

Globalization and American inequality



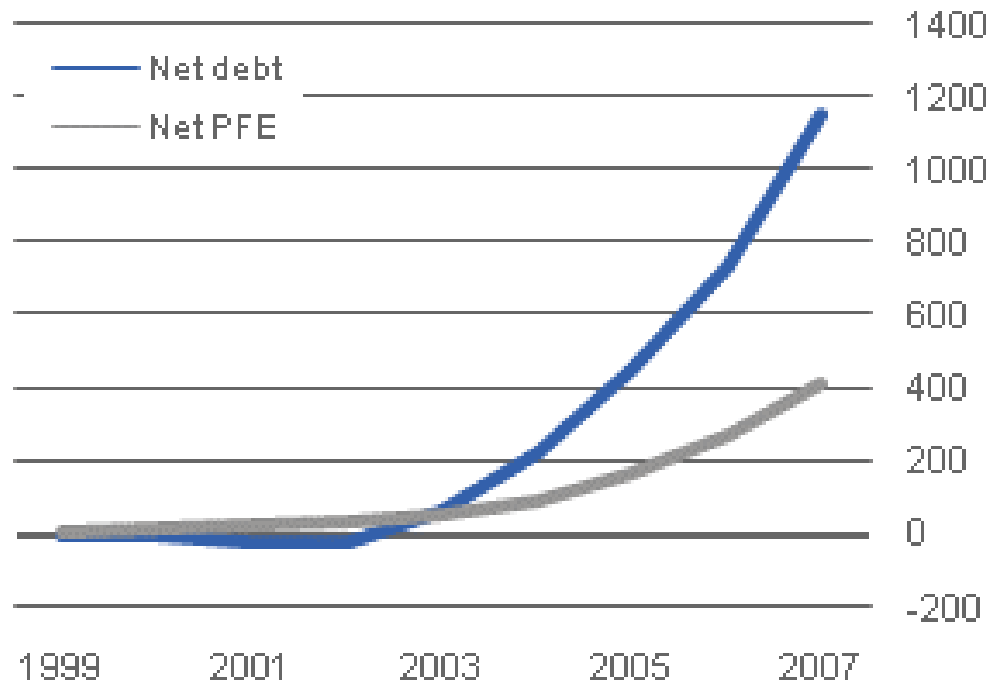
Today's Menu

- Liberal arguments for globalization: global growth and poverty reduction...but rising global inequality
- Growing inequality in the United States
- Why? Because of the International Labor Market means functional, not national competitiveness
- Three Categories of Work: The Symbolic Analyst, the Routine Production Worker, The Routine service worker—each with different competitive position in the international economy
- What are the consequences for the US? Liberal, Distributive Justice, and Communitarian Perspectives

