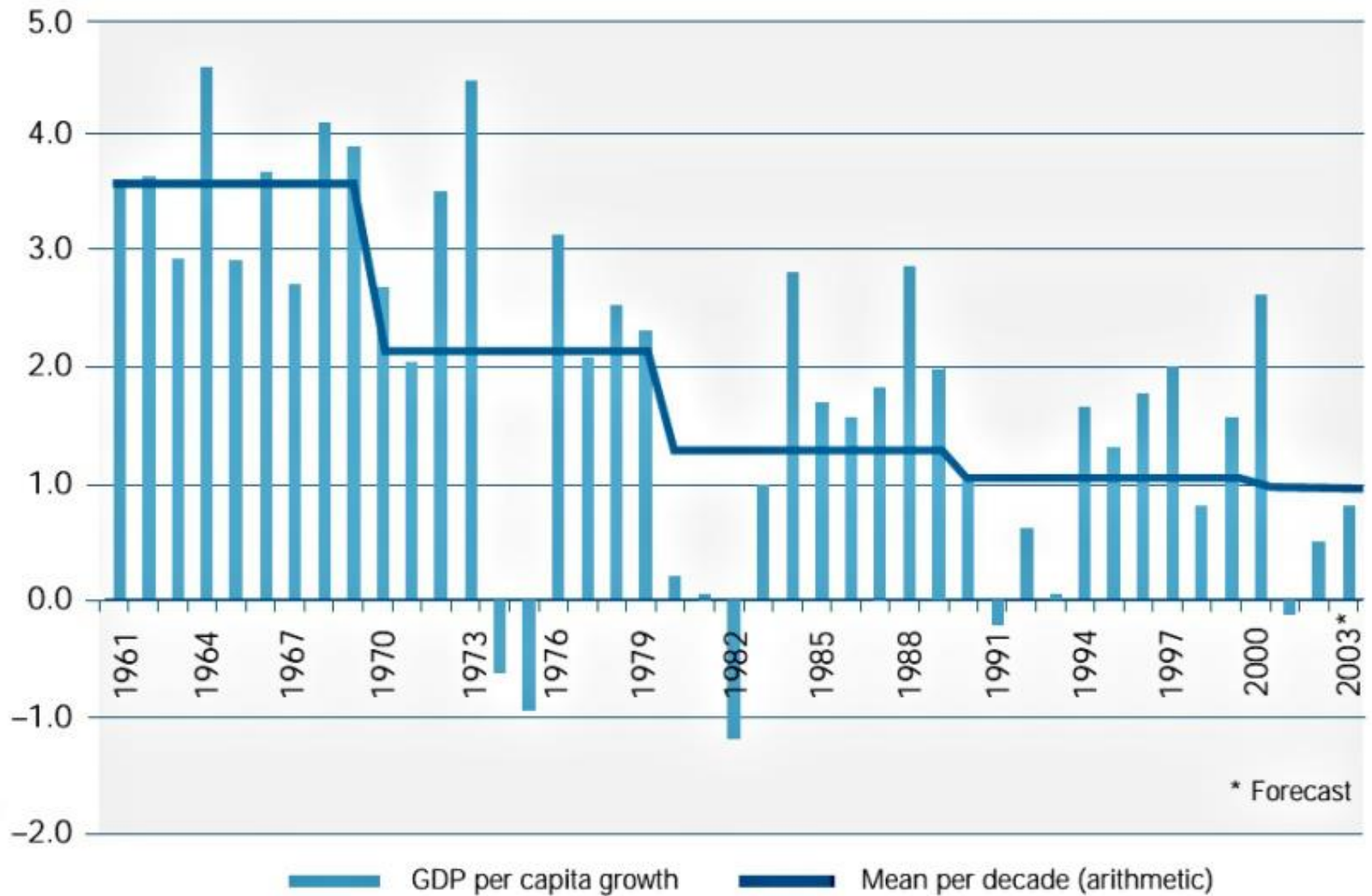


Figure 10

Sources: World Bank, *World Development Indicators 2003* (online version) and World Bank, *Global Economic Prospects 2004*.

