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Brookings Cafeteria Podcast:
Globalization and the 2016 presidential election

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DEWS: Welcome to the Brookings Cafeteria, a podcast about ideas and the experts who have them. I'm Fred Dews. a quick program note about a special series of election events here at Brookings. Throughout this election season, Brookings is putting on public events where our experts talk about the most important issues facing the country and their ideas for how to address them. the conversations are moderated by journalists Indira Lakshmanan and are being released as special episodes of the Brookings podcast network on this show and on our intersections podcast. visit iTunes to subscribe to both shows and you won't miss any of these special events. 10 years ago in 2006, Brookings launched a research program to explore the most pressing issues facing an increasingly globalized world including how to improve global economic cooperation and fight global poverty.

As Brookings celebrates its centenary this year the global economy development program marks its 10th anniversary with a new collection of 11 essays on globalization. here to talk about the essays and to address how some issues in globalization are playing out in the 2016 presidential election is Homi Kharas, senior fellow and deputy director of global economy and development. stay tuned in this episode for an update on the third and final presidential debate, and also meet a new education policy expert here at Brookings. Homi, thanks for joining me once again on the program.

KHARAS: thank you Fred.

DEWS: it was just about exactly a year ago that you and John MacArthur were on the Brookings Cafeteria so welcome back.

KHARAS: thank you.

DEWS: And congratulations to the global economy develop program on its 10th anniversary. I think you've been with it since nearly the beginning.

KHARAS: I have been there since almost the very beginning and I think I'm now the longest-serving member of the program.

DEWS: Well, I'm the longest-serving member of the office of communications.

KHARAS: There you go.

DEWS: So, the collection of 11 essays on globalization, can you talk about what the overall theme of this series of 11 papers is?

KHARAS: I think the theme is that we all know that we are really influenced and impacted by what happens in the global economy and right now the global economy is a very uncertain thing and I use word uncertain because basically we really don't know what's going on in the global economy and that there's no consensus on a lot of really important issues. there is consensus that how these play out is going to be very very meaningful but economists across the globe are actually quite sharply divided so what we did was to try to choose a set of essays, to be very humble about saying these are not areas where we feel we have reached any conclusions or have policy recommendations but these really important areas where there is a genuine, honest, debate, and we should track this debate, work on this debate, contribute to it and, you know, see as more and more information comes out, try to make judgments about where the debate is headed.

DEWS: These essays are really sharply defined and crisply written; they identify what the issue is, they discuss what some of the debate issues are around that topic and they look ahead in terms of what to look out for in the coming year. So, they're very

accessible; I highly recommend all of them to the readers but there's such a diversity of issues. how did you and the other authors, kind of, arrive at these set of issues?

KHARAS: Well of course, these are the issues that our scholars are actually working on but we also wanted to have issues which are really meaningful and pertinent to everybody who's thinking about the global economy. so just as an example, obviously there are huge debates about the impact of the global economy on inequality. so we have an essay on that. there are huge issues about what it's doing two jobs and what are the skills for the 21st century as they say that are going to be required, we have an issue on that. we had gone through a period where developing countries looked as if they were converging very rapidly to the living standards of advanced countries; that seems to have disappeared. is it true or is it just a cycle? will convergence comeback or will we go back to a period of divergence which we had in the nineteen seventies and nineteen eighties. we've entered a new phase where trade is now slowing down.

Again, is this a cyclical phenomenon or is this a structural a phenomenon? climate change, cities, happiness, the international monetary system, these are all issues where, you know, I would say are critical to the functioning of the global economy but where there's still a big debate and where our scholars are actively pursuing them. they're slightly different, I would say, from some other aspects of our work where we've done some work, we have specific policy recommendations, we feel that the weight of evidence is on one side rather than the other and we're ready to move forward to say this is how we think, you know, people should change. in these topics, I would say, we really don't feel that the weight of evidence leads us to one place or the other and so

these things that we feel that we need to track over time until we have enough evidence to start to take positions on them.

DEWS: let's talk about the paper that you co-authored with John MacArthur; it's titled “can globalization be rescued from itself.” I want to dive into the meaning of the title but first how do you define globalization?

KHARAS: Well, we think of globalization as essentially being the movement across borders of goods and services, of technology, of capital, and to a lesser extent, of people. but today when we talk about globalization, what we really mean is that there's trade, there's cross-border investments, that technologies are flowing across borders, and that people are moving from country to country, and all of those movements of goods, services, people, capital, ideas serve to really change the way in which national economies function.

