

# What is your tolerance for economic inequality?

- A. **High** I know that the market creates inequalities but everyone is better off in a market economy than in any other type of economy
- B. **Medium** I want a short-medium term social safety net to allow those who have failed in the market to get back on their feet.
- C. **Low** I believe that society should maintain the market but provide the government with the capacity to redress the economic inequalities that it creates.

# The “Liberal World Order:” Is it ending?



Prof. Beverly Crawford Ames  
OLLI Fall 2018 Session 2



# Liberalism

Reason

Rights

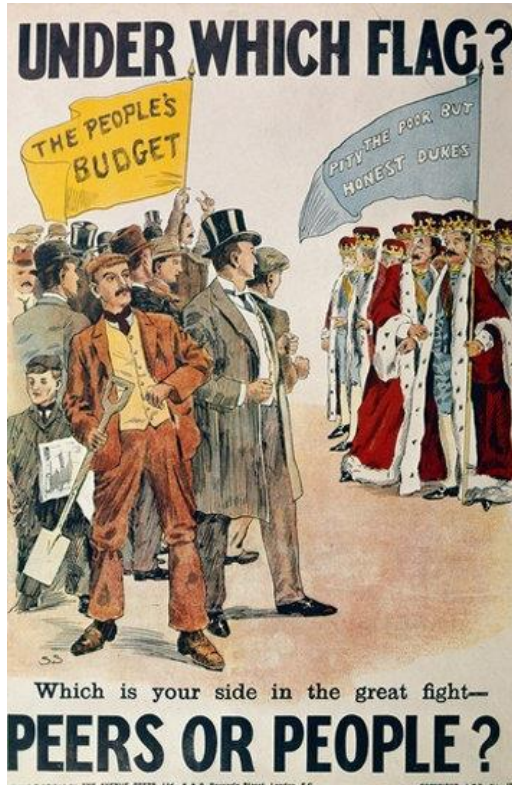
Rule of Law

Consent

The four pillars of Liberalism



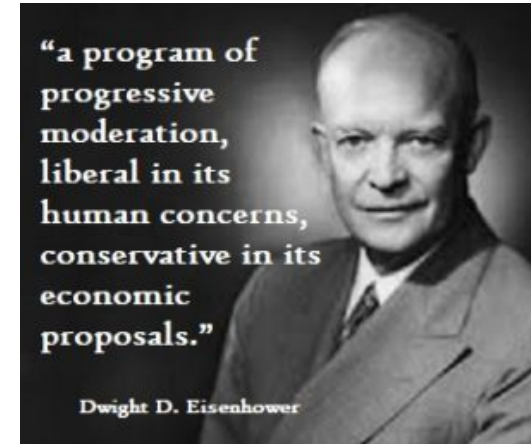
# Review: Historical Roots and evolution of U.S. Liberalism



Classical Liberalism



Progressive Liberalism  
Or  
New Deal Liberalism



Dynamic Conservatism



Right Wing  
Conservatism  
.... back to  
Classical economic  
Liberalism but  
Social  
conservatism