REVISITING THE “OLD TRUTHS” OF NEOLIBERAL GLOBALIZATION

- 1980s—present, primary claims: increased productivity; economic growth; trickle down
- Neoliberal theory: Friedrich von Hayek, Ludwig von Mises
- *Liberalism*: free markets with a compromise—welfare state (anti-communism)
- *Neoliberalism*: rollback of the state, no compromise
- “Freedom” (of choice)

THE WASHINGTON CONSENSUS

- **IMF, World Bank, US Treasury Department**
- **Consensus:**
 - **free markets/trade liberalization**
 - **export-led growth**
 - **deregulation of industries**
 - **privatization, foreign investment**
- **Bretton Woods Institutions**
- **International Monetary Fund (IMF)**
- **World Bank (IBRD-IDA)**
- **World Trade Organization (WTO)**



STRUCTURAL ADJUSTMENT POLICIES

- **3 experiments: Chile (1973), NYC (1975), Mexico (1982)**
- **IMF (financial management, balance of payments); World Bank (development)**
- **Deregulation, Liberalization, Privatization**
- **Assumptions:**
 - **competition → efficiency;**
 - **private business satisfies needs**
 - **free markets = efficiency, growth**

- **Deregulation**
- **Liberalization**
- **Divestment**
- **Resource Privatization**
- **Austerity**
- **Standardization**
- **Foreign Monitoring**

1. Fiscal discipline (control government spending)
2. Reorientation of public expenditures (away from social spending, toward stimulating private investment)
3. Tax reform (reduced taxes on corporations, exports, imports, etc.)
4. Financial liberalization (open local banking)
5. Floating exchange rates
6. Trade liberalization (no tariffs, no banned imports)
7. Openness to Direct Foreign Investment
8. Privatization
9. Deregulation
10. Secure Property Rights
11. Corporate governance
12. Anti-corruption
13. Flexible labour markets
14. World Trade Organization agreements
15. Financial codes and standards

Official Purposes?

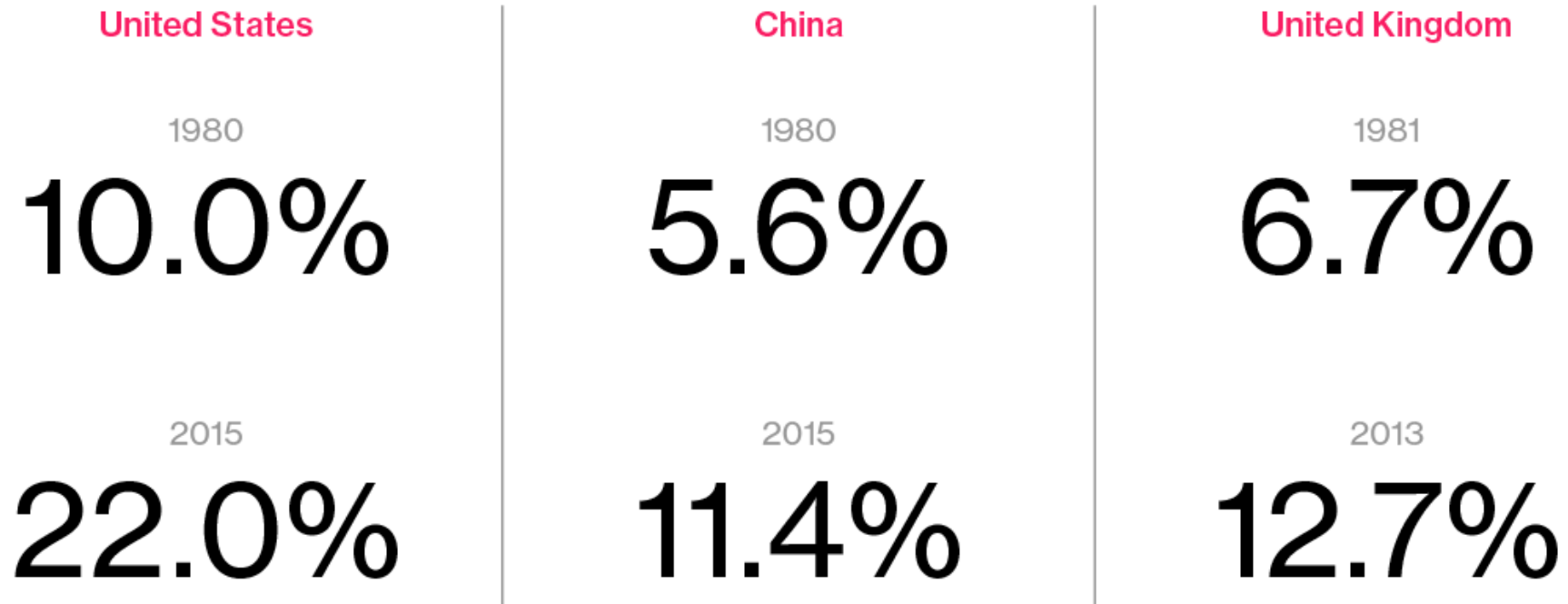
Objective Outcomes?

