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Discussion of Goldberg and Reed's:

**“Is the Global Economy Deglobalizing?  
And If So, Why? And What is Next?”**

*by Pol Antràs (Harvard)*

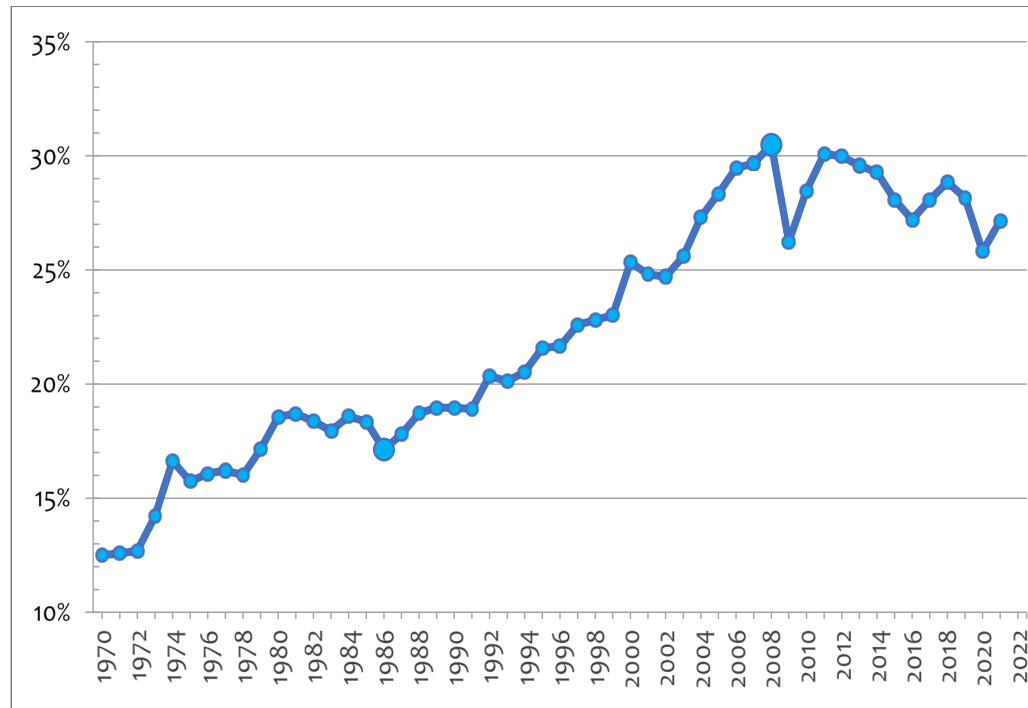
# Overview

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- Goldberg and Reed make three main points in their article:
  1. The world economy **does not** appear to be deglobalizing
  2. Global trade was remarkably **resilient** in the face of COVID, a drastic challenge to the functioning of the global economy
  3. Authors identify a recent significant change in the policy environment (particularly after Russia's invasion of Ukraine) that foretells a **highly uncertain future** for globalization