DEWS: Now the title itself is in the form of a question and it's a provocative question. So, why are you asking whether it can be rescued? is it in some kind of danger?

KHARAS: Well, I think it certainly is in some danger and obviously what we've seen is that globalization has now entered into the body politic and in most countries, there is a significant question about whether globalization is good for national prosperity or not. that has never been a question that's been seriously asked in most of the post-war period except in a few developing countries which tried to go their own way and rapidly discovered that that was not a good idea so we had almost reached a consensus, let me say, by the year 2000 across the world that globalization and openness was the bedrock of prosperity. Fast forward a few years to today and you

would be hard-pressed to find a majority of people thinking that that is the case and in fact what we're seeing is that things like trade agreements and other of the instruments of globalization are actually now perceived as being not the levers for prosperity but the instruments of the destruction of national prosperity in many cases.

DEWS: From the protests over a decade ago in Seattle to Brexit to what we're hearing on the presidential campaign trail, there does seem to be a lot of question and disagreement about globalization and its benefits and I'm going to get to that in just a minute. I'm gonna stay on your paper for just a few more minutes, which I think do bear on the on this kind of political discussion and that is you identified four major questions around which the arguments on globalization revolve. can you briefly walk us through what those four questions are?

KHARAS: So, the first question was around the structure of the global economy and essentially what will get produced where so it gets to the heart of the issue of jobs; is globalization leading to fewer jobs, especially in manufacturing in advanced countries; what's it doing to jobs in developing countries. And then the second question is more about the way in which the benefits of globalization are being distributed and so there's all this discussion that it's only the top 1% who's getting all of the gains from globalization; everybody else is falling behind. Third, globalization is all about having a level playing field for trade. So, we talk about fair globalization. Well to have a fair level playing field, somebody's got to write some rules of the game; whose rules of the game is it going to; be how these going to be written. this gets to the heart of global governance. And then finally, the fourth issue that we identified is globalization and climate change. climate change, if you, like is the quintessential global issue and we

were trying to ask whether globalization, by the damage that it is perceived to be doing to climate in the way in which it is currently unfolding, has within it the seeds of its own destruction.

DEWS: Let's take a quick break at this point to hear from John Hudak who called in from Las Vegas and offered his thoughts on the final presidential debate and where the election goes from here. then we'll go back to Homi Kharas to talk more about global issues in the presidential election.

HUDAK: On Wednesday night, Donald Trump and Hillary Clinton faced off in the final presidential debate of the 2016 season. the host, the University of Nevada Las Vegas, saw a tremendous flow of journalists coming to Las Vegas to try to understand how this race might change and what the race might be like for the final three weeks. Donald Trump had a real opportunity to transform a race that was quickly slipping away from him. Hillary Clinton's task for the night was to stay doing exactly what she's been doing for the first two debates. Donald Trump's opportunity, ultimately, was lost. he was unable to transform his campaign; he was unable to reset the race; and the race that has been slipping away from him is going to continue to slip away from him. Republicans and Democrats alike watched the debate and took away the same view that Hillary Clinton one and she likely may have won the presidency at the debate at UNLV. but there are bigger problems for the Republican Party right now beyond Donald Trump. his performance in that debate may have begun the process to hurt down ticket Republicans, particularly Republicans running for Senate.

Right now the United States Senate is narrowly divided and Democrats have a real opportunity to take the majority after the November elections. Trump's comments

on abortion, on equality, on the Supreme Court, and a slur against the Latino community likely hurt him in many of the competitive states like Nevada, like New Hampshire, like Pennsylvania, like North Carolina, and Republicans will now begin to worry deeply not whether or not they will win the White House, but how badly a Trump loss will hurt them in senate races, and in-house races. in the final three weeks of this campaign, it may be less about who's going to be elected president and more about who will control Congress when it convenes in January. I'm John Hudak and that's what's happening on the campaign trail.

DEWS: And now back to the interview. let's take this moment now to segue into the u.s. presidential election if we can. We don't hear the actual word globalization a lot on the campaign trail itself, especially from the candidates, maybe especially from one candidate, but we do hear about trade, we hear about jobs, we hear about immigration. so I think a lot of the concerns about globalization are specifically related to, at least, those first two debates that you pointed out. the structure, jobs, who benefits…

KHARAS: And we hear about international financial institutions and the great conspiracy of the banking of world.