Capital flows to emerging markets

Net private capital flows to emerging markets exploded over the last decade

Net cum flows since 1999, USD bn

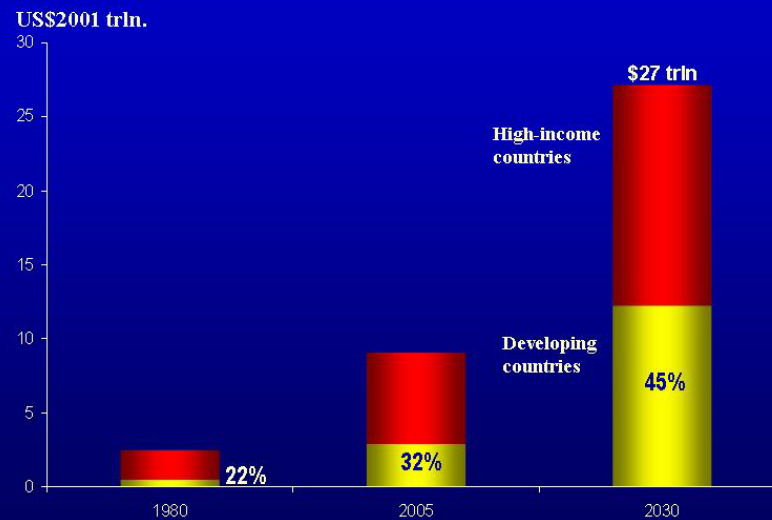


Source: World Bank

trade increases

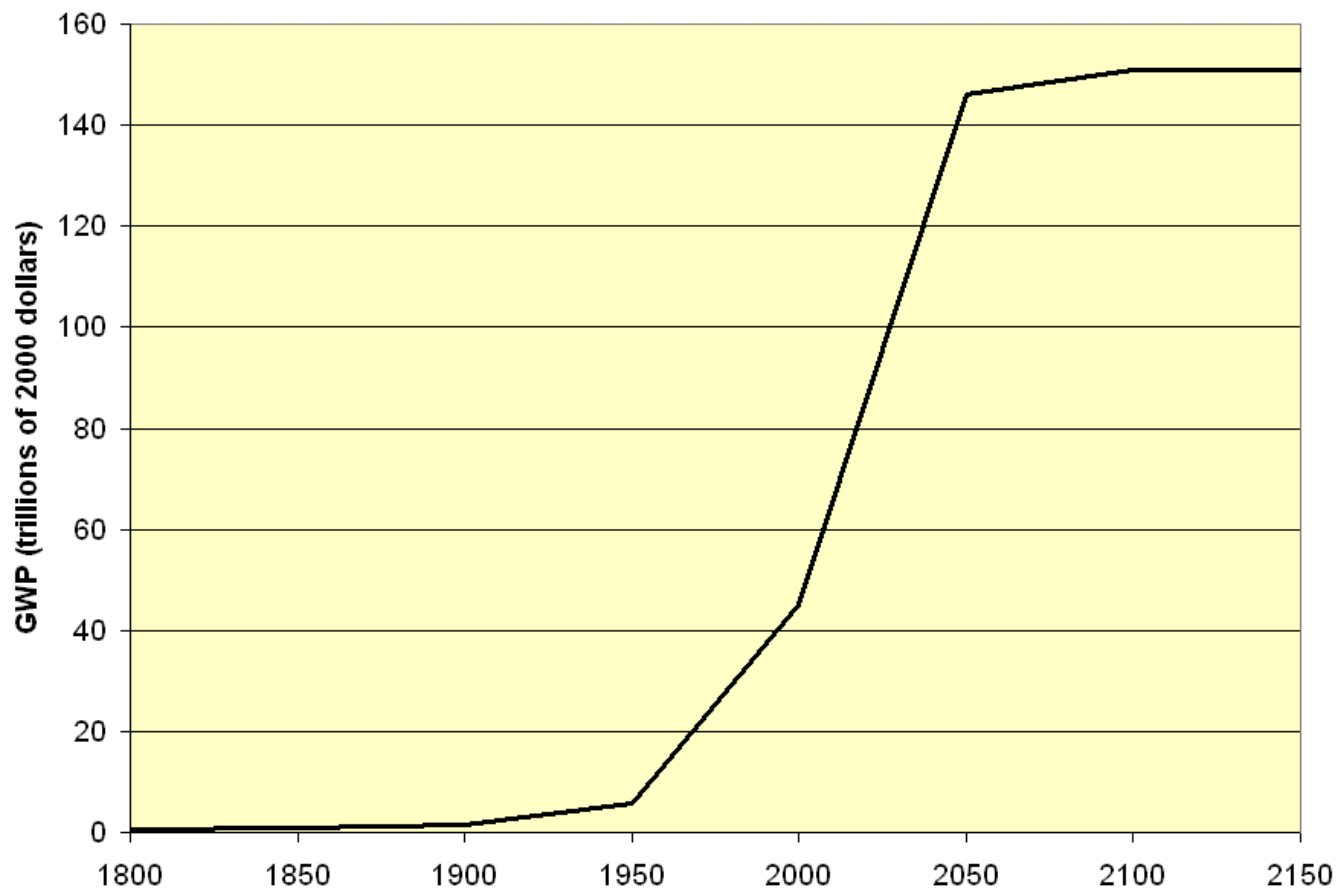
Globalization increases developing countries share in world trade

Exports from developing and developed countries, 2005-2030

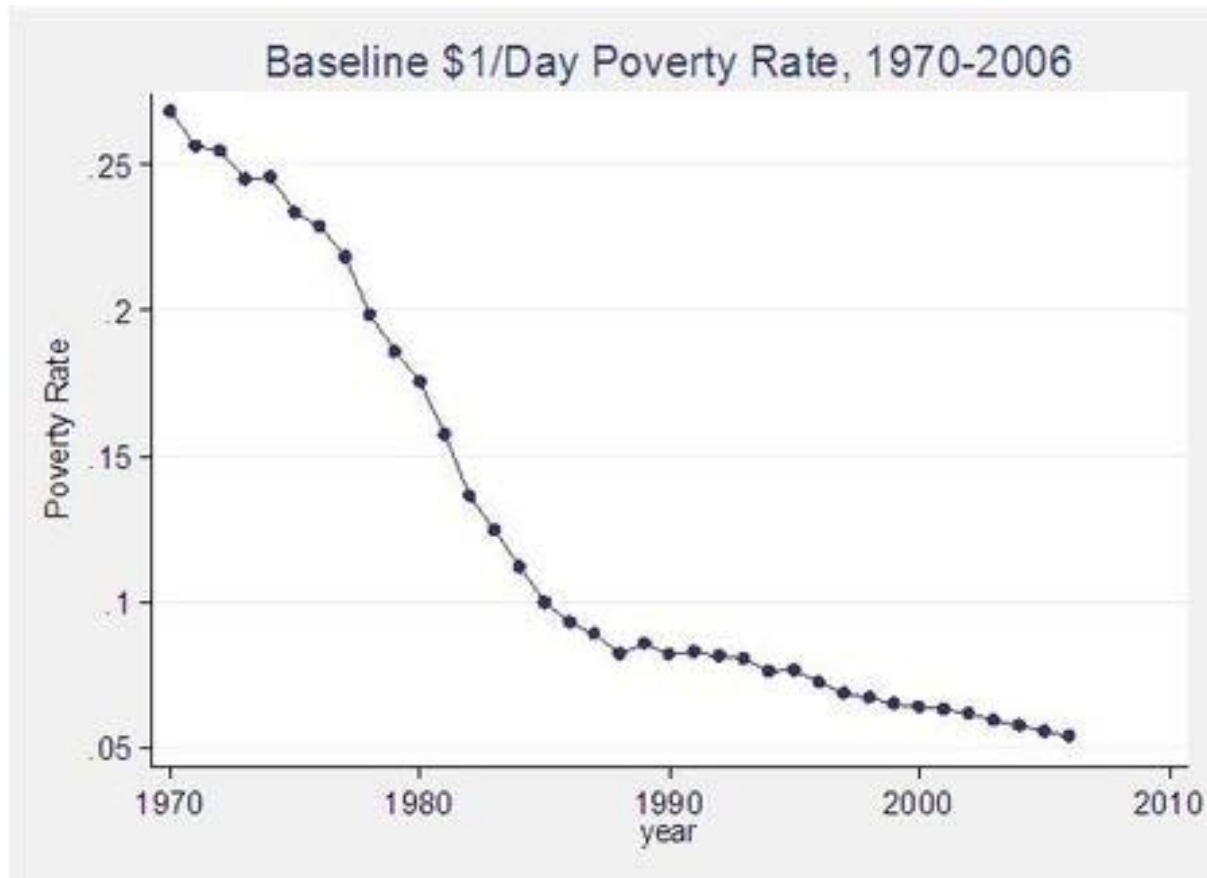


Source: World Bank simulations with Linkage model.

