

The Future of the Global Order: Economics, Geopolitics, and politics

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Preview

- Short-term outlook uncertain
- Longer-term trends are concerning
 - Challenges to the global economic order are significant
 - They are primarily political and geopolitical
 - Whatever your view, the future depends on whether/how the challenges are met
- Some principles
 - Politics trumps economics
 - Geopolitics trumps domestic politics
 - Both are in play
- Go through good news/bad news in economics, geopolitics, politics

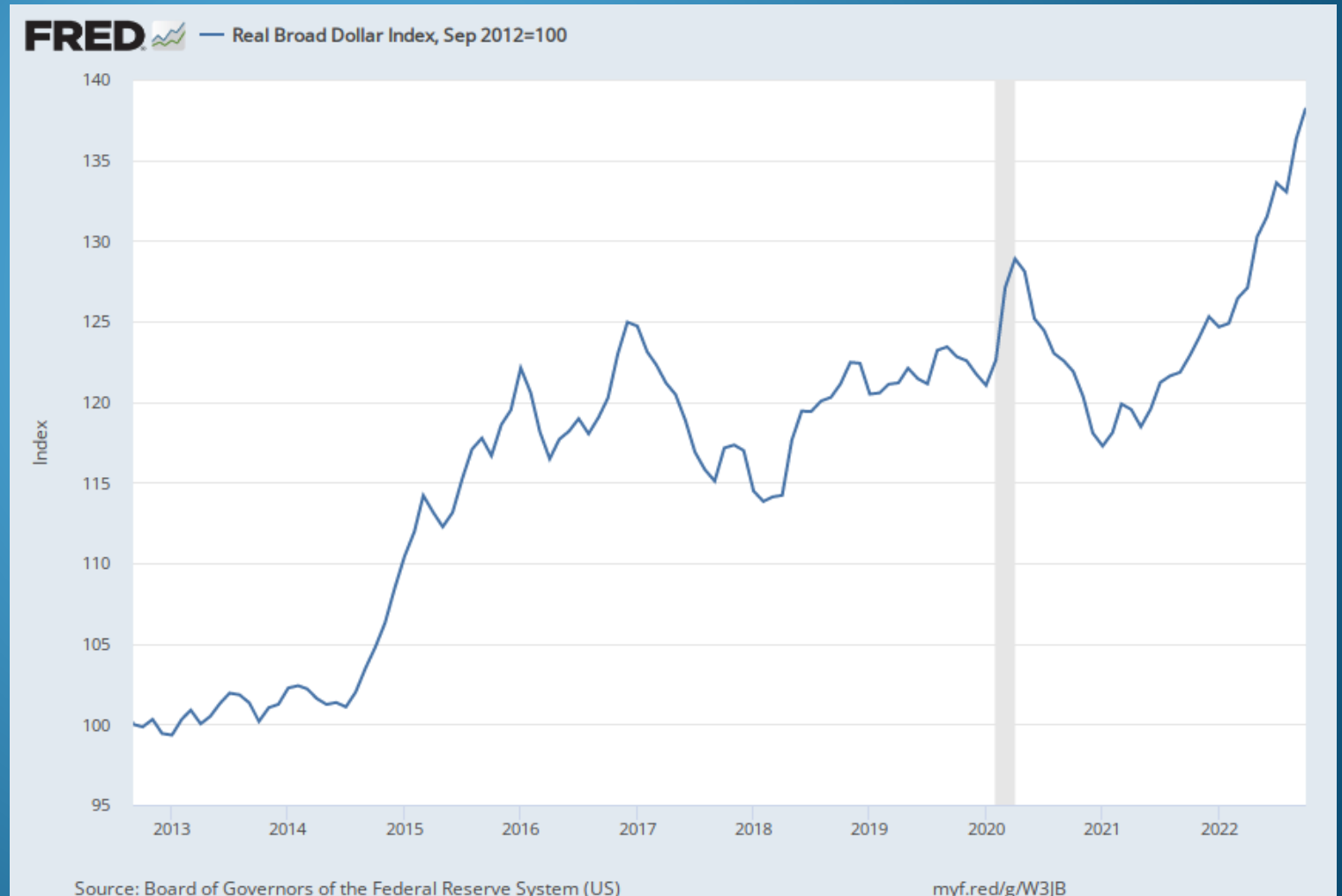
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- There is good news
 - Full employment