# EQUALITY

to a Classical Liberal

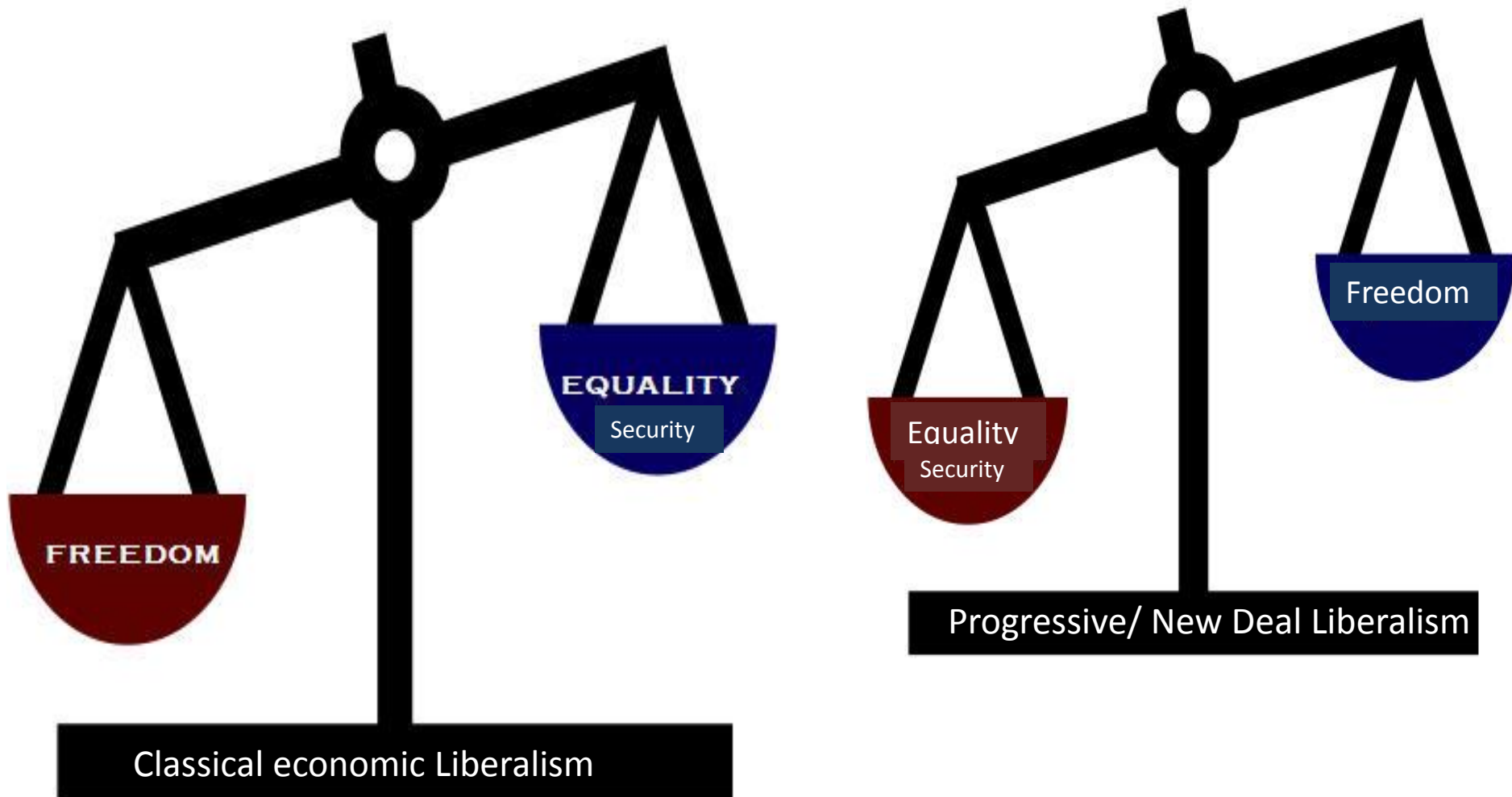


to a Progressive N. D. Liberal



\* Classical Liberal = economic conservative

There will always be a tension between freedom and equality in Liberal thought



# The tension in Global Liberal Economy? Classical (Economic) Liberalism (the “positive” features)

- **Assumptions**

- Individual is at the center
- Individuals are self interested
- Desire for freedom of choice is “natural”
- We are all born equal in our freedom to choose
- Our choices are rational
- Private property is “natural”
- Given all of the above, Free Markets arise “spontaneously” (Smith)

- **The classical liberal economic argument**

Free Markets → voluntary exchange → buyers demand goods → sellers produce them → buyers choose rationally (price and quality) → competition among sellers → efficiency → Division of Labor