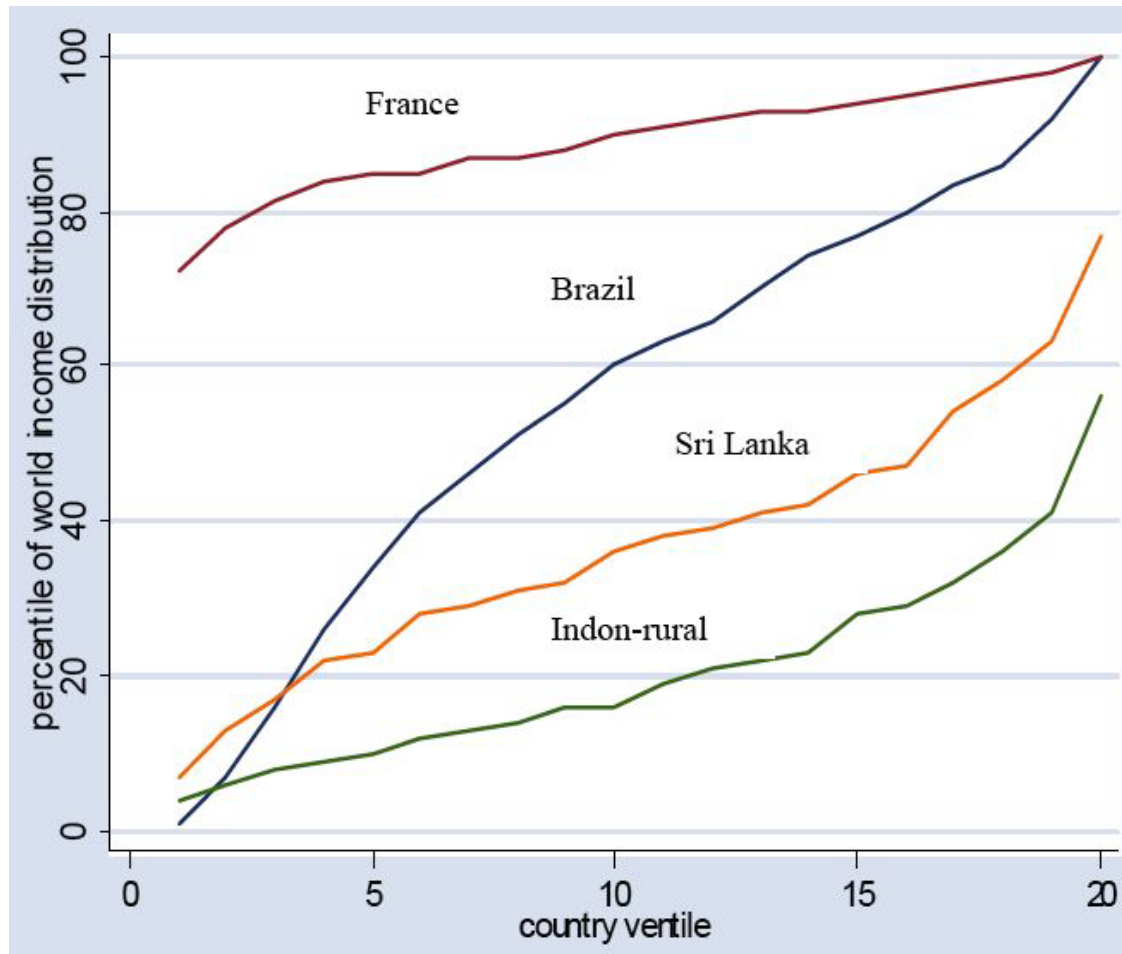
And trade leads to global growth



Growth reduces poverty.....



But there is Rising inequality (graph from 2006)



What is the impact of Globalization on the United States?

- The Liberal is concerned with global growth
- The Econ. Nationalist is concerned with American power (relative power)
- The socialist/ social democrat/ Marxist is concerned with income distribution in the U.S.
- How does globalization impact growth, power, and income distribution In the U.S.?

American workers are the most productive in the 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

Did Globalization make Americans better off?

- Women's earning power increased
- Minorities saw incomes rise and poverty rates drop
- 1965-75 African American earnings rose...
- But Came to a halt after 1975
- And no substantial increase since....

All groups saw their incomes rise since 1947

MEDIAN FAMILY INCOME

INCOME IN CONSTANT 2006 DOLLARS



But there has been a Decline in real wages

Real Wages Struggle

Average weekly earnings of U.S. workers in 2008 dollars, since 1964



Source: Federal Bureau of Labor Statistics, FactSet

Rising inequality in the U.S.