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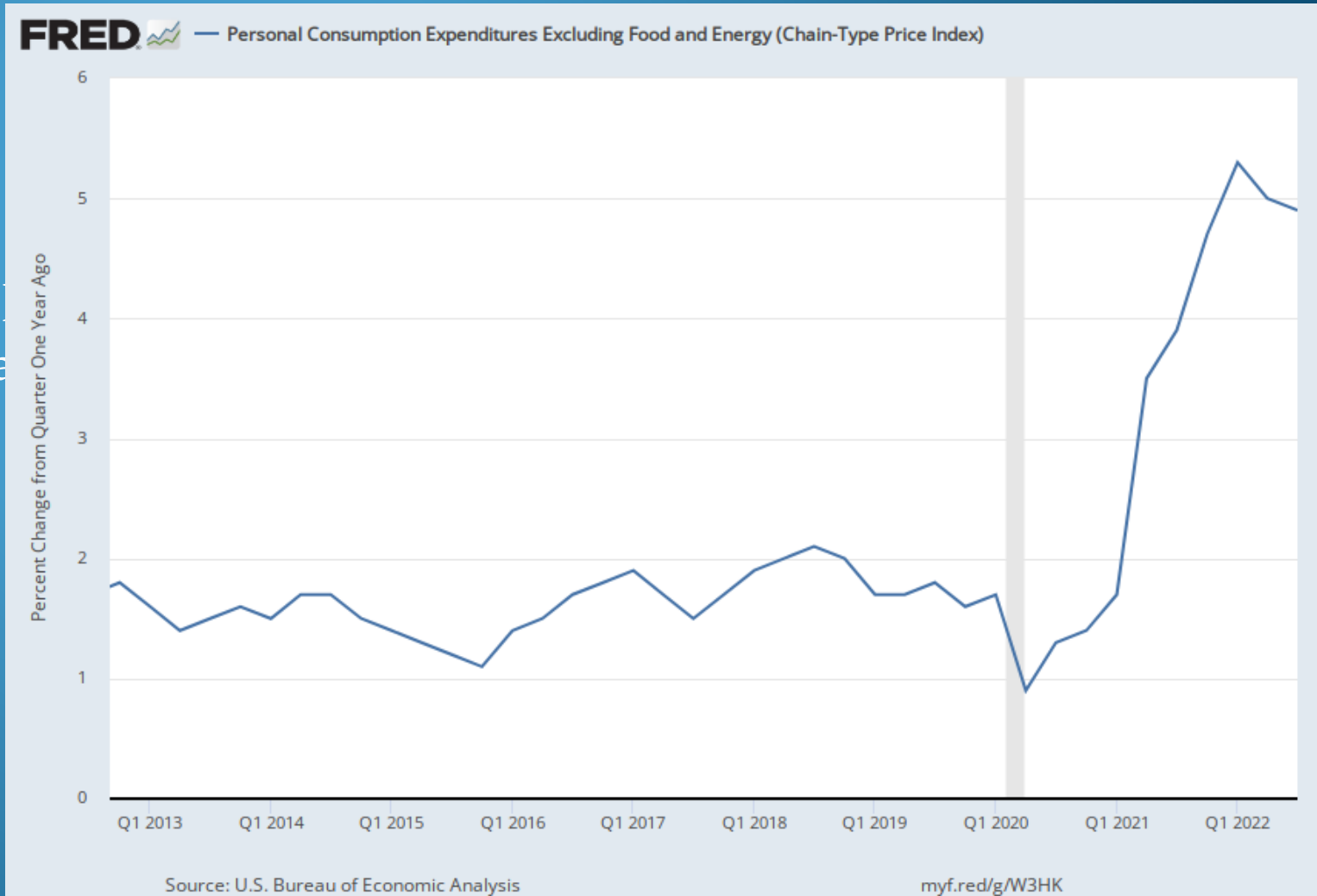


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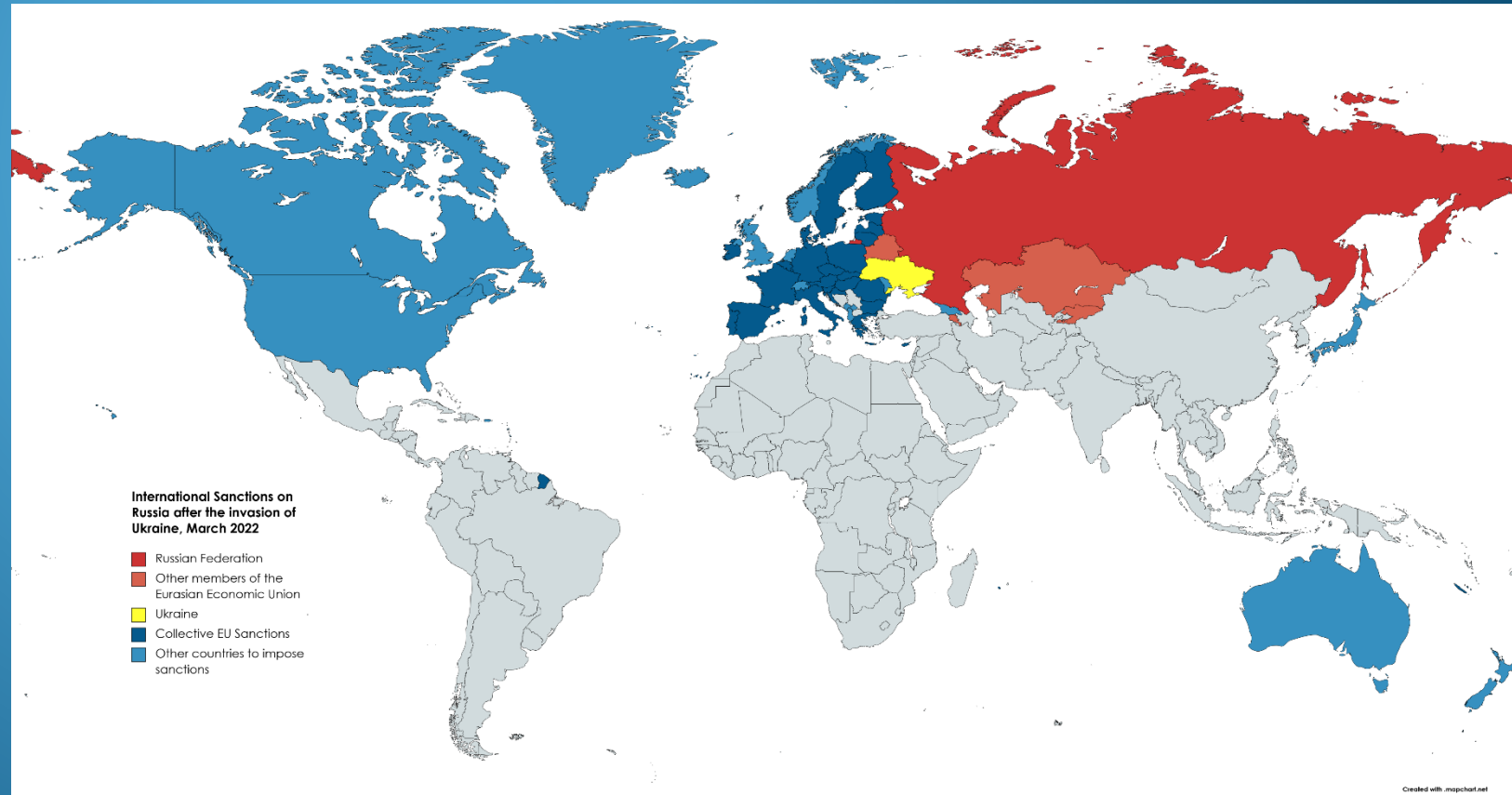


