

# Clicker Quiz: Please click the letter that best represents your opinion

- A. Current student protests are the embodiment of Polanyi's double movement: Rising tuitions are a way that the market engulfs society and neglects social needs. The protest on the campuses is legitimate from Polanyi's perspective, and they should spread to Sacramento as well.
- B. Education is a fundamental right which should be equally available to all. The regents, by raising tuition are violating fundamental human rights. The protest on the campuses is legitimate from the "equality" perspective.
- C. The regents say they will not raise tuition if the State of California provides more funding. The state is responsible for providing for educational opportunities for all citizens. From the "community" perspective, the protest should be in Sacramento, not against the regents.
- D. Rising tuitions are necessary to ensure that UC remains competitive in the market of elite universities of higher education. From an "economic liberal" perspective, the protests are not legitimate.

# **Globalization and American Inequality**



# Today

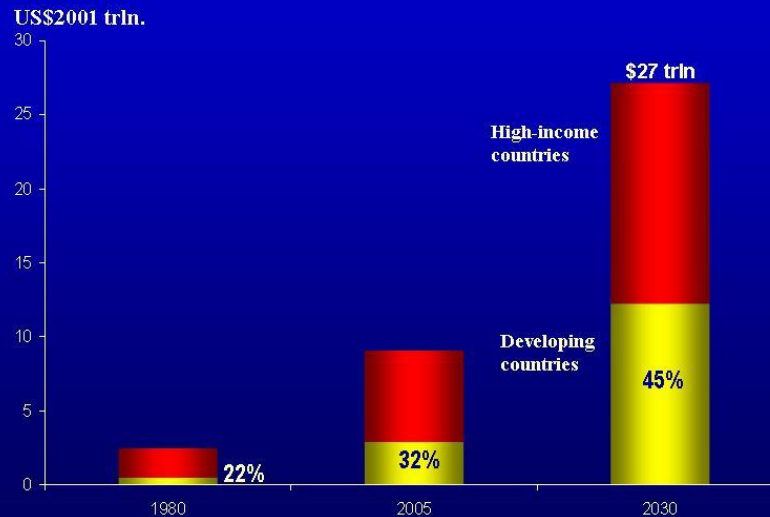
1. Review: Three perspectives on the effects of Neoliberalism and Globalization: Econ. Liberal, Political Liberal, Economic Nationalist
  - Effects of Globalization on Power (Waltz)
  - Critique of the Econ. Nationalist Argument
2. Growing inequality in the United States the concern of the Political Liberal in the U.S.
3. Why? Because of the International Labor Market means functional, not national competitiveness
4. Three Categories of Work: Symbolic Analyst, Routine Production Worker, Routine service worker—each with different competitive position in the international economy
5. What are the consequences for the US? Economic Liberal, Political Liberal, and Community Perspectives

# Review: Economic liberal arguments in favor of globalization:

## trade increases

Globalization increases developing countries share  
in world trade

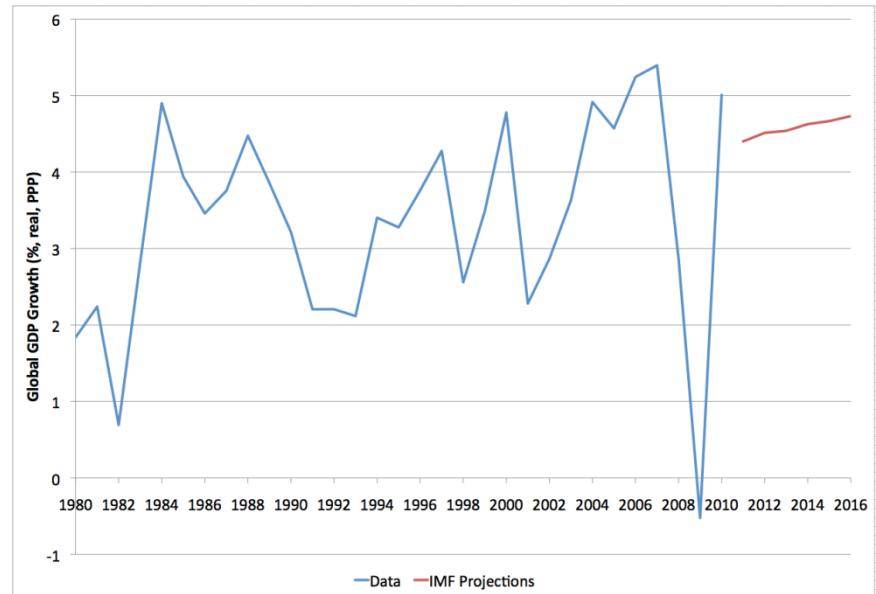
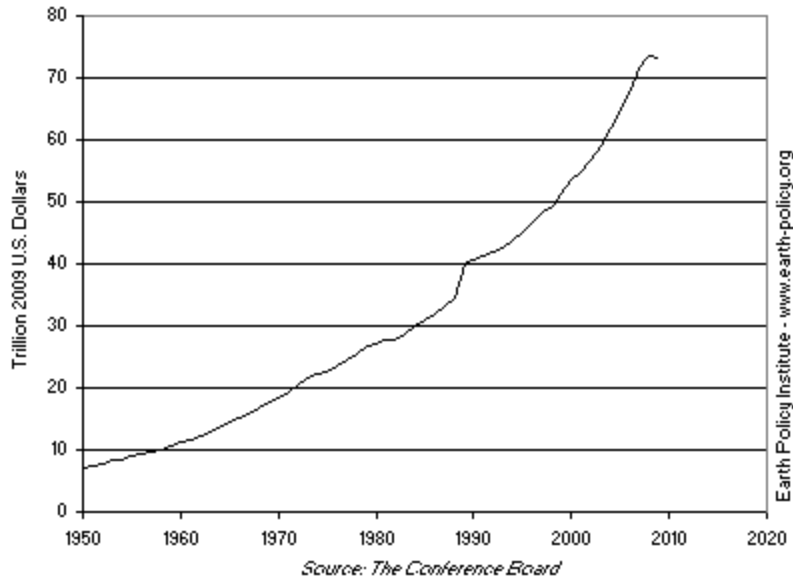
Exports from developing and developed countries, 2005-2030