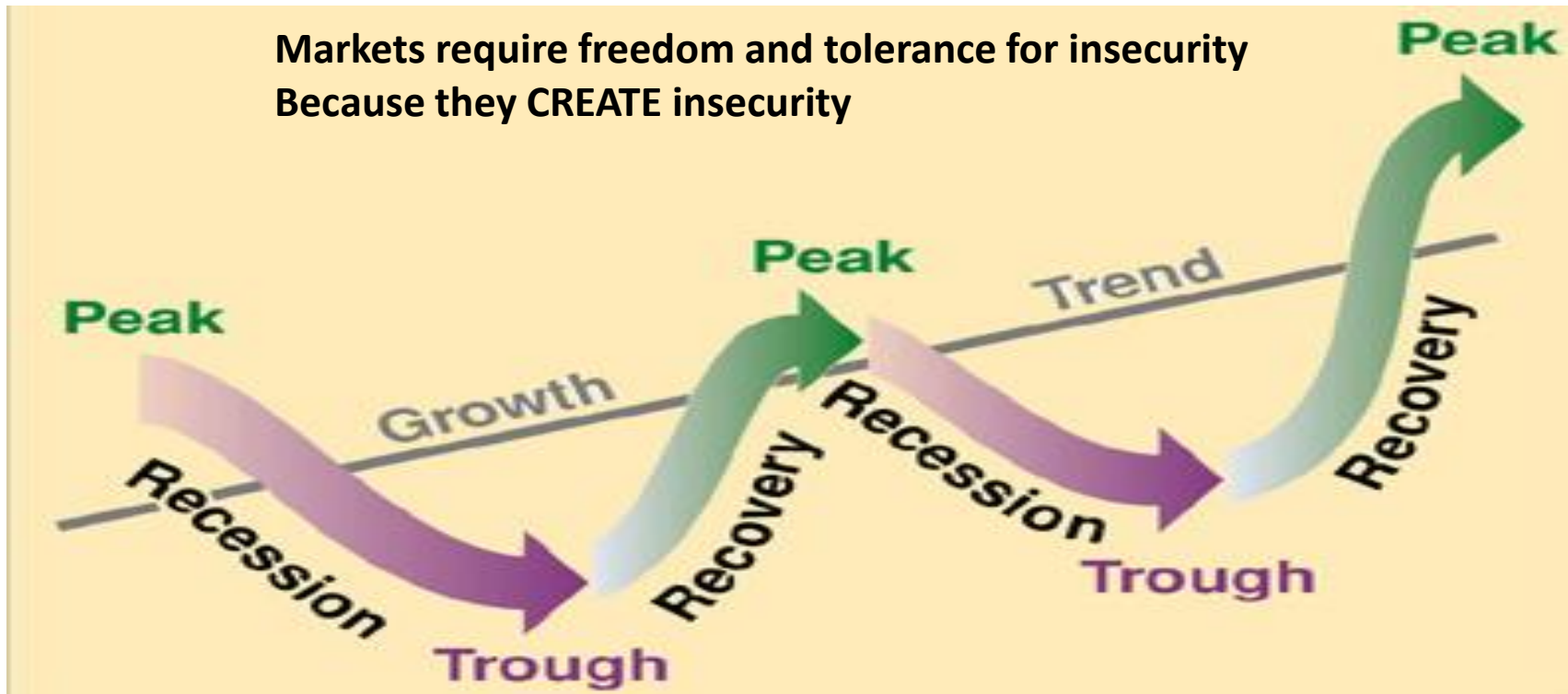
- **The Liberal Prediction for the future of a market economy**

- For the Individual: More freedom
- For production : More Efficiency
- For all: Freedom, Growth, Welfare, and Peace



# But is freedom just another word for nothin' left to lose?

- Tension in the human drive for freedom and the drive for security. The presence of one means the absence of the other.



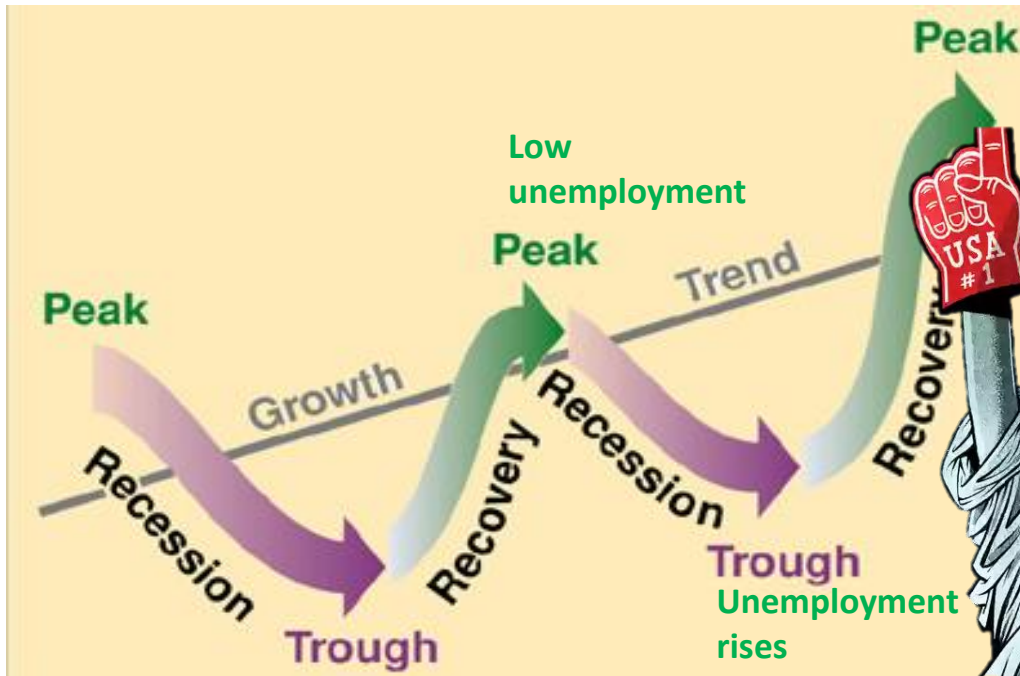


# The problem of Free Trade: Why Trump wants Tariffs and Protectionism

- **The liberal economic argument** Free global Markets → voluntary exchange → buyers demand goods → sellers produce them → buyers choose rationally (price and quality) → competition among sellers → efficiency → Division of Labor → more freedom, more efficiency → growth → all are better off
  - **Problem:** Market instability (you aren't winning)
- In competition (unemployment)