- Since 2001...
 - Decline in household income
 - Stagnating wages
 - Any rise in wages results from putting in more hours
 - Rising poverty in single-parent families

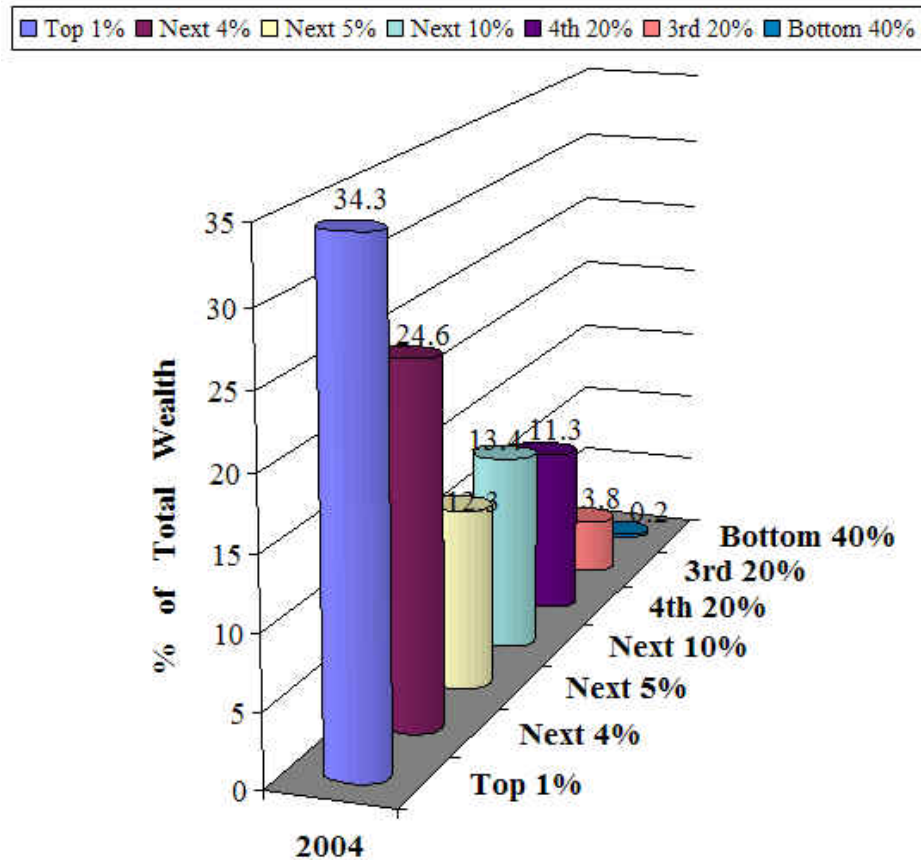
Income Distribution has favored people at the top

- Like a rowboat chasing a speedboat
- Rise in average incomes skewed by inequality



Distribution of wealth in the U.S.

Distribution of Wealth, U.S. Households, 2004

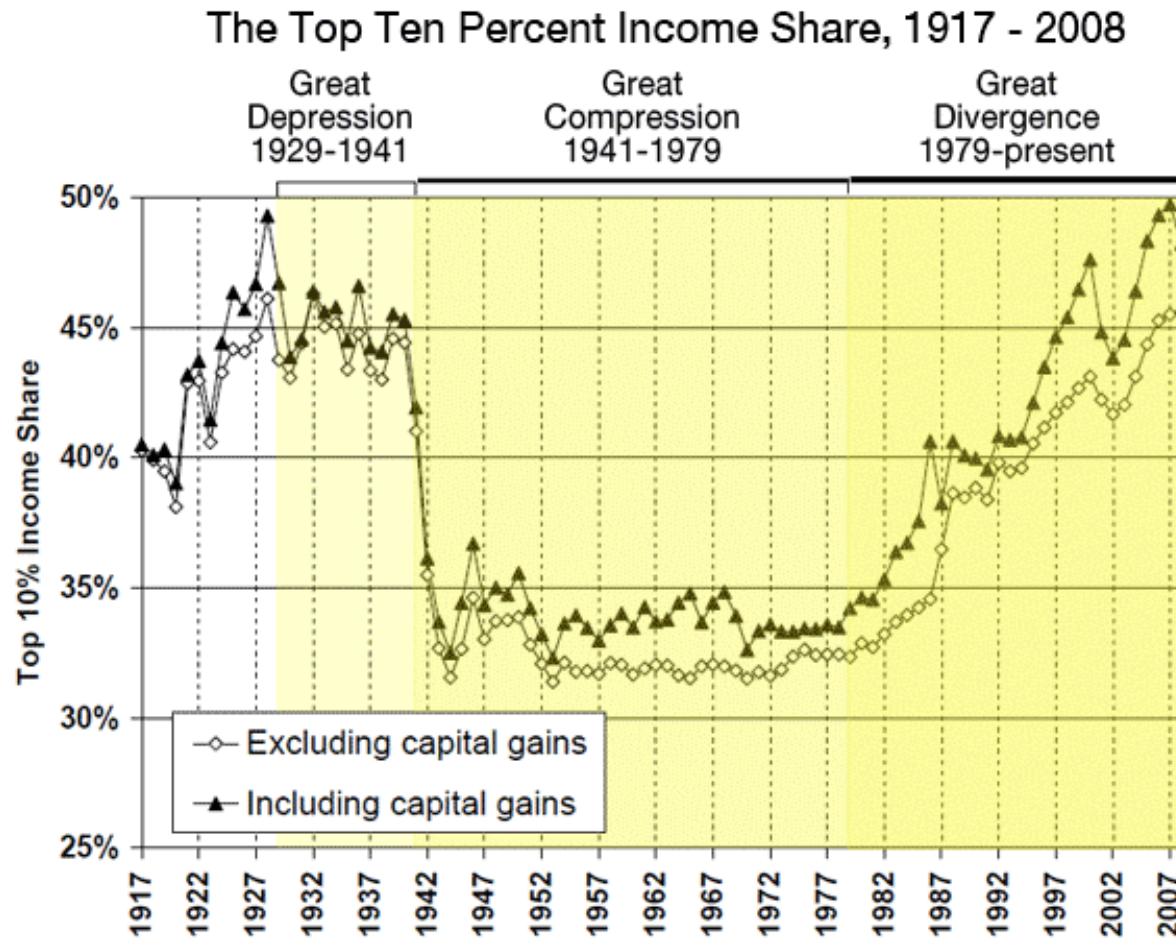


The Escalators: What has happened over time?