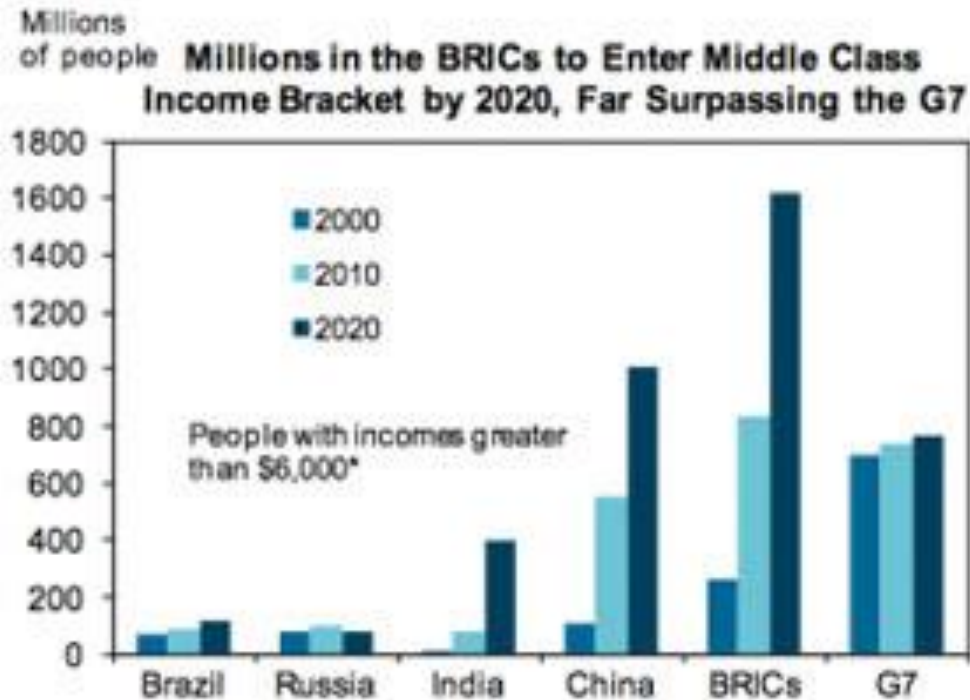
Source: World Bank simulations with Linkage model.

# And trade leads to global growth

Gross World Product, 1950-2009

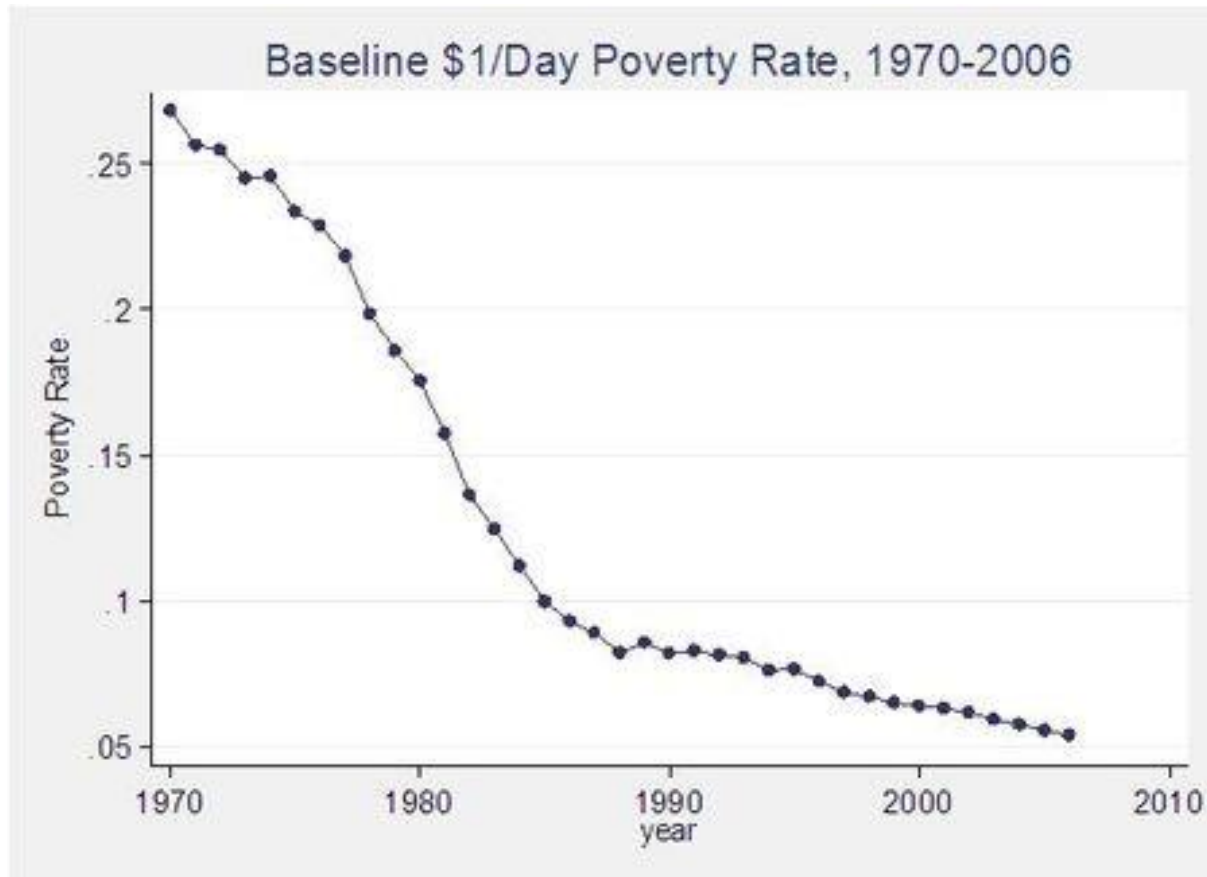


# And Economic Development....rise of “high mass consumption economies”



\*We generally consider Middle Class as those with incomes >\$6,000 and <\$30,000. But, to compare BRICs to the G7, we included estimates for all people >\$6,000 - i.e. both the middle and upper class.  
Source: Goldman Sachs