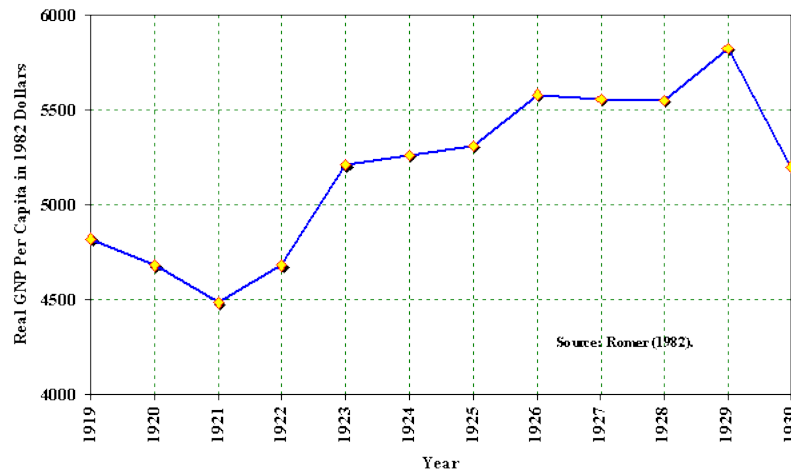
# The International Free Market Business Cycle



## Illiberal remedy

- —isolate the economy from the free market with
- Tariffs → unfree markets BUT national job security

# The Roaring '20s at the "Peak" of the Free Market Business Cycle



The Gold Standard made trade multilateral but not totally free: Intervention in the market was required

The Gold Standard made trade “automatically”  
**multilateral**



① Gold Standard Era  
(1870-1914)

- When countries bought more than they could sell, they borrowed!
- Britain was the World's Creditor



