

# Considering Two Anti-Globalization Arguments

Estefania Santacreu-Vasut

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Estefania Santacreu-Vasut is Associate Professor of Economics at ESSEC Business School. This essay reflects some of the points raised by the author in her recent book coauthored with Tom Gamble *The nature of goods and the goods of nature: Why anti-globalisation is not the answer*, published in the UK by Imprint Academic in Dec. 2018: <https://www.imprint.co.uk/product/goods/>

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In the midst of the mounting tensions surrounding the trade war between the USA and China, protectionists discourses are increasingly popular. In a nutshell, protectionism advocates in favor of closing borders to trade, increasing tariff and non-tariff barriers, as a way to bring prosperity back home. It also advocates for tightening visa policies, making it harder for individuals to circulate and to settle in search of human prosperity, promoting, at the same time, the spread of new ideas and entrepreneurial attitudes around the world.

Human flows are a feature of human history since inception, and will remain a feature of humanity in the future as well. This is even more so given the predicted rise in the number of climate change refugees. Yet, protectionist postulates remain popular, as the rise of protectionist parties in the recent European Elections (2019) has shown. Protectionists arguments, though, rest on assumptions that are highly debatable, as summarized next.

***What are a few of the major errors made by anti-globalization advocates when it comes to their fears regarding the impacts of immigration?***

The first fear concerns a fatalistic view according to which local populations are always negatively affected by immigrants. This fear is based on the false assumption that local populations (or recipient populations) cannot change their behavior following the inflow of immigrants. Instead, local populations can and do change their behavior for instance by investing in their skills or by developing businesses that cater to the newly arrived populations and their demand for goods and services.

The second fear concerns the view that migrants do not bring with them economic or cultural value to the host society. This fear is based on the false assumption that migrants are a homogeneous group of unskilled workers. Instead, immigrants include both low skilled and high-skilled workers, often called expatriates. Immigrants can and do bring a variety of skills and entrepreneurial spirit to the recipient country, facilitating innovation, business creation and technology transfers. This is the case because those who dare to leave their countries are often positively self-selected among their home populations.

The third fear concerns the view that migrants affect negatively the public finances sustainability in the host countries. This is based on the false assumption that migrants take advantage of social welfare programs. On the contrary, because immigrants tend to arrive during working-age they tend to enter the host country after their schooling and health investments have been made. This means that they often represent a positive contribution to public finances sustainability as they contribute to the labor force without having benefited from host country welfare programs during their childhood.

The fourth fear concerns the view that migrants fail to adapt to the local culture, eroding social capital. This is based on the false assumption that migrants short term behavior and long term behavior (including that of second and third generation migrants) are persistently different from that of « natives ». Instead, we know that while culture is a stable institution, it does evolve over time. At the individual level, identity itself is not a rigid and unchanged construct but a construct in constant flux. Indeed, identity is malleable and results from parents transmission of values but also from the horizontal transmission from one's peers and the oblique transmission from one's teachers. More generally, history shows that more culturally diverse countries that are more open to migration flows are also more prosperous in the long run. To sum up, migration flows should not be seen as a wave that crashes relentlessly to the shore and to which local populations cannot adapt but rather as a river delta of mutual enrichment.

***What are a few of the major errors made by anti-globalization advocates when it comes to their promotion of trade protectionism?***

First, the assumption that closing barriers to trade can enhance current welfare. While it may benefit local producers in some industries by decreasing exposure to international competition, it does hurt consumers as a result of the declining competition, leading to higher prices, lower quality and less variety. This can also hurt the domestic industry in the medium run by decreasing incentives to innovate as a result of lower competitive pressures.

Second, the assumption that closing barriers to trade has no long run negative consequences either on prosperity nor on the *ability* to trade. Yet, we know that when a shock, like a war, interrupts trade between any pair of countries, this handicaps their trade flows in the future. That is, historical ties matter. They enhance trade relations between countries that share common historical ties.

Third, the assumption that trade is based solely on differences in preferences of consumers, or on different technological and natural resource endowments. Yet, one key determinant of trade between two countries is trust. Trust cements long lasting trade relations hurting future generations ability to trade. Increasing protectionist barriers today can hamper the building of trust tomorrow.

Fourth and last, trade vehicles not only consumer and final goods but also intermediate goods both across firms and within multinational firms. This means that increasing barriers to trade does not necessarily benefit local producers, particularly when these producers outsource inputs from abroad, as supply chains have become more and more complex.

***What are the other potential consequences of protectionism?***

Apart from trade and human flows, protectionism is also a badly equipped way to confront the key challenges of the XXI century. Prominent among these challenges lies the management of climate change and the management of digital economy. These challenges share one important feature: they revolve around non-rival goods (or bads). That is, goods whose consumption does not decrease the ability of others to consume them.

Clean air is a telling example of such a good. Breathing clean air in the outdoors does not prevent others from breathing it as well. This also means that, on the downside, pollution hurts not only the polluter but also the rest of us, leading to what is known as *negative externalities*. No wall or tariff can be tall enough to prevent air pollution to cross borders: coordinated action among countries is required, and will be required in the future, to manage climate change and its consequences for our economies and for their populations. But again, the less we interact with others, the less well-equipped will be our children and political institutions to build those supra-institutions in the pursue of our (increasingly inter-dependent) prosperities.