# Growth reduces poverty.....



# Review: But Political Liberal looks at Rising global inequality

graph from 2006 country comparison income

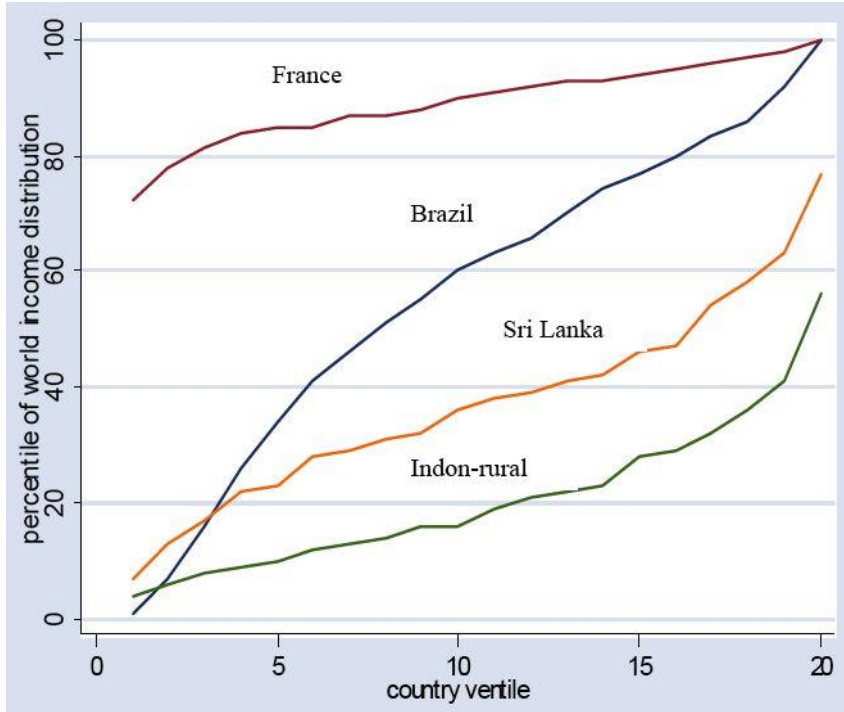
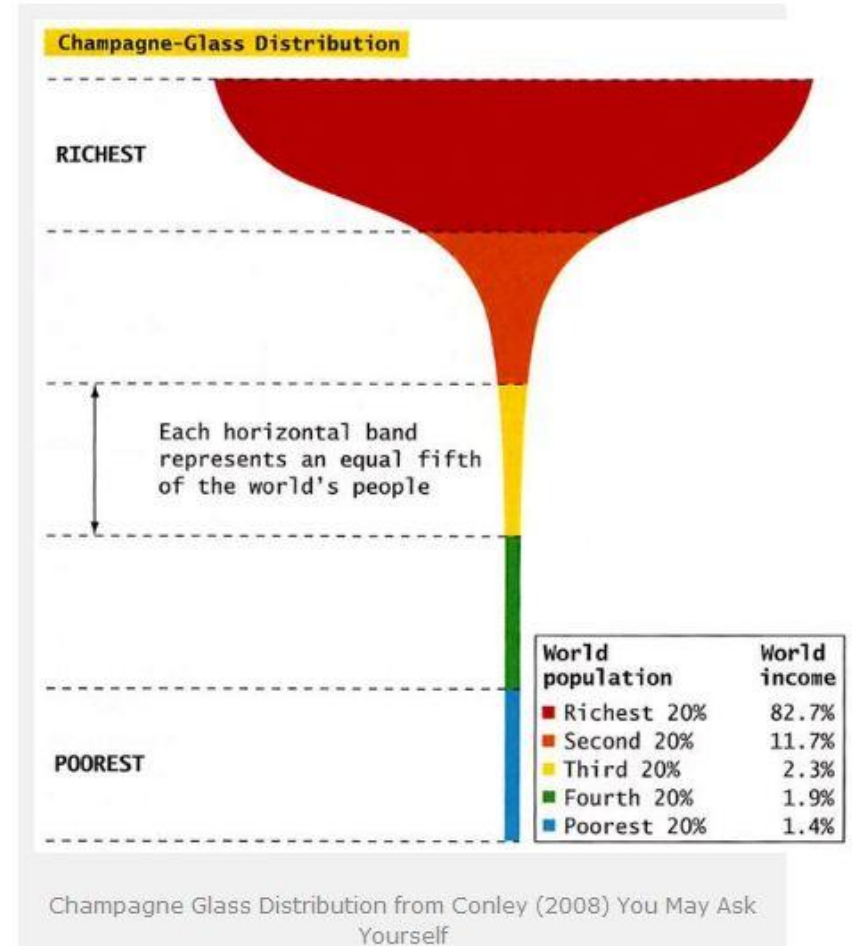


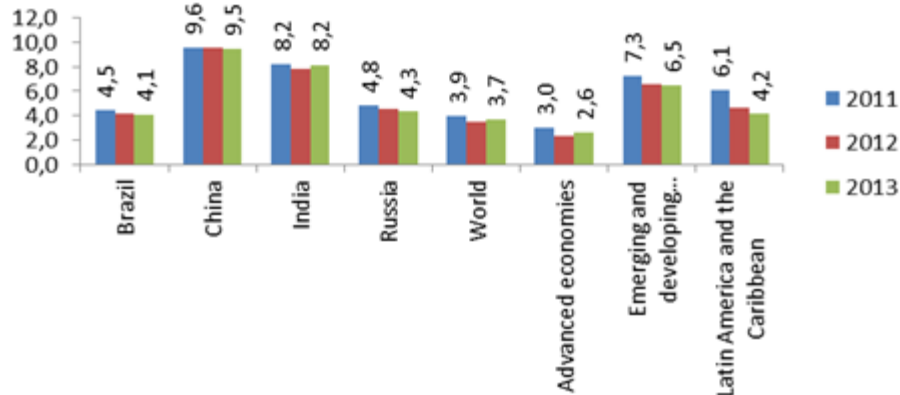
Figure from 2008 aggregate



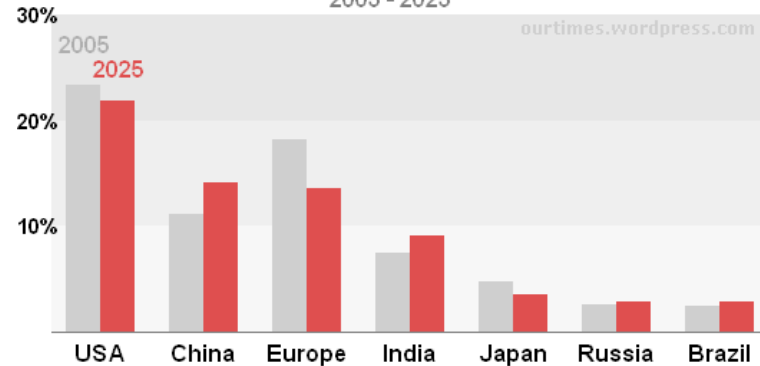


# Review: And the economic nationalist looks at The correlation between “development” and changing world power

### GDP % Real Rate of Growth



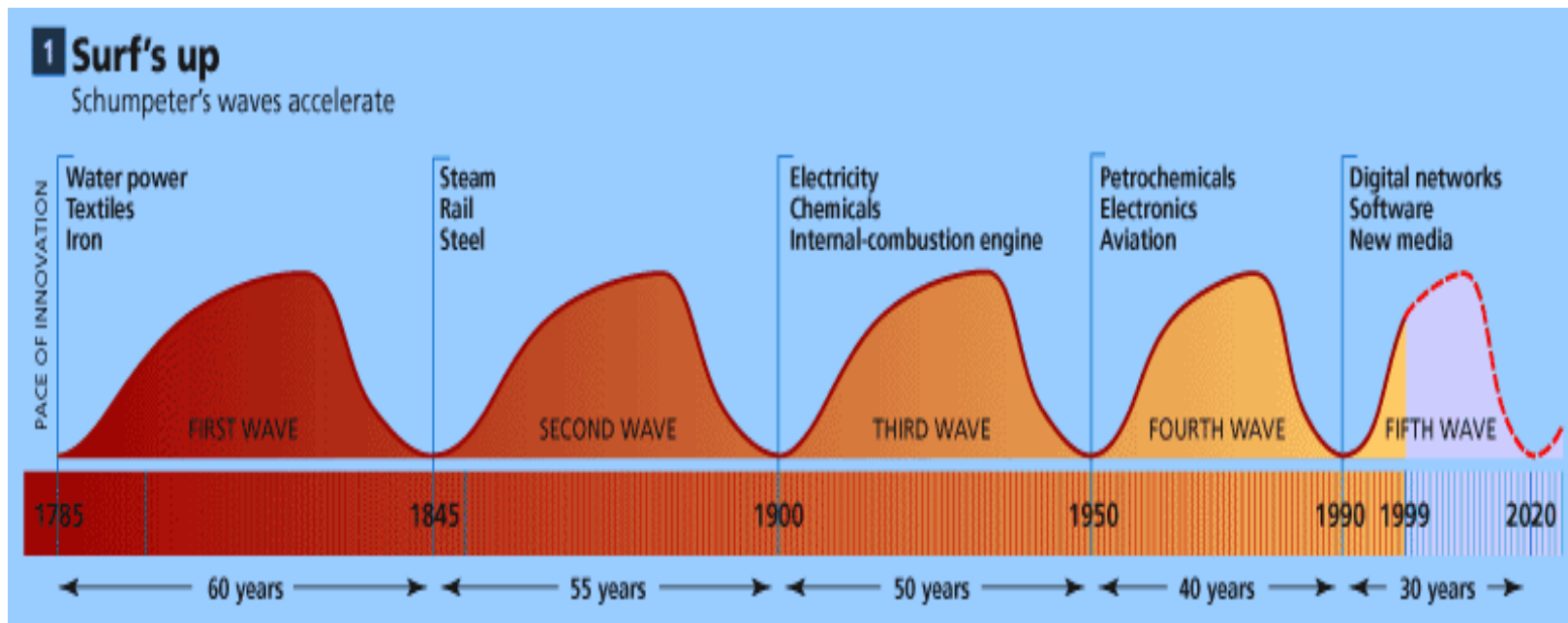
### Projected changes in state power as a percentage of global power 2005 - 2025