<http://www.slate.com/id/2266025/entry/2266026/>



The Long View of Income Inequality



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.

Why is inequality rising in the United States?

The Labor Market is International, Not National

- Wages are pushed down by globalization, meaning...
 - Freedom of goods, people, and money to move beyond national borders leads to.....
 - Outsourcing production to low-wage regions and...
 - Importing goods from low wage regions, which...
 - Reduces demand for American labor, which in turn.....
 - » Weakens trade unions
 - The weaker the wage earners, the more power for those at the top to increase their own incomes

An International 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

This leads to a Class economy, not a national economy

- American industries no longer compete against other “national” industries
- The stateless corporation?



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**

The Symbolic Analyst



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 wait.....
- Jobs for symbolic analysts in the U.S. have increased!

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The Routine Production Worker



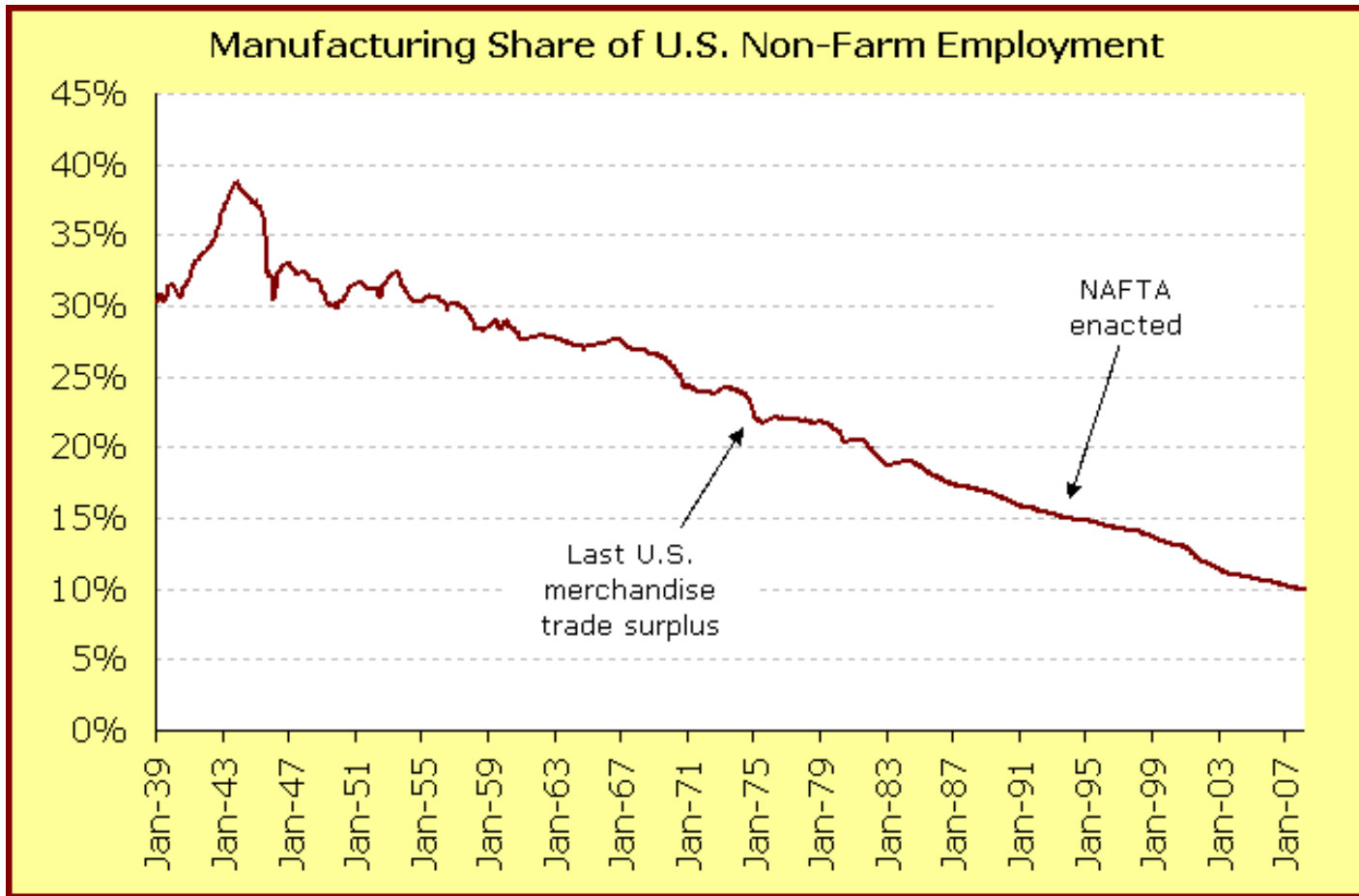
These jobs were once well-paid.....



But now no longer competitive...



