

GLOBALIZATION AT RISK?

By

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As could have been anticipated, there has been a frenzy of media coverage following the vote by the electorate in the United Kingdom to leave the European Union. The pundits have been falling over each other trying to analyze the causes and to predict the consequences of this decision.

Much of the analysis makes sense but there is also a lot of analysis at the periphery which does not make sense or is based on misinformation and only serves to confuse the issues and frighten people. Only the future will tell us how much of this will prove to be true.

This being said, in my opinion, there is a theory finding favour among some observers which does make considerable sense and certainly deserves further study and probably immediate action.

This theory holds that the economic tsunami of globalization is now facing serious headwinds and this is leading to a new political world order and a new economic world order that will shape our world for many, many years to come.

This paper will address some of the thinking behind this theory.

Let me begin by summarizing what is currently happening in the United Kingdom.

It is well known that a significant percentage of Britons have been against the EU (and its predecessors) since the beginning. They resent the growing interference from the EU into their affairs. They perceive the EU to be too impersonal and too far removed from the scene to understand their problems and desires. They object to the exploding number of restrictions imposed by the EU which are constraining their traditional way of life. They perceive that the EU has failed to bring any economic prosperity to the country but, instead, has brought widespread economic hardship. They have lost hope that the politicians can change the country's arrangements with the EU in any meaningful way.

For a variety of reasons, Britons have also lost faith and trust in the elites and are no longer prepared to do their bidding.

As well, a large number of citizens have not personally benefitted from the single European market or globalization in general. Indeed, many people have been disadvantaged and they do not see any change down the road. They are particularly frustrated by the austerity mantra that has spread across Europe and wonder why it is being foisted on them.

They have also become increasingly upset about the large number of foreigners and refugees who are flooding into the country bringing with them different values, different religious customs and different cultures. They also accuse these immigrants of taking away their jobs. This has led to a surge in xenophobia and many Britons now perceive a huge erosion in their old way of life. Even more frightening, this is happening at a rate which is much too rapid for them to deal with.

The breakdown of the Leave vote is, of and in itself, most illuminating. The voters sent a clear message that older people, rural dwellers, those less educated and lower wage earners are the most disenchanting and wanted to be heard.

In hindsight, it has become crystal clear that there are numerous issues preying on the voters' minds, not just immigration issues. While immigration was clearly the lightning rod issue which triggered the widespread vote against the Remain side, it is also obvious that there are many other issues which played on the voters' minds and which they feel strongly must be addressed.

Is it any wonder that the electorate, finally given a voice, chose the Leave option?

And now, since the Leave movement was so successful, everybody has suddenly become seriously worried about the contagion effect and, in my opinion, they should be.

Even prior to Brexit, the EU was under attack by many critics. Almost every country in the EU has one or more political parties who advocate withdrawing from the EU. While some already have more clout than others, most are growing in popularity and becoming a force to be reckoned with. For instance, Marine Le Pen who is head of the National Front party in France is also internationally known and influential beyond her own country and could very much help the cause in other countries. Already, a growing chorus of politicians in several EU countries are calling for similar referendums.

So the seeds are already sown and capitalizing on the success of Brexit and the reasons underlying its success, it is anticipated that many politicians in many more countries will be mounting vigorous campaigns for a similar referendum in their own country. It is also expected that some of the campaigns will be successful. If so, this will increase the odds for similar success in more and more countries and many people fear there will be a domino effect spreading across most of the EU.

The end result could be the breakup of the EU in its current form. This may seem like a long shot but so was Brexit. Also, frightening as it sounds, the odds that Donald Trump could become President of the United States are increasing and this is another long shot that could come to pass and which was not expected. If that should happen, it would be in large part due to many of the same problems that plague Europe.

The theory which I referred to holds that if the EU should fall apart and Europe should splinter into a collection of individual countries and if the UK and the US should move towards various forms of protectionism, economic globalization could become one of the first casualties.

Each country in the former EU would be very much on its own and there would be a major restructuring of the world's economic affairs. There could be an unworkable web of trade restrictions and outright trade barriers. It would be extremely difficult to create, let alone maintain, trade blocs of any significance. Markets would shrink in size and in importance. Economies of scale would not justify huge investments because there would be no global marketplace for many industries' products and services sufficient to earn a reasonable return on investment. There could be a resurgence of cottage industries within individual countries. Intellectual property protection would be fragmented and inconsistent throughout the world and this would be a major barrier to doing business in many jurisdictions. At a country level, politicians and decision makers would scramble to help local businesses weather the storm and, rather than help the situation, they could cause further damage.

Whichever way you cut it, all the rationale and benefits which support globalization would be at risk and, in their own self-interest, companies would take whatever steps they can to survive.

All of this is shades of the '30's and there is general agreement the fall out would be brutal. Therefore, no one in their right mind is advocating that the world should unfold this way.

Nevertheless, there is also general agreement that the British electorate voted on emotion not facts. There is no denying that this a very emotional issue for a lot, and probably a growing number of people, in many places across the world. And, as we all know, experienced politicians are very adept at tapping into human emotions. And, to make matters even worse, as we saw in the UK referendum, most Britons did not make any effort to understand the issues or to challenge the propaganda. Finally, and this most worrisome, the general public is less inclined to accept any leadership from the elites or to listen to any facts.

Conventional wisdom tells you this scenario should not even be in the cards. However, it is and, if it comes to pass, the whole world is in for a very rough ride. Also, public figures will need a lot of wisdom to right the ship. If it does not unfold this way, public figures will still need a lot of wisdom to resolve the collateral and residual issues that have suddenly become more urgent because of Brexit. There is a widespread recognition that the United States is experiencing a myriad of problems which are jeopardizing the American dream. These problems are well known and well documented.

Increasing racial violence, a widespread illegal drug culture, insidious gang warfare, military like law enforcement, inhuman incarceration, inequitable gerrymandering of electoral boundaries, voter suppression, permanent electioneering, political gridlock, the overwhelming political clout of Political Action Committees (PAC's), income inequality, crony capitalism, eroding social consciousness, erosion of workers' rights, eroding international respect are some of the most talked about.

I contend that these examples are only the symptoms. They only categorize the problems in behavioural terms and this descriptive terminology does not identify or address any underlying causes which I prefer to label root causes. It's like a doctor who tries to address an illness with pain killers without trying to understand the cause of the pain. Unless steps are taken to deal with root causes, it is going to be practically impossible to treat the symptoms.

I have identified five root causes which I believe collectively or individually underlie many of the symptoms which I listed earlier. These are a mix of cultural behaviour and structural shortcomings.