Understanding De-Globalization

*Trade-offs between* *Wealth* *and* *Sovereignty*

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The Globalization Trilemma

Source: Brexit and the Globalization Trilemma, Dani Rodrik
Utility Maximization is NOT GDP or Income Maximization

The welfare of a nation can, therefore, scarcely be inferred from a measurement of national income -- Simon Kuznets (1934)

When 11 countries in Europe joined the Euro in 1999, they freely relinquished their national currencies. They didn’t just say yes to a new currency as a medium of exchange; they consciously decided to transfer part of their sovereignty to the European level” – French Finance Minister Le Maire (2019).
The Sovereignty/Utility Trade-off
The Sovereignty/Utility Trade-off:

Anti-Globalist
The Sovereignty/Utility Trade-off:

Globalist

Diagram showing the trade-off between sovereignty and national utility, with a peak at the anti-globalist level and a decline towards the globalist level.
Individual Utility (U)

\[ U = (\alpha \times \Delta Wealth) + (\beta \times \Delta Sovereignty) \]

Sovereignty: Supreme and independent power or authority in government as possessed or claimed by a state or community.
National Utility

\[ \sum_{i}^{n} \left[ (\alpha_{i} (\Delta Wealth_{i}) + \beta_{i} (\Delta Sovereignty_{i}) \right] \]

Group threat can override economic self-interest, depending on an individual’s valuation of sovereignty.

Heightened national feels can buffer the psychological harm experienced by dominant-majority group members who fear status threat (Sengupta, Osborne, and Sibley (2019)).
America’s Turn Against Globalization

1984 Republican Party Platform: “we will work with all of our international trading partners to eliminate barriers to trade, both tariff and non-tariff”

1988 Democratic Party Platform: “WE BELIEVE that America needs more trade”

1992 Democratic Party Platform: “Multilateral trade agreements can advance our economic interests by expanding the global economy”

Ross Perot Loses: NAFTA, China into WTO, Income Inequality Explodes

2012 Republican Nominee Mitt Romney promised to “champion free trade”
Utility with geographic mobility

Wealth impact of this population:

\[ \Delta Wealth_{fixed} < 0 < \Delta Wealth_{mobile} \]

Net Wealth Impact:

\[ \sum_{j}^{J} \left[ (\alpha_j (\Delta Wealth_j + \text{cost of displacement}_{mobile}) + \beta_j \Delta Sovereignty_j) \right] \]
Election Results 2016: Seats flipped from Republican to Democratic

Source: CNBC
2016 Presidential Election Results

Wisconsin

Source: Washington Post

Pennsylvania

Source: BBC
Brexit: “Take Back Control”

Source: Vox
Source: Lord Ashcroft Polls
Rationales given by Leave voters

- “I voted Leave because Europe was dictating to us”
- “we’ll have a bit more control”
- “I’m looking forward to getting back to how we were: running our own farms, being able to look after ourselves”

Source: Lord Ashcroft Polls
Concluding Thoughts: More Anti-Globalism Likely

• Anti-globalism can be utility maximizing given high valuation of sovereignty, even for those who lose wealth.
  • Fear of loss of ‘dominant’ social status increases value of sovereignty for certain subgroups.
• US/UK are wealthy countries and near/at ability of wealth to purchase happiness on the individual level (depending on metric)
• America’s Presidential election rules over value geographies that will favor anti-globalization
  • Politics, like nature, abhors a vacuum.