

## **ISSUES IN PERSPECTIVE**

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### ***The Global Economy and the Reorientation of Politics***

For the advanced nations within this global economy, economic growth has been weaker for longer than it has been in the lifetime of most people alive today. Although the American economy is growing at a faster pace than others, it is still lagging and taking much longer to recover from the 2008 Great Recession than many anticipated. As Neil Irwin of the *New York Times* reports, “This trend helps explain why incomes have risen so slowly since the turn of the century, especially for those who are not top earners . . . This slower growth is not some new phenomenon, but rather the way it has been for 15 years and counting. In the United States, per-person gross domestic product rose by an average of 2.2% a year from 1947 through 2000—but since 2001 has averaged only 0.9%. The economies of Western Europe and Japan have done worse.” About 81% of the US population is in an income bracket that saw flat or declining income over the last decade. That number is 97% in Italy, 70% in Britain and 63% in France. These new realities are hitting the citizens of western civilization particularly hard and creating a degree of tension and dissatisfaction not seen for decades. To a degree, these new realities are behind the Trump (and Sanders) phenomenon in America, the Brexit vote in Europe, and the growth of nationalist parties in other nations of Western Europe. Is there a reorientation of politics occurring in western civilization?

The British magazine, *The Economist*, makes a most interesting observation about the changing political culture of the West: “From Warsaw to Washington, the political divide that matters is less and less between left and right, and more and more between open and closed. Debates between tax-cutting conservatives and free-spending social democrats have not gone away. But issues that cross traditional party lines have grown more potent. Welcome immigrants or keep them out? Open up to foreign trade or protect domestic industries? Embrace cultural change or resist it?” The Brexit movement, for example, indicates how politics is changing. The “Brexiters” won the referendum because they represented an attempt “to take control of borders and institutions from Brussels, and to stem the flow of immigrants and refugees.” A new metaphor is in use to describe this new political cleavage: Those who want the “drawbridge up” and those who want the “drawbridge down.” The former stand for restricting immigration, higher protective tariffs and restricting the global economy. In Europe, they would be against or have severe reservations about the European Union (EU). The “drawbridge downers” are those who want open trade and the free flow of goods and people. They would be strong advocates of the EU. A simple fault line is developing in western civilization. For example:

- Poland and Hungary are now controlled by “drawbridge uppers.”
- In France, Marine Le Pen represents a rather extreme French position calling for closed borders, restrictive trade policies and severe restriction of immigrants coming into and on those already living in France.
- Many in Germany are pushing back against Angela Merkel’s open immigration policies and her strong commitment to the European Union.
- The Republican Party in the US has nominated a man who stands against the current trade deals, seeks to dishonor alliances such as NATO and seeks to rigorously restrict immigration into the US. Since World War II, this Party has enthusiastically supported free and open trade and deep commitments to such alliances as NATO.
- Over one-fifth of European voters back a populist party (of either the right or the left) and are represented in the governments of nine countries in Europe. “Nearly all drawbridge-up parties argue that their country is in crisis, and explain it with a simple, frightening story involving outsiders.”

How do you explain the rise of these “drawbridge-up” political movements? There are two fundamental reasons:

1. As mentioned above, the first reason is an economic one. Nearly 65-70% of households in rich nations have seen their real incomes from wages and capital decline or stagnate between 2005 and 2014. Although nearly all American households saw their disposable income rise, many mid- and less-skilled workers in rich nations such as the US feel hard-pressed. Economic insecurity (real or perceived) makes all other fears loom quite large for those workers, and they blame immigration and trade policies for their situation.
2. Demographic change is the second factor: “rich countries today are the least fertile ever to have existed. In 33 of the 35 OECD [Organization for Economic Cooperation and Development in Europe] nations too few babies are born to maintain a stable population.” Consequently, immigrants move in and fill that gap and this brings profound cultural change—in terms of food, traditions and religious practices. Many European communities especially have struggled to assimilate newcomers and this is reflected in the politics of these nations. In America, Donald Trump has successfully appealed to white men who are either out of work or who are high school graduates with low- or mid-level skilled jobs. Such workers feel threatened by immigrants and are absolutely convinced open, global trade has cost them jobs and prosperity. Trump has fed those fears and prejudices.

It is difficult to believe that the global economy is going to disappear or that open trade policies will be rejected. The US needs immigrants to fill in the job gap resulting from smaller families. For the entire history of the US, the American economy has grown because immigration has provided a constant and predictable flow of new workers, all of whom pay taxes, contribute to their communities and, usually, have larger families—at least until they are assimilated. All statistical studies have demonstrated unequivocally that open trade policies actually produce more jobs for the US economy over a period of time. What the US government must do is

provide job training and additional education and re-training for those affected by the global economy. In addition, the national government, which is the only one that can do it, must provide an expanded program for infrastructure building and renovation (e.g., roadways, bridges, ports, airports, etc.). These programs will create significant jobs and make the US economy more competitive and efficient worldwide.

The political reorientation occurring due to the global economy is self-defeating and actually harmful for the longer term. The restrictive policies advocated by the “drawbridge-uppers” will not last, for millennials and the younger generation oppose such restrictions. Millennials rejected the Brexit vote and younger voters are not supporting Donald Trump. Globalization is here to stay and the western democracies must find ways to accommodate to this new reality.

See Neil Irwin in the *New York Times* (7 August 2016) and *The Economist* (30 July 2016), pp. 16-18.