



Think tanks should look beyond economics to cultural and societal values. Guntram Wolff, Bruegel

With the United States walking away this year from multilateral deals like the Trans-Pacific Partnership and the Paris Agreement on climate change, is globalization doomed? Guntram Wolff, the director of Brussels-based economic think tank Bruegel, thinks not, given the importance of Europe and Asia.

If the United States doesn't change course, he says, the responsibility for Europe and Asia to work jointly on sustaining the multilateral system will become fundamentally important.

Together, there can be quite a bit of the multilateral system salvaged even if the United States wants to defect.

Wolff was speaking at the Global Think Tank Summit in Yokohama in May. Organized by the Asian Development Bank Institute in Tokyo and the Think Tanks and Civil Societies Program at the University of Pennsylvania in Philadelphia, it was a three-day gathering held ahead of the annual meeting of the regional development bank.

Instead of falling apart, Wolff said, the climate change accord might foster greater cooperation after the United States' withdrawal from it.

If one big guy deviates from sticking to the Paris agreement, the United States wants to completely deviate but all the others sticking to it, we could still have a significant influence on the speed of climate change. If we think that now that the US is skipping away we are following suit and do the same thing, then basically the climate change deal is dead and things look very quickly very ugly. I think the cooperation stays even if the United States has defected.

Wolff said globalization was still alive and well in terms of trade and financial flows.

Global imports as a share of GDP are not falling. It's not true to think that we are at a stage where globalization is reversing – not yet, it's slowing down but it's not yet reversing.

Wolf also noted that cross-border investment had also slowed but was still growing.

It's not negative. There was a very short period in the 2008 to 2009 and 2010, essentially where we had a significant negative so retraction behind borders, but it is still very much positive ... Investments across borders measured in global GDP is still at two percent of world GDP. Global interconnectedness is actually still increasing.

Wolff noted that the United States and the United Kingdom were the leading western critics of globalization.

Globalization is to be blamed for all the evils in this world – and in particular for the white middle class suffering and having a tougher time advancing and losing in relative terms to their peers and to other parts of society.

Yet rising income inequality has been a long-term trend for decades in many economies, notably the People's Republic of China and the United States, but also Japan, along with Central and Eastern Europe.

This is a pretty universal trend. If you look at income inequality, what you would see is that income inequality is rising in some countries but in fact the right rise is much more pronounced in the United States and the UK than in much of continental Europe where income inequality is actually relatively stable. It's not true that there is a massive rise in income inequality.

At the same time, the share of employment in manufacturing has been declining in all leading industrialized economies.

The manufacturing sector—the traditional old industrial base, the steel industry and so on and also manufacturing car producers and so on – have been losing in relative terms.

Could a rift develop between the United States and the United Kingdom on one side, and continental Europe on the other, with its strong welfare systems, pro-labor policies, and regional policies that help sustain industry and prevent polarization in labor markets?

It's too early to declare victory and it's certainly too early to declare that all these economic factors are the most important and most determining factors.

Wolff stressed the importance of looking beyond economics to cultural and societal values. For example, he noted a survey finding that economics—as measured by family income—was *not* the most important factor determining whether Americans voted for Donald Trump in last

year's presidential election. The survey showed that belief in authoritarian values was much more significant than family income.

The one question I would ask is whether we are, as think tanks, actually reaching the right audience ... If we think that these cultural issues are the most important determinant or one of the most important determinants for skepticism toward globalization, we should ask whether we actually reach the people.

Wolff noted that the late American sociologist Robert K. Merton found communities becoming split between so-called locals and cosmopolitans.

Most of us probably reach much more the cosmopolitans ... But do we talk enough to the locals to notice that we have a different kind of view ... My key would be to think about how to reshape audiences, how do we reach the right audiences and correct the right audience is increasingly the locals and less the cosmopolitans.

That was Guntram Wolff, the director of Brussels-based economic think tank, Bruegel, at the Global Think Tank Summit in Yokohama in May, which was organized by the Asian Development Bank Institute in Tokyo and the Think Tanks and Civil Societies Program at the University of Pennsylvania in Philadelphia.

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