

Understanding De-Globalization

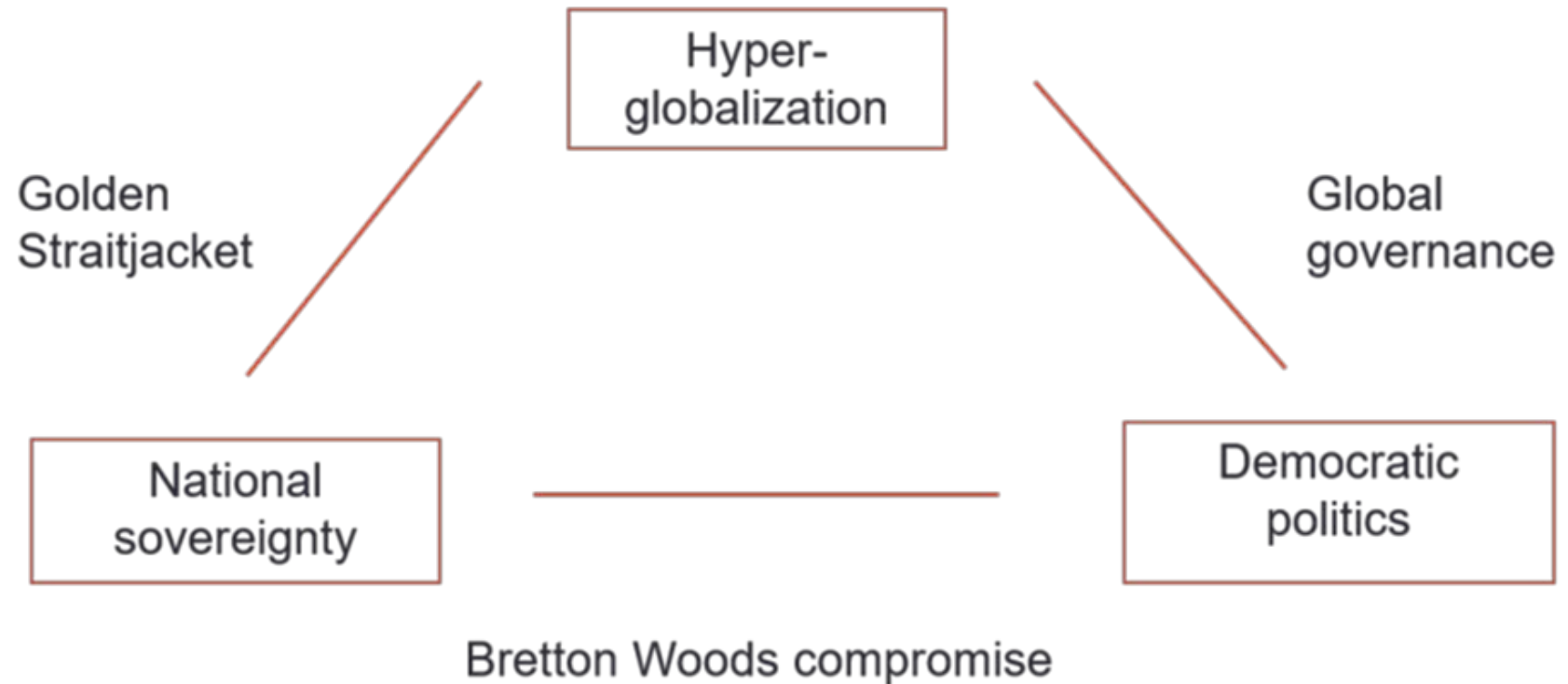
*Trade-offs between **Wealth** and **Sovereignty***