The economic outlook

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 - Full employment
 - Strong dollar
 - General agreement on cooperation
 - Easing trade conflicts with allies, China
- There is bad news
 - Inflation at home
 - Strong dollar causes serious problems elsewhere
 - China conflict is on pause, not over – and poised to get worse
- The world economy hangs in the balance

The geopolitical outlook

- There is good news
 - The “West” is united

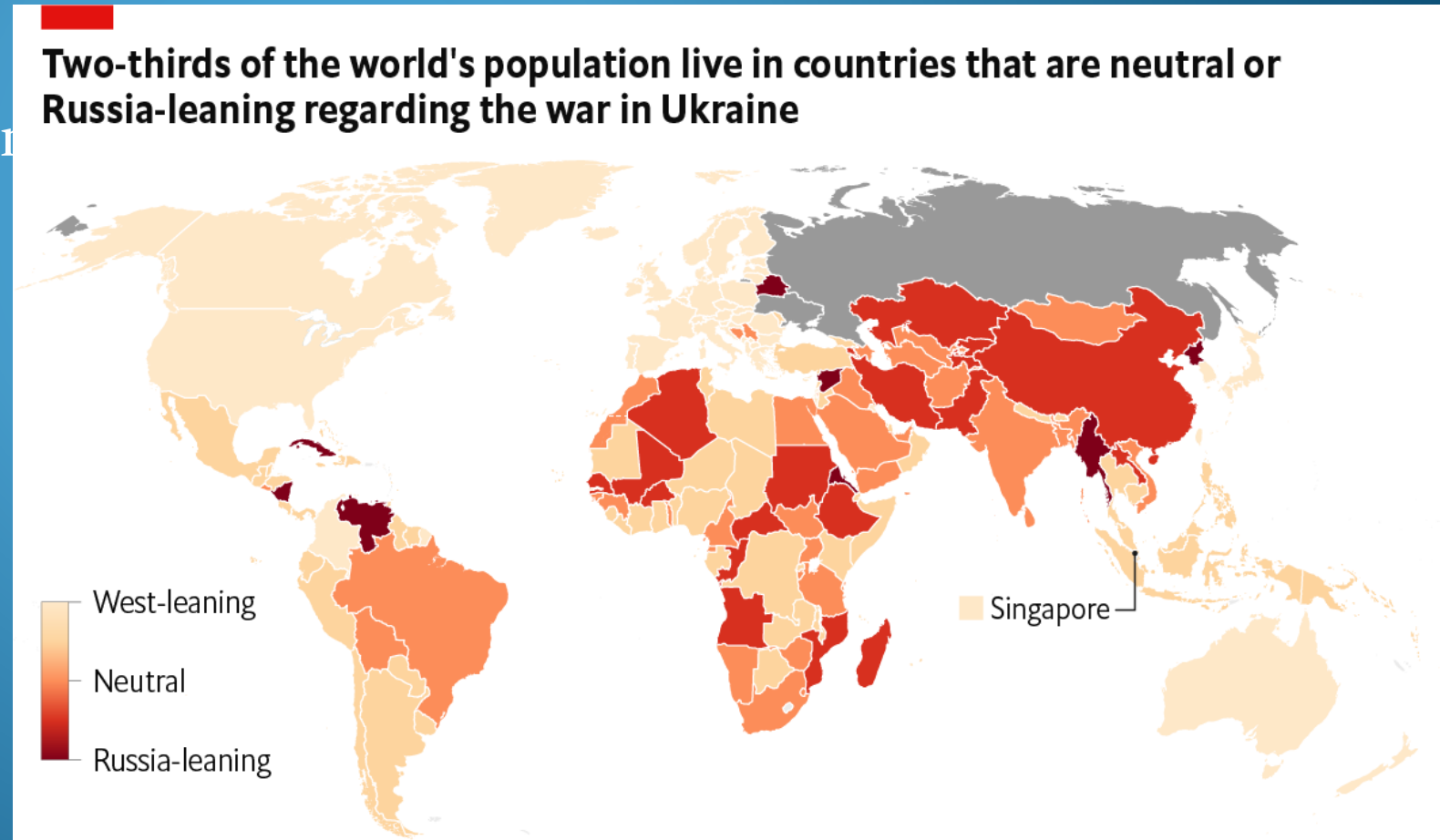


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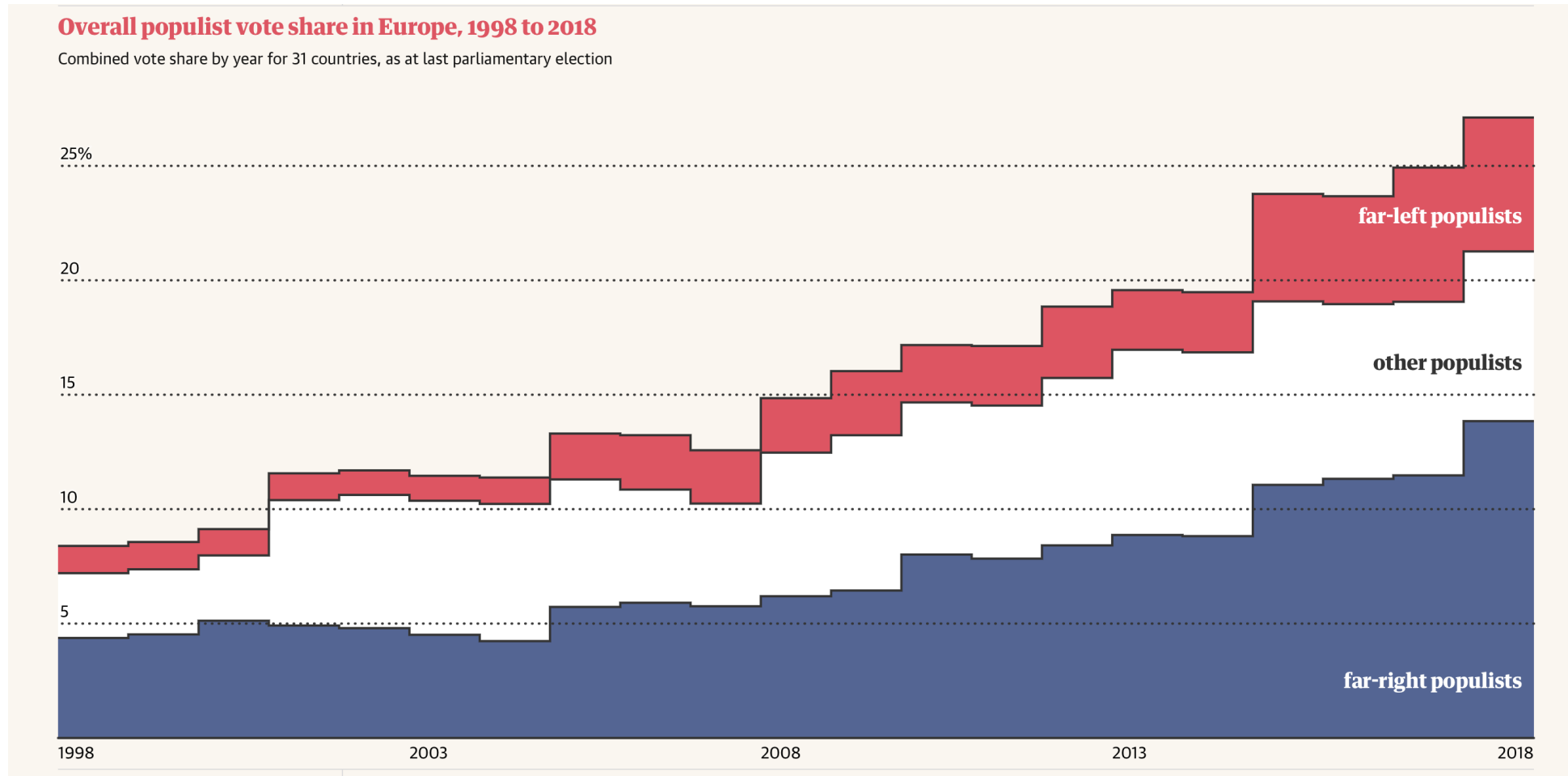
The geopolitical outlook

- There is good news
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 - The US remains dominant
- There is bad news
 - The “West” is isolated
 - European patience may be fading
 - American reticence may be growing
- Which brings us to...the politics
 - Is there political support for economic integration and geopolitical unity?

The political outlook

- There is good news
 - Economic integration is popular
 - International cooperation is popular
- But...internationally the trend is toward less integration/cooperation
 - Protectionism is rising: 278 discriminatory measures 2009 → 2,470 2021 (GTA)
 - IRA/green subsidies, CBAMS adopted or on the horizon
- Domestically, political support for both is highly uncertain
 - 1998: European populists average less than 10% of vote; in 2 govts
 - 2022: European populists average 24% of vote; in 12 govts (+4)

Steady increase in support for European populist parties

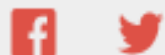


Common theme: sovereignty

- Donald Trump: “We reject the ideology of globalism.... [R]esponsible nations must defend against threats to sovereignty...from global governance.... We will never surrender America’s sovereignty to an unelected, unaccountable, global bureaucracy.”
- Marine Le Pen: “The European Union has become a prison of peoples. Each of the 28 countries that constitute it has slowly lost its democratic prerogativesI will be Madame Frexit if the European Union doesn't give us back our monetary, legislative, territorial, and budget sovereignty
- Matteo Salvini: “We envision a different Europe where every E.U. country should have the freedom to decide its own economic policies....We need a strong country that is not subordinate to Europe.”

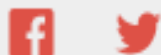
FACT

EU law is supreme over UK law. This stops the British public from being able to vote out those who make our laws



FACT

Our 'Supreme Court' is the European Court of Justice. We've lost control of trade, human rights, and migration



FACT

The Eurozone has a permanent voting majority and can always outvote the UK



FACT

Losing control costs a fortune - if you vote 'remain' you'll be paying for euro bailouts