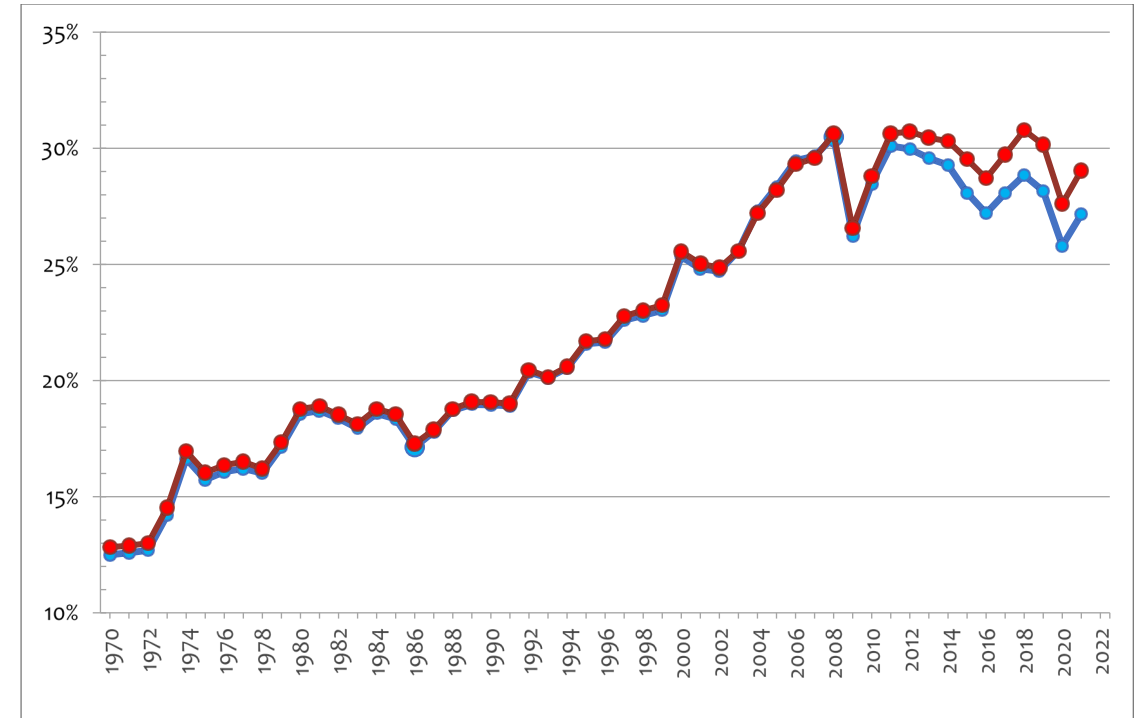
# The Facts: Slowbalization, not De-Globalization

Chart 1. World Trade over World GDP (1970-2021)



Source: World Bank's World Development Indicators ([link](#))

Chart 1'. World Trade over World GDP (1970-2021) excluding China



Source: World Bank's World Development Indicators ([link](#))

“You can see the deglobalization age everywhere but in international trade statistics”

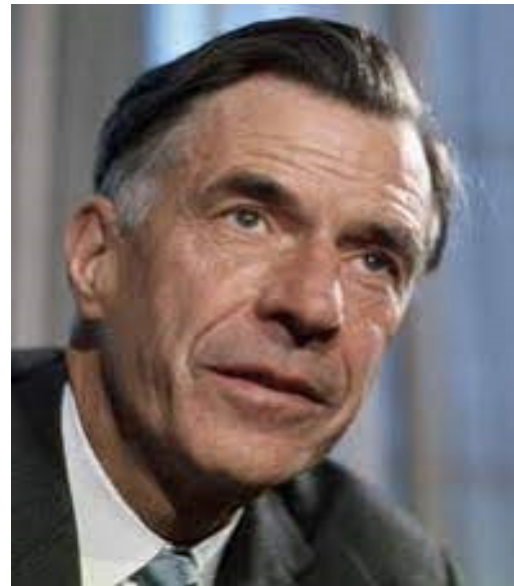
# It Hasn't Happen, But Will It Happen?

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“Prediction is very difficult, especially if it’s about the future“

Niels Bohr (1885-1962)



“The only function of economic forecasting is to make astrology look respectable.”