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The Globalization Trilemma

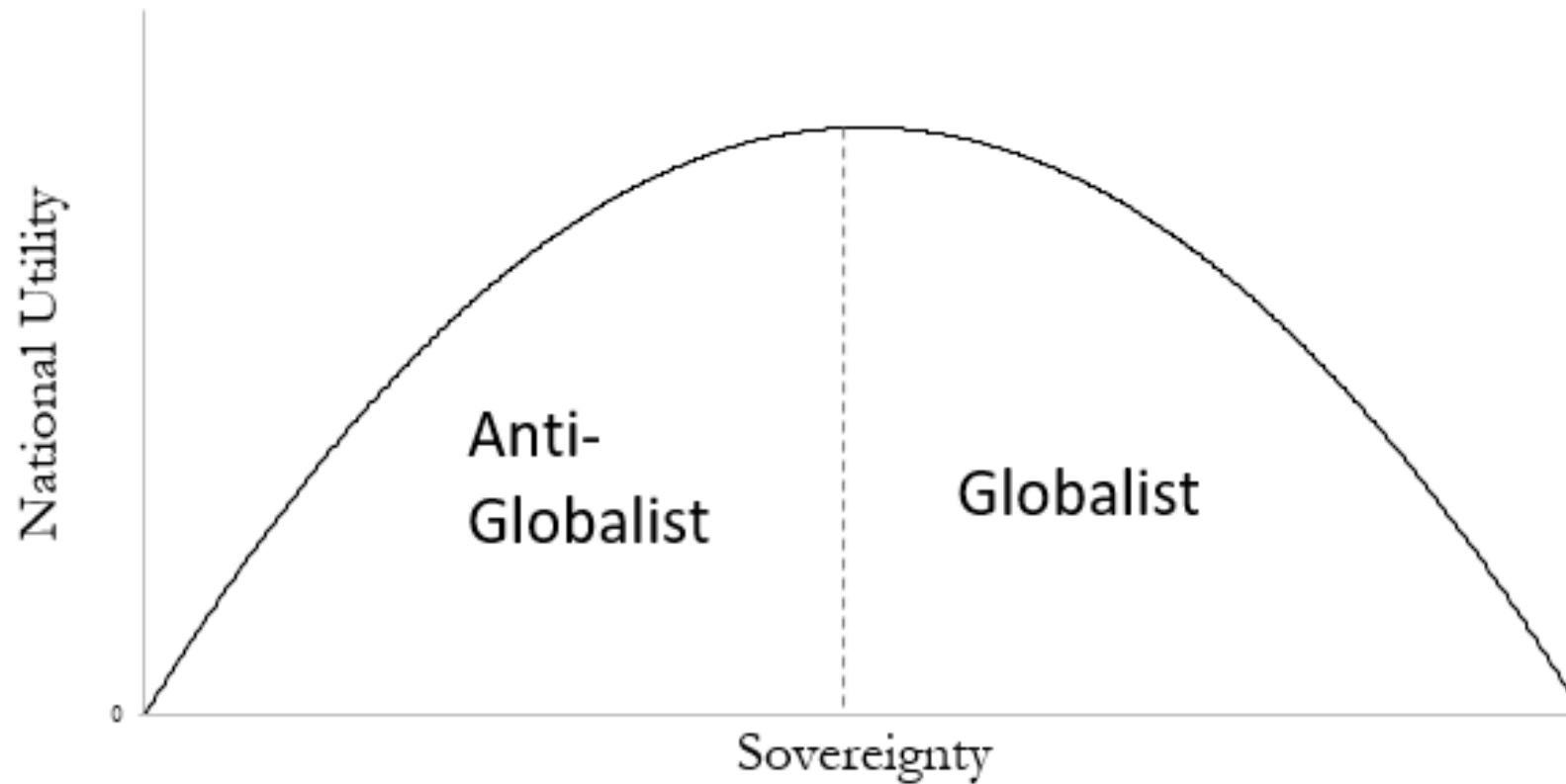


Utility Maximization is NOT GDP or Income Maximization

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

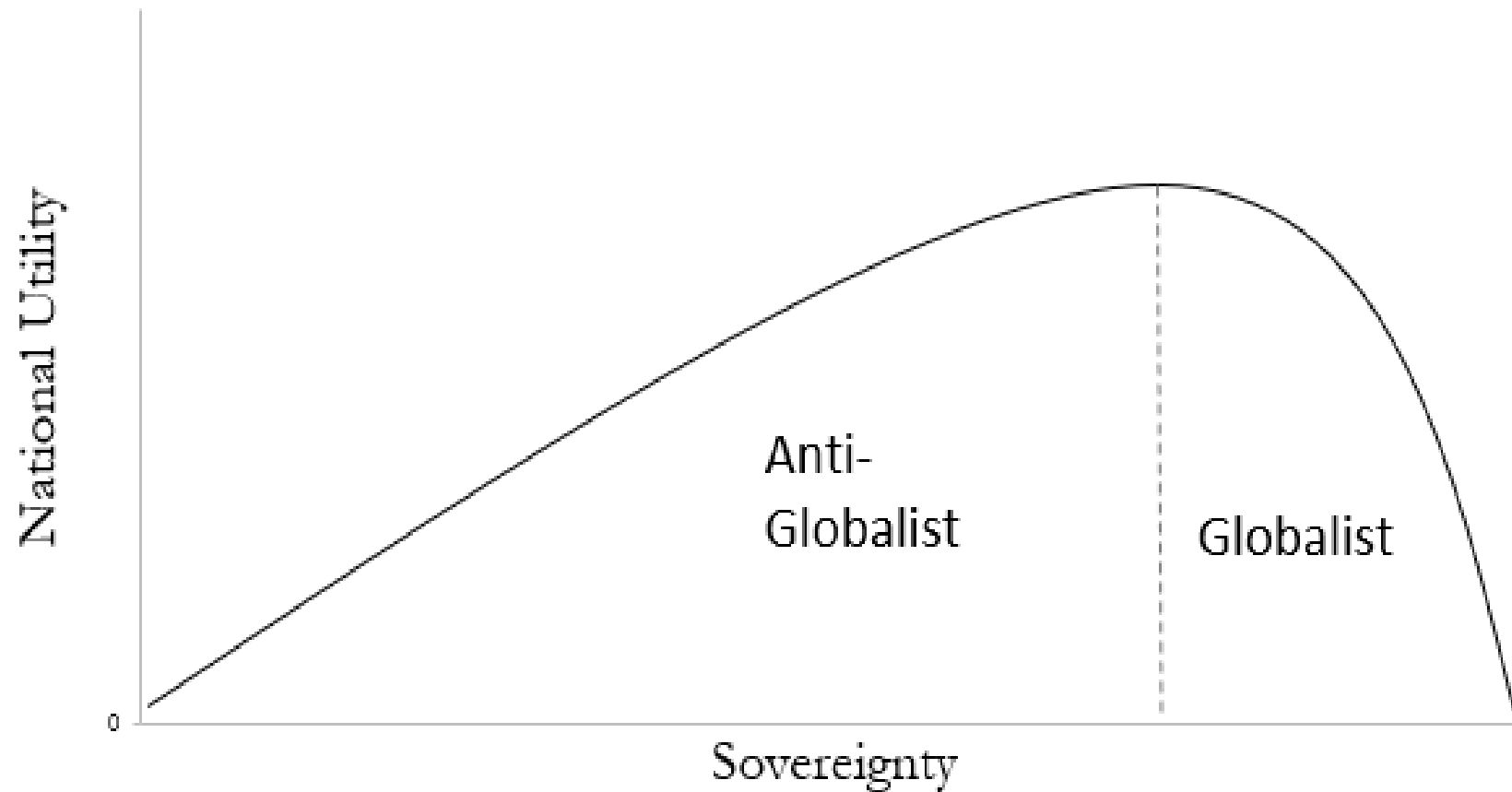
When 11 countries in Europe joined the Euro in 1999, they freely relinquished their national currencies. They didn't just say yes to a new currency as a medium of exchange; they consciously decided to transfer part of their sovereignty to the European level" – French Finance Minister Le Maire (2019).

