

## Benefits and Costs of Globalized Markets

Libertarians believe in free enterprise and open competitive markets as well as freedom of association (e.g., with foreign businesses).

Benefits of globalized markets include more jobs, more consumer choice, improved productivity, better specialization, and more incentive to innovate and reduce prices, driven by competition among more businesses.

Indeed, consumers benefit significantly from a wider array of products and services with lower price, higher quality, and more features.

Inevitably competition leads to job loss due to basic market forces – increased automation, obsolescence, innovation, productivity and specialization, etc.

That is not an excuse for policymakers to ignore or trivialize benefits of globalization. Rather it should serve as a call to action for businesses to innovate and for workers to be retrained to be more competitive.

## Slowbilization

The recent slowdown of globalization has been called slowbilization.

Importantly, slowbilization will not reverse many of the negative effects that increasingly nationalistic people and governments attribute to globalized free trade, such as job loss.

Among other effects, fewer countries will be able to emerge as competitors, so more people will struggle to increase living standards via more trade. And consumers in countries with more mature economies will pay more for goods and services and be less free.

The Economist magazine offers the following observations:

*The way to make supply chains more resilient is to diversify them, not to domesticate them, which concentrates risk and forfeits economies of scale.*

*Moreover, a fractured world will make solving global problems harder, including finding a vaccine and securing an economic recovery.*

# Globalization



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## Introduction

Globalization is geographic diversification and integration of markets for products and services.

Some key drivers include:

1) geographically distributed natural resources, 2) digitization of many facets of modern life, 3) modern communication pathways especially The Internet and social media, 4) modern transportation, 5) global demand for services and manufactured goods in various countries, etc.

Given those and other drivers of globalization it should be no surprise that it has happened.

Libertarians prefer a more open, globalized marketplace whose competition drives consumer choice, innovation, specialization, differentiation and improvements to many products and services.

## Economic Nationalism

The recent trend toward nationalism – emphasis on one’s own country’s interests to the exclusion of others – in many countries reduces the types and amount of global trade.

The new favoritism is based in part on inward-looking nationalistic trends that accelerated during the 2008 financial crisis and 2020 pandemic. They include the assumption that in-country supply chains are more resilient (e.g., to disruptions like that from the Covid-19 pandemic) and that self-reliance is a virtue.

A key response to increasing nationalism is that many countries are tending away from treating

companies, goods, and supply chains equally without regard to their country of origin.

Worse yet, governments and central banks in many countries are, in essence, subsidizing in-country companies with stimulus with increased tariffs, duties, special tax treatment and other forms of protectionism.

Consider just a few recent examples. India’s has entered “...a new era of economic self-reliance.” Japan’s stimulus subsidizes companies that “repatriate” factories. EU officials talk of “strategic autonomy” and created a fund to buy stakes in companies in other countries.

Trade nationalism leads to slowing of globalization that The Economist magazine calls slowbilization.