Source: Global Trends 2025, U.S. National Intelligence Council, 2008

# Creative destruction as an explanation for changing world power: technologies of production for mobility and speed are the keys to wealth creation

Technological innovation -> shifting wealth -> shifting national power



Britain

Germany

United States

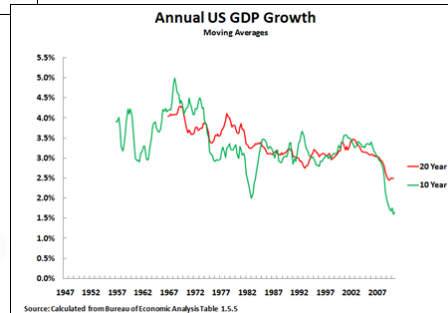
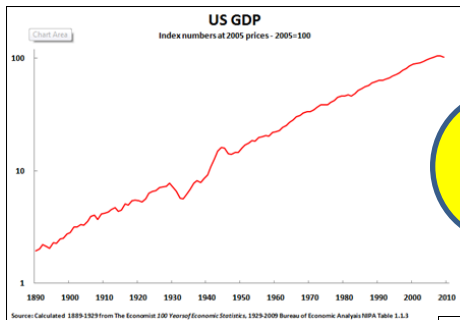
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## Another Reason for Changing World Power: Dominant wealthy States tend to squander their power, allowing others to rise

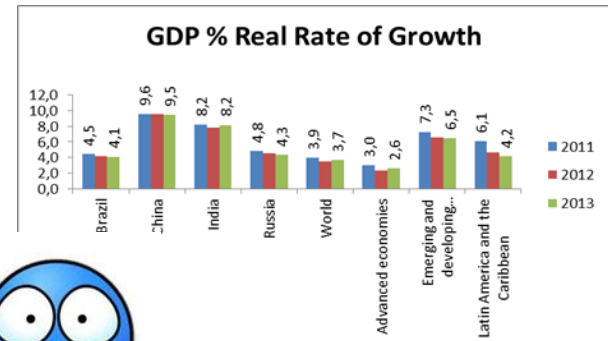
- Dominant powers expand too much
  - *“Imperial decay is . . . primarily a result of the misuse of power which follows inevitably from its concentration.”*
- And even if they don't, others worry that they are too powerful
  - Their preferences might not be the preferences of others
- But isn't America different?
- Is Shifting world power a good thing?

# 2. What is the impact of Globalization on the United States?

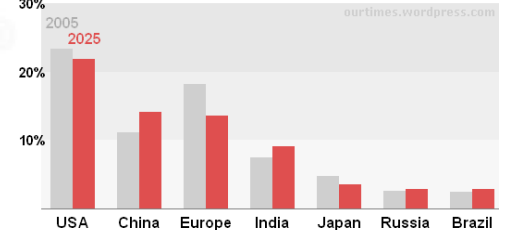
- Not everyone is concerned with this:  
The **U.S. Econ. Liberal** is concerned with aggregate growth and growth rate



- The **U.S. Econ. Nationalist** is concerned with the rate of growth in comparison with other countries and how that affects American power (relative power)



Projected changes in state power as a percentage of global power 2005 - 2025



The political liberal is concerned with income distribution in the U.S.

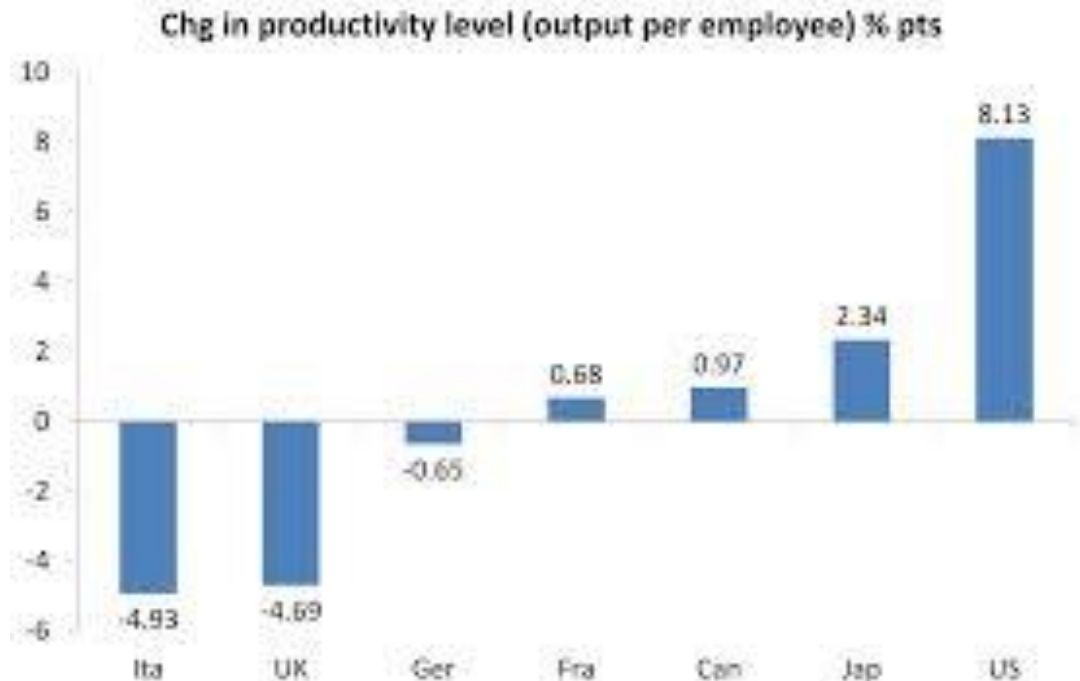
## The Economic Liberal is optimistic:

American workers are the most productive in the developed world.....