The Sovereignty/Utility Trade-off



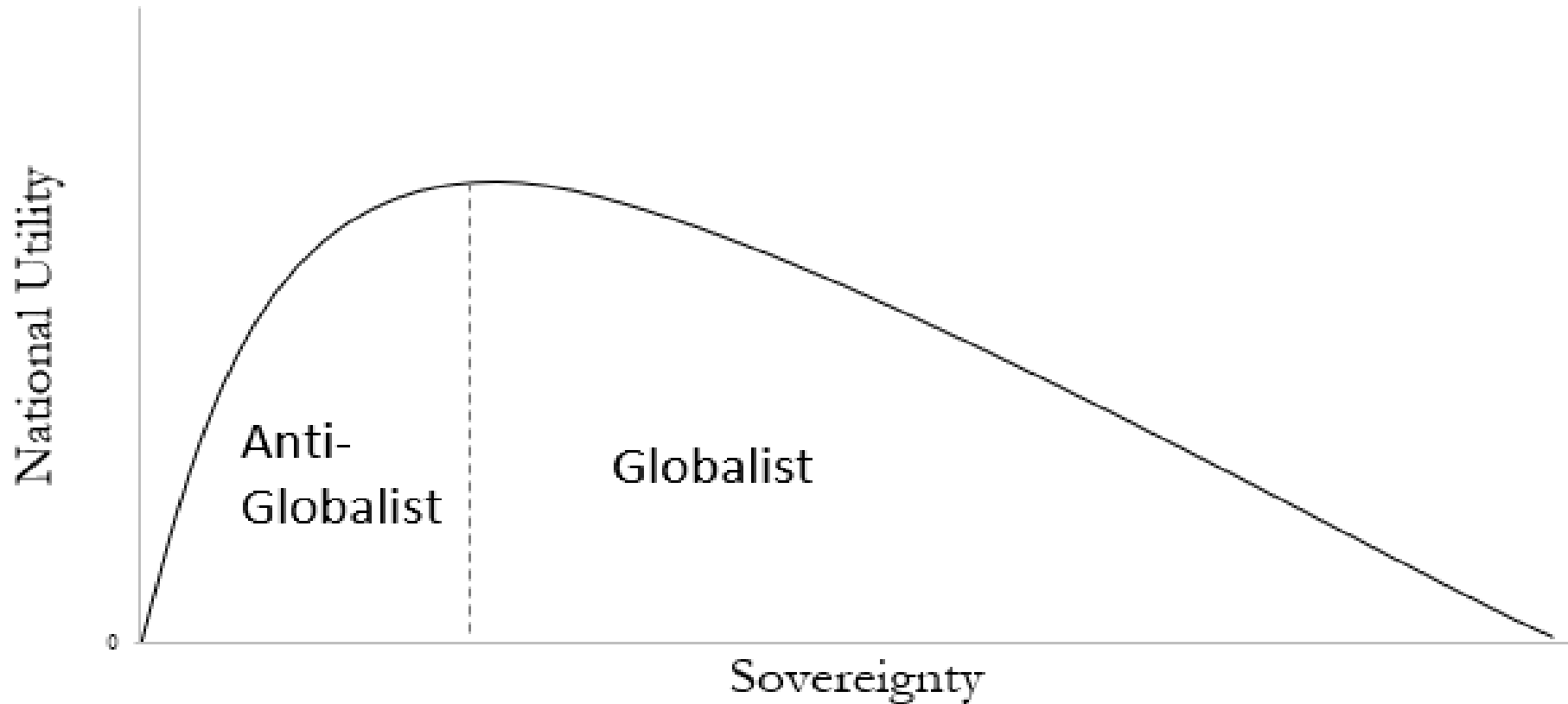
The Sovereignty/Utility Trade-off:

Anti-Globalist



The Sovereignty/Utility Trade-off:

Globalist



Individual Utility (U)

$$U = (\alpha \times \Delta \textit{Wealth}) + (\beta \times \Delta \textit{Sovereignty})$$