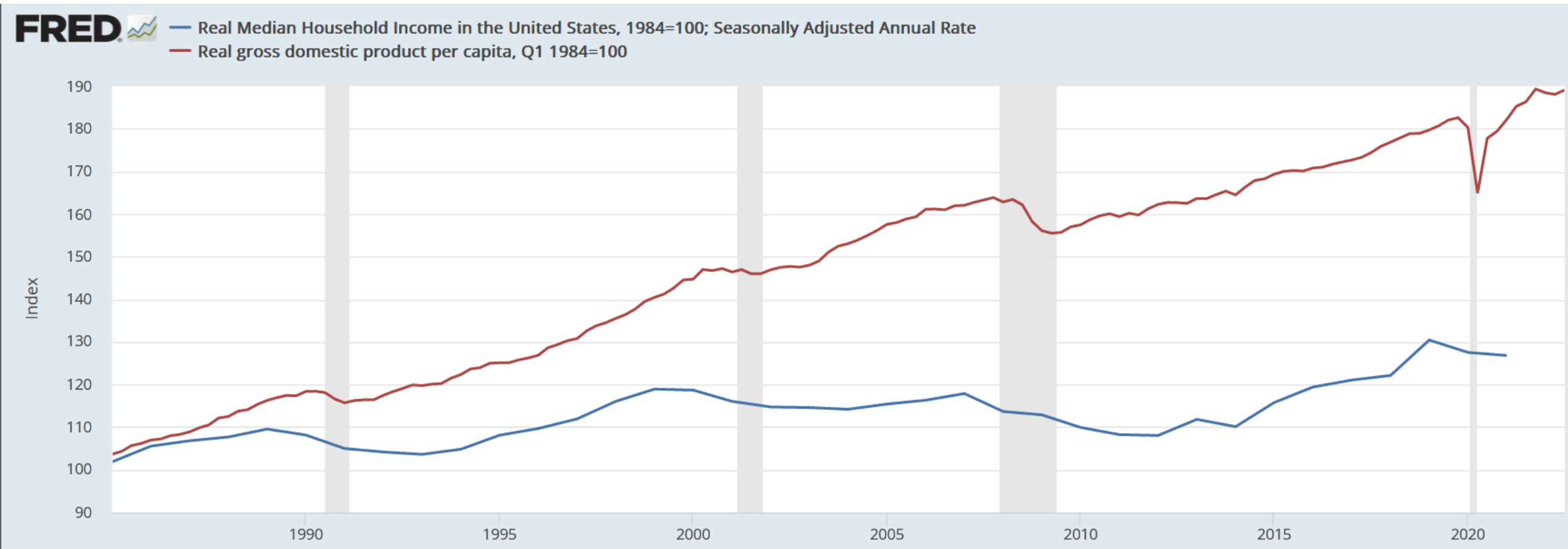
In the EU, decisions are made by three key bodies; the European Commission (which is unelected), the Council of Ministers (where the UK is outvoted) and the European Parliament. This system is deliberately designed to concentrate power into the hands of a small number of unelected people and undermines democratic government.

THE EUROZONE DECIDES WHICH LAWS WE HAVE TO OBEY

The (American) domestic politics

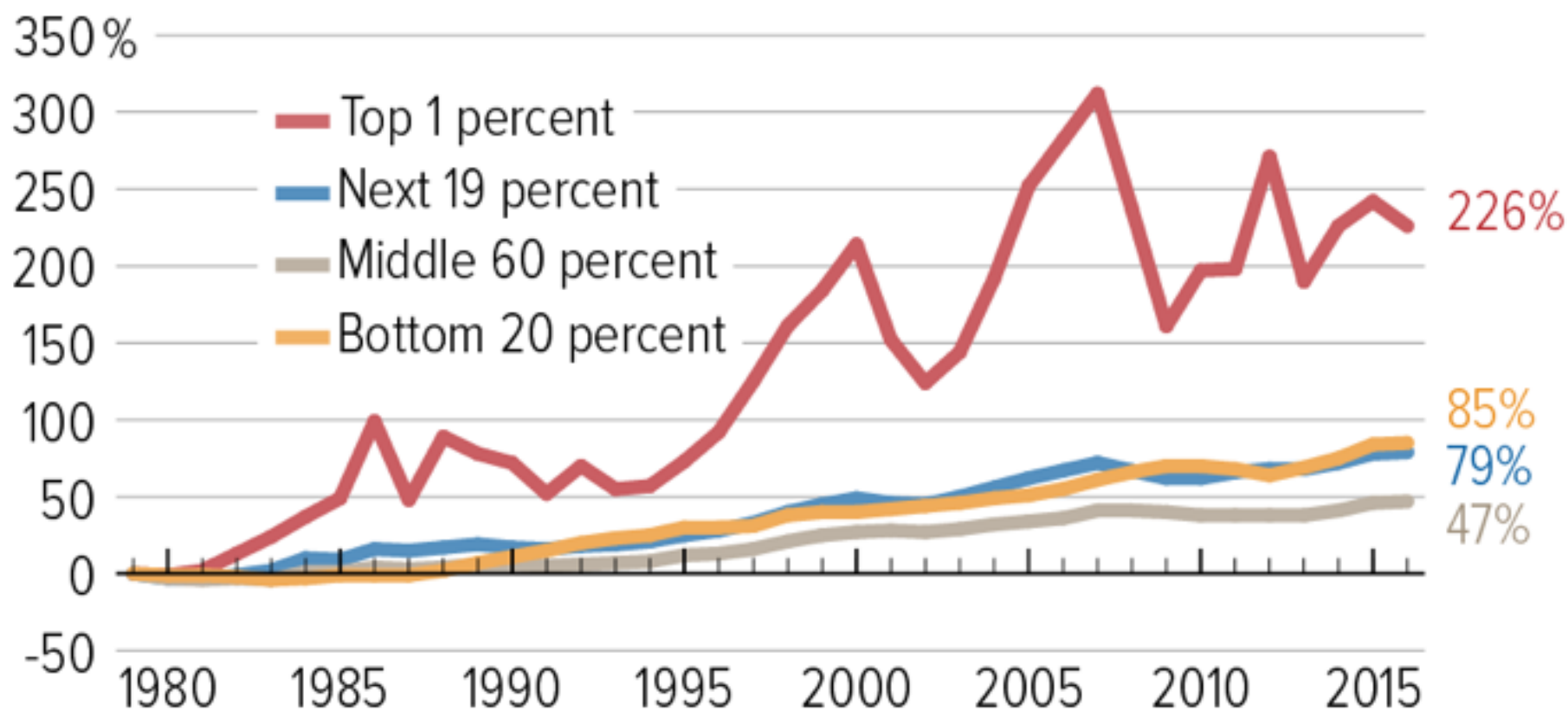
- Only 45% of Republican voters have favorable view of NATO.
One-third of Rep MCs voted vs bill to support NATO (April 2022)
- Congressional (Democratic) Progressive Caucus called for more diplomacy in Ukraine (then retracted)
- Donald Trump (describing meetings in 2018): “A fellow leader said, ‘Does that mean that you won’t protect us...from Russia’....I said, ‘That’s exactly what it means.’ ”
- Former National Security Advisor John Bolton: “In a second Trump term, I think he may well have withdrawn from NATO ... And I think Putin was waiting for that.”
- Not about DJT – about the OECD-wide backlash against integration – with deep socio-economic roots