### Output Per Hour: Manufacturing Percent change, 2006-2007

Country or area	Output per Hour
United States	4.1
Canada	2.1
Australia	3.1
Japan	2.8
Korea, Republic of	8.7
Taiwan	8.7
Belgium	2.1
Denmark	0.7
France	2.6
Germany	5.0
Italy	-0.5
Netherlands	2.8
Norway	-0.2
Spain	3.8
Sweden	0.9
United Kingdom	2.5

### 2008-2012



## Econ. Liberal argument

Americans are better off today than they have ever been: All groups saw their incomes rise over 60 year period

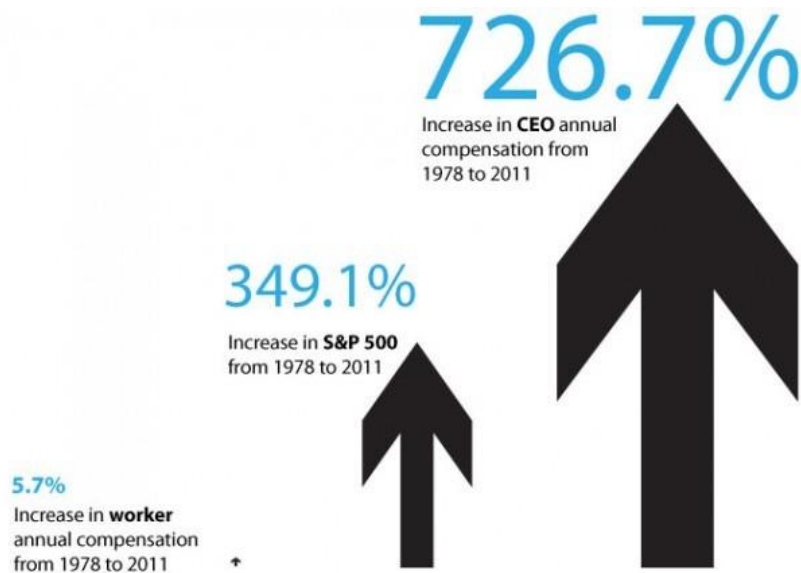
### Average income



# Political Liberal Argument

Income Distribution has favored people at the top

- Rise in average incomes skewed by inequality

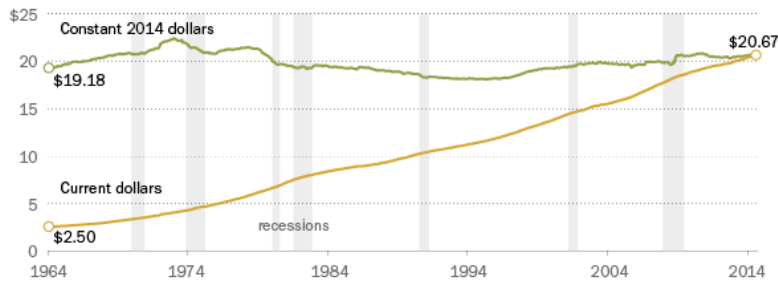


\*Based on the Economic Policy Institute report "CEO pay and the top 1%" published May 2, 2012.

# Political Liberal Argument: And There has been a Decline in real wages

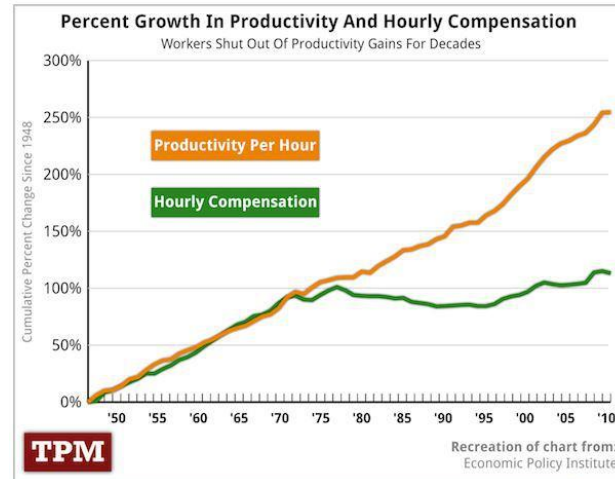
## Bigger Paychecks, But Little Change in Purchasing Power

Average hourly wages, seasonally adjusted



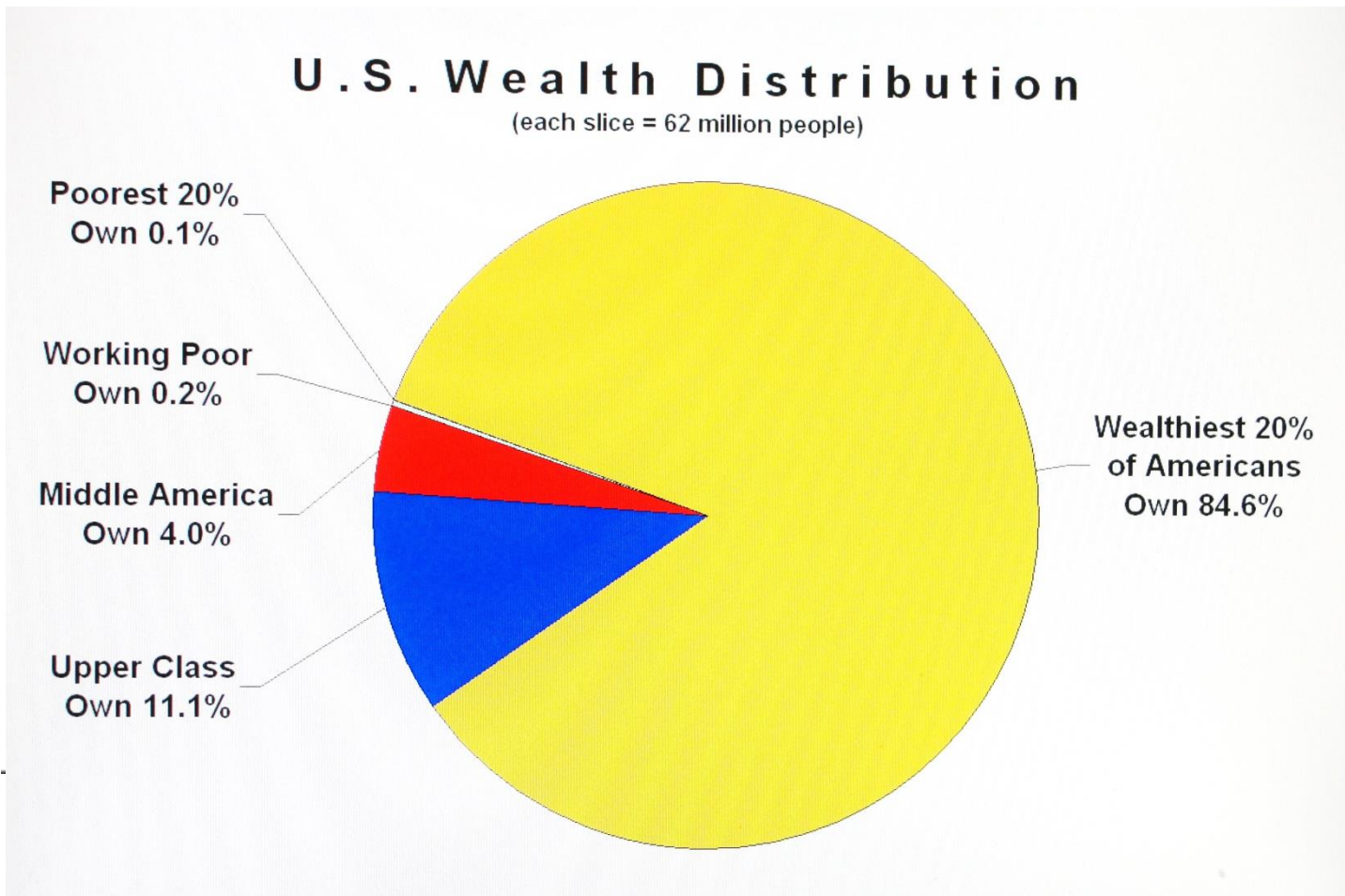
Note: Data for production and non-supervisory employees on private non-farm payrolls.  
Source: Bureau of Labor Statistics