# But then came the 1929 Market Crash!

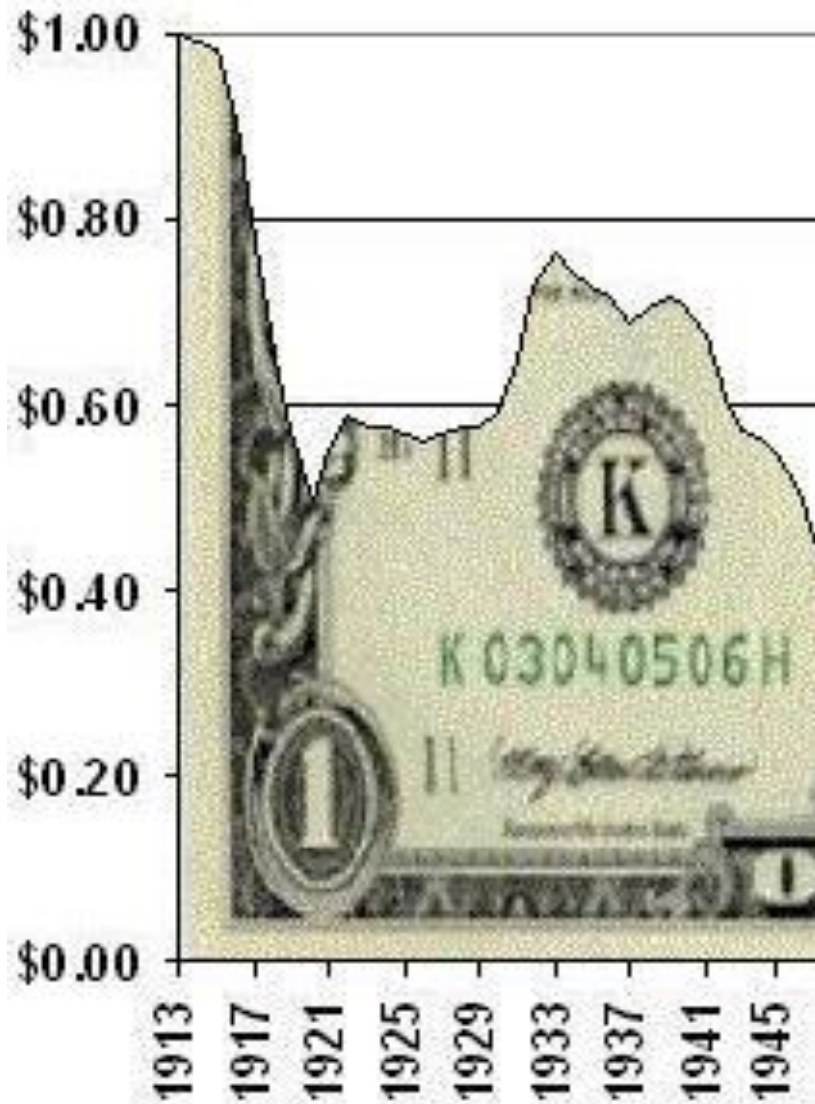




# Large Protest movements arose across the US and Europe



# International Policy Response: US Unilaterally Turns its Back on the



# **Domestic Policy Response:** Government intervention, New Deal Liberalism replaces classical liberalism



*Freedom from Want*



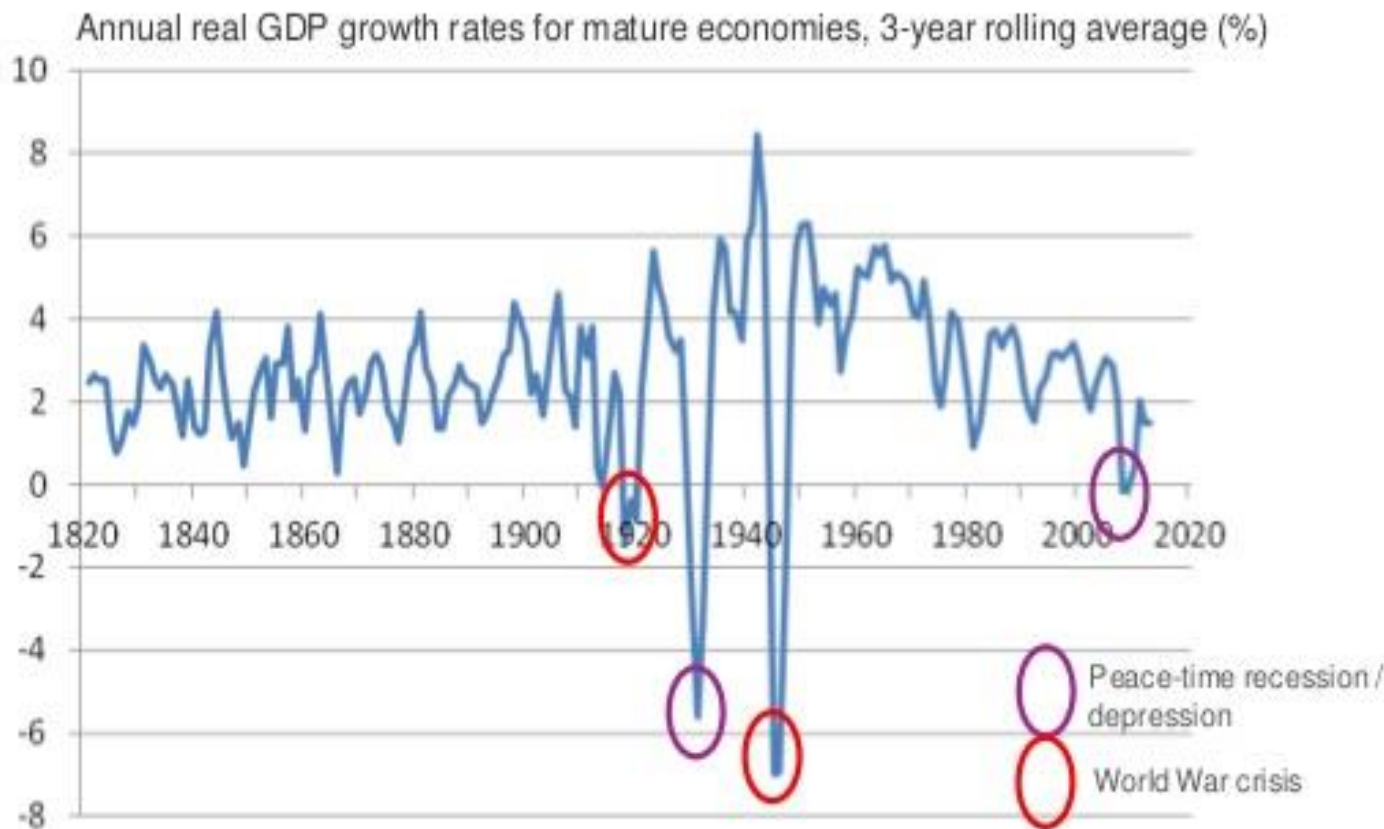
*Freedom from Fear*





# Meanwhile.....Trade stops, US economy declines even more...global growth rates tank

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Note: Before 1950 mature economies include 12 major Western European economies, Western Offshoots, Japan and Portugal and Spain.  
Sources: 1820-1990: Angus Maddison, *World Economy Database* and *The Maddison Project*; 1990-present: *The Conference Board Total Economy Database*, update May 2014.





