

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