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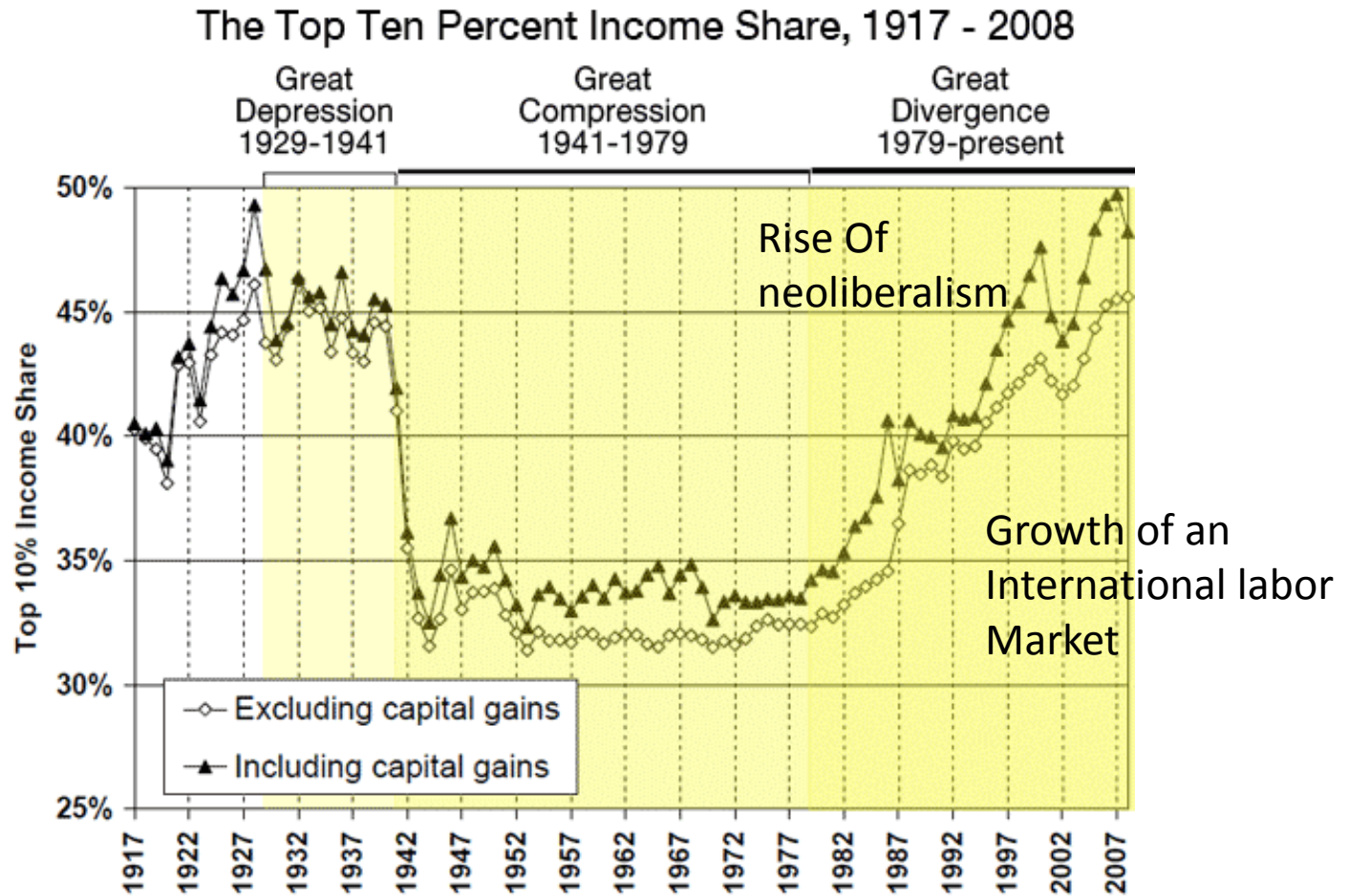




# Distribution of wealth in the U.S.



It wasn't always like this.....During the period of embedded liberalism and American hegemony incomes were more equal



Income is defined as market income (and excludes government transfers).  
In 2008, top decile includes all families with annual income above \$109,000.

Source: Thomas Piketty and Emmanuel Saez.

# 3. Why is Inequality Rising in the U.S.?

- Robert Reich: the escalators



- Picketty: Wealth grows faster than the economy
- Neo-liberalization and globalization concentrate wealth at the top
- Wages are pushed down by globalization—a global labor market.....

## **Why is inequality rising in the United States?**

### **A global Labor Market means functional, not national competitiveness**

- If foreign companies are doing well in the U.S., American workers are better off than with American corporations
- What are the causes of competitiveness then?
- The function you serve in the global, not the national economy
- Functional, not national competitiveness
- A class economy not a national economy

# Economic Classes correspond to Three Categories of work.....

- work that delivers high level management services **The Symbolic Analyst**
- routine production of goods and services **Routine Production Workers**
- work that delivers routine personal services. **Routine Personal Service Workers**

# The Symbolic Analyst





## Why is inequality rising in the United States?

High level symbolic analysts account for 10 per cent of U.S. jobs

- Services are in global demand
- So their standard of living has risen
- They are part of a global, not a national labor market
- Services are scarce
- More productivity redounds to their benefit
- The job is to CUT COSTS, increase profits, push up share price...
- **SYMBOLIC ANALYSTS R US!!!!!!**

# Aren't Americans competing with others for these Jobs?

- Friedman's argument: Yes
- But Jobs for symbolic analysts in the U.S. have increased!
- Why?



