

Comments on: **Europe Taking the Lead in Responsible Globalisation**

Karl Aiginger and Heinz Handler (2017). Europe taking the lead in responsible globalisation. Economics Discussion Papers, No 2017-42, Kiel Institute for the World Economy.

<http://www.economics-ejournal.org/economics/discussionpapers/2017-42>

I. General comments

- The paper addresses an overly relevant issue: shaping the path of globalization towards a stricter focus on social rather than simply economic integration in the world economy and the assumedly positive role which Europe can take in comparison to other players. Many if not most of the arguments, principles and statements in the paper can be “bought” in their general outline but in my view **lack decisively in terms of concreteness of action, of naming of actors (national governments, supranational institutions?) and of countervailing forces working against what is called responsible globalization.** If Europe is to take the lead there must be other actors (US?, China?, emerging countries?) or forces (technology) who have failed to take the lead or have shifted globalization towards a less responsible path. They should be mentioned. In short: Chapter 2 describing the point of departure by pointing to the economic performance during the “third wave” of globalization (did it come to an end in 2008/09?) neglects to pinpoint the actors or forces towards less responsible globalization against whom Europe should or could act. In the absence of such pinpointing, the paper would remain widely normative and full of wishful thinking.
- Who is “Europe”? (Henry Kissinger’s famous statement on dialing “Europe”!). Only few statements in the paper refer to EU 28 or euro area. Mostly, it is only Europe which is called upon. Who in Europe should do what? EU Commission or EU governments which are widely separated and conflicted over many issues? The most concrete proposal in the paper (lowering the burden on labor taxation by reducing the social security contribution (p.8) is in the hands of individual governments not in the hands of the EU or other actors of “Europe”. Would it help if a single EU member state would change its taxation model in the way the paper would like to have it?
- The paper does not consider that except for the WTO, the EU is not a single actor in international organizations named in the paper such as the IMF, ILO, etc. Even the euro area with its common monetary policy has not a single seat in the IMF. Again, who in these organizations representing Europe could or should act towards more responsible globalization?

II. Specific comments

- References of literature at the end of the paper cannot be located in the text where they are relevant
- Chapter 2 would definitely need more proof of the empirical statements. They are broad and perhaps valid but where are the sources?
- In contrast to how the paper argues, the growth of labor productivity has been continuously declining since 1999 following the Conference Board Data

<https://www.conference-board.org/data/economydatabase/index.cfm?id=27762> Please check

- Whether the majority of Europeans still see globalization as an advantage (p.2) is by far not as clear as the paper would like to see it. The major problem is asymmetry in weighing less visible gains or chances (i.e. for consumers) and more visible losses or risks (for job takers). There is a slight contradiction between p. 2 (positive statement) and p.5 (causes of the turnaround, skeptical assessment)
- If “forced or push migration” is the coming challenge of globalization, what should Europe do in leading globalization towards a more responsible path? Circular migration as recommended on p.5 would not help here.
- In Chapter 5, I would swap “principles” for just “statements”. Often they are beliefs (“Glaubenssätze”)
- How can one apply a cost-benefit analysis tool to globalization for a societal perspective? (p.6) Who should do it? Technocrats?, Governments? NGOs?
- P.4: only in 2016 global trade grew more slowly than global production. But it is true that growth of world trade is declining and approaches that of global production.
- China’s admission to the WTO is seen in the USA as a mistake? Proof? Maybe Donald Trump but this might be outlier (as usual).
- P.3: Weakening of trade unions as a cause for increasing inequality? A symptom but not the cause! There are other reasons, for instance, that technology has drastically changed traditional labor-capital relationship. Piketty has a point to focus on rising wealth inequality but he would not label the weakening of trade unions as a cause of allegedly rising income inequality within countries.
- There is a slight anti-US bias in the paper (US dominance, multinational firms). Unless it is backed by empirical evidence, I would be cautious to simply follow such “beliefs” of anti-globalists. The US provides two collective international goods: global security and global monetary stability through the leading role of the dollar. This automatically, gives the US “dominance”. Is that bad? No, it is badly needed in the absence of workable alternatives? This has nothing to do with the incumbent president.
- P7: the current account surplus of Europe against the US as a positive factor in taking the lead is economically irrelevant. The US providing global liquidity through the dollar should run trade deficits against the rest of the world. The rest of the world keeps dollars for all three functions of money because of this global role. This is the flip side of the trade deficit. As the provider of global liquidity, the US is less inclined to save domestically for satisfying its domestic demand but can enforce the rest of the world to save for the US. The US can pay their import bill by printing money. The world (so far) accepts this.
- P.13 Free trade zones under US guarantee? What is that? NAFTA? Would the paper like to see more dominance of the US? Should the EU take a patrimonial stance in guaranteeing free trade zones in North Africa? A new Mediterranean Policy? Africans definitely would say no.