So Long, Globalization V2: The Causes and Consequences

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Economic History is Episodic

• Globalization V1
  – 1820-1870: technology, trade, limited industrial convergence
  – 1871-1914: technology, trade, investment, industrial convergence big-time
• 1914-1945: Industrial War
• Globalization V2
  – 1945-1979: Bretton Woods: technology, trade, convergence big-time
  – 1979-2016: Monetarism: technology, trade, investment, divergence
Break Point

• V2 nearing perfection of its logic (EU four freedoms, TPP)
• But vital signs going off the charts
  – Interest rates breaking the “zero bound”
  – Financialization
  – Income distribution
  – Instability
• With disruptive consequences: social, political, and environmental “closures” being breached
Causes

• Monetarism’s logic
  – playing with the price of money
  – Macro / debt / X-rates / asset markets / factor markets

• System logic – freedom to operate for capital (TPP)

• Feedbacks: money is power – power corrupts
  – Media / think tanks / university chairs / tax-deductible “charity” / PACs
Kleptonomics Empowered

• Klepto 1.0: Gordon Gekko – leveraged buy-out
• Klepto 2.0: Tax avoidance - Panama Papers
• Klepto 3.0: Instability & skimming
• Klepto 4.0: QE
• Klepto 5.0: KBE – patent trolls
• Klepto 6.0: BAT (coming soon)
Consequences

• Social/Political closure breach > disruption: Brexit/Trump

• Perverse outcome:
  – from rules-based to power-based system
  – Environmental/social/political breaches deepened

• STAR - habeas corpus abandoned / limits of power being Trump-tested

• Social psychiatry needed!
Is There Hope?

• Hope springs eternal
• We are in the inter-regnum between systems
• The future could look good:
  – Technology empowered
  – High capital/labour ratio = high wages
  – Labour-saving > less work
• Key is income distribution
• Its just a question of system design