SOME EFFECTS OF STRUCTURAL ADJUSTMENT

- **Demand-reduction (wages, employment): economies shrank**
- **Sale of state-owned enterprises: unemployment, few new jobs**
- **Trade liberalization: eliminated local industries → unemployment**
- **Breaking up local banking systems: credit restrictions, food insecurity, banks withdraw**
- **State: “law enforcement” (repression)**
- **Loan conditionalities: diminished democracy, sovereignty**

- **Increased Income Inequality**
- **Diminished domestic market**
- **Poorer health and education outcomes**
- **Rise in usury**
- **Increased dependency on trade, foreign investment, foreign loans**
- **Increased dependency on aid**
- **Diminished sovereign control over resources**
- **Ecological harm**
- **Cultural Westernization?**

Income Share of the Top One Percent Has Doubled



SESSION 8, PART 2

AGAINST FREE TRADE?

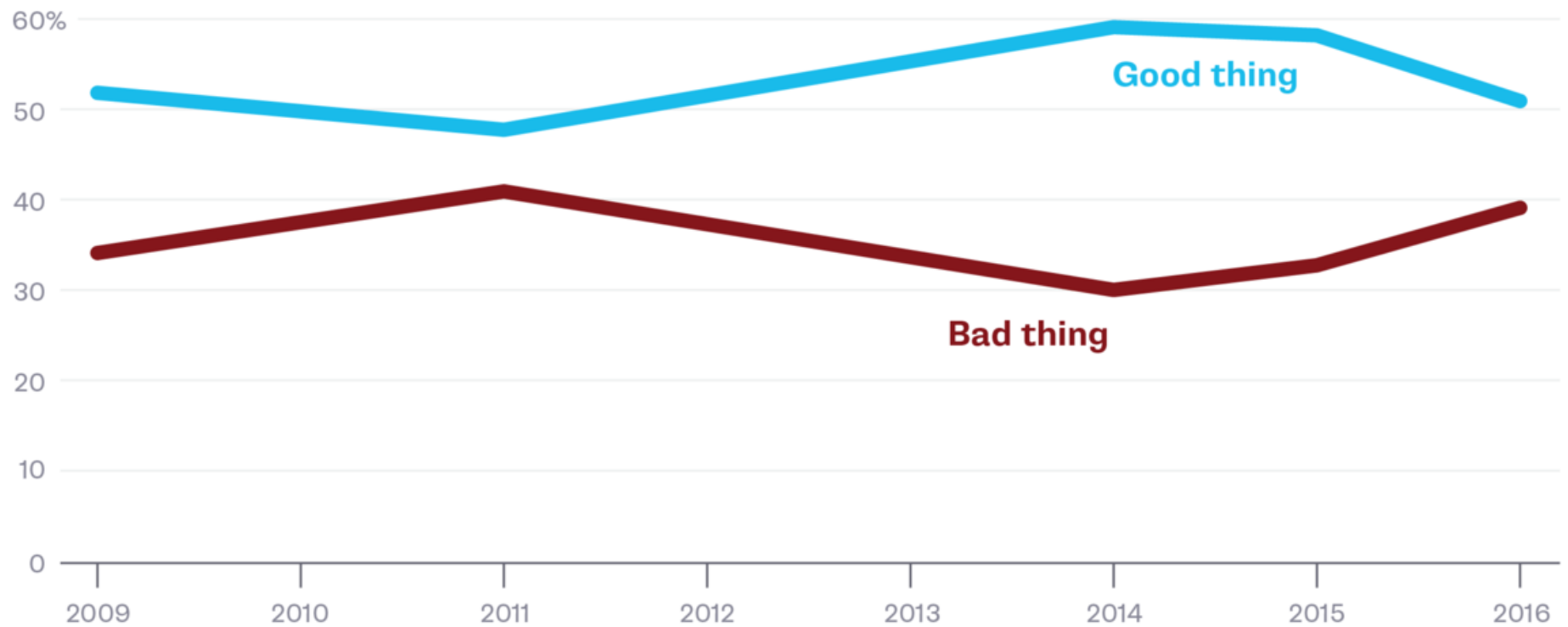
- free trade: foundational to globalization
- **What is it about free trade that has generated such widespread opposition?**



CBS News/New York Times poll: 35% of registered voters thought the United States gained from globalization, while 55% thought it lost.