The current economic order has not delivered



Income Gains at the Top Dwarf Those of Low- and Middle-Income Households

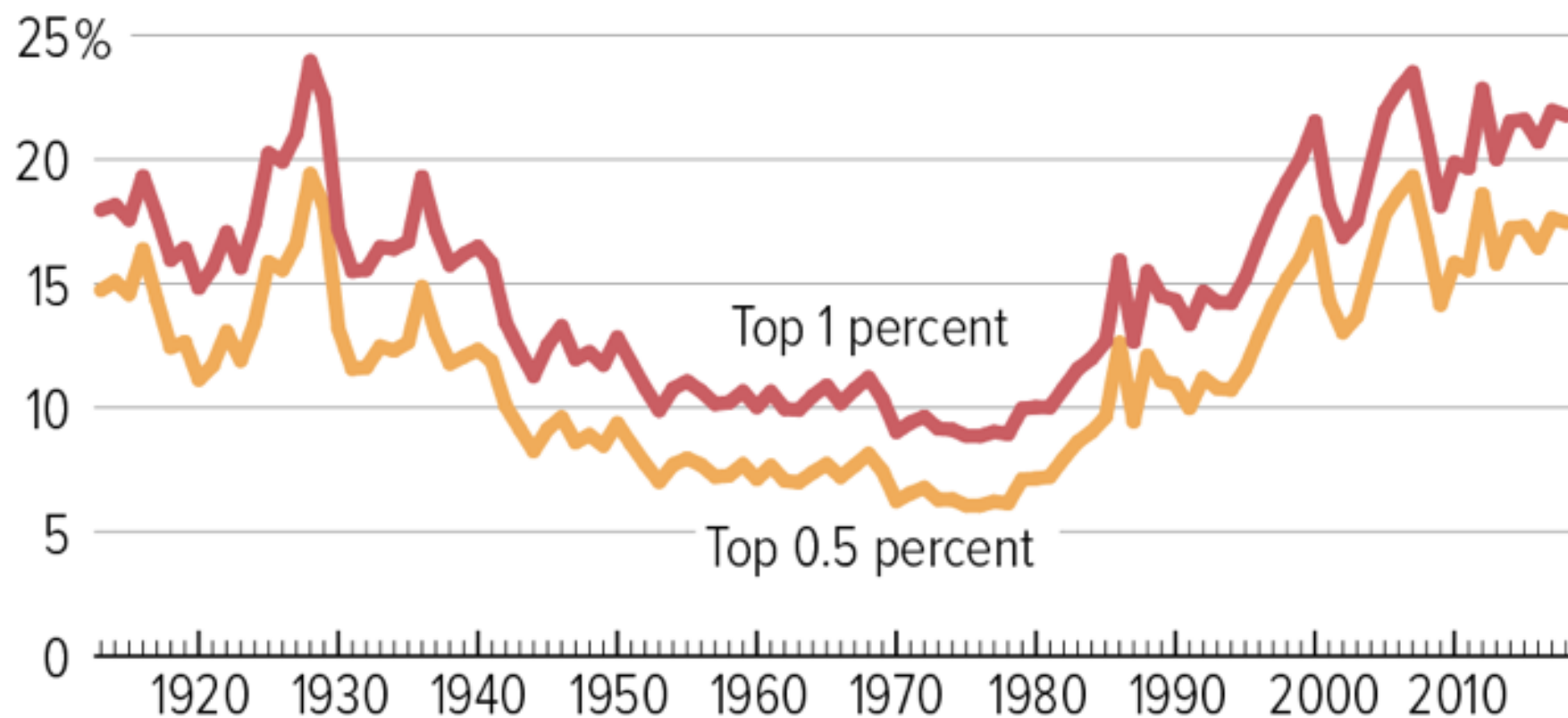
Percent change in income after transfers and taxes since 1979



Source: Congressional Budget Office

Income Concentration at the Top Has Risen Sharply Since the 1970s

Share of total before-tax income flowing to the highest income households (including capital gains), 1913-2018