# Why is inequality rising in the United States?

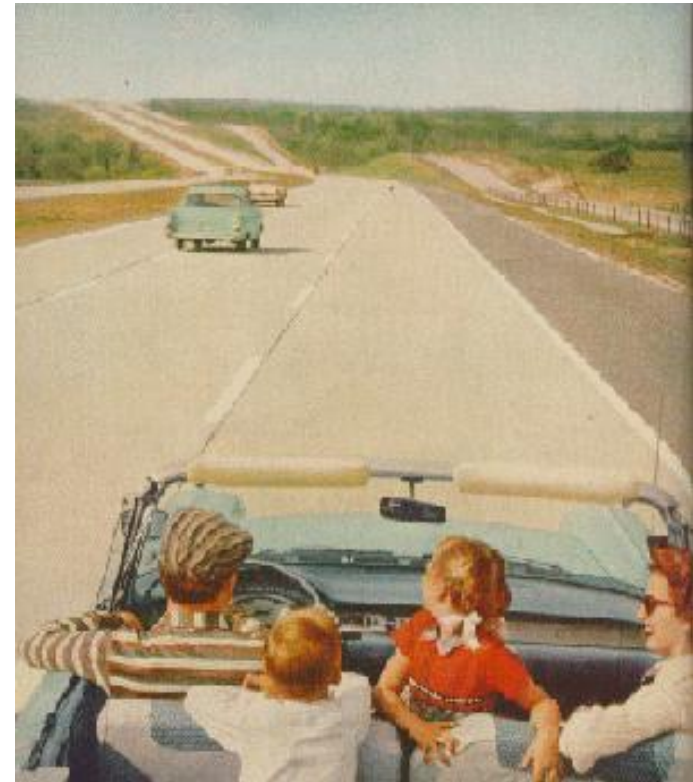
## Three Categories of work.....

- work that delivers high level management services **The Symbolic Analyst**
- work that delivers routine production services  
**Routine Production Workers**
- work that delivers routine personal services.

# The Routine Production Worker



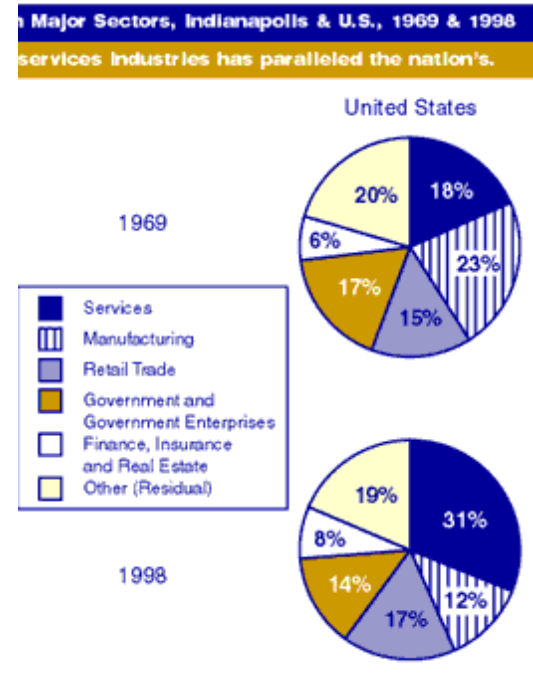
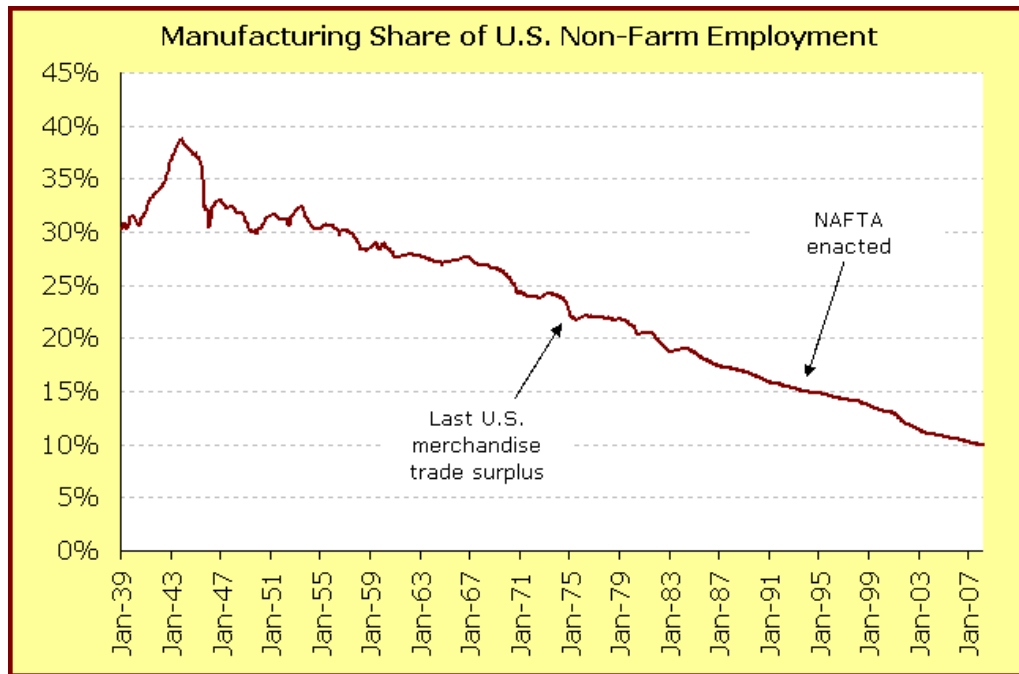
# These American jobs were once well-paid...



**But now no longer competitive...**



# Jobs in manufacturing in the US have declined while service jobs grew



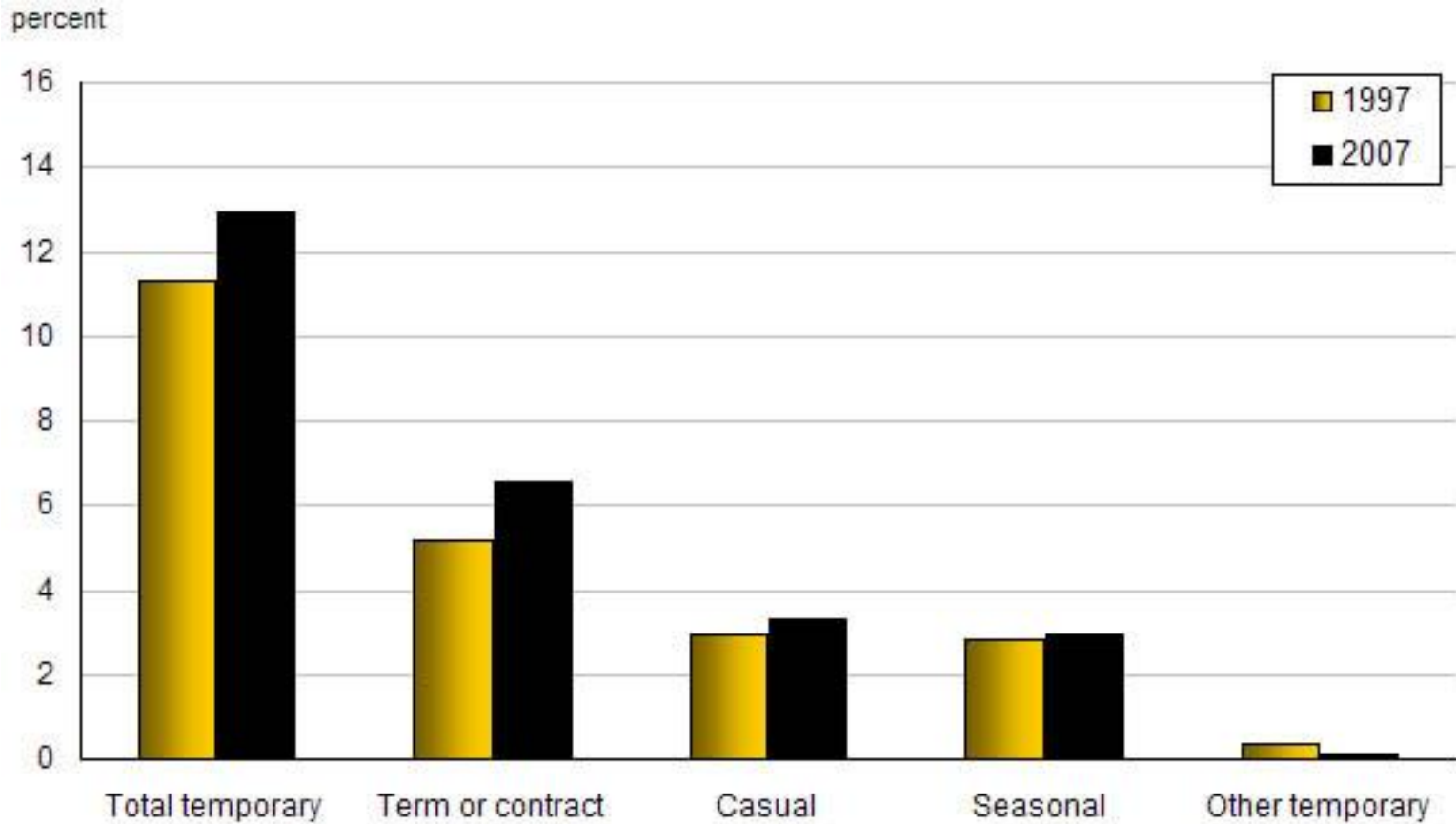
# Why is inequality rising in the United States?