Support for Free Trade Slips

Percentage of Americans who say free trade agreements have been a good thing vs. a bad thing for the U.S.

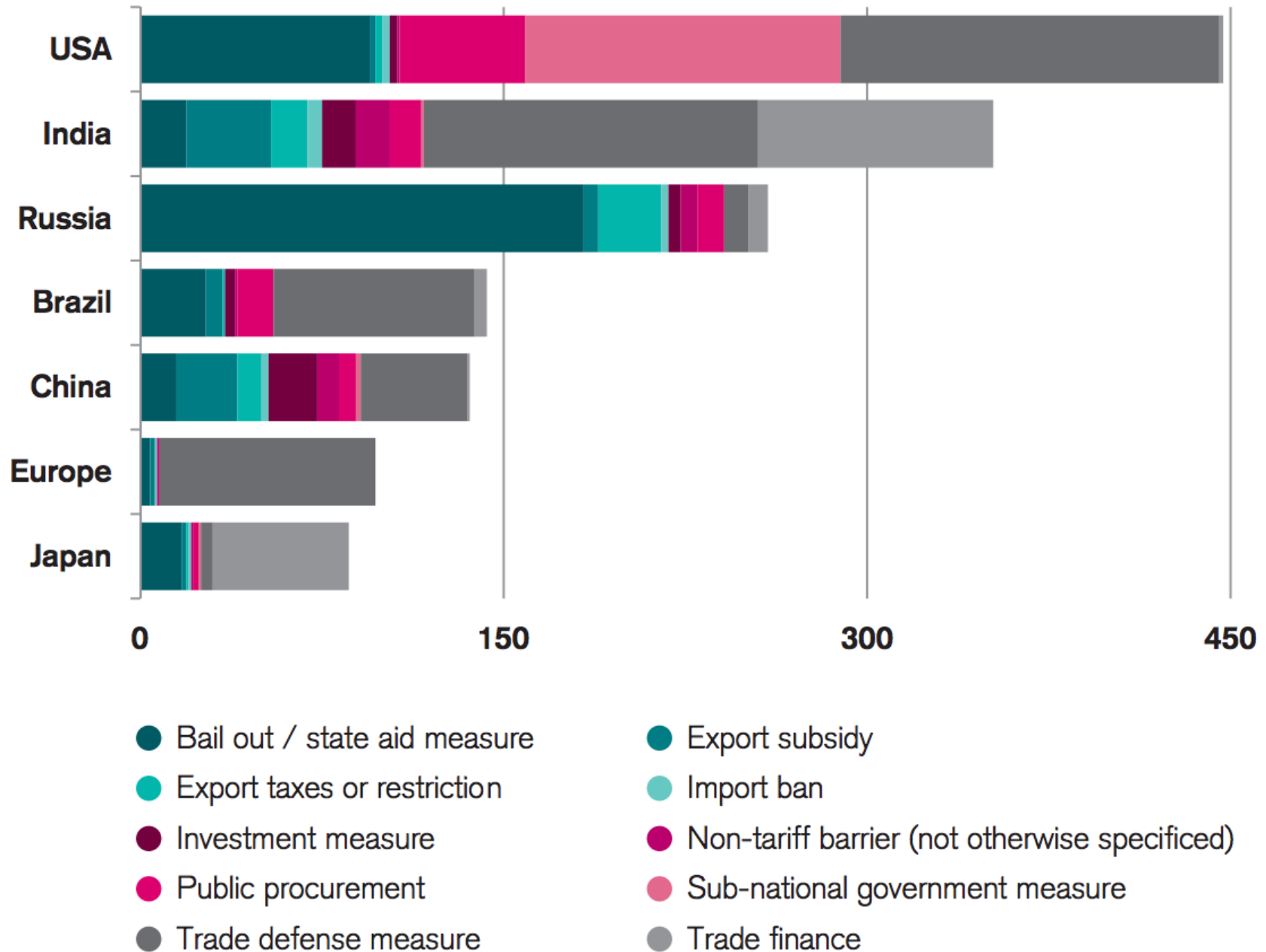


Note: Most recent survey conducted March 17-27, 2016

THE CURRENT STATE OF DEGLOBALIZATION

- **“surreptitious anti-globalization efforts”**
- **2009-2015, three times as many discriminatory trade measures were introduced as liberalizing ones**
- **first 10 months of 2015: 539 discriminatory trade initiatives adopted by governments worldwide**
- **tariffs**
- **domestic subsidies**
- **state procurement rules**
- **“buy local” campaigns**
- **devaluing currencies, low interest rates.**
- **Safety and environmental standards**