Jobs in manufacturing in the US have declined

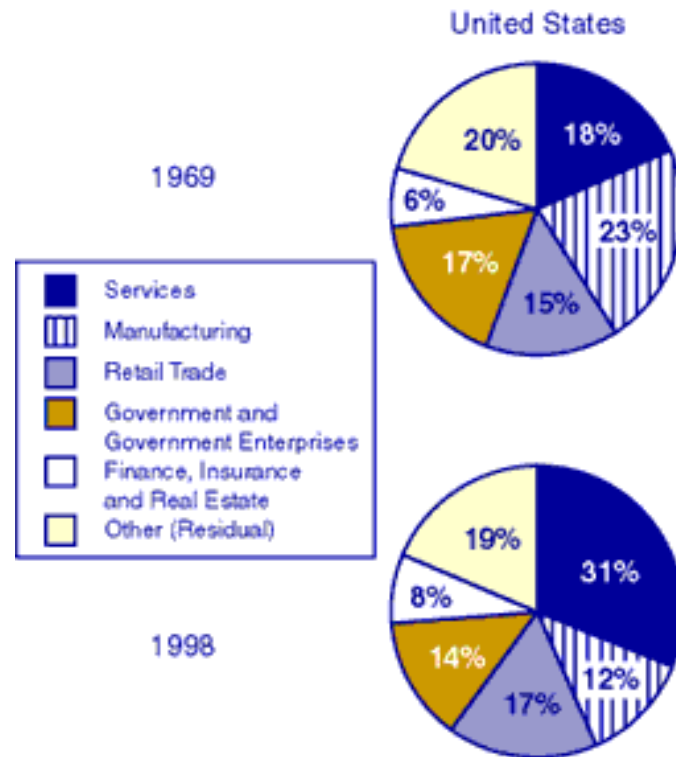


While service jobs grew.....



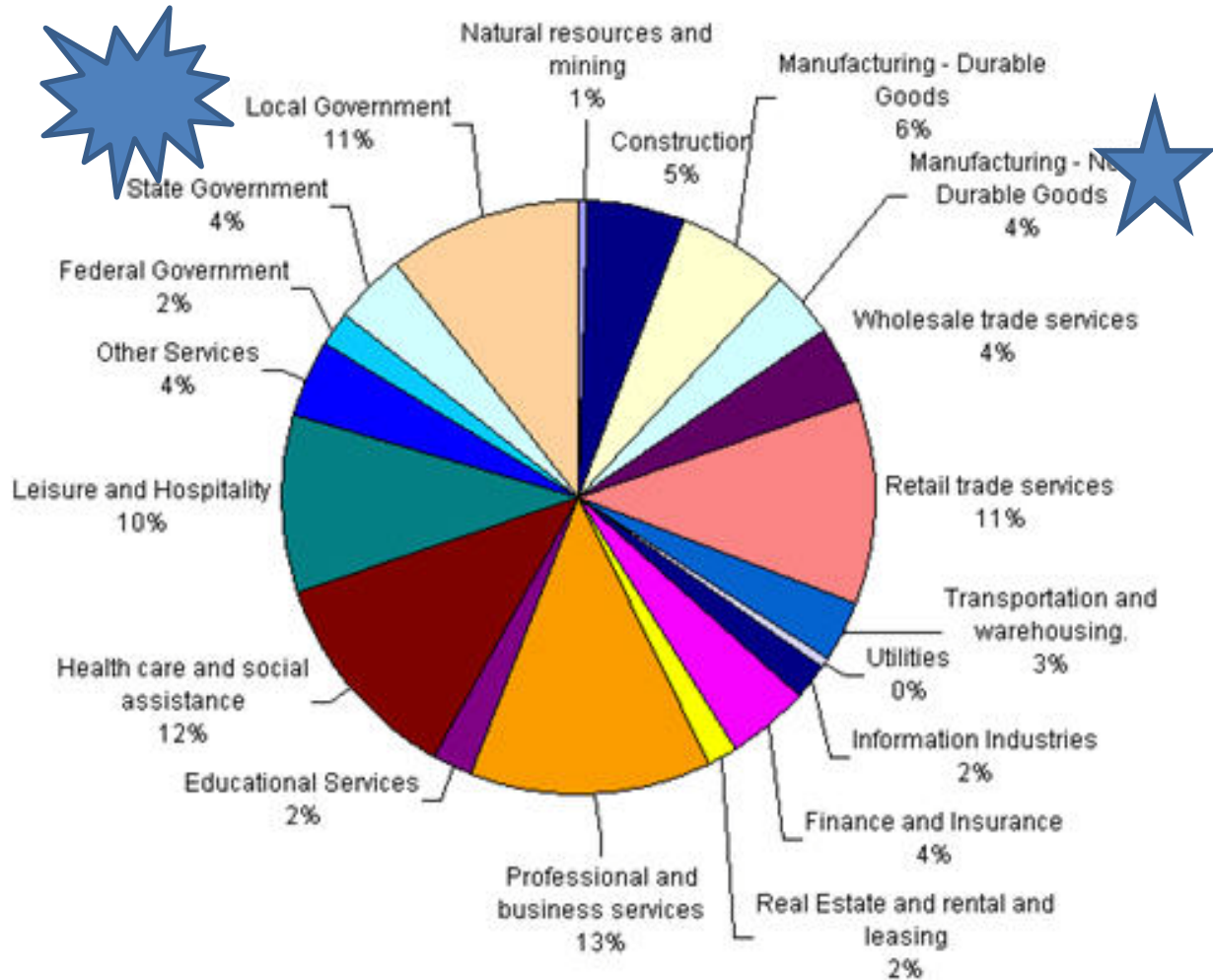
Major Sectors, Indianapolis & U.S., 1969 & 1998

services industries has paralleled the nation's.



While Service Jobs Grew

US Labor Market by Industry Oct 2008



Three Categories of work.....