**As Trade and Economic Decline grew around the world, Democracies died and Fascism rose**



# WORLD WAR II





# Liberals and Socialists defeated Fascism in WW II



But the world had to face the  
consequences.....and rebuild



**The world needed to ditch classical liberalism  
and build a new economic system**



# A new liberal Order: The UN System

## The United Nations System

### General Assembly

#### Funds and programmes

UNDP<sup>1</sup>  
UNFPA<sup>1</sup>  
UNICEF<sup>1</sup>  
UNV<sup>1</sup>  
UN Women<sup>1</sup>  
UNHCR<sup>2</sup>  
UNRWA<sup>2</sup>  
WFP<sup>2</sup>  
UNEP  
UN-HABITAT  
UNODC

#### Other entities

UNAIDS<sup>2</sup>  
UNOPS

#### Related organisations

IAEA  
OPCW  
WTO

### Security Council

#### Subsidiary bodies

Counter-terrorism committees  
ICTR  
ICTY  
Peacekeeping operations and political missions  
Peacebuilding Commission  
UNODC

### Economic and Social Council

#### Regional commissions

ECA  
ECE  
ECLAC  
ESCAP  
ESCWA

#### Specialised agencies

IFAD<sup>2</sup>  
WHO<sup>2</sup>  
World Bank Group (IBRD, ICSID, IDA, IFC, MIGA)<sup>2</sup>  
FAO  
ILO  
IMF  
UNESCO  
UNIDO

### Secretariat

#### Departments and offices

EOSG<sup>2</sup>  
DESA<sup>2</sup>  
DFS<sup>2</sup>  
DM<sup>2</sup>  
DPA<sup>2</sup>  
DPKO<sup>1</sup>  
OCHA<sup>2</sup>  
OHCHR<sup>2</sup>  
PBSO<sup>2</sup>  
UNODA<sup>2</sup>  
UNOG<sup>1</sup>  
DGACM  
DPI  
OLA  
OSAA  
UNON  
UNOV

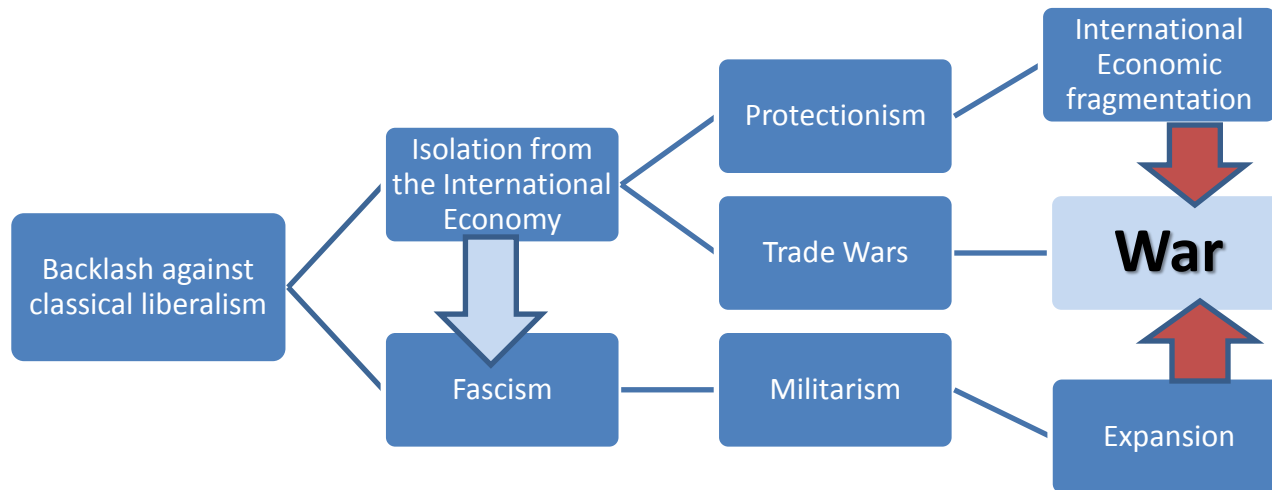
### International Court of Justice

**But what about the Global Economy?**

<sup>1</sup> SDC's priority organisations, part of cinfo's mandate to increase the number of Swiss employees