The USA imposes the highest number of protectionist measures



Source: Global Trade Alert, Credit Suisse

DE-GLOBALIZING LOGIC: SELF-RELIANCE

- **Why import?**
- **Protectionism**

Abraham Lincoln:

“When we buy manufactured goods abroad we get the goods and the foreigner gets the money. When we buy the manufactured goods at home, we get both the goods and the money”.

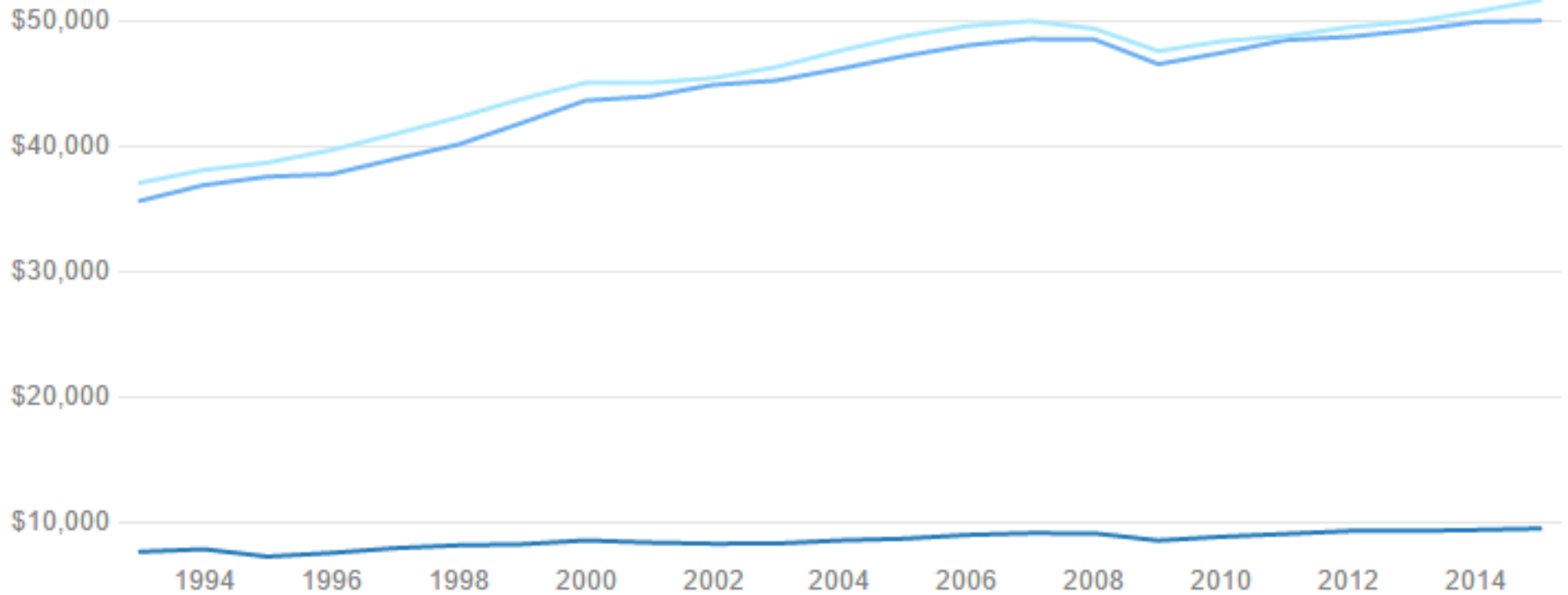
Friedrich List, *The Natural System of Political Economy* (1837):

“The forces of production are the tree on which wealth grows. The tree which bears the fruit is of greater value than the fruit itself...The prosperity of a nation is not ... greater in the proportion in which it has amassed more wealth (i.e., values of exchange), but in the proportion in which it has more *developed its powers of production.*”

NAFTA: IMPACTS ON THE US, MEXICO, CANADA

Real per capita GDP (1993-2015)

■ Mexico ■ Canada ■ U.S.