DEWS: That is true. it's a very recent injection into the political campaign, into the conversation. So, these areas how American voters are thinking about globalization, are there more ways that American voters are thinking about globalization as well?

KHARAS: No, I think it's exactly these areas but in addition when you hear President Obama, for example, talk about the trans-pacific partnership, his trade deal with Asian countries. He's very explicit about saying this is all about who's going to write the rules of the game in trade. is it going to be the US with certain standards for labor

and the environment and other things or is it going to be China or some other country in Asia who writes those rules. so I think all of these elements of globalization are actually playing out in very concrete policy proposals that are being debated during the election. the words that are used are sometimes different but together I think they encompass this movement that we've just simply termed globalization.

DEWS: It seems like a fair share of the Electorate, those who are responding to Mr. Trump's perspectives, aren't even thinking about this question of who's going to write the rules; it's more about jobs and identity. One of the big concerns is the perception of job losses that is due directly to trade, certainly some people have lost their jobs, but all the data show that, in general, trade amongst countries leads to increased jobs and prosperity, maybe just a shifting and resorting of who's doing a particular job. Can you explain how that contradiction works?

KHARAS: Well I think that one of the issues that all social scientists have is when when two things go together, and we've had globalization and we've had a sense of job losses, so over time, those two trends have taken place together; that doesn't necessarily mean that there's a causal relationship between them and that's the nature of the research that we do. Is there a causal link? Are these cyclical or are they structural, meaning will they go on for an extended period of time or will it simply reverse itself? And I think that in part, the problem that we have is that people have leapt quickly to an easy conclusion. It's very easy to see a factory closing down because of foreign competition that has made it unproductive so it's easy to associate trade and globalization with a loss of jobs. Most of the analytical work on that suggests that the

impact on jobs from technology change is far far greater, probably at least twice if not three times as big as the impact of globalization.

It's also the case that the decline in manufacturing jobs in the United States, for example, has started as far back as 1960 and has been on a steady downward trend; there is no indication that that decline is accelerating or decelerating or doing anything different as a result of globalization and some of the trade pacts that have been discussed. So, what we tried to do with our research is really to parse out what are the causal relationships, what's really going on and avoid leaping to conclusions that just because two things happened in the same time period, they're necessarily related to each other.

DEWS: It feels almost like Donald Trump and his supporters want to set themselves and America apart from the forces of globalization, the movement of goods and ideas and especially the institutions that facilitate and govern that. While Hillary Clinton generally in her supporters except for maybe the Bernie Sanders cohort are far more comfortable engaging with globalization and wanting to be a part of it, you could even say that's a major cleavage now we see in the body politic, globalization vs not globalization. Do you think that's a fair assessment?

KHARAS: Well, what I would hope is that as we move forward that we start to think more about how do we manage globalization so the many benefits that it does bring are more evenly shared and I would hope that both the supporters of Mr. Trump and the supporters of Mrs. Clinton and indeed of Bernie Sanders could get behind that because if you just take one of the elements, take migration for example, wherein a week where the Nobel prizes have just been awarded the first six prizes that were

awarded to Americans this year, every one of them went to a migrant to America. So, America has benefited enormously from migration; it's obviously benefited enormously from other aspects of globalization but equally it would be naive to suggest that there aren't people who've been badly affected. We need a fairer globalization and so talking about a better globalization rather than the is globalization good or is globalization bad, I would hope would be a more accurate and productive discussion for this country moving forward.

DEWS: To kind of probe maybe one layer further specifically on the institutions and the products of global governance that you and other global economy development colleagues focus on so much: the IMF, the World Bank, the sustainable development goals, the Paris Climate Agreement, these are the kinds of things that apply to the world out there but ordinary Americans may be sitting around in their homes don't see how these institutions and these goals and these structures apply to them, they can feel disconnected and these are issues for the so-called third world.

KHARAS: Right.

DEWS: In other words, what do the sustainable development goals have to do with me, for example.

KHARAS: Well, let me give you a very concrete example. Today, a local government in Belgium, the state of Wallonia, rejected a trade agreement that had been negotiated between the EU and Canada and they rejected it because of the certain issues around how you label products as being from certain geographies. Imagine any company trying to do business in the world, they want a certain set of standards. Tell me what you need me to put on this label and I'll do it but once I put it on the label, let

me sell this product anywhere in the world. We don't have that right now; so a company trying to sell something in one place, has to go through a completely different set of regulatory requirements in order to sell it somewhere else. That proliferation of standards and regulations across all countries of the world adds enormously to the cost of doing business. One of the things that globalization is doing, why I said part of this is about who writes the rules of the game, is to say this makes no sense, we can't have a hundred and ninety-three different standards. Let’s try to work out one set of common standards that everybody will abide by and that's what many of these agreements are trying to do and working towards.

