

GLOBALIZATION CAUSES INEQUALITY, INSECURITY, WAGE LOSS, NEW BOOK SAYS



A new book by economist Josh Bivens of the Economic Policy Institute provides a compelling reason for the Obama administration and Congress to think big about how to reduce economic inequality and insecurity in the years to come: Most working Americans have suffered steady and significant income losses that stem from global integration.

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[Everybody Wins Except for Most of Us: What Economics Teaches About Globalization](#)

finds that trade flows likely cost a full-time U.S. worker earning the median wage \$1,400 in 2006. This loss rivals or exceeds what median wage-earners experienced during the recession of the early 2000s. For workers on its losing end, globalization has felt like a chronic (if largely unseen) recession – one that requires a policy response as ambitious as that offered against today's very visible economic downturn.

Bivens shows even as total national income rises due to trade, the *majority* of workers lose – not just those displaced by imports but also those competing with these laid-off workers for the jobs that remain. Meanwhile, the benefits of trade flow mainly to a small number of employees and managers whose capital, skills and credentials insulate them from global competition. This redistribution of income is best measured in the hundreds of billions of dollars, and has contributed to the widening gap between growth in typical workers' wages and national productivity.

In *Everybody Wins...*, Bivens explains the best-practice techniques that scholarly research has developed to quantify the impact of trade on U.S. wages and then uses them to reach unconventional-sounding but well-documented conclusions about how globalization affects working Americans. Lastly, he translates these research findings into understandable numbers to inform the public debate.

Besides finding that globalization now costs most American workers on the order of \$1,400 in annual earnings, Bivens also notes that globalization may well reduce American wages in the future to a much greater degree than experts once thought possible as new technologies make industry that can transfer its output via data lines vulnerable to global competition.

“If the predictions of some very well-credentialed economists about the reach of service-sector offshoring hold true, this could potentially drag on the growth of living standards for a huge number of American workers for decades to come,” Bivens warns.

Bivens, a Ph.D. economist, writes that the basic patterns of these outcomes are predicted by basic economic theory but have been too often ignored in the rush to sign ever more trade agreements. He notes, “The irony is that those worried about what the integration of the rich U.S. economy and a much poorer global economy means for their living standards have a much better grasp of their underlying economics.”

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The book's findings indicate that much more needs to be done to cushion the blow of global competition. “To deal with harm as serious and widespread as that imposed by globalization, we need to think much more ambitiously about public policy that re-links aggregate and individual prosperity.” He urges policymakers to “think big,” and to use “*all* of the levers available to re-link the aggregate and individual prosperity that globalization has helped wedge apart: social insurance, public investment, fairer economic rules, and redistribution through the government budget and tax policy when other measures fail to provide egalitarian outcomes.”

Presented previously in research papers and interviews, Bivens’ analysis has helped shape public debate on the need for policy-makers to insure U.S. workers’ livelihoods in the face of expanded global trade. Among other outlets, his work has been cited by: *New York Times* columnist and Nobel winner, Paul Krugman; the *Times* editorial page; the *Economist* magazine; and three of the most widely read economics bloggers: Brad DeLong, Dani Rodrik, and Mark Thoma.

About the author

Bivens joined EPI in 2002. His research concerns the effects of globalization on developed and developing nations, macroeconomics, and social insurance. His writing has appeared in *The American Prospect*, *Challenge Magazine*, the *Guardian* and *Worth*, as well as in academic journals including the *International Review of Applied Economics* and the *Journal of Economic Issues*. He was an editor and contributor to *Good Jobs, Bad Jobs, No Jobs: Labor Markets and Informal Work in Egypt, El Salvador, India, Russia and South Africa*.

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