2010 USD

Source: World Bank/FRED

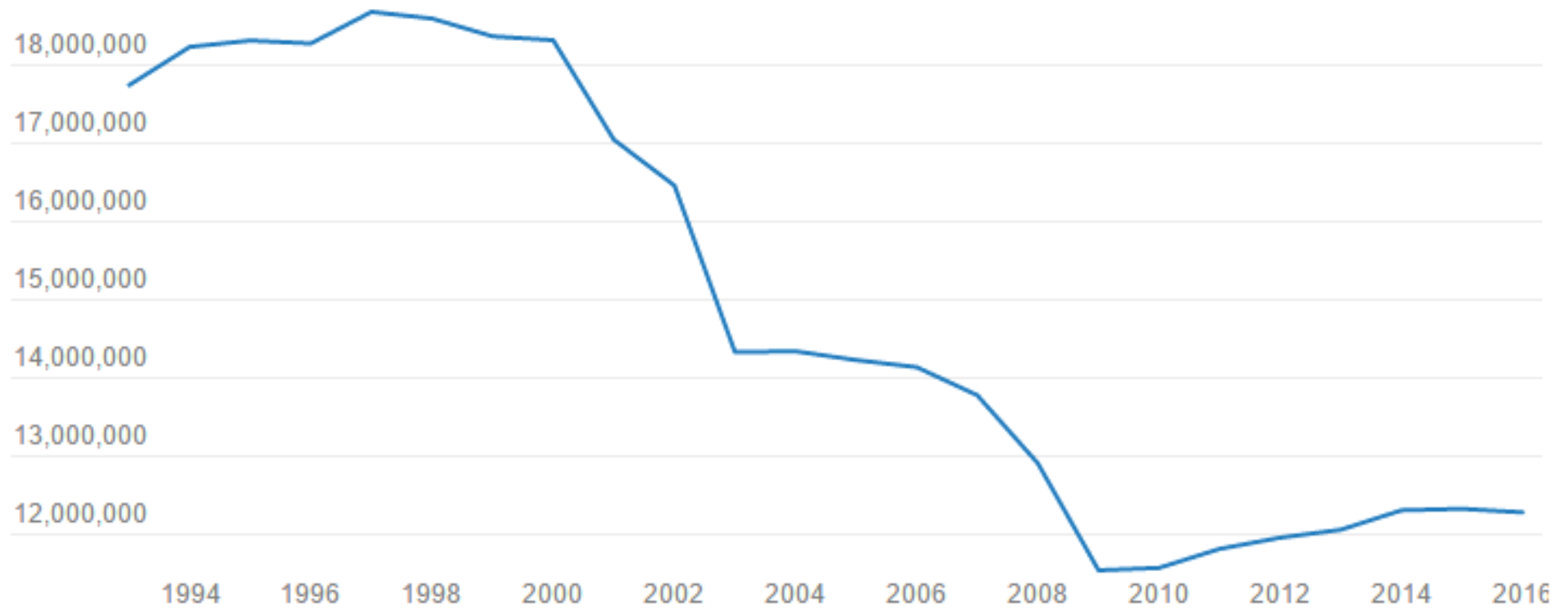
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A black and white photograph of a derelict industrial building. The building is multi-story with many windows, some of which are boarded up or missing. The ground in the foreground is covered in debris, including tires, wood, and other trash. The sky is overcast. The overall scene is one of decay and abandonment.

NAFTA's Impact on the US

- **NAFTA has destroyed more than 851,700 American jobs**
- **US lost 28% of its factory jobs since NAFTA came into effect, falling to 12.2 million jobs from 17.1 million.**

U.S. manufacturing jobs (1993-2016)



At year-end; 2016 figure is preliminary

- **Garment manufacturing: US employment declined by 85%**
- **nearly 60,000 factories in the US have shut down, more than 4.8 million manufacturing jobs lost**