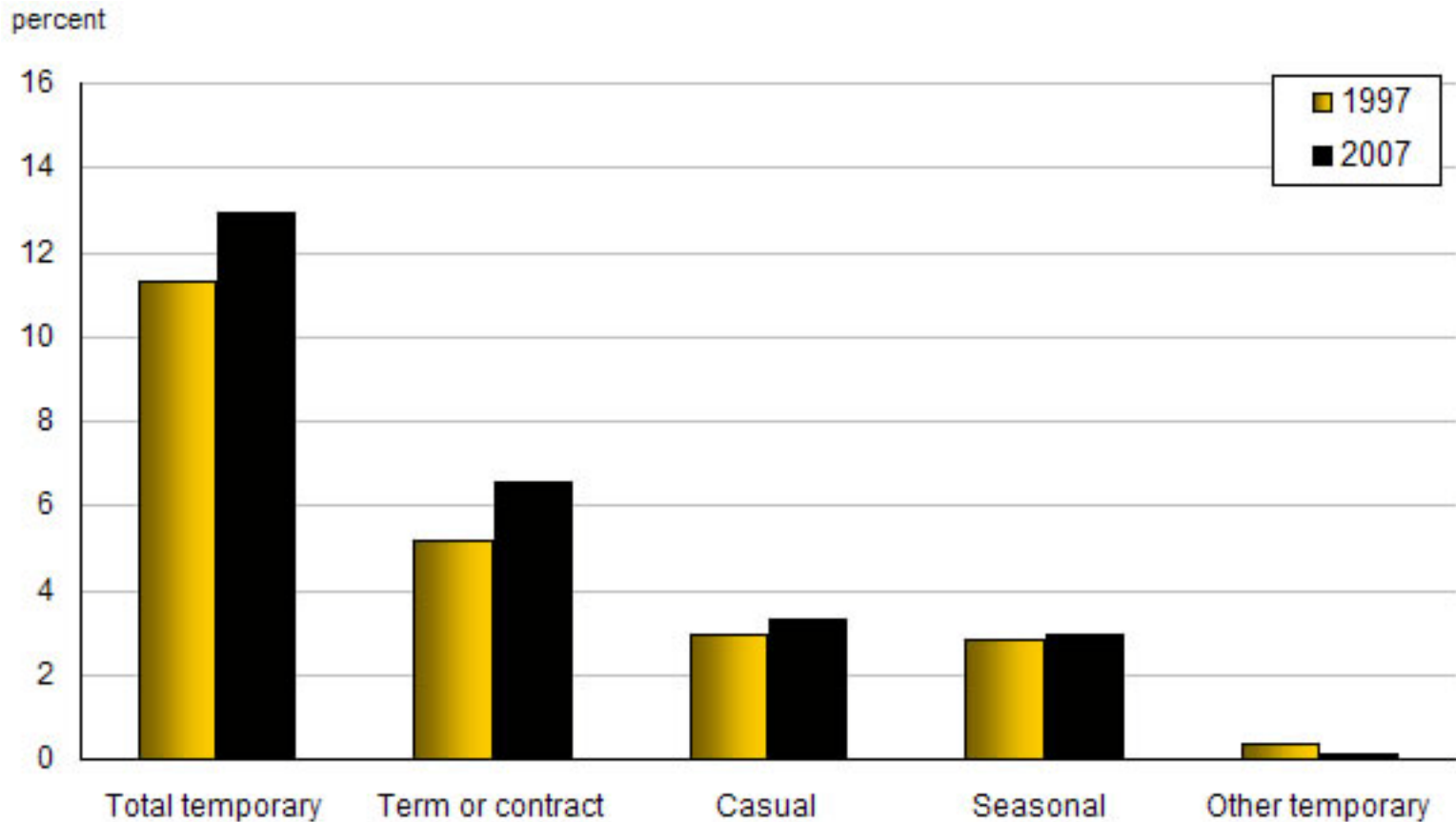
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Sheltered from the direct effects of global competition.....

- But not the indirect effects.....