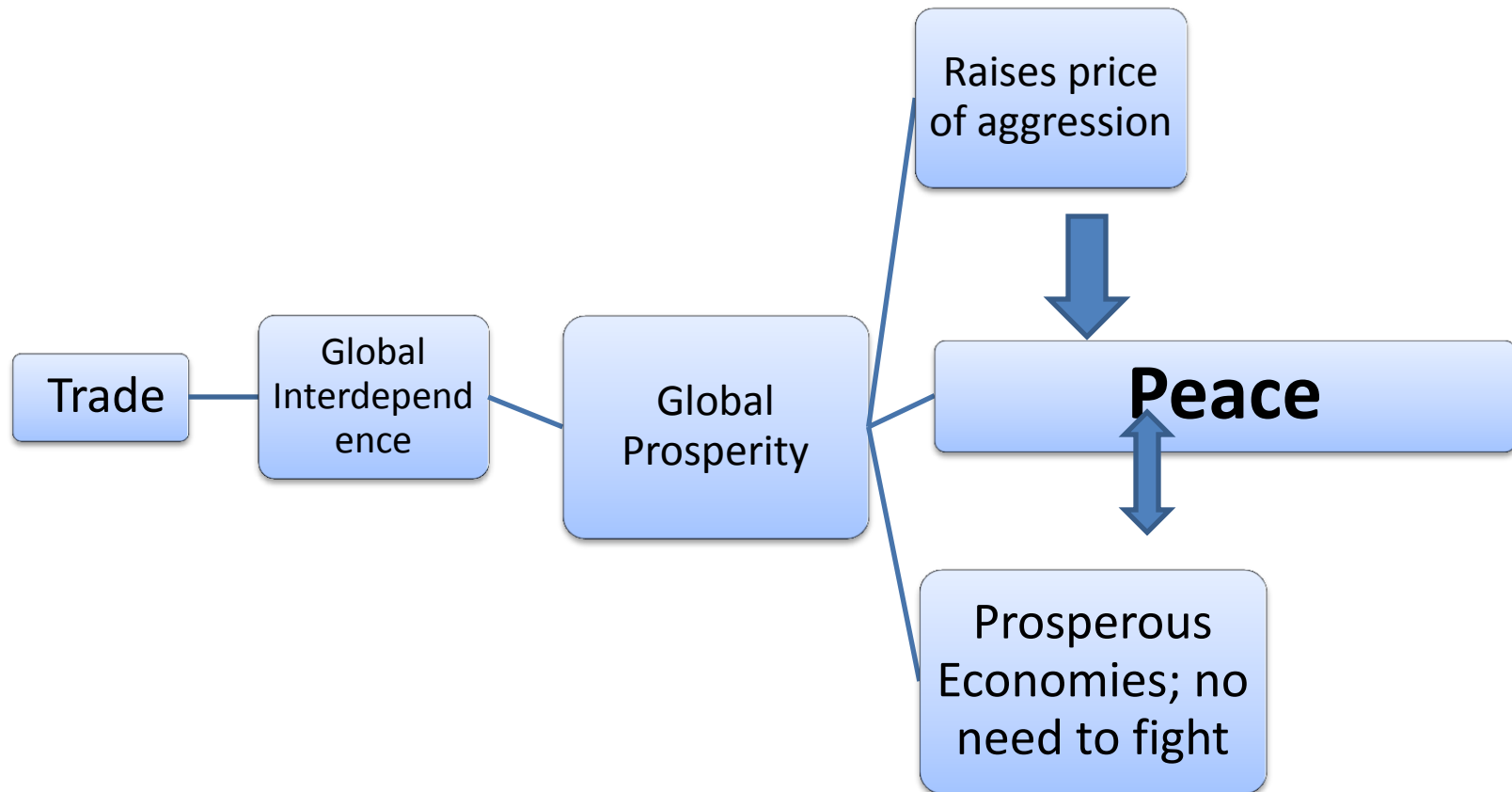
<sup>2</sup> Organisations in which the Swiss Confederation finances positions for Swiss junior professionals (JPOs)

**Could it be liberal? Architects of the new order believed that the breakdown of the liberal global economic system was the root cause of the war**



**Dominant belief after WW II: Protectionism → Fascist Dictatorship → WAR**

# And an open and liberal international economy would ensure peace





But it could not be a “classical liberal” system: The Creation of a “*New Deal Liberal*” World Order



# New Deal Liberalism: Creation of the IMF.....



**① Gold Standard Era**



**② Bretton Woods Era**

But these Institutions were Weak..... So.....