Source: Emmanuel Saez, based on IRS data

Productivity growth and hourly compensation growth, 1948–2021

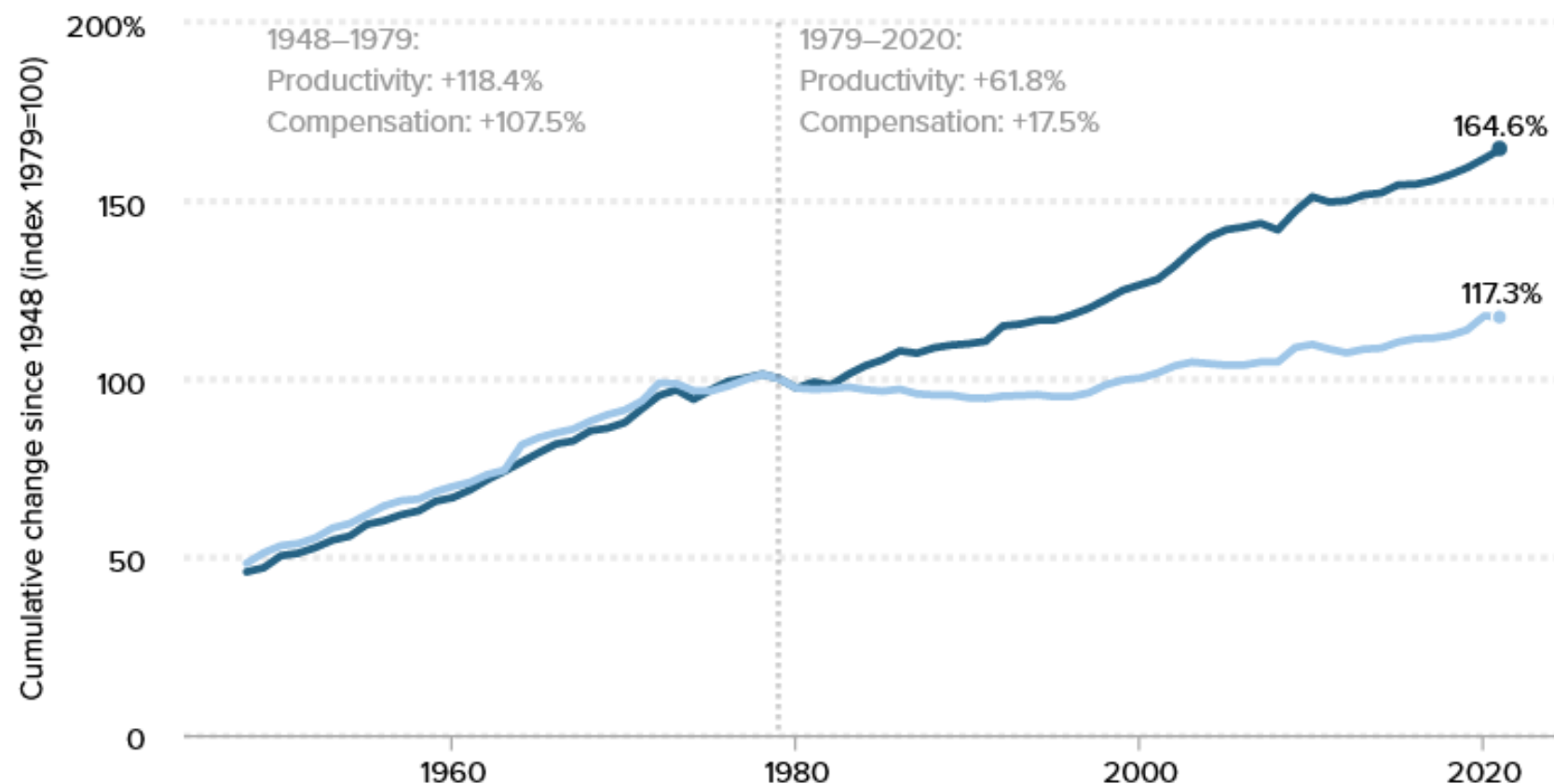
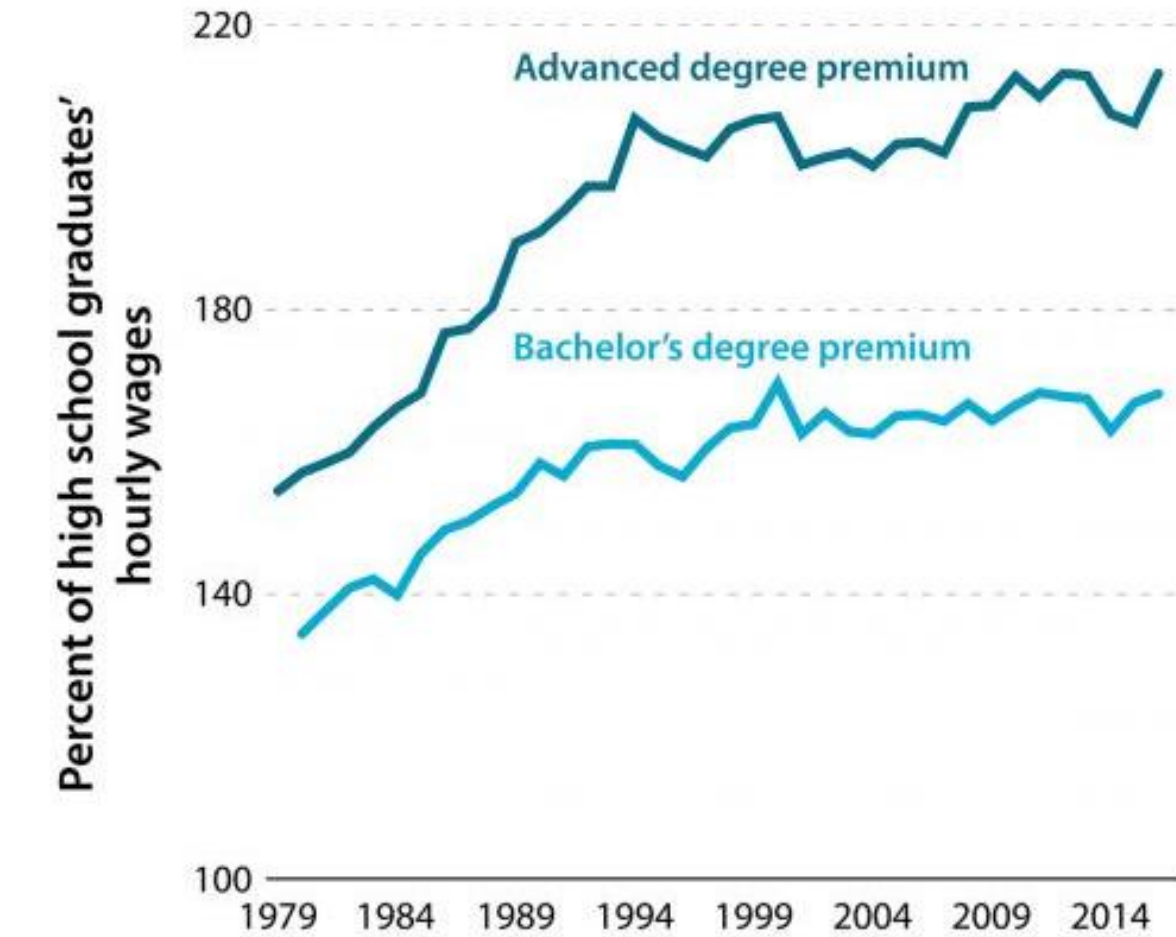


Chart Data

Notes: Data are for compensation (wages and benefits) of production/nonsupervisory workers in the private sector and net productivity of the total economy. “Net productivity” is the growth of output of goods and services less depreciation per hour worked.