John Kenneth Galbraith (1908-2006)

# My Views

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- I agree with much of what is in Goldberg and Reed's paper
  - I will focus on outlining five aspects in which my views depart a bit
    1. Resiliency is costly
    2. The role of interest rates
    3. Russia versus China
    4. Beyond goods markets: Deglobalization in labor markets
    5. Needed: A multi-disciplinary approach

# #1: Resiliency is Costly

- Sunk costs associated with formation of GVCs generate hysteresis, but they also naturally lead to low levels of diversification
  - “China plus one” strategies are very costly

**Table 1. Number of Source Countries Per Imported Product by US Firms**

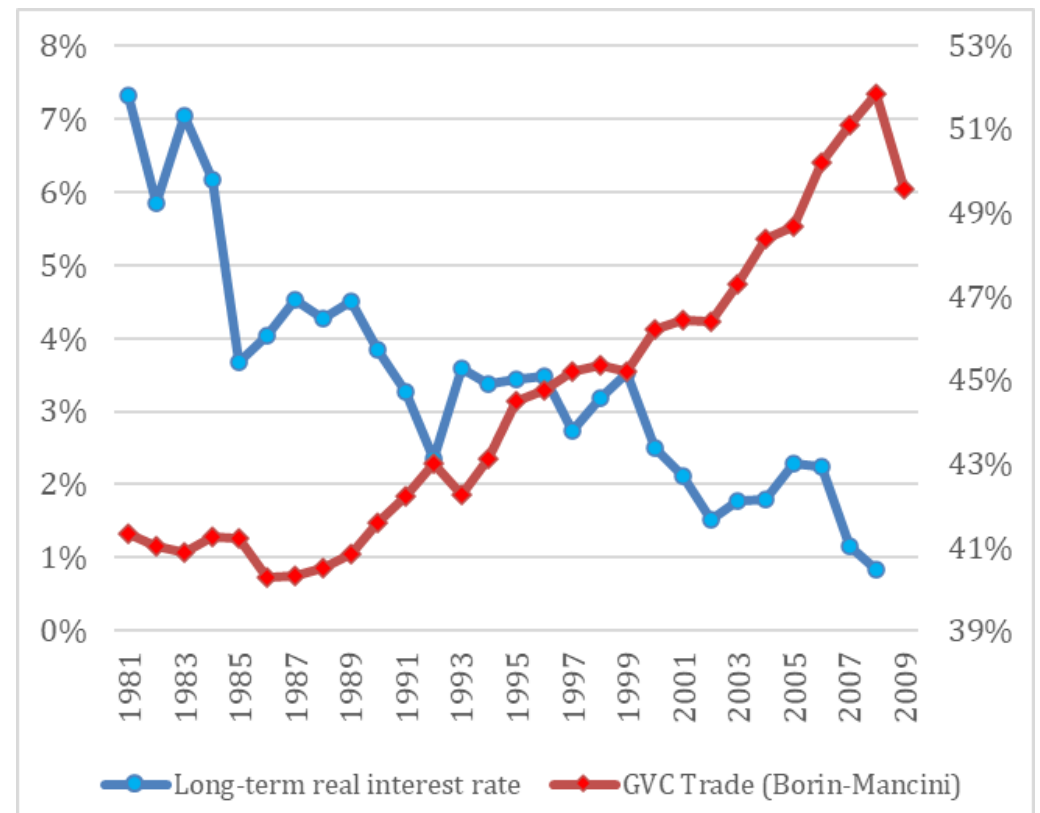
	Firm Level		
	Mean	Median	Max
Mean	1.11	1.03	1.78
Median	1.00	1.00	1.00
95th percentile	1.61	1.00	4.00

**Source:** Antràs, Fort and Tintelnot (2017). Table reports statistics on the number of countries from which a firm imports the same HS10 product for the year 2007.

## #2: The Role of Interest Rates

- Hyperglobalization period witnessed a substantial decline in real interest rates
- Formation of GVCs entailed significant set up costs, which were cheaper to finance in an era of low interest rates
- Because many of these costs were sunk in nature, a hypothetical reorganization of GVCs would again entail the need for significant **new investments**
  - but maybe facing higher interest rates!