**AMERICA**  
**TO THE RESCUE**





# What were the results?

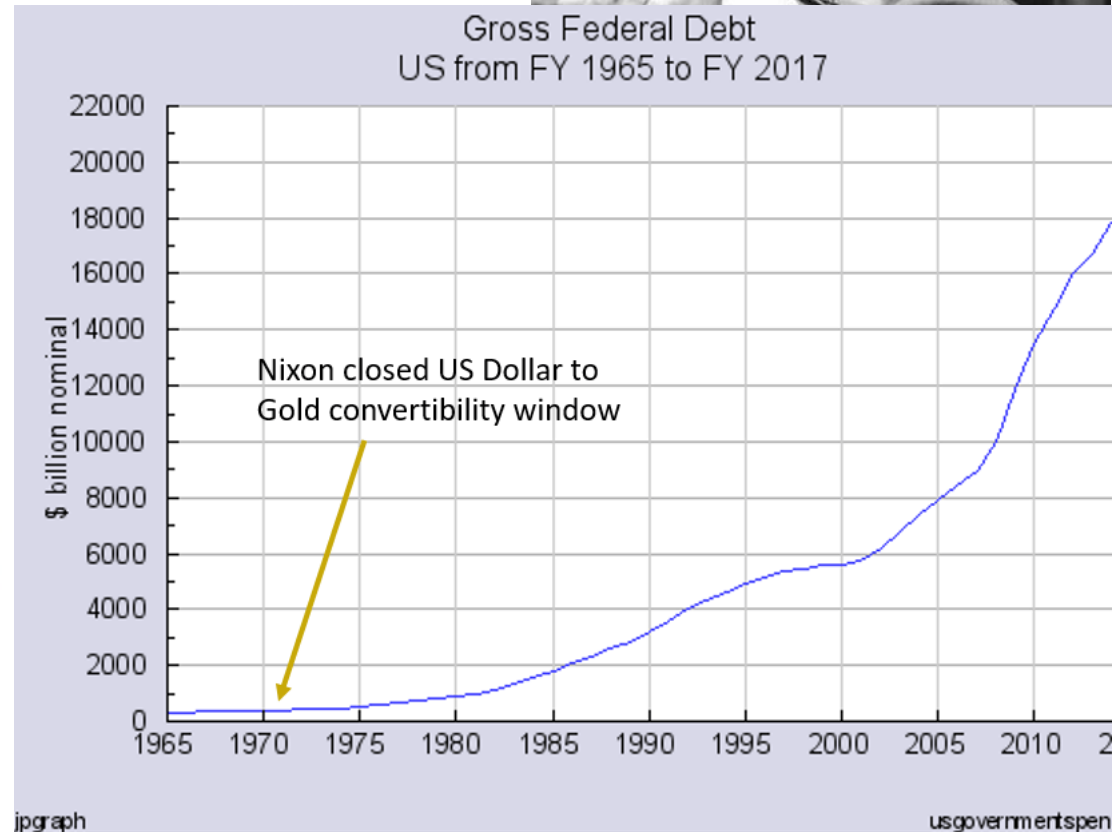
- The Welfare State was protected
- Decline in Trade Barriers → Economic Growth

	Per Capita Income	
	1950	1973
Western Europe	\$4,594	\$11,534
U.S. and Canada	\$5,257	\$9,288
Japan	\$1,926	\$11,439

But then....the US abandoned the system in 1971:  
Nixon closed the Gold Window to Fort Knox



### ③ Post Bretton Woods (1971-Present)



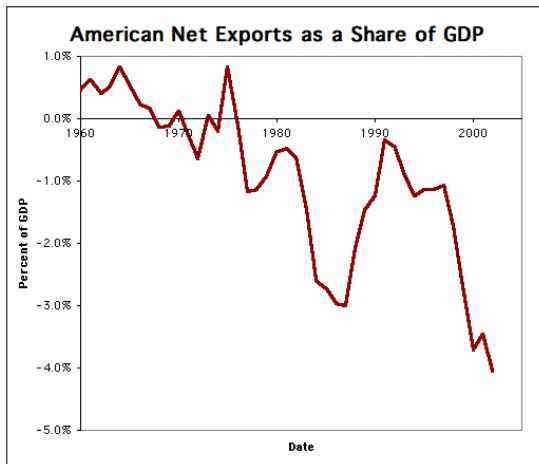
# The End of the post-war **New Deal Liberalism** and the rise

Classical Liberalism!

=

**NEOLIBERALISM**

Back to the Future!



Z. MAGAZINE JANUARY 2000



Globalization as a consequence  
of neo-liberal policies



# V. The Consequence of Neo-liberalism in Practice: Globalization

## A. What is Globalization?

- Mobility and speed
  - which create..... Communication and transportation networks
- networks of interdependence
  - Capital flows
  - Labor migration
  - Networks linking soldiers, criminals, terrorists
  - Advocacy networks
  - Religious organization
  - Social networks

# Which statement to you agree with most?

- Globalization is generally positive: it increases efficiency, global growth, and therefore global welfare



- Globalization is generally negative: it destroys indigenous communities and increases global inequality

# The Weakening of Liberal International Institutions: A return to the 1930s?