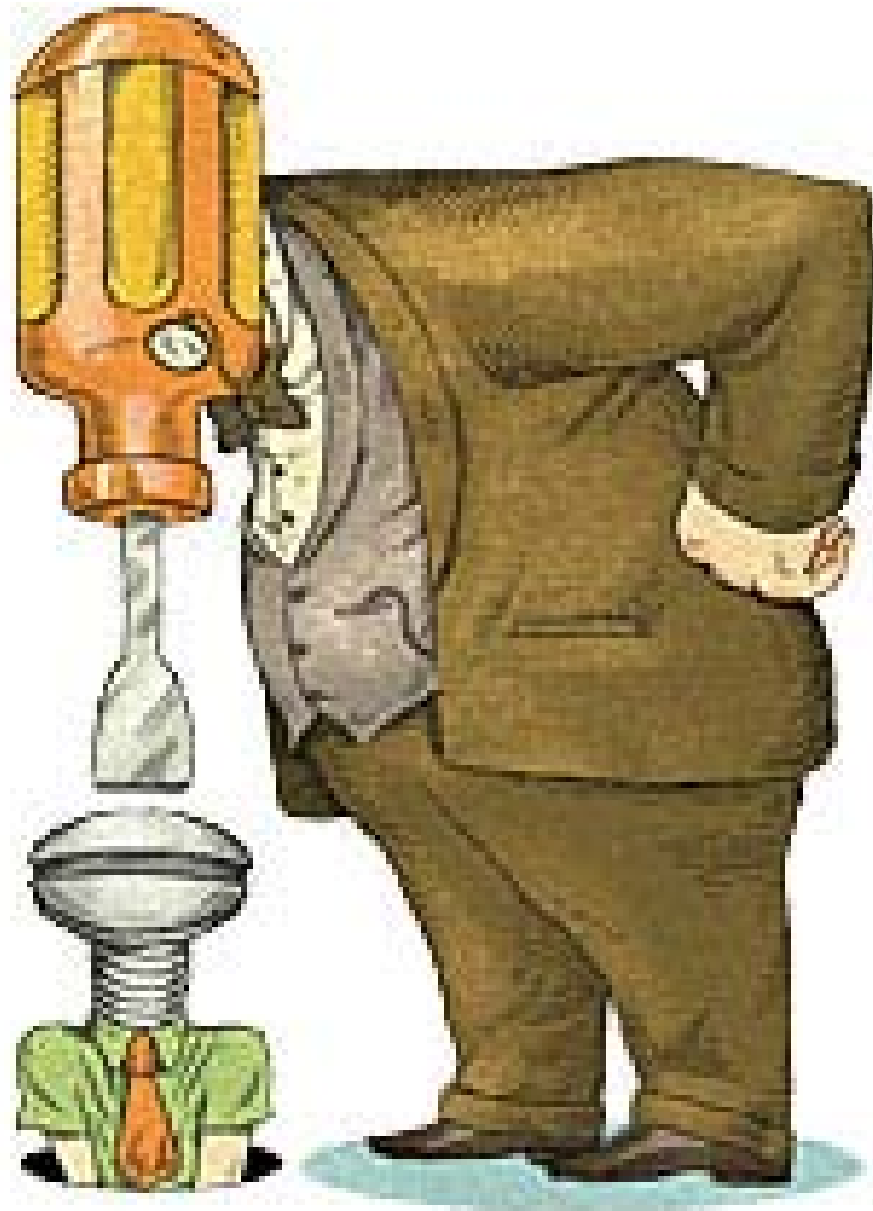


Rise of Temporary workers and “portfolio employment”—All three categories

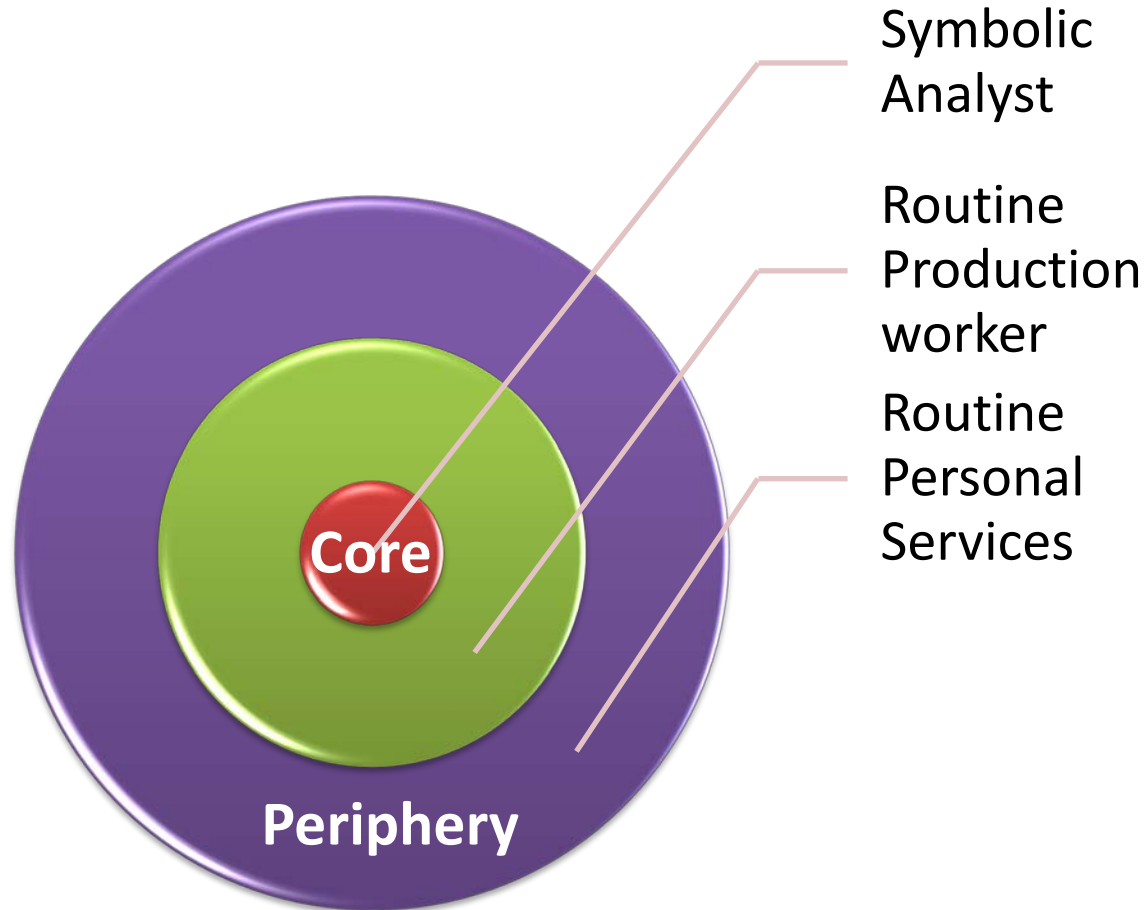


Growth of a low wage work force

- No Jobs, Temp Jobs, low pay
- Means growing inequality as a few symbolic analysts make more.....



A New Core and Periphery in the US?



A Distributive Justice 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

For the Economic Nationalist.....

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

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....