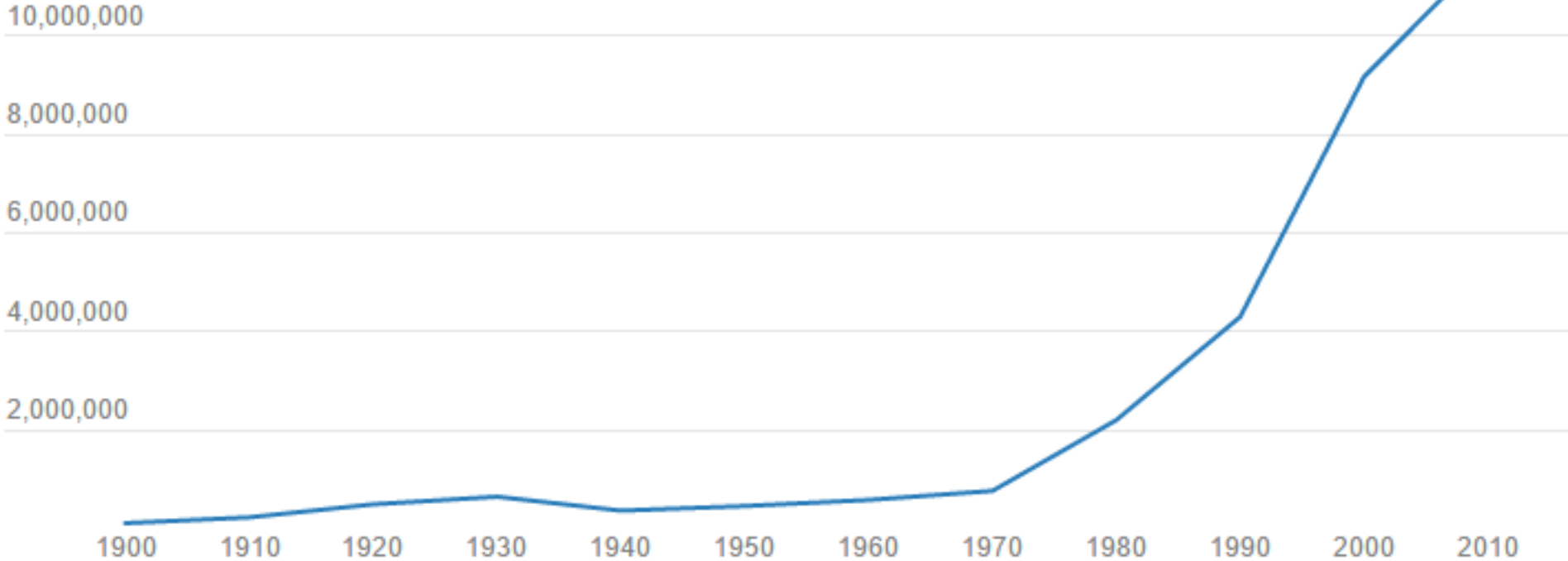


NAFTA's Impact on Mexico

- Exports circa \$1 billion a day, more than 10 times than in 1994
- average annual rate of per capita growth of GDP: less than 1%
- 20 million Mexicans: “food poverty”



Mexican immigrants in the U.S. (1900-2015)



Source: Migration Policy Institute

NAFTA's Impact on Canada

- **Since 2004, 500,000 manufacturing jobs were lost**
- **Since 2000, Canada lost more than 23% of all its factory jobs: employment falling to 1.7 million from 2.2 million.**
- **Heavy truck shipments in Canada collapsed by 75% between 2006 and 2011**
- **The GDP rate for the entire free trade era averaged 1.6% annually, below the rate *pre-free trade***
- **Limited labour productivity increases**
- **Real wage gains going to employers**
- **Real incomes declined for most Canadians in the 1990s**
- **Canada lost capital to the US: 1985–2002 → 10,052 foreign takeovers of Canadian companies, 6,437 of them by U.S. corporations**
- **96.6% of FDI: takeovers of existing Canadian businesses, financed through borrowing within Canada**
- **By 2002, Canadians held US\$133 billion in the U.S., three times more than in 1990**

- **“capital stock” of Canadian manufacturing, 10% lower today**
- **proportion of Canadian exports sent to Mexico has grown from 0.7% in 1997 to 1.5% in 2015**

Canadian Centre for Policy Alternatives:

“the impact of NAFTA on most of the people in all three countries has been devastating. The agreement has destroyed more jobs than it has created, depressed wages, worsened poverty and inequality, eroded social programs, undermined democracy, enfeebled governments, and greatly increased the rights and power of corporations, investors, and property holders”.

Former trade minister, Chrystia Freeland: “Thirty-five states count Canada as their number one customer. We do over \$2.4 billion in trade every day.”