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

National Utility

$$\sum_i^n [(\alpha_i (\Delta Wealth_i) + \beta_i (\Delta Sovereignty_i))]$$

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

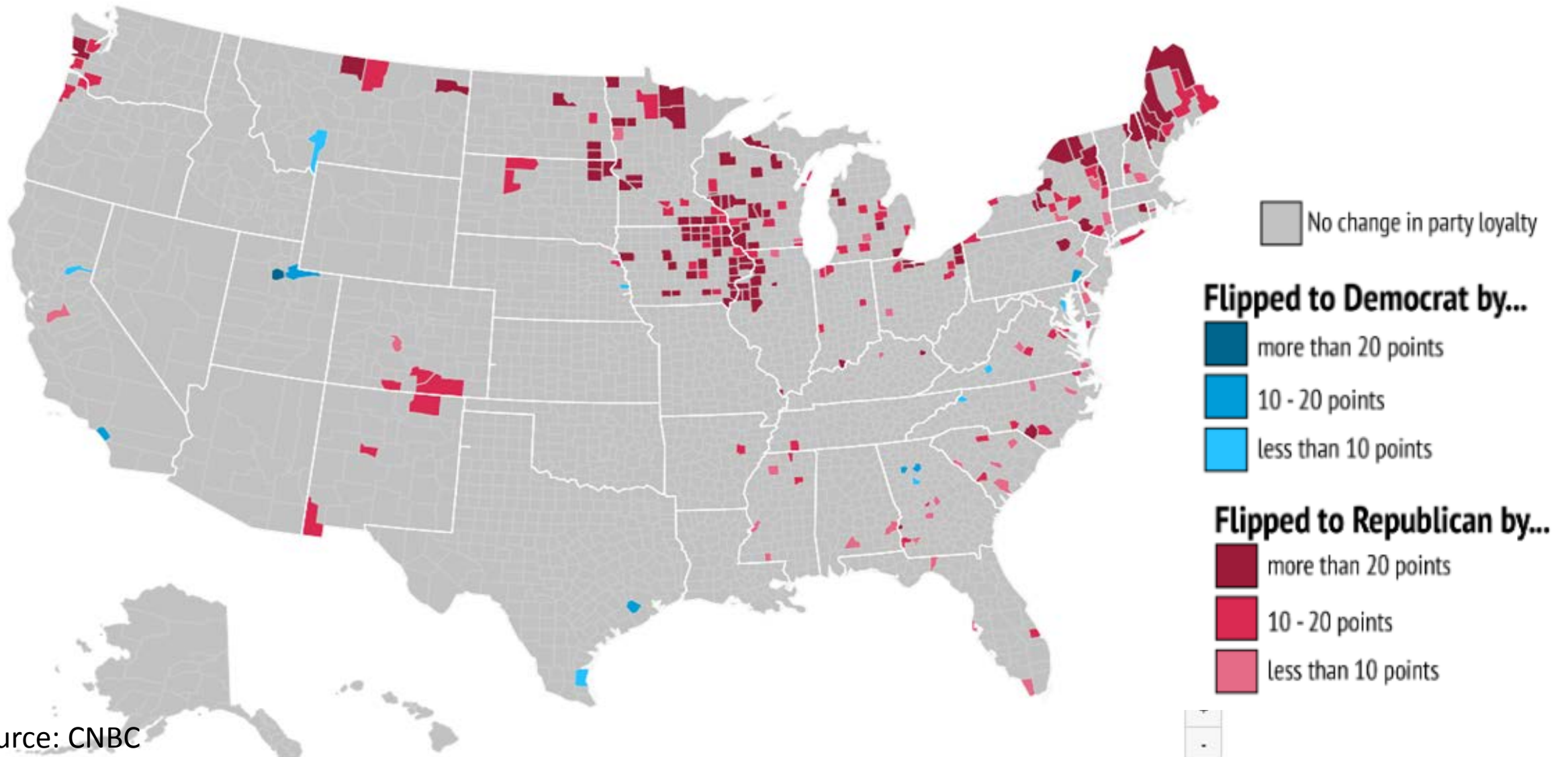
Wealth impact of this population:

$$\Delta Wealth_{fixed} < 0 < \Delta Wealth_{mobile}$$

Net Wealth Impact:

$$\sum_j^J [(\alpha_j (\Delta Wealth_j + cost\ of\ displacement_{mobile}) + \beta_j \Delta Sovereignty_j)]$$