So, all of that would introduce efficiency into the global economy, it would introduce transparency into the global economy because you would know what you were doing but there is a catch, it means that once you've come to an agreement amongst all the countries of the world, every country has to say we're not going to stay with this, at least for a certain period of time, and we're not going constantly go back and revisit and say no now we want to tweak this in a certain way because you can't get countries around the table again and again and again for those kinds of things. So, that's the - to me, that's the nature of globalization; it's an effort to try to introduce much more efficiency into the global economy and we need it. We need it because we cannot continue to produce with the same kind of material footprint as we have today and have a prosperous economy. The world is reaching its limits, its physical limits in a number of areas. We all talk about climate change but this also applies to the phosphorus cycle, the nitrogen cycle, biodiversity is being lost at an unparalleled rate. There are many

other examples of where we are reaching physical limits to growth and so we have to build our prosperity on much greater efficiency in many areas of the global economy.

DEWS: So the election's only a few weeks away and come January twentieth either Hillary Clinton or Donald Trump is going to be the next president of the United States. What do you see as the kind of immediate challenges that President Clinton for president Trump is going to face and kind of what is your thinking about how either of them as president would face those challenges?

KHARAS: Well, I think the immediate challenges are going to be to take care of the domestic economy but it's the way in which one tries to do that that's so important because there are usually two ways of taking care of any economy. You can try to do something which might give you a short-term stimulus but which can't possibly last over time and then you can think about ways what we will call sustainable which set the seeds for further growth. Those second sets of issues may not yield results in the very short run or even in the four-year term of a president but it's absolutely vital that any president actually invest in those kinds of things so that the country as a whole continues to advance. I would say things like education fall into that category. Investments in education won't affect growth in the next four years but they will really determine a lot about what happens to growth 15 years down the road. Investments in gender equality will do exactly the same thing you may not have an impact immediately on growth but if you can change the aspirations of girls, of minorities, of others, and encourage them to reach their full potential, that will have a dramatic effect on growth in the future. Well, it's a very important set of essays, I'm going to have additional authors from the series appear on the Brookings cafeteria podcast in the coming weeks to talk

about their particular piece of scholarship here and I want to thank you homie for your time today.

KHARAS: I want to thank you Fred; we're all very excited by these essays and of course delighted to have the opportunity to work on such interesting and at the same time important issues.

DEWS: You can find all of the essays on our website brookings.edu and also join in the conversation on these issues on twitter at #11globaldebates; that's the number eleven, eleven global debates. Finally today in our coffee break, meet John Valant, a new fellow at Brookings who explains what inspired him to become a scholar of Education Policy and what he thinks is the most important policy issue.

VALANT: My name is John Valant; I am a fellow in governance studies where I work in the Brown Center studying education policy and particularly k-12 education policy. So, I grew up in a Maltese family in the suburbs of Detroit to a family of mostly auto workers, people who were in one way or another attached to the big three auto companies and lived in Michigan up through college. I actually studied philosophy as an undergraduate and thought, for a time, I was going to be a philosopher and it turns out that there aren't jobs as philosophers so I started sort of thinking a bit about what I wanted to do and got involved in schools and urban education and have been spending the last decade or so bouncing around to New York and Boston and the bay area and New Orleans and now Washington DC in different ways doing different types of both work directly with schools and then research on urban schools. My grandparents moved to the US from Malta during the war, during World War Two, and settled in one of the very few spots where the Maltese have settled; there aren't very many of us so there's

sort of a small Maltese community that was initially in Detroit and my family's from Detroit originally and then since then moved and sort of spread around the Detroit area and is still very much rooted in that area with a few of us who have sort of moved out and around but we we identify, I think, still pretty closely with those Maltese roots.

