

Free trade and globalization essay example

[Business](#), [Marketing](#)



- Summary of Alex Tabarrok talk.

Alex Tabarrok is highly optimistic about the future of the world provided that the process of globalization and the expansion of education continue at the present rate, particularly in China and India. In comparison with the last 50-60 years, the first half of the 20th Century was a disaster, with two world wars, a Great Depression, high levels of protectionism, the Iron Curtain, and numerous walls blocking transportation and communication around the planet. Since that time, the walls have come down almost everywhere, such as tariffs that averaged 45% in 1950 but are now down to about 5%.

Transportation walls also fell, with the development of vast container ships that can carry 100, 000 tons of cargo, compared to the typical freighters of the 1940s that carried only 5-10, 000 tons. Communication walls have fallen with the new developments in personal computers, cell phones and the Internet, and of course the Iron Curtain also fell in 1989-91. Trade has been increasing greatly compared to the first half of the 20st Century and for the first time in history every area of the world is experiencing economic growth. For the last three decades, growth has averaged 10% per year in China, while in India it has been 6% of the last 20 years, starting at an income level of less than \$1, 000 per capita. Even Sub-Saharan Africa, which has experienced negative growth for decades, began to grow slightly in the early part of the 21st Century.

Tabarrok believes that the main engines of economic growth are education, new ideas, innovation and education within the overall context of a global market. All the new developments in technology have very high research and development costs but low manufacturing costs. An idea can feed the

entire world, which means that free trade and globalization are more important than ever before. In large markets, the incentives to develop new ideas, products and services are greater than in small markets. If China and India were as wealthy as the U. S. today, then the market for anti-cancer drugs would be eight times higher, so larger markets literally save lives. For every other type of product, from computers to drugs to movies, the larger the market the more likely it is to be developed, and a one-world market will maximize incentives. A one-world market will also increase the demand for idea creators, including scientists and engineers. Today, less than one-tenth of 1% of the world's population consists of scientists and engineers and most of them are in the U. S. and a few other countries. If the world was as wealthy as the U. S., however, there would be five times as many, and their numbers have begun to increase in China, India and other countries with the expansion of education. In this century, there will therefore be far more idea creators than ever before in human history, and everyone benefits when countries become richer, education levels increase and there is a greater supply and demand for new ideas.

- He argues that free trade and globalization are shaping our once divided world into a community of idea-sharing more healthy, happy and prosperous than anyone's predictions. Do you agree with him? Why or why not? (within 1000 words.)

I have heard this kind of lecture or pep talk more than once before, and all of it has become sort of a cliché over the last 20-30 years. Many of the people making predictions like these really did not see the current Great Recession coming, although there were plenty of warning signs such as the Asian

meltdown of 1997-98. I think they tend to mistake all kinds of speculative bubbles in finance and real estate for genuine economic growth and development, and I disagree with their ideas that all these problems should just be left to the 'free market' to work themselves out. We have certainly had no shortage free market, free trade and minimal government policies in the U. S. in recent decades, so much so that fraudsters like Bernie Madoff could operate with impunity on Wall Street and steal billions. Large financial institutions could market 'assets' and securities around the world that they knew perfectly well were worthless and no legal or regulatory stopped them. When the crash came, of course, they were all lined out begging for bailouts from Congress and the Federal Reserve, suddenly having forgotten about their previous free market ideology that they have been pushing all these years. Unlike Tabarrok, I do not regard this as some small bump in the road since it certainly appeared to me that the entire capitalist system was about to collapse and was only saved by governments acting in concert. Indeed, the large financial institutions in Europe have been receiving huge bailouts from governments and the European Central Bank to prevent them from collapsing, while the common people in many countries are getting only austerity measures.

Well, I could go on and on at length about this system, but it all seems like a gigantic disaster for me, and I would not be so optimistic about the ability of the world to recover from calamities like this. To be sure, the world recovered from the Great Depression (eventually), but that was only after Hitler came to power in Germany and started a global war in which tens of millions died. Tabarrok just seemed to breeze over that as well, but the

economic calamities of the 1930s led directly to the Second World War, and if history repeats itself in that respect human life might not survive at all on this planet. If it does, it will have a GDP per capita of considerably less than \$200, 000 when the dust settles. For thirty years after World War II, most Western governments also pursued Keynesian and statist policy that expanded the social safety net, supported organized labor and kept capitalism well-regulated. They produced a remarkable recovery from the ruins of World War II during that time and a period that is still thought of as kind of a Golden Age. Certainly that kind of performance has not been repeated since, especially in light of the current global recession.

I think part of the problem in recent decades is that there has indeed been an expansion in trade, technology, innovation and so on, but so many of the benefits really have been concentrated at the top. I look around this world and I see that wealth is far more unequally distributed in the U. S. than it was in 1970 and that in many countries the majority of people are hardly middle class but still closer to the subsistence level. I just do not see that this rising tide has been lifting all boats, although some of them definitely have been. I also see that political power is still extremely unequal and that the very wealthy and large corporate interests have a disproportionate level of control over social and economic policies in the world. Institutions like the International Monetary Fund, World Bank and World Trade Organization are hardly democratically accountable, yet they determine the economic policies and rules under which most of the world must live, and I do not believe those decisions are being made with the general welfare in mind. All of this could very well produce a backlash against the top-down version of globalization

that Tabarrok so lavishly praises, since so many people have good reason to believe that there is little in it for them. I could add that he also neglected to mention the burgeoning problems with climate change and the environment that are occurring right at this moment, but I think I have already made my negative views clear enough.

WORKS CITED

Alex Tabarrok. S. Grace O Website, November 13, 2012.