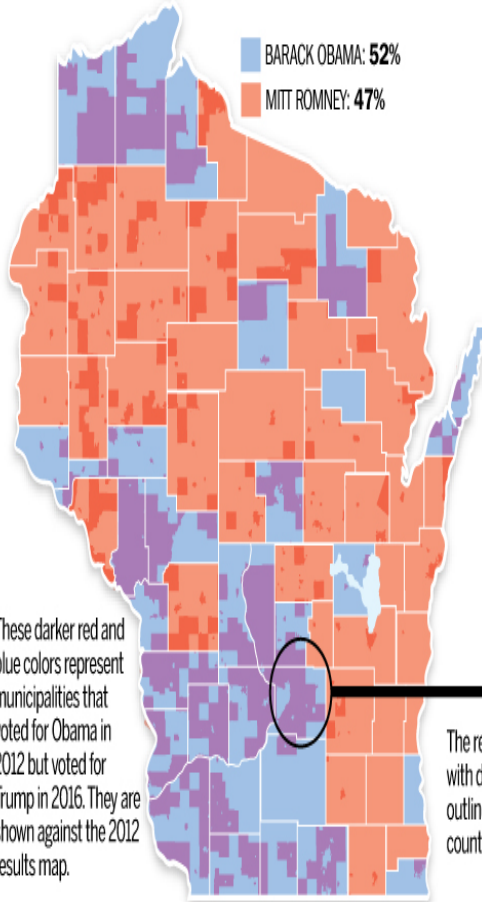
Election Results 2016: Seats flipped from Republican to Democratic



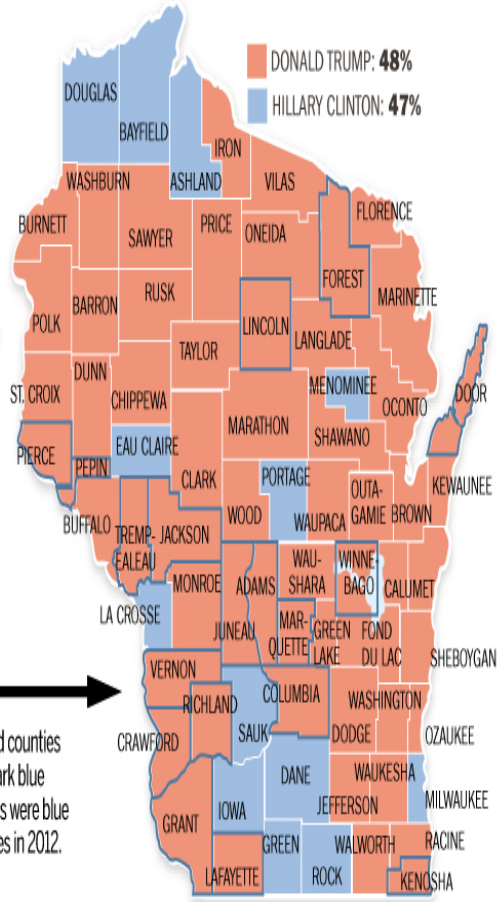
2016 Presidential Election Results

Wisconsin

2012 presidential race outcome by county



2016 presidential race outcome by county



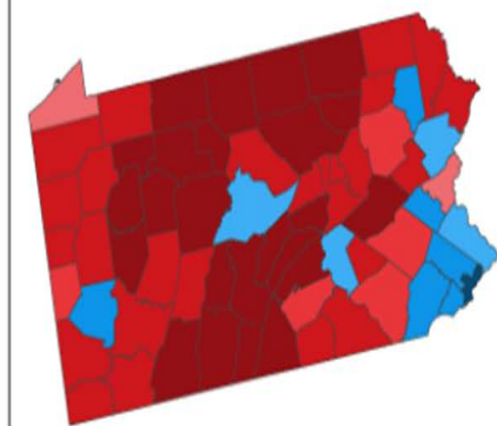
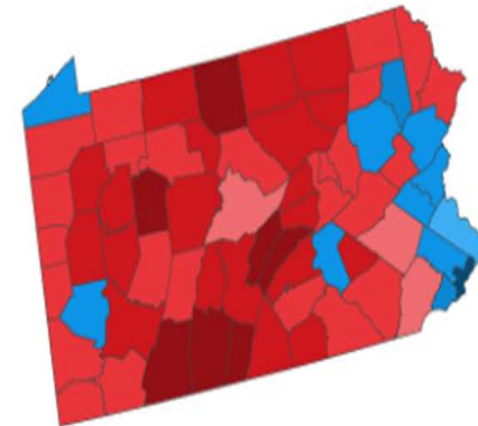
Source: Washington Post