As far as what my inspiration was for becoming a scholar and really getting into education policy. I had- coming out of college when I was- I was scrambling a bit so I was a philosophy major, was trying to figure out what to do, went to law school which is just sort of what you do as a philosophy major when you realize you need an income. Realized I didn't want to be a lawyer and started looking around a bit and settled into what was a very good school that was serving a high-needs communities in Brooklyn and came to realize that it felt like very meaningful work and it felt like work that was both engaging intellectually and also engaging just in the day-to-day of- they're real kids and real teachers in those buildings and my wife has been a teacher for a very long time. She now helps to run a charter school in the DC area and has always worked in schools that have students who really are in need and so she, I think, just sort of seeing what she sees, I think her job frankly is a lot more important than my job and I think has much more influence than I will ever have. She's sort of both a source of inspiration and also information so you learn a lot about what it is that schools do and you see how much we ask of schools, in particular urban schools in a way that I think is probably asking too much but they in a lot of ways are the vehicle we use for social equity and sort of correcting a lot of problems that we have in society and on the policy side, I got very interested in in education as being sort of the way that- it's building the foundation that solves a whole bunch of social problems.

So, those could be equity-related they could also just be attending to, sort of, civil Democratic Society or an economy that's flourishing and we really rely on schools for a lot of that. So as far as the work I'm doing now, I spent the last two years in New Orleans and the reason I did that is because New Orleans has what is a very unusual and very interesting education system right now. So a lot of my work right now is on school choice and charter schools which are big themes in the education world and New Orleans after Hurricane Katrina did away with residential school zones so in most of the US and I think what most of us are used to is, depending on where you grow up, you're assigned to a public school and that's the school you most likely attend unless you wanna opt out and go to a private school.

New Orleans ended that system so kids are not assigned to the traditional public school based on their home address. Instead, they ask every family to go and submit a ranked list of charter schools and other schools from around the city and then there's an algorithm that places kids into schools and so what you have is this really decentralized system that's overwhelmingly charter school and you have this sort of public-private hybrid system that has on one hand some really nice and positive features to it, so you have, for example, in sort of weakening those ties between where kids live and which schools they attend, you potentially create opportunities for the most disadvantaged families to access schools that they typically can't access and it's also true that in New Orleans the results are much better than they were prior to the storm with respect to test scores and graduation rates.

It does look like that there's been a lot of progress in a lot of really meaningful ways and then on the other hand, you worry a bit about what happens when you take

out that district system that we're very used to and sort of what that means for a community and whether when you have a group of independent autonomous charter schools, you worry a bit about what might be slipping sort of everyone's attention in which kids might be getting left behind so a lot of my work lately has been studying that system and sort of thinking about what are the holes in the system and what we might need to centralize to cover some of those holes and then also what's good about it and what can we take from New Orleans that is working and apply it to urban systems elsewhere.

As far as most important policy issues, a lot of my work is on urban education with a focus on equity and to me it's a really important issue in that that is we really do rely on schools to sort of get us to a place where kids, regardless of where they're from, have some shot, some reasonable shot at making it in the country and I think again that we ask a lot of schools and we probably ask too much of them. And with urban schools in particular, one thing I worry about is - there very fortunately is a lot of attention right now on closing achievement gaps between white and black students and between wealthy and poor students and these other achievement or opportunity gaps that show up. I do worry a bit that what we do is we close the gaps that are easy to see and measure and risk opening up a whole bunch of these sort of invisible gaps that are very hard to see and so as an example of that, when I was living in New Orleans and my wife was working in schools with some really disadvantaged populations in New Orleans I have a couple of kids my own and it was very visible to us that the schools that our kids attend do things that don't get measured and that's time on computers and it's time learning other languages and those I worry that when we sort of understandably focus

on closing gaps in test scores and these really fundamental things that kids in the media schools focus so much on those sort of core skills that they miss out on all of these enrichment activities that I think a lot of us really value for our own kids.

I do think there's a big issue, there's how we address educational equity and then in addressing educational equity, how are we smart about it and how do we not lose sight of the fact that educational equity is not just about your math scores and your reading scores but it's a much bigger question than that.

DEWS: Hey listeners, want to ask an expert a question? You can by sending an email to me at BCP@brookings.edu. If you attach an audio file, I'll play it on the air, then I'll get an expert to answer it and include it in an upcoming episode. And that does it for this edition of the Brookings Cafeteria brought to you by the Brookings Podcast Network. My thanks to audio engineer and producer Gaston Reboredo with assistance from Mark Hoelscher. Vanessa Sauter is the producer. Bill Finan does the book interviews, and design and web support comes from Jessica Pavone, Eric Abalahin, and Rebecca Visor. And thanks to David Nassar and Richard Fawal for their support. You can subscribe to the Brookings Cafeteria on iTunes and listen to it in all the usual places. Visit us online at brookings.edu. Until next time; I'm Fred Dews.