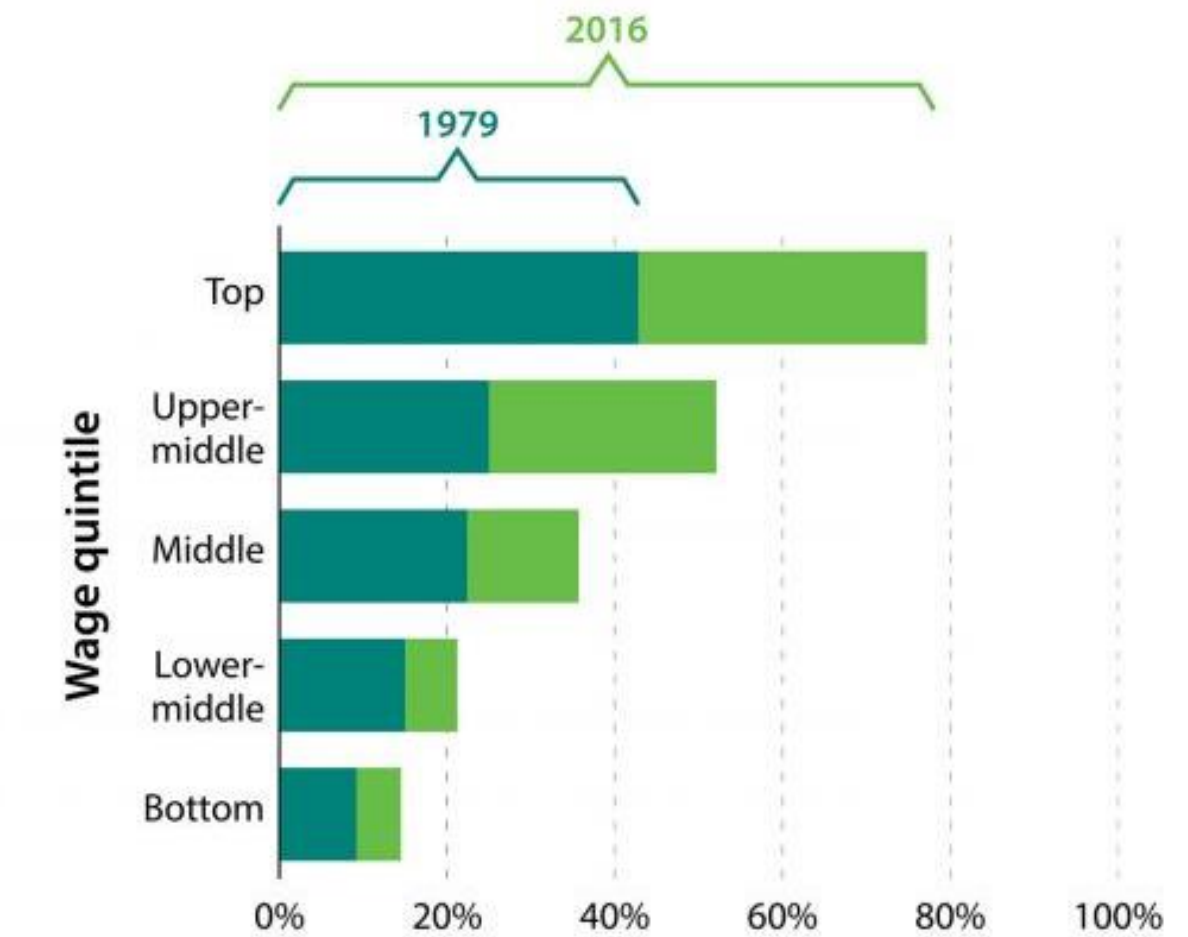
Source: EPI analysis of unpublished Total Economy Productivity data from Bureau of Labor Statistics (BLS) Labor Productivity and Costs program, wage data from the BLS Current Employment Statistics, BLS Employment Cost Trends, BLS Consumer Price Index, and Bureau of Economic Analysis National Income and Product Accounts.

Bachelor's Degree and Advanced Degree Wage Premiums, 1979–2016



Source: Current Population Survey, BLS (1979–2016); authors' calculations.
 Note: Sample restricted to workers ages 25–54. Wage premiums are the ratio of median wages for each educational attainment group with respect to median wages for workers with exactly a high school diploma.

Share of Income Quintile with a Four-Year Degree, 1979 and 2016



Source: Current Population Survey, BLS (1979–2016); authors' calculations.
 Note: Wages are hourly. Sample is restricted to workers ages 25–54.

To understand, not condone

- Working and middle classes have not shared in prosperity
- They suffer more in downturns and benefit less in upswings
- Isolationism has a long tradition in the United States (as do its analogues elsewhere) – not without some logic
- Support for economic integration depends on spreading the benefits – which up to now have been concentrated
- Politics/political systems everywhere search for way forward
- It is not clear any have found one

In conclusion

- Uncertain times
- After long shaky recovery from GFC and Eurozone crisis, plunge into pandemic. Emergence from emergency seemed strong, now in question
- Russian invasion of Ukraine remakes geopolitics. Rise of China contributes. The West is holding, but for how long?
- Global slowdown threatens international economic integration and cooperation, with nationalist populists growing in power
- Both the geoeconomic and geopolitical future is in play, and will largely be decided in the domestic politics of the major powers