

NATIONAL REVIEW

What Globalization Isn't

The free flow of goods, capital, and people is about freedom, period.

Michael Tanner

July 6, 2016

If there has been a bogeyman in politics this year, it has been “globalization.” While Brexit was seen by many as the latest rejection of the globalization that has been the mainstay of international economics since the end of the Second World War, American politicians, both left and right, have also turned against it.

Donald Trump is, of course, the high priest of anti-globalization. “We will no longer surrender this country or its people to the false song of globalism,” he swears. Bernie Sanders too complains that “the increasingly globalized economy, established and maintained by the world’s economic elite, is failing people everywhere.” And, while Hillary Clinton seldom uses the actual term “globalization,” she often echoes the complaints of anti-globalists, especially on trade issues.

But the bitter denunciations of globalization miss the mark.

First, let’s understand what globalization is and is not. Despite the paranoid fantasies of the Internet, globalization has nothing to do with some nefarious plot to impose world government. It is not about United Nations control or some mythical North American Union. It has little to do with the bureaucratic nightmare of the European Union. Nor does it entail the military intervention and nation building popular in some neoconservative circles. Rather, globalization is simply about the free movement of goods, capital, people, and ideas around the world and across borders.

And we are much better off because of it. Globalization has lifted hundreds of millions of people from poverty worldwide. As recently as 1990, nearly 2 billion people, 37 percent of the world’s population, lived in extreme poverty — that is, with incomes of less than \$1.90 per day. Today,

that is true of just 9.6 percent of the world's population — barely 700 million people. That's an enormous reduction in human misery that can be traced to globalization.

But what about this country? The Peterson Institute for International Economics estimates that past gains from U.S. trade and liberalization of investment range from \$9,270 to \$16,842 per household. Another study found that that “a 1 percent increase in trade raises real income by 0.5 percent.” Other research finds that the trade flowing from globalization has increased consumer purchasing power for middle-income households by 29 percent. As for the poor, they benefit most from the availability of low-cost goods, seeing as much as a 62 percent increase in purchasing power over what they would have in a world without trade.

Yes, of course there are losers as well as winners. Economic gains are never evenly distributed. When we moved from horse-drawn carriages to automobiles, people who worked in the buggy-whip industry were losers. But that hardly means that we should halt economic progress in order to protect every job that currently exists, or that we should artificially prop up wages in declining industries. If anything, government has been too involved in protecting certain industries and occupations from global competition.

Anti-globalization is not just anti-trade or anti-immigration — it is the gateway drug to big government. Milton Friedman pointed out that “Interferences with international trade appear innocuous; they can get the support of people who are otherwise apprehensive of interference by government into economic affairs; many a business man even regards them as part of the ‘American Way of Life’; yet there are few interferences which are capable of spreading so far and ultimately being so destructive of free enterprise.”

In the end, though, globalization is not just about economic growth. It is about freedom — the freedom to travel, the freedom to buy and sell, the freedom to work, and the freedom to hire and fire. It treats every person not as a member of some tribe, but as an individual, with the same natural rights as every other person.

As Frédéric Bastiat, one of the earliest classical-liberal economists, warned:

Exchange, like property, is a natural right. Every citizen who has produced or acquired a product should have the option of applying it immediately to his own use or of transferring it to whoever on the face of the earth agrees to give him in exchange the object of his desires. To deprive him of this option when he has committed no act contrary to public order and good morals, and solely to satisfy the convenience of another citizen, is to legitimize an act of plunder and to violate the law of justice.

Perhaps that focus on individual rights is one reason why studies show that the free flow of goods, people, capital, and ideas, as an overview from the Council of Economic Advisers noted, “helps reduce discrimination and furthers social inclusion. Research has documented a decrease in discrimination-based wage gaps based on gender, race, and immigration status in the

aftermath of increased trade. Research also confirms that greater openness to trade, as measured by lower tariff rates, is correlated with better human-rights conditions.”

America is a great nation, the world’s leading economic power. As such, we should welcome a world in which there are few if any barriers. We don’t need to cower behind walls or fear international competition. If we can do more to help those left behind, let’s do so. If we can increase our competitiveness by cutting taxes and regulations, it is long past time. And we should recognize, as Ronald Reagan did, that “The freer the flow of world trade, the stronger the tides for human progress and peace among nations.”

Michael Tanner is a senior fellow at the Cato Institute and the author of Going for Broke: Deficits, Debt, and the Entitlement Crisis.