## 4. Three Categories of work.....

- work that delivers high level management services **The Symbolic Analyst**
- work that delivers routine production services **Routine Production Workers**
- work that delivers routine personal services. **Routine Personal Service Workers**



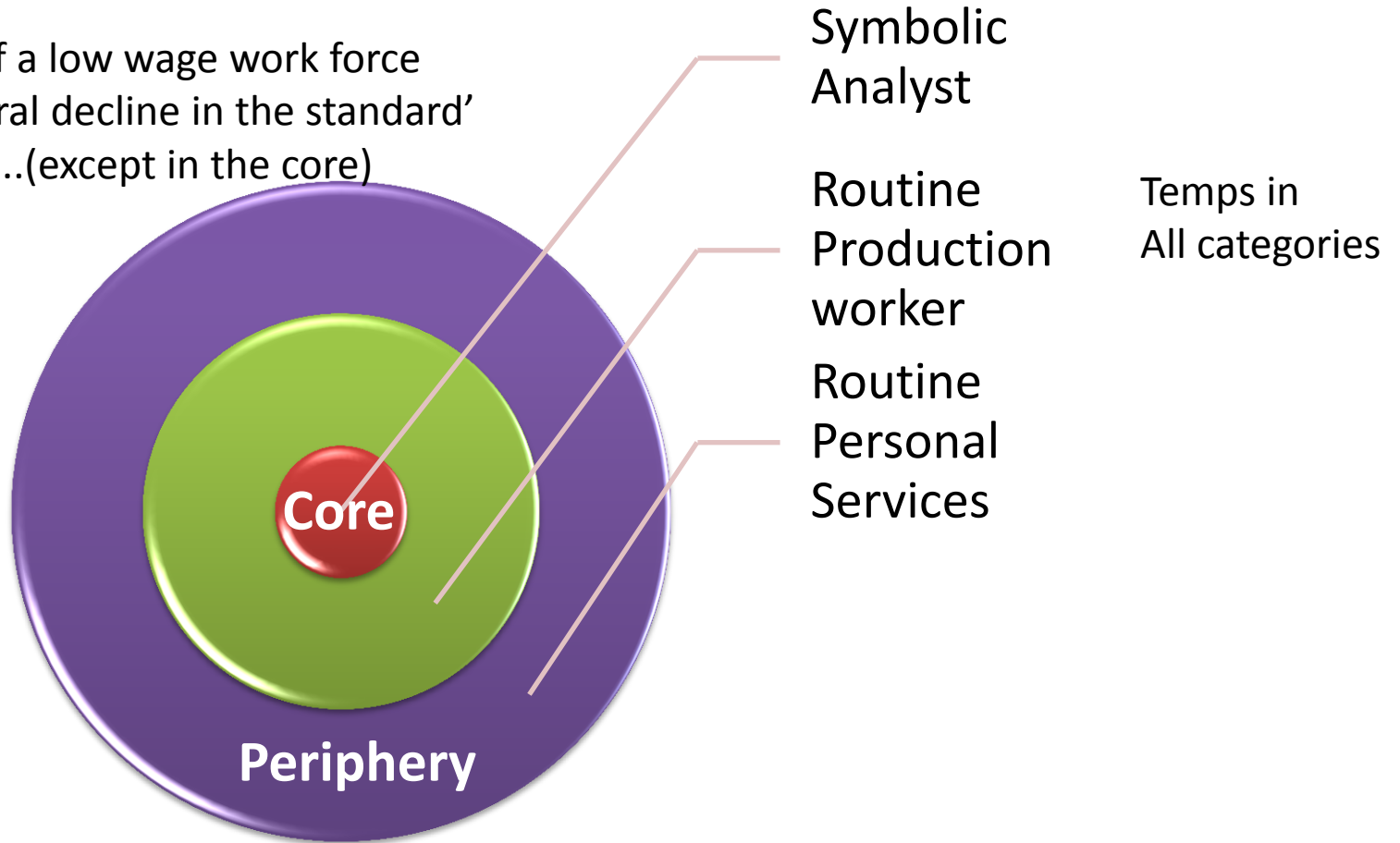
# And the Rise of Temporary workers and “portfolio employment”—All three categories



# 4. Three Categories of work

## A New Core and Periphery in the US?

Growth of a low wage work force  
And general decline in the standard'  
Of living.....(except in the core)





# 5. Consequences and Explanations?

## A Radical Equality perspective....

- It is the nature of capitalism to push labor costs (wages) down as far as possible
- But this contradicts the necessity for capitalism to sell goods and services
- Low wages constrict consumption and eventually.....
- Produce crisis

# **5. Consequences and Explanations? For the Economic Nationalist.....**

- Decline of National loyalty for the most competitive group..... (symbolic analysts)
- A loss of manufacturing jobs.....
- Loss of National Wealth
- Loss of National Power

# 5. Consequences and Explanation?

## For the Communitarian...Breakdown in Community and Class Interdependence

- Workers are coming to have different competitive positions in the global economy
- Less basis for community....

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# Takeaways

1. Economic liberal on globalization: global growth, poverty reduction
2. Inequality is growing in the United States
3. Why? Because the International Labor Market means functional, not national competitiveness
4. Three Categories of Work: The Symbolic Analyst, the Routine Production Worker, The Routine Service Worker—each with different competitive position in the international economy
5. What are the consequences for the U.S.? Liberal, Distributive Justice, and Communitarian Perspectives