Pennsylvania

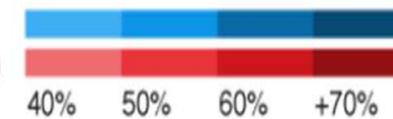
Democrat victory in 2012



Republican victory in 2016



Democrat
Republican



Map shows county level results

Source: BBC

Brexit: “Take Back Control”



Source: Vox

Why Remain voters voted Remain

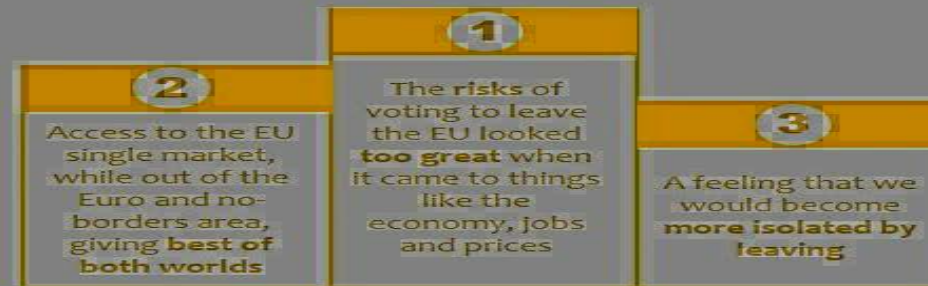
Overall UK



Conservative voters

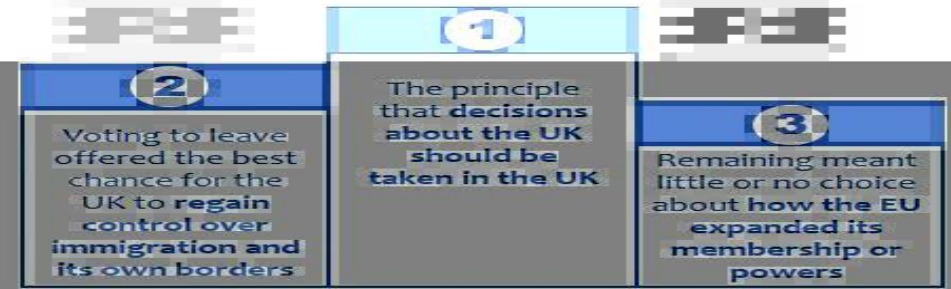


Labour voters

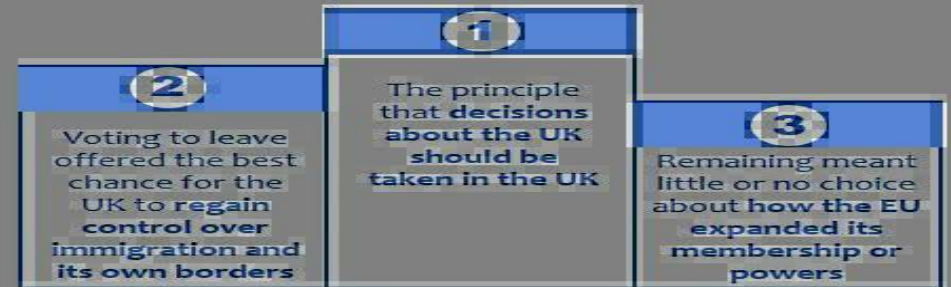


Why Leave voters voted Leave

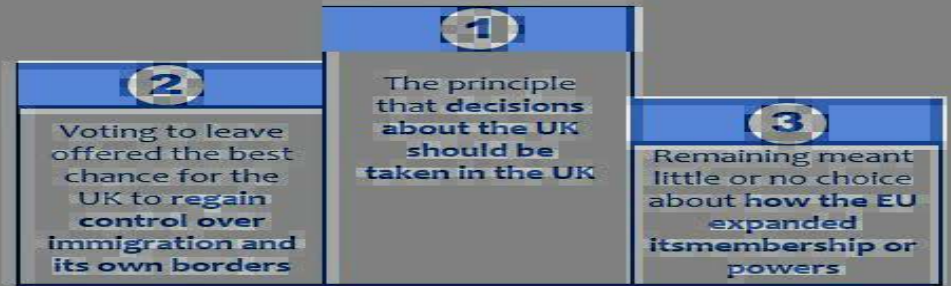
Overall UK



Conservative voters



Labour voters



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”

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.