Middle-class backlash threatens globalization

No money in the middle

Globalization is a direct out-put of money in politics, according to the Trumps and Rand Paul of the world. International trade deals like NAFTA and the Trans-Pacific Partnership (TPP), or international trade regimes like the World Trade Organisation (WTO), the Interna-tional Monetary Fund (IMF), and the EU, are thus tools of the globalists. People may have laughed Trump off at first, but the backlash against globalization must be taken seriously, said Darrell West, vice president and director of govern-ance studies at The Brookings Institution.

The elite must address the loss of trust that populists are using to shut down the fair trade agenda, he said. “If people don’t have con-fidence in government, it’s going to be hard for voters to trust political leaders to nego-tiate a better deal,” said West. “It’s become a toxic political environment, both on the left and on the right, for any type of trade agreement.”

That is what propelled the vote on the first floor of the Democratic National Conven-tion, as Sanders’s supporters and others hissed “NO TPP” and chanted the same during former United States ambassador to China Edward Alden’s speech. Populists are, at one level, responding to a trend revealed by former World Bank econ-omist Branko Milanovic, a visiting presidential profes-sor at the Graduate Center of the City University of New York and senior scholar at the Luxembourg Income Study Center. Milanovic, documented a trend from the mid-1980s to today that showed how the rich get richer, as do the poor in low developed coun-tries. The middle class in the U.S., however, saw very lit-tle gain. While middle-class incomes have grown much faster in countries like China and Indonesia, living stand-ards have stagnated for Amer-icans in middle class.

“Benefits for that group have been much smaller and I think that is where a lot of the griev-ances are coming from,” said Alden.

Those are the people who paid the taxes, built the com-panies, and elected the gov-ernments that propelled lib-eralized trade. Those are the people former president Bill Clinton pledged prosperity to when stumping for NAFTA and normalized trade with China in the 1990s.

Unfortunately, the specific concerns of the middle class are often assumed to be met by proxy through helping a country’s business commu-nity. Macdonald said govern-ments need to change that.

“They’ve been focused on opening markets, responding to demands by big business, and haven’t come up with measures that might address some of the implications that come up when markets are lib-eralized.”

Those implications can range from restrictions on regulations to greater unem-ployment. Trust and education

It is not just that the rich get richer within the middle class, some see gains and some see losses, further dividing people asking economic lines. Education has become the deciding factor in a new class order that sees politics, cul-ture, and wealth increasingly polarized.

“The American upper mid-dle class is separating, slowly but surely, from the rest of society. This separation is most obvious in terms of income—where the top fifth have been prospering while the majority lags behind,” wrote Richard V. Ruesse for Brookings last year.

For those who had the skills and education to adjust to the current global economy, there was prosperity. This is the new middle class.

Meanwhile, those with-out an education, who once made a paycheck-income with a high school education at the local plant, have seen increased unemployment and underemployment.

“Trevor Thrall, a senior fel-low for the Cato Institute’s Defense and Foreign Policy Department and associate professor at George Mason University’s School of Policy, Government, and Interna-tional Affairs, said there is a divide between those two groups look at globalization. Those in the upper mid-dle class are more likely to accept to the economic the-eories of free trade and accept it as beneficial to the eco-nomy. For people who haven’t seen the gains of globalization, however, that’s not the case. “So when you say globaliza-tion is good for the economy, they say, ‘Yeah, but not for me. And the people that say they are going to help me and are looking out for me, what the hell are they doing?’”

Continued from FRON

While Brexii sent stock mar-kets tumbling, a U.S. pull-out from NAFTA—a prospect Trump has repeatedly raised—could be much more significant, according to Laura Macdonald, direc-tor of the Institute of Politi-cal Economy at Carleton Uni-versity in Ottawa.

“This is what could cause major economic and social dis-location,” she said. “We could see a backward move-ment in the global economy, and the global economy is already on shaky footing.”

The impact on Canada would be particularly harsh given that it sends 75 percent of its exports to the U.S. And it’s not just Trump and Sanders who are down on NAFTA; an Angus Reid poll from June revealed that one in four Canadians said NAFTA is good for Cana-dia, in one in four said it was bad, and over a third want it rescinded.

Shachi Kurl, executive director of the Angus Reid Institute, said the survey did not directly ask about income inequality with respect to NAFTA, but the issue is on Canadians’ minds.

“Canadians are worried about their future prospects. They are stricken about their own household economic sit-uations, and job security—are worries over job security—may be a factor at play in those findings.”

Inequality, political polarization

Living inequality and polit-ical polarization have come at a time when many believe governments serve the rich. According to the populists, trade deals and globalization help big companies make money by exporting jobs and tax-exemptions. Businesses then contribute to political candidates that support these interests.

This narrative fuels popu-list movements around the world, unsettling economists who see the growing back-lash as a threat to economic stability. “That isちょうど the prob-lem going forward and I don’t think anybody has a magic solution,” said Edward Alden, a U.S. economic competitive-ness specialist at the Council on Foreign Relations. Alden believes that if trade deals and economic integra-tion are to continue, companies must be more committed to local commu-nities, and citizens will need to start trusting their govern-ment again.

“If you can’t tackle these problems, I think the situa-tion is just going to get worse and worse.” Populist movements claim that good people, the average common man and woman, are being mistreated by a small clique of oligarchs who can and should be ended.

This sentiment is the seed that is where a lot of the griev-ance is coming from, said West. “It’s become a toxic political environment, both on the left and on the right, for any type of trade agreement.”

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Trump. The man who set the faken news world on fire.

Sanders. The man who thought corporate greed could be put in its place.

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