Real Interest Rates and the Expansion of GVC (1981-2009)

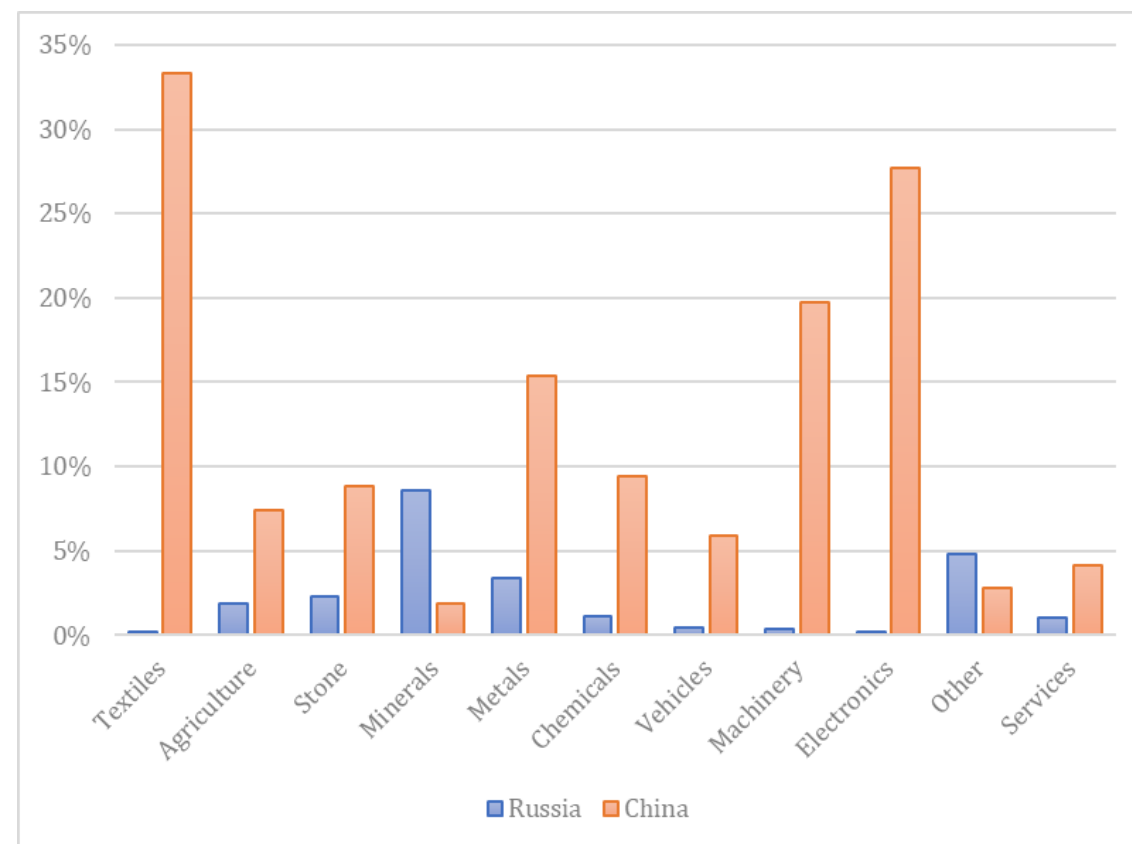


Sources: Borin and Mancini (2019) and Farhi and Gourio (2019)

## #3: Russia versus China

- Implications of a “decoupling” of Russia from the global trade system would be relatively minor
- A counterfactual without the February 2022 invasion would’ve still witnessed rising geopolitical tensions
- I’m increasingly concerned about China
  - **Common view:** decoupling would be too costly for China (semiconductors)
  - But who would go along with China?

Russia’s and China’s Global Market Share in Exports by Sector



Source: Atlas of Economic Complexity (<https://atlas.cid.harvard.edu>) for the year 2019

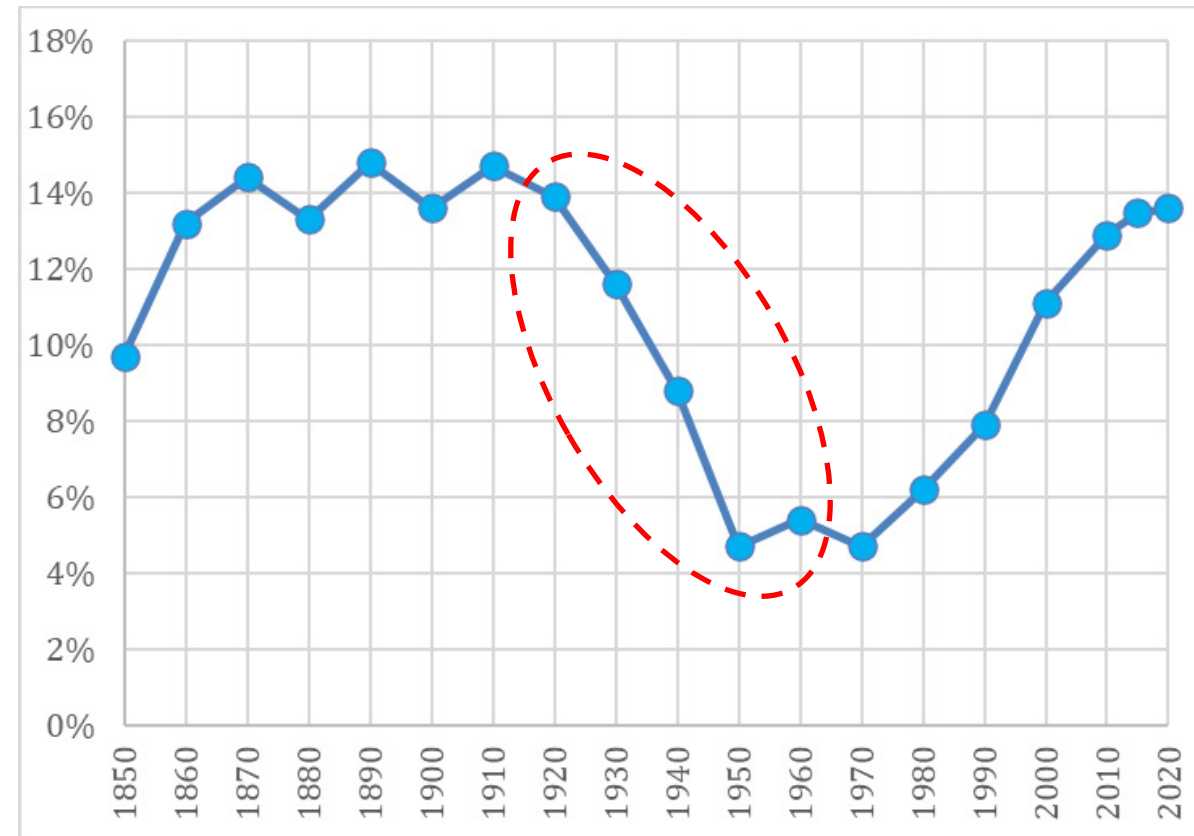




# #4: Deglobalization in Labor Markets

- Little evidence that migration flows have significantly slowed down or decreased
  - But important role of refugees
- Deglobalization in goods markets often triggers deglobalization in labor markets
- Real income and welfare implications of lower migration would be orders of magnitude larger

Foreign-Born Population as a Percentage of the U.S. Population (1850-2020)



Source: United States Census Bureau

# #5: Needed: A Multi-Disciplinary Approach

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- Quantitative revolution in international trade
  - We are now able to quickly produce projections for how world trade and world income will respond to various counterfactuals
  - Eppinger et al. (2021), Bonadio et al. (2021), Çakmaklı et al. (2021), Bachmann et al. (2022)
- I have qualms about this quantitative revolution in the field of international trade
  - too high a ratio of calibration to estimation; problem of overfitting
  - Need to look more at IO and less to Macro
- Need to look beyond Economics
  - Our modeling of governments is quite distinct from how International Relations scholars view them (as players trying to flex their *power* in Hobbesian